STAFF PAPER

IFRS Interpretations Committee Meeting

10 July – 11 July 2012

IFRS IC March 2012 | **IASB** January 2012

Project	**IAS 7 *Statement of Cash Flows***
Paper topic	Examples illustrating the classification of cash flows

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Purpose of this paper

1. The purpose of this paper is to analyse some examples that illustrate the classification of the cash flows. The analysis presented in this paper is aimed at testing the principle for classification of the cash flows identified by the Committee at the March 2012 meeting and to determine how existing guidance in IAS 7 *Statement of Cash Flows* could be further clarified.

2. Our objective is not to perform a major revision or restructuring of IAS 7. Our findings in this paper are limited to the fact patterns analysed.

3. We will report the Committee's observations and conclusions to the Board at a future meeting.

Background information

4. At its March 2012 meeting, the IFRS Interpretations Committee (the Committee) discussed a request from the Board (refer to IASB *Update*, January 2012) to review requests that it had received in relation to IAS 7, with the aim of determining whether the Board could look collectively at issues that the Committee had recently discussed regarding the classification of cash flows under

IAS 7 (refer to [IFRIC *Update*] from November 2011). The requests reviewed by the Committee at the March 2012 meeting are included in Agenda Paper 7 from March 2012.

5. At the March 2012 meeting, the Committee noted that two 'principles of classification' in IAS 7 have been used to support the Committee's decisions (either for issuing an agenda decision or for proposing an annual improvement). These two principles and the Committee's recommendation were reported in the *IFRIC Update* of March 2012, as follows (emphasis added):

> (a) **cash flows in IAS 7 should be classified in accordance with the nature of the activity to which they relate**, following the definitions of operating, investing and financing activities in paragraph 6 of IAS 7[1]; and
>
> (b) **cash flows in IAS 7 should be classified consistently with the classification of the related or underlying item in the statement of financial position**. This approach could also lead, in some circumstances to splitting transactions into their different operating, investing and financing components[2].
>
> **The Committee observed that the primary principle behind the classification of cash flows in IAS 7 is that cash flows should be classified in accordance with the nature of the activity in a manner that is most appropriate to the business of the entity in accordance with the definitions of operating, investing and financing activities in paragraph 6 of IAS 7.** The Committee noted that it will use this as a guiding principle when analysing future requests on the classification of cash flows. The Committee also recommended that the

[1] In the following pages we will refer this approach as 'Principle 1'.

[2] In the following pages, we will refer this approach as 'Principle 2'.

> Board should clarify the primary principle behind the classification of cash flows in IAS 7.
>
> At a future meeting the staff will present to the Committee an analysis that will consider some other fact patterns that would illustrate the application of the identified principle behind the classification of the cash flows. The staff will report the Committee's observations to the Board at a future meeting.

6. The Committee observed that the **primary principle** behind the classification of cash flows in IAS 7 is that cash flows should be classified in accordance with the **nature of the activity** in a manner that is most appropriate to the business of the entity, in accordance with the definitions of *operating*, *investing* and *financing* activities in paragraph 6 of IAS 7; this is what we will be referring in this paper as '**Principle 1'.**

7. The **primary principle** identified by the Committee, Principle 1, is based on the guidance in paragraph 11 of IAS 7, which states that (emphasis added):

> **An entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business.** Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities.

8. The Committee noted that it will use the identified principle as a guide when analysing future requests on the classification of cash flows. The Committee further directed the staff to:

   (a) analyse some examples that would test the application of the identified principle; and

   (b) determine how to make this principle clearer in IAS 7.

9. This paper responds to the Committee's request from the March 2012 meeting.

Unsolicited comment letters on the Committee's recommendation

10. We have received two unsolicited comment letters. One came from the Asociación de Empresas Constructoras de Ámbito Nacional (SEOPAN) in Spain and the other from the European Construction Industry Federation (FIEC). We reproduce these letters in **Appendix C** of this paper for the Committee's consideration.

11. Both commentators strongly disagree with the Committee's recommendation at the November 2011 meeting (refer to IFRIC *Update* from November 2011) to amend paragraph 14 of IAS 7 to explicitly state that cash receipts and payments from construction or upgrade services related to service concession arrangements within the scope of IFRIC 12 are cash flows from *operating activities*. These commentators believe that cash outflows relating to construction services under a service concession arrangement represent, instead, *investing* cash flows.

12. Some of the views expressed in the letter from SEOPAN are presented below (emphasis added):

> **SEOPAN**
>
> **Taking into account the economic substance of the business, we understand that cash outflows relating to construction services under a service concession arrangement should be presented as investing cash flow.**
>
> The classification as an investing cash flow can not be denied because the investment is executed exchanging a construction activity of a new infrastructure against an intangible asset or a financial asset in a barter transaction. In terms of statement of financial position, the operator is recognizing a fixed asset (intangible or financial) as soon as the construction activity is performed (see IFRIC 12 illustrative examples) and in terms of cash, the operator is receiving cash from the banks and the shareholders in order to pay the investment that will be recovered in the future.

> **The conclusion that the cash outflows related to the construction of the infrastructure are investment cash flows can be concluded not only analyzing the nature of the business, but also from a technical point of view according IAS 7**.

13. Some of the views expressed in the letter from FIEC are reproduced below (emphasis added);

> **FIEC**
>
> **We strongly believe cash outflow relating to construction services under a service concession arrangement represent investing cash flow**. **Our analysis below builds on two aspects: the nature of the business and the technicality of IAS 7**.
>
> **Our position closely corresponds to the principle of classification in IAS 7 "b" (cohesiveness principle) identified by the Committee**, because the assets resulting from the construction or upgrade services provided are presented as investments in the statement of financial position according to IFRIC 12 (i.e. [non-current] financial or intangible assets).
>
> **Additionally, the presentation as investing cash flow is also supported by principle "a" (nature-of-activity principle),** because this principle is based on the notion in paragraph 11 of IAS 7 that the classification shall be based on a judgment of which presentation is most appropriate to the business and therefore most decision-useful to the users of financial statements

Our view

14. We do not think that the issue related to service concession arrangements within the scope of IFRIC 12 should be reopened for discussion by the Committee. This is because, to support its conclusions, the Committee used a classification

principle that is in line with the Committee's subsequent discussions in March 2012. As reported in the *IFRIC Update* of November 2011, the Committee concluded the following (emphasis added):

> **The Committee noted that the principle in IAS 7 Statement of Cash Flows 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 Committee noted that the activity is an operating activity,** and hence it is more appropriate to present the cash flows as operating cash flows.
>
> The Committee decided to recommend that the Board should propose an amendment, through Annual Improvements, to paragraph 14 of IAS 7 to clarify that an operator that provides construction or upgrade services in a service concession arrangement should present all of the cash flows relating to this activity as operating cash flows.

15. However, in our view, the amendment to paragraph 14 of IAS 7 recommended by the Committee at the November 2011 meeting would *not* be needed if the Committee were to agree to a more general amendment to IAS 7 to clarify the classification of cash flows.

16. We will ask at the end of this paper for the Committee's thoughts about the need to make additional amendments to the guidance in IAS 7 beyond what we are proposing in this paper.

Fact patterns for consideration

17. We have analysed six fact patterns to test the application of the primary principle identified by the Committee for the classification of cash flows. These fact patterns were informally brought to our attention, with the exception of Example 1 (payments to a long-term employee benefit fund), which is based on a formal

submission that we attached to Agenda Paper 7 from March 2012. The examples, which are analysed in detail in **Appendix A,** are:

(a) **Example 1:** Cash contributions to a long-term employee benefit fund

(b) **Example 2:** Cash received as compensation for an insured loss

(c) **Example 3:** Cash payment to purchase of property, plant and equipment (PP&E) on deferred payment terms

(d) **Example 4:** Cash payment to meet a rehabilitation obligation

(e) **Example 5:** Cash received from a government grant

(f) **Example 6:** Cash payments in a reverse factoring agreement.

Summary of results from the fact patterns analysed

18. The table below summarises our views regarding what we think the most appropriate classification of cash flows for each of the examples should be (the detailed analyses are included in **Appendix A** to this paper):

Example		Cash flows classification	Description of the nature of the transaction	Guidance in IAS 7 used to support our conclusion
1	Cash contributions to a long-term employee benefit fund	Operating activities	Cash outflows are part of the compensation for employment services and would be classified like any other cash payment on behalf of the employees.	Para. 14(d)
2	Cash received as compensation for an insured loss (for damaged PP&E)	Investing activities	Cash inflows are received to cover for losses and damages of PP&E. Thus, this transaction represents ‘in substance’ a disposal of PP&E and would be classified as an investing activity. Insurance proceeds are not derived from the principal revenue-producing activities of the entity.	Para. 16(b)

Example		Cash flows classification	Description of the nature of the transaction	Guidance in IAS 7 used to support our conclusion
3	Cash payment to purchase PP&E on deferred payment terms	Investing activities	Cash outflows are to acquire PP&E and made to a supplier. Consequently they would be classified as an investing activity regardless of when cash flows will be paid.	Para. 16(a)
4	Cash payments to meet a rehabilitation obligation	Operating activities	Cash outflows are for costs of rehabilitation, which are derived from the mine's normal operation activities. These activities are for the decommissioning or dismantlement of an asset. They therefore do not meet the definition of an investing and/or financing activity.	Para. 14
5	Cash received from a government grants	Financing activities	Cash inflows from a grant provide the entity with financing for the designated asset/activity. They are in substance financing cash inflows.	Para. 6 and para. 17
6	Cash payments in a reverse factoring agreement	Financing activities	The bank has provided credit to the entity to enable the entity's liabilities to be settled on the due date. The repayment of that amount to the bank is a financing cash outflow.	Para. 17(d)

Main findings derived from our analysis of the fact patterns

19. On the basis of our analysis, we observed that different conclusions are reached if the classification of cash flows is based on the primary principle identified by the Committee (Principle 1: identify the nature of the cash flow analysed), rather than on the classification of the related or underlying item in the statement of financial position (ie Principle 2), as often each of the two principles leads to a different answer.

20. We consequently think that IAS 7 should clearly indicate that Principle 1 is the primary classification principle for cash flows, because this would:

    (a) add clarity to the application of paragraph 11 and make the primary principle more robust; and

    (b) promote consistency in the classification of cash flows.

21. We also think that IAS 7 should provide further guidance on how to implement the primary principle. In other words, IAS 7 should provide a description on how to identify the nature of the cash flow that is being analysed.

22. At present, paragraph 11 in IAS 7 requires the identification of cash flows by activity (operating, investing, financing); however, it does not mention *explicitly* that in identifying cash flows by activity, management should focus on the underlying *nature* of those cash flows.

23. Moreover, we observe that:

    (a) the definitions of *operating*, *investing* and *financing* activities in paragraph 6 of IAS 7 provide guidance on how to make this distinction by activity; however, in our view these definitions are too narrow; and

    (b) the classification of cash flows is driven by lists of examples (included within each description by cash flow activity) but these lists are not exhaustive.

24. In our analysis we identified some elements that could help management to identify the nature of the cash flow that is being analysed for a particular transaction and determine the most appropriate classification of cash flows when this classification is not clear. These elements, are:

    (a) the cause or reason for which the cash flow is received or paid (refer to paragraphs 26–29);

    (b) the counterparty who receives or pays the cash flow (refer to paragraphs 30–33);

    (c) whether cash flows result from transactions that enter into the determination of profit or loss (refer to paragraphs 34–41); or

(d) the predominant source of cash flows (refer to paragraphs 42–43).

25. An analysis of the elements identified is provided in subsequent paragraphs. Our analysis also associates these elements with the fact patterns examined.

The cause or reason for the cash flow

26. We observe that IAS 7's objective[3] is to classify cash flows according to whether they stem from operating, investing, or financing activities. In making this distinction we think it is important to identify the cause or the reason for the cash flow because users of financial statements are interested in how cash flows are used and generated. In this respect, paragraph 3 in IAS 7 states (emphasis added) that:

> Users of an entity's financial statements are interested in **how the entity generates and uses cash and cash equivalents**.

Fact patterns analysed

27. In our analysis of cash payments to a long-term employee benefit fund (fact pattern 1) we concluded that the substance of these payments is similar to other cash payments for employment services; consequently, these payments should be classified in the same way as any other cash payments for employment services, as part of operating activities.

28. In our analysis of insurance proceeds that are received as compensation for an insured loss from an insurance company (fact pattern 2), we concluded that management should focus on the reason or cause for the cash flow. In our view, if management holds an insurance policy to cover the damage to PP&E this transaction represents 'in substance' a disposal of PP&E. Consequently, we think that the cash proceeds from the insurance company should be classified as part of *investing activities*. In addition, we concluded that insurance proceeds are not

[3] The identification of the sources and uses of funds was the objective of the previous IAS 7 *Statement of Changes in Financial Position* (October 1977), which was superseded by the current IAS 7 (issued in December 1992 by the IASC and adopted by the IASB in April 2001).

derived from “the principal revenue-producing activities of the entity”; and consequently they should not be classified as part of an entity’s *operating activities*.

29. In our analysis of cash inflows from government grants (fact pattern 5), we concluded that the grant is providing a source of financing to the entity and consequently cash received should be part of the entity’s *financing* activities.

The identification of the counterparty

30. We observe that in IAS 7 the counterparty in the transaction plays an important role in the classification of cash flows. For example,

    (a) “cash outflows to suppliers” are classified as *operating activities* (refer to para. 14(c)); whereas

    (b) “cash repayments of amounts borrowed to lenders” are classified as *financing activities* (refer to para. 17(d).

31. In a similar fashion, if an item is acquired:

    (a) through a finance lease, payments of the principal are classified as being equivalent to the payment of a loan, therefore being classified as a *financing* cash flow (refer to para. 17(e)); whereas

    (b) through a supplier rather than through a lender, the repayment to the supplier is classified as either an *investing* or an *operating* cash flow in accordance with para. 14(c) or para. 16(a), respectively.

Fact patterns analysed

32. In our analysis of cash inflows from government grants (fact pattern 5), we observed that this transaction is in substance a financing transaction, because the entity has obtained finance from the government.

33. In our analysis of cash payments in a reverse factoring agreement (fact pattern 6), we observed that this transaction is in substance a financing transaction, because the entity has obtained finance from a lender in order to pay amounts due to its supplier. Because the counterparty is a bank (a lender), instead of a supplier, we

also concluded that such payments should be classified as part of the entity's financing activities.

Determine whether cash flows result from transactions that enter into the determination of profit or loss

34. We have consulted some members of our staff who were involved in the publication of the current version of IAS 7, and they have confirmed to us that the original intention in IAS 7 was to have the operating section of the cash flow statement reflect, as much as possible, a cash-basis income statement. Paragraph 14 of IAS 7 demonstrates this fact because it states that (emphasis added):

> Cash flows from **operating activities** are primarily derived **from the principal revenue-producing activities of the entity**. Therefore, **they generally result from the transactions and other events that enter into the determination of profit or loss**.

35. Consequently we think that when analysing cash flows by nature, it is important to consider whether cash flows result from transactions that enter into the determination of profit or loss.

36. We think that management, when doing so, should determine where the original debit or credit is recorded for the transaction (except in the case of noncash investing/financing transactions).

37. We think that if the debit in the original transaction is reported in profit or loss (ie the transaction gave rise to an immediate expense), then, regardless of whether the credit was to a long- or short-term payable, when the cash is paid, it would be classified as an operating cash flow. For example, in determining the classification of the cash outflow for the payment of an employee's salary, an entity would look at the following entries:

Dr Wages **(expense)**

Cr Liability (wages payable)

To record the liability for wages payable

Dr Liability (wages payable)

Cr Cash (**operating cash outflow**)

To record the payroll payment

38. We think that if the credit in the original transaction is reported in profit or loss (ie the transaction gave rise to immediate recognition of income), then, regardless of whether the debit is to a short- or long-term receivable, when the cash is received, it would be classified as an operating cash flow. For example, in determining the classification for the cash inflows received from a credit sale in the normal course of business, an entity would look at the following entries:

Dr Accounts receivable

Cr Revenue (income)

To record the credit sale

Dr **Cash (operating** cash inflow)

Cr Accounts receivable

To record the receipt of cash from the sale

Fact pattern analysed

39. In our analysis of payments to meet a rehabilitation obligation (fact pattern 4), we concluded that, these payments are linked to the mine's operation, consequently, on the basis of the definition of *operating activities* in paragraph 14 of IAS 7 they can be considered to be operating cash flows.
40. We also noted that the rehabilitation activities relate to the removal of an asset that produced cash flows in the past and not the construction of an asset that will generate cash flows in the future. We therefore concluded that such payments do not meet the definition of 'investing'.
41. We also concluded that the payment of cash arising from the performance of rehabilitation activities is not the repayment of financing and therefore payments do not meet the definition of 'financing' in IAS 7.

Other findings

The identification of the predominant source of cash flows

42. We have observed that the last paragraph in the section describing *operating activities* (after para. 14(g)) implicitly states that in situations in which cash inflows and outflows may relate to more than one category of cash flow, the appropriate classification should be based on the activity that is likely to be the predominant source of cash flows. This paragraph is reproduced below:

> Some transactions, such as the sale of an item of plant, may give rise to a gain or loss that is included in recognised profit or loss. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of IAS 16 *Property, Plant and Equipment* are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

43. We consequently also propose making explicit in IAS 7 that in some circumstances an entity should look at the predominant source of cash flows, because we think that this could serve as further guidance for implementing the primary principle for classifying cash flows[4].

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[4] We note that the guidance in paragraph 10-45-22 of Topic 230 of the *FASB Accounting Standards Codification®* is explicit in this respect. It states that (emphasis added): "Certain cash receipts and payments may have aspects of more than one class of cash flows. For example, a cash payment may pertain to an item that could be considered either inventory or a productive asset. **If so, the appropriate classification shall depend on the activity that is likely to be the predominant source of cash flows for the item**. For example, the acquisition and sale of equipment to be used by the entity or rented to others generally are investing activities. However, equipment sometimes is acquired or produced to be used by the entity or rented to others for a short period and then sold. In those circumstances, the acquisition or production and subsequent sale of those assets shall be considered operating activities".

The occurrence (timing) of the cash flows

44. Under IAS 7 there is no specific guidance for situations in which cash inflows or outflows occur several years after the date of the transaction. For example, on the purchase of plant assets through instalment payments, IAS 7 does not distinguish for classification purposes between early payments (eg an advance payment) or subsequent instalment payments and considers *all* payments to be investing cash flows in accordance with paragraph 16(a)[5].

45. Accordingly, our view is that the classification of a cash receipt or cash payment should be determined by analysing its cause (or original purpose) for which it is received or paid *regardless of* when these cash flows are received or paid.

Fact patterns analysed

46. From our analysis of a purchase of PP&E on deferred payment terms (fact pattern 3) we concluded that because the entity purchased PP&E and makes the payment to a supplier, the entity would classify its cash outflows for the repayment to the supplier as part of its *investing activities* regardless of whether this payment has been deferred or not.

47. Our answer to this fact pattern was relatively simple because the purchase of PP&E is explicitly addressed in IAS 7. We observe, however, that for transactions that are not explicitly categorised in IAS 7 (eg payments for contingent or deferred consideration), it would be unclear whether the occurrence (or timing) of cash flows might play a vital role in their classification.

48. We think that in those cases where the classification of particular cash flows is not addressed in IAS 7, the occurrence of the cash flows (ie the 'when') is not an element that should be taken into account in identifying the nature of the cash flows. This is because in our view the 'cause and the reason' for the cash flow (ie

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[5] US GAAP is more specific in this respect. Paragraph–10–45–13 of Topic 230 *Statement of Cash Flows* in the *FASB Accounting Standards Codification®* states that (emphasis added) "Payments at the time of purchase or soon before or after purchase to acquire property, plant, and equipment and other productive assets, including interest capitalized as part of the cost of those assets. Generally, **only advance payments, the down payment, or other amounts paid at the time of purchase or soon before or after purchase of property, plant, and equipment and other productive assets are investing cash outflows. However, incurring directly related debt to the seller is a financing transaction** (see paragraphs 230-10-45-14 through 45-15), and subsequent payments of principal on that debt thus are financing cash outflows".

the ‘why’) and the counterparty (ie the ‘who’) play an important role in the classification of cash flows, as we explained in paragraphs above.

Expenditures that result in a recognised asset

49. In November 2007 the IFRIC (the previous name of the IFRS Interpretations Committee) received a request for guidance on the classification of exploration and evaluation expenditure in extractive industries. This issue was analysed at the the Committee meetings in January 2008 (refer to Agenda Paper 7-B) and March 2008 (refer to Agenda Paper 4B).

50. While paragraph 16 of IAS 7 appeared to be clear that only expenditures that results in the recognition of an asset would be classified as cash flows from investing activities, the wording was not definitive in this respect. At the June 2008 meeting (refer to *IASB Update* of June 2008), the Board agreed with the Committee’s recommendation to make explicit in paragraph 16 of IAS 7 that:

> Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.

51. This amendment was finalised in *Improvements to IFRS* published in April 2009.

Our view

52. We think that the sentence added to paragraph 16 is unnecessary and it is leading to misunderstandings about the classification of cash flows, because it is giving precedence to Principle 2 as identified by the Committee (ie “cash flows in IAS 7 should be classified consistently with the classification of the related or underlying item in the statement of financial position”).

53. Consequently, our proposal is to eliminate that (added) sentence from paragraph 16 of IAS 7 because in our view this clarification is not indispensable and is adding confusion to the classification of cash flows.

Fact pattern analysed

54. In our analysis of payments to fulfil a rehabilitation obligation (fact pattern 4), we concluded that the fact that the rehabilitation cost is capitalised as part of the cost of the investment of a mine does not automatically lead to a classification within *investing activities*.

55. In our view, these payments should be considered operating cash flows because they are linked to the (operating) cost of rehabilitating a mine. In addition, we concluded that this payment should not be classified either as an investing activity or as a financing activity, because it does not meet the definition of those activities.

Next steps

56. If the Committee reaches a consensus that a clarification is needed in IAS 7, the next step is to determine what form that clarification needs to take.

57. We think that the issues identified by the staff (clarification of the primary principle for classifying cash flows and guidance to implement this principle) could be included as part of the annual improvements project, on the basis of our assessment of the annual improvements criteria (refer to the table below paragraph 60).

58. We also considered adding examples to IAS 7 (as non-mandatory implementation guidance) illustrating the application of paragraph 11 to IAS 7. However, we rejected this approach, because we thought that these examples address limited situations arising in practice and are not exhaustive. We think that this guidance could be, instead, included in any current or future educational material on IAS 7.

59. Finally, we note that the Board currently has no plans to have a separate project on IAS 7.

Annual Improvements criteria assessment

60. We assessed the potential amendment to IAS 7 to clarify the classification of cash flows. On the basis of the assessment, we recommend that the Committee should

recommend to the Board that it should include the proposed amendment in Annual Improvements.

Annual improvements criteria	Staff assessment of the proposed amendment
(a) The proposed amendment has one or both of the following characteristics: (i) clarifying—the proposed amendment would improve IFRSs by: • clarifying unclear wording in existing IFRSs, or • providing guidance where an absence of guidance is causing concern. A clarifying amendment maintains consistency with the existing principles within the applicable IFRSs. It does not propose a new principle, or a change to an existing principle. (ii) correcting—the proposed amendment would improve IFRSs by: • resolving a conflict between existing requirements of IFRSs and providing a straightforward rationale for which existing requirements should be applied, or • addressing an oversight or relatively minor unintended consequence of the existing requirements of IFRSs. A correcting amendment does not propose a new principle or a change to an existing principle, but may create an exception from an existing principle.	(a) Yes. The proposed amendments clarify the application of paragraph 11 of IAS 7 when classifying cash flows by operating, investing and financing activities.
(b) The proposed amendment is well-defined and sufficiently narrow in scope such that the consequences of the proposed change have been considered.	(b) Yes. We believe that the proposed amendments are well defined and are sufficiently narrow in scope that the consequences of the proposed change have been considered. It contributes to consistent classification of cash flows.
(c) It is probable that the IASB will reach conclusion on the issue on a timely basis. Inability to reach conclusion on a timely basis may indicate that the cause of the issue is more fundamental than can be resolved within annual improvements.	(c) Yes. We think that the IASB will reach a conclusion on this issue on a timely basis, because it is a clarification of the application of IAS 7.
(d) If the proposed amendment would amend IFRSs that are the subject of a current or planned IASB project, there must be a need to make the amendment sooner than the project would.	(d) Yes, because there are no current projects on IAS 7.

Staff recommendation

61. As requested by the Committee, we analysed several fact patterns in an attempt to clarify the principle for classifying cash flows. On the basis of our analysis, we recommend to the Committee that it should add a clarification to IAS 7 to state that Principle 1 is the primary classification principle for cash flows, and that cash flows should consequently be classified according to their nature.

62. We also recommend adding further guidance on how to identify the nature of the cash flow that is being analysed. On the basis of our analysis, we concluded that the following elements (among others) are relevant in identifying the nature of the cash flows:

    (a) the cause or reason for which the cash flow is received or paid;

    (b) the counterparty who receives or pays the cash flow;

    (c) whether cash flows result from transactions that enter into the determination of profit or loss; or

    (d) the predominant source of cash flows.

63. In addition, we recommend deleting the following sentence in paragraph 16 of IAS 7 to avoid confusion about the application of the primary principle for classifying cash flows:

> The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. ~~Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.~~ Examples of cash flows arising from investing activities are: (...)

64. Our proposals to amend paragraphs in IAS 7 are shown in **Appendix B** of this paper.

Transition requirements

65. We are of the opinion that entities (including first-time adopters of IFRSs in accordance with IFRS 1 *First Time Adoption of International Financial Reporting Standards)* should apply the proposed amendment retrospectively in accordance with the provisions in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for retrospective application, because we consider that the application of the proposed amendment would lead to a better understanding of an entity's cash flows.

Questions for the Committee—classification of cash flows
1. Does the Committee agree with the staff's recommendation to clarify that the classification of cash flows should be based on the identification of the nature of the cash flow that is being analysed and with our proposal to add some elements that could assist in this identification? 2. Does the Committee have any comments on the proposed amendments to IAS 7 as shown in Appendix B? 3. Does the Committee still wish to go ahead with its proposed amendment to paragraph 14 of IAS 7 to provide guidance regarding the classification of cash flows for an operator in a service concession arrangement?

Appendix A—example fact patterns

<u>Example 1:</u> cash contributions to a long-term employee benefit fund

An employer makes contributions to an employee benefit fund (accounted for as a defined benefit plan in accordance with IAS 19).   **How should these payments be classified in the statement of cash flows?**

Background information

A1. In accordance with paragraph 56 of IAS 19 *Employee Benefits*, defined benefit plans are wholly or partly funded by contributions by an entity or sometimes by its employees to a fund from which employee benefits are paid.

A2. Cash payments to fund a long-term employee benefit fund may include:

(a) annual contributions (voluntary or required by law) to fund the increased defined benefit obligation arising from employees' service provided during the year;

(b) special contributions made to remedy a funding deficit in the defined benefit plan; or

(c) contributions to fund past service costs arising from service provided to the entity or to a previous sponsoring employer (in the case of a defined benefit plan acquired as part of a business combination).

A3. Contributions held by the fund are invested in *plan assets,* which, in accordance with paragraph 8 of IAS 19 *Employee Benefits*, exist "solely to pay or fund employee benefits" and "are not available to the reporting entity's own creditors" (unless special circumstances are met in accordance with that paragraph). *Plan assets* are netted against the defined benefit liability in the statement of financial position for presentation purposes, in accordance with paragraph 63 of IAS 19.

Staff analysis

Application of Principle 1

A4. We think that these contribution payments should be considered part of the compensation for employment services and should be classified in the same way as any other cash payments for employment services.

A5. Consequently we think that, in line with the description in paragraph 14(d) of IAS 7, contribution payments to long-term benefit funds should be considered "on behalf of employees" and be classified as part of an entity's operating activities.

Application of Principle 2

A6. A different conclusion could be reached if the classification of cash flows is based on the classification of the related or underlying item in the statement of financial position (ie which the Committee identified as Principle 2).

A7. In applying Principle 2, one could conclude that the net pension liability is a financing item and that all of the components of the periodic pension cost (with the exception of the service cost, which is considered an operating cost) are also considered to be financing in nature.

A8. Consequently, in line with the classification in the statement of financial position of the net pension liability, cash payments to a long-term employee benefit fund (that settle net pension liability) would be classified as part of the entity's *financing* activities.

A9. Some others might think that under Principle 2, contributions to a long-term employee benefit fund should be classified as part of *investing activities*, because contributions to a long-term employee fund may lead to the recognition of an asset in the SFP (ie if the fund reflects a surplus) in line with the requirement to show plan assets as a deduction from the present value of the defined benefit obligation. Alternatively, some might focus on the use of the investment of cash payments in plan assets (regardless of whether the plan is in surplus or deficit) and conclude that the payments should be classified as part of *investing* activities.

A10. Consequently, it could be argued that payments to a long-term employee fund are made to invest in resources intended to generate future income and cash flows in line with the definition of *investing activities* in paragraph 16 of IAS 7, which states that: "only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities".

Our view

A11. We note that the application of Principles 1 and 2 leads to different answers in terms of classification. In our view, the classification based on Principle 1 should take precedence because we think that the substance of these payments is similar to other cash payments for employment services. We think that the application of Principle 1 gives an appropriate answer to the classification of cash flows.

A12. We disagree with the application of Principle 2 because we think that the conclusions reached under this principle focus too much on the mechanics of the pension arrangement and overlook the ultimate reason for contributing to long-term employee benefit funds, which is to compensate employees for their services.

Example 2: cash received as compensation for an insured loss

As a result of a natural disaster, an entity's property, plant and equipment (PP&E) was significantly damaged. This entity holds an insurance policy covering such losses and receives compensation from the insurance company for the items damaged.

How should the insurance proceeds from the insurance company be classified in the statement of cash flows?

Background information

A13. The accounting for insurance compensation for PP&E when the compensation becomes receivable is addressed in paragraph 65 of IAS 16 *Property, Plant and*

Equipment, which states that the compensation from third parties for items of PP&E that were impaired, lost or given up should be recognised in profit or loss.

A14. IAS 7 does not refer specifically to the classification of cash proceeds from an insurance company.

Staff analysis

Application of Principle 1

A15. In determining the nature of the cash inflows received for insurance proceeds, an entity should focus on the reason why it holds an insurance policy. In our view, because the entity has insurance coverage on property, plant and equipment, cash proceeds from the insurance company should be classified as part of investing activities.

A16. We also think that this transaction represents "in substance" a disposal of PP&E in line with paragraph 16(b) of IAS 7, which states that the following activities are considered part of *investing activities*:

> **cash receipts from sales** of property plant and equipment, intangibles and other long-term assets.

A17. The latter is also consistent with the definition of *investing activities* in paragraph 6 of IAS 7, which states that it includes acquisition and disposal of long-term assets.

A18. Another argument supporting the classification of insurance receipts as part of *investing activities* is to analogise this transaction with the accounting of the cash flows derived from a position that is being hedged in accordance with the last sentence of paragraph 16 of IAS 7. For our fact pattern, one would look at the classification of the cash flows for the item being insured to determine the classification of the insurance proceeds. Because cash payments to acquire and disposed of long-term assets are classified as *investing activities* in par. 6 of IAS 7, we think that cash proceeds would follow the same classification. The last sentence of paragraph 16 is reproduced below (emphasis added):

> When a contract is accounted for as a hedge of an identifiable position **the cash flows of that contract are classified in the same manner as the cash flows of the position being hedged.**

A19. In addition, we think that even if the insurance proceeds are used to purchase items that are not PP&E (eg for repairs and maintenance), the classification of the cash proceeds would still be within *investing activities*, because the classification should reflect the cause for which cash inflows are received (ie to cover for losses and damage to PP&E).

A different view in the application of Principle 1

A20. In applying Principle 1, one could argue that because the payment of the insurance premium is part of an entity's operating cash flows and the cost of insurance for the period is recognised periodically as an operating expense, then insurance proceeds should follow the same classification within an entity's *operating activities*.

A21. We disagree with this view. We think that including insurance proceeds as part of *operating activities* would be misleading. This is because insurance proceeds are not derived from "the principal revenue-producing activities of the entity" (paragraph 14 of IAS 7) and in accordance with paragraph 13 of IAS 7, operating activities should reflect cash flows that are generated *only by the entity* and cash proceeds from an insurance company are not generated by the entity. This paragraph states that (emphasis added):

> The amount of cash flows arising from operating activities **is a key indicator of the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the entity, pay dividends and make new investments without recourse to external sources of financing**. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.

A22. Furthermore, one could argue that insurance proceeds are considered a one-time event and should not be part of the entity's normal operating activities. However, we did not find any indication in IAS 7 that the classification of the cash flows should be based on whether cash flows are recurring or not[6].

Application of Principle 2

A23. Proponents of this principle would focus on the use of the cash proceeds instead of on the nature of the insurance cover. Consequently, if the entity has the plan to purchase, for example, PP&E with the cash proceeds, application of Principle 2 would lead to the conclusion that the cash inflow should be classified within the *investing* section in accordance with paragraph 16(a) of IAS 7. However, if the insurance proceeds are planned to be used to purchase items that are not PP&E, the classification would be different. For example, if the proceeds are used to buy merchandise, cash inflows would be classified in the operating section; whereas if insurance proceeds are used to pay off a debt, cash inflows would be classified in the financing section.

Our view

A24. We note that the application of Principles 1 and 2 leads to different classifications. In our view the classification based on Principle 1 should take precedence. We think that the cash proceeds from the insurance company should be classified as part of *investing activities* because we think that this transaction represents 'in substance' a disposal of PP&E (irrespective of whether insurance proceeds are planned to be used to purchase items that are not PP&E).

A25. In addition, we have concluded that insurance proceeds are not derived from "the principal revenue-producing activities of the entity"; consequently, they should not be classified as part of an entity's operating activities.

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[6] Nevertheless, we believe that this recurring/non-recurring distinction is useful to users of financial statements.

Example 3: cash payment for the purchase of property, plant and equipment on deferred payment terms

> **An entity purchases property, plant and equipment (PP&E) on deferred payment terms (eg by agreeing to pay cash some years after the date of the purchase).**
>
> **How are cash flows that are used to settle this deferred payment classified in the statement of cash flows?**

Background information

A26. Some assets are frequently purchased on long-term credit contracts through the use of notes, mortgages, bonds or other obligations whereby the cash outflows may occur several years after the date of the transaction.

Staff analysis

Application of Principle 1

A27. In conformity with Principle 1, the classification of a cash receipt or cash payment should be determined by analysing the cause (or original purpose) for which it is received or paid regardless of when these cash flows are received or paid.

A28. Proponents of this view would also think that the identification of the counterparty in this transaction is relevant to determining the appropriate classification of cash flows.

A29. Consequently, in this particular fact pattern, proponents of this view think that because an entity has *purchased PP&E* and makes the payment to *a supplier*, the entity would classify this payment as part of its *investing activities*.

A30. However, if the entity had entered instead into a financial lease or had borrowed amounts from a financial institution to purchase the asset, the classification of the cash payments to the lessor or to the bank would be different. For instance, we think that payments of the outstanding liability (to the bank, for example) would be classified as part of the entity's *financing activities* (in accordance with paragraphs 17(d) and (e) of IAS 7). This leads proponents of this view to think that the identity of the counterparty is relevant to classifying the cash flows.

Application of Principle 2

A31. If Principle 2 were to be applied, some could argue that because cash payments used to settle a deferred purchase give rise to the recognition of an asset, they should be classified as part of an entity's *investing activities*, on the basis that "only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities" in accordance with IAS 7.16.

A32. An alternative view on the application of Principle 2 would be to focus on the existence of the financial liability that was incurred by the entity to purchase the asset. Because payments represent a reduction of this financial liability, these payments should be classified as part of the entity's *financing activities.* In addition, if the deferral period between the purchasing date and payment date is significant, one could argue that it is even clearer that there is a financing element implicit in this transaction because the vendor (seller) is providing finance to the entity in the purchasing of the asset and consequently, the nature of the payment is clearly a financing activity.

Our view

A33. We note that the application of Principles 1 and 2 leads to different classifications. However, in our view the classification based on Principle 1 is the appropriate classification and should take precedence, because the purpose of the purchase, and the type of counterparty financing the transaction influences our classification of cash flows. We think that additional guidance should be added to IAS 7 to highlight this fact.

A34. We have reflected a similar conclusion in our analysis of fact pattern 6 (cash payments in a reverse factoring agreement), which we will discuss in paragraphs A52–A62.

Example 4: cash payment to meet a rehabilitation obligation

> **A mining company has an obligation to rehabilitate land at the end of its operations for a specific surface mine.**
>
> **How are cash payments that are associated with the activities performed to meet the rehabilitation obligation classified in the statement of cash flows at the end of the operations of a mine?**

Background information

A35. The rehabilitation obligation represents a provision of estimated costs required to restore mining operations. The nature of these restoration activities involves activities such as closing the mine, recontouring, revegetating, restoring waterways and other activities.

A36. The rehabilitation obligation is recognised as a liability and the estimated rehabilitation costs are capitalised as part of the cost of the investment in the mine (eg by increasing the carrying amount of the related mining assets) during the development/construction of the mine.

A37. Consequently, we think that in this arrangement the following transactions can be identified:

(a) Management records a provision of future rehabilitation costs:

Dr Rehabilitation cost of asset

Cr Provision for rehabilitation

(b) Management records the unwinding of the discount rate:

Dr Interest expense

Cr Provision for rehabilitation

(c) The entity undertakes the rehabilitation work, or sub contracts to another entity

Dr Provision for rehabilitation

Cr Accounts payable (for employee costs, materials, subcontractors)

(d) The performance of the rehabilitation will be some years after the provision is recognised, but the payment of the cash will likely be soon after the rehabilitation has been performed. Management pays for the wages and materials used in performing the rehabilitation work and for sub-contractor's services:

Dr Accounts payable

Cr Cash

Staff analysis

Application of Principle 1

A38. In conformity with Principle 1, the classification of payments related to fulfilling a rehabilitation obligation should be determined by analysing the nature of this payment.

A39. Proponents of this view think that cash payments associated with meeting the rehabilitation obligation are closely linked to the estimated cost of rehabilitation, which is a common and normal cost in the operation of a mine. Consequently, they think that if these payments are related to the principal revenue-producing activities of the entity (in accordance with paragraph 14 of IAS 7), they could be classified as part of the entity's *operating* cash flows.

A40. In addition, proponents of this view also think that those cash payments are neither "investing" nor "financing":

(a) they cannot be "investing", because rehabilitation activities relate to the removal of an asset that produced cash flows in the past and not the construction of an asset that will generate cash flows in the future ; and

(b) they cannot be "financing" because the payment of cash arising from the performance of rehabilitation activities is not the repayment of financing.

.Application of Principle 2

A41. If Principle 2 were to be applied, some could argue that because the rehabilitation costs are capitalised as part of the investment in the cost of a mine and therefore an 'asset' is created, the payment of the cash associated with meeting the rehabilitation obligations should be classified as part of an entity's *investing activities*, on the basis that "only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities" in accordance with IAS 7.16.

Our view

A42. We note that the application of Principles 1 and 2 leads to different conclusions. We are of the view that although the rehabilitation cost is capitalised as part of the cost of the investment of a mine, this should not automatically lead to the conclusion that cash payments associated with meeting the rehabilitation obligation are part of *investing activities,* as Principle 2 would suggest[7].

A43. We understand that mining companies are faced with obligations for rehabilitation activities that arise during their normal operation. In addition, we note that payments to fulfil a rehabilitation obligation do not meet the definition of investing and/or financing activity. Consequently, we support classifying them as part of the entity's operating activities in line with Principle 1.

[7] This conclusion is in line with paragraph BC35E of IAS 16 *Property, plant and equipment*. This paragraph explains that even though an asset may be constructed and recognised as an asset in the statement of financial position, the expenditure related to this should be presented as an operating cash outflow if it relates to the ordinary activities of the entity. In other words, if an outflow of cash results in the recognition of an asset, this does not mean that the cash flow should automatically be presented as an investing activity.

<u>Example 5:</u> cash received from a government grant

> **An entity received a government grant in cash to compensate for its costs of purchasing new equipment to run one of its production plants. The new equipment will be depreciated using the straight-line method over a period of three years.**
>
> **How should the cash inflows from government grants be presented in the statement of cash flows?**

Background information

A44. Government grants represent a particular form of government assistance in return for the fulfilment of certain conditions. Paragraph 3 of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* defines 'government grants' as (emphasis added):

> **assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.** They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

A45. Accordingly, government grants fall into two categories:

(a) *Grants related to assets*—whose condition is that an entity should purchase, construct or otherwise acquire long-term assets. When a grant relates to an asset, it is either:

(i) recognised as deferred income and released to income over the expected useful life of the related asset in accordance with paragraph 26 of IAS 20; or

(ii) deducted from the carrying amount of the asset and recognised in profit or loss as a depreciation expense in accordance with paragraph 27 of IAS 20.

(b) *Grants related to income*—grants other than those related to assets. When a grant relates to an expense item, it is recognised in profit or loss on a systematic basis (paragraph 12 of IAS 20).

A46. Neither IAS 20 nor IAS 7 provides specific guidance about the classification of government grants in the statement of cash flows. Paragraph 28 of IAS 20 only states that (emphasis added):

> The purchase of assets and the receipt of related grants can cause major movements in the cash flow of an entity. For this reason and in order to show the gross investment in assets, **such movements are often disclosed as separate items in the statement of cash flows** regardless of whether or not the grant is deducted from the related asset for presentation purposes in the statement of financial position.

Staff analysis

Application of Principle 1

A47. Proponents of Principle 1 would determine that a grant represents a source of financing for the entity and the government is acting as a capital provider.

A48. Consequently, proponents of this view think that in accordance with paragraph 17(d) of IAS 7, cash received should be classified as part of the entity's *financing activities* in line with the description of financing activities in paragraph 17 of IAS 7.

Application of Principle 2

A49. Proponents of this principle would look at the transaction financed by the grant instead of at the grant itself. In addition, proponents of this view would observe that paragraph 28 of IAS 20 implies that the government grant may be deducted from the related item for presentation purposes.

A50. Consequently, if the entity purchases, for example, PP&E with the cash received from the grant, application of Principle 2 would lead to conclude that grants received should be deducted from the cash payments to purchase PP&E in the investing section of the statement of cash flows. Accordingly, if the grant is used to pay other operating expenses, the cash received from the grant would be shown in the operating section of the statement of cash flows.

Our view

A51. We support Principle 1 because the grant is providing a source of financing to the entity; and consequently cash received should be part of the entity's financing activities. We disagree with Principle 2 because it would mean focusing on the nature of the transaction that is financed by the grant instead of on the nature of the grant itself.

Example 6: cash payments in a reverse factoring agreement

An entity enters into a reverse factoring agreement with a bank to finance the purchase of inventory. The trade payable has a normal 45-day due date. At the due date the bank pays the amount due to the supplier on behalf of the entity. The loan from the bank is paid after 90 days.

How are cash flows related to a reverse factoring agreement classified in the statement of cash flows?

Background information

A52. In a reverse factoring arrangement, a purchaser engages a factor (ie a bank) to provide finance for the purchase of goods from a supplier, so the bank pays the entity's trade payables on behalf of the entity (ie the purchaser) to the supplier on the due date. The entity then pays the bank at a later date[8].

A53. IAS 7 does not provide guidance on the classification of cash flows relating to factored payables (or receivables) in the statement of cash flows.

[8] Our objective in this section is to highlight the main characteristics of a reverse factoring transaction and describe it in simple terms. We are aware, however, that these arrangements can be structured in different ways (eg they may or may not involve the participation of the vendor).

Analysis of the fact pattern

A54. We think that in a reverse factoring arrangement the following transactions can be identified:

(a) the entity records its trade payable for the purchase of inventory;

Dr inventory

Cr Liability to pay for inventory (supplier)

(b) the entity enters into a reverse factoring agreement; when the bank pays the supplier, the entity cancels its liability with the supplier and records a financial liability with the bank.

Dr Liability to pay for inventory (supplier)

CR Liability to pay for inventory (bank)

(c) the entity settles its liability for the purchase of inventory when it pays the bank at a later date.

Dr Liability to pay for inventory (bank)

Cr Cash

Staff analysis

Application of Principle 1

A55. We think that an important element to consider when analysing the nature of the cash flows is the identification of the counterparty that receives the payment (we have also highlighted this element in our analysis of fact pattern 3 (payment for the purchase of PP&E on deferred terms) and fact pattern 5 (cash received from a government grant).

A56. Because the entity pays the bank, rather than the supplier (after the bank has paid the supplier on the entity's behalf), we think that it could be argued that this transaction is in substance a financing transaction, because the entity has obtained finance from a lender in order to pay amounts due to its supplier.

A57. Normal credit terms with a supplier can be argued to also be financing, but the established practice in IAS 7 is that such payments are operating cash flows. However, if the credit arrangement/financing is with a third-party (the bank), we think that in accordance with paragraph 17(d) of IAS 7, a repayment of an amount borrowed by the entity should be classified as part of the entity's *financing activities*.

Application of Principle 2

A58. Under Principle 2 an entity would focus on the mechanics of the transaction and on the terms and conditions of the arrangement.

A59. In this fact pattern, the trade payable with the supplier is derecognised and the entity recognises a financial liability with the bank. Consequently, when the entity pays the bank, the payment would be classified as a *financing* outflow.

Our view

A60. We note that the application of Principles 1 and 2 to the fact pattern analysed (where the transfer gives rise to the derecognition of the trade payable) leads to similar conclusions that the cash outflow to the bank should be classified as part of the entity's *financing activities,* because in this transaction:

(a) the bank paid the supplier, therefore, the entity no longer has an obligation to pay the supplier; and

(b) the entity paid the bank.

A variation of the fact pattern

A61. If under the terms of the reverse factoring agreement the bank does not pay the supplier directly and instead transfers cash to the entity as if entity had borrowed cash directly from the bank to settle the liability with the supplier, the analysis of the cash flows would have been as follows:

(a) the entity receives consideration from the financial institution and recognises a financial liability for the amount borrowed from the bank;

this *cash inflow* will be classified as part of the entity's *financing activities*;

Dr Cash (financing)

Cr Liability to pay for inventory (bank)

(b) at the due date, the entity pays the supplier (with the cash received from the bank) and derecognises the trade payable; this *cash outflow* will be classified as part of the entity's *operating* activities, because this represents a payment to a supplier.

Dr Liability to pay for inventory (supplier)

Cr Cash (operating)

(c) when the entity pays the bank at a later date, the cash outflow to cancel its liability with the bank would be classified as a *financing* outflow.

Dr Liability to pay for inventory (bank)

Cr Cash (financing)

A62. In this modified fact pattern we can still conclude that the cash outflow to the bank is *financing* in nature under both Principles. The cash transactions that we can identify are as follows:

(a) the cash inflow received from the bank would be *financing* in nature;

(b) the cash outflow to pay the supplier would be *operating* in nature;

(c) the cash outflow to pay the bank would be *financing* in nature[9].

[9]One could argue, however that the **net** effect in the statement of cash flows is a cash outflow that is *operating* in nature (irrespective of whether or not the entity received cash directly from the bank to pay the supplier in the reverse factoring agreement to purchase the merchandise). We do not agree with this conclusion as cash inflows and outflows should be analysed separately and classified accordingly.

Appendix B—Proposed changes (IAS 7)

B1. The proposed amendment to IAS 7 is presented below.

Amendment to IAS 7 *Statement of Cash Flows*

Paragraph 11A is added. Paragraph 11 is not proposed for amendment but is included here for ease of reference. Paragraph 16 is amended.

Presentation of a statement of cash flows

11 An entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities

11A When classifying cash flows by activity an entity shall focus on the nature of the transaction that gave rise to the cash receipt or the cash payment. Elements that can be used in identifying the nature of a transaction are:

(a) the cause or reason for which the cash flow is received or paid;

(b) the counterparty who receives or pays the cash flow;

(c) whether cash flows result from transactions that enter into the determination of profit or loss, in which case they shall be classified as part of an entity's operating activities; or

(d) the predominant source of cash flows.

Investing activities

16 The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. ~~Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.~~ Examples of cash flows arising from investing activities are:

(a)...

(b)...

Effective date

58 *Annual Improvements* [cycle] issued in [date] added paragraph 11A. An entity shall apply that amendment retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after [date]. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Basis for Conclusions on proposed amendments to IAS 7 *Statement of Cash Flows*

This Basis for Conclusions accompanies, but is not part of, the proposed amendments.

Presentation of a statement of cash flows

BC1 The Board noted that two 'principles of classification' in IAS 7 have been used to guide the classification of cash flows. The first principle, based on paragraph 11 of IAS 7, is that cash flows shall be classified in accordance with the nature of the activity in a manner that is most appropriate to the business of the entity in accordance with the definitions of operating, investing and financing activities in paragraph 6 of IAS 7. The second principle, based on paragraph 16 of IAS 7, is that cash flows should be classified consistently with the classification of the related or underlying item in the statement of financial position. The Board considered it important to clarify that that the primary principle for classification of cash flows on the basis of paragraph 11 of IAS 7 is the classification of cash flows based on its nature. The Board thinks that this principle of classification takes precedence in the event that other guidance conflicts with this principle.

BC2 The Board also considered adding more guidance on the application of the primary principle behind the classification of cash flows, to address existing diversity in practice regarding the classification of cash flows by activity. This can occur when transactions can be viewed as having aspects of operating, investing or financing activities and the appropriate classification might not be clear. The proposed amendment gives management some elements that can be used to identify the nature of a transaction. For example, in analysing the classification of payments to long-term employee benefit funds, management should observe the purpose for this funding (ie to fund the employee's services). Consequently in accordance with paragraph 14 of IAS 7, such payments should be classified as part an entity's operating activities.

BC3 The Board also proposes to delete the guidance in paragraph 16 regarding the fact that "only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities". The Board thinks that this guidance leads to misunderstandings about the appropriate classification of cash flows and negates the relevance of the primary principle identified by the Board for classifying cash flows.

Appendix C—Letters from commentators

C1. The letters received from SEOPAN and FIEC providing comments on the Committee's tentative decision regarding the classification of cash flows for construction or upgrading services are reproduced in the appendix.

SEOPAN
ASOCIACIÓN DE EMPRESAS CONSTRUCTORAS DE ÁMBITO NACIONAL
Serrano 174 - 28002 Madrid
Tel.: 91 563 05 04 - Fax.: 91 563 47 58
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Mr. Wayne Upton
Chairman
IFRS Interpretation Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: IFRIC-12 Service Concession Arrangement – Presentation of cash flows for construction or upgrading services

Madrid, 9 March 2012

Dear Mr. Upton,

We write to you on behalf of SEOPAN, a grouping of the main Spanish construction companies and worldwide leaders in the transport infrastructure concessions industry (*Public Works Financing* publication).

We address you regarding our concerns about the decision taken by the Interpretation Committee last November.

At November 2011 meeting, the Interpretation Committee decided to recommend that the Board should propose an amendment, through Annual Improvements, to paragraph 14 of IAS 7 to clarify that an operator that provides construction or upgrades services in a service concession arrangement should present all of the cash flows relating to this activity as operating cash flows.

From our point of view, if the Board approved that amendment, it would breach the main objective of the International Accounting Standards, contained in the Conceptual Framework (paragraph 12), which is to represent faithfully the economic substance of the business providing information that is useful for making economic decisions.

From an economic point of view, the business of Services Concessions Arrangements is a type of business which normally requires a heavy upfront investment that is recovered by the operator with the cash that it receives in terms of tolls subject to demand risk (intangible model) or other type of amounts not subjected to demand risk (financial asset model).

The nature of this type of business, as a business which normally requires a heavy upfront investment, was clearly recognized in the discussions on the IFRIC 12 and the classification of that heavy investment was one of the main issues on the table (see paragraph 9 of IFRIC 12 Basis for Conclusions).

That upfront investment is normally financed by long term banks borrowing or bonds financing that are normally guaranteed only with the future cash flows of the project. From a business point of view, it is clear that the banks and bonders do not finance operating costs, they finance an investment that will be recovered through future cash flows of the project.

Taking into account the economic substance of the business, we understand that cash outflows relating to construction services under a service concession arrangement should be presented as investing cash flow.

The classification as an investing cash flow can not be denied because the investment is executed exchanging a construction activity of a new infrastructure against an intangible asset or a financial asset in a barter transaction. In terms of statement of financial position, the operator is recognizing a fixed asset (intangible or financial) as soon as the construction activity is performed (see IFRIC 12 illustrative examples) and in terms of cash, the operator is receiving cash from the banks and the shareholders in order to pay the investment that will be recovered in the future.

The conclusion that the cash out flows related to the construction of the infrastructure are investment cash flows can be concluded not only analyzing the nature of the business, but also from a technical point of view according IAS 7.

The IAS 7 paragraph 6 includes a definition for investing activities aligned with this idea: *"Investing activities are the acquisition and disposal <u>of long-term assets</u> and other investments not included in cash equivalents".*

Paragraph 11 says that an *"Entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business"*

Additionally, paragraph 16 of IAS 7 establishes a definition of Investing Activities that matches straightforward with the conclusion: *"The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result <u>in a recognised asset in the statement of financial position are eligible for classification as investing activities</u>. Examples of cash flows arising from investing activities are:*

(a) <u>cash payments to acquire</u> property, plant and equipment, <u>intangibles and other long-term assets</u>. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;".

We don't see the arguments used to conclude the classification as an operating cash flow, because p.13 says that *"The amount of cash flows arising from operating* *activities is a key indicator of the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the entity, pay dividends and make new investments without recourse to external sources of financing. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows",* and it is clear that out flows related with construction activity in this type of contract it is not a indicator of capacity of cash generation by the operator to repay loans, but an investment that it is financed by long term loans that will be recovered against future cash flows.

We want to remark that this is not only a theoretical discussion on accounting but also a practical issue with negative impact in the business, because, if the change proposed in IAS 7 by the IFRIC is finally approved, most of the covenants of the debt financing these projects, in particular, financial expenses coverage ratio, will be affected, as normally that ratio uses operating cash flow as a reference of cash generation to pay interest of the debt.

In addition to the economic and technical arguments, we understand that applying the criteria proposed by the Committee will lead to some illogical situations of comparison between contracts of the same nature:

- In the case of existing infrastructure to which the grantor gives the operator access for the purpose of the service arrangement (see p 7 a of IFRIC 12), and the operator pays an upfront fee for the use of the infrastructure (Brownfield projects), that payment would be considered as investment cash flow, as it is not a cash outflow of a construction activity, and then different classification (investing versus operating) will be applied for a very similar business, depending if the operator builds the infrastructure and then operates it to recover the investment in the construction (Greenfield project), or pays for an existing infrastructure and then operates it to recover the initial payment (Brownfield project)

- In the case that the operator acquires the infrastructure from a third party, the payments to that third party probably will be classified as investing (as building the infrastructure is not the main activity of the operator), arising a new problem of comparison with the case in which the operator build the infrastructure by itself.

Finally, we would like to point out that most of the world biggest concessions infrastructure operators according to the *Public Work Financing* publication ranking, not only Spanish but other European, as for instance, Vinci and Eiffage (France) or Bilfinger-Berger (Germany), and non European operators, such as Andrade Gutierrez, OHL Brasil and CCR (Brazil); Transurban (Australia) or ICA Group (Mexico), present the cash flows relating to this construction activities as investing cash flows (see attached *Public Work Financing* rankings and companies Cash Flow Statements).

As a conclusion, and bearing in mind all the arguments mentioned in this paper, we ask the IASB to reconsider the position established by the IFRIC on this issue, as reflected in November 2011 IFRIC update, in order to conclude that cash outflows relating to construction services under a service concession arrangement should be presented as investing cash flow.

For this purpose we understand that it could be interesting to increase the scope of the outreach activities not only with Standard Setters, but also with the industry financial analysts and banks that finance this type of activity, as they are very familiar with the economic substance of this type of transactions.

We would be pleased to have a meeting to discuss about this issue, or if you need further explanations do not hesitate to contact us:

Jesús Herranz Lumbreras – Planning and Control Director
jesus.herranz@ferrovial.es

Alberto Laverón Simavilla – Internal Audit Director
alaverons@grupoacs.com

Laura López Sotomayor – Head of Financial Compliance
lauralopezsotomayor@ferrovial.es

Yours sincerely,

Carlos Gasca
SEOPAN

SEOPAN
ASOCIACIÓN DE EMPRESAS CONSTRUCTORAS DE ÁMBITO NACIONAL
Serrano 174 - 28002 Madrid
Tel.: 91 563 05 04 - Fax.: 91 563 47 58
http://www.seopan.es

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: IFRIC-12 Service Concession Arrangement – Presentation of cash flows for construction or upgrading services

Madrid, 18 April 2012

Dear Mr. Hoogervorst,

We write to you on behalf of SEOPAN, a grouping of the main Spanish construction companies and worldwide leaders in the transport infrastructure concessions industry.

We address you regarding our concerns about the decision taken by the Interpretation Committee last November.

At November 2011 meeting, the Interpretation Committee decided to recommend that the Board should propose an amendment, through Annual Improvements, to paragraph 14 of IAS 7 to clarify that an operator that provides construction or upgrades services in a service concession arrangement should present all of the cash flows relating to this activity as operating cash flows.

From our point of view, if the Board approved that amendment, it would breach the main objective of the International Accounting Standards, contained in the Conceptual Framework (paragraph 12), which is to represent faithfully the economic substance of the business providing information that is useful for making economic decisions.

From an economic point of view, the business of Services Concessions Arrangements is a type of business which normally requires a heavy upfront investment that is recovered by the operator with the cash that it receives in terms of tolls subject to demand risk (intangible model) or other type of amounts not subjected to demand risk (financial asset model).

The nature of this type of business, as a business which normally requires a heavy upfront investment, was clearly recognized in the discussions on the IFRIC 12 and the classification of that heavy investment was one of the main issues on the table (see paragraph 9 of IFRIC 12 Basis for Conclusions).

That upfront investment is normally financed by long term banks borrowing or bonds financing that are normally guaranteed only with the future cash flows of the project. From a business point of view, it is clear that the banks and bonders do not finance operating costs, they finance an investment that will be recovered through future cash flows of the project.

Taking into account the economic substance of the business, we understand that cash outflows relating to construction services under a service concession arrangement should be presented as investing cash flow.

The classification as an investing cash flow can not be denied because the investment is executed exchanging a construction activity of a new infrastructure against an intangible asset or a financial asset in a barter transaction. In terms of statement of financial position, the operator is recognizing a fixed asset (intangible or financial) as soon as the construction activity is performed (see IFRIC 12 illustrative examples) and in terms of cash, the operator is receiving cash from the banks and the shareholders in order to pay the investment that will be recovered in the future.

The conclusion that the cash outflows related to the construction of the infrastructure are investment cash flows can be concluded not only analyzing the nature of the business, but also from a technical point of view according IAS 7.

The IAS 7 paragraph 6 includes a definition for investing activities aligned with this idea: *"Investing activities are the acquisition and disposal <u>of long-term assets</u> and other investments not included in cash equivalents".*

Paragraph 11 says that an *"Entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business"*

Additionally, paragraph 16 of IAS 7 establishes a definition of Investing Activities that matches straightforward with the conclusion: *"The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result <u>in a recognised asset in the statement of financial position are eligible for classification as investing activities</u>. Examples of cash flows arising from investing activities are:*

(a) <u>cash payments to acquire</u> property, plant and equipment, <u>intangibles and other long-term assets</u>. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;".

We don't see the arguments used to conclude the classification as an operating cash flow, because p.13 says that *"The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the* *entity, pay dividends and make new investments without recourse to external sources of financing. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows",* and it is clear that out flows related with construction activity in this type of contract it is not a indicator of capacity of cash generation by the operator to repay loans, but an investment that it is financed by long term loans that will be recovered against future cash flows.

We want to remark that this is not only a theoretical discussion on accounting but also a practical issue with negative impact in the business, because, if the change proposed in IAS 7 by the IFRIC is finally approved, most of the covenants of the debt financing these projects, in particular, financial expenses coverage ratio, will be affected, as normally that ratio uses operating cash flow as a reference of cash generation to pay interest of the debt.

In addition to the economic and technical arguments, we understand that applying the criteria proposed by the Committee will lead to some illogical situations of comparison between contracts of the same nature:

- In the case of existing infrastructure to which the grantor gives the operator access for the purpose of the service arrangement (see p 7 a of IFRIC 12), and the operator pays an upfront fee for the use of the infrastructure (Brownfield projects), that payment would be considered as investment cash flow, as it is not a cash outflow of a construction activity, and then different classification (investing versus operating) will be applied for a very similar business, depending if the operator builds the infrastructure and then operates it to recover the investment in the construction (Greenfield project), or pays for an existing infrastructure and then operates it to recover the initial payment (Brownfield project)

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As a conclusion, and bearing in mind all the arguments mentioned in this paper, we ask the IASB to reconsider the position established by the IFRIC on this issue, as reflected in November 2011 IFRIC update, in order to conclude that cash outflows

relating to construction services under a service concession arrangement should be presented as investing cash flow.

For this purpose we understand that it could be interesting to increase the scope of the outreach activities not only with Standard Setters, but also with the industry financial analysts and banks that finance this type of activity, as they are very familiar with the economic substance of this type of transactions.

We would be pleased to have a meeting to discuss about this issue, or if you need further explanations do not hesitate to contact us:

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Alberto Laverón Simavilla – Internal Audit Director
alaverons@grupoacs.com

Laura López Sotomayor – Head of Financial Compliance
lauralopezsotomayor@ferrovial.es

Yours sincerely,

Carlos Gasca
SEOPAN

IFRS™

19 April 2012

International Accounting Standards Board (IASB)

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Mr. Carlos Gasca
SEOPAN
Serrano 174
28002 Madrid
Spain

Dear Mr Gasca

Re IFRIC-12 Service Concession Agreements – Presentation of cash flows for construction or upgrading services

Thank you for your letter of 18 April on the subject referred above. I appreciate you setting out your views on the matter clearly, and I also appreciate the time you have spent discussing the issues with our staff last month.

When the IASB discussed this issue in January, we decided to ask the Interpretations Committee to look more broadly at concerns raised with the classification of cash flows and the guidance in IAS 7 Statement of Cash Flows. Accordingly this issue will be reviewed in the light of that broader assessment. I understand that the Interpretations Committee will discuss these matters at its meeting on 15-16 May.

I have passed your letter to the staff dealing with the IAS 7 issues and I am told that they will include your letter in the agenda papers for the May Interpretations Committee meeting.

If you should have any further questions or comments on this matter, please do not hesitate to contact Michael Stewart, IASB Director of Implementation Activities, on +44(0)20 7246 6410.

Yours sincerely

Hans Hoogervorst
Chairman

Public Work Financing

Transport Developers Ranked By Invested Capital

(as of 10/1/2010)

Company	Total Invested* $ millions	Some Representative Projects (Total number of concessions/leases)
Ferrovial–Cintra ! (Spain)	$61,493	(38) Highway 407 (Canada), Texas IH-635, Texas North Tarrant Express, Texas SH 130, Indiana Toll Road, Chicago Skyway (US), BAA, Birmingham Roads and Street Lights (UK), M-30, Madrid Sur (Spain)
ACS (Iridium Concessions) (Spain)	$38,244	(60) Fla. I-595 (US), South Fraser, Montreal A30 (Canada), Madrid Calle 30, Barcelona Metro, Seville Light Rail, (Spain), Autopista Central (Chile)
Macquarie (Australia)	$34,154	(36) Autoroutes Paris-Rhin-Rhone (France), M6 Toll (UK), Highway 407 (Canada), Incheon Airport Expressway, Cheonan-Nonsan Expressway (S. Korea), Indiana Toll Road, Chicago Skyway, SR125,
Vinci-Cofiroute (France)	$34,130	(35) A5 (Germany), Liefkenshoek Rail (Belgium), Prado Sud Tunnel (France), Vasco da Gama Bridge (Portugal), Elesfina-Patras-Tsakona Motorway (Greece), Confederation Bridge (Canada)
Hochtief (Germany)	$27,531	(22) Vienna Bypass (Austria), Sydney International Airport, Eastlink (Australia), Vienna Northeastern Bypass (Austria), Americo Vespucio Norte Beltway (Chile)
Egis Projects (France)	$22,203	(20) A5 North (Austria), A28, Rouen-Alençon (France), A8 (Germany), A2 (Poland), SCUT A24 (Portugal), M25, London Orbital Widening (UK)
Bouygues (France)	$16,514	(18) Port of Miami Tunnel (US), Gautrain Express Rail (South Africa), M5 Motorway (Hungary), A28 Rouen-Alencon (France), Busan New Port (S. Korea), New Tyne River Tunnel (UK)
Global Via–FCC–Caja Madrid (Spain)	$18,241	(45) Transmontana Highway (Portugal), R3/R5 Motorways, Malaga Metro, Barcelona Metro (Spain), Envalira Tunnel (Andorra), M50 Dublin Ring Road (Ireland), Nuevo Necaxa Toll Road (Mexico)
OHL (Spain)	$15,689	(29) Barajas Airport Connector, Madrid Light Rail (Spain), Autopista Regis Bittencourt, Autopista Fernao Dias (Brazil), Autopista del los Andes (Chile), Mexico City Beltway (Mexico)
Bilfinger Berger (Germany)	$11,374	(14) A1 (Germany), M6 Tolna (Hungary), (Germany) RiverCity Tunnel, Peninsula Link (Australia), Edmonton Ring Road, Kicking Horse Canyon, Golden Ears Bridge, (Canada)
Total	**$280 billion**	**(317 concessions/leases)**

Source: *Public Works Financing* "2010 International Major Projects" database

*Aggregate value (in nominal dollars) of all of a firm's transportation P3 projects from October, 1985 to October 1, 2010. The "Total Invested" number is the amount of public and private capital invested in public-private partnership projects in which a company has invested equity as part of a project development consortium, i.e. the public infrastructure improvements a firm's expertise and capital have helped to create or improve.
! Includes Ferrovial's 2006 acquisition and operation of BAA's 7 UK airports, using $24.3bn enterprise value, post Gatwick sale.

Also, in the U.S., P3s can offer more upfront capital formation than municipal revenue bonds because:

- The tax-exempt bond market has more conservative debt-coverage ratios
- Investor classes are different, offering different risk appetites
- Private investors are willing to take more risk on toll-revenue performance
- Tax-exempt borrowing rates are available through the $15-billion federal PABs program

TOP TRANSPORTATION DEVELOPERS

By Number of Concessions

Company	Concessions / P3 Projects Const../Operating*	Prospects
ACS/Iridium (Spain)	60	52
Global Via-FCC-Caja Madrid (Spain)	45	37
Abertis (Spain)	40	7
Ferrovial/Cintra (Spain)	38	12
Macquarie Group (Australia)	36	9
Vinci/Cofiroute (France)	35	14
OHL (Spain)	29	18
NWS Holdings (China)	28	2
Acciona/Necso (Spain)	23	13
Sacyr (Spain)	22	12
Hochtief (Germany)	22	7
Cheung Kong Infrastructure (China)	21	4
EGIS Projects (France)	20	30
Bouygues (France)	18	14
John Laing (UK)	18	8
Andrade Gutierrez (Brazil)	16	2
Road King (China)	16	0
BRISA (Portugal)	14	8
Alstom (France)	14	7
Grupo ICA (Mexico)	14	6
Bilfinger Berger (Germany)	14	3
Camargo Correa (Brazil)	12	1
Impregilo (Italy)	10	6
Eiffage (France)	10	4
Reliance (India)	10	1
Strabag (Austria)	9	8
SNC Lavalin (Canada)	9	4
Balfour Beatty (UK)	9	1
Transurban (Australia)	9	1
Siemens (Germany)	8	11
Odebrecht (Brazil)	8	5
Skanska (Sweden)	7	8
Fluor (US)	7	5
Itinere (Spain)	7	1
Bombardier (Canada)	6	5

** number of road, bridge, tunnel, rail, port, airport concessions over $50m capital value put under construction or operation from Jan. 1, 1985 to Oct. 1, 2010 (excludes design-build). Source: PWF 2010 International Major Projects database*

- Accelerated depreciation creates significant value for private equity

EVOLUTION OF PPPs

The shift toward market forces in the delivery of infrastructure services began in the U.S. with rail, power and telecom deregulation during the 1970s. In the mid-1980s, Argentina, Chile and, most aggressively, the United Kingdom, broadened the privatization portfolio to include new risk-sharing arrangements for the delivery of public works infrastructure.

PWF's "International Major Projects Survey" was started to monitor that trend. The cumulative database now includes reports on about 3,300 projects that add up to $1.54 trillion. This number includes P3 projects that are being planned, built or are operating in 140 countries. Within that universe, our project reports show 1,867 transport, water and buildings facilities worth $712 billion in fees and invested capital that have been placed under construction or completed since 1985 (see chart on opposite page). ■

Mining PWF's Projects Database

Deal Flow: Twelve U.S. and Canadian transportation projects worth $11.3 billion reached financial close in the past 12 months (see p. 11). There are 56 mostly greenfield U.S. and Canadian P3' transport projects (not including nine parking leases) that are in the deal-flow pipeline. Eleven transportation projects worth $12 billion will close in the coming year, experts predict.

P3 History: Since 1989, in the U.S. and Canada there have been 114 projects worth $68 billion that have been built or are under construction now as design-build projects (see p. 4-6). Of those, $33.5 billion included private responsibilities such as financing, operation and maintenance, and long-term warranties. Lease-improve contracts for five toll roads were signed since 1999, when Highway 407 was auctioned by Ontario to the highest bidder.

League Tables: "Top Transportation Developers By Number of Concessions" signed since 1985 is led by ACS/Iridium, Global Via, Abertis and Ferrovial/Cintra. "Top Developers by Total Invested Capital"(see p. 10) since 1985 is led by Ferrovial/Cintra, ACS/Iridium, Macquarie and Vinci. The top 10 developers ranked on this list have built 316 P3 projects worth $280 billion since 1985.

Worldwide: Since 1985, over 600 tollroad and motorway P3 projects worth $350 billion have been financed. Europe ($170 billion), Latin America ($68 billion) and Asia ($64 billion), including Australia, lead the market. Rail concessions worth $142 billion have been financed, almost half in Asia.

ACS (Spain)

ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. Y SOCIEDADES DEPENDIENTES

ESTADO DE FLUJOS DE EFECTIVO CONSOLIDADO EN EL EJERCICIO TERMINADO EL 31 DE DICIEMBRE DE 2011

		Miles de Euros	
		31/12/2011	31/12/2010
		(*)	(*)
A)	**FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE EXPLOTACIÓN**	**1.286.649**	**1.338.617**
1.	**Resultado antes de impuestos**	**1.243.901**	**1.490.437**
2.	**Ajustes del resultado:**	**1.463.613**	**(18.227)**
	Amortización del inmovilizado	953.952	390.622
	Otros ajustes del resultado (netos)	509.661	(408.849)
3.	**Cambios en el capital corriente**	**(884.922)**	**203.238**
4.	**Otros flujos de efectivo de las actividades de explotación:**	**(535.943)**	**(336.831)**
	Pagos de intereses	(1.225.747)	(828.459)
	Cobros de dividendos	541.434	369.640
	Cobros de intereses	313.760	243.870
	Cobros/(Pagos) por impuesto sobre beneficios	(165.390)	(121.882)
B)	**FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE INVERSIÓN**	**(454.907)**	**(2.063.005)**
1.	**Pagos por inversiones:**	**(2.146.363)**	**(4.845.160)**
	Empresas del grupo, asociadas y unidades de negocio	836.351	(25.127)
	Inmovilizado material, intangible proyectos e inversiones inmobiliarias	(2.317.385)	(1.470.583)
	Otros activos financieros	(364.185)	(2.816.543)
	Otros activos	(301.144)	(532.907)
2.	**Cobros por desinversiones:**	**1.691.456**	**2.782.155**
	Empresas del grupo, asociadas y unidades de negocio	1.052.974	2.743.348
	Inmovilizado material, intangible proyectos e inversiones inmobiliarias	612.722	24.245
	Otros activos financieros	12.149	11.742
	Otros activos	13.611	2.820
C)	**FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE FINANCIACIÓN**	**695.476**	**1.005.670**
1.	**Cobros y (pagos) por instrumentos de patrimonio:**	**(253.788)**	**(332.870)**
	Adquisición	(279.253)	(350.047)
	Enajenación	25.465	17.177
2.	**Cobros y (pagos) por instrumentos de pasivo financiero:**	**1.687.448**	**2.125.714**
	Emisión	3.914.476	2.982.016
	Devolución y amortización	(2.227.028)	(856.302)
3.	**Pagos por dividendos y remuneraciones de otros instrumentos de patrimonio**	**(613.858)**	**(618.204)**
4.	**Otros flujos de efectivo de actividades de financiación:**	**(124.326)**	**(168.970)**
	Otros cobros/(pagos) de actividades de financiación	(124.326)	(168.970)
D)	**EFECTO DE LAS VARIACIONES DE LOS TIPOS DE CAMBIO**	**175.389**	**-**
E)	**AUMENTO/(DISMINUCIÓN) NETO DE EFECTIVO Y EQUIVALENTES**	**1.702.607**	**281.282**
F)	**EFECTIVO Y EQUIVALENTES AL INICIO DEL PERÍODO**	**2.452.570**	**2.171.288**
G)	**EFECTIVO Y EQUIVALENTES AL FINAL DEL PERÍODO**	**4.155.177**	**2.452.570**

1. FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE EXPLOTACIÓN	14.016	6.622
2. FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE INVERSIÓN	-	124.828
3. FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE FINANCIACIÓN	(14.016)	35.551
FLUJOS DE EFECTIVO NETOS DE OPERACIONES INTERRUMPIDAS	**-**	**167.001**

COMPONENTES DEL EFECTIVO Y EQUIVALENTES AL FINAL DEL PERIODO

Caja y bancos	3.086.946	1.625.306
Otros activos financieros	1.068.231	827.264
TOTAL EFECTIVO Y EQUIVALENTES AL FINAL DEL PERIODO	**4.155.177**	**2.452.570**

Las notas 1 a 19 y el Anexo I adjunto forman parte integrante del estado de flujos de efectivo consolidado a 31 de diciembre de 2011.

(*) No auditado

FCC (Spain)

ESTADO DE FLUJOS DE EFECTIVO CONSOLIDADO (MÉTODO INDIRECTO)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. Y SOCIEDADES DEPENDIENTES
a 31 de diciembre de 2011 (en miles de euros)

	31-12-2011		31-12-2010	
Resultado antes de impuestos de operaciones continuadas		**54.993**		**444.265**
Ajustes del resultado		**1.231.426**		**993.436**
Amortización del inmovilizado (Notas 7, 8 y 9)	643.516		659.216	
Deterioro fondo de comercio e inmovilizados (Notas 7 y 8)	309.942		21.345	
Otros ajustes del resultado (netos)	277.968		312.875	
Cambios en el capital corriente		**(230.572)**		**(424.550)**
Otros flujos de efectivo de las actividades de explotación		**(56.408)**		**(45.336)**
Cobros de dividendos	28.482		21.752	
Cobros/(pagos) por impuesto sobre beneficios (Nota 25)	(49.285)		(30.737)	
Otros cobros/(pagos) de actividades de explotación	(35.605)		(36.351)	
TOTAL FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE EXPLOTACIÓN		**999.439**		**967.815**
Pagos por inversiones		**(661.917)**		**(860.695)**
Empresas del grupo, asociadas y unidades de negocio	(64.295)		(82.717)	
Inmovilizado material, intangible e inversiones inmobiliarias (Notas 7, 8 y 9)	(528.031)		(668.730)	
Otros activos financieros	(69.591)		(109.248)	
Cobros por desinversiones		**641.792**		**355.588**
Empresas del grupo, asociadas y unidades de negocio	100.317		187.646	
Inmovilizado material, intangible e inversiones inmobiliarias (Notas 7, 8 y 9)	524.065		141.828	
Otros activos financieros	17.410		26.114	
Otros flujos de efectivo de actividades de inversión		**25.347**		**(2.253)**
Cobros de intereses	35.757		21.533	
Otros cobros/(pagos) de actividades de inversión	(10.410)		(23.786)	
TOTAL FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE INVERSIÓN		**5.222**		**(507.360)**
Cobros y (pagos) por instrumentos de patrimonio (Nota 18)		**(20.691)**		**(75.972)**
Emisión/(amortización)	2.365		4.654	
(Adquisición)/enajenación	(23.056)		(80.626)	
Cobros y (pagos) por instrumentos de pasivo financiero (Nota 21)		**223.883**		**182.468**
Emisión	575.359		922.286	
Devolución y amortización	(351.476)		(739.818)	
Pagos por dividendos y remuneraciones de instrumentos de patrimonio (Nota 6)		**(173.191)**		**(201.236)**
Otros flujos de efectivo de actividades de financiación		**(380.905)**		**(309.490)**
Pagos de intereses	(379.662)		(307.411)	
Otros cobros/(pagos) de actividades de financiación	(1.243)		(2.079)	
TOTAL FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE FINANCIACIÓN		**(350.904)**		**(404.230)**
Efecto de las variaciones de los tipos de cambio		**3.494**		**13.010**
Flujos netos de efectivo de actividades interrumpidas (Nota 4)		—		**(45.046)**
Efectivo y equivalentes de actividades interrumpidas a 31/12/2010 reclasificados		**(33.261)**		—
OTROS FLUJOS DE EFECTIVO		**(29.767)**		**(32.036)**
AUMENTO/(DISMINUCIÓN) NETO DE EFECTIVO Y EQUIVALENTES		**623.990**		**24.189**
Efectivo y equivalentes al inicio del periodo		**1.678.651**		**1.654.462**
Efectivo y equivalentes al final del periodo		**2.302.641**		**1.678.651**

Las notas 1 a 33 y los anexos I a V adjuntos forman parte integrante de los estados financieros consolidados, conformando junto con éstos las cuentas anuales consolidadas correspondientes al ejercicio 2011.

ABERTIS (Spain)

Estados de flujos de efectivo consolidados
(en miles de euros)

	Notas	2011	2010 (*)
Flujo neto de efectivo de las actividades de inversión:			
Combinaciones de negocio y variaciones de perímetro	-	-	3.577
Adquisición neta de participaciones en entidades asociadas	8	(152.106)	(24.851)
Cobros por venta de inmovilizado	-	7.824	7.589
Adquisición de inmovilizado material, activos intangibles, inmuebles inversión y otros activos concesionales	-	(263.241)	(333.998)
Adquisición de activos financieros disponibles para la venta	-	-	(275)
Dividendos cobrados de participaciones financieras y entidades asociadas	8/20.d/ 27.c	118.293	96.224
Otros	-	31.076	45.618
Actividades interrumpidas	26	908.728	(30.391)
(B) Total Flujo Neto de Efectivo de Actividades de Inversión		**650.574**	**(236.507)**
Flujo neto de efectivo de las actividades de financiación:			
Deuda financiera obtenida en el periodo	14	1.385.603	979.498
Devolución de deuda financiera	14	(1.935.613)	(1.126.883)
Dividendos pagados a los accionistas de la Sociedad Dominante	-	(862.102)	(432.865)
Devolución prima a los accionistas de la Sociedad Dominante	-	(295.615)	-
Acciones propias	-	(158.617)	2.117
Devolución prima / pagos a participaciones no dominantes	13	(87.575)	(68.326)
Actividades interrumpidas	26	250.606	(5.162)
(C) Total Flujo de Efectivo de Actividades de Financiación		**(1.703.313)**	**(651.621)**
(D) Efecto de las variaciones de los tipos de cambio		**(29.482)**	**(14.371)**
(Decremento) / Incremento neto de efectivo y equivalentes al efectivo (A)+(B)+(C)+(D)		**(91.318)**	**140.559**
Saldo inicial de efectivo y equivalentes		482.328	341.769
Saldo final de efectivo y equivalentes		**391.010**	**482.328**

Los presentes estados de flujos de efectivo consolidados deben ser leídos conjuntamente con las Notas incluidas en las páginas 8 a 171.

(*) Estado de flujos de efectivo consolidado del ejercicio 2010 considerando el impacto de la clasificación de las actividades interrumpidas en aplicación de la NIIF 5 tal como se indica en la Nota 1 y 26 y detallando ingresos y gastos por mejora de las infraestructuras como se detalla en la Nota 1.

FERROVIAL (Spain) Agenda Paper 3 Appendix C

ESTADO DE FLUJO DE CAJA CONSOLIDADO DE LOS EJERCICIOS 2011 Y 2010

Millones de euros	Nota	Diciembre 2011	Diciembre 2010
Resultado Neto atribuíble a la sociedad dominante		**1.269**	**2.163**
Ajustes al resultado		-287	-807
Minoritarios		-1	19
Amortizaciones/provisiones		388	437
Resultado por equivalencia		-17	428
Resultado por financiación		285	679
Impuesto		61	220
Otros ingresos de explotación		-15	-17
Ajustes valor razonable menos coste de venta		-989	-2.572
Otras pérdidas y ganancias			
Pago de Impuesto		-92	-83
Variación cuentas a cobrar, cuentas a pagar y otros		-334	-72
Cobro dividendos proyectos Infraestructuras		157	44
Flujo de operaciones	**32**	**713**	**1.245**
Inversión en inmovilizado material/inmaterial		-96	-127
Inversión proyectos Infraestructuras		-780	-915
Inversión inmovilizado financiero		-96	-152
Desinversión proyectos Infraestructuras		0	0
Desinversión inmovilizado financiero		1.264	1.124
Flujo de inversión	**32**	**291**	**-70**
Flujo antes de financiación		**1.004**	**1.175**
Flujo de capital y socios externos		126	69
Pago de dividendos accionista sociedad matriz		-367	-315
Pago de dividendos minoritarios sociedades participadas		-15	-86
Otros movimientos de fondos propios		0	0
Flujo financiación propia		**-256**	**-332**
Intereses pagados		-436	-641
Intereses recibidos		29	33
Aumento endeudamiento bancario		918	1.185
Disminución endeudamiento bancario		-1.141	-888
Variación endeudamiento mantenidos para la venta		0	189
Flujo de financiación	**32**	**-886**	**-454**
Variación tesorería y equivalentes	**20**	**117**	**722**
Tesorería y equivalentes al inicio del periodo		2.701	2.480
Tesorería y equivalentes al final del periodo		2.349	2.701
Impacto tipo de cambio en tesorería y equivalentes		-19	-153
Variación tesorería y equivalentes mantenidos para la venta		0	526
Variación tesorería y equivalentes Actividades Discontinuadas		488	128
Actividades discontinuadas			
Flujo de efectivo de las actividades de explotación		1.160	1.253
Flujo de efectivo de las actividades de inversión		-765	-916
Flujo de efectivo de las actividades de financiación		-555	-466
Flujo de efectivo neto de operaciones discontinuadas		**-161**	**-128**

Las Notas 1 a 39 y anexo 1, forman parte del Estado de Flujo Consolidado a 31 de diciembre de 2011.

VINCI (France)

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Consolidated cash flow statement

(in € millions)	Notes	2010	2009(*)
Consolidated net profit for the period (including non-controlling interests)		**1,900.6**	**1,703.3**
Depreciation and amortisation	5.2	1,730.7	1,728.5
Net increase/(decrease) in provisions		135.0	145.2
Share-based payments (IFRS 2) and other restatements		(17.7)	(30.6)
Gain or loss on disposals		(20.4)	(29.2)
Change in fair value of financial instruments		0.3	10.4
Share of profit/(loss) of equity-accounted companies, dividends received from unconsolidated entities and profit or loss from operations classified as held for sale		(82.8)	(98.8)
Capitalised borrowing costs		(77.2)	(99.2)
Cost of net financial debt recognised	6	635.9	713.8
Current and deferred tax expense recognised	7.1	847.4	727.3
Cash flows (used in)/from operations before tax and financing costs	**2-3**	**5,052.0**	**4,770.7**
Changes in working capital requirement and current provisions		(78.3)	523.8
Income taxes paid		(949.9)	(643.8)
Net interest paid		(692.8)	(762.3)
Dividends received from associates		54.2	46.7
Net cash flows (used in)/from operating activities	**I**	**3,385.3**	**3,935.1**
Purchases of property, plant and equipment, and intangible assets		*(694.7)*	*(705.5)*
Proceeds from sales of property, plant and equipment, and intangible assets		*99.3*	*90.0*
Net investments in operating assets	2	**(595.4)**	**(615.5)**
Operating cash flow	2	***2,789.8***	***3,319.6***
Investments in concession fixed assets (net of grants received)		*(836.2)*	*(997.8)*
Financial receivables (PPP contracts and others)		*(34.9)*	*(46.0)*
Growth investments in concessions and PPPs	2	**(871.1)**	**(1,043.9)**
Free cash flow	2	***1,918.7***	***2,275.8***
Purchases of shares in subsidiaries and associates (consolidated and unconsolidated)		*(690.8)(**)*	*(156.5)*
Proceeds from sales of shares in subsidiaries and associates (consolidated and unconsolidated)		*29.5*	*58.8*
Net effect of changes in scope of consolidation		*(378.7)(***)*	*1.4*
Net financial investments		**(1,040.0)**	**(96.4)**
Other		(68.4)	(31.3)
Net cash flows (used in)/from investing activities	**II**	**(2,575.0)**	**(1,787.1)**
Changes in share capital		305.3(**)	648.8
Changes in treasury shares		(86.4)	(2.5)
Non-controlling interests in share capital increases of subsidiaries		1.0	5.1
Acquisitions/disposals of non-controlling interests (without acquisition or loss of control)		(54.4)	(30.6)
Dividends paid			
- to shareholders of VINCI S.A.		*(902.9)*	*(816.0)*
- to non-controlling interests		*(61.9)*	*(59.5)*
Proceeds from new borrowings		721.0	1,449.7
Repayment of borrowings and changes in other current financial debt		(1,303.1)	(2,128.4)
Change in cash management assets		371.4	(816.2)
Net cash flows (used in)/from financing activities	**III**	**(1,009.9)**	**(1,749.6)**
Change in net cash	**I + II + III**	**(199.6)**	**398.5**
Net cash and cash equivalents at beginning of period		**4,821.7**	**4,396.1**
Other changes		449.0(***)	27.0
Net cash and cash equivalents at end of period	**23**	**5,071.1**	**4,821.7**
Increase/(decrease) of cash management financial assets		(371.4)	816.2
(Proceeds from)/repayment of loans		582.1	678.7
Other changes		(390.0)	(49.8)
Change in net debt		**70.0**	**1,870.6**
Net debt at beginning of period		**(13,129.7)**	**(15,000.3)**
Net debt at end of period	23	**(13,059.7)**	**(13,129.7)**

(*) Restated following the change of method described in Note A.1.2 "Change of method: equity accounting of jointly controlled entities".
(**) Excluding acquisition of Cegelec paid in VINCI shares (€1,385 million).
(***) Including €334 million relating to the net financial debt of companies acquired in the period.

OHL (Spain)

IV. INFORMACIÓN FINANCIERA SELECCIONADA

10. A. ESTADO DE FLUJOS DE EFECTIVO CONSOLIDADO (MÉTODO INDIRECTO) (NIIF ADOPTADAS)

Uds.: Miles de euros

			PERIODO ACTUAL 31/12/2011	PERIODO ANTERIOR 31/12/2010
A)	FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE EXPLOTACIÓN (1 + 2 + 3 + 4)	1435	993.134	908.525
1.	Resultado antes de impuestos	1405	542.935	381.723
2.	Ajustes del resultado:	1410	674.917	607.782
(+)	Amortización del inmovilizado	1411	252.370	237.500
(+/-)	Otros ajustes del resultado (netos)	1412	422.547	370.282
3.	Cambios en el capital corriente	1415	(129.892)	(419.551)
4.	Otros flujos de efectivo de las actividades de explotación:	1420	(94.826)	338.571
(-)	Pagos de intereses	1421	0	0
(-)	Pagos por dividendos y remuneraciones de otros instrumentos de patrimonio	1430	0	0
(+)	Cobros de dividendos	1422	0	0
(+)	Cobros de intereses	1423	0	0
(+/-)	Cobros/(Pagos) por impuesto sobre beneficios	1424	(95.964)	(80.601)
(+/-)	Otros cobros/(pagos) de actividades de explotación	1425	1.138	419.172
B)	FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE INVERSIÓN (1 + 2 + 3)	1460	(1.252.294)	(1.446.342)
1.	Pagos por inversiones:	1440	(1.432.898)	(1.552.842)
(-)	Empresas del grupo, asociadas y unidades de negocio	1441	(155.786)	(571.372)
(-)	Inmovilizado material, intangible e inversiones inmobiliarias	1442	(554.925)	(1.147.109)
(-)	Otros activos financieros	1443	(699.794)	195.381
(-)	Otros activos	1444	(22.393)	(29.742)
2.	Cobros por desinversiones:	1450	54.382	13.585
(+)	Empresas del grupo, asociadas y unidades de negocio	1451	34.365	3.660
(+)	Inmovilizado material, intangible e inversiones inmobiliarias	1452	20.017	9.925
(+)	Otros activos financieros	1453	0	0
(+)	Otros activos	1454	0	0
3.	Otros flujos de efectivo de actividades de inversión	1455	126.222	92.915
(+)	Cobros de dividendos	1456	7	8
(+)	Cobros de intereses	1457	126.215	92.907
(+/-)	Otros cobros/(pagos) de actividades de inversión	1458	0	0
C)	FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE FINANCIACIÓN (1 + 2 + 3 + 4)	1490	130.534	1.151.050
1.	Cobros y (pagos) por instrumentos de patrimonio:	1470	(1.134)	0
(+)	Emisión	1471	0	0
(-)	Amortización	1472	0	0
(-)	Adquisición	1473	(127.035)	0
(+)	Enajenación	1474	125.901	
2.	Cobros y (pagos) por instrumentos de pasivo financiero:	1480	785.197	1.331.221
(+)	Emisión	1481	2.190.110	2.540.277
(-)	Devolución y amortización	1482	(1.404.913)	(1.209.056)
3.	Pagos por dividendos y remuneraciones de otros instrumentos de patrimonio	1485	(48.877)	(42.848)
4.	Otros flujos de efectivo de actividades de financiación	1486	(604.652)	(137.223)
(-)	Pagos de intereses	1487	(576.311)	(435.729)
(+/-)	Otros cobros/(pagos) de actividades de financiación	1488	(28.341)	298.506
D)	EFECTO DE LAS VARIACIONES DE LOS TIPOS DE CAMBIO	1492	(57.820)	71.412
E)	AUMENTO/(DISMINUCIÓN) NETO DE EFECTIVO Y EQUIVALENTES (A + B + C + D)	1495	(186.446)	684.645
F)	EFECTIVO Y EQUIVALENTES AL INICIO DEL PERÍODO	1499	1.349.439	664.794
G)	EFECTIVO Y EQUIVALENTES AL FINAL DEL PERÍODO (E + F)	1500	1.162.993	1.349.439

	COMPONENTES DEL EFECTIVO Y EQUIVALENTES AL FINAL DEL PERIODO		PERIODO ACTUAL 31/12/2011	PERIODO ANTERIOR 31/12/2010
(+)	Caja y bancos	1550	496.892	645.867
(+)	Otros activos financieros	1552	666.101	703.572
(-)	*Menos: Descubiertos bancarios reintegrables a la vista*	1553	0	0
	TOTAL EFECTIVO Y EQUIVALENTES AL FINAL DEL PERIODO	1600	1.162.993	1.349.439

Este modelo de estado de flujos de efectivo consolidado (método directo) permite las alternativas de clasificación de los intereses y de los dividendos, tanto recibidos como pagados, que contemplan las NIIF adoptadas. Cada una de las partidas anteriores debe ser clasificada de forma única y coherente, en cada ejercicio, como perteneciente a las actividades de explotación, inversión o financiación.

SACYR (Spain)

ESTADO DE FLUJOS DE EFECTIVO CONSOLIDADO INTERMEDIO
-Método indirecto-

Miles de euros	NOTA	2011 (No auditado)	2010 (Auditado)
Resultado antes de impuestos de actividades continuadas e interrumpidas		**(2.141.552)**	**179.549**
Resultado antes de impuestos de actividades continuadas		(2.141.552)	188.348
Resultado antes de impuestos de actividades interrumpidas		0	(8.799)
Amortizaciones		188.255	167.535
Deterioros del fondo de comercio		18.230	0
Provisiones de explotación		106.105	15.625
Imputación de subvenciones		(15.038)	(9.467)
Resultado de sdades. contab. por participación	9	671.931	(273.629)
Resultado financiero		565.505	485.556
Resultado por venta de activos		1.124.955	12.141
Fondos Generados por las Operaciones		**518.391**	**577.310**
Existencias		189.239	635.422
Capital circulante		(278.629)	(254.479)
Variación del Capital Circulante Neto		**(89.390)**	**380.943**
Flujos Netos de Tesorería por Actividades de Explotación		**429.001**	**958.253**
Inversión neta en inmovilizado		**2.551.307**	**(503.265)**
Inversiones en inmovilizado material e intangible		(103.635)	(220.157)
Inversiones en proyectos inmobiliarios		(13.621)	(15.704)
Inversiones en proyectos concesionales		(339.174)	(311.257)
Inversiones en cuenta a cobrar de proyectos concesionales		(230.758)	(309.587)
Inversiones en inmovilizado financiero		(576.185)	(97.455)
Desinversiones en inmovilizado material e intangible		38.524	83.411
Desinversiones en proyectos inmobiliarios		482	415
Desinversiones en proyectos concesionales		237.842	86.531
Desinversiones en cuenta a cobrar de proyectos concesionales		161.246	127.716
Desinversiones en inmovilizado financiero		3.072.527	11.178
Intereses cobrados		47.549	37.619
Dividendos recibidos		256.510	103.825
Flujos Netos de Tesorería por Actividades de Inversión		**2.551.307**	**(503.265)**
Incremento el endeudamiento financiero		522.302	482.526
Disminución el endeudamiento financiero		(3.108.894)	(891.917)
Intereses pagados		(674.308)	(522.691)
Variación del Endeudamiento Financiero		**(3.260.900)**	**(932.082)**
Ampliación de capital		96.101	401.332
Dividendos pagados		(40.843)	0
Adquisición/Enajenación de acciones propias		(3.257)	0
Variación de la Financiación Propia		**52.001**	**401.332**
Otras Fuentes de Financiación		29.296	133.442
Otras Fuentes de Financiación		**29.296**	**133.442**
Flujos Netos de Tesorería por Actividades de Financiación		**(3.179.603)**	**(397.308)**
VARIACIÓN DE EFECTIVO Y OTROS MEDIOS LÍQUIDOS EQUIVALENTES		**(199.295)**	**57.680**
Saldo al inicio del periodo		783.715	726.035
Saldo al final del periodo		584.420	783.715

ANDRADE GUTIERREZ (Brazil) 1/3

CUADRO 4

ANDRADE GUTIERREZ S.A. - CONTROLADORA Y CONSOLIDADO

ESTADOS DE LOS FLUJOS DE CAJA
PARA LOS EJERCICIOS TERMINADOS AL 31 DE DICIEMBRE DE 2009 Y 2008
(Valores expresados en miles de reales)

	Controladora		
	2009	2008	2009
Beneficio (pérdida) neto	(347.118)	113.901	(346.804)
Participaciones minoritarias	-	-	(27.429)
Intereses y variaciones monetarias	(23.420)	25.773	81.629
Depreciaciones	83	164	1.464.617
Previsiones	(34.073)	5.610	2.357.680
Amortizaciones	-	-	23.957
Valor residual de activo dado de baja	-	699	37.708
Equivalencia patrimonial	367.162	(181.120)	(15.646)
Previsión/reversión pérdidas s/ activos	-	-	385.747
Dividendos recibidos	(6.646)	491	100.636
Otros	-	-	(587.023)
Caja generada en las operaciones	(44.012)	(34.482)	3.475.072
Reducción (aumento) de los activos			
Cuentas a cobrar	(18.529)	(81.230)	15.585
Tributos diferidos y a recuperar	(195)	(1.997)	4.947
Gastos anticipados	-	-	(194.142)
Demás activos	14.896	(541)	4.424
	(3.828)	(83.768)	(169.186)
Aumento (reducción) de los pasivos			
Proveedores	19	-	(79.168)
Sueldos, cargas y beneficios	17	(417)	(27.561)
Tributos a pagar y diferidos	(13)	215	84.302
Previsiones	-	41.926	(789.902)
Demás obligaciones	5	(74.422)	(50.809)
	28	(32.698)	(863.138)
Caja Neto Actividades Operativas	(47.812)	(150.948)	2.442.748
Aplicaciones financieras	(3.517)	(22.693)	27.654
Adquisiciones de bienes del activo inmovilizado (Includes Concession activity)	-	615	(1.808.871)
Aumento de las inversiones permanentes - See following pages -	(243.632)	249.824	(654.779)
Participación accionistas no controladores	-	-	(57.300)
Partes relacionadas	256.350	11.255	-
Otros	-	-	(54.217)
Caja Neta Actividades de Inversión (Investment activities)	9.201	239.001	(2.547.513)
Captación (pago) de préstamos, financiaciones y debentures	58.089	(87.642)	1.258.939
Capital	-	-	(20.383)
Compra de acciones	-	-	(694.929)
Pago arrendamiento mercantil	-	-	(2.662)
Pago de dividendos y JCP	-	-	(749.575)
Aumento capital liquidación acciones tesorería escisión	-	-	-
Otros	-	-	2.466
Caja Neta Actividades Financiación	58.089	(87.642)	(206.144)
Aumento de Caja y Equivalentes	19.478	411	(310.909)
Saldo inicial de caja y equivalentes	1.513	1.102	4.084.475
Saldo final de caja y equivalentes	20.991	1.513	3.773.566
Aumento de Caja y Equivalentes	19.478	411	(310.909)

Las notas son parte integrante de los estados contables.

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9. INMOVILIZADO

El inmovilizado está compuesto por:

	Tasas de Depreciación Anuales (%)	Controladora R$ Mil	Construcciones R$ Mil	Concesiones R$ Mil	Telecomunicaciones R$ Mil	Madeira Energía R$ Mil	Otros R$ Mil	31/12/2009 Consolidado R$ Mil	31/12/2008 Consolidado R$ Mil
Transmisión y otros equipos	10 a 20	-	-	-	8.432.107	-	-	8.432.107	3.721.262
Infraestructura	10 a 20	-	-	-	2.214.985	-	-	2.214.985	2.198.527
Equipos de conmutación automática	10 a 20	-	-	-	2.915.469	-	-	2.915.469	2.197.416
Computadoras y periféricos	25	15	-	9.489	-	-	760	10.264	169.702
Edificaciones y canalizaciones subterráneas	4 a 10	-	30.556	407.480	774.738	32.265	-	1.245.039	1.239.257
Instalaciones y mejoras en inmuebles de terceros	10	-	-	145.509	55.600	-	1.141	202.250	382.282
Muebles y utensilios	10	819	26.748	21.022	18.143	197	925	67.854	75.373
Obras de arte de hormigón, pavimento y restauración asfáltica	8,33 a 14,29	-	-	178.240	-	-	-	178.240	157.744
Señalizaciones	25	-	-	27.945	-	-	-	27.945	25.932
Equipos y Vehículos	20 a 25	-	890.690	906.209	-	5.403	9.329	1.811.631	1.616.793
Desalojos	6	-	-	33.927	-	-	-	33.927	34.911
Dispositivos de protección y seguridad	7	-	-	35.535	-	-	-	35.535	33.888
Pavimentos	12	-	-	301.501	-	-	-	301.501	286.087
Accesos, tréboles, empalmes y estructuras	6	-	-	4.698	-	-	-	4.698	5.140
Explanación, terraplenes y estructuras	5	-	-	78.013	-	-	-	78.013	74.699
Otras inmovilizaciones		-	27.999	175.498	2.073.700	-	-	2.277.198	1.367.397
Total del costo		834	975.993	2.325.066	16.484.742	37.865	12.155	19.836.656	13.586.410
Depreciaciones acumuladas		(668)	(507.915)	(1.001.456)	(12.662.629)	-	(522)	(14.173.191)	(9.037.305)
Terrenos		-	10.436	14.136	190	1.050	8.061	33.873	68.055
Obras y construcciones en marcha		-	-	228.043	600.499	322.926	-	1.151.468	383.030
Total		166	478.514	1.565.789	4.422.802	361.841	19.694	6.848.806	5.000.190

10. INTANGIBLE

	Tasas anuales de Amortización %	Construcciones	Concesiones	Telecomunicaciones	Madeira Energia	Otros	31/12/2009 Consolidado	31/12/2008 Consolidado
		R$ Mil	R$ Mil	R$ Mil	R$ Mil	R$ Mil	R$ Mil	R$ Mil
Sistemas operativos	7 a 20	-	98.767	-	-	-	98.767	188.391
Derecho de uso	7 a 18	87	28.878	711.908 (e)	-	-	740.873	523.257
Contrato de concesión	3,33 a 5	-	137.815 (a)	-	-	-	137.815	11.956
Software	20	1.207	-	951.605	-	547	953.359	347.435
Gastos con concesiones	2 a 3	-	361.925 (b)	1.491.858 (d)	-	-	1.853.783	352.059
Plusvalía en las inversiones	5,7 a 22	-	164.578 (c)	786.983	-	-	951.561	950.046
Otros	3,33 a 20	1.430	8.581	18.473	32	-	28.516	33.214
Total del costo		2.724	800.544	3.960.827	32	547	4.764.674	2.406.358
Amortización acumulada		(1.942)	(113.412)	(1.266.715)	-	(5)	(1.382.074)	(769.261)
Total		782	687.132	2.694.112	32	542	3.382.600	1.637.097

BRISA (Portugal)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(Amounts expressed in thousands of Euros)

(Translation of statements of financial position originally issued in Portuguese - Note 31)

	NOTES	2010	2009
OPERATING ACTIVITIES:			
CASH RECEIPTS FROM CLIENTS		647 829	645 926
CASH PAID TO SUPPLIERS		(125 961)	(101 944)
CASH PAID TO PERSONNEL		(101 851)	(99 566)
FLOWS GENERATED BY OPERATIONS		420 017	444 416
INCOME TAX RECEIVED/(PAID)		1 198	27 005
OTHER RECEIPTS/(PAYMENTS) RELATING TO OPERATING ACTIVITIES		(6 563)	17 297
NET CASH FROM OPERATING ACTIVITIES (1)		414 652	488 718
INVESTING ACTIVITIES:			
CASH RECEIPTS RELATING TO:			
TANGIBLE FIXED ASSETS		10 811	1 251
INVESTMENTS		1 162 982	12 102
DIVIDENDS RECEIVED		40 717	40 020
INTEREST AND SIMILAR INCOME		200	636
		1 214 710	54 009
CASH PAYMENTS RELATING TO:			
INVESTMENTS		(9 689)	(46 950)
TANGIBLE AND INTANGIBLE FIXED ASSETS (Includes concession activities according to Note 13)		(108 696)	(107 350)
		(118 385)	(154 300)
NET CASH USED IN INVESTING ACTIVITIES (2) - See following page -		1 096 325	(100 291)
FINANCING ACTIVITIES:			
CASH RECEIPTS RELATING TO:			
LOANS OBTAINED		3 619 284	2 209 749
INCREASE IN CAPITAL AND SUPPLEMENTARY CAPITAL CONTRIBUTIONS BY NON-CONTROLLING INTERESTS		6 265	7 390
FINANCIAL INSTRUMENTS		851	12 235
		3 626 400	2 229 374
CASH PAYMENTS RELATING TO:			
LOANS OBTAINED		(3 576 262)	(2 212 463)
INTEREST AND SIMILAR COSTS		(122 572)	(142 295)
DIVIDENDS PAID	11	(179 361)	(179 168)
FINANCIAL INSTRUMENTS		(72 794)	(43 787)
DECREASES IN CAPITAL AND SUPPLEMENTARY CAPITAL CONTRIBUTIONS BY NON-CONTROLLING INTERESTS		-	(410)
		(3 950 989)	(2 578 123)
NET CASH FROM FINANCING ACTIVITIES (3)		(324 589)	(348 749)
EFFECT OF CURRENCY EXCHANGE RATE CHANGES (4)		1 500	1 094
EFFECT OF CONSOLIDATION PERIMETER CHANGES (5)		-	(5 384)
VARIATION IN CASH AND CASH EQUIVALENTS (6) = (1) + (2) + (3) + (4) + (5)		1 187 888	35 388
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	21	165 848	130 460
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	1 353 736	165 848

The accompanying notes form an integral part of the consolidated statement of cash flows for the year ended 31 December 2010.

The Accountant nº 62018 The Board of Directors

The concession rights included in intangible assets obtained in consideration for construction services are made up as follows:

Note 13

2010	BRISA CONCESSION	LITORAL CENTRO CONCESSION	ATLÂNTICO CONCESSION	TOTAL
CONSTRUCTION COSTS				
BEGGINING BALANCE	3 960 898	584 004	259 026	4 803 928
INCREASES	73 057	1 889	7 504	82 450
DECREASES	(46)	-	(534)	(580)
TRANSFERS	(581)	-	-	(581)
ENDING BALANCE	4 033 328	585 893	265 996	4 885 217

2009	BRISA CONCESSION	LITORAL CENTRO CONCESSION	ATLÂNTICO CONCESSION	DOURO LITORAL (a) CONCESSION	TOTAL
CONSTRUCTION COSTS					
RESTATED BEGGINING BALANCE	3 880 505	580 677	251 154	65 774	4 778 110
CHANGES IN CONSOLIDATION PERIMETER	-	-	-	(65 774)	(65 774)
INCREASES	80 681	3 327	7 977	-	91 985
DECREASES	(24)	-	(105)	-	(129)
TRANSFERS	(264)	-	-	-	(264)
ENDING BALANCE	3 960 898	584 004	259 026	-	4 803 928

ICA Group (Mexico)

1/2

Empresas ICA, S. A. B. de C. V. y Subsidiarias

Estados consolidados de flujos de efectivo

Por los años que terminaron el 31 de diciembre de 2010, 2009 y 2008.
(Miles de pesos)
Método Indirecto

	Millones de dólares (Conversión por conveniencia Nota 2) 31 de Diciembre 2010	2010	2009
Actividades de operación:			
Utilidad antes de impuestos a la utilidad	$ 119	$ 1,468,036	$ 2,251,132
Partidas relacionadas con actividades de inversión:			
Depreciación y amortización	133	1,649,836	1,273,307
Pérdida (utilidad) en venta de activo fijo	1	6,291	13,771
Reversión de ajuste por deterioro	-	-	(680,554)
Ajuste por valuación de inversiones de largo plazo	(1)	(10,654)	11,571
Participación en los resultados de compañías asociadas	(7)	(79,432)	114,256
Partidas relacionadas con actividades de financiamiento:			
Intereses a cargo	170	2,103,627	1,363,497
Fluctuación cambiaria devengada no pagada	(37)	(460,025)	(268,729)
Valuación de instrumentos financieros derivados	31	384,442	498,105
Otras	7	90,786	6,620
	416	5,152,907	4,582,976
(Aumento) disminución en:			
Clientes	(569)	(7,050,159)	(6,579,579)
Inventarios y otros activos	(10)	(129,169)	12,695
Inventarios inmobiliarios	(7)	(87,880)	(399,718)
Otras cuentas por cobrar	(28)	(348,564)	(2,391,851)
Cuentas por pagar a proveedores	18	229,669	1,689,256
Anticipos de clientes	(115)	(1,425,333)	225,212
Impuestos a la utilidad pagados	(36)	(442,954)	(272,527)
Otras cuentas por pagar	(1)	(6,049)	967,002
Flujos netos de efectivo de actividades de operación	(332)	(4,107,532)	(2,166,534)
Actividades de inversión:			
Adquisición de maquinaria y equipo	(40)	(492,040)	(1,255,511)
Venta de maquinaria y equipo	32	390,128	225,342
Adquisición de negocios	(21)	(261,122)	(193,668)
Adquisición de inversiones en concesiones y otros activos a largo plazo	(205)	(2,524,145)	(2,627,807)
Dividendos cobrados	1	5,319	8,140
Préstamos cobrados (otorgados)	7	86,075	(1,007,195)
Flujos netos de efectivo de actividades de inversión	(226)	(2,795,785)	(4,850,699)
Efectivo a obtener de actividades de financiamiento	(558)	(6,903,317)	(7,017,233)

	2010	2010	2009
Actividades de financiamiento:			
Préstamos obtenidos	1,342	16,621,255	8,455,842
Pagos de préstamos	(558)	(6,906,459)	(2,714,444)
Pagos por créditos de arrendamiento financiero	(3)	(36,728)	(12,587)
Intereses pagados	(167)	(2,073,881)	(1,694,471)
Aumento de capital social (2009 neto de $89,890 de gastos de colocación)	1	3,728	2,979,279
Instrumentos financieros derivados	(43)	(534,570)	(499,630)
Recompra de acciones propias	-	-	(7,936)
Disminución de la participación no controladora	(8)	(93,502)	(249,463)
Flujos netos de efectivo de actividades de financiamiento	564	6,979,843	6,256,590
Incremento (decremento) neto de efectivo y equivalentes de efectivo	6	76,526	(760,643)
Ajuste al flujo de efectivo por variaciones en el tipo de cambio	(5)	(68,231)	39,385
Efectivo y equivalentes de efectivo al principio del período (incluye efectivo restringido por $1,833,086)	364	4,510,667	5,231,925
Efectivo y equivalentes de efectivo al final del período (incluye efectivo restringido por $1,543,578)	$ 365	$ 4,518,962	$ 4,510,667

Información adicional:

Durante el año 2009 se adquirió maquinaria y equipo a través de arrendamiento capitalizable por $36,527.

En el estado de situación financiera se incluyen al 31 de diciembre de 2010, inventarios inmobiliarios por $1,446,825, adquiridos n la ejecución fiduciaria que se menciona en la Nota 21.a.

Las notas adjuntas son parte de los estados financieros consolidados.

Agenda Paper 3 Appendix C

Bilfinger Berger (Germany)

Consolidated statement of cash flows

€ million	Notes	2010	2009
Earnings after taxes from continuing operations		207.7	82.7
Depreciation, amortization and impairments		167.8	127.9
Decrease / increase in non-current provisions		-10.8	4.6
Deferred tax expense / benefit		16.9	-13.7
Equity adjustment		-10.5	-8.2
Cash earnings from continuing operations		**371.1**	**193.3**
Decrease / increase in inventories		75.8	-32.6
Decrease in receivables		2.4	202.0
Increase in current provisions		47.8	20.1
Decrease in liabilities		-210.8	-13.0
Change in working capital		**-84.8**	**176.5**
Gains on the disposal of non-current assets		-40.7	-5.2
Cash flow from operating activities of continuing operations	(32)	**245.6**	**364.6**
Proceeds from the disposal of intangible assets		1.3	0.4
Proceeds from the disposal of property, plant and equipment		16.3	12.3
Proceeds from the disposal of financial assets		35.1	17.5
Investments in intangible assets		-8.4	-8.1
Investments in property, plant and equipment		-132.3	-126.9
Investments in financial assets		-202.5	-361.3
Cash flow from investing activities of continuing operations	(32)	**-290.5**	**-466.1**
Capital increase of Bilfinger Berger SE		0.0	260.2
Dividend paid to the shareholders of Bilfinger Berger SE		-88.3	-70.6
Dividend paid to minority interest		-3.1	-3.9
Borrowing		4.9	2.5
Repayment of loans		-10.4	-16.1
Cash flow from financing activities of continuing operations		**-96.9**	**172.1**
Change in cash and cash equivalents of continuing operations		**-141.8**	**70.6**
Cash flow from operating activities of discontinued operations	(32)	158.3	3.6
Cash flow from investing activities of discontinued operations	(32)	-34.1	-31.7
Cash flow from financing activities of discontinued operations		-0.4	3.4
Change in cash and cash equivalents of discontinued operations		**123.8**	**-24.7**
Other adjustments to cash and cash equivalents		62.9	32.4
Cash and cash equivalents at January 1		798.4	720.1
Cash and cash equivalents of discontinued operations at end of year		305.8	-
Cash and cash equivalents at December 31		**537.5**	**798.4**

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2010

In millions of euros	Notes	December 31, 2010	December 31, 2009
Cash and cash equivalents at the beginning of the year	17	968	1,723
Effect of foreign exchange rate changes		2	–
Restated cash and cash equivalents at the beginning of the year		970	1,723
Profit for the year		326	269
Net impact of investments accounted for by the equity method		3	13
Depreciation, amortisation and provisions, net		728	765
Other adjustments for items not involving movement of funds		-40	-50
Gains on disposals		-17	-15
Cash generated by operations		**1,000**	**982**
Net interest expense		539	512
Interest paid		-523	-515
Income tax		183	145
Income tax paid		-299	-221
Changes in working capital related to operating activities	18	-98	-60
Net cash from (used in) operating activities (I)		**802**	**843**
Intangible assets		-40	-37
Intangible assets arising from concessions [1]		-679	-771
Property, plant and equipment		-209	-224
Investments [2]		-1,378	-392
Total purchases of non-current assets		**-2,306**	**-1,424**
Proceeds from disposal of non-current assets		28	38
Cash and cash equivalents of entities bought or sold		15	-13
Net cash from (used in) investing activities (II)		**-2,263**	**-1,399**
Dividends paid		-129	-111
Proceeds from issue of shares [4]		254	41
Repurchase and resale of treasury shares		6	-96
Repayments of borrowings		-799	-1,309
New borrowings [3]		1,891	1,276
Net cash from (used in) financing activities (III)		**1,223**	**-199**
Net increase (decrease) in cash and cash equivalents (I + II + III)		**-238**	**-755**
Cash and cash equivalents at the end of the year	**17**	**732**	**968**

Notes 1 to 40 form an integral part of the consolidated financial statements.

(1) The main investments in 2010 relating to intangible assets arising from concessions concerned:
- the motorway being built by A'liénor, with €347 million of investments (compared with €390 million in 2009), and
- the APRR/AREA motorway network, with €310 million of investments (compared with €359 million in 2009).

(2) As regards non-current financial assets, investments in 2010 concerned mainly:
- the acquisition of 15.9% of the capital of APRR for €975 million;
- investments in public private partnerships totalling €352 million (compared with €275 million in 2009); and
- acquisitions totalling €48 million.

(3) The increase in new borrowings was linked mainly to the investments described above.

(4) In 2010, minority interests in the capital increases at Eiffarie (€229 million) and Aliénor (€25 million)

Transurban (Australia)

Transurban Holding Trust
Consolidated statement of cash flows
For the year ended 30 June 2011

	Notes	30 June 2011 $'000	30 June 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**239,395**	224,026
Payments to suppliers (inclusive of GST)		**(6,857)**	(409)
Interest received		**122,005**	187,769
Interest paid		**(275,088)**	(257,962)
Income taxes paid		**(4,654)**	(3,641)
Net cash inflow from operating activities	32	**74,801**	149,783
Cash flows from investing activities			
Payments for intangible assets		**(480,741)**	-
Payment for settlement of CityLink Concession Notes		**-**	(61,795)
Net cash outflow from investing activities		**(480,741)**	(61,795)
Cash flows from financing activities			
Proceeds from issues of units, net of costs		**-**	368,830
Proceeds from sale of treasury units, net of costs		**67**	3,489
Proceeds from borrowings, net of costs		**775,803**	500,292
Repayment of borrowings		**(465,000)**	(515,500)
Loans to/from related parties		**(240,547)**	(429,403)
Repayment of loans to/from related parties		**585,786**	204,956
Distributions paid to Transurban Group's security holders	23	**(232,577)**	(230,451)
Distributions paid to non-controlling interests in subsidiaries		**(10,733)**	(14,442)
Net cash inflow (outflow) from financing activities		**412,799**	(112,229)
Net increase (decrease) in cash and cash equivalents		**6,859**	(24,241)
Cash and cash equivalents at the beginning of the financial year		**4,177**	28,418
Cash and cash equivalents at end of year	9	**11,036**	4,177

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Skanska (Sweden)

Consolidated cash flow statement

SEK M = 0,11 M€	2010	2009
Operating activities		
Operating income	5,458	6,033
Adjustments for items not included in cash flow	-930	-454
Income tax paid	-1,641	-1,069
Cash flow from operating activities before change in working capital	2,887	4,510
Cash flow from change in working capital		
Investments in current-asset properties	-8,434	-7,929
Divestments of current-asset properties	11,737	10,601
Changes in inventories and operating receivables	427	3,147
Changes in operating liabilities	-379	-2,744
Cash flow from change in working capital	3,351	3,075
Cash flow from operating activities	6,238	7,585
Investing activities		
Acquisitions of businesses	0	-10
Investments in intangible assets	-72	-62
Investments in property, plant and equipment	-1,338	-1,273
Investments in Infrastructure Development assets	-692 ~ 76 M€	-445
Investments in shares	-155	-179
Increase in interest-bearing receivables, loans provided	-2,830	-3,328
Disposals of businesses	-15	
Divestments of intangible assets	4	
Divestments of property, plant and equipment	240	401
Divestments of Infrastructure Development assets	403	137
Divestments of shares	16	2
Decrease in interest-bearing receivables, repayments of loans provided	603	1,647
Income tax paid	-14	-21
Cash flow from investing activities	-3,850	-3,131
Financing activities		
Net interest items	3	22
Other financial items	-65	-401
Borrowings	473	1,333
Repayment of debt	-2,445	-1,269
Dividend paid	-2,582	-2,185
Shares repurchased	-252	-355
Dividend to/Contribution from non-controlling interests	-39	-5
Income tax paid	19	104
Cash flow from financing activities	-4,888	-2,756
Cash flow for the year	-2,500	1,698
Cash and cash equivalents, January 1	9,409	7,881
Translation differences in cash and cash equivalents	-255	-170
Cash and cash equivalents, December 31	6,654	9,409

Change in interest-bearing net receivables

SEK M	2010	2009
Interest-bearing net receivables, January 1	8,091	9 230
Change in accounting principle		-4 724
Adjusted interest-bearing net receivables, January 1	8 091	4 506
Cash flow from operating activities	6,238	7,585
Cash flow from investing activities excluding change in interest-bearing receivables	-1,623	-1,450
Cash flow from financing activities excluding change in interest-bearing liabilities	-2,916	-2,820
Change in pension liability	760	690
Reclassifications	0	227
Net receivable/liability acquired/divested	-4	
Translation differences	-726	-528
Other items	94	-119
Interest-bearing net receivables, December 31	9,914	8,091

See also Note 35.

OHL (Brazil)

OBRASCON HUARTE LAIN BRASIL S.A. E CONTROLADAS

DEMONSTRAÇÕES DOS FLUXOS DE CAIXA PARA OS EXERCÍCIOS
FINDOS EM 31 DE DEZEMBRO DE 2010 E DE 2009
(Em milhares de reais - R$)

	Nota explicativa	Controladora 2010	Controladora 2009	Consolidado 2010	Consolidado 2009
FLUXO DE CAIXA DAS ATIVIDADES OPERACIONAIS					
Lucro líquido do exercício		289.055	215.819	304.249	227.352
Ajustes para conciliar o lucro líquido com o caixa líquido (utilizado nas) gerado pelas atividades operacionais:					
Depreciações e amortizações		970	724	175.359	136.596
Amortização de ágio em investimentos		-	-	6.101	8.133
Baixa de ativos permanentes		40	3	1.879	1.053
Imposto de renda e contribuição social diferidos		-	-	(16.641)	2.430
Variação monetária e juros sobre credores pela concessão		-	-	55.148	12.764
Receita com Aplicações Financeiras Vinculadas		-	-	(4.454)	(262)
Juros e variações monetárias de empréstimos		(5.934)	4.649	111.627	160.175
Juros e variações monetárias de debêntures		-	-	114.274	-
Despesa Financeira AVP		-	-	7.780	9.294
Constituição (reversão) de provisão para riscos cíveis, trabalhistas e fiscais		-	-	3.061	4.492
Constituição (reversão) de provisão para manutenção		-	-	15.569	3.940
Equivalência patrimonial		(293.887)	(226.805)	-	-
Redução (aumento) dos ativos operacionais:					
Contas a receber		35	146	(20.287)	(25.692)
Contas a receber - partes relacionadas		-	(8.987)	(2)	-
Estoques		-	-	(540)	1.111
Despesas antecipadas		3	(99)	1.408	(6.105)
Impostos a recuperar		(108)	(2.281)	(8.686)	(1.657)
Adiantamentos novos projetos		-	-	256	(9)
Outros créditos		(251)	(960)	(1.820)	1.980
Cauções contratuais		-	-	1	(98)
Depósitos judiciais		-	-	(3.630)	(5.888)
Outros contas a receber		-	-	21	74
Aumento (redução) dos passivos operacionais:					
Fornecedores		(650)	7	(14.408)	38.662
Fornecedores - partes relacionadas		-	-	(79)	(83)
Cauções contratuais de fornecedores		-	-	3.986	(1.554)
Obrigações sociais		1.820	758	7.452	12.590
Obrigações fiscais		(306)	735	1.665	(6.418)
Receita diferida		-	-	49	23
Contas a pagar - partes relacionadas		(2)	(167)	-	-
Outras contas a pagar		(19)	(13)	34.920	(9.272)
Credores pela concessão		-	-	304	240
Riscos cíveis trabalhistas e fiscais		-	-	(211)	(619)
Pagamento juros - federais		-	-	(79.979)	-
Caixa líquido (utilizado nas) gerado pelas atividades operacionais		(9.234)	(16.471)	694.372	563.252
FLUXO DE CAIXA DAS ATIVIDADES DE INVESTIMENTO					
Aquisições de itens do ativo imobilizado		(1.931)	(1.534)	(9.203)	(12.645)
Adições ao intangível		(141)	(167)	(589.078)	(738.142)
Adiantamentos para novos projetos		256	(9)	-	-
Aplicação finnanceira vinculada		-	-	(182.686)	-
Valor resgatado das aplicações vinculadas		-	-	94.517	-
Adições aos investimentos		(161.092)	(101.000)	-	-
Redução de capital de sociedade controlada		116.092	9.000	-	-
Recebimento de dividendos - exercícios anteriores		149.156	8.557	-	-
Recebimento de juros sobre o capital próprio		13.648	23.532	-	-
Recebimento de dividendos		-	104.096	-	-
Caixa líquido gerado pelas (utilizado nas) atividades de investimento		115.988	42.475	(686.450)	(750.787)
FLUXO DE CAIXA DAS ATIVIDADES DE FINANCIAMENTO					
Empréstimos e financiamentos:					
Captações		-	-	187.461	2.050.356
Pagamentos		-	-	(1.012.009)	(1.263.642)
Pagamentos - juros		-	-	(53.160)	(194.837)
Debentures:					
Captação / emissão de debêntures		-	-	1.781.369	-
Pagamentos de debêntures - principal		-	-	(39.239)	-
Pagamentos de debêntures - juros		-	-	(48.898)	-
Pagamento de credores pela concessão		-	-	(55.517)	(53.427)
Pagamento de dividendos		(41.866)	(25.007)	(41.833)	(25.007)
Recebimento de mútuos de empresas ligadas		-	5.689	-	-
Empréstimos de mútuos para empresas ligadas		-	-	-	-
Captação de mútuos para empresas ligadas		-	-	-	-
Caixa líquido (utilizado nas) gerado pelas atividades de financiamento		(41.866)	(19.318)	718.174	513.443
AUMENTO DO SALDO DE CAIXA E EQUIVALENTES DE CAIXA		64.888	6.686	726.096	325.908
CAIXA E EQUIVALENTES DE CAIXA NO INÍCIO DO EXERCÍCIO		12.018	5.332	442.192	116.284
CAIXA E EQUIVALENTES DE CAIXA NO FIM DO EXERCÍCIO		76.906	12.018	1.168.288	442.192

As notas explicativas são parte integrante das demonstrações financeiras.

Agenda Paper 3 Appendix C

CCR (Brazil)

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DFs Individuais / Demonstração do Fluxo de Caixa - Método Indireto

(Cash Flow Statement)

(Reais Mil)

Código da Conta	Descrição da Conta	Último Exercício 01/01/2010 à 31/12/2010	Penúltimo Exercício 01/01/2009 à 31/12/2009	Antepenúltimo Exercício 01/01/2008 à 31/12/2008
6.01	Caixa Líquido Atividades Operacionais	-127.956	19.687	0
6.01.01	Caixa Gerado nas Operações	87.582	43.097	0
6.01.01.01	Lucro líquido do período	663.758	704.095	0
6.01.01.02	Depreciação e amortização	1.940	433	0
6.01.01.03	Baixa do ativo imobilizado, intangível e diferido	11	13	0
6.01.01.04	Amortização do direito de concessão - ágio	3.303	4.431	0
6.01.01.05	Juros e variação monetária s/ debênt., emprést.,financ. e leasing circulante e não circulan	146.402	128.895	0
6.01.01.06	Resultado de operações com derivativos	-475	0	0
6.01.01.07	Juros e variação monetária sobre mútuo com partes relacionadas	-72.116	-31.922	0
6.01.01.08	Juros sobre impostos parcelados	18	0	0
6.01.01.09	Juros, multa e outros encargos sobre impostos parcelados - Lei 11.941	0	126	0
6.01.01.10	Descontos obtidos sobre impostos parcelados - Lei 11.941	0	-38	0
6.01.01.11	Equivalência patrimonial	-655.259	-762.936	0
6.01.02	Variações nos Ativos e Passivos	-215.538	-23.410	0
6.01.02.01	Contas a receber	0	82	0
6.01.02.02	Partes relacionadas	-192.233	3.604	0
6.01.02.03	Impostos a recuperar	-35.954	-28.495	0
6.01.02.04	Despesas antecipadas e outras	-1.886	-221	0
6.01.02.05	Fornecedores	-532	-1.902	0
6.01.02.06	Partes relacionadas	6.627	3.159	0
6.01.02.07	Obrigações sociais e trabalhistas	7.218	338	0
6.01.02.08	Impostos e contrib. a recolher e parcelados e provisão p/ imposto de renda e contrib.social	1.185	26	0
6.01.02.09	Outras contas a pagar	37	-1	0
6.02	Caixa Líquido Atividades de Investimento	-212.311	-341.556	0
6.02.01	Aquisição de investimentos	-194.373	-340.681	0
6.02.02	Aquisição de ativo imobilizado	-12.995	-862	0

↳ Continues in next page

DFs Individuais / Demonstração do Fluxo de Caixa - Método Indireto

(Reais Mil)

Código da Conta	Descrição da Conta	Último Exercício 01/01/2010 à 31/12/2010	Penúltimo Exercício 01/01/2009 à 31/12/2009	Antepenúltimo Exercício 01/01/2008 à 31/12/2008
6.02.03	Adições ao ativo intangível (Includes concession activities. See next page).	-4.943	-13	0
6.03	Caixa Líquido Atividades de Financiamento	-380.311	1.057.674	0
6.03.01	Liquidação de operações com derivativos	-1.767	0	0
6.03.02	Mútuos com partes relacionadas - captação	-150.604	-899.802	0
6.03.03	Mútuos com partes relacionadas - pagamentos	22.695	390.870	0
6.03.04	Empréstimos, financiamentos, debêntures e leasing - captação	0	593.771	0
6.03.05	Empréstimos, financiamentos, debêntures e leasing - pagamentos	-37.166	-454.368	0
6.03.06	Empréstimos, financiamentos, debêntures e leasing - pagamento de juros	-131.420	0	0
6.03.07	Aumento de capital - integralização	0	1.263.734	0
6.03.08	Aumento de capital - custo de captação	-766	-29.387	0
6.03.09	Dividendos - pagos	-858.629	-608.682	0
6.03.10	Dividendos - recebidos	777.346	797.780	0
6.03.11	Juros sobre capital próprio recebidos	0	3.758	0
6.05	Aumento (Redução) de Caixa e Equivalentes	-720.578	735.805	0
6.05.01	Saldo Inicial de Caixa e Equivalentes	1.510.938	775.133	0
6.05.02	Saldo Final de Caixa e Equivalentes	790.360	1.510.938	0

Agenda Paper 3 Appendix C

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(Companhia aberta)

Notas explicativas às demonstrações financeiras

Exercícios findos em 31 de dezembro de 2010 e 2009

(Em milhares de Reais)

Movimentação da depreciação

	Consolidado											
	01/01/2009	31/12/2009					31/12/2010					
	Depreciação	Aquisição Controlar	Adições	Baixas	Transferências (a)	Depreciação	Aquisição SPVias	Adições	Baixas	Transferências (a)	Transferência - Incorporação	Depreciação
Móveis e Utensílios	(6.873)	(40)	(1.357)	319	77	(7.874)	(1.119)	(1.731)	248	-	-	(10.216)
Máquinas e Equipamentos	(58.964)	(111)	(17.783)	2.380	7.111	(67.567)	(7.221)	(20.013)	5.635	(60)	-	(89.326)
Veículos	(24.971)	(47)	(7.125)	1.580	(354)	(31.117)	(7.228)	(7.501)	1.952	-	-	(43.894)
Instalações e Edificações	(4.384)	(995)	(1.422)	-	-	(6.801)	(159)	(3.760)	1	-	-	(10.719)
Sistemas Operacionais	(152.703)	-	(23.858)	4.079	(502)	(173.084)	(8.422)	(23.936)	3.773	62	-	(201.610)
	(247.895)	(1.398)	(51.545)	8.358	6.032	(286.443)	(24.249)	(56.981)	11.907	2	-	(355.754)

(a) O valor de R$ 6.032 em 31 de dezembro de 2009 e R$ 2 em 31 de dezembro de 2010 correspondente às reclassificações do ativo imobilizado para o ativo intangível.

9 Ativos Intangíveis

		Controladora								
	Taxa anual de amortização - %	31/12/2010			31/12/2009			01/01/2009		
		Custo	Amortização	Liquido	Custo	Amortização	Liquido	Custo	Amortização	Liquido
Direitos de uso de sistemas informatizados	20	4.518	(1.271)	3.247	609	(465)	144	477	(331)	146
Custos de desenvolvimento de sistemas informatizados	20	2.946	(287)	2.659	-	-	-	-	-	-
Direito da concessão - Ágio (a)	(*)	41.788	(25.661)	16.127	41.788	(22.358)	19.430	41.788	(17.926)	23.862
(Concession rights)		49.252	(27.219)	22.033	42.397	(22.823)	19.574	42.265	(18.257)	24.008

International Accounting Standards Board

30 Cannon Street, London EC4M 6XH,
United Kingdom

Brussels, 21st May 2012

Ref.: IFRIC12 Service Concession Arrangements – Presentation of cash flows for construction or upgrading services

Dear Mr. Hoogervorst,

FIEC is the European Construction Industry Federation, created in 1905, representing via its 34 national Member Federations in 29 countries (27 EU & EFTA, Croatia and Turkey) construction enterprises of all sizes, i.e. small and medium-sized enterprises as well as 'global players', carrying out all forms of building and civil engineering activities.

We address you regarding our concerns about the decision taken by the Interpretation Committee last November 2011 meeting. In particular at November 2011 meeting, the Interpretation Committee decided to recommend that the Board should propose an amendment, through Annual Improvements, to paragraph 14 of IAS 7 to clarify that an operator that provides construction or upgrade services in a service concession arrangement should present all of the cash flows relating to this activity as operating cash flows. In a subsequent analysis (see: IFRIC Update, March 2012), the Committee noted that two 'principles of classification' in IAS 7 have been used to support the Committee's decisions (either for issuing an agenda decision or for proposing an annual improvement):

a. cash flows in IAS 7 should be classified in accordance with the nature of the activity to which they relate, following the definitions of operating, investing and financing activities in paragraph 6 of IAS 7; and

b. cash flows in IAS 7 should be classified consistently with the classification of the related or underlying item in the statement of financial position. This approach could also lead, in some circumstances, to splitting transactions into their different operating, investing and financing components.

The Committee observed that the primary principle behind the classification of cash flows in IAS 7 is that cash flows should be classified in accordance with the nature of the activity in a manner that is most appropriate to the business of the entity in accordance with the definitions of operating, investing and financing activities in paragraph 6 of IAS 7. The Committee noted that it will use this as a guiding principle when analyzing future requests on the classification of cash flows. The Committee also recommended that the Board should clarify the primary principle behind the classification of cash flows in IAS 7.

We strongly believe cash outflow relating to construction services under a service concession arrangement represent **investing cash flow**. Our analysis below builds on two aspects: the nature of the business and the technicality of IAS 7.

Our position closely corresponds to the principle of classification in IAS 7 “b” (cohesiveness principle) identified by the Committee, because the assets resulting from the construction or upgrade services provided are presented as investments in the statement of financial position according to IFRIC 12 (i.e. [non-current] financial or intangible assets).

Additionally, the presentation as investing cash flow is also supported by principle “a” (nature-of-activity principle), because this principle is based on the notion in paragraph 11 of IAS 7 that the classification shall be based on a judgment of which presentation is most appropriate to the business and therefore most decision-useful to the users of financial statements.

We thank you for the opportunity to submit our contribution on this matter and we would be pleased to have a meeting to discuss about this issue.

Yours sincerely,

Ulrich Paetzold

FIEC Director General

DETAILED COMMENTS:

The business of Services Concessions Arrangements is a type of business which normally requires a heavy upfront investment that is recovered by the operator with the cash that it receives in terms of tolls subject to demand risk (intangible model) or other type of amounts not subjected to demand risk (financial asset model).

The nature of this type of business, as a business which normally requires a heavy upfront investment, was clearly recognized in the discussions on the IFRIC 12 and the classification of that heavy investment was one of the main issues on the table (see paragraph 9 of IFRIC 12 Basis for Conclusions).That upfront investment is normally financed by long term bank borrowing or bonds financing that are normally guaranteed only with the future cash flows of the project. From a business point of view, it is clear that the banks and bonders do not finance operating costs; they finance an investment that will be recovered through future cash flows of the project. Taking into account the economic substance of the business, we understand that cash outflows relating to construction services under a service concession arrangement should be presented as investing cash flow. The classification as an investing cash flow cannot be denied because the investment is executed exchanging a construction activity of a new infrastructure against an intangible asset or a financial asset in a barter transaction. In terms of statement of financial position, the operator is recognizing a fixed asset (intangible or financial) as soon as the construction activity is performed (see IFRIC 12 illustrative examples) and in terms of cash, the operator is receiving cash from the banks and the shareholders in order to pay the investment that will be recovered in the future.

The conclusion that the cash outflows related to the construction of the infrastructure are investment cash flows can be concluded not only analyzing the nature of the business, but also from a technical point of view according IAS 7.

The IAS 7 paragraph 6 includes a definition for investing activities aligned with this idea: “Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents”. Paragraph 11 says that an “Entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business”. Additionally, paragraph 16 of IAS 7 establishes a definition of Investing Activities that matches straightforward with the conclusion: “The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognized asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

(a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalized development costs and self-constructed property, plant and equipment.

We don’t see the arguments used to conclude the classification as an operating cash flow, because paragraph 13 says that “The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the entity, pay dividends and make new investments without recourse to external sources of financing. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows", and it is clear that out flows related with construction activity in this type of contract it is not a indicator of capacity of cash generation by the operator to repay loans, but an investment that it is financed by long term loans that will be recovered against future cash flows.

Last but not least we want point out also a practical issue with negative impact in the business, because, if the change proposed in IAS 7 by the IFRIC is finally approved, most of the covenants of the debt financing these projects, in particular, financial expenses coverage ratio, will be affected, as normally that ratio uses operating cash flow as a reference of cash generation to pay interest of the debt. In addition to the economic and technical arguments, we understand that applying the criteria proposed by the Committee will lead to some illogical situations of comparison between contracts of the same nature:

- In the case of existing infrastructure to which the grantor gives the operator access for the purpose of the service arrangement (see paragraph 7 a of IFRIC 12), and the operator pays an upfront fee for the use of the infrastructure (Brownfield projects), that payment would be considered as investment cash flow, as it is not a cash outflow of a construction activity, and then different classification (investing versus operating) will be applied for a very similar business, depending if the operator builds the infrastructure and then operates it to recover the investment in the construction (Greenfield project), or pays for an existing infrastructure and then operates it to recover the initial payment (Brownfield project).
- In the case that the operator acquires the infrastructure from a third party, the payments to that third party probably will be classified as investing (as building the infrastructure is not the main activity of the operator), arising a new problem of comparison with the case in which the operator build the infrastructure by itself.

Finally, we would like to remark that most of the world biggest concessions infrastructure operators present the cash flows relating to this construction activities as investing cash flows. Therefore, the proposed change is not going to provide useful information for the financial information's users (i.e. industry financial analysts and banks that finance this type of activity), who are very familiar with the economic substance of this type of transactions.

As a conclusion, and bearing in mind all the arguments mentioned in this paper, we ask the IASB to reconsider the position established by the IFRIC on this issue, relating to construction services under a service concession arrangement should be presented as investing cash flow.