ANNUAL
REPORT
2014

Celebrating

Years as an Australian
Listed Company

UGL Limited
ABN 85 009 180 287

Our Vision

UGL's vision is to be the preferred partner of governments and corporations worldwide in delivering essential services that sustain and enhance the environment in which we live and the communities in which we operate, for the benefit of our people and our shareholders.

Celebrating 20 Years as an Australian Listed Company

1994 – United Construction Group Limited lists on the Australian Securities Exchange

United Construction originated as a small engineering and construction business in Western Australia in the late 1960s, while tracing its official founding to 1970. The mining industry represented the Company's primary area of operations.

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Celebrating 20 Years as an Australian Listed Company

A proud Australian company with a rich history

Founded in 1970, UGL has grown from a Western Australian-based resources construction business listing on the Australian Securities Exchange in 1994, to become a diverse, global outsourced services company.

UGL is a diversified services company delivering critical assets and essential services that sustain and enhance the environment in which we live.

UGL's engineering business is a leading provider of end-to-end outsourced engineering, construction, asset management and maintenance services with a diversified end-market exposure across core sectors of rail, transport & technology systems, power, resources, water and defence.

The business has annual revenue in excess of $2.2 billion, employing over 7,700 people (including subcontractors) across Australia, New Zealand and South East Asia.

DTZ is a global leader in property services, offering an integrated solution to clients in leasing agency, investment agency, property and facilities management, project and building consultancy, valuation, research and investment and asset management.

Founded in 1784, DTZ has annual revenue in excess of $2.2 billion, operations in 52 countries and employs over 45,100 people (including subcontractors).

UGL partners are some of the world's largest blue-chip companies, government agencies, private enterprise and public institutions.

Our capabilities extend across a broad range of services and whole-of-life solutions for diverse industries and in doing so provide access to world leading, sustainable and innovative technologies.

Celebrating 20 Years as an Australian Listed Company

United Group Limited

In keeping with wider ambitions, the company changed its name to United Group Limited.

Chairman's Message

Challenging operating conditions persisted in the 2014 financial year. In Australia, our Engineering business was impacted by a decline in resources construction, project delays and the continued focus of our clients on reducing their cost bases leading to margin pressures and contract cancellations. In response, UGL undertook a significant cost reduction programme and capitalised on its industry-leading maintenance business, securing material contracts in LNG and power. Our exposure to the rail and energy sectors also provided some insulation to the cycle downturn.

DTZ delivered its twelfth consecutive year of earnings growth in 2014. It was also a landmark year for the Group as we entered into a binding agreement for the sale of DTZ, which the Directors believe adds value for UGL shareholders and enables UGL, as an engineering focussed business, to be very well positioned for the future upturn in investment across infrastructure, resources and other core sectors.

During the 2014 financial year, UGL's underlying operating revenue increased 6% to $4.5 billion[1]. Reported net profit after tax was $62.1 million; however this does not accurately reflect the underlying performance of UGL during the year. Underlying net profit after tax was $111.7 million[2] excluding restructuring costs, DTZ separation costs, amortisation of acquired intangibles, property sales and release of DTZ pre-acquisition provisions. Underlying earnings per share was 67.1 cents per share[2].

The Board has resolved not to pay a final dividend in order to further consider the most effective form of return of surplus funds to shareholders on completion of the DTZ sale. The DTZ sale and subsequent debt reduction will allow the Board to implement a future dividend policy based on stable Engineering earnings and the low capital intensity of the business.

SALE OF DTZ

In March 2013, UGL commenced a process to evaluate options for UGL's optimal corporate structure recognising the distinction between our two diverse businesses operating in fundamentally different markets with different geographical focus and strategic requirements. Following this review, UGL announced its intention to pursue a structural separation of DTZ and Engineering.

The receipt of unsolicited third party interest in DTZ led to a competitive sale process which was completed in June 2014 and resulted in UGL entering into a binding agreement for the sale of DTZ to a private equity consortium comprising TPG Capital, PAG Asia Capital and Ontario Teachers' Pension Plan (together TPG and PAG Consortium) for $1.215 billion. The Board believes the sale price represents a fair value for DTZ and will deliver significant value to UGL shareholders.

The DTZ sale is expected to conclude in the last quarter of the 2014 calendar year. Net proceeds of $1.0-1.05 billion are estimated to be received on completion, dependent on capital gains tax, transaction costs and other sale adjustments. It is the Board's intention to return surplus net proceeds to shareholders after the pay down of debt and establishment of an appropriate capital structure for UGL going forward. Options to return surplus funds to shareholders are being considered with a capital return around $400-500 million a likely outcome. Further evaluation will be undertaken by the Board and details will be communicated following completion of the DTZ sale.

MANAGING DIRECTOR & CEO SUCCESSION

In June 2014, the Board was pleased to announce the appointment of Ross Taylor as Managing Director & CEO of UGL, effective 24 November 2014. Ross will bring over 30 years of international and domestic operational experience in construction, engineering and real estate to UGL, with a strong understanding of our engineering business and the needs of our clients.

Ross previously held the position of Group Chief Executive Officer at Tenix, a privately held engineering and construction company delivering services in the gas, electricity, water, wastewater, heavy industrial and mining sectors across Australia. Over a period of 24 years Ross held various senior roles at Lend Lease Corporation including Global Chief Executive Officer, Property Development; Chief Executive Officer, Australia and Asia; Global Chief Executive Officer, Construction; and more recently Group Chief Operating Officer with line reporting responsibility for all global operating businesses as well as a director of the Lend Lease Board and a member of the executive office.

With extensive experience in driving operational performance and creating value for both shareholders and clients, Ross's leadership will strongly position the UGL engineering business for the emerging opportunities ahead.

Richard Leupen, Managing Director & CEO will continue to lead UGL's engineering business until Ross's commencement and will complete the DTZ sale process. Richard will work with the Board to ensure an orderly transition in leadership of UGL.

On behalf of the Board, I would like to thank Richard for his outstanding contribution over the last 14 years. Through organic growth and strategic acquisitions Richard has transformed UGL from a small Western Australian-based resources construction business into a diverse multinational end-to-end outsourced services company. With revenue growth from around $650 million to $4.5 billion and expansion of operations into 52 countries with over 52,000 people worldwide, his achievements have been remarkable. We wish Richard all the best with his future endeavours.

BOARD RENEWAL

After holding the position of Chairman of the Board since October 2003 (following appointment to the Board in September 2002) I have advised that I will not stand for re-election at the Annual General Meeting in October 2014. Consistent with the Board's focus on succession planning, we are delighted with the appointment of Kate Spargo to the role of Chairman at the conclusion of the 2014 Annual General Meeting. Kate joined the Board in October 2010 and will provide strong leadership, stability and direction to the UGL Board and management as it embarks on the next phase of its journey. I will continue to work closely with Kate over the coming months to ensure a smooth transition of the role of Chairman.

In December 2013 Robert E. Denham resigned from the Board. Bob had served as Director since February 2012 and provided valuable guidance and advice as UGL expanded the global platform of the DTZ business. Due to an increase in commitments, Raymond Ch'ien will resign as Director of the Board at the close of the 2014 Annual General Meeting. Raymond provided a knowledgeable contribution and counsel to the Board with valuable strategic and regional experience in Asian markets.

Strong stability is maintained through the ongoing commitment of Kate Spargo, Richard Humphry AO, Guy Cowan and Doug McTaggart. Doug is seeking re-election at the 2014 Annual General Meeting with the unanimous support of the Board.

The Board is committed to identifying and attracting suitably experienced directors and has appointed an independent consulting firm to assist with the Board renewal programme. With the impending sale of DTZ, we are focussed on appointing Board members who bring a valuable contribution to UGL's engineering and maintenance services business and provide future succession for the talents and contributions of existing Board members. We will provide updates on the Board renewal process in due course.

CORPORATE RESPONSIBILITY AND GOVERNANCE

UGL is a market leader with a clear obligation to run our business and achieve our goals in a responsible way. The Board strongly supports the practices of the company in delivering value to shareholders, outstanding service to clients, and rewards to employees under a framework of strong governance and corporate responsibility.

UGL has an ongoing commitment to conduct business in a manner reflecting the highest standards of ethics, honesty, integrity and trust. Throughout the year we have continued to enhance our policies focussed on anti-bribery and corruption and have developed an e-learning programme to promote further awareness and understanding of UGL's anti-bribery and corruption framework, as well as applicable legal obligations for the Company and individuals. This course has been undertaken by a number of employees and will be rolled out throughout UGL in the 2015 financial year.

We continue to embrace and promote diversity amongst our people and are committed to helping support and enrich Indigenous communities throughout Australia. Our Reconciliation Action Plan (RAP) was launched in 2013 providing UGL with an innovative platform to more effectively partner with local communities, Indigenous organisations and governments to achieve this commitment. This year we have been proud to sponsor the Schools Reconciliation Challenge 2014, a NSW Reconciliation Council event promoting reconciliation and greater learning about Aboriginal and Torres Strait Islander Australia amongst NSW schools. Throughout the year our engineering business has partnered with Indigenous organisations to develop and deliver initiatives to further achieve our RAP objectives, specific to the places and communities in which we work.

CONCLUSION

As we acknowledge 20 years since listing on the Australian Securities Exchange, the impending sale of DTZ marks a significant milestone in UGL history. The future of UGL is exciting with renewed focus on the engineering business and strong prospects for successful growth ahead.

I would again like to recognise the contribution made by Richard Leupen as Managing Director and CEO. The Board expresses sincere thanks to the 52,000 people whose commitment and dedication to UGL allows us to deliver value to our shareholders and our clients. As Chairman of the Board I would like to express my thanks to my fellow directors for their continued support and contribution to the success of UGL.

UGL has remained stable and resilient through a period of economic challenge and is well placed to participate in the recovery phase. We thank our shareholders and our clients for their continued and ongoing support.

Trevor C Rowe AO DUniv
Chairman

1 Includes UGL's share of joint venture revenue
2 Adjusted for restructuring costs, DTZ separation costs, amortisation of acquired intangibles, gain on sale of property and release of DTZ pre-acquisition provisions

Managing Director & CEO's Report

This year UGL celebrates 20 years since first listing on the Australian Securities Exchange (ASX). Since listing UGL has continued to diversify and grow from its original foundations, to become a leading engineering and maintenance services business in Australia, New Zealand and South East Asia as well a global property services company through strategic acquisitions and organic investment.

2014 marks a significant milestone in UGL's history as we work towards completion of the DTZ sale later this calendar year, retaining a dedicated end-to-end outsourced engineering and maintenance services business.

SALE OF DTZ

On 16 June 2014, UGL announced that it had entered into a binding agreement for the sale of its global property services business, DTZ, for $1.215 billion.

While UGL is proud of the global property services company it has built over the last 12 years, we recognise the TPG and PAG Consortium are better able to fund and support the strong future growth potential and strategic opportunities of DTZ as it continues to position itself as one of the global leaders in property services ensuring the long-term interests of our clients and employees are maximised.

Celebrating 20 Years as an Australian Listed Company

United Group acquires Kilpatrick Green, a diversified engineering, construction and facilities management business

The acquisition of Kilpatrick Green consolidated United Group's expansion into the infrastructure services market through its expertise in electrical and mechanical construction.

The sale of DTZ is expected to deliver significant value for shareholders through realising fair value for DTZ. It will allow UGL as a standalone engineering services company to adopt a capital structure and dividend policy appropriate for its operating requirements and enhances long-term shareholder value by providing an investment opportunity in a company with a single integrated strategy and an unambiguous focus on its key market sectors.

UGL post the sale of DTZ will be an end-to-end outsourced engineering, construction, asset management and maintenance service provider in Australia, New Zealand and South East Asia, with a diversified end-market exposure across the core sectors of rail, transport & technology systems, power, resources, water and defence with annual revenue in excess of $2.2 billion. UGL will have in excess of 7,700 people operating in seven countries, primarily Australia, with a strong recurring revenue base, delivering essential services to some of the world's largest blue-chip companies, government agencies, private enterprise and public institutions. A robust balance sheet will position UGL strongly for future growth opportunities including reinvestment in the core business to drive organic growth with the flexibility to consider future acquisition or diversification opportunities.

Completion of the DTZ sale is dependent on satisfying a number of conditions and receiving necessary regulatory approvals. We will continue to work towards the successful conclusion of the DTZ sale over the coming months with closing expected to occur during the last quarter of this calendar year. As previously announced, it is the intention of the Board to return surplus net proceeds from the sale to UGL shareholders following completion of the transaction and after the pay down of debt. Capital return appears to be the most efficient form of return of funds to shareholders and further details will be communicated following completion of the sale once a thorough evaluation has been completed.

FINANCIAL PERFORMANCE

Underlying operating revenue increased 6 per cent to $4.5 billion[1] during the 2014 financial year. Engineering revenue was marginally down on the prior year while DTZ delivered a record revenue contribution in 2014. Underlying net profit after tax was $111.7 million[2], after adjusting for costs of restructuring, DTZ separation costs, the amortisation of acquired intangibles, property sales and the release of DTZ pre-acquisition provisions. Underlying earnings per share was 67.1 cents per share[2] in the current year.

Engineering earnings increased slightly on the prior year with cost savings and improved performance of power projects offset by lower freight locomotive sales, reduced resource project opportunities and continued margin pressure. DTZ delivered its twelfth consecutive year of earnings growth, with United Kingdom corporate real estate performance and increased transactional services in Greater China key contributors.

Celebrating 20 Years as an Australian Listed Company

United Group acquires rail specialist Goninan

As United Group continued to seek growth opportunities, 1999 saw the company launch its Rail division with the acquisition of Goninan Ltd. (founded 1899), the leading producer of railway rolling stock in Australia. Goninan became a part of the Howard Smith Company in 1917, and remained so until it joined United Group.

OPERATING CASHFLOW AND GEARING

Operating cashflow for the year was $62.1 million, impacted by restructuring and DTZ separation costs. During the year UGL disposed of several non-core properties as part of an initiative to reduce gearing (defined as net debt to net debt plus equity) generating $72.5 million. A portfolio of industrial and commercial properties across Queensland, New South Wales and Western Australia was sold to a trust of GDI Limited on a sale and leaseback arrangement for a period of 10 years.

Gearing was 32.4 per cent as at 30 June 2014 and interest cover remained sound at 5.2 times. We have $353 million in available bank capacity and the average term of our committed debt facilities is 2.2 years.

We are currently reviewing the capital management requirements of UGL to be implemented post the sale of DTZ with target gearing levels expected to be commensurate with industry peers.

ORDER BOOK

UGL continued to win new work at a healthy rate, with total contract wins and extensions of $4.3 billion being awarded during the year. The order book remains strong at $8.1 billion, down from $8.3 billion at 30 June 2013 largely due to revenue recognised on long-term rail maintenance contracts during the 2014 financial year. The Engineering order book stands at $4.9 billion with 75% of the order book consisting of long-term recurring maintenance style contracts. Engineering maintains a high quality and diversified order book with more than 400 individual contracts, with government and semi-government work making up 40% of the total order book.

The weighted and qualified pipeline was $5.3 billion at 30 June 2014, down from $5.6 billion in the prior year reflecting the contraction in the Australian engineering and construction cycle. While the Engineering pipeline of $4.9 billion at year end is reasonably consistent with the prior year, strong growth opportunities exist in rail, transport infrastructure, power and the oil & gas sectors with tenders for which UGL has preferred status of around $1.7 billion. Furthermore, extensions on existing key rail maintenance contracts provide opportunities in excess of $2.3 billion.

1 Includes UGL's share of joint venture revenue
2 Adjusted for restructuring costs, DTZ separation costs, amortisation of acquired intangibles, gain on sale of property and release of DTZ pre-acquisition provisions

Managing Director & CEO's Report

PEOPLE & SAFETY

The safety and security of our people remains a core value at UGL, embedded in our corporate culture and representing one of the foundations on which our success is built. Instilling a culture of safety starts with the Board and myself and extends throughout our management team to every individual who represents UGL globally.

In the 2014 financial year UGL achieved improvements in safety performance with the Lost-Time Injury (LTI) frequency rate falling from 3.10 to 3.02 per million hours worked. A reduction in the Total Recordable Case (TRC) frequency rate from 7.77 to 6.98 per million hours worked was also achieved.

Celebrating 20 Years as an Australian Listed Company

United Group expands services business via the acquisition of KFPW

United Group expanded its services capability through the purchase of Business Process Outsourcing (BPO) company, KFPW.

This was a major step in the growth of United Group, complementing the group's existing service operations. The acquisition established United Group as Australia's only integrated BPO service provider, offering clients an end-to-end service encompassing every process from lease administration, through to facility services and procurement management.

Safety highlights throughout the year include:

- The Digital Train Radio Systems Project team achieved 1 million hours with zero lost time injury
- UGL in Hong Kong was awarded the 'Contractor Safety Performance Award' by Mass Transit Railway Corporation (MTR)
- The UGL Kaefer Joint Venture was recognised by Esso Australia for commitment to health and safety, achieving over 2 million hours LTI free
- The Ichthys LNG Project won the INPEX IIF 'Raising the Bar' Safety Culture Award
- A general improvement in incident rates was achieved by DTZ globally including India operations reaching 5 million hours LTI free

In June 2013, UGL launched the Rewards and Recognition Programme supporting a culture of strong Health, Safety, Security and Environment (HSSE) performance, innovation and promotion of best practice. This programme involves formal validation of HSSE excellence through monthly sector and site based programmes, with acknowledgement of HSSE excellence through the bi-annual 'Chief Executive Officer's Award'. Since commencement many site and regional programmes have been implemented, with over 100 nominations received for the 'Chief Executive Officer's Award' presented in December 2013 and May 2014. The strong response received from across our business sectors highlights the importance our people place on HSSE leadership, methods and behaviours in our workplaces.

Continuous improvement in our safety training, systems and processes is essential and in the 2014 financial year UGL completed a twelve month review of our USafe HSSE programmes. These refreshed and harmonized programmes launched during the year ensure UGL continues to achieve positive safety outcomes. UGL is proud to be known as a leader in safety across the industries in which we operate and this is a strength we continue to build on.

OUTLOOK

Within the Engineering business we are seeing a more favourable medium-term outlook, with improving momentum in infrastructure opportunities. UGL is actively tendering for significant project opportunities in rail, transport infrastructure, power and oil & gas and is shortlisted or preferred tenderer for some of Australia's largest transport infrastructure projects. With an order book of $4.9 billion of which $1.9 billion will be delivered in the 2015 financial year, Engineering is expected to achieve revenue of around $2.4 billion in the coming year.

UGL's restructuring programme was completed in the 2014 financial year and as a result we expect to achieve normalised trading margins of around 4-5% in the engineering business in the 2015 financial year. This is supported by the growth in earnings in the second half of the 2014 financial year against consistent revenues, increasing second half margins to 4.3%.

The sale of DTZ is expected to complete in the last quarter of the 2014 calendar year. The 2015 financial year will report a partial contribution from DTZ up until the date of sale.

Completion of the DTZ sale will herald a significant milestone for me and brings to an end my time as Managing Director & CEO of UGL.

Over the coming months I will continue to oversee the DTZ sale process to completion and will work towards an orderly transition in leadership of UGL.

During this period of significant change for UGL, I will continue to work with the management and staff of UGL to maintain a strong business platform. UGL is very well positioned to build on the improving medium-term outlook and the growth momentum in Australia for major infrastructure projects, which are now starting to materialise into major contracts for UGL.

Ross Taylor will commence as Managing Director & CEO on 24 November 2014 and I wish Ross every success in building upon the 20 year legacy UGL has built as a great Australian engineering business and an important part of the communities within which we operate.

I would like to particularly thank the team of people at UGL for their commitment and dedication which enabled the achievement of UGL's ongoing success and underpinned everything I managed to achieve during my 14 year tenure. For me it was an exciting and satisfying journey made so much better by sharing it with the great people of UGL.

My thanks also extend to our clients, partners and the shareholders of UGL for continued and ongoing support.

Thank you all, good bye and good luck.

Richard A Leupen
Managing Director & CEO

Celebrating 20 Years as an Australian Listed Company

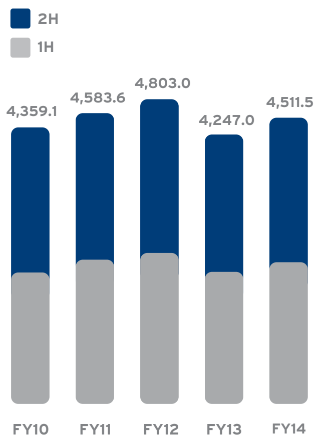
United Group acquires Thames Water Projects Asia

United Group acquired the Thames Water Projects (part of UK-based Thames Water) with operations in Australia, Malaysia and Singapore. The purchase expanded United Group's base into South East Asia and provided access to Thames' water and wastewater infrastructure expertise.

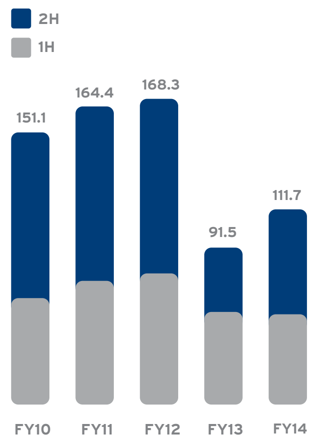
Operational & Financial Review

KEY FINANCIAL SUMMARY

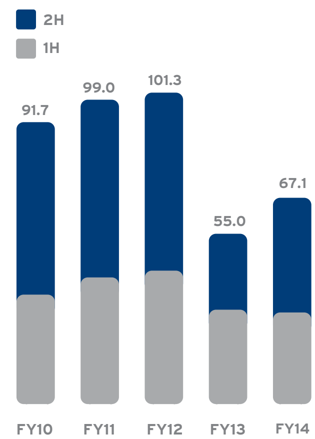
Operating Revenue[1] ($m)



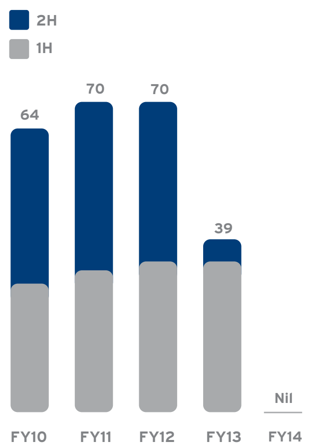
Underlying NPAT[2] ($m)



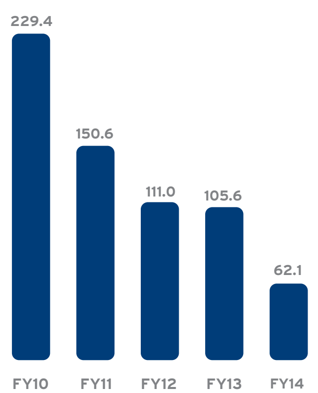
Underlying EPS[2] (cents)



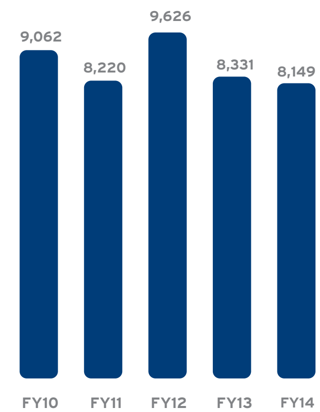
DPS (cents)



Operating Cash Flow ($m)



Order Book[1] ($m)



GROUP FINANCIAL HIGHLIGHTS

- Reported net profit after tax of $62.1 million and reported EPS of 37.3 cents per share, which includes the impact of restructuring costs, DTZ separation costs, amortisation of intangibles, sale of properties and release of DTZ pre-acquisition provisions
- Underlying net profit after tax of $111.7 million[2] and underlying EPS of 67.1 cents per share[2]
- Operating revenue of $4.5 billion[2]
- DTZ delivered a record revenue contribution and its twelfth consecutive year of earnings growth
- $4.3 billion in new contract wins and extensions
- Strong performance in the Power business with over $800m in project wins throughout the year
- Engineering order book of $4.9 billion with 75% of revenue generated from long-term recurring style contracts

GROUP RESULTS

The consolidated profit for the Group for the year, after income tax and non-controlling interests was $62,082,000; reconciled to Underlying Net Profit After Tax (NPAT) as follows:

	2014 $'000
Profit after income tax and non-controlling interests	62,082
Adjusted for:	
Amortisation of acquired intangibles	10,673
DTZ separation costs	52,761
Restructuring costs	39,330
Release of DTZ pre-acquisition provisions	(12,624)
Profit on sale of land and buildings	(15,273)
Tax on underlying adjustments	(25,209)
Underlying NPAT	111,740

Underlying NPAT has been presented to provide a more accurate reflection of the Group's operating performance excluding the effects of costs arising from acquisitions, DTZ separation and restructuring, pre-acquisition balance sheet adjustments and in this period the non-recurring sale of non-core land and buildings and release of DTZ pre-acquisition provisions.

2014 OPERATIONAL RESULTS BY SEGMENT

	UGL Engineering	DTZ Property	Total $'000
EBIT	84,069	123,916	207,985
Corporate costs			(22,204)
Net interest			(37,432)
Income Tax			(30,184)
			118,165
Non-controlling interest			(6,425)
Underlying NPAT			111,740

Underlying NPAT is non-IFRS financial information. EBIT and reconciling items have been extracted from Note 3: Operating segments.

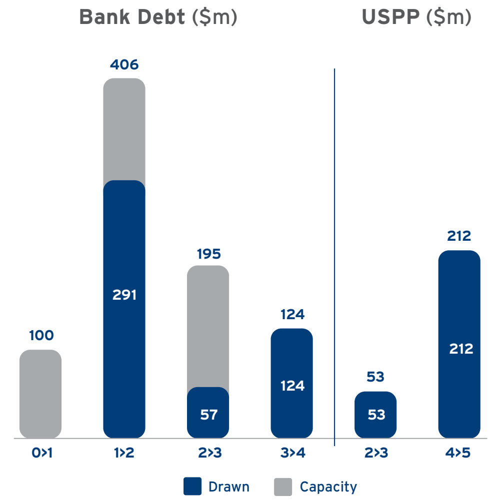
Celebrating 20 Years as an Australian Listed Company

Based on United Group's growth and momentum, United Group became a constituent of the Australian Securities Exchange's ASX 200 Index

GROUP DEBT STRUCTURE

- UGL has sufficient liquidity and funding availabilities to meet business needs, with $353m in available bank capacity
- Average term of debt to maturity 2.2 years
- No debt maturing within next 12 months
- All covenants complied with at 30 June 2014

$m	FY14	FY13
Net debt	567	581
Net debt to net debt plus equity	32.4%	33.9%
Net debt to EBITDA	2.4x	2.3x
Interest cover	5.2x	6.1x



DIVIDENDS

- The Board has resolved not to pay a dividend for the 2014 financial year to allow for further consideration of the most effective return of surplus funds to shareholders on completion of the DTZ sale
- The DTZ sale and debt reduction will allow the Board to implement a clear dividend policy based on stable Engineering earnings and low capital intensity of the business

1 Includes UGL's share of joint venture revenue
2 Adjusted for restructuring costs, DTZ separation costs, amortisation of acquired intangibles, gain on sale of property and release of DTZ pre-acquisition provisions

Operational & Financial Review

KEY DEVELOPMENTS IN FY2014

1. Demerger of DTZ & Engineering

- The sale of DTZ for $1.215 billion to a private equity consortium led by TPG Capital, was announced in June 2014
- Significant value is expected to be delivered to shareholders through realising fair value for DTZ, allowing UGL to adopt an appropriate future capital structure and providing shareholders with the opportunity to invest in a company with clear strategy and focus on its key market sectors
- Completion of the sale is expected to occur in the last quarter of the 2014 calendar year
- The Board intends to return surplus net proceeds estimated at $400-500 million to shareholders after the pay down of debt and determination of an appropriate capital structure for the future

2. Cost Reduction Focus

- To address the ongoing impact of slowing resources sector markets in Australia, UGL has continued to focus on its cost base
- A programme to reduce overheads and ensure a lower, more sustainable cost base was commenced in the middle of the 2013 financial year and concluded in 2014
- $39.3 million in restructuring costs were incurred in the 2014 financial year as a result of UGL's significant reorganisation
- A level of overhead costs has been achieved which is right-sized to the revised business outlook

3. Property Sales

- Following a commitment to reduce gearing levels over 2014, UGL completed the sale of non-core properties in Australia
- Gross proceeds from the sale were $72.5 million
- The most significant sale was a portfolio of six industrial and commercial properties across New South Wales, Queensland and Western Australia, sold to a GDI Limited trust in June 2014 with a ten year leaseback

4. Strong Safety Outcomes

- The group achieved strong safety outcomes in the 2014 financial year with a reduction in the lost-time injury frequency rate from 3.10 to 3.02 per million hours worked and total recordable injury frequency rate from 7.77 to 6.98 million hours worked
- A significant reduction in the severity of injuries was a commendable outcome of initiatives implemented throughout the year
- Key achievements included the Digital Train Radio Systems Project team achieving 1 million hours with zero lost time injury and UGL in Hong Kong awarded the 'Contractor Safety Performance Award' by Mass Transit Railway Corporation (MTR)

Celebrating 20 Years as an Australian Listed Company

United Group expands Asian presence with the acquisition of PREMAS

United Group expanded its property services capabilities in Asia through the acquisition of Singapore headquartered real estate management and services business PREMAS International. This built on our core competencies in the property management sector and established a strong base in Asia.

Another important step in United Group's business diversification, focusing on the property services industry and infrastructure, PREMAS' strong market and geographic positioning provided a logical step in our growth objectives.

GROUP OUTLOOK

- Sale of DTZ expected to complete in the last quarter of the 2014 calendar year
- The order book for Engineering is stable at $4.9 billion with $1.9 billion to be delivered in the 2015 financial year and is further enhanced by preferred pipeline opportunities of $1.7 billion and key rail maintenance contract extensions of over $2.3 billion
- Engineering is actively tendering for significant opportunities in rail, transport & technology, power and oil & gas
- Solid maintenance opportunities in oil & gas and power generation maintenance contracts are anticipated as new assets commence operation
- Transport infrastructure medium-term outlook is positive with UGL announced as preferred on North West Rail Link (as part of a consortium) and other road infrastructure projects and short-listed on the East West Link Project
- Engineering's order book (which is already 80 per cent sold for FY2015) and targeted growth opportunities, should see Engineering revenues around $2.4 billion in the 2015 financial year
- Engineering expects to return to more normalised trading margins of 4-5% in the 2015 financial year following the completion of restructuring initiatives in 2014
- Earnings for the 2015 financial year will include DTZ trading until the date of sale and costs of UGL corporate office, which will be fully rationalised on completion of the DTZ sale
- UGL post the sale of DTZ will be a dedicated engineering, construction, asset management and maintenance business with a robust balance sheet to position the business for future growth

Celebrating 20 Years as an Australian Listed Company

United Group acquires the ALSTOM transport business in Australia and New Zealand

This was a major development for United Group and consistent with our long-term strategy of becoming Australia's leading outsourced end-to end services company, with a diversified end-market exposure across the core sectors of rail, transport & technology systems, power, resources, water and defence.

This acquisition created Australia's leading rail transportation business, significantly expanding United Group's supply and maintenance operations, increasing the scope of our rail capabilities. Our Australian manufacturing operations received a boost through United Group's entrée into the tram market and a stronger position in the light rail passenger market through worldwide technological capabilities.

Celebrating 20 Years as an Australian Listed Company

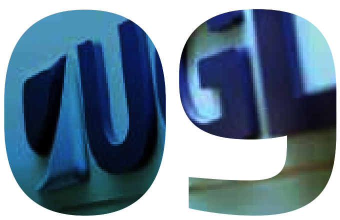
United Group completes acquisition of EQUIS

The purchase of EQUIS expanded United Group's international reach, allowing us to offer high-end integrated corporate real estate services to globally tasked multinational clients. In addition, United Group gained a platform in the high-growth Indian market.

Global Project Win Highlights

ENGINEERING

Celebrating 20 Years as an Australian Listed Company



United Group changes its name and brand to UGL

The adoption of the UGL name and brand reflects on a time of integration and consolidation within the companies that have been 'united' into a single company, with the common purpose of being industry leaders in the delivery of end-to-end outsourced service solutions.

LOCATION	CLIENT/PROJECT	SERVICE OFFERING
New South Wales	TransGrid Cooma 132/66kV substation	Design, supply, installation of earthworks, civil, structural, electrical works, commissioning
New South Wales	TransGrid Yanco 132/33kV substation renewal	Demolition, disposal of transformer, extension of substation bench, resurfacing of switchyard, refurbishment of existing amenities building
New South Wales	TransGrid Boggabri North 132kV switching station and transmission line	Procurement, construction of transmission line; design, procurement, construction, commissioning of civil and electrical works
New South Wales	Sydney Water Corporation Malabar Wastewater Treatment Plant	Water treatment operations
New South Wales	Macquarie Generation	Coal processing maintenance services
New South Wales	Sydney Trains	Passenger locomotive upgrade and re-fresh
Northern Territory	JKC Australia LNG Pty Ltd (JKC) Ichthys Project Onshore LNG Facilities	Structural, mechanical, piping, construction
Queensland	Stanwell Corporation Limited Various coal, gas, hydro energy assets	Facilities maintenance, asset maintenance, overhauls, project works, management
Queensland	Powerlink GLNG Wandoan South Connection, 275/132kV substation Eurombah & 132kV switching station Blythedale	Construction, testing of civil, electrical works for provision of high voltage power for gas treatment/compression hubs
Queensland	Powerlink GLNG Wandoan South Connections - Fairview & Fairview South substations	Construction, testing of civil, electrical works for provision of High Voltage power for gas treatment/compression hubs
Queensland	BM Alliance Coal Operations	Maintenance services; contract extension
Queensland	Shell Australia Ltd	Mechanical, electrical maintenance
Western Australia	Chevron Australia Pty Ltd WA Oil, Gorgon, Wheatstone	Maintenance, sustaining capital works, turnaround delivery
Western Australia	Alinta Energy Roy Hill Iron Ore Mine	Design, procurement, construction
Western Australia	Rio Tinto	GE ES44ACi EVO locomotive build
Western Australia	Rio Tinto West Angelas Power Station	Power station construction, commissioning, testing
Western Australia	BM Alliance	Railway signalling maintenance
Western Australia	Apache Energy Limited	Electrical, mechanical maintenance, shutdown
Western Australia	Schneider Electric (Aust) Pty Ltd	Fitout of electrical pre-fabricated substations

Global Project Win Highlights

DTZ

REGION	CLIENT / PROJECT	SERVICE OFFERING
Americas	Boston Properties	Facilities Management
Americas	CenturyLink	Lease Administration
Americas	Highwoods Properties	Facilities Management
Americas	John Deere Landscapes	Portfolio Advisory
Americas	Barry University	Facilities Management
Americas	Cargill	Facilities Management
Americas	Treasury Wine Estates	Transaction Management Facilities Management
Americas	Union Pacific Railroad	Facilities Management
Americas	Liberty Mutual	Facilities Management
Americas	CB Richard Ellis	Facilities Management
Americas	Channel Centre	Facilities Management
APAC	Fairfax Media Ltd	Facilities Management Operations
APAC	Hines - One Horizon	Property Management
APAC	VIC Department of Treasury & Finance	Real Estate Facilities Management
APAC	Victoria University of Wellington	Facilities Management Operations
APAC	Jurong Town Council	Managing Agent Contract
APAC	Singapore Building and Construction Authority	Investment Facilities Management
EMEA	Aviva Investors	Capital Markets
EMEA	Opal Student Residential Portfolio	Capital Markets
EMEA	Public Sector Pension Investment Board (PSP Investments)	Capital Markets
EMEA	Qatar Olympic Committee	Facilities Management
EMEA	Vistaprint	Transaction Management Portfolio Strategy Project Management
Global	Concur	Portfolio Advisory
Global	Intuit	Portfolio Advisory Transaction Management

Celebrating 20 Years as an Australian Listed Company

United Group acquires Boston based facilities services company UNICCO

United Group completed another major North American acquisition, acquiring UNICCO, a leading business in the US property services and facilities management sectors. The acquisition of UNICCO met United Group's strategic objectives for the growth of our services business in North America. United Group's global facilities management services opportunities and capabilities were significantly enhanced as a result of this transaction.

REGION	CLIENT / PROJECT	SERVICE OFFERING
North Asia	Pacific Century Premium Development Limited	Brokerage Investment Advisory
North Asia	Phoenix Oriental (Beijing) Properties Company Limited	Property Management
North Asia	Shenzhen Metro Group	Consulting
North Asia	Sun Hung Kai Properties	Agency Leasing Capital Market
North Asia	Pacific Century Premium Development	Investment Advisory Services
SEA	Automobile Association of Singapore	Investment Agency
SEA	City Developments Limited and IOI Group	Residential Agency
SEA	GuocoLand Limited - Clermont Residence	Residential Agency
SEA	Inchcape Group	Investment Agency
SEA	M+S Pte Ltd	Residential Agency
SEA	OUE Commercial REIT	Market Research
SEA	Peninsula Plaza	Investment Agency
SEA	Rabobank	Agency Leasing Brokerage
SEA	Scor Reinsurance	Agency Leasing Brokerage

Celebrating 20 Years as an Australian Listed Company

UGL acquires trading operations of United Kingdom-based DTZ Holdings plc.

UGL celebrates a new acquisition, acquiring the trading operations of UK-based DTZ Holdings plc. DTZ's history stretches over 225 years from foundation in 1784 in Birmingham, UK. This purchase significantly expanded UGL's operations in Asia, North America, the United Kingdom, Europe and the Middle East.

Operational & Financial Review

ENGINEERING

BUSINESS OVERVIEW

UGL's engineering business is a leading provider of end-to-end outsourced engineering, construction, asset management and maintenance services with a diversified end-market exposure across the core sectors of rail, transport & technology systems, power, resources, water and defence.

We partner with some of the world's largest blue-chip companies, government agencies, private enterprise and public institutions, providing end-to-end outsourced engineering, construction, asset management and maintenance services.

The complementary nature of our capabilities means we offer our clients highly specialised solutions to develop or enhance their asset's performance over its entire life cycle. We deliver a broad range of services and whole of life solutions for diverse industries, providing our clients with access to world-leading sustainable and innovative technologies.

UGL's services are underpinned by a track record that spans over 115 years.

Today the engineering business employs over 7,700 people, with annual revenue in excess of $2.2 billion across Australia, New Zealand and South East Asia.

TOTAL REVENUE CONTRIBUTION (%)

50%

FINANCIAL PERFORMANCE

In FY2014, Engineering revenue of $2.3 billion[1] was in line with the prior year, reflecting the 2013 impact of reduced capital investment in the Australian resources and infrastructure sectors. The contribution to UGL's total underlying operating revenue was 50% in FY2014.

EBIT increased to $84.1 million[2] during the year delivering an EBIT margin of 3.7% compared to 3.5% in the prior year. Earnings were impacted by reduced freight locomotive sales and resources project opportunities along with margin pressure attributable to cost saving measures implemented by mining sector clients. This was offset by a turnaround in the performance of power projects and the completion of a cost reduction programme delivering savings during the year with the full year impact of this programme to be realised in the 2015 financial year.

The MTM Melbourne train operations contract performed strongly during the year with operational performance above target. This alongside strong performance of the maintenance and logistics contract with Sydney Trains contributed to solid performance of the rail business.

The Regional Rail Link Project was awarded the prestigious 'Infrastructure Project of the Year Award' by Infrastructure Partnerships Australia. The project has been successfully executed ahead of schedule and under budget and further demonstrates UGL's ability to deliver complex signalling and communication systems to passenger rail networks in major metropolitan cities.

Strong performance occurred in power systems with over $300 million in project wins throughout the year in New South Wales, Victoria, Queensland and the Northern Territory contributing soundly to revenue and earnings growth in this sector. A key win was the $136 million contract with Alinta Energy to design, procure and construct the Newman to Roy Hill High Voltage Power System, reflecting UGL's reputation as one of Australia's leading power systems contractors.

UGL was awarded a five year contract by Chevron Australia Pty Ltd for the provision of maintenance services in the operational phase of Chevron's portfolio of critical oil & gas assets in Western Australia, with mobilisation commencing in January this year.

In June 2014, UGL secured a four year contract, with the inclusion of a one year option and the potential to extend the contract term up to five years with Stanwell Corporation Limited for facilities management, maintenance, asset management and maintenance, overhaul and project works across Stanwell's coal, gas and hydro energy assets in Queensland. Securing these contracts reflects UGL's position as a leading maintenance service provider in Australasia and further strengthens our broad-base of recurring revenue streams.

The UGL Kentz Joint Venture was awarded a $740 million contract in February 2014 for the structural, mechanical and piping construction package for the Ichthys LNG Project in Darwin, commencing in August 2014. The Ichthys LNG project is a world class project to develop the Ichthys gas and condensate field in the Browse Basin. UGL is pleased to participate in the construction of one of Australia's most significant LNG developments, strengthening our position as a leader in LNG construction.

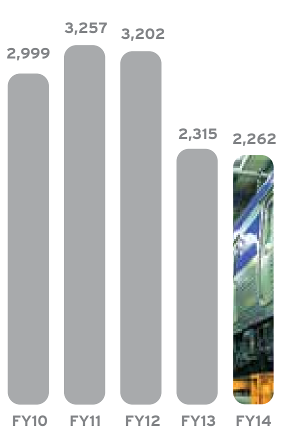
OUTLOOK FOR 2015

Engineering's order book was $4.9 billion as at 30 June 2014 further enhanced by preferred pipeline opportunities of $1.7 billion and key rail maintenance contract extensions over $2.3 billion. Around 75% of the order book is long-term recurring style contracts, providing stability in earnings. Strong maintenance opportunities are expected to emerge in the coming year as new assets commence operation, particularly in the oil & gas and power sectors. Tendering activity in the power sector remains solid and the outsourcing of defence maintenance in Australia continues to provide growth opportunities in this sector.

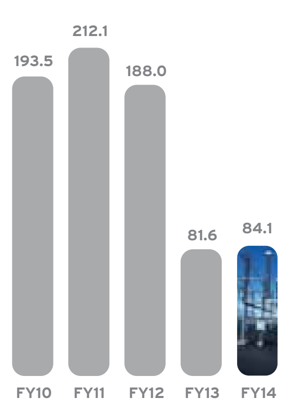
Tender activity is positive in rail and road infrastructure projects with further opportunities expected to arise over the next twelve months as federal and state government continue their commitment to infrastructure development. This provides UGL with key growth potential over the medium term. The Engineering weighted and qualified pipeline was $4.9 billion at 30 June 2014 with $1.7 billion in opportunities where UGL is preferred tenderer.

Engineering is well placed to deliver around $2.4 billion in revenue in FY2015 with $1.9 billion secured in the order book at June 2014.

REVENUE[1] ($m)



EBIT[2] ($m)



1 Includes Engineering's share of joint venture revenue
2 Adjusted for restructuring costs

Operational & Financial Review

DTZ

BUSINESS OVERVIEW

DTZ is a global leader in integrated property services. The business provides occupiers and investors around the world with industry leading, end-to-end property services solutions comprised of leasing agency and brokerage, integrated property and facilities management, capital markets, investment and asset management, valuation, building consultancy and project management. In addition, DTZ's award winning research and consulting services provide clients with global and local market knowledge, forecasting and trend analysis to make the best long-term decisions.

DTZ has over 45,100 employees including sub-contractors, operating across 52 countries.

TOTAL REVENUE CONTRIBUTION (%)

50%

Celebrating 20 Years as an Australian Listed Company

12

UGL's property services businesses; UGL Services and newly acquired DTZ, unite under a single global brand "DTZ, a UGL company"

FINANCIAL PERFORMANCE

In FY2014, DTZ delivered revenue of $2.3 billion[1], an increase of 17 per cent from the previous financial year. DTZ's contribution to UGL's total underlying operating revenue[1] was 50 per cent. EBIT was $123.9 million[2], representing a margin of 5.5 per cent, down slightly on the prior year.

Economic recovery in the United Kingdom generated strong revenue growth in corporate real estate services. Continued growth in capital markets in mainland China resulted in the execution of significant real estate transactions throughout the year, contributing strongly to the FY2014 result.

DTZ's order book was $3.3 billion at 30 June 2014 with key wins achieved throughout the year. Strong momentum in securing global property mandates continued with DTZ appointed to manage the property portfolio of Visaprint, comprising 2 million square feet of real estate across 19 locations worldwide and the lease administration of Century Link's 3,000 global leased portfolios.

Multi-year facilities management contracts were secured with clients including Boston Properties, Highwoods Properties, the Qatar Olympic Committee and Victoria University of Wellington. The Victorian Department of Treasury and Finance appointed DTZ for a period of four years to provide real estate and facilities management services for the Victorian Government's owned and leased office portfolio of 281 sites.

A significant achievement in DTZ's global expansion occurred in the 2014 financial year, securing the contract for facilities management of One Horizon Centre in Gurgaon, India. The management of this 1.5 million square feet property for Hines was a first in facilities management for DTZ in this region.

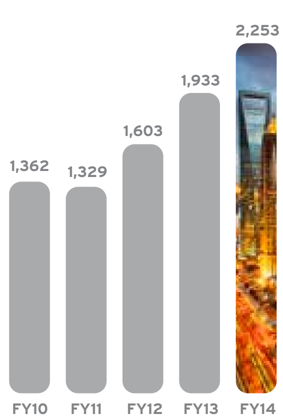
DTZ completed significant corporate real estate transactions during the year with the sale of the Oriental Financial Centre in Shanghai for US$1.155 billion representing one of China's largest office transactions. The China team also assisted Hong-Kong listed Pacific Century Premium Development Limited, in the sale of Pacific Century Place, a 1.8 million square feet mixed use property in Beijing for US$928 million.

Further market leading transactions occurred throughout the year in the EMEA region. In one of the United Kingdom's largest student residential portfolio sales, DTZ advised on the disposal of eight student residential blocks with an estimated value of EUR250 million. The capital markets team advised Canada's Public Sector Pension Investment Board on a EUR1 billion European logistics joint venture with SEGRO. This portfolio comprised 34 logistics property and six development plots located across several European countries.

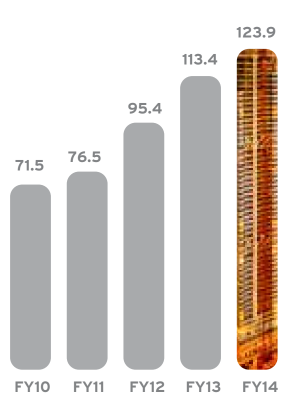
OUTLOOK FOR 2015

The outlook for the 2015 financial year is well supported by the ongoing trend to outsource global real estate and facilities management services and rationalise service providers. The business will continue to build on its strong performance as it prepares for separation from UGL by the end of the 2014 calendar year.

REVENUE[1] ($m)



EBIT[2] ($m)



Celebrating 20 Years as an Australian Listed Company

UGL announces the sale of DTZ

UGL announces that it has entered into a binding agreement to sell its global property services business, DTZ, to a consortium comprising TPG Capital (TPG), PAG Asia Capital (PAG) and Ontario Teachers' Pension Plan (OTPP) (together TPG and PAG Consortium) for $1.215 billion.

Following the sale of DTZ, UGL will be a dedicated end-to-end outsourced engineering, construction, asset management and maintenance services provider in Australia, New Zealand and South East Asia, employing over 7,700 people with annual revenue in excess of $2.2 billion.

1 Includes DTZ's share of joint venture revenue
2 Adjusted for restructuring costs, separation costs, amortisation of acquired intangibles and release of pre-acquisition provisions

Corporate Responsibility

CREATING A SUSTAINABLE TOMORROW

The critical assets UGL helps build and the essential services we deliver improve people's lives, every day. For UGL, Corporate Responsibility is about creating a sustainable tomorrow, which means taking greater social, economic and environmental responsibility today.

UGL's approach to Corporate Responsibility is about operating our businesses and achieving our goals in a way that reflects our values, connects our business decisions to ethical, social and environmental concerns and meets the standards our clients, shareholders and our own people expect of a global organisation.Being a market leader and a respected essential services company globally, we are dependent on managing our business responsibly. This begins by living our five values of safety, integrity, outstanding client services, honesty and openness in communications and teamwork.

OUR VALUES

Our values reflect the blueprint for our company to operate successfully and we consistently apply them across all of our businesses worldwide.

Safety
We take our duty of care for people seriously and uphold our commitment to safety and risk management.

Integrity
We discharge our duties with the highest level of integrity and take personal responsibility to deliver on what we promise.

Outstanding client service
We strive to continually exceed our clients' expectations and the standards of our competitors.

Honesty and openness in communications
We value talking directly, share appropriate information and communicate using clear and simple language.

Teamwork
We seek to foster a collaborative environment, working together to enhance our reputation and success.

OUR COMMITMENT

UGL's commitment is to manage our business well and to deliver an overall positive impact for our clients, employees, shareholders, the wider community and the environment.

Our approach is focused on:

Our Clients
Delivering exceptional service to our clients within a framework which embraces the highest levels of corporate governance and ethical standards.

Our People
Valuing our employees by providing a safe and rewarding work environment which invests in their future embraces diversity.

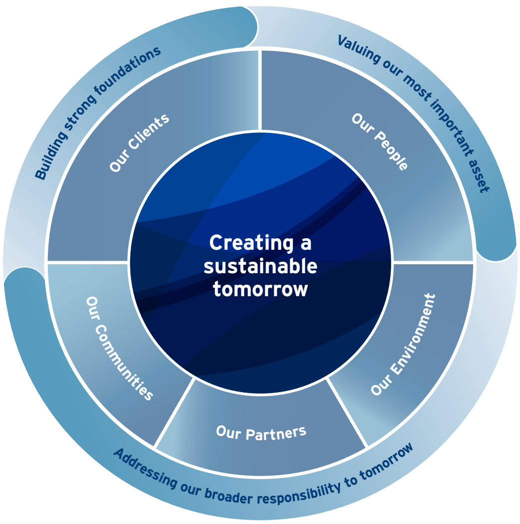
Our Partners
Fostering partnerships with our technology and joint venture partners and our suppliers to maximise knowledge sharing and idea generation in order to develop innovative, sustainable solutions.

Our Communities
Actively supporting the communities in which we operate and using local suppliers and talent where possible.

Our Environment
Managing our impact on the environment through responsible business practices across all operations.

CORPORATE RESPONSIBILITY FRAMEWORK AND PRIORITIES

UGL's Corporate Responsibility Framework is built around five key pillars and indicates our broad goals and key corporate responsibility issues.



As one of Australia's largest essential services providers, with a presence globally, we are in a unique position to make a difference to the lives of people every day. This increasingly dynamic challenge is a source of innovation for our business.

Our corporate responsibility framework identifies the issues that are of interest to our core stakeholders. In the context of our framework, we aim to develop innovative business offerings, reduce environmental impact and build a reputation that reflects who we are and what we stand for as a company.

OUR CLIENTS

Exceeding our clients' expectations is a commitment which goes beyond providing consistent quality and reliability to delivering lasting value through progressive and sustainable outcomes.

Our Goal: to deliver exceptional service to all clients which embraces the highest levels of corporate governance and ethical standards.

We strongly believe that integrity in dealings with clients is a prerequisite for successful and sustained business relationships.

We operate a highly effective and efficient organisation, focused on meeting and exceeding client objectives. Our aim is to provide products and services which give fair value, consistent quality, reliability and safety in return for fair reward. We operate policies of continual improvement, of both processes and skills of our staff, to take best advantage of advances in technology. This safeguards our operations for the future, ensuring that we continue to add value to our clients' business needs.

This is underpinned by a consistent approach to the way we conduct our work. To cater for the wide variety of work we do, we aim for a balance between flexibility in the way we operate and tight control to consistently meet and exceed client expectations.

We have clear and strong lines of communication which allow us to respond quickly and efficiently to clients and market requirements, and our clients receive a consistent service across geographies, sectors and industry areas. Our sales effort, services and delivery capability are aligned in order to ensure that we can successfully and consistently deliver what we promise.

Corporate Responsibility

UGL BELIEVES THAT EVERY EMPLOYEE SHOULD HAVE THE SUPPORT, TOOLS AND OPPORTUNITIES TO REACH THEIR INDIVIDUAL POTENTIAL

OUR PEOPLE

We respect and value the individuality and diversity that every employee brings to UGL and seek to create a positive, open, working environment wherever we operate. It is the contributions of our people which drive the ongoing success of UGL and ensuring we provide an environment in which employees are valued and can achieve their professional and personal goals is one of our most important priorities.

Our Goal: to attract and build a world-class talent base and create a safe, high-performing, client-centric culture.

TALENT AND SUCCESSION PLANNING

The quality of our leadership is a key ingredient of UGL's continued growth and sustainability and as we plan for the future, developing leadership capability has never been more important to us.

UGL's annual Talent and Succession Review is central to establishing a cadre of leaders capable of filling key roles in the organisation in the future. Through these processes, we identify those who have the potential to undertake more complex work or move to a more senior position and develop strategies to meet their developmental needs.

IDENTIFYING POTENTIAL LEADERS

To identify leadership potential, we look at a combination of ambition, capability and experience underpinned by personal qualities aligned to our values. These four factors are what makes someone 'stand out in the crowd' and are fundamental prerequisites for progression in UGL.

Over the past year we have taken steps to boost the talent throughout the business, through selection and retention strategies which are aimed at attracting and keeping our top performing staff.

Being a company with a strong focus on values, we have continued to drive our brand and culture programme in order to harness a competitive advantage in the market. The Company's values underpin every aspect of our work.

During the 2014 financial year, we completed a number of leadership initiatives throughout UGL, aimed at developing the talents of our future business leaders.

As articulated in the Company's Values – We take our duty of care for people seriously and uphold our commitment to safety and risk management. UGL's ability to meet and exceed our clients' expectations can be attributed directly to the outstanding people we employ.

We continue to develop our people to lead the way in safe work practices. Our personal safety culture is a core differentiator for the business and supports our safe, healthy and sustainable working environment. During the 2014 financial year, UGL continued to deliver strong safety outcomes across our global business. Our global lost-time injury frequency was 3.02 per million hours worked and our total recordable case frequency rate was 6.98 per million hours worked.

During the 2014 financial year we implemented and updated a number of significant safety based programmes to assist in developing our USafe culture in the workplace where UGL people are involved.

Leadership Potential

AMBITION
- Personal drive
- Achievement orientation
- Desire for a bigger role
- Desire to progress in UGL

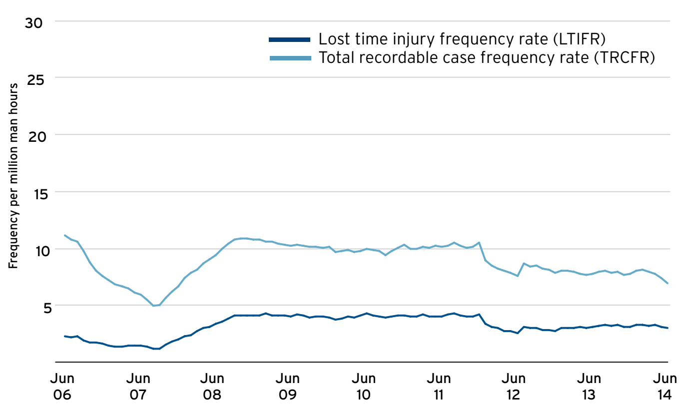
CAPABILITY
- Aligns peoples' efforts
- Builds performing teams
- Creates stakeholder relationships
- Drives commercial outcomes

EXPERIENCE
- Professional and technical expertise
- Breadth and depth of experience
- Track record of performance

PERSONAL QUALITIES
- Integrity
- Adaptability
- Intellect (mental aptitude)
- Emotional intelligence
- Collaborative
- Clear communicator

Leadership potential is a set of qualities, characteristics or abilities which suggest that someone has the capability to successfully perform in a bigger and significantly more complex role in the future.

Safety Performance



New programmes include:

REWARDS AND RECOGNITION PROGRAM

The Rewards and Recognition programme is to support a culture for Health, Safety, Security and Environment (HSSE) performance and innovation. The programme was recognised and validated formally, with monthly site-based programmes, the pinnacle being acknowledgment of HSSE excellence across UGL through a bi-annual 'Chief Executive Officer's Award'.

The programme forms an important part in delivering UGL's HSSE Strategy to realise our vision of HSSE maturity and performance being a differentiator for our people and UGL across our market sectors. Since its introduction, a number of site and regional programmes have been implemented with over 100 nominations received for the bi-annual Chief Executive Officer's Award.

JUST AND FAIR CULTURE AND LIFE RULES

Dealing with high risk activities

UGL's approach to recognising 'above expected' behaviour is consistent with one of UGL's Strategic HSSE objectives: *"To implement and realise a 'just and fair culture' across the business where clear lines of accountability are set and expectations understood."*

After considerable consultation with internal and external stakeholders over the past 12 months, UGL formalised its approach to 'Just and Fair Culture' and also revised 'Life Rules', which sets out UGL's expectations in dealing with critical high risk activities. The objective of 'Life Rules' is to ensure that key hazards are known and appropriately managed.

Recent history across UGL and within the industries in which we operate, suggests that our highest risk of injury relates to some common critical high risk activities.

'Just and Fair Culture' acknowledges those who excel and exceed HSSE expectations, we all learn from our mistakes, although reckless violations or deliberately contravening UGL's standards and putting individuals at risk are not tolerated.

'Life Rules' provide clear guidance on how our operations are to avoid these high risk activities and are minimum 'non-negotiable' requirements that all UGL personnel and contractors must comply with when conducting these activities.

We have achieved a significant improvement in safety performance by embedding the requirements of 'Life Rules' throughout our workplaces, monitoring their application, investigating incidents and sharing learnings to prevent re-occurrence.

OUR PARTNERS

From the world-class technology we are able to bring to our clients, to the innovative solutions we are able to develop by collaborating with global industry specialists, to leveraging an international supply chain, UGL has always recognised the value created through partnerships. Through fostering these partnerships we contribute to creating a sustainable future by tackling the broader social, economic and environmental challenges together.

Our Goal: to continue to foster partnerships with our technology, joint venture partners and suppliers to maximise knowledge sharing and idea generation in order to develop innovative, sustainable solutions.

As with relationships with other stakeholders, we aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. We believe one of our major strengths is our approach to alliances and partnerships with suppliers. Many of our new contracts come through these alliances and our partners' contributions help us to deliver the solutions required by our clients and the market.

Reconciliation AUSTRALIA
RECONCILIATION ACTION PLANS

Rewards & Recognition

OUR COMMUNITIES

UGL has a long heritage of community involvement not only through the essential services we provide, but also through our community programmes and local initiatives.

Our Goal: to ensure that everyone in the communities in which we operate benefits from the social and economic benefits our operations bring.

From its inception as a company through to the present day, UGL has been committed to being an outstanding corporate citizen in every community in which we operate. This commitment translates to our support for a broad range of community organisations.

In particular UGL seeks to support initiatives that help to create healthy, vibrant and cohesive communities including grass roots activities aimed at building and maintaining the foundations of a community.

As an important part of this, UGL encourages staff to get involved through participation in events and assisting in fundraising activities. As a company, we also make donations to numerous charities and causes.

RECONCILIATION ACTION PLAN 2013-2015

OUR VISION FOR RECONCILIATION

UGL's vision is to play a part in creating a better tomorrow for Indigenous Australians so that they may fully participate in, and benefit from, the advantages enjoyed by all Australians.

Since the launch of our inaugural Reconciliation Action Plan in 2013 we have continued to make good progress against our commitments supporting reconciliation between Aboriginal and Torres Strait Islander people and non-Indigenous Australians.

We are encouraged by the strong engagement of our employees across Australia who have participated through volunteering, mentoring and supporting Indigenous communities and supporting people on a path to employment.

The continued support of our people remains vital in maintaining momentum and embarking on new initiatives that seek to address identified gaps that have emerged between Aboriginal and Torres Strait Islander people and others within the communities of Australia. We understand that a long-term perspective is required to bring about sustainable change.

Corporate Responsibility

OUR ENVIRONMENT

Our Goal: to achieve the best for our clients and stakeholders, while actively managing and minimising our environmental impacts and resource intensity.

At UGL we acknowledge that our operations have the potential to cause environmental impacts. We continually aim to minimise any harmful effects through the implementation of environmental management systems and the adoption of environmental principles. As such, we strongly promote compliance to ISO 14001, the progression towards G4 reporting and the internationally established waste hierarchy for waste and resource intensity.

We are continually seeking to identify opportunities to reduce consumption of energy, water and other natural resources in the course of our operations. We also strive to reduce, re-use and recycle our waste where possible and dispose of non-recyclable items responsibly, thereby minimising our impact on the environment.

By adopting straight forward environmental initiatives such as the waste hierarchy it is anticipated that our environmental strategy will be adopted amongst staff and stakeholders.

REDUCE

Reducing the amount of natural resources and energy we consume is one example of our simplified approach to minimising our environmental impacts. Staff awareness through targeted communications and workshops to help our reduce their own energy use at home and at work; improving energy efficiency and powering down of our facilities overnight and at weekends; encouraging reduced business travel and use of conferencing technology, will lead to greater environmental outcomes.

RE-USE

We are focusing on waste avoidance and encouraging resources re-use to minimise our impacts with the assistance of suppliers and other organisations. One example of this is in relation to cable drum re-use within many of our sectors. Instead of scrapping or recycling the timber from cable drums, we are returning undamaged drums back to suppliers for re-use. Similarly, in Australia we divert a large amount of redundant computer equipment away from landfill or recycling, instead making it available to be reconfigured and re-used for use by people on low incomes and from disadvantaged areas.

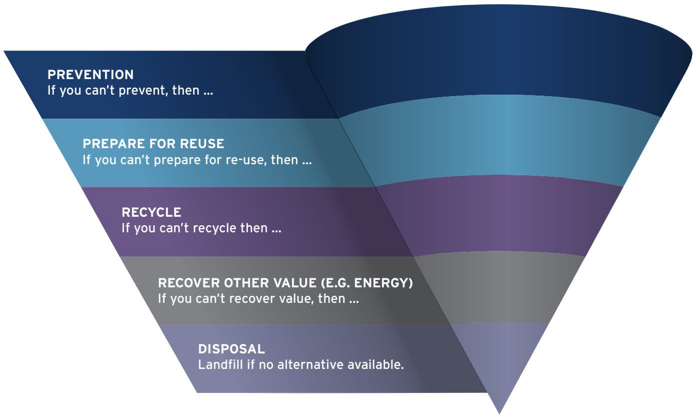
RECYCLE

Where waste cannot be initially avoided or re-used, we continue to seek out recycling facilities for materials. During the 2014 financial year we focused on the identification of waste and recycling streams within our operations and the measurement of these streams. In the coming years, we will aim to improve our waste and recycling reporting to ensure that materials are recovered and environmental impacts from our operations, products and services minimised.

UGL regularly reviews its performance against the environmental policy, objectives, targets and legislation to ensure that it reflects changes in business practices and to strive for continuous improvement. We aim to continually manage the impact of our operations and implement programmes which reduce our environmental footprint. These programmes will focus directly on those areas of our business that have the greatest potential impact and emissions. The majority of UGL's emissions originate from the use of electricity, transport fuels and business travel, and therefore these areas will continue to be a focus point.

During 2014, our environmental management systems matured and consolidated across our business sectors and the focus on gathering and reporting global energy and emission volumes continued in preparation for reduction targets in oncoming years. Our commitment to transparent reporting is demonstrated through our continued relationship with the Carbon Disclosure Project and the Dow Jones Sustainable Index.

Our internal focus has been directed towards environmental compliance and risk mitigation on our operational sites.

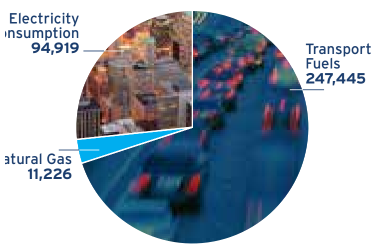


ENERGY CONSUMPTION

Direct and indirect energy consumption continued with reductions observed against previous years and a further 15% drop to 353,589 GJ in FY14. Reductions were observed for all energy sources, with the largest reduction seen in the utility consumption of electricity and natural gas.

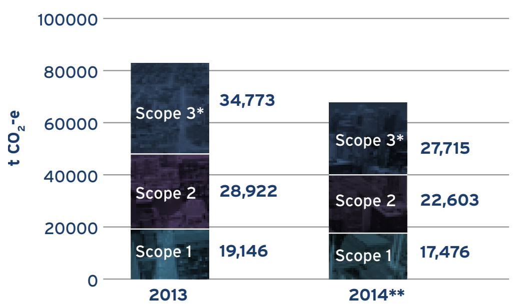
Transport fuel usage has levelled out, with a slight reduction observed over the past 12 months.

Energy by Source (GJ)



GREENHOUSE GAS EMISSIONS

Modest reductions in absolute emissions were noted in line with lower energy consumption. A 17% reduction in Scope 1 and Scope 2 Emissions were attributed to lower electricity and vehicle fleet consumption in Australia. A 20% reduction in Scope 3 Emissions was attributed to a direct reduction in air travel.

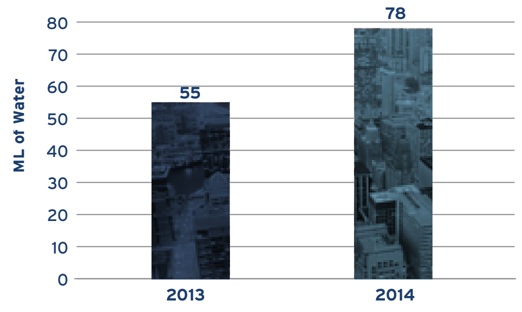


Global Scope 1 Emissions include vehicle fuels and gas consumption
Global Scope 2 Emissions include electricity consumption
Global Scope 3 Emissions include business travel, hotel stays, employee travel, energy transport emissions, Australian rental vehicles
2014 emissions to be finalised in line with NGER reporting

WATER

An increase in consumption was observed in 2014 due to increased monitoring across UGL properties, including New Zealand. In 2015 we aim to increase the monitoring of water consumption on our construction sites, including fixed manufacturing sites.

Municipal Water Consumption



Australian & New Zealand operations

ENVIRONMENTAL REGULATORY PERFORMANCE

All UGL's operations are undertaken in accordance with the corporate environmental policy and management systems. Legislative and management system compliance is continuously monitored and reported to the Board Health, Safety, Security & Environment Committee. Based on the results of enquiries made, the directors are not aware of any material breaches of environmental legislation during the reporting period.

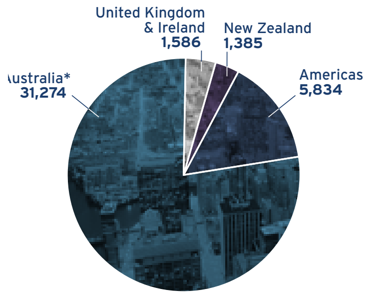
ENVIRONMENTAL MANAGEMENT

UGL understands the importance of conducting our operations and delivering our products and services to the highest standards of environmental care and corporate responsibility. UGL is committed to the prevention of pollution, conservation of natural resources and the protection of cultural heritage. In 2014 we focused on improving our environmental management systems that govern our products, services and operations. The first stage was to simplify our certification to AS/NZ ISO 14001:2004. Having a single environmental management system delivers a consistent approach to the identification and control of environmental risks.

In 2015 we will continue to focus on our environmental management system compliance, while increasing the transparency of reporting, training and knowledge within UGL's workforce.

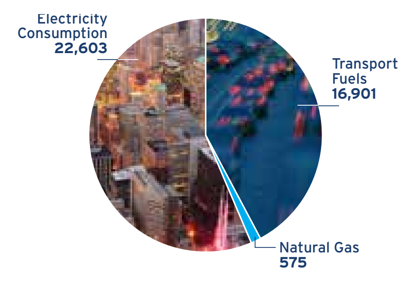
Transport fuels continue to be the majority of UGL's energy consumption, although electricity consumption remains the largest portion of CO2-e emissions. This is a result of higher emissions released through electricity consumption per Gigajoule of energy in comparison to transport fuels

Scope 1 & 2 Emissions by Region (t CO_2-e)



* Australian 2014 emissions to be finalised in line with NGER reporting requirements

Scope 1 & 2 Emissions by Source (t CO_2-e)



Director's report for the year ended 30 June 2014

Trevor C Rowe AO
DUniv, FCIS, FCPA, FAICD, ACSA, FCSA

Kathryn D Spargo
LLB (Honours), BA, FAICD

Richard G Humphry AO
FCA, FCPA, FAICD, A Fin

Dr Raymond K F Ch'ien
PHD in Economics, University of Pennsylvania

Dr Douglas F McTaggart
BEcon (Hons), MA, PhD, DUniv

Guy M Cowan
Bachelor of Engineering (Hons) (University of Sussex, UK), Fellow of the Institute of Chartered Accountants in England and Wales

Richard A Leupen
BSc (MechEng), CP Engineer, FIE Aust, FAIMM, FAICD

The directors of UGL Limited (the Company or UGL) present their report on UGL and its subsidiaries (the Group), together with the consolidated financial statements of the Group for the financial year ended 30 June 2014 and the auditor's report thereon.

1. DIRECTORS

The names of the persons who have held office as a director, or appointed as a director, during the period since 1 July 2013 and up to the date of this report are: Trevor C Rowe AO, Richard A Leupen, Dr Raymond K F Ch'ien, Guy M Cowan, Robert E Denham (retired 13 December 2013), Richard G Humphry AO, Dr Douglas F McTaggart and Kathryn D Spargo.

Details of the current members of the Board, including their experience, qualifications, special responsibilities and term of office are set out below.

Trevor C Rowe AO
DUniv, FCIS, FCPA, FAICD, ACSA, FCSA
Age: 71

Independent: Yes

Term of office: Director since September 2002. Elected as Chairman October 2003.

Current directorships of other listed entities and dates of office: Nil.

Directorships of other listed entities over the past three years: BrisConnections Management Company Limited (Chairman May 2008 to February 2013).

Other principal directorships and memberships: Executive Chairman of Rothschild Australia Limited, Chairman of RSPCA Queensland Capital Campaign, Chairman of Bond University Board of Trustees, Director of Banking & Finance Oath Limited, member of the Crescent Wealth Advisory Board and Member of the Royal Flying Doctor Service – The Friends Committee.

Former principal directorships and memberships: Chairman of: Citigroup Global Markets Ltd/Salomon Bros, Queensland Investment Corporation, Queensland BioCapital Fund, Careers Australia Group Ltd, Go Talk Limited, Metal Alpha Pty Ltd, Chancellor of Bond University; Director of ASX Limited (July 2002 to June 2010); Member of: Foreign Affairs Council, Commonwealth of Australia's Takeovers Panel; Guardian of the Australian Government's Future Fund of Australia.

Skills, experience and expertise: Mr Rowe has considerable experience in the investment banking and funds management industry domestically and internationally. Mr Rowe is currently Executive Chairman of Rothschild Australia Limited and had a leading role in establishing Salomon Smith Barney (now known as Citigroup Global Markets) offices in Australia in 1983. During this time, he worked in the Australian, US and Asian markets. Prior to Citigroup, Mr Rowe held senior positions in Asia with the Arab Malaysian Development Bank and Private Investment Company of Asia (PICA) for 10 years. He has also held positions with Peat Marwick Mitchell & Co. and A C Goode & Co. in Western Australia.

UGL Board Committee membership: Chairman of the Nomination & Remuneration Committee.

Richard A Leupen
BSc (MechEng), CP Engineer, FIE Aust, FAIMM, FAICD
Age: 61

Independent: No

Term of office: Managing Director & CEO since October 2000.

As Managing Director & CEO, Mr Leupen is responsible for the Group companies in 52 countries and over 208 offices.

Current directorships of other listed entities and dates of office: Nil.

Directorships of other listed entities over the past three years: Nil.

Other principal directorships and memberships: Member of Business Council of Australia, Director of Australian Constructors Association and Director of Protech Holdings (WA) Pty Ltd.

Former principal directorships and memberships: National Executive – Australian Industry Group.

Skills, experience and expertise: Mr Leupen has over 36 years' experience in service industries. He has previously worked for international and Australian engineering companies including GHD, and Kaiser Engineers, based in Sydney, Perth and Washington, DC. Previous organisations include BHP Port Kembla, Shell Australia and Simcoa Operations.

UGL Board Committee membership: Member of the Health, Safety, Security & Environment Committee and Chairman of the majority of UGL subsidiaries.

Raymond K F Ch'ien
PHD in Economics, University of Pennsylvania
Age: 62

Independent: Yes

Term of office: Director since September 2012.

Current directorships of other listed entities and dates of office (non-ASX listed): Chairman of MTR Corporation Limited (member of the Board since 1998 and appointed Chairman in July 2003) and Chairman of Hang Seng Bank Limited (appointed August 2007). Director of each of Convenience Retail Asia Limited (since January 2001), The Wharf (Holdings) Limited (since 2002), Swiss Re Ltd (since February 2011 and he had been a director of its predecessor company, Swiss Reinsurance Company Limited, since April 2008) and China Resources Power Holdings Company Limited (director since April 2010).

Directorships of other listed entities over the past three years (non-ASX listed): China.com Inc. (Chairman from November 1999 until 29 March 2013), CDC Corporation (Chairman from 31 January 1999 until 3 October 2011) and CDC Software Corporation (Director from 16 April 2009 until 22 January 2012) and Convenience Retail Asia Limited (Director from 3 January 2001 until 31 March 2014).

Other principal directorships and memberships: Director of The Hongkong and Shanghai Banking Corporation Limited, a member of the Economic Development Commission of the Hong Kong SAR Government (appointed 17 January 2013), member of the Standing Committee of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference, member of the Committee on Real Estate Investment Trusts of the Securities and Futures Commission in Hong Kong, honorary president of the Federation of Hong Kong Industries and Trustee of the University of Pennsylvania.

Former principal directorships and memberships: Member of the Executive Council of Hong Kong, then under British Administration, from 1992 to 1997, member of the Executive Council of the Hong Kong SAR from 1 July 1997 to June 2002, non-executive director of Inchcape plc, a Hong Kong member of APEC Business Advisory Council, non-executive chairman of HSBC Private Equity (Asia) Limited, Chairman of the Hong Kong/European Union Business Cooperation Committee (until 31 January 2012) and director of Hong Kong Mercantile Exchange Limited (until 31 March 2013).

Skills, experience and expertise: Dr. Ch'ien has 35 years of professional and business experience. Beginning his career as a bank Economist at the Chase Manhattan Bank NA, he became a consultant then moved into management. For more than ten years, he was Managing Director of Lam Soon Hong Kong Group, a Hong Kong listed Food and Packaging industrial company. He also has extensive experience in the Internet and Software fields through his involvement with the CDC Companies.

In recent years he has devoted the bulk of his time serving as Chairman of MTR Corporation Limited and Hang Seng Bank Limited, respectively a leading international mass transit developer cum operator and a regional bank, both Hong Kong blue chips. In addition, through his work on boards such as Swiss Re Ltd, HSBC Holdings plc, and China Resources Power Holdings Company Limited, Dr. Ch'ien has developed a global perspective that informs his business insights.

UGL Board Committee membership: Nil.

Guy M Cowan
Bachelor of Engineering (Hons) (University of Sussex, UK), Fellow of the Institute of Chartered Accountants in England and Wales
Age: 62

Independent: Yes

Term of office: Director since February 2009.

Current directorships of other listed entities and dates of office: Coffey International Ltd (Director since February 2012).

Directorships of other listed entities over the past three years: Raisama Limited (Director April 2010 to February 2012) and Ludowici Limited (Director November 2009 to July 2012).

Other principal directorships and memberships: Chairman of: Beak and Johnston Limited, Winson Group Pty Ltd; Director of: Queensland Sugar Limited, Director of Snapper Road Pty Ltd.

Former principal directorships and memberships: Director of various Fonterra subsidiaries and joint ventures, Director of Soprole SA (Chile), Director of Gold Oil plc (UK) and alternate Director of Woodside Petroleum (1992 to 1994).

Skills, experience and expertise: Mr Cowan has nine years' experience as a chartered accountant with PWC and KPMG in addition to 23 years' international experience in commercial and finance roles with the Royal Dutch Shell Group in South America, Australia, Africa and Europe. Prior to February 2005, he was Chief Financial Officer of Shell Oil in the US. From February 2005 to February 2009 Mr Cowan was the Chief Financial Officer of the Fonterra Co-operative based in New Zealand.

UGL Board Committee membership: Member of each of the Risk & Audit Committee and the Health, Safety, Security & Environment Committee.

Richard G Humphry AO
FCA, FCPA, A Fin
Age: 75

Independent: Yes

Term of office: Director since October 2004.

Current directorships of other listed entities and dates of office: Nil.

Directorships of other listed entities over the past three years: Nil.

Other principal directorships and memberships: Director of HSBC Bank Australia Limited, BUPA Australia Pty Ltd, BUPA Australia Holdings Pty Ltd, BUPA Foundation (Australia) Ltd, O'Connell Street Associates Pty Ltd.

Former principal directorships and memberships: Managing Director and Chief Executive Officer of ASX Limited; Director of ClearView Life Nominees Pty Limited and Taronga Conservation Society Australia; President of Commonwealth Remuneration Tribunal; Advisory Director of Morgan Stanley Australia; Member of Administrative Review Council of the Attorney General's Department, Treasury Financial Reporting Council and Foreign Affairs Council and Trustee of the International Accounting Standards Foundation.

Skills, experience and expertise: Mr Humphry has extensive experience as a company director, in financial markets, in financial reporting and auditing, and risk management. He currently chairs the Risk & Audit Committees of UGL and HSBC (Australia).

During Mr Humphry's tenure at ASX, it became the first exchange in the world to simultaneously demutualise and list on its own exchange. Before joining ASX, Mr Humphry was Director General of the NSW Premier's Department and Auditor General of Victoria. These positions followed 20 years' experience in the Australian federal public service in the departments of Defence and Finance, and 13 years in the banking industry. Mr Humphry was President of the Australian Commonwealth Remuneration Tribunal for five years to 2003.

Throughout Mr Humphry's career he has served on the boards of a diverse range of private and public sector organisations.

UGL Board Committee membership: Chairman of the Risk & Audit Committee.

Douglas F McTaggart
BEcon (Hons), MA, PhD, DUniv
Age: 61

Independent: Yes

Term of office: Director since September 2012.

Current directorships of other listed entities and dates of office: Suncorp Group Limited (Director since April 2012).

Directorships of other listed entities over the past three years: Telesso Technologies Limited (Director from November 2007 to October 2012).

Other principal directorships and memberships: Consultant on an expert panel to the Economic Development sub-committee of the Northern Territory Cabinet, Chairman of Queensland Public Service Commission, Member Public Sector Renewal Board, Qld, and member ANU Council.

Former principal directorships and memberships: Commissioner to the Queensland Government Independent Commission of Audit, Councillor on the National Competition Council, member of the Council of Australian Governments (COAG) Reform Council, President of the Economic Society, Australia, member of the Australian Accounting Standards Board, Council Member of the Queensland University of Technology and Director and past Chair of the Investment & Financial Services Association (IFSA).

Skills, experience and expertise: Dr McTaggart was Chief Executive Officer of Queensland Investment Corporation (QIC) for 14 years with broad experience in financial markets and funds management. He has also held various roles as an academic economist, finishing as Professor of Economics and Associate Dean at Bond University. Prior to joining QIC he was the Under Treasurer and Under Secretary of the Queensland Department of Treasury.

UGL Board Committee membership: Member of the Nomination & Remuneration Committee.

Kathryn D Spargo
LLB (Honours), BA, FAICD
Age: 62

Independent: Yes

Term of office: Director since October 2010.

Current directorships of other listed entities and dates of office: Sonic Healthcare Limited (Director since July 2010) and Fletcher Building Limited (Director since March 2012).

Directorships of other listed entities over the past three years: Nil.

Other principal directorships and memberships: Chairman of Suncorp Portfolio Services Limited; Director of: CoInvest Ltd and SMEC Holdings Limited.

Former principal directorships and memberships: Director of: Investec Bank (Australia) Limited, IOOF Holdings Ltd, Transfield Services Infrastructure Ltd, Fulton Hogan Ltd, Australian Energy Market Operator Limited, Australian Unity Limited, Pacific Hydro Pty Ltd; Chairman of: HomeStart Finance, PrimeGro Ltd. Member of the International Ethical Standards Board for Accountants.

Skills, experience and expertise: Ms Spargo has over 16 years of experience in non-executive directorship roles, mainly in the finance, infrastructure, and professional services sectors. Ms Spargo has gained broad business experience as both an advisor, having worked in private practice and government, and as a director. She is a Fellow of the Australian Institute of Company Directors.

UGL Board Committee membership: Chairman of the Health, Safety, Security & Environment Committee and Member of each of the Risk & Audit Committee and the Nomination & Remuneration Committee.

2. COMPANY SECRETARIES

The following persons held office as Company Secretary during the reporting period.

Lyn Nikolopoulos was a Company Secretary from October 2006 to December 2010 and was re-appointed on 29 July 2011. She has a Bachelor of Business from UTS and she holds a Graduate Diploma in Applied Corporate Governance from Chartered Secretaries Australia. Lyn has over 14 years' experience in a company secretary role.

Murray McArdle was appointed as a joint Company Secretary on 31 January 2014. Mr McArdle is the Chief Legal Officer for UGL and has over 20 years of experience as a lawyer and senior commercial officer working both in private practice and in engineering and services companies. He holds a Bachelor of Laws from the University of Technology, Sydney (UTS) and a Graduate Diploma of Legal Practice from UTS.

Dennis Mentzines was appointed Company Secretary in May 2008 and resigned from the Company on 31 January 2014. Mr Mentzines was employed as UGL's Corporate Counsel – Commercial/M&A. Mr Mentzines holds a Bachelor of Economics from the University of Sydney and a Bachelor of Laws from UNSW. He also holds a Graduate Diploma in Applied Corporate Governance from Chartered Secretaries Australia.

3. BOARD AND COMMITTEE MEETINGS

The number of meetings of the Board of Directors and of Board Committees during the financial year and attendances for each of these meetings were:

	BOARD SCHEDULED		RISK & AUDIT COMMITTEE		NOMINATION & REMUNERATION COMMITTEE		HEALTH, SAFETY, SECURITY & ENVIRONMENT COMMITTEE	
Mr T Rowe AO*	10	10	-	-	1	1	-	-
Mr R Leupen	10	10	-	-	-	-	3	2
Dr R Ch'ien	10	6	-	-	-	-	-	-
Mr G Cowan	10	10	4	4	-	-	3	3
Mr R Denham	4	4	-	-	-	-	-	-
Mr R Humphry AO	10	10	4	4	-	-	-	-
Dr D McTaggart	10	10	-	-	1	1	-	-
Ms K Spargo	10	10	4	4	1	1	3	3

Shaded column: Meetings held while a director or member, and required to attend.
Unshaded column: Meetings attended.
* The Chairman attended a number of Risk & Audit Committee meetings.

4. PRINCIPAL ACTIVITIES

UGL is a global diversified services company delivering critical assets and essential services that sustain and enhance the environment in which we live.

UGL comprises two business units – Engineering and DTZ – which provide whole of life cycle solutions to clients across the rail, transport & technology systems, power, resources, water, defence and property sectors. Headquartered in Sydney, Australia, UGL operates worldwide across 52 countries employing 52,000 people.

UGL partners with some of the world's largest blue-chip companies, government agencies, private enterprise and public institutions. UGL's engineering business is a leading provider of end-to-end outsourced engineering, construction, asset management and maintenance services with a diversified end-market exposure across core sectors of rail, transport & technology systems, power, resources, water and defence. Our business has annual revenue in excess of $2.2 billion, employing over 7,700 people (including subcontractors) across Australia, New Zealand and South East Asia.

DTZ is a global leader in property services, offering an integrated solution to clients in leasing agency, investment agency, property and facilities management, project and building consultancy, valuation, research and investment and asset management. Founded in 1784, DTZ has annual revenue in excess of $2.2 billion, operations in 52 countries and employs over 45,100 people (including subcontractors).

As announced to the market on 16 June 2014, UGL has entered into a binding agreement to sell DTZ to a consortium comprising TPG Capital (**TPG**), PAG Asia Capital (**PAG**) and Ontario Teachers' Pension Plan (**OTPP**) (together **TPG and PAG Consortium**) for an enterprise value of $1.215 billion. The sale consideration will consist solely of cash and the sale is conditional on certain approvals from regulatory bodies, no material adverse change and other business-related conditions. The transaction is expected to be completed before the end of the 2014 calendar year.

Under the terms of the sale agreement, UGL will also enter into a transition services agreement to facilitate business continuity and the orderly transfer of DTZ to the TPG and PAG Consortium until August 2015.

Following the sale of DTZ, UGL will be a dedicated end-to-end outsourced engineering, construction, asset management and maintenance services provider in Australia, New Zealand and South East Asia.

5. DIVIDENDS PAID OR TO BE PAID

The Board has resolved to not pay a final dividend in order to conserve its cash position during the completion of the sale of DTZ and to allow for the further consideration of UGL's capital management strategy and the most effective return of surplus funds to shareholders on completion of the DTZ sale. Payment of dividends is expected to recommence in the 2015 financial year.

The following dividends on issued ordinary shares of UGL have been paid or declared since the end of the 2014 financial year:

	2014 $'000
Final 2013 dividend of 5 cents per share, unfranked, paid on 6 September 2013	8,326

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 16 June 2014 UGL announced that it had entered into a binding agreement for the sale of the global property services business DTZ, for $1.215 billion, with the sale completion expected in the last quarter of 2014 calendar year.

There have been no other significant changes in the state of affairs of the Group during this financial year.

7. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of this financial year which have significantly affected or may significantly affect the operations, the results of these operations or state of affairs of the Group in subsequent financial years.

8. ENVIRONMENTAL REGULATION PERFORMANCE

The Group's environmental obligations are regulated under both federal and state law including the reporting requirements of the *National Greenhouse Energy Reporting Act 2007*. Under the Act, the Group must annually report on its greenhouse gas emissions, energy production and energy use. The Group does not own or operate any facilities above the emissions threshold in the *Clean Energy Act 2012* and therefore is not liable to pay a direct carbon price. All exposure to price rises as a result of the carbon price in Australia will continue to be monitored through our supply chain.

Environmental performance obligations are monitored by the Health, Safety, Security & Environment Committee and are subjected from time to time to internal and external independent audit. The Group has a policy of at a minimum complying with, and in most cases exceeding, its environmental performance obligations. Based on the results of enquiries made, the directors are not aware of any material breaches of environmental legislation during the reporting period.

9. DIRECTORS' AND OFFICERS' INDEMNITY AND INSURANCE

Under its Constitution, the Company has agreed to indemnify on a full indemnity basis, and to the full extent permitted by law, each director and executive officer for all losses or liabilities incurred by the person as an officer of the Company or of a related body corporate including, but not limited to, liability for negligence or for reasonable costs and expenses incurred:

- In defending proceedings, whether civil or criminal, in which judgment is given in favour of the person or in which the person is acquitted.
- In connection with an application, in relation to such proceedings, in which the court grants relief to the person under the *Corporations Act 2001*.

The indemnity:

- Is a continuing obligation and is enforceable by an indemnified person even though that person may have ceased to be an officer of the Company or of a related body corporate
- Applies to all losses and liabilities incurred to the extent that the loss or liability is not covered by insurance

During the financial period, the Company or a related body corporate paid an insurance premium in respect of a contract insuring directors and officers against liabilities (including costs and expenses) arising from the performance of their duties.

The directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of these insurance contracts, as such disclosure is prohibited under the terms of the contract.

10. OPERATING AND FINANCIAL REVIEW

Refer to the Operating and Financial Review on pages 8 to 19.

11. REMUNERATION REPORT (AUDITED)

CONTENTS

11.1 Introduction

The 2014 Remuneration Report details the remuneration arrangements of UGL's Key Management Personnel (KMP) for the 2014 financial year. KMP are individuals who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. KMP comprise the non-executive directors of the Company and senior executives of the Group.

For the purposes of this report, 'executive' refers to the Managing Director & CEO and senior executives.

As discussed in section 4 of the Directors' report, in August 2013, UGL announced its intention to demerge DTZ and the engineering, construction, asset management and maintenance services business in Australia, New Zealand and South East Asia (Engineering). Following the receipt of third party interest in DTZ, UGL undertook a process to evaluate whether a sale of the business was in the best interest of shareholders. After completion of this process, the Board determined to enter into a binding sale agreement with a private equity consortium comprising TPG Capital (TPG), PAG Asia Capital (PAG) and Ontario Teachers' Pension Plan. The DTZ sale is expected to conclude in the second quarter of the 2015 financial year.

Changes to KMP

In light of the separation of DTZ and UGL's engineering business, the Board made a number of changes to the management team during the 2014 financial year:

- Mr Richard Leupen's contract was extended to 30 April 2015 to ensure continuity and stability during the separation of DTZ and UGL's engineering business to become two standalone companies. Further details can be found in section 11.6.
- Mr Tod Lickerman was appointed Global Chief Executive Officer, DTZ on 14 October 2013. Details of Mr Lickerman's remuneration arrangements can be found in section 11.6.
- Mr Robert Shibuya and Mr Russell Waugh ceased employment on 13 September 2013 and 11 October 2013 respectively.
- Mr Michael Wandmaker ceased to be KMP on 27 March 2014.

In addition, Mr Robert Denham resigned as non-executive director on 13 December 2013.

On 16 June 2014 the Board announced the appointment of Mr Ross Taylor as the successor to Mr Leupen. Mr Taylor will commence as Managing Director & CEO of UGL on 24 November 2014. Further details of Mr Taylor's remuneration arrangements are outlined in section 11.11.

The tables below outline the individuals who were KMP in 2014.

Table 1: KMP for the 2014 financial year

NAME	TITLE (AT YEAR END)	DATE INDIVIDUAL BECAME A KMP (IF PARTIAL YEAR)
Non-executive directors		
Mr T Rowe AO	Chairman	
Dr R Ch'ien	Non-executive director	
Mr G Cowan	Non-executive director	
Mr R Humphry AO	Non-executive director	
Dr D McTaggart	Non-executive director	
Ms K Spargo	Non-executive director	
Executive director		
Mr R Leupen	Managing Director & CEO	
Senior executives		
Mr R Bonaccorso	Chief Financial Officer	
Mr T Lickerman	Global Chief Executive Officer, DTZ	14 October 2013

Table 2: KMP departures during the 2014 financial year

NAME	TITLE	DATE INDIVIDUAL CEASED AS A KMP
Former non-executive directors		
Mr R Denham	Non-executive director	13 December 2013
Former senior executives		
Mr R Shibuya (ceased employment)	Group President, DTZ	13 September 2013
Mr M Wandmaker (ceased to be KMP)	Group President, Operations & Maintenance	27 March 2014
Mr R Waugh (ceased employment)	Chief Executive Officer, Engineering	11 October 2013

11.2 Summary of key developments and remuneration outcomes for the year ended 30 June 2014

As outlined previously in this Report, during 2014 the Group prepared for the separation of DTZ and UGL's engineering business. During this time, the Board continued with its disciplined approach to executive remuneration and focused on ensuring payment only where performance is achieved and driving better outcomes for shareholders. Within this environment, the Board also recognised the need to adopt targeted arrangements to support the successful separation of DTZ and UGL's engineering business and to address critical business needs. It should be noted that due to the strategic review and separation process, it was not considered appropriate to make grants under the UGL or DTZ LTI programmes this year.

Table 3: Summary of key developments and remuneration outcomes for the year ended 30 June 2014

Targeted arrangements to support the successful separation of DTZ and UGL's engineering business into two standalone entities	
Managing Director & CEO contract extension	To facilitate the separation of DTZ and UGL's engineering business and provide certainty to the business, the Board extended Mr Leupen's contract from 31 March 2014 to 30 April 2015, or upon earlier completion of a demerger. During the extension period, Mr Leupen's fixed remuneration will remain unchanged. Mr Leupen is entitled to a strategic incentive fee of up to $1.5 million, subject to determination by the Board for the achievement of strategic milestones linked to the separation via sale of DTZ and UGL's engineering business. Given the relatively short-term of the contract, the Board believes this approach focusses Mr Leupen on the strategic initiatives required to ensure a successful separation of DTZ, to establish a solid base for UGL as a standalone business and to ensure an orderly transition in leadership of UGL. No further performance based incentives (including Short Term Incentive (STI) and Long Term Incentive (LTI)) will be granted.
Global Chief Executive Officer, DTZ	In addition to Mr Lickerman's annual entitlements, UGL granted a one-off sign-on award and milestone incentive to secure Mr Lickerman's services as Global Chief Executive Officer, DTZ. • *Sign-on award:* Mr Lickerman was granted a sign-on award in a combination of cash and equity. The purpose of the sign-on award is to compensate Mr Lickerman for bonuses and equity foregone in leaving his prior employment in a form that aligns with UGL shareholder interests. • *Milestone incentive:* An equity-based milestone award was granted to Mr Lickerman. The purpose of the award is to focus Mr Lickerman on key strategic objectives in the lead up to the demerger of DTZ and UGL's engineering business. Whilst not common practice in Australia, these arrangements align with the remuneration practices in global property service companies and were considered critical at the time of appointment of Mr Lickerman to run DTZ as a standalone Australian Securities Exchange (ASX) listed company. In light of the separation of DTZ via sale, the Board will consider the most appropriate treatment of the sign-on and milestone awards closer to completion of the sale.
Chief Financial Officer, demerger award	A demerger award of up to 50% of Total Employment Cost (TEC) is payable to Mr Robert Bonaccorso subject to the achievement of performance conditions in the lead up to the separation of DTZ. The award recognises the criticality of Mr Bonaccorso's role in achieving a successful outcome of the DTZ sale and remaining within his role through the period prior to and through the transaction, maintaining central stability within the Group.
Development and implementation of a standalone remuneration framework for DTZ	
With the separation of DTZ envisaged, it was appropriate to implement a stand-alone market competitive remuneration framework reflective of the global property services industry. The new framework was developed with regard to industry specific benchmark data and is reflective of remuneration practices in comparable companies. The new framework comprises of STIs and an LTI more aligned to the performance of the DTZ business. Whilst a new LTI scheme was put in place, no offers were made in light of the separation process.	

Focus on payment for performance

The Board is committed to fostering a performance based culture through an executive remuneration framework that links executive pay to the achievement of the Company's strategic and business objectives, including generation of sustainable returns for shareholders. Year on year, the Board sets challenging financial performance targets for management and directly aligns executive incentives to the achievement of those targets. Where performance does not meet the targets, executives derive no benefit from their 'at risk' incentive components.

During the 2014 financial year:

- **Fixed remuneration:** There were no increases to fixed remuneration for KMP in 2014 (with the exception of promotional adjustments). This is similar to the approach taken for executives in 2013.
- **Variable remuneration:** In light of the Board's commitment to only reward executives where shareholders also benefit, executives did not earn the 'at risk' component of their remuneration. In particular:
  - **Managing Director & CEO variable remuneration**:
    - **STI outcomes** – No STI was received by Mr Leupen in respect of the operating performance for FY14.
    - **LTI – 2010, 2011 and 2012 awards:** The Board assessed the Total Shareholder Return (TSR) and Earnings Per Share (EPS) performance on 31 March 2014 and determined that performance was not met and the awards did not vest.
    - **CEO succession incentive:** As previously highlighted in the 2012 Remuneration Report, the succession incentive was considered appropriate at the time of entering into Mr Leupen's contract in 2009 given the period of growth and changes undertaken by the Group to diversify its business model. During 2014, the Board determined that Mr Leupen satisfied the performance conditions in respect of the succession incentive, an outcome of which were the successful appointments of Mr Lickerman and Mr Taylor. As a result, the restrictions attached to the share awards were released – 50% in May 2014 following the appointment of Mr Lickerman and the remaining 50% in July 2014 following the announcement or Mr Taylor's appointment.
  - **Group STI:** Overall, full year underlying EBIT performance was lower than budget and as a result the 90% budgeted Group EBIT STI gateway measure was not achieved. Therefore, no STI award is payable to Mr Bonaccorso in relation to the operating performance of the Group for the 2014 financial year.
  - **Mr Tod Lickerman:** In accordance with the terms of his contract, Mr Lickerman received the guaranteed component of his STI. In addition, the Board awarded the full strategic component equal to 50% of his TEC prorated to Mr Lickerman based on an assessment of his performance in the lead up to the separation of DTZ.
  - **Safety:** Although a number of sectors/regions achieved safety targets (reduction in Total Recordable Case Frequency Rate (TRCFR) and Lost Time Injury Frequency Rate (LTIFR)) for the year, the overall Group safety targets were not met. As a result, executives will not receive the safety component of the STI. The safety and security of our people remains a core value at UGL and stretch targets will continue to be set in respect of safety for the Group.
  - **LTI – 2010 award:** Following testing of the performance conditions, it was determined the performance targets had not been met. As a result, share options granted in the 2010 financial year did not vest.
  - **LTI – 2014 grant:** No long-term incentive grant was made this year while the corporate structure review and separation process was underway.

Accounting standards require that the expense relating to equity instruments (such as the performance shares and options allocated under the LTI plan) be reflected over the 'performance period'. Accordingly, an accounting charge will be recognised in this report for prior year LTIs notwithstanding that LTI grants were not made in 2014, and the outstanding LTI awards may not vest, and the executives may never receive any actual value from such a grant.

The following table (Table 4) has been included voluntarily to give shareholders an understanding of the amounts the Managing Director & CEO and other senior executives actually received for each component of remuneration in respect of the 2014 financial year (which represents their 'take home' pay rather than an accounting value).

Table 4: Remuneration received by UGL's executives in relation to the 2014 financial year (unaudited)

	FIXED REMUNERATION	CASH STI[1] /SIGN ON	DEFERRED STI	SHARE BASED AWARDS	TERMINATION PAYMENT	TOTAL
Executive director						
Mr R Leupen[2]	2,080,000	–	–	901,362	–	2,981,362
Senior executives						
Mr R Bonaccorso	748,800	–	139,865	–	–	888,665
Mr T Lickerman[3]	566,913	1,380,957	–	–	–	1,947,870
Former senior executives[4]						
Mr R Shibuya	155,791	–	–	–	391,417	547,208
Mr M Wandmaker	621,630	–	–	–	277,066	898,696
Mr R Waugh	236,519	–	–	–	45,885	282,404

1. No STI payments were made in relation to the 2014 financial year, with the exception of Mr Lickerman.
2. Mr Leupen's succession incentive restricted shares were released from restriction (50% in May 2014 and 50% in July 2014) based on the Board's assessment of performance.
3. Mr Lickerman received a sign-on award equivalent to US $3 million, the cash component of which (US $670,000) was paid on commencement of employment, which will need to be repaid if certain conditions are not met. Refer to section 11.6 for further details. The remuneration for Mr Lickerman represents the portion of the year Mr Lickerman was KMP.
4. The remuneration for Mr Shibuya, Mr Wandmaker and Mr Waugh represents the portion of the year each individual was KMP.

11.3 The Board's approach to remuneration governance

The Board is responsible for ensuring UGL's remuneration strategy supports company performance, is aligned with shareholder interests, and allows UGL to attract, motivate and retain high-calibre individuals who contribute to the Group's long-term success.

The Board's Nomination & Remuneration Committee, comprising solely of non-executive directors, assists the Board in discharging its duties.

The Nomination & Remuneration Committee is responsible for making recommendations to the Board in relation to director and executive remuneration. Its responsibilities include annually reviewing UGL's remuneration strategy, policy, the remuneration of executives and performance indicators as set by the Board. Further information on the role of the Nomination & Remuneration Committee is discussed in the Statement of Corporate Governance Practices.

The Nomination & Remuneration Committee engages independent remuneration consultants to provide advice and market-related information as required. The Board has appointed Egan Associates as the Company's principal remuneration adviser.

During the 2014 financial year, UGL received 'remuneration recommendations' (as defined in section 9B of the Corporations Act) from Egan Associates, in relation to the remuneration arrangements of the Managing Director & CEO, incoming Managing Director & CEO and the Global Chief Executive Officer, DTZ.

Egan Associates provided a formal declaration confirming that the recommendations provided were free from 'undue influence' by the members of the KMP to whom the recommendations related. The Board is satisfied that the recommendations were made free from any undue influence. The Managing Director & CEO was not involved in the selection and appointment of Egan Associates or in the development of any advice in relation to his role.

The Committee also received other general remuneration advice from Egan Associates. The additional advice did not constitute a remuneration recommendation.

As required to be disclosed by the Corporations Act, within the context of the work described above, fees paid to Egan Associates for the remuneration recommendations were $18,133.50 (including GST) and the fees for other advice were $60,984.00 (including GST).

In addition to the remuneration recommendations noted above, general market insight and governance information regarding non-executive director and executive remuneration was also received from EY and Christenson Advisors, a US based remuneration consultancy firm specialising in the property sector.

A key component of the Committee's role is to undertake appropriate engagement with shareholders regarding the development and operation of executive remuneration strategy at UGL. While recognising the importance of this role, the transaction process prior to the announcement of the DTZ sale prevented the Committee from undertaking engagement with shareholder groups prior to the finalisation of the Remuneration Report. The Committee is committed to holding open and transparent discussions with shareholders during the period prior to the AGM and welcomes the opportunity to discuss their views.

Clawback

Under the deferred STI (see below) and LTI schemes, the Board has the ability to forfeit unexercised options or unvested awards in the event an executive acts fraudulently or dishonestly which is aligned with the changes to the ASX Corporate Governance Principles and Recommendations in respect of clawback.

Executive shareholdings

While UGL does not have a formal executive share ownership policy, the Board encourages senior executives to accumulate a shareholding in the Company to align senior executive interests with those of shareholders.

The Managing Director & CEO maintains a significant shareholding in the Company. In addition, a number of senior executives hold shares in the Company. The Board also considers the deferred component of the STI (which requires a percentage of any STI award to be deferred into shares which are restricted for two years) to be a feature of the Company's remuneration framework which supports the alignment of executives' interests with shareholders.

11.4 Executive remuneration philosophy and framework

Executive remuneration framework

Delivering shareholder value by achieving UGL's business objectives is the cornerstone of our approach to executive remuneration. Through the use of market competitive remuneration linked to performance, executives only receive their target remuneration for contributions to sustained company performance and delivery of shareholder value.

The Board considers that a significant portion of executive remuneration should be 'at risk' in order to support this framework. Alignment of UGL's executive remuneration framework with its business objectives over one, two and four year time horizons is shown in Diagram 1.

Diagram 1: UGL's remuneration framework and its link to company performance

Business objectives

To deliver sustainable and responsible wealth creation to UGL shareholders by focusing on quality of earnings, exceptional client service, disciplined financial and risk management and technology leadership. This focus is supported by our strong culture and values which are driven by our leadership team and entrenched within our global workforce. An additional focus in FY14 has been to prepare the business for the separation of DTZ and UGL's Engineering business.

Remuneration strategy, objectives and approach

Align executive remuneration with UGL's performance and the creation of shareholder wealth. Deliver industry specific market competitive remuneration frameworks specific to DTZ and UGL's Engineering business to attract, motivate and retain key talent.

REMUNERATION ELEMENTS

Total employment cost (TEC)

Group, Engineering and DTZ

- Includes base salary, non-monetary benefits and superannuation (where applicable) and is reviewed annually.
- Generally positioned at the median of the comparable markets, being companies of similar size and complexity to UGL and DTZ (as appropriate).

Short-term incentive (STI)

Group

- Award opportunity for the achievement of one year performance objectives linked to the overall performance of the UGL Group.

Engineering

- Award opportunity for the achievement of one year performance objectives linked to UGL's engineering business strategy and annual goals.
- In general, no value is derived unless the underlying EBIT gateway and financial and non-financial measures are met.

DTZ

- Award opportunity weighted based on business unit, regional and team EBIT performance and on individual and safety performance measures.
- Executives will have to achieve a gateway underlying EBIT minimum performance hurdle before any STI becomes available.

STI deferral

Group, Engineering and DTZ

- 25% of the STI award provided to senior executives is deferred into cash or equity for two years and subject to continued employment. Deferral into equity provides alignment with shareholder interests and enhances retention of key talent.

Long-term incentive (LTI)

Group and Engineering

- Award opportunity for the achievement of four year performance objectives.
- Typically no value is derived unless UGL meets or exceeds challenging TSR and EPS growth performance conditions. Grant of equity awards aligns shareholder and executive interests, enhances retention of key talent and focuses executives on long-term, sustainable business performance.
- In light of the separation process, no awards were made under the LTI during the 2014 financial year.

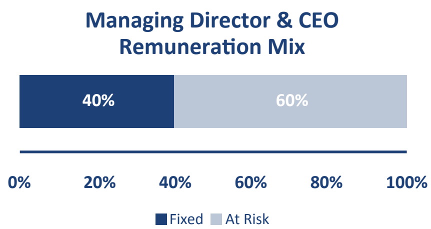
DTZ

- A new LTI scheme for DTZ was proposed during the 2014 financial year.
- Under the proposed LTI, awards were to be delivered at the end of a four year period subject to the achievement of Return on Funds Employed (ROFE) and EBIT growth performance measures.
- However in light of the separation process, the new LTI plan was not implemented.

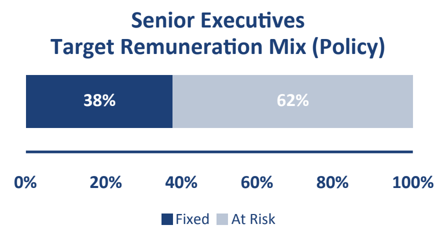
Remuneration mix
The ratio between executive fixed and variable pay incentivises executives to focus on UGL's short, medium and long-term performance. Diagram 2 shows the executives' target remuneration mix for the 2014 financial year.

Diagram 2: Executive remuneration mix (as a percentage of total remuneration)

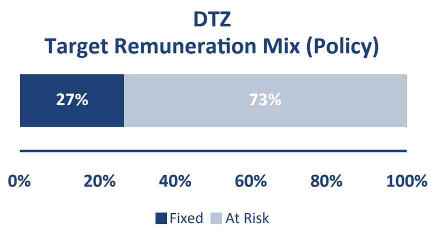
Managing Director & CEO and senior executives – remuneration mix



As per Mr Leupen's 2009 employment contract, no further LTI grants were made in FY2014.



Includes TEC, STI and LTI.



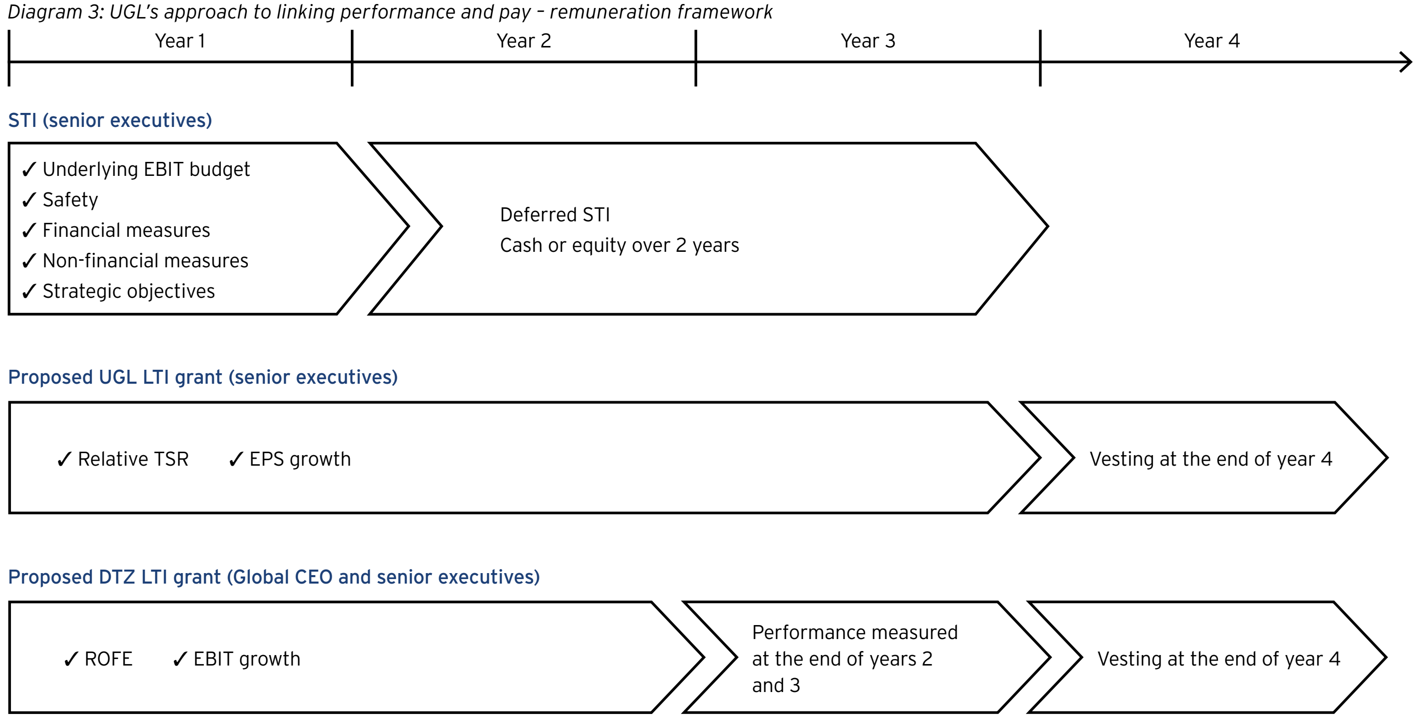
Includes TEC, STI and LTI.

As noted above, no senior executives were granted LTIs for 2014, therefore the remuneration mix for 2014 will reflect fixed remuneration and STI only.

The following are excluded from Diagram 2: the strategic incentive fee for Mr Leupen and the sign-on award and milestone awards for Mr Lickerman (outlined in Tables 6 and 7 respectively), and the demerger award for Mr Bonaccorso (outlined in Table 3).

Linking performance and pay
Our executive incentive arrangements directly link sustained company performance and employee remuneration by requiring achievement against a number of performance related goals, many of which directly impact shareholder wealth. Diagram 3 demonstrates the relationship between performance and pay under UGL and DTZ incentive arrangements.

Diagram 3: UGL's approach to linking performance and pay – remuneration framework



Note the following awards have not been included in this diagram: the succession incentive grant as it relates only to the Managing Director & CEO; and the strategic incentive and guaranteed bonus, as it only applies to the Global Chief Executive Officer, DTZ.

11. 5 Overview of Company performance and link to remuneration

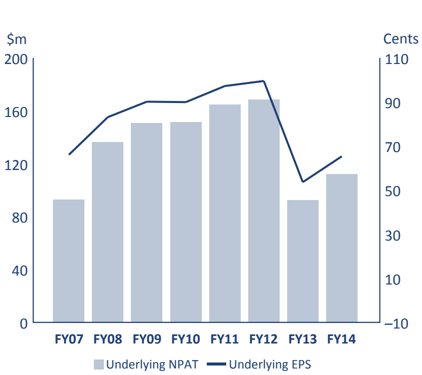
UGL's business strategy continues to focus on delivering sustainable returns for our shareholders. Operating revenue increased by 6% to $4.5 billion with earnings growth largely due to the DTZ United Kingdom and North Asian markets. Challenging operating conditions persisted for the Engineering business with resources sector project delays and cancellations and the cost management focus of resources clients impacting the parts of the business exposed to this sector. Revenue for Engineering was sustained at levels consistent with the prior financial year, and EBIT was up 3% with improved performance in power projects and savings from cost reduction initiatives offset by resources sector margin pressures and a reduction in freight locomotive sales.

As noted in the 2013 Remuneration Report, UGL undertook a review of the optimal corporate structure under which DTZ and Engineering should operate. The review concluded that a structural separation provided the optimal corporate structure for both businesses and would deliver the best long term sustainable outcome for all UGL stakeholders, recognising that UGL is comprised of two distinct businesses operating in different markets with different geographic focuses and strategic requirements. UGL announced the intention to pursue a demerger of the DTZ and Engineering businesses and following the receipt of third party interest in DTZ, on 16 June 2014 UGL announced the sale of DTZ for $1.215 billion to the TPG and PAG Consortium.

The Board believes the sale delivers significant value to shareholders, our clients and our people and will allow UGL to undertake the next stage of growth with a focussed strategic direction and flexibility to respond to future growth opportunities.

Key performance metrics for UGL are shown below and reflect the company performance over the long-term.

Diagram 4: Underlying NPAT and Underlying EPS

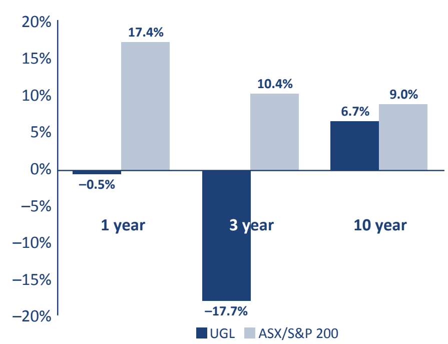


FY14 result impacted by reduced locomotive sales

Diagram 5: Dividends per share

No FY14 dividend in order to consider return of surplus funds to shareholders on DTZ sale

Diagram 6: Total Shareholder Return



Ten year TSR below market, impacted by exposure to mining sector contraction

Table 5: Details of long-term returns to shareholders

	2008	2009	2010	2011	2012	2013	2014
Underlying net profit after tax and non-controlling interests	$136.1m	$150.3m	$151.1m	$164.4m	$168.3m	$91.5m	$111.7m
Underlying earnings per share	84.9c	91.9c	91.7c	99.0c	101.3c	55.0c	67.1c
Return on equity (annualised)	12.4%	12.7%	12.5%	13.6%	11.6%	3.7%	5.4%
Dividends per share	58.0c	64.0c	64.0c	70.0c	70.0c	39.0c	nil
Increase/(decrease) in share price	-$4.34	-$1.96	$3.20	$0.33	-$1.47	-$5.49	-$0.08

Underlying Net Profit After Tax (NPAT) and non-controlling interests is adjusted for restructuring costs, DTZ separation costs, amortisation of acquired intangibles, gain on sale of property and DTZ pre-acquisition provision releases. The Board believes that underlying NPAT and underlying Earnings Per Share (EPS) provide a more accurate comparison of operating performance for shareholders as the adjustments reflect costs incurred by the Group which are associated with business acquisitions, restructuring costs and other non-recurring items.

11.6 Executive remuneration arrangements

Managing Director & CEO arrangements

Mr Leupen's contract was extended by thirteen months until 30 April 2015, or upon earlier completion of a demerger. In determining the remuneration arrangements under this contract, UGL undertook a thorough review together with Egan Associates, considering relevant contemporary practices, the short-term nature of the contract and the key company strategic priorities to be addressed during his tenure.

Table 6 outlines the Managing Director & CEO's current and previous arrangements.

Table 6: Details of Mr Leupen's arrangements

2013 agreement

In 2013, Mr Leupen agreed to:

- Extend the contract term for up to thirteen months until 30 April 2015, subject to earlier termination by UGL or Mr Leupen.
- TEC remains unchanged for the term of the contract extension.
- Strategic incentive fee of up to $1.5 million, subject to determination by the Board, for achievement of strategic milestones linked to the separation of DTZ (including via sale of DTZ) and UGL's performance over the period to the cessation of the contract.
- No further performance based remuneration incentives have been granted.
- In the event the Board determines to terminate Mr Leupen's contract prior to 30 April 2015 (other than for fraud or material breach) the Board must provide six months' notice or pay Mr Leupen the TEC equivalent. If the remaining contract term is less than six months, a pro-rata reduced amount will be paid. Mr Leupen will provide six months' notice to the Board if he intends to resign prior to 30 April 2015.

Given the relatively short term of the contract, the Board believes the above approach focuses Mr Leupen on the strategic initiatives required to ensure the successful completion of the DTZ sale process and to strongly position the UGL engineering business for the emerging opportunities ahead and to work with the Board to ensure an orderly transition in leadership of UGL.

2009 agreement

In 2009 Mr Leupen agreed to:

- Reduce his fixed remuneration from (as it was then) $2.6 million to $2 million.
- Increase the focus on performance related remuneration.
- Reduce his termination entitlements (i.e. from 18 months' salary to 12 months' salary).

In return, the key terms of the contract agreed were:

- Mr Leupen's TEC was fixed for the first two years, and annually reviewed thereafter (see further TEC section, below) during the life of the contract.
- No participation in UGL's senior executive STI plan.
- Mr Leupen received an award under the LTI of 300,000 restricted shares per annum for each of the 2010, 2011 and 2012 financial years. Mr Leupen is entitled to the dividends on the shares during the restricted period. Half of the LTI entitlement is subject to a TSR hurdle and 50% is subject to an EPS hurdle as outlined in the 2009 Remuneration Report. The Board assessed the performance on 31 March 2014 and determined that performance was not met and as such, the awards were forfeited.
- Mr Leupen is entitled to a 'succession incentive award'.

While it is not common practice to award separate incentives for succession planning, it was considered appropriate at the time of entering into Mr Leupen's contract in 2009 to provide such an incentive given the period of growth and changes undertaken by the Group to diversify its business model. Finding the right successors to Mr Leupen has been critical to the Group's ongoing success and ability to continue to make satisfactory returns to shareholders.

During each financial year between 2009 and 2014 (inclusive), Mr Leupen was granted a succession incentive award in the form of performance shares, to the value of $500,000 (except for the 2009 financial year, where the succession incentive award was equal to $421,466).

The succession incentive award vested in 2014 based on the Board's assessment of the succession planning conditions, which included:

  - Developing the strength and depth of Group senior executive and direct reports;
  - Assisting the Board with finding an appropriate successor for the role of CEO; and
  - Providing annual progress reviews and half-yearly updates on the succession planning tasks set by the Board including identification of potential external and internal candidates.

Global Chief Executive Officer, DTZ remuneration arrangements
UGL undertook a thorough analysis together with Egan Associates, EY and Christenson Advisors considering local and global, particularly US, remuneration practices in developing the remuneration framework for the Global Chief Executive Officer DTZ. The aim was to balance the need to be competitive in the US market to attract the right candidate while being cognisant of our Australian shareholder base. Mr Lickerman's STI and LTI arrangements are aligned with the DTZ strategic plan and are consistent with other DTZ employee arrangements.

Details of Mr Lickerman's remuneration arrangements in 2014 are summarised below in Table 7.

Table 7: Details of Mr Lickerman's remuneration arrangements in 2014

TEC	US$750,000
DTZ STI	Mr Lickerman is entitled to participate in the DTZ STI plan. Mr Lickerman's target STI is 150% of TEC (pro-rated for the 2014 financial year in line with his date of commencement at the Company). 75% of any earned STI is paid in cash, with the remaining 25% deferred in cash or equity for two years. The overall DTZ STI pool is determined based on financial and non-financial performance measures including budgeted EBIT, strategic, safety and individual performance measures.
DTZ LTI	Mr Lickerman is entitled to participate in the DTZ LTI plan. In the context of the organisational changes being undertaken no grant was made in 2014.
Sign-on award	Mr Lickerman is entitled to a sign-on award as outlined below. The sign-on award is to compensate Mr Lickerman for bonuses and equity foregone in his previous employment and provide alignment with UGL shareholder interests. The sign-on award is equivalent to US$3 million structured as follows: • Cash component: US$670,000 paid at the commencement of employment on 14 October 2013. The payment is subject to continued employment and requires pro-rated repayment over a five year period from commencement of employment if Mr Lickerman gives notice within the five year period. • Equity component: US$2,330,000 delivered in the form of performance rights to acquire UGL shares subject to continued employment. The rights were granted on 15 January 2014 and will vest in accordance with the following schedule: US$1,330,000 granted as rights over UGL shares and subject to continued employment will vest three years from the commencement of employment; and US$1,000,000 granted as rights over UGL shares and subject to continued employment will vest four years from the commencement of employment. Aside from continued employment, no additional performance conditions apply to the sign-on award. The Board will consider the appropriate treatment of the award at the time of separation of DTZ.
Milestone incentive	Mr Lickerman was granted a milestone incentive of US$1.25 million, granted as performance rights to acquire UGL shares subject to the achievement of specified demerger related performance conditions. The performance rights were granted on 15 January 2014 and will vest five years from the commencement of employment. Performance is measured over a four year period, with the additional one year of the vesting period being a service only condition. The milestone incentive is intended to focus Mr Lickerman on the achievement of key strategic objectives leading up to the sale of DTZ. The Board will consider the appropriate treatment of the award at the time of separation of DTZ.
Notice Period	Twelve months' notice by the Company, six months' notice by Mr Lickerman.

Other senior executives
The components of remuneration for other senior executives are outlined below.

TEC
All senior executives receive a TEC component of remuneration, the basis for which is set out in Diagram 1.

TEC includes base salary, non-monetary benefits and superannuation (where applicable). Senior executives may sacrifice part of their base salary for alternative benefits including additional superannuation and motor vehicles.

TEC of senior executives is reviewed annually based on role, external benchmarks, individual performance assessment and consideration of the relativities among other company senior executives. Independent advice from external consultants is sought as part of the review process. During the 2014 financial year, with the exception of promotional increases, the senior executive team did not receive an increase in TEC.

STI
The STI scheme provides for an annual payment that varies based on the achievement of financial and non–financial performance (safety) in a particular year. Key features of the STI scheme are outlined in Table 8.

Table 8: Key features of the Group, Engineering and DTZ STI schemes

Overview of the STIs	
What are the STIs and who participates?	Annual 'at risk' incentive scheme linked to the achievement of specific annual financial and non-financial targets. Each year, senior executives may receive an award that is, in general, a combination of cash and equity (typically restricted shares) if the performance measures are achieved. All senior executives participate in the STI plan (with the exception of the Managing Director & CEO who has a defined short-term contract period). Mr Lickerman participates in the DTZ STI scheme, detailed in section 11.6. Details of Mr Taylor's STI arrangements are outlined in section 11.11.
Why does the Board consider STIs appropriate?	STIs focus senior executives on the achievement of annual targets, key business objectives and core values by aligning the senior executives' rewards to the KPI's of the Group and to its strategy and performance.
How much can senior executives earn?	For Group and Engineering, each senior executive's STI opportunity is capped at 100% of their TEC. For DTZ, consistent with global property service industry practice, STI opportunity within DTZ is capped at 250% of TEC.

Gateway and performance conditions		
Is there a 'gateway'?	In general, yes, the gateway measures for Engineering and DTZ are required to be met before any entitlement to an STI award arises. Achievement of the gateway does not automatically entitle senior executives to STI awards. Financial or non-financial performance measures must also be met to earn an STI payment (see below). In order to support the importance that the Board places on safety in the workplace, 10% of the senior executives STI opportunity is subject to a safety target. For Group and Engineering, this portion of the STI payment is not subject to the gateway.	
What are the performance measures?	**Measures**	**Senior executives**
	Business Unit/Regional Divisional financial measures 70% – 80% of STI opportunity	Assessed against: • Underlying Group EBIT/Divisional EBIT
	Non-financial measures 20% – 30% of STI opportunity	Assessed against: • Achievement of key strategic initiatives or mitigation of key organisational risks (10% – 20% of STI opportunity); and • Safety measures: Reduction in TRCFR and LTIFR (10% of STI opportunity).
Setting and assessing performance		
Who sets and assesses performance?	The Managing Director & CEO sets the annual STI performance measures for the senior executives. The Managing Director & CEO recommends each senior executive's annual STI payment based on an assessment against performance measures. Senior executive STI payments are reviewed by the Nomination & Remuneration Committee.	
How is the STI delivered? Why was STI deferral introduced?	If the performance conditions are achieved, 75% of the STI award is paid in cash, and the remaining 25% is deferred for two years. Depending on the senior executive, the deferred portion may be delivered in cash or equity. Typically, the equity component is delivered as UGL shares subject to restrictions over a two year period. The shares are restricted for two years subject to the senior executive remaining employed. Deferral of the STI payment into shares aligns shareholder and senior executives' interests (as the shares are subject to share price movements over the period) and enhances retention of key talent (as, in general, the shares are forfeited if an senior executive leaves during the deferral period).	
Change of control and cessation of employment		
What happens in the event of a change of control?	Generally, in the event of a takeover or change of control of the Company, the Board may determine to vest some or all of the shares under the STI deferral. In making such a determination, the Board will have regard to all relevant circumstances, including performance up to the date of the determination and the portion of the performance period that has expired.	
What happens in the event of cessation of employment?	In general, unvested STI awards and STI deferred shares are forfeited, unless the Board determines otherwise.	

STI for the 2014 financial year

The following STI outcomes occurred for the senior executives for the 2014 financial year:

- *Managing Director & CEO*
  - No STI was awarded to Mr Leupen in respect for the 2014 financial year as relevant performance conditions were not met.
- *KMP – Group*
  - No STI was awarded to Key Management Personnel (except for the Global Chief Executive Officer, DTZ) for the 2014 financial year due to the following:
    - The gateway hurdle of 90% of budgeted Group underlying EBIT applicable to the UGL Group STI scheme was not met and no amounts were earned by Key Management Personnel under the financial component of the STI; and
    - The overall safety target for the Group was not achieved and Key Management Personnel will forfeit the safety component of the STI.
- *Global Chief Executive Officer, DTZ*
  - As per the terms of Mr Lickerman's contract, Mr Lickerman is entitled to receive a guaranteed bonus equivalent to 100% of his TEC in the 2014 financial year, pro-rated based on his date of commencement. Mr Lickerman was also awarded a strategic incentive of 50% of his TEC subject to the achievement of performance conditions assessed by the Board, prorated based on his date of commencement. As such, Mr Lickerman received 100% of his target STI (prorated) for the 2014 financial year (60% of his maximum entitlement).

Long-Term Incentive (LTI)

No awards were made to senior executives under the LTI during the 2014 financial year. While the Board remains of the view that it is important that senior executives' long-term interests are aligned with shareholders through allocations of equity awards which are subject to satisfaction of long-term (in general, four years) performance conditions, in the context of the organisational changes being undertaken it did not consider it appropriate to make awards under the LTI during 2014. The Board will consider the treatment of existing, unvested LTI awards in the lead up to completion of the DTZ sale.

The Board will continue to review LTI arrangements in order to ensure that they remain market competitive and intends to offer an appropriate long-term incentive to senior executives during the 2015 financial year. In addition, the Board intends that future awards under the LTI will be in the form of performance rights, in line with prevailing market practice and governance considerations in Australia.

Full details of the LTI plan as it relates to previous outstanding grants are set out in UGL's 2012 Remuneration Report.

In summary:

- The LTI plan aligns senior executives' long-term interests with those of shareholders by providing an allocation of equity awards which are subject to satisfaction of long-term (in general, four years) performance conditions. All senior executives (with the exception of the Managing Director & CEO who has a defined short contract period) participate in the LTI. The Managing Director & CEO has previously participated in the LTI. The terms of the LTI applicable to the Managing Director & CEO were agreed in 2009, and are set out in his employment contract (and differ slightly from the senior executives' awards – key differences are set out in the 2012 Remuneration Report).
- LTI awards were intended to comprise (at the election of the senior executive) performance shares, share options, or a mix of performance shares (50%) and share options (50%). The Managing Director & CEO received a grant of performance shares (the 2009 award), pursuant to his contract.
- For the 2012 grant, LTI awards vest only upon achievement against two financial performance measures:
  - Relative TSR, in respect of 50% of the LTI grant:

    TSR is measured by the change in value of the Company's TSR performance over the performance period compared to the median TSR of the comparator group over the same period. The comparator group consists of the companies in the S&P/ASX200 Industrials Accumulation index (ASX code XNJAI) as at the start of the performance period. The Board has the discretion to adjust the comparator group to take into account events including but not limited to takeovers, mergers or demergers that might occur during the performance period. Vesting will occur on the following basis.

TSR PERCENTILE	% OF LTI ENTITLEMENT VESTING
Below 50%	Nil
50%	25%
50% to 75%	25% + 1% for every one percentile increase
>75%	50%

  - EPS, in respect of the other 50% of the LTI grant:

    EPS is measured as the compound annual underlying EPS growth over the performance period and will vest on the following basis.

EPS GROWTH PER ANNUM	% OF LTI ENTITLEMENT VESTING
Below 5%	Nil
5%	25%
5% to 10%	25% + 5% for each additional 1% of growth
>10%	50%

Legacy arrangement – share option grants

Prior to the introduction of the current LTI scheme, UGL awarded share options under the LTI plan. The ability to exercise these options is conditional on UGL achieving the following performance hurdles during a three or five year performance period:

- UGL's TSR outperforms the S&P/ASX 200 Industrials Accumulation index; and
- EPS growth of at least 12% per annum compound.

The last grant of options with the above performance targets was made on 1 October 2008, with the last vesting date for these options being 1 September 2013. For the 2014 financial year, UGL's performance against the TSR and EPS measures resulted in no options vesting for senior executives.

Details of outstanding options are set out in Tables 14 and 15.

11.7 Summary of service agreements

Managing Director & CEO

Mr Leupen will provide six months' notice to the Board if he intends to resign prior to 30 April 2015 (other than for material breach). In the event the Board determines to terminate Mr Leupen's contract prior to 30 April 2015 (other than for fraud or material breach) the Board must provide six months' notice or pay Mr Leupen the total fixed remuneration equivalent. If the remaining contract term is less than six months, a pro-rata reduced amount will be paid.

Senior executives

No senior executive has a fixed-term contract. Termination provisions are summarised in Table 9 below.

Table 9: Senior executive termination provisions

SENIOR EXECUTIVE	PERIOD OF NOTICE FROM GROUP	PERIOD OF NOTICE FROM THE SENIOR EXECUTIVE
Mr R Bonaccorso	Twelve months' notice (or payment in lieu)	Six months' notice
Mr T Lickerman	Twelve months' notice (or payment in lieu)	Six months' notice
Mr R Shibuya	Six months' notice (or payment in lieu)	Six months' notice
Mr M Wandmaker	Six months' notice (or payment in lieu)	Six months' notice
Mr R Waugh	Three months' notice (or payment in lieu) until 12 November 2013. Following that date, six months' notice (or payment in lieu)	Three months' notice until 12 November 2013. Following that date, six months' notice

All contracts (including the Managing Director & CEO's) state that employment may be terminated without notice at any time for cause such as misconduct or fraud.

11.8 Statutory remuneration tables

Table 10 details the Group's executive remuneration in accordance with the Corporations Act and accounting standards.

Table 10: Statutory executive remuneration table

		SHORT-TERM				POST-EMPLOYMENT	OTHER LONG TERM	SHARE-BASED PAYMENTS			TOTAL		
	YEAR	SALARY	STI CASH BONUS[1]	NON-MONETARY BENEFITS[2]	SUB-TOTAL	SUPER-ANNUATION	LONG SERVICE LEAVE	VALUE OF OPTIONS[3]	VALUE OF PERFORMANCE SHARES[4]	SUB-TOTAL	$	PROPORTION OF REMUNERATION PERFORMANCE-RELATED %	VALUE OF OPTIONS AS PROPORTION OF REM %
Executive director													
Mr R Leupen[5]	2014	2,062,225	-	33,730	2,095,955	17,775	-	-	(2,500,729)	(2,500,729)	(386,999)	646.2	-
Managing Director & CEO	2013	2,063,530	-	111,468	2,174,998	16,470	24,015	-	2,085,580	2,085,580	4,301,063	48.5	-
Senior executives													
Mr R Bonaccorso	2014	731,025	-	1,929	732,954	17,775	-	-	302,414	302,414	1,053,143	28.7	-
Chief Financial Officer	2013	744,639	-	12,488	757,127	16,470	11,175	(121,833)	256,125	134,292	919,064	14.6	(13.3)
Mr T Lickerman													
Global Chief Executive	2014	566,913	811,991	6,578	1,385,482	-	-	431,583	-	431,583	1,817,065	68.4	23.8
Officer, DTZ													
Former senior executives[6]													
Mr R Shibuya[1]	2014	155,791	-	5,028	160,819	-	-	-	-	-	160,819	-	-
Group President, DTZ	2013	645,444	-	15,919	661,363	-	-	-	112,641	112,641	774,004	14.6	-
Mr M Wandmaker													
Group President,	2014	603,856	-	22,799	626,655	17,775	-	-	48,717	48,717	693,147	7.0	-
Operations & Maintenance	2013	633,530	-	3,938	637,468	16,470	632	-	48,717	48,717	703,287	6.9	-
Mr R Waugh													
Chief Operating Officer,	2014	230,594	-	976	231,570	5,925	-	-	-	-	237,495	-	-
Engineering	2013	69,816	-	245	70,061	2,059	31	-	-	-	72,151	-	-

Notes to the statutory executive remuneration table

Remuneration disclosures are for the period during which the person met the definition of Key Management Personnel (KMP). Dates of individuals becoming or ceasing to be a KMP are disclosed in Tables 1 and 2.

1. Bonuses relate to short-term incentives. Mr Lickerman's bonus includes a sign-on award for US$670,000 that is accounted for as a bonus and is subject to certain future conditions, potentially requiring repayment. Additionally, Mr Lickerman received a 2014 related STI award that is paid 75% cash and 25% deferred for a two year period. Bonuses disclosed for 2014 are the bonuses payable for the 2014 financial year, paid in the 2015 financial year. These bonuses represent the cash portion of the total STI award, which is paid 75% in cash and 25% deferred for two years subject to retention based hurdles.
2. Non-monetary benefits include the cost to the Company of Fringe Benefits Tax (FBT), where applicable.
3. The fair value of options is calculated at grant date using a binomial tree or 'Monte Carlo' simulation option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period, less the revised fair value assessment of prior reporting period issues.
4. The fair value of performance rights is calculated at grant date using the fair value measured by reference to the vesting conditions specific to the grant, based on either the market price of the ordinary shares of UGL on the ASX at the grant date, or a binomial tree or 'Monte-Carlo' simulation option-pricing model, and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the performance shares allocated to this reporting period, less the revised fair value assessment of prior reporting period issues.
5. The share-based payments for Mr Leupen represent unvested performance shares accounted for as an upfront grant of long-term incentive and succession incentives, expensed over 4.75 years. For 2014, this includes the reversal of LTI shares that did not meet the vesting criteria. For additional details refer to section 11.6.
6. The remuneration for Mr Shibuya, Mr Wandmaker and Mr Waugh relates to the period of the financial year the individual was KMP.

11.9 Non-executive director fees

Approach to setting non-executive director fees

UGL's approach to non-executive director fees is designed to attract and retain suitably qualified and experienced individuals.

Non-executive director fees are provided for under UGL's Constitution and based on a fee for service. The Board determines non-executive director fees based on its policy of fees being at a level to attract and retain directors of the appropriate calibre, having regard to the roles and responsibilities of non-executive directors and external benchmarks. Fee arrangements are periodically reviewed by the Board to ensure continued alignment with the Company's Remuneration Policy and external market practices. External benchmarks are based on board fee practices of companies with size and complexity similar to UGL, and include data relating to the Australian and North American markets.

The aggregate annual fees payable to non-executive directors are limited to the maximum amount approved by shareholders. The maximum annual amount is currently $2,300,000 as approved by shareholders at the 2011 Annual General Meeting, which includes superannuation contributions and the value of shares acquired under the Directors' Share Plan.

Non-executive director fee structure

Non-executive directors receive a base fee plus a fee for membership or chairmanship of Board Committees. The Chairman, taking into account the greater time commitment required, receives a higher fee, but does not receive any additional fees for membership or chairmanship of Board Committees. Non-executive directors receive compulsory superannuation contributions. To maintain alignment with shareholder interests, non-executive directors participate in the Directors' Share Plan, which is not linked to performance objectives in any way. In order to maintain independence, non-executive directors do not participate in any performance-related incentive arrangements or incentive awards made to employees. No additional payments were made to non-executive directors in 2014 with respect to the DTZ sale.

Table 11 sets out the non-executive director fee policy for the 2014 financial year. These fees include compulsory superannuation contributions.

Table 11: Non-executive director Board and Committee fees

	FEES	DIRECTORS SHARE PLAN[2]	TOTAL FEES
Board			
Chairman	288,750	86,625	375,375
Non-executive directors	105,000	31,500	136,500
Committee Chairman fees			
Risk & Audit Committee	19,845	5,954	25,799
Health, Safety, Security & Environment Committee	13,230	3,969	17,199
Nomination & Remuneration Committee	N/A[1]	N/A[1]	N/A[1]
Board Sub-Committee	N/A	N/A	N/A
Committee Membership fees			
Risk & Audit Committee	9,923	2,977	12,900
Health, Safety, Security & Environment Committee	8,820	2,646	11,466
Nomination & Remuneration Committee	8,820	2,646	11,466
Board Sub-Committee	6,615	1,985	8,600

1. The Nomination & Remuneration Committee is chaired by the Chairman of the Board who does not receive additional fees for Committee participation.
2. Directors' Share Plan – each non-executive director receives shares to the value of 30% of their gross fees per annum. Shares are purchased on market and must not be sold or transferred while the director remains in office, in order to maintain alignment with shareholder interests.

Total non-executive director fees

Non-executive director fees are shown in Table 12 for the 2013 and 2014 financial years in accordance with statutory requirements and accounting standards.

There were no increases to non-executive director fees (including Committee fees) for the 2014 financial year.

Table 12: Non-executive director remuneration

		SHORT-TERM			POST-EMPLOYMENT			TOTAL
	YEAR	SALARY AND FEES	NON-MONETARY BENEFITS[1]	SUB TOTAL	SUPER-ANNUATION	OTHER BENEFITS[2]	SUB TOTAL	$
Non-executive directors								
Mr T Rowe AO – Chairman	2014	270,975	1,929	272,904	17,775	86,625	104,400	377,304
	2013	288,750	7,068	295,818	–	86,625	86,625	382,443
Dr R Ch'ien	2014	103,152	–	103,152	1,848	31,500	33,348	136,500
	2013	86,423	–	86,423	1,525	25,988	27,513	113,936
Mr G Cowan	2014	113,266	–	113,266	10,477	37,123	47,600	160,866
	2013	110,583	–	110,583	9,953	36,153	46,106	156,689
Mr R Humphry AO	2014	114,275	1,929	116,204	10,570	37,454	48,024	164,228
	2013	124,845	–	124,845	–	37,454	37,454	162,299
Dr D McTaggart	2014	104,183	–	104,183	9,637	34,146	43,783	147,966
	2013	84,436	–	84,436	7,599	27,663	35,262	119,698
Ms K Spargo	2014	125,376	–	125,376	11,597	41,092	52,689	178,065
	2013	121,250	–	121,250	10,912	39,637	50,549	171,799
Former non-executive directors[3]								
Mr B Denham	2014	43,742	–	43,742	4,046	14,337	18,383	62,125
	2013	96,330	–	96,330	8,670	31,500	40,170	136,500

1. Non-monetary benefits include the cost to the Company of FBT, where applicable.
2. Other benefits are contributions to the Directors' Share Plan.
3. The remuneration for Mr Denham relates to the period of the financial year the individual was KMP.

11.10 Hedging, margin lending and insider trading policies

Hedging policy

UGL has the following policy regarding arrangements that limit risk attaching to equity instruments (commonly referred to as hedging):

- Employees (including executive directors) and their closely related parties are prohibited from entering into a hedging arrangement in relation to an element of the employee's remuneration that has not vested or has vested but remains subject to a holding lock; and
- Non-executive directors and their closely related parties are prohibited from entering into a hedging arrangement in relation to an element of the director's remuneration that has not vested or has vested (irrespective of whether it remains subject to a holding lock).

Margin lending policy

Directors, officers and senior managers are prohibited from entering into margin loans or similar arrangements if the loan or other arrangement is secured by (among other things) securities in UGL that account for at least 1% of its total issued capital. Where a margin loan or similar arrangement is in place, a director, officer or senior manager must not provide any inside information to the lender.

Insider trading policy

All employees are required to comply with insider trading laws when dealing in UGL securities. Directors, officers and senior executives are restricted from trading during 'blackout' periods occurring around the release of half-year and annual financial results. Trading is generally permitted at other times provided employees do not contravene the insider trading laws. Directors and senior executives (and their associates) are prohibited from engaging in short-term trading of UGL securities. In addition, directors and senior management must notify the Company Secretary before they or their associates buy or sell UGL securities.

The above is set out in the Company's Trading in Securities Policy which is discussed in the Statement of Corporate Governance Practices. Compliance with this policy forms part of each employee's contract of employment and any breach may result in dismissal.

11.11 UGL in 2015

The separation of DTZ (expected to conclude in the second quarter of the 2015 financial year) and the commencement of Mr Taylor as Managing Director & CEO in November 2014, will result in a further review of UGL's remuneration strategy to ensure that we have the right remuneration structure to position the UGL engineering business for the emerging opportunities ahead.

Incoming Managing Director & CEO arrangements – applicable for FY15

On 16 June 2014 the Board was pleased to announce the appointment of Mr Ross Taylor as Managing Director & CEO of UGL, effective 24 November 2014.

The key terms of Mr Taylor's appointment are as outlined in the following table. The Board developed the terms of the arrangements following a thorough review of market practice and taking into consideration the commercial needs of the Company in appointing the most suitable individual in a tight talent market. The arrangements were independently validated by Egan Associates, the Board's independent advisors. Market practice and benchmarking data using comparator groups based on market capitalisation, revenues and engineering specific peer group of companies were used to develop the Board's approach to Mr Taylor's remuneration arrangements.

Details of the remuneration arrangements are summarised below in Table 13.

Table 13: Details of Mr Taylor's remuneration arrangements in 2014

TEC	$1,500,000
STI	Mr Taylor will be eligible to receive an STI equal to a maximum of 100% of TEC, subject to the following performance indicators to be set by the Board: • Financial performance: 87.5% of STI is subject to financial performance indicators, assessed against EPS versus budget, budgeted net cash flow, underlying EBIT ratio to total sales and budgeted return on funds employed; • Non-financial performance: 12.5% of STI is subject to strategic and management indicators, assessed against measures including building strategic alliances, achieving safety targets, risk management and effective capital management benchmarks; • Gateway: STI is subject to a gateway measure and is only payable where at least 90% of Budgeted Group EBIT is achieved for the relevant financial year; and • Delivery vehicle: 75% of the STI paid will be delivered in cash and 25% will be delivered as deferred equity on substantially the same terms as apply for other members of UGL's senior executive team (including being restricted from dealing for a period of two years and being subject to lapse, forfeiture and clawback conditions).
LTI (subject to shareholder approval)	Mr Taylor will receive an up-front LTI grant with a face value of $5.5 million (i.e. as 100% of TEC and multiplied by three years and eight months (FY2015 to FY2018)) subject to the following terms: • Performance rights which will vest, subject to performance, in two equal tranches at the end of three and four years respectively (following the release of results for FY2017 and FY2018 as is applicable). • 50% of the initial LTI grant will be subject to achieving a TSR for the three and four year period commencing 1 July 2014 and ending respectively on 30 June 2017 and 30 June 2018 equal to or greater than the TSR of the ASX Industrial 200 over the same period. • The remaining 50% of the initial LTI award will vest if the compounded annual earnings per share growth rate for the three and four year period commencing 1 July 2014 and ending respectively on 30 June 2017 and 30 June 2018 exceeds 5%. Further details will be provided as required in the Notice of Annual General Meeting.
Notice period	Six months' written notice by either party.

11.12 Additional statutory disclosures

Share options

Options are options over ordinary shares in the Company, exercisable on a one-for-one basis. All options expire on the earlier of their expiry date or termination of the individual's employment. The ability to exercise options is conditional on continuing employment and the achievement of performance hurdles.

578,966 options were granted during the year with no options vesting or exercised during the year. No options have been granted since the end of the 2014 financial year.

Table 14: Analysis of share option holdings

The movement during the reporting period in the number of options over ordinary shares in the Company held directly or indirectly by each KMP, including their related parties, is as follows:

2014	HELD AT 1 JULY 2013	VESTED AND GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES[1]	HELD AT 30 JUNE 2014	EXERCISABLE AT 30 JUNE 2014
Executive director						
Mr R Leupen	750,000	-	-	-	750,000	750,000
Senior executives						
Mr R Bonaccorso	271,345	-	-	(9,900)	261,445	-
Mr T Lickerman	-	578,966	-	-	578,966	
Former senior executives[2]						
Mr R Shibuya	-	-	-	-	-	-
Mr M Wandmaker	-	-	-	-	-	-
Mr R Waugh	-	-	-	-	-	-

1. Other changes represent options that expired or were forfeited during the year.
2. Where the KMP have left UGL or ceased to be classified as a KMP during the period, the balance held is the balance at the date they left the company or date ceased to be classified as a KMP.

Table 15: Analysis of share options granted as remuneration

Details of the vesting profile of the options granted and held as at 30 June 2014 as remuneration to each director of the Company and relevant Group executives are presented in the table below:

	OPTIONS				
	NUMBER	GRANT DATE	% VESTED IN YEAR	% FORFEITED IN YEAR[1]	FINANCIAL YEAR ENDED IN WHICH GRANT % FORFEITED MAY VEST
Executive director					
Mr R Leupen	750,000	17/12/2004	-	-	-
Senior executives					
Mr R Bonaccorso	9,900	01/10/2008	-	100%	2014
	261,445	24/06/2010	-	-	2015
Mr T Lickerman	215,091	15/01/2014	-	-	2017
	161,722	15/01/2014	-	-	2018
	202,153	15/01/2014	-	-	2019
Former senior executives[2]					
Mr R Shibuya	-	-	-	-	-
Mr M Wandmaker	-	-	-	-	-
Mr R Waugh	-	-	-	-	-

1. The options were forfeited due to either the performance or service criteria not being met.
2. The remuneration for Mr Shibuya, Mr Wandmaker and Mr Waugh relates to the period of the financial year the individual was KMP.

Performance shares

Performance shares are ordinary shares in the Company. Vesting is conditional on continuing employment and/or the achievement of performance hurdles.

No performance shares have been granted since the end of the financial year.

Table 16: Analysis of performance shares holdings

The movement during the reporting period of performance shares in the Company, held directly or indirectly by each KMP, including their related parties, is as follows:

2014	HELD AT 1 JULY 2013[2]	GRANTED AS COMPENSATION	VESTED	OTHER CHANGES[3]	HELD AT 30 JUNE 2014[4]	VESTED 30 JUNE 2014
Executive director						
Mr R Leupen[1]	1,097,247	66,309	(131,778)	(900,000)	131,778	–
Senior executives						
Mr R Bonaccorso	85,394	–	(18,799)	–	66,595	–
Mr T Lickerman	–	–	–	–	–	–
Former senior executives						
Mr R Shibuya	58,899	–	–	(58,899)	–	–
Mr M Wandmaker	8,594	–	–	–	8,594	–
Mr R Waugh	–	–	–	–	–	–

1. Consists of performance shares granted as compensation as long-term incentives and succession incentive shares. For accounting purposes the LTI shares were recognised as an up-front grant of 900,000 performance shares.
2. Represents the shares held at 1 July 2013 or at the date first classified as a KMP.
3. Other changes represent performance shares that were forfeited during the year.
4. Where the KMP have left UGL or ceased to be classified as a KMP during the period, the balance held is the balance at the date they left the company or date ceased to be classified as a KMP.

Table 17: Performance shares granted as remuneration

Details on performance shares granted over ordinary shares in the Company that were granted as remuneration to each director of the Company and relevant Group executives during the reporting period and details on shares that vested or lapsed during the reporting period are as follows:

	NUMBER GRANTED DURING THE YEAR[1]	FAIR VALUE GRANTED DURING THE YEAR $	GRANT DATE	FAIR VALUE AT GRANT DATE $	VESTING DATE	NUMBER LAPSED DURING THE YEAR
Executive director						
Mr R Leupen	66,309	500,000	13/08/2013	500,000	02/07/2014	–
Senior executives						
Mr R Bonaccorso	–	–	–	–	–	–
M T Lickerman	-	-	-	-	-	–
Former senior executives						
Mr R Shibuya	–	–	–	–	–	–
Mr M Wandmaker	–	–	–	–	–	–
Mr R Waugh[2]	–	–	–	–	–	–
Total	66,309	500,000				

1. Shares granted to senior executives are under the terms of the deferred STI plan.
2. Mr Waugh became a KMP on 15 May 2013 and has not received any shares.

Table 18: Analysis of performance shares granted as remuneration

Details of the vesting profile of performance shares granted and held as at 30 June 2014 as remuneration to each director of the Group and relevant Group executives are presented in the table below:

	PERFORMANCE SHARES NUMBER	DATE	% VESTED IN YEAR	% FORFEITED IN YEAR[1]	FINANCIAL YEAR ENDED IN GRANT MAY VEST	VALUE YET TO VEST[2] MAX $[3]
Executive director						
Mr R Leupen	43,205	24/06/2009	50%	-	2015	147,761
	300,000[4]	19/08/2009	-	100%	2014	-
	36,242	19/08/2009	50%	-	2015	123,948
	300,000[4]	18/08/2010	-	100%	2014	-
	33,443	18/08/2010	50%	-	2015	114,375
	300,000[4]	16/08/2011	-	100%	2014	-
	38,982	16/08/2011	50%	-	2015	133,318
	45,375	1/09/2012	50%	-	2015	155,183
	66,309	13/08/2013	50%	-	2015	226,777
Senior executives						
Mr R Bonaccorso	18,799	29/11/2011	-	100%	2014	-
	43,014	29/11/2011	-	-	2016	294,216
	23,582	23/08/2012	-	-	2015	161,301
Mr T Lickerman	-	-	-	-	-	-
Former senior executives						
Mr R Shibuya	3,759	29/11/2011	-	100%	2014	-
	38,152	29/11/2011	-	100%	2016	-
	16,988	23/08/2012	-	100%	2015	-
Mr M Wandmaker	8,594	23/08/2012	-	-	2015	58,783
Mr R Waugh[5]	-	-	-	-	-	-

1. The performance shares were forfeited due to the performance or service criteria not being met.
2. The minimum value of performance shares yet to vest is $nil as the performance criteria may not be met and consequently the performance shares may not vest.
3. The maximum value of performance shares yet to vest is not determinable as it depends on the market price of ordinary shares of UGL on the ASX at the date the performance shares vest. The maximum values presented above are based on the closing share price at 30 June 2014 of $6.84.
4. For accounting purposes the performance shares granted to Mr Leupen are accounted for as an up-front grant on 24 June 2009 of 900,000 performance shares.
5. Mr Waugh became a KMP on 15 May 2013 and has not received any performance shares.

Table 19: Unquoted share options over ordinary shares in the Company on issue as at date of this report

EXPIRY DATE	EXERCISE PRICE	NO. OF OPTIONS
31 December 2015	$13.85	261,445
31 December 2015	$14.59	68,053
31 December 2015	$14.56	26,119
31 December 2015	$11.49	387,959
14 October 2016	$nil	215,091
14 October 2017	$nil	161,722
14 October 2018	$nil	202,153
		1,322,542

Further information on options can be found in Note 21 Share-Based Payments in the financial statements.

Table 20: Securities held by directors
The directors have a relevant interest in the following number of shares in the Company as at the date of this report:

	NUMBER OF SHARES
Non-executive directors	
Mr T Rowe AO – Chairman	152,170
Dr R Ch'ien	7,494
Mr G Cowan	26,354
Mr R Humphry AO	193,370
Dr D McTaggart	13,122
Ms K Spargo	40,068
Executive director	
Mr R Leupen	2,635,259

12. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with advice provided by the Risk & Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

(a) All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Risk & Audit Committee to ensure they do not impact the integrity and objectivity of the auditor

(b) The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2014 $	2013 $
Amounts received or due and receivable by KPMG for:		
Audit or review of the financial statements	2,817,150	2,596,830
Other services:		
Taxation	268,000	155,184
Other	25,000	33,000
	311,000	188,184
	3,128,150	2,785,014

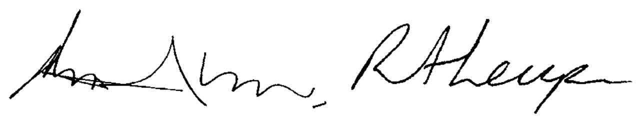
13. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 48 and forms part of the Directors' Report for the financial year ended 30 June 2014.

14. ROUNDING OF AMOUNTS

The Company is of the kind specified in Australian Securities & Investments Commission class order 98/100 dated 10 July 1998. In accordance with that class order, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

Signed in accordance with a resolution of the directors.



Trevor C Rowe AO	**Richard A Leupen**
Chairman	Managing Director & CEO

Dated at Sydney this 22nd day of August 2014.

Lead auditor's independence declaration Under section 307C of the *Corporations Act 2001*

To: the directors of UGL Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit

(ii) No contraventions of any applicable code of professional conduct in relation to the audit

KPMG

KPMG

Mark Epper
Partner

Dated at Sydney this 22nd day of August 2014.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Corporate ("KPMG International"), a Swiss entity.
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Statement of corporate governance practices

UGL's longstanding purpose is to deliver sustainable and responsible wealth creation for our shareholders. Guided by this purpose, UGL has developed and maintained a robust corporate governance framework over many years and is committed to achieving and maintaining high standards of corporate governance.

This statement, dated 22 August 2014, outlines the main corporate governance practices in place throughout the 2014 financial year until the date of this statement, reported against the ASX Corporate Governance Principles & Recommendations with 2010 Amendments (the Guidelines).

More information on UGL's corporate governance framework and key documents, or a summary of these documents, is available at: http://www.ugllimited.com/how-we-operate-

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Responsibilities and delegations

The primary responsibility of the Board is to create wealth for the shareholders without compromising:

- The health, safety and security of its employees
- The environment
- The credit rating or the reputation of the Group

Specific responsibilities of the Board are outlined in its charter and include:

- Formulating the direction, strategies and financial objectives for UGL and monitoring their implementation
- Monitoring business risk exposures and risk management systems
- Overseeing the integrity of financial and other reporting
- Monitoring compliance with regulatory and ethical standards
- Appointing the Managing Director & CEO, and reviewing the performance of the Managing Director & CEO.

The Board discharges its responsibilities by holding structured meetings of the Board and its committees. Between meetings, the Chairman meets regularly with the Managing Director & CEO to discuss issues that may require guidance or that may need to be referred to the Board for decision. At Board meetings, strategic and policy issues, budgets, capital expenditure requirements and important operational issues are discussed and/or decided and the financial and operational performance of the Group is reviewed and monitored.

The Board's practice is to involve senior executives where matters of strategic or operational importance are discussed by the Board.

The functions and responsibilities of the Board's committees are discussed below and are outlined in the charters.

The Board appoints the Managing Director & CEO and is consulted on the appointment of senior management by the Managing Director & CEO. The Managing Director & CEO reports directly to the Board and is responsible for the day to day management and control of the Group, within the specified limits of authority approved by the Board. Delegations of authority by the Managing Director & CEO to senior executives are reviewed, communicated and monitored on an ongoing basis.

The Board has established performance criteria for the Managing Director & CEO and conducts a performance review of the Managing Director & CEO at least annually. The Managing Director & CEO conducts an annual review of performance of senior executives and reports on their performance to the Nomination and Remuneration Committee. Further detail on the performance review process for the Managing Director & CEO and senior executives is discussed in the Remuneration Report section of the Directors' Report.

Board committees

The Board has established a number of committees to assist it in the execution of its duties and to allow detailed consideration of complex issues. The committee structure and membership is reviewed regularly.

Each of these committees has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All charters are approved by the Board. Where required, matters determined by committees are submitted to the Board as recommendations for decision.

Each committee chair provides a verbal update on the committee's deliberations at the subsequent Board meeting. Minutes of committee meetings are tabled at Board meetings and directors have the opportunity to question and contribute on matters considered by the committees. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

In carrying out their duties, the committees are entitled to engage appropriately qualified external consultants to provide advice and recommendations.

Company Secretaries

Responsibilities of the secretarial function include compliance with corporate legislation and ASX requirements, providing advice to directors and officers on corporate governance matters, developing and implementing the corporate governance framework and giving practical effect to the Board's decisions. All directors have access to the company secretaries.

During the 2014 financial year UGL had three secretaries Lyn Nikolopoulos, Murray McArdle (appointed 31 January 2014) and Dennis Mentzines (resigned 31 January 2014). Details of the qualifications and experience of the company secretaries can be found on page 28 of the Directors' Report.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board and committee membership and expertise

Following the resignation of Robert Denham, on 13 December 2013, UGL has a Board of seven directors, six of whom are non-executive directors and one of whom is an executive director.

Details of the current members of the Board, including their experience, qualifications, committee membership and term of office are set out pages 27 to 28 of the Directors' Report. Attendance at Board and committee meetings is disclosed on page 29 of the Directors' Report.

Succession planning of the Board

Following the sale of DTZ, UGL will be a dedicated end-to-end outsourced engineering, construction, asset management and maintenance services provider in Australia, New Zealand and South East Asia. UGL will maintain a diversified end-market exposure across the core market sectors of rail, transport & technology systems, power, resources, water and defence.

The individual directors and the Board as a whole recognise the importance for UGL to have the skills, knowledge, experience and diversity of background required to effectively steer UGL in the future in response to market developments, opportunities and challenges. The Board is committed to identifying and attracting suitably experienced leaders to ensure that it has the right directors.

As announced on 8 July 2014, Trevor Rowe will not stand for re-election at the Annual General Meeting in October 2014 and will retire as Chairman at the conclusion of the meeting. Kathryn (Kate) Spargo, who was appointed as a director in October 2010, will take over as Chairman at this time. Ms Spargo is working with an independent consulting firm to assist the Board with its renewal programme, including a review of its core skills and composition.

Traditionally the Board has recognised that certain core skills are required to ensure effective stewardship of the Group.

These include:

- Business and strategic expertise
- Industry knowledge
- Accounting and finance skills
- Legal knowledge
- Ability to manage risk
- Ability to manage people and to drive change
- Experience with financial markets
- High standards of corporate governance
- Geographical knowledge and experience
- Personal ethics, attributes and skills

The Board also recognises the value and importance of diversity, including gender, ethnicity, geographical location, personal attributes and age. Further discussion on diversity is outlined on page 51. It is the policy of the Board to increase the number of directors when it considers that additional expertise is required or an outstanding candidate is identified and available.

Non-executive directors are appointed subject to the Constitution of the Company which provides that:

- At each annual general meeting one-third of the non-executive directors must retire and can offer themselves for re-election by the members of the Company
- If the number of directors is increased or if a vacancy exists, the Board may select a suitable candidate to fill that vacancy. That appointee must stand for re-election at the next annual general meeting

There is no limit on the number of terms to which a non-executive director can be appointed.

Where a resolution to appoint a new director to the Board is presented for shareholder consideration, the Board discloses in the notes to the notice of meeting whether the Board supports the nomination of the proposed candidate and outlines details on the experience of the candidate.

Directors' independence

The Board must comprise of a majority of directors who are assessed to be independent. The Board assesses whether a director is independent on an ongoing basis. Generally, directors will not be regarded as independent if they fall within one of the following categories:

(a) The director is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company

(b) Within the last three years the director was employed in an executive capacity by the Group, or was a director in an executive capacity by the Group, or was a director after ceasing to hold any such employment

(c) Within the last three years the director was a principal of a professional adviser or a consultant to the Group, or an employee materially associated with the service provider and the adviser or consultant is a material provider of services to the Group

(d) The director is a supplier or client of the Group or an officer of, or otherwise associated directly or indirectly with, a supplier or client and the supplier or client is a material provider to the Group

(e) The director has a contractual relationship with the Group (other than as a director of the Group) and the contractual relationship is material to the operations of the Group

Materiality for the above purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Group or 5% of the individual director's net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the director's performance.

After considering the above criteria, the Board has concluded that each of its non-executive directors is independent.

Chairman and Managing Director & CEO roles

The Board elects one of its independent non-executive directors to be Chairman.

Under the Board's charter the position of Chairman cannot be held by a major shareholder.

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and conducted efficiently and directors are properly briefed for meetings. The Managing Director & CEO is responsible for implementing Group strategies and policies. The Board's charter specifies that the Chairman cannot be a current or former Managing Director & CEO of UGL.

Commitment, induction and training

Each newly appointed director receives a formal letter of appointment that outlines the key terms and conditions relative to their appointment. Prior to appointment, each non-executive director must acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Following the appointment to the Board, an induction programme is organised for new directors that includes meeting members of management and visits to key sites. The purpose of the programme is for newly appointed directors to become familiar with UGL's people, operations and the culture and values of UGL.

The Board holds at least seven to eight scheduled meetings and an additional corporate strategy workshop each calendar year. Additional meetings are held as required. A number of the scheduled meetings are held at operational sites of the Group to provide the directors the opportunity to meet the staff and tour the facilities. In addition, directors have unfettered access to each other, the Managing Director & CEO, senior executives and other employees as required to enable them to properly discharge their duties.

Non-executive directors are expected to spend at least 40 days a year preparing for and attending Board and committee meetings and associated activities.

Other commitments of non-executive directors that might affect their contribution are considered prior to a director's appointment to the Board and are reviewed each year.

Directors have access to continuing education to update and enhance their skills and the Board is kept informed of key developments within the Company and the industry sectors in which UGL operates.

Conflicts of interest

The Board is aware of its obligations to ensure that directors avoid conflicts of interest and has adopted a procedure to ensure that conflicts and potential conflicts of interest are disclosed to the Board each month. Any director with a material personal interest may not participate in boardroom discussions or vote on the matter unless the Board resolves otherwise.

No material conflicts of interest were identified during the period.

Independent professional advice

Each director has the right to seek independent professional advice on matters that may be of concern. Such advice will be at the expense of the Group if approval is first given by the Chairman of the Board.

Review of Board performance

The Board continually assesses and reviews its performance to ensure individual directors, the Board as a whole and its committees work efficiently and effectively. The process for conducting the performance review is agreed to by the Board and where appropriate the Board may appoint external consultants to assist with the process.

The future change of the Managing Director & CEO and Chairman, Robert Denham's resignation as a director on 13 December 2013 and Raymond Ch'ien's resignation as a director at the conclusion of the Annual General Meeting in October 2014, has required the Board to focus on its succession plan. For the 2014 financial year, the Board deferred conducting a performance assessment so that it could focus on its composition to ensure that it has the right skills and experience for the company going forward following the completion of sale of DTZ.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

UGL has a number of policies and guidelines which provide employees and its officers with direction to promote ethical and responsible decision making. All Group policies are published on the Company's intranet and material policies and guidelines are communicated to each new employee as part of their induction training.

Code of Ethics and Conduct

The Group strives to achieve the highest standards of behaviour and accountability and demands that its directors and employees be honest in their dealings with each other, and all counterparties. The Code of Ethics and the Code of Conduct underpin our social, ethical and environmental commitments and send a powerful message to all our stakeholders of UGL's commitment to responsible business practice.

Under the Group's Code of Conduct, officers and employees are required to comply with all laws, avoid actual or potential conflicts of interest, not engage in unethical business practices and refrain from giving or receiving any improper payments, benefits or other gains and provide quality service and good stewardship of assets to all stakeholders.

The Code of Ethics provides employees with standards of behaviour required by its employees in dealing with colleagues, clients, investors, suppliers, subcontractors, the government and the wider community.

During the reporting period, the Code of Ethics and the Code of Conduct were revised and published on both the intranet and external websites.

Anti-bribery and Corruption Policy

Bribery and corruption are taken very seriously at UGL. UGL has adopted an Anti-bribery and Corruption Policy which applies to staff across the globe. This Policy is supported by guidelines which outline:

- The anti-bribery control framework, including procedures that are in place to prevent bribery
- The duties and responsibilities of all employees
- How allegations of fraud and other illegal acts are managed

To promote further awareness and understanding of UGL's anti-bribery and corruption arrangements, a new E-learning course was developed and implemented during the reporting period.

Whistleblower Policy

Group policy requires employees who are aware of unethical, unlawful or undesirable conduct practices within the Group or breaches of the Group's policies to report these using the Company's whistleblower programme. This can be done anonymously. Where whistleblowers act in good faith and make a report in accordance with the policy, such persons are protected from dismissal, demotion, any form of harassment, discrimination or bias.

Insider trading, securities trading, margin lending and hedging policies

It is the Group's policy that under all circumstances, its officers and employees comply with the letter and the intention of the insider trading laws when dealing in UGL securities. Also, directors, officers and senior management must not trade in UGL securities during the following blackout periods:

- The period commencing 1 January of each year and ending 24 hours after the release of the half-year results for that financial year
- The period commencing 1 July of each year and ending 24 hours after the release of the annual results for the previous financial year

Trading is generally permitted at other times provided that employees do not contravene the insider trading laws. Directors and senior management (and their associates) are prohibited from engaging in short term trading of UGL securities. In addition, directors and senior management must notify the Company Secretary before they or their associates buy or sell UGL securities.

The Trading in Securities Policy also extends to dealings in securities of other companies with which UGL may be dealing (including UGL's clients or business partners). If an officer or employee is aware of inside information about another company they should not either directly or indirectly deal or procure or encourage another person to deal in those securities.

The Group's policies also restrict employees' hedging and margin loan activities in respect of the Company's shares and options as follows:

- Directors, officers and senior managers are prohibited from entering into margin loans or similar arrangements if the loan or other arrangement is secured by (among other things) securities in UGL that account for at least 1% of its total issued capital. Where a margin loan or similar arrangement is in place, a director, officer or senior manager must not provide any inside information to the lender.

The Policy also imposes restrictions on arrangements that limit risk attaching to equity instruments (commonly referred to as hedging):

- Employees (including executive directors) and their closely related parties are prohibited from entering into a hedging arrangement in relation to an element of the employee's remuneration that has not vested or has vested but remains subject to a holding lock; and
- Non-executive Directors and their closely related parties are prohibited from entering into a hedging arrangement in relation to an element of the director's remuneration that has not vested or has vested (irrespective of whether it remains subject to a holding lock).

Corporate responsibility

The Group recognises the importance of adopting a sustainable approach to its business operations.

UGL's approach to Corporate Responsibility is about operating our businesses and achieving our goals in a way that reflects our values, connects our business decisions to ethical, social and environmental concerns and meets the standards our clients, shareholders and our own people expect of a global organisation.

Our approach is focused on:

- Our Clients: Delivering exceptional service to our clients within a framework which embraces the highest levels of corporate governance and ethical standards
- Our People: Valuing our employees by providing a safe and rewarding work environment which invests in their future and where diversity is a given
- Our Partners: Fostering partnerships with our technology and joint venture partners and our suppliers to maximise knowledge sharing and idea generation in order to develop innovative, sustainable solutions
- Our Communities: Actively supporting the communities in which we operate and using local suppliers and talent where possible
- Our Environment: Managing our impact on the environment through responsible business practices across all of our operations

Diversity

UGL's focus over the last four years has been to build, enhance and expand its diversity programme both within Australia and internationally. Our diversity journey continues with a strong focus on embedding these successful initiatives into our standard business practices. UGL is also continuing to foster the development of new and other diversity initiatives from our diverse sites and business champions.

To support the Group's commitment to establishing a business as usual culture of diversity, the Board has set measurable objectives for achieving greater levels of diversity for the 2015 financial year and beyond – see discussion below. The Company regularly reviews progress against these stated objectives.

Diversity on the Board

Through periodic strategic reviews of the Board composition and succession planning, the Board seeks to ensure that the skills and diversity of the Board are appropriate for the present and future requirements of the Group and the Board actively seeks to identify and recruit directors whose skills and attributes complement and enhance the effective operation of the Board. Currently of the seven directors, one is female (12.5%).

Diversity in the workplace

Diversity has remained steady across the total global 52,000+ employees (including subcontractors).

At present 36% of our direct workforce is female, the same result from our last reporting period. Across our 45,000+ DTZ employees, 40% are female in roles and job grades such as property managers, project managers, surveyors and associates. Female participation rates also remain higher across the Group's service functions (such as legal, finance, marketing, communications, HR, project support and office administration). Within head office functions, 43% of permanent employees are female.

At the senior level, currently 13% of the Global Leadership Team (GLT), being the top 155 leaders within the Group (including senior executives), are female. Within the engineering business, 12% of the GLT are females; this is a 2% increase on last year's numbers. Successors to the GLT remain stable with 19% of identified successors being female.

Progress against stated measurable objectives for the 2014 financial year

We are pleased to report that we have delivered on four of our five measurable objectives and activities for the 2014 financial year, with work continuing on those objectives that roll over to the 2015 financial year. The remaining objective set for the 2014 financial year, Professional Development Programme, will be launched in October this year. The structure and content of the programme has been finalised.

Key highlights of our diversity achievements during the last reporting year were:

- Further increases in the number of women in GLT roles and an increase in the percentage of female successors identified.
- Both Engineering and DTZ improved on their female percentages within the GLT and successors to the GLT. Due to the larger population of the GLT this year, the combined total of both businesses remained static.
- People Manager Programme sessions are in place globally with 23% of attendees being female. Positive feedback and impact from the sessions has been recognised.
- Future Leader Programme sessions have continued to run globally which is assisting to increase the identification of female talent.

Measurable objectives FY2014

OBJECTIVE	MEASURE	WHEN	STATUS
Build strong global infrastructure	• Strong infrastructure is needed to support moving to a global processes and systems platform • Improved Human Resources capabilities to manage a diverse workforce. Implement global structure to support diversity objectives	End of financial year 2014	Completed and ongoing
Global workforce management and recruitment	• Increase our talent profile through global recruitment and insource recruitment solutions – one process across UGL globally • Extrapolate UGL's engineering Graduate Programme across the DTZ business	End of financial year 2014	Completed and ongoing
Selection and promotion	• Expand Global Leadership Team through formal assessment and global selection methods and train key employees from Human Resources and Recruitment	End of financial year 2014	Completed
Expand our Indigenous Programme globally	• Expand and extrapolate UGL's domestic based Indigenous Programme globally • Undertake workshops and broader survey to identify target areas, measurement and reporting methods for Indigenous recruitment, promotion and retention	Ongoing – end of financial year 2014	Ongoing
Global employee benefits	• Review existing monetary and non-monetary benefits for employees and make recommendations for suggested initiatives	End of financial year 2014	Completed
Professional Development Network Programme	• First pilot to establish career development and mentoring programmes specifically designed to support women for progression into more senior roles • Programme to be extrapolated to non-gender specific	End of financial year 2014	Deferred to FY 2015
Global Diversity Champions	• Appoint key Diversity Champions across the business who drive and promote new initiatives and activities to increase global diversity profile	End of financial year 2014	Completed
Global Learning and Development	• Continue to remove any cultural barriers that may exist; embed unconscious bias training into business as usual i.e. through People Manager Programme, Performance Review and other programmes • Increase training for middle and senior management on identifying talent and potential. This will include expanding our People Manager Programme globally.	End of financial year 2015	Ongoing
Management practices	• To foster an environment where the diversity of the UGL's business model is reflected in its people and culture • Wherever possible, involve both women and men in the recruitment decision-making process • Set clear, measurable targets for meeting diversity objectives	End of financial year 2015	Ongoing

Measurable objectives FY2015

OBJECTIVE	MEASURE KEY ACTIVITIES
Improve employee benefits	• Continue to review existing monetary and non-monetary benefits for employees
Management practices that support diversity and objectives and initiatives	• To foster an environment where the diversity of the organisation's UGL's business model is reflected in its people and culture • Wherever possible, involve both women and men in the recruitment decision-making process
Global learning and development	• Continue to remove any cultural barriers that may exist; embed unconscious bias training into business as usual i.e. through People Manager Programme, Performance Review and other programmes Increase training for middle and senior management on identifying talent and potential. This will include expanding our People Manager Programme globally.
Professional networking programme/ career information sessions	• Continue to expand on establishing career development and mentoring programmes specifically designed to support women to progress into senior roles • Establish information sessions and mechanisms for women to learn about their available career path options
Diversity Champions	• Establish shared learning and fostering of diversity initiatives and ideas from locally based programmes
Indigenous Programme	• Continue to drive and implement the initiatives of UGL's Reconciliation Plan • Steering committee to report and review progress quarterly
Recruitment practice	• Identify sourcing strategies that will assist in both attracting and capturing diverse talent from other pools • Develop recruitment and selection practices that will assist in attracting a greater proportion of women into operational roles

Progress against these stated measurable objectives will be reported on to internal and external stakeholders at least annually via Annual Reports to shareholders.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Risk & Audit Committee assists the Board in discharging its obligations for financial reporting, risk management and internal control.

The Risk & Audit Committee comprises three independent non-executive directors. The Chairman of the Board is not the Chairman of the Risk & Audit Committee. The Managing Director & CEO and Chief Financial Officer and representatives from the external auditors attend meetings by invitation. An officer of the Group attends meetings and deals with administrative matters. The committee meets at least four times during the year.

The principal functions of the committee are:

- To assist the Board in relation to reviewing and monitoring:
  - The keeping and reporting of financial information in accordance with accounting standards and the law
  - The application of UGL's accounting policies
  - The Group's internal control systems
  - The compliance with applicable policies and laws
  - The assessment and control of business risk. Discussion of the Risk & Audit Committee's involvement in risk management is disclosed under principle seven
- To provide a forum for communication between the Board, the internal and external auditors and senior management in relation to the matters above
- To review, manage and monitor related party transactions
- To review and monitor internal and external audit functions
- To review the independence and performance of the external auditors
- To consider any other matter which the Board may refer to the committee for consideration

When considering the financial statements for UGL for each reporting period, particular consideration is given to:

- Any changes in accounting policies and practices
- Major judgement areas
- Significant adjustments proposed by the auditors
- The going concern assumptions and any qualifications
- Compliance with accounting standards
- Compliance with applicable legal and regulatory requirements and guidance in relation to financial reporting

External Auditor

The external auditor is KPMG. At least twice a year, the Risk & Audit Committee meets with representatives of KPMG without management in attendance. KPMG attend each committee meeting and each year they are required to confirm their independence. The committee has also implemented a policy to ensure that any material non-audit work is approved.

The Risk & Audit Committee is responsible for recommending to the Board the selection and appointment of the external auditor. A change in the external auditor would require UGL to go to tender and the following would be considered by the committee as part of the review process:

- Independence
- Experience in the sectors that UGL operates in
- Jurisdictions that the auditor is able to cover
- Fees

The lead signing audit partner is rotated every five years and must rotate off the engagement for a minimum of two years. The current signing partner was appointed for the 2010 financial year audit and is due to rotate at the completion of the 2014 financial year. Any other partner with significant involvement must rotate after seven continuous years on an engagement. The current engagement partner was appointed during the 2013 financial year.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company Secretaries have been nominated as the officers responsible for communications with the ASX on all ASX listing rule matters. The Managing Director & CEO is primarily responsible for ensuring compliance with the continuous disclosure obligations under the ASX listing rules and the Corporations Act.

The Group has written policies and procedures requiring disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

All information disclosed to the ASX is posted on the Group's website following confirmation from the ASX that the information has been disclosed to the market. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Group's website. Internal records are kept of all briefings with stakeholders and/or analysts including a record of those present and the subjects discussed.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Where they elect, shareholders receive a copy of the Group's annual report and provision is made for shareholders to receive email alerts notifying them of the release of information by the Company. The Company's website www.ugllimited.com also includes a feedback mechanism and a direct link to the Group's share registry.

UGL also communicates with its stakeholders via its corporate website. The dedicated investor and media section includes published financial reports, notices for general meetings of shareholders, corporate governance policies, ASX announcements, webcasts, investor briefings and a calendar of events.

UGL views the annual general meeting as an opportunity for shareholders to meet with and question the Board and senior management and encourages shareholders to attend. The Company's external auditor is invited to attend all general meetings of shareholders. At the annual general meeting, the auditors are available to answer shareholder questions regarding the conduct of the audit and the preparation and content of the audit report.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk management plays an active and visible role within the Group supported by processes and structures to effectively manage opportunities and adverse effects within its operating environment. By effectively managing risk, UGL aims to increase the certainty of business outcomes and understanding the Company's obligations to shareholders and key stakeholders, which ultimately leads to growth in shareholder value.

The Group's Risk Management Policy sets the approach in managing financial, commercial, operational, technical and strategic activities undertaken by the Company. UGL's approach to risk management is aligned to recognised international risk management standards, principles and guidelines. The Policy outlines the key elements of how the Company proactively and systematically identifies and manages risk and details the integrated elements of the Group's risk management programme.

The Risk & Audit Committee assists the Board by reviewing the Group's Risk Management Policy and its application including the financial reporting aspects of the Group's Risk Management Policy. A report on key business risks is provided to the Risk & Audit Committee at each of its meetings.

UGL maintains a dynamic risk management programme with defined delegations of authority which is designed to concentrate management attention to the treatment of risks that have the greatest potential to affect the achievement of organisational objectives. These risks include but are not limited to: tendering and contract negotiation; project delivery; service and quality performance; innovation, research and development; business process efficiency; capital expenditure; market uncertainty; counter-party risk; liquidity and solvency risk management; legal obligations and foreign jurisdiction considerations; recruitment and retention of personnel; interest rate and foreign currency exposure; corporate strategy and operational compliance.

Key initiatives of the risk management function for the year have included the enhancement of policies and procedures and an awareness campaign designed to prevent bribery and corruption throughout the Group's global operations, overseeing assurance activities for project estimating and project management controls within the Group's engineering operations and auditing the application of risk based parameters for property valuation activities conducted within the Group's DTZ business. The Group has also benchmarked its insurance programme as part of its separation activities for the sale of DTZ.

Internal audit and assurances

The internal audit function provides independent assessments on the appropriateness of the Group's risk management policies and procedures and governance controls. The results of the assessments are reported to the Risk & Audit Committee. The committee also monitors management's response to recommendations arising from such assessments. Internal audit plans are reviewed by the committee to ensure that they address key areas of risk, with appropriate coordination with the external auditor.

The Managing Director & CEO and the Chief Financial Officer have confirmed to the Board, in writing, that:

- The Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operating results of the Company and Group
- The financial reporting risk management and associated compliance and controls are assessed as operating effectively in all material aspects

This representation is founded on a sound system of internal control and risk management that implements the policies adopted by the Board.

Health, Safety, Security & Environment Committee

The principal functions of the Health, Safety, Security and Environment Committee are to set strategies for occupational health, safety, security and environment issues, and monitor compliance with policies and procedures that have been put in place to underpin the following goals:

- No one should suffer injury or illness arising from their working responsibilities or from the wider context surrounding their work location, either within or on behalf of the Group
- The Group's operations should not infringe on the quality of the environment, the aim being to contribute to improving the environment wherever this rests within the Group's capabilities

The Health, Safety, Security & Environment Committee comprises two independent non-executive directors and the Managing Director & CEO. The committee meets at least twice annually. At each meeting the committee receives reports from management on the following:

- Performance against key indicators and targets set by the committee
- Projects and initiatives for improving the health, safety and security of employees and environmental practices

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Nomination and Remuneration Committee assists the Board to discharge its responsibilities for remuneration and human resources arrangements, the structure of the Board and executive management team, and UGL's diversity strategy.

The Nomination & Remuneration Committee comprises three independent non-executive directors, chaired by the Chairman of the Board. The committee meets at least twice annually.

The principal remuneration activities considered by the committee include:

- Reviewing the Group's overall remuneration and human resources strategy
- Reviewing share schemes applying to employees and directors
- Annually reviewing the CEO's remuneration package and performance indicators as set by the Board
- Providing guidance to the CEO on the principles applying to his direct reports' total employment cost packages
- Reviewing and advising on appropriate fee structures for non-executive directors of the Board
- Reviewing the superannuation administration and management arrangements across the Group

The committee reviews remuneration strategy and policy on an annual basis for all employees including the Managing Director & CEO and senior executives. The decisions of the committee are subject to approval by the Board. The committee obtains independent advice on the appropriateness of remuneration packages including information on trends in comparative companies both locally and internationally. No senior executive is directly involved in deciding their own remuneration.

The principal nomination activities considered by the committee include:

- Reviewing succession plans for the Managing Director & CEO, non-executive directors and the Board committees
- Monitoring the succession plans of the Managing Director & CEO's direct reports
- Identifying and recommending to the Board nominees for Board membership, including re-election and election of directors
- Reviewing the size, composition and skills of the Board required to meet the needs of the Group
- Developing and implementing procedures for the Board's periodic evaluation of its performance and effectiveness

UGL's principles in relation to the remuneration of directors and senior executives are set out in the Remuneration Report section of the Directors' Report.

Consolidated income statement for the year ended 30 June 2014

	NOTE	2014 $'000	2013 $'000
Continuing operations			
Revenue	4	1,819,326	1,902,821
Other income	5	18,719	19,585
Raw materials and consumables		(664,719)	(569,921)
Employment costs		(828,206)	(955,304)
Depreciation and amortisation		(25,655)	(39,907)
Sub-contractor expenses		(131,056)	(137,657)
Finance costs (net)	7	(22,480)	(20,637)
Rental and occupancy expenses		(39,913)	(37,336)
Communication expenses		(5,787)	(6,818)
Insurance		(13,583)	(16,120)
Plant and equipment expenses		(26,052)	(37,696)
Motor vehicle expenses		(19,214)	(24,334)
Travel		(21,832)	(31,500)
Other expenses		(27,192)	(43,433)
Share of profits of equity accounted investees (net of tax)	14	12,006	1,359
Profit before income tax		24,362	3,102
Income tax benefit	8	7,461	9,949
Profit from continuing operations		31,823	13,051
Discontinued operation			
Profit from discontinued operation, net of tax	26	36,684	28,144
Profit for the year		68,507	41,195
Profit attributable to:			
Owners of the Company		62,082	35,919
Non-controlling interests		6,425	5,276
Profit for the year		68,507	41,195
Profit attributable to discontinued operations:			
Owners of the Company		34,655	26,005
Non-controlling interests		2,029	2,139
Profit for the year		36,684	28,144

		CENTS	CENTS
Earnings per share			
Earnings per share from continuing and discontinued operations			
Basic and diluted earnings per share (cents per share)	34	37.3	21.6
Earnings per share from continuing operations			
Basic and diluted earnings per share (cents per share)	34	16.5	6.0

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated finance performance for 2014 and 2013 is stated after allocation of the results of the DTZ businesses to discontinued operations, in accordance with AASB 5: *Non-current Assets Held for Sale and Discontinued Operations.*

Consolidated statement of comprehensive income for the year ended 30 June 2014

	2014 $'000	2013 $'000
Profit for the year	68,507	41,195
Other comprehensive income from continuing operations:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	(9,292)	(14,813)
Foreign currency translation differences – equity accounted investees	982	–
Cash flow hedges	(1,059)	(1,379)
Tax on items that may be reclassified subsequently to profit or loss	–	–
Total items that may be reclassified subsequently to profit or loss	(9,369)	(16,192)
Other comprehensive income from continuing operations for the year (net of tax)	(9,369)	(16,192)
Other comprehensive income from discontinued operations:		
Items that will not be reclassified to profit or loss:		
Defined benefit plans actuarial (losses)/gains	(4,395)	2,859
Total items that will not be reclassified to profit or loss	(4,395)	2,859
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	13,039	38,521
Cash flow hedges – equity accounted investees	–	(121)
Tax on items that may be reclassified subsequently to profit or loss	–	–
Total items that may be reclassified subsequently to profit or loss	13,039	38,400
Other comprehensive income from discontinued operations for the year (net of tax)	8,644	41,259
Total comprehensive income from continuing operations	22,454	(3,141)
Total comprehensive income from discontinued operations	45,328	69,403
Total comprehensive income for the year	67,782	66,262
Total comprehensive income from continuing operations attributable to:		
Owners of the Company	18,058	(6,278)
Non-controlling interests	4,396	3,137
Total comprehensive income for the year	22,454	(3,141)
Total comprehensive income from discontinued operations attributable to:		
Owners of the Company	43,156	66,652
Non-controlling interests	2,172	2,751
Total comprehensive income for the year	45,328	69,403

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 30 June 2014

	NOTE	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	9	182,497	161,070
Trade and other receivables	10	219,702	612,316
Inventories	11	319,675	351,577
Income tax receivable	12	28,774	43,128
Other financial assets	13	-	860
Assets held for sale	26	1,584,841	-
Total current assets		2,335,489	1,168,951
Non-current assets			
Trade and other receivables	10	4,169	2,949
Other financial assets	13	9,779	27,805
Investments accounted for using the equity method	14	34,322	46,805
Property, plant and equipment	15	59,004	170,826
Intangible assets	16	481,199	1,444,989
Deferred tax assets	17	66,567	51,908
Total non-current assets		655,040	1,745,282
Total assets		2,990,529	2,914,233
Current liabilities			
Trade and other payables	18	326,031	547,639
Loans and borrowings	19	22,368	11,552
Employee benefits	20	69,795	215,375
Other financial liabilities	22	4,108	4,331
Income tax payable	12	4,343	16,726
Provisions	23	16,888	72,804
Liabilities held for sale	26	628,115	-
Total current liabilities		1,071,648	868,427
Non-current liabilities			
Loans and borrowings	19	718,133	730,142
Employee benefits	20	5,365	17,823
Other financial liabilities	22	572	33,331
Deferred tax liabilities	17	-	14,507
Provisions	23	9,719	120,014
Total non-current liabilities		733,789	915,817
Total liabilities		1,805,437	1,784,244
Net assets		1,185,092	1,129,989
Equity			
Share capital	24	910,836	910,836
Reserves		(30,053)	(24,648)
Retained earnings		281,257	231,896
		1,162,040	1,118,084
Amounts recognised directly in equity relating to assets classified as held for sale	26	10,234	-
Total equity attributable to owners of the Company		1,172,274	1,118,084
Non-controlling interests		12,818	11,905
Total equity		1,185,092	1,129,989

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial position as at 30 June 2014 is stated after allocation of the assets and liabilities of the DTZ businesses as held for sale, in accordance with AASB 5: Non-current Assets Held for Sale and Discontinued Operations. Comparative information for 2013 is not restated.

Consolidated statement of changes in equity for the year ended 30 June 2014

YEAR ENDED 30 JUNE 2014 $'000	ATTRIBUTABLE TO OWNERS OF THE COMPANY TRANSLATION RESERVE	HEDGING RESERVE	EMPLOYEE EQUITY BENEFIT RESERVE	RESERVE FOR TREASURY SHARES	TOTAL RESERVES	SHARE CAPITAL	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 1 July 2013	(16,522)	(1,897)	26,244	(32,473)	(24,648)	910,836	231,896	1,118,084	11,905	1,129,989
Profit for the year	-	-	-	-	-	-	62,082	62,082	6,425	68,507
Foreign currency translation differences – foreign operations	4,586	-	-	-	4,586	-	-	4,586	143	4,729
Gains on cash flow hedges taken to equity	-	5,789	-	-	5,789	-	-	5,789	-	5,789
Net change in fair value of cash flow hedges transferred to the initial carrying amount of the hedged item	-	(6,848)	-	-	(6,848)	-	-	(6,848)	-	(6,848)
Losses on cash flow hedges taken to equity – equity accounted investees	-	-	-	-	-	-	-	-	-	-
Defined benefit plans actuarial losses	-	-	-	-	-	-	(4,395)	(4,395)	-	(4,395)
Total comprehensive income for the year	4,586	(1,059)	-	-	3,527	-	57,687	61,214	6,568	67,782
Transactions with owners in their capacity as owners:										
Share-based payments	-	-	1,022	-	1,022	-	-	1,022	-	1,022
Treasury shares transferred	-	-	-	280	280	-	-	280	-	280
Transfer of vested shares	-	-	(3,728)	3,728	-	-	-	-	-	-
Dividends to owners	-	-	-	-	-	-	(8,326)	(8,326)	(5,790)	(14,116)
Non-controlling interests acquisition without change of control	-	-	-	-	-	-	-	-	135	135
Income tax related to transactions with owners	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	(2,706)	4,008	1,302	-	(8,326)	(7,024)	(5,655)	(12,679)
Balance at 30 June 2014	(11,936)	(2,956)	23,538	(28,465)	(19,819)	910,836	281,257	1,172,274	12,818	1,185,092

YEAR ENDED 30 JUNE 2013	TRANSLATION RESERVE	HEDGING RESERVE	EMPLOYEE EQUITY BENEFIT RESERVE	RESERVE FOR TREASURY SHARES	TOTAL RESERVES	SHARE CAPITAL	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 1 July 2012	(39,618)	(397)	23,908	(32,593)	(48,700)	908,775	309,605	1,169,680	5,702	1,175,382
Profit for the year	-	-	-	-	-	-	35,919	35,919	5,276	41,195
Foreign currency translation differences – foreign operations	23,096	-	-	-	23,096	-	-	23,096	612	23,708
Losses on cash flow hedges taken to equity	-	(1,634)	-	-	(1,634)	-	-	(1,634)	-	(1,634)
Net change in fair value of cash flow hedges transferred to the initial carrying amount of the hedged item	-	255	-	-	255	-	-	255	-	255
Losses on cash flow hedges taken to equity – equity accounted investees	-	(121)	-	-	(121)	-	-	(121)	-	(121)
Defined benefit plans actuarial gains	-	-	-	-	-	-	2,859	2,859	-	2,859
Total comprehensive income for the year	23,096	(1,500)	-	-	21,596	-	38,778	60,374	5,888	66,262
Transactions with owners in their capacity as owners:										
Shares issued	-	-	-	(2,061)	(2,061)	2,061	-	-	-	-
Share-based payments	-	-	4,732	-	4,732	-	-	4,732	-	4,732
Treasury shares purchased	-	-	-	(215)	(215)	-	-	(215)	-	(215)
Transfer of vested shares	-	-	(2,396)	2,396	-	-	-	-	-	-
Dividends to owners	-	-	-	-	-	-	(116,487)	(116,487)	(1,122)	(117,609)
Distribution on liquidation of subsidiary	-	-	-	-	-	-	-	-	(663)	(663)
Non-controlling interests investment in subsidiary	-	-	-	-	-	-	-	-	2,100	2,100
Income tax related to transactions with owners	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	2,336	120	2,456	2,061	(116,487)	(111,970)	315	(111,655)
Balance at 30 June 2013	(16,522)	(1,897)	26,244	(32,473)	(24,648)	910,836	231,896	1,118,084	11,905	1,129,989

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 30 June 2014

	NOTE	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash receipts from customers		4,203,865	4,009,514
Cash payments to suppliers and employees		(4,120,528)	(3,850,113)
Interest received		3,064	3,713
Interest and other costs of finance paid		(40,029)	(36,042)
Distributions from equity accounted investees		25,173	12,276
Income taxes paid		(9,473)	(33,771)
Net cash from operating activities	25(b)	62,072	105,577
Cash flows from investing activities			
Payment for plant and equipment		(24,287)	(36,594)
Proceeds from sale of property, plant and equipment		75,559	24,219
Proceeds from sale of unlisted investment		-	2,013
Payment for software		(26,593)	(27,408)
Payment for other intangibles		(13,258)	(27,964)
Project establishment costs		(19,258)	(10,104)
Non-controlling interests investment in subsidiary		-	2,100
Purchase of non-controlling interests		(40)	-
Investments in equity accounted investees		(20,858)	(9,497)
Net cash used in investing activities		(28,735)	(83,235)
Cash flows from financing activities			
Proceeds from borrowings		515,964	238,851
Repayment of borrowings		(510,458)	(166,208)
Payment for treasury shares		-	(215)
Payment of finance lease liabilities		(3,896)	(2,434)
Distribution to non-controlling interests		-	(663)
Dividends paid to owners	24	(8,326)	(116,487)
Dividends paid to non-controlling interests		(5,790)	(1,122)
Net cash used in financing activities		(12,506)	(48,278)
Net increase/(decrease) in cash and cash equivalents		20,831	(25,936)
Cash and cash equivalents at 1 July		157,654	174,281
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		745	9,309
Cash and cash equivalents at 30 June	25(a)	179,230	157,654

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated cash flows for 2014 and 2013 refer to the results of the UGL Limited consolidated group, including the DTZ businesses held for sale.

Notes to the financial statements for the year ended 30 June 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

UGL Limited (the Company or the parent entity or UGL) is a company domiciled in Australia. The consolidated financial statements of the Company for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the Group or the consolidated entity) and the Group's interest in associates and jointly controlled entities.
The Group is a diversified engineering, maintenance, facilities management and property services group operating internationally in the rail, water, power, transport, resources and property sectors.

(b) Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the directors on 22 August 2014.

(c) Basis of preparation

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

The Group is a for-profit entity for the purpose of preparing the consolidated financial statements.

These consolidated financial statements have been prepared in accordance with the historical cost convention and except for derivative financial instruments, which are stated at fair value, does not take into account changing money values or fair values of assets.

Certain comparative amounts have been reclassified or re-presented as a result of the classification of the DTZ business as a discontinued operation in the current year (see Note 26: Assets held for sale and discontinued operations.)

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 2: Critical accounting estimates and judgements.

(d) Changes in significant accounting policies

Except for the changes noted immediately below, the Group has consistently applied the accounting policies set out in this note to all periods presented in these consolidated financial statements. The accounting policies used have been consistently applied by each entity in the Group.

The Group has adopted the following significant new standards and amendments to standards, with initial application as at 1 July 2013:

Employee benefits

Revised AASB 119: *Employee Benefits* applies retrospectively. Net interest expense or income is now calculated by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets used as a calculation basis in prior periods.

Retrospective application of the revised standard resulted in increases in the pension cost in profit or loss of the discontinued operation and offsetting actuarial gains on plan assets of $368,000 in the 2012 financial year and $553,000 in the 2013 financial year, with no change in reported defined benefit obligations. As the Group's accounting policy is to take defined benefit plan actuarial gains and losses in other comprehensive income to retained earnings, there is no change to reported retained earnings, or to total equity.

Subsidiaries

As a result of AASB 10: *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and subsequently whether it consolidates its investees. A new control model is applicable to all investees, focussing on whether the Group has power over an investee, exposure or right to variable returns from its involvement with the investee and ability to use its power to affect those returns.
The Group reassessed the control conclusion for its investees at 1 July 2013, with no change to entities classified as subsidiaries as at that date.

Joint arrangements

Under AASB 11: *Joint Arrangements*, the Group now classifies its interest in joint arrangements as either joint operations or joint ventures depending on the Group's right to the assets, and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicle, and the contractual terms of the arrangement. Previously the structure of the arrangement was the sole focus of classification. Based on this assessment, there was no change to the Group's classification or accounting treatment of material joint arrangements.

Disclosure of interests in other entities

AASB 12: *Disclosure of Interests in Other Entities* expands disclosures requirements for material interests in subsidiaries and equity accounted investees, with retrospective application.

Fair value measurement

AASB 13: *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7: *Financial Instruments: Disclosures*.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities.

(e) Basis of consolidation

Business combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another. For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and is recognised if its fair value can be measured reliably.

Transaction costs that the Group incurs in connection with a business combination, such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with policies adopted by the Group.

Interests in equity accounted investees
The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses, including losses in other comprehensive income exceeds its interest in the equity accounted investee, the carrying amount of the interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Accounting for acquisition of non-controlling interests
Acquisition of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions.

Joint operations
A joint operation is carried on by each venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

Transactions eliminated on consolidation
Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(f) Discontinued operation
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earliest of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(g) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Internal reporting provides discrete financial information for each operating segment enabling the segments' operating results to be regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(h) Revenue recognition
Goods sold and services rendered
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at reporting date. The stage of completion is assessed by reference to work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or if the costs incurred or to be incurred cannot be measured reliably.

Construction contracts
Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated. Two or more contracts are treated as a single contract where the contracts are negotiated as a single package, are closely interrelated and are performed concurrently or in a continuous sequence.

Profit recognition for lump sum fixed price contracts does not commence until cost to completion can be reliably measured. This is generally between 15% and 30% complete.

Stage of contract completion is generally measured by reference to physical completion. An assessment of total labour hours and other costs incurred to date as a percentage of estimated total costs for each contract is used if it is an appropriate proxy for physical completion. Task lists, milestones, etc. are also used to calculate or confirm the percentage of completion if appropriate.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

Dividends
Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

(i) Finance costs (net)
Finance costs comprise interest expense on borrowings, unwinding of discount on provisions, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss, and are disclosed net of interest revenue.

Interest revenue is recognised as it accrues, using the effective interest method.

Borrowing costs for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are expensed.

Foreign currency gains and losses are reported on a net basis.

(j) Income tax
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for the taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is UGL Limited.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is assigned on a standard cost basis with the exception of contract specific requirements to use an average cost basis.

Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

If progress billings exceed costs incurred plus recognised profits, then the difference is presented as billings in advance under construction contracts in trade and other payables.

(m) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(n) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, an appropriate portion of production overheads, and capitalised borrowing costs. The cost of self-constructed and acquired assets includes: (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located; and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases with terms under which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are stated at an amount equal to the lower of fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy (p)).

Other leases are operating leases and these leased assets are not recognised on the Group's statement of financial position.

Sale of non-current assets

The net gain or loss on disposal is included in the income statement at the date control of the asset passes to the buyer, usually when an unconditional contract for sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount if it is probable that the future economic benefits embodied within the item will flow to the Group, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as an expense as incurred.

Depreciation

The depreciable amount of fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated over their useful lives on a straight line basis commencing from the time the asset is ready for use.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings – 40 years
- Plant and equipment – 3 to 20 years or the term of the lease

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(o) Intangibles

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition see accounting policy (e).

Subsequent measurement

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee.

Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see accounting policy (p)), or more frequently if indicators of impairment exist.

Software

Software acquired by the Group is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (p)). Internally developed software is capitalised once the project is assessed to be feasible. Costs incurred in determining project feasibility are expensed as incurred. The costs capitalised include consulting, licensing and direct labour costs.

Project establishment costs

Expenditure incurred in tendering and establishing facilities to secure contracts for construction or maintenance or other services under specific contracts is capitalised and amortised over the initial term of the contract.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (p)).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are systematically tested for impairment annually. Software and other intangible assets are amortised from the date that they are available for use.

The estimated useful lives in the current and comparative periods are as follows:

- Software – 1 to 10 years
- Project establishment costs – Initial contract term
- Other intangible assets – 5 to 15 years

(p) Impairment

The carrying amounts of the Group's financial assets (including receivables), and non-financial assets, other than cash and cash equivalents, inventories, construction contract assets, and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangibles assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal at each reporting date. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment of financial assets

Assessment is made at each reporting date as to whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are only recognised if there is objective evidence of impairment as a result of a loss event that has occurred after initial recognition of the asset or group of assets and that loss event has an impact on the estimated future cash flows of such assets that can be reliably estimated.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, and economic conditions that correlate with defaults or the disappearance of an active market for the security.

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warranties

Provision is made for the estimated liability on all products still under warranty at reporting date. This provision is estimated having regard to service warranty experience.

Contract

Provision is made for the expected loss when it is probable that the total contract costs will exceed total contract revenue.

Claims

Provision is made for claims and legal costs where litigation has been commenced, or it is probable that litigation will commence, where such claims are not covered by professional indemnity insurance. Provision is also made for the Group's uninsured liability for incurred but not reported (IBNR) claims, based on assessment using prior claims history and estimation of the insurance cover likely to be available in future years.

Public liability and workers' compensation insurances

The Group self-insures for various risks, including workers' compensation in some states. Provision is made for the Group's obligations for both incurred and incurred but not reported insurance claims through assessment based on prior claims history.

(r) Financial instruments

Non-derivative financial instruments

The Group has the following non-derivative financial instruments: investments in subsidiaries; trade and other receivables; cash and cash equivalents; loans and borrowings; and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Derivative financial instruments
The Group uses derivative financial instruments to manage specifically identified foreign currency and interest rate risks. The Group does not speculate in foreign currency or interest rate dealings. Specific derivative instruments are used as follows:

- Foreign currency – Foreign currency forward exchange contracts are purchased to hedge project-specific transactions. These are used to hedge the functional currency dollar value of contractual risks and benefits and are set at the beginning of each relevant project.
- Interest rates – The Group may raise term debt at both fixed and floating rates. The Group may from time to time enter into interest rate swap arrangements to manage the mix between fixed and floating debt.

Derivative financial instruments are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

(s) Derivatives and hedging activities
The Group designates certain derivatives as either:

- Hedges of probable forecast transactions (cash flow hedges);
- Hedges of a net investment in a foreign operation (net investment hedges);
- Hedges of fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- Economic hedges (not subject to hedge accounting).

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

Cash flow hedges
Changes in the fair value of derivatives that are designated and qualify as cash flow hedges which hedge exposure to variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction are recognised directly in other comprehensive income and accumulated in the hedging reserve. The ineffective portion is recognised in profit or loss within other income or other expenses.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains or losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed or sold.

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Economic hedges
Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses in other income or other expenses.

(t) Foreign currencies
Transactions
Foreign currency transactions are initially translated into the functional currency at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income and accumulated within equity in the hedging reserve.

Foreign operations
The assets and liabilities including goodwill and fair value adjustments arising on consolidation of foreign operations are translated into Australian currency at rates of exchange current at the reporting date, while revenues and expenses are translated at approximately the foreign exchange rates ruling at the date of the transaction. Exchange differences arising on translation are recognised in other comprehensive income and accumulated within equity in the translation reserve.

(u) Lease payments
Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are offset against the total lease expense and spread over the lease term on a straight line basis.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(v) Employee benefits
A liability is recognised for benefits accruing to employees in relation to wages and salaries, annual leave, long service leave, workers' compensation and vested sick leave. No provision is made for non-vesting sick leave.

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

The portions of annual leave, long service leave and workers' compensation provisions, expected to be settled later than one year, are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Liability for termination benefits is recognised when a detailed plan for the termination has been developed and a valid expectation has been raised in those employees affected that the termination will be carried out.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

A defined benefit plan provides defined lump sum benefits based on years of service and final average salary. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(w) Share-based payments

Share-based compensation benefits are provided to certain employees. Information relating to employee share and option schemes is set out in Note 21: Share-based payments.

The grant date fair value of share-based payment awards made to employees is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted over the period to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, but is not adjusted when market performance conditions are not met.

When the Company grants awards over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

(x) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to ordinary shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) Share capital

Ordinary shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are accounted for as a deduction from equity, net of any tax effects.

Treasury shares

The amount of the consideration paid for the Company's ordinary shares, purchased on-market by the UGL Limited Employee Share Plan Trust for UGL employee share plans, is recognised as a deduction from equity in the reserve for treasury shares, net of any tax effects.

When treasury shares subsequently vest to employees under the UGL Employee share plans, the carrying value of the vested shares is transferred to the employee equity benefit reserve.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(z) Australian goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable or payable is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(aa) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are relevant to the Group's operations but are not mandatory for the 30 June 2014 accounting period. The Group's assessment of the impact of these is set out below.

- AASB 9: *Financial Instruments* will become mandatory for the Group's annual reporting period ended 30 June 2018, and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early, and the extent of the impact has not yet been determined.
- IFRS 15: *Revenue from Contract with Customers* was issued by the IASB in May 2014. The standard is effective for accounting periods commencing on or after 1 January 2017, with early adoption permitted. The AASB are expected to issue the Australian equivalent standard before 30 September 2014. IFRS 15 replaces the existing revenue standard and interpretations and is based on the identification of performance obligations under a contract to determine revenue treatment. The Group has not yet determined the extent of the impact of the adoption of this new standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Capitalisation of tender costs

In accordance with accounting policy Note 1: Significant accounting policies (o), expenditure incurred in relation to a tender is capitalised and amortised over the initial term of the contract, where the costs can be separately identified and measured reliably and it is probable that the contract will be obtained. Judgement is exercised in determining whether it is probable that the contract will be obtained. An error in judgement would result in capitalised tender costs being recognised in the income statement in the following year.

Goodwill and intangibles

Significant judgements are made with respect to identifying and valuing intangible assets on acquisitions of new businesses. The Group assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually in accordance with the accounting policy in Note 1: Significant accounting policies (p).

These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

Construction contracts

In accordance with Note 1: Significant accounting policies (h), revenue from construction contracts is recognised using the percentage of completion method. Judgement is exercised in determining the stage of completion of the contract, and in reliably estimating the total contract revenue and contract costs to completion.

Self-insurance provisions

Where the Group self-insures for various risks, provision is made for both reported and incurred but not reported claims through assessment based on current and prior period claims experience and estimation of the insurance cover likely to be available in future years. Significant judgement is required in making this assessment. Future claims on incidents unreported at balance date could result in additional costs being recognised in the income statement in the following year.

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes. Judgement is also required in assessing whether deferred tax assets are recognised on the statement of financial position. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management using either analytical, binomial tree or Monte-Carlo simulation option-pricing models using the assumptions detailed in Note 21: Share-based payments, including the likelihood of achieving non market vesting conditions. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Control assessment

The Group applies judgement in determining whether an investee is a subsidiary, where the Group has power over an investee, exposure or right to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

Judgement is also required in classifying the Group's interests in joint arrangements, depending on the group's right to the assets, and obligations for the liabilities of the arrangements.

NOTE 3: OPERATING SEGMENTS

For management purposes, from 1 July 2013 the Group has been organised into two business units based on their products and services:

- UGL Engineering: provides project delivery across power, water, resources, rail, transport systems and communications with core capabilities in engineering, design, supply, project management, asset management, maintenance services and commissioning.
- DTZ Property: provides occupiers and investors around the world with industry leading, end-to-end property solutions comprised of leasing agency and brokerage, integrated property and facilities management, capital markets, investment and asset management, valuation, building consultancy, project management, and research and consulting services.

Prior to 1 July 2013, the Group was organised into three business units; UGL Engineering; UGL Operations & Maintenance; and DTZ Property. Comparative information for the year ended 30 June 2013 has been restated to reflect the two business units that are operative from 1 July 2013.

Management measures performance based on segment profit before interest and income tax (EBIT); and after adjusting for separation costs, amortisation of intangibles associated with acquisitions, rebranding and restructuring costs, and profit on sale of property, plant and equipment. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Revenue from external customers is measured in a manner consistent with that in the income statement except for the proportional consolidation of the results of associates and joint ventures for management reporting purposes.

Inter-segment pricing is determined on an arm's length basis.

Segment assets reported to management are measured in a manner consistent with that of the financial statements, based on the operations of the segment.

In June 2014, the Company announced that it had entered into a binding agreement to sell the DTZ businesses to a consortium comprising TPG Capital, PAG Asia Capital and Ontario Teachers' Pension Plan for an enterprise value of $1.215 billion, with Completion expected to occur in the last quarter of the 2014 calendar year. As a result, those assets and liabilities of the DTZ Property segment that are subject to the sale agreement have been classified as a held-for-sale disposal group. Refer Note 26: Assets held for sale and discontinued operations.

$'000	UGL ENGINEERING	DTZ PROPERTY – DISCONTINUED	REPORTABLE SEGMENTS	CORPORATE/ UNALLOCATED	ELIMINATIONS	TOTAL
2014						
Reportable segment revenue						
External revenues	2,261,738	2,249,732	4,511,470	–	–	4,511,470
Inter-segment revenue	–	3,654	3,654	–	(3,654)	–
Total reportable segment revenue	2,261,738	2,253,386	4,515,124	–	(3,654)	4,511,470
Reconciliation:						
Revenue – joint ventures and associates					(469,695)	(469,695)
Elimination of discontinued operation					(2,222,449)	(2,222,449)
Consolidated revenue						1,819,326
Reportable segment profit (loss) (Segment EBIT)	84,069	123,916	207,985	(22,204)		185,781
Reconciliation:						
Amortisation of intangibles associated with acquisitions				(10,673)		(10,673)
DTZ separation costs				(52,761)		(52,761)
Restructuring costs				(39,330)		(39,330)
Release of DTZ pre-acquisition provisions				12,624		12,624
Profit on sale of property, plant and equipment				15,273		15,273
Interest income	1,010	1,917	2,927	714		3,641
Interest expense				(41,703)		(41,073)
Tax on equity accounted income					(5,585)	(5,585)
Elimination of discontinued operation					(43,535)	(43,535)
Consolidated profit before income tax from continuing operations						24,362
2013						
Reportable segment revenue						
External revenues	2,315,439	1,931,522	4,246,961	–	–	4,246,961
Inter-segment revenue	–	1,493	1,493	–	(1,493)	–
Total reportable segment revenue	2,315,439	1,933,015	4,248,454	–	(1,493)	4,246,961
Reconciliation:						
Revenue – joint ventures and associates					(430,844)	(430,844)
Elimination of discontinued operation					(1,913,296)	(1,913,296)
Consolidated revenue						1,902,821
Reportable segment profit (loss) (Segment EBIT)	81,644	113,449	195,093	(40,394)	–	154,699
Reconciliation:						
Amortisation of intangibles associated with acquisitions				(14,078)	–	(14,078)
Rebranding and brand impairment costs				(37,317)	–	(37,317)
Restructuring costs				(45,213)	–	(45,213)
Profit on sale of land and buildings				17,360	–	17,360
Interest income	1,462	1,861	3,323	334	–	3,657
Interest expense				(36,824)	–	(36,824)
Tax on equity accounted income					(3,696)	(3,696)
Elimination of discontinued operation					(35,486)	(35,486)
Consolidated profit before income tax from continuing operations						3,102

$'000	UGL ENGINEERING	DTZ PROPERTY - DISCONTINUED	REPORTABLE SEGMENTS	CORPORATE/ UNALLOCATED	ELIMINATIONS	TOTAL
NOTE 3: OPERATING SEGMENTS (continued)						
Other segment information						
2014						
Reportable segment assets	1,225,196	1,605,575	2,830,771	159,758	-	2,990,529
Depreciation and amortisation	19,300	24,969	44,269	14,555	-	58,824
Impairment of held for sale assets	1,885	-	1,885	-	-	1,885
Impairment of leasehold improvements	912	-	912	-		912
Share of profit of equity accounted investees	12,006	6,147	18,153	-	-	18,153
Equity accounted investments	34,322	15,993	50,315	-	-	50,315
Capital expenditure	20,193	41,044	61,237	674	-	61,911
2013						
Reportable segment assets	1,189,902	1,567,882	2,757,784	156,449	-	2,914,233
Depreciation and amortisation	23,811	31,730	55,541	16,097	-	71,638
Impairment of trademarks and trade names	1,749	27,400	29,149	-	-	29,149
Share of profit of equity accounted investees	1,359	3,692	5,051	-	-	5,051
Equity accounted investments	31,947	14,858	46,805	-	-	46,805
Capital expenditure	52,231	48,458	100,689	3,332	-	104,021

	2014 $'000	2013 $'000
Geographical information (continuing operations):		
Revenues from external customers based on the location of the customer:		
Australia	1,772,581	1,826,009
Other countries	46,745	76,812
	1,819,326	1,902,821
Non-current assets based on geographical location of assets (continuing operations):		
Australia	490,167	596,933
United States	-	584,945
Other countries	1,004	433,937
	491,171	1,615,815

Revenue from one customer in the Engineering segment represents approximately $352 million (2013: $279 million) of the Group's total revenue from continuing operations.

	2014 $'000	2013 $'000
NOTE 4: REVENUE		
Services	861,637	773,327
Construction contracts	864,046	1,054,090
Sale of goods	93,643	75,404
	1,819,326	1,902,821
NOTE 5: OTHER INCOME		
Net gain on sale of property, plant and equipment	16,899	18,171
Other	1,820	1,414
	18,719	19,585

	2014 $'000	2013 $'000
NOTE 6: EXPENSES		
Profit before income tax from continuing operations includes the following specific expenses:		
Rental expenses – operating leases	37,647	39,832
Restructuring and redundancy costs	36,035	28,121
Defined contribution plans contributions	43,322	48,497
Equity-settled share-based payments	1,022	3,631
Net realised foreign exchange losses	-	2,949
Net unrealised foreign exchange losses	-	966
NOTE 7: FINANCE COSTS (NET)		
Interest expense	16,670	14,769
Other borrowing costs	7,621	7,832
	24,291	22,601
Interest revenue	(1,811)	(1,964)
	22,480	20,637

NOTE 8: INCOME TAX (BENEFIT)/EXPENSE

	2014 $'000	2013 $'000
Income tax recognised in profit or loss		
Current year expense	26,467	17,710
Deferred tax expense – origination and reversal of temporary differences	(26,056)	(19,104)
Adjustments for prior years	(1,021)	(1,213)
	(610)	(2,607)
Tax benefit is attributable to:		
Profit from continuing operations	(7,461)	(9,949)
Profit from discontinued operations	6,851	7,342
	(610)	(2,607)
Deferred income tax (benefit)/expense included in tax expense comprises:		
Increase in deferred tax assets	(30,223)	(23,857)
Increase in deferred tax liabilities	4,167	4,753
	(26,056)	(19,104)
Reconciliation of effective tax rate		
Accounting profit before income tax:		
Profit before income tax expense – continuing operations	24,362	3,102
Profit before income tax expense – discontinued operations	43,535	35,486
	67,897	38,588
Tax at the Australian tax rate of 30% (2013: 30%)	20,369	11,576
Adjusted for:		
– equity-settled share-based payments	54	(137)
– other non-deductible/assessable items	1,985	2,520
– finance costs	(6,601)	(5,993)
– equity accounted investee income	(3,350)	(2,490)
– capital gains tax	(3,288)	(3,842)
– overseas tax rate differential	(3,053)	(4,183)
– tax losses recouped	(8,268)	(1,811)
– amortisation of intangibles	2,563	2,966
Over provision in prior years	(1,021)	(1,213)
Income tax benefit	(610)	(2,607)

NOTE 9: CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Bank balances	177,005	158,267
Call deposits	5,396	2,643
Cash on hand	96	160
	182,497	161,070

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 35: Financial instruments.

NOTE 10: TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Current		
Trade and other receivables	217,938	602,337
Allowance for impairment of trade receivables	(799)	(11,280)
	217,139	591,057
Prepayments	2,523	20,131
Retentions withheld on contracts in progress	40	1,128
	219,702	612,316
Non-current		
Trade and other receivables	3,951	1,080
Prepayments	218	1,869
	4,169	2,949

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 35: Financial instruments.

NOTE 11: INVENTORIES

	2014 $'000	2013 $'000
Current		
Raw materials and stores	90,274	97,452
Construction work in progress (refer below)	229,401	254,125
	319,675	351,577
Contracts in progress		
Aggregate of costs and profits recognised on contracts in progress	7,994,239	7,488,511
Progress billings and advances received on contracts in progress	(7,825,175)	(7,324,076)
Net construction work in progress	169,064	164,435
Net construction work in progress comprises:		
Amounts due from customers – work in progress	229,401	254,125
Amounts due to customers – included in trade and other payables as billings in advance under construction contracts	(60,337)	(89,690)
	169,064	164,435

NOTE 12: CURRENT TAX RECEIVABLE AND PAYABLE

The current tax receivable of $28,774,000 (2013: $43,128,000) represents the amount of income tax recoverable in respect of current and prior financial periods that arises from the payment of tax in excess of amounts due to the relevant tax authority. The current tax liability of $4,343,000 (2013: $16,726,000) represents the amount of income tax payable in respect of current and prior financial periods.

NOTE 13: OTHER FINANCIAL ASSETS

	2014 $'000	2013 $'000
Current		
Foreign currency forward contracts	–	860
Non-current		
Loan to associate	9,750	9,750
Foreign currency forward contracts	29	–
Deferred compensation plan assets (refer Note 20: Employee benefits)	–	17,986
Other	–	69
	9,779	27,805

	2014 $'000	2013 $'000
NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Equity accounted investees	34,322	46,805

Interests in joint venture entities and associates
Details of interests in joint venture entities and associates are as follows:

			INTERESTS HELD		INVESTMENT CARRYING AMOUNT	
NAME	PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITIES	2014 %	2013 %	2014 $'000	2013 $'000
Associate:						
Metro Trains Melbourne Pty Ltd	Australia	Operation and maintenance of Melbourne passenger train network	20	20	13,501	12,031
Joint ventures:						
United Group Infrastructure/ Balfour Beatty	Australia	High voltage transmission line installation	50	50	1,014	-
Texmaco UGL Rail Private Ltd	India	Manufacture and supply of rolling stock components	50	50	10,350	6,729
UGL KAEFER	Australia	General maintenance services and field managed modifications	50	50	6,333	8,944
Naval Ship Maintenance (Australia) Pty Ltd	Australia	Defence fleet maintenance	50	50	1,502	1,869
Other equity accounted investees					1,622	2,372
Interests owned in continuing operations					34,322	31,945
Interests owned by DTZ businesses held for sale in 2014:						
PREMAS (Thailand) Co. Ltd	Singapore	Integrated real estate management services	-	49	-	957
UGL Services LLC	Saudi Arabia	Integrated facilities and property management services	-	50	-	1,160
Zadelhoff Participates	Netherlands	Property advisory	-	50	-	8,896
Other equity accounted investees					-	3,847
					34,322	46,805

During 2013 the Group ceased equity accounting for the United Group Infrastructure/Balfour Beatty joint venture, discontinuing the recognition of its share of further losses. The unrecognised share of losses, if accounted for using the equity method, totalled $2,446,000 in 2013. A liability was taken up as at 30 June 2013 for losses of $2,446,000 as the Group had continuing obligations in respect of the joint venture. Equity accounting for this joint venture recommenced in 2014 with a return to profitability.

	2014 $'000	2013 $'000
Results of individually immaterial interests in equity accounted investees		
Continuing operations:		
Associates		
Post tax profit	9,879	7,769
Total comprehensive income	9,879	7,769
Joint ventures		
Post tax profit/(loss)	2,127	(6,410)
Other comprehensive income	982	-
Total comprehensive income	3,109	(6,410)
Total post tax profit	12,006	1,359
Discontinued operations:		
Associates		
Post tax profit	1,664	621
Total comprehensive income	1,664	621
Joint ventures		
Post tax profit	4,483	3,071
Total comprehensive income	4,483	3,071
Total post tax profit	6,147	3,692

$'000	FREEHOLD LAND	BUILDINGS	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT UNDER LEASE	TOTAL
NOTE 15: PROPERTY, PLANT AND EQUIPMENT						
Cost						
Balance 1 July 2012	17,894	72,019	212,652	50,612	4,463	357,640
Additions	-	189	23,536	7,057	5,812	36,594
Transfers and reclassifications	-	(8,303)	36,211	8,169	4,166	40,243
Disposals	(1,144)	(5,509)	(31,428)	(6,350)	(378)	(44,809)
Effect of movements in exchange rates	-	12	8,812	4,068	1,444	14,336
Balance at 30 June 2013	16,750	58,408	249,783	63,556	15,507	404,004
Balance 1 July 2013	16,750	58,408	249,783	63,556	15,507	404,004
Additions	-	270	18,257	5,363	2,575	26,465
Transfers and reclassifications	-	-	(3,230)	837	-	(2,393)
Transfer to assets held for sale	(405)	(7,217)	(70,511)	(37,787)	(16,458)	(132,378)
Disposals	(16,094)	(50,627)	(23,562)	(6,913)	(759)	(97,955)
Effect of movements in exchange rates	-	17	368	2,003	(158)	2,230
Balance at 30 June 2014	251	851	171,105	27,059	707	199,973
Depreciation						
Balance at 1 July 2012	-	(29,116)	(128,031)	(22,917)	(1,017)	(181,081)
Depreciation for the year	-	(2,196)	(25,766)	(7,323)	(2,233)	(37,518)
Transfers and reclassifications	-	2,807	(35,636)	(3,248)	(4,166)	(40,243)
Disposals	-	3,131	28,286	5,705	378	37,500
Effect of movements in exchange rates	-	(14)	(7,741)	(3,410)	(671)	(11,836)
Balance at 30 June 2013	-	(25,388)	(168,888)	(31,193)	(7,709)	(233,178)
Balance at 1 July 2013	-	(25,388)	(168,888)	(31,193)	(7,709)	(233,178)
Depreciation for the year	-	(1,272)	(18,451)	(7,320)	(2,786)	(29,829)
Impairment	-	-	-	(912)	-	(912)
Transfers and reclassifications	-	-	2,249	99	-	2,348
Transfer to assets held for sale	-	3,202	46,798	17,872	9,339	77,211
Disposals	-	23,108	16,639	4,539	542	44,828
Effect of movements in exchange rates	-	(9)	(598)	(920)	90	(1,437)
Balance at 30 June 2014	-	(359)	(122,251)	(17,835)	(524)	(140,969)
Carrying amounts						
At 1 July 2012	17,894	42,903	84,621	27,695	3,446	176,559
At 30 June 2013	16,750	33,020	80,895	32,363	7,798	170,826
At 30 June 2014	251	492	48,854	9,224	183	59,004

Transfers and reclassification refer to transfers and adjustments between asset categories.

$'000	GOODWILL	PROJECT ESTABLISHMENT COSTS	SOFTWARE	SOFTWARE UNDER DEVELOPMENT	TRADEMARKS AND TRADE NAMES	CUSTOMER CONTRACTS	DEVELOPMENT COSTS	OTHER IDENTIFIED INTANGIBLE ASSETS	TOTAL
NOTE 16: INTANGIBLE ASSETS									
Cost									
Balance 1 July 2012	1,078,514	30,735	92,198	12,985	71,429	150,015	39,331	15,471	1,490,678
Additions	–	–	1,353	2,943	–	–	–	–	4,296
Costs capitalised	–	10,104	593	22,519	–	–	27,964	–	61,180
Transfers and reclassifications	–	(727)	6,464	(1,090)	–	–	–	–	4,647
Impairment	–	–	–	–	(28,900)	–	–	(700)	(29,600)
Disposals	–	(11,168)	(5,154)	–	–	–	–	–	(16,322)
Effect of movements in exchange rates	56,253	11	1,158	3,149	2,909	13,975	–	1,060	78,515
Balance at 30 June 2013	1,134,767	28,955	96,612	40,506	45,438	163,990	67,295	15,831	1,593,394
Balance 1 July 2013	1,134,767	28,955	96,612	40,506	45,438	163,990	67,295	15,831	1,593,394
Additions	–	889	1,128	8,333	–	–	–	–	10,350
Costs capitalised	–	18,369	20	14,972	–	–	13,258	–	46,619
Transfers and reclassifications	–	–	3,323	(945)	–	–	–	–	2,378
Transfer to assets held for sale	(791,390)	(2,454)	(17,713)	(62,069)	(49,882)	(162,089)	–	(14,021)	(1,099,618)
Disposals	–	(6,794)	(921)	–	–	–	(2,684)	(1,220)	(11,619)
Effect of movements in exchange rates	15,415	–	(115)	(797)	4,444	599	–	618	20,164
Balance at 30 June 2014	358,792	38,965	82,334	–	–	2,500	77,869	1,208	561,668
Amortisation and impairment									
Balance at 1 July 2012	–	(12,760)	(41,774)	–	–	(44,581)	(12,457)	(7,485)	(119,057)
Amortisation for the year	–	(5,663)	(12,344)	–	–	(10,998)	(1,886)	(3,229)	(34,120)
Transfers and reclassifications	–	400	(5,047)	–	–	–	–	–	(4,647)
Impairment loss	–	–	–	–	–	–	–	451	451
Disposals	–	10,399	5,126	–	–	–	–	–	15,525
Effect of movements in exchange rates	–	(8)	(899)	–	–	(5,040)	–	(610)	(6,557)
Balance at 30 June 2013	–	(7,632)	(54,938)	–	–	(60,619)	(14,343)	(10,873)	(148,405)
Balance at 1 July 2013	–	(7,632)	(54,938)	–	–	(60,619)	(14,343)	(10,873)	(148,405)
Amortisation for the year	–	(5,171)	(11,758)	–	–	(9,142)	(1,272)	(1,651)	(28,994)
Transfers and reclassifications	–	–	(2,333)	–	–	–	–	–	(2,333)
Transfer to assets held for sale	–	654	14,443	–	–	66,518	–	10,948	92,563
Disposals	–	2,440	882	–	–	–	1,578	1,220	6,120
Effect of movements in exchange rates	–	–	82	–	–	743	–	(245)	580
Balance at 30 June 2014	–	(9,709)	(53,622)	–	–	(2,500)	(14,037)	(601)	(80,469)
Carrying amounts									
At 1 July 2012	1,078,514	17,975	50,424	12,985	71,429	105,434	26,874	7,986	1,371,621
At 30 June 2013	1,134,767	21,323	41,674	40,506	45,438	103,371	52,952	4,958	1,444,989
At 30 June 2014	358,792	29,256	28,712	–	–	–	63,832	607	481,199

Trademarks and trade names are not amortised as they are considered to have indefinite useful lives.

Impairment tests for cash-generating units (CGUs) containing goodwill
For the purpose of impairment testing, goodwill is allocated to the Group's CGUs which represent the lowest level within the Group at which goodwill is monitored for internal management purposes as follows.

	2014 $'000	2013 $'000
Engineering	125,948	125,948
Engineering – Rail	232,844	232,844
DTZ – Americas	–	473,387
DTZ – APAC	–	166,083
DTZ – EMEA	–	136,505
Total goodwill	358,792	1,134,767

Goodwill relating to the DTZ businesses has been transferred to assets held for sale. See Note 26: Assets held for sale and discontinued operations.

Impairment testing
The recoverable amount of the CGU is based on value in use calculations. The calculations use cash flow projections based on the following year's budget and plan, extended over a period of five years. Cash flows into perpetuity are extrapolated using a growth factor relevant to the sector and business plan. A post-tax discount rate is applied adjusted for the risk of the industry in which each unit operates.

Key assumptions used for value in use calculations
A terminal growth rate of 3% has been applied to extrapolate cash flows. The growth rate does not exceed the long-term average growth rate for the business in which the cash-generating units operate. FY2015 budgets form the basis of year one growth, with a rate of 4% applied for the short term (years two to four).

A post-tax discount rate of 9.5% has been applied to discount the forecast future attributable post-tax cash flows.

The discount rate used reflects specific risks relating to the relevant cash-generating units and their country of operation.

The recoverable amount of each cash-generating unit exceeds its carrying amount.

Sensitivity to changes in assumptions
The estimation of the recoverable amount of cash-generating units was tested for sensitivity using reasonable possible changes in key assumptions; being a decrease of 1 percentage point in the terminal growth rate, or an increase in the post tax discount rate of 1 percentage point, with all other assumptions remaining constant.

For all CGUs neither of these tests resulted in a possible impairment loss at 30 June 2014 (2013: $Nil impairment for both tests).

NOTE 17: DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

	2014 $'000	2013 $'000
Deferred tax assets and liabilities are attributable to the following:		
Gross deferred tax assets		
Provisions	45,763	39,437
Employee benefits	42,863	40,063
Property, plant and equipment	6,741	7,334
Inventories	2,581	2,236
Income recognition	11,227	–
Deferred expenditure	350	432
Tax losses/credits	54,407	39,137
Other	–	1,055
	163,932	129,694
Amount netted against deferred tax liabilities	(88,842)	(77,786)
Transfer to assets held for sale	(8,523)	–
Net deferred tax assets	66,567	51,908
Gross deferred tax liabilities		
Property, plant and equipment	(11,712)	(13,398)
Intangible assets	(70,667)	(60,509)
Research and development	(5,400)	(5,400)
Income recognition	(2,375)	(5,221)
Deferred expenditure	(9,950)	(7,380)
Treasury shares	–	(357)
Other	(209)	(28)
	(100,313)	(92,293)
Amount netted against deferred tax assets	88,842	77,786
Transfer to liabilities held for sale	11,471	–
Net deferred tax liabilities	–	(14,507)

	DEFERRED TAX ASSETS $'000	DEFERRED TAX LIABILITIES $'000
(b) Deferred tax movements		
At 1 July 2012	98,526	(77,623)
(Charged)/credited:		
– to profit or loss	23,857	(4,753)
– transfers	3,019	(3,019)
– foreign exchange differences	4,292	(6,898)
At 30 June 2013	129,694	(92,293)
(Charged)/credited:		
– to profit or loss	30,223	(4,167)
– transfers	3,879	(3,879)
– foreign exchange differences	136	26
At 30 June 2014	163,932	(100,313)
Set off of deferred tax within the same tax jurisdiction	(88,842)	88,842
Transfer to assets/liabilities held for sale	(8,523)	11,471
Net deferred tax	66,567	–

NOTE 17: DEFERRED TAX ASSETS AND LIABILITIES (continued)

(c) Unrecognised deferred tax balances

	2014 $'000	2013 $'000
Deferred tax assets		
Tax losses – revenue	1,166	64,042
Tax losses – capital	–	925
	1,166	64,967
The deferred tax assets arising from tax losses of subsidiaries have not been recognised as an asset because it is not probable that future tax profit will be available against which the Group can utilise this benefit.	1,166	64,967

NOTE 18: TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current		
Unsecured:		
– trade payables and accruals	211,365	380,162
– work in progress accruals	54,329	77,787
– billings in advance under construction contracts	60,337	89,690
	326,031	547,639

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 35: Financial instruments.

Financial guarantees

In accordance with the deed of covenant and note agreements entered into by the Company with its providers of finance facilities and the US note holders, the Company has agreed to be guarantor, together with a number of wholly-owned subsidiaries of the Company, for the principal and interest payments.

Bank guarantees and surety bonds are issued to third parties arising out of dealings in the normal course of business by subsidiaries (see Note 19: Loans and borrowings – other finance facilities (a) and (b)).

The Company has also entered into a Deed of Cross Guarantee with certain subsidiaries as described in Note 31: Subsidiaries (b). Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event of any of the entities party to the Deed being wound up. Details of the consolidated position of the Company and subsidiaries party to the Deed are set out in Note 31: Subsidiaries (b).

No liability has been recognised by the Group in relation to these guarantees, as the fair value of the guarantees is immaterial.

NOTE 19: LOANS AND BORROWINGS

	2014 $'000	2013 $'000
Current		
Unsecured:		
– bank overdraft	3,267	3,416
– bank loan	17,197	-
– other loan	-	2,264
Secured:		
– bank loans	1,722	2,725
– finance lease liabilities	182	3,147
	22,368	11,552
Non-current		
Unsecured:		
– bank loans	452,632	455,385
– other loan	-	348
– US notes	265,393	269,542
Secured:		
– finance lease liabilities	108	4,867
	718,133	730,142

Interest rates on bank and other loans are floating and the average interest rate applicable at 30 June 2014 was 4.29% (2013: 2.62%).

US notes are US$250 million of debt raised in the US private placement note market in three tranches at fixed interest rates at a weighted average of 6.62% over the three tranches.

In accordance with the deed of covenant and note agreements entered into by the Company with its providers of finance facilities and the US note holders, the Company has agreed to be guarantor, together with a number of wholly-owned subsidiaries of the Company, for the principal and interest payments. The Group has agreed, among other things, not to grant any security over its assets (subject to certain exceptions) and to maintain specified financial ratios.

All borrowing covenant ratios and limits have been complied with during the financial year.

Debt maturities and amounts utilised

Bank loans and US notes are drawn under the following term debt facilities:

	MATURITY DATE	PRINCIPAL FACILITY CURRENCY AMOUNT THOUSANDS	PRINCIPAL FACILITY AMOUNT A$'000	AMOUNT UTILISED A$'000	AMOUNT UNUTILISED A$'000
2014					
Bank loans					
Term debt	February 2015	SGD 1,500	1,275	-	1,275
Term debt	June 2015	AUD 98,233	98,233	-	98,233
Term debt	July 2015	USD 95,000	100,849	88,000	12,849
Term debt	July 2015	AUD 180,000	180,000	117,856	62,144
Term debt	July 2015	GBP 35,000	63,280	55,000	8,280
Term debt	March 2016	HKD 12,576	1,722	1,722	-
Term debt	June 2016	AUD 60,000	60,000	28,000	32,000
Term debt	July 2016	AUD 50,000	50,000	-	50,000
Term debt	July 2016	GBP 70,000	126,559	39,776	86,783
Term debt	January 2017	USD 17,543	18,623	17,197	1,426
Term debt	July 2017	USD 70,000	74,310	74,000	310
Term debt	August 2017	AUD 50,000	50,000	50,000	-
			824,851	471,551	353,300
US notes					
Tranche 1	September 2016	USD 50,000	53,079	53,079	-
Tranche 2	June 2018	USD 150,000	159,236	159,236	-
Tranche 3	September 2018	USD 50,000	53,078	53,078	-
			265,393	265,393	-
2013					
Bank loans					
Term debt	December 2013	USD 17,471	18,836	-	18,836
Term debt	July 2014	GBP 175,000	288,208	197,299	90,909
Term debt	August 2014	AUD 50,000	50,000	-	50,000
Term debt	March 2015	HKD 19,604	2,725	2,725	-
Term debt	June 2015	AUD 98,817	98,817	50,000	48,817
Term debt	July 2015	USD 95,000	102,426	100,269	2,157
Term debt	July 2015	AUD 60,000	60,000	-	60,000
Term debt	June 2016	AUD 60,000	60,000	32,345	27,655
Term debt	July 2016	AUD 50,000	50,000	-	50,000
Term debt	July 2017	USD 70,000	75,472	75,472	-
			806,484	458,110	348,374
US notes					
Tranche 1	September 2016	USD 50,000	53,908	53,908	-
Tranche 2	June 2018	USD 150,000	161,726	161,726	-
Tranche 3	September 2018	USD 50,000	53,908	53,908	-
			269,542	269,542	-

NOTE 19: LOANS AND BORROWINGS (continued)

	2014 $'000	2013 $'000
Other finance facilities:		
(a) Bank guarantee and/or letter of credit facilities provided by several financial institutions:		
Guarantee and/or letter of credit	643,749	753,634
Amount utilised	415,804	417,504
Unused guarantee facilities	227,945	336,130
(b) Unsecured bond facilities provided by surety entities:		
Bonds in aggregate	42,462	43,127
Amount utilised	16,636	15,908
Unused bond facilities	25,826	27,219
Finance lease liabilities:		
Payable:		
– not later than one year	206	3,341
– later than one year but not later than five years	126	5,053
– later than five years	–	–
Minimum lease payments	332	8,394
Less future finance charges	(42)	(380)
Total lease liability	290	8,014
Reconciled to:		
– current liabilities	182	3,147
– non-current liabilities	108	4,867
	290	8,014

Finance leases have been entered into as a means of funding the acquisition of minor items of plant and equipment and acquiring access to property and vehicles. Rental payments are generally fixed, with no special terms or conditions attaching to the leases.

Lease liabilities are secured by a charge over the leased assets.

NOTE 20: EMPLOYEE BENEFITS

	2014 $'000	2013 $'000
Current		
Salaries and wages accrued	625	42,159
Liability for long service leave	24,261	29,503
Liability for annual leave	34,291	69,343
Other employee benefits	10,618	56,384
Deferred compensation plan liabilities	–	17,986
	69,795	215,375
Non-current		
Liability for long service leave	5,365	6,426
Defined benefit obligations	–	11,397
	5,365	17,823

Superannuation

Defined contribution superannuation plans

The majority of the Group's employees are entitled to benefits on retirement, disability or death from defined contribution superannuation funds to which the Group contributes based on accumulated contributions and earnings for each employee. The Group has a legal obligation to contribute to the funds in accordance with the superannuation guarantee charge legislation in Australia and similar obligations in overseas jurisdictions. The Group's legal or constructive obligation is limited to these contributions. Contributions to these superannuation plans are charged as an expense as the contributions are paid or become payable.

Defined benefit plans

As a result of the acquisition of the trading operations of DTZ Holdings plc in December 2011, the Group provides funded defined benefit plans in Britain to certain employees and former employees, and has an obligation to pay unfunded pensions to six former employees or their surviving spouses. These defined benefit obligations transfer to the DTZ businesses held for sale. Refer Note 26: Assets held for sale and discontinued operations.

The defined benefit plan provides benefits based on final pensionable salary, and has been closed to new members and future accrual since 31 October 2009. As the pension obligation to certain former employees is in substance that of a defined benefit scheme, this obligation has been recognised as a retirement benefit liability and is reported together with the funded defined benefit plan.

Retirement benefit obligation liability

	2014 $'000	2013 $'000
Present value of unfunded obligations	(3,797)	(3,458)
Present value of funded obligations	(124,932)	(105,765)
	(128,729)	(109,223)
Fair value of defined benefit plan assets	114,988	97,826
Net liability	(13,741)	(11,397)

The Group has no legal obligation to settle the liabilities with an immediate contribution or additional one-off contribution. The Group intends to continue to contribute to the defined benefit plans at a rate in line with the latest recommendations provided by the plans' actuary.

Employer contributions to the defined benefit plan are based on the recommendations of the plan actuary. Actuarial assessments are made every three years, with the last assessment made as at 30 April 2011. Total employer contributions expected to be paid for the year ending 30 June 2015 are $2.9 million.

Reconciliations

	2014 $'000	2013 $'000
Present value of defined benefit obligations:		
Balance at 1 July	(109,223)	(98,638)
Interest cost	(5,486)	(4,276)
Actuarial (losses)	(7,181)	(1,831)
Benefits paid	3,716	3,054
Foreign exchange movement	(10,555)	(7,532)
Balance at 30 June	(128,729)	(109,223)
Fair value of defined benefit plan assets:		
Balance at 1 July	97,826	83,609
Interest on obligation	4,955	3,570
Actuarial gains	3,362	4,690
Contributions by employer	2,654	2,291
Benefits paid	(3,539)	(2,901)
Foreign exchange movement	9,730	6,567
Balance at 30 June	114,988	97,826
Amounts recognised in the income statement		
Interest cost	(5,486)	(4,276)
Interest on obligation	4,955	3,570
Total included in finance costs	(531)	(706)
Actuarial gains and losses recognised in other comprehensive income		
Cumulative amount at 1 July	(3,722)	(6,581)
Recognised during the period	(4,395)	2,859
Cumulative amount at 30 June	(8,117)	(3,722)

Actual return on plan assets

	2014	2013
Principal actuarial assumptions		
Consumer price index	2.2%	2.4%
Discount rate	4.2%	4.7%
Pension increases in payment:		
5% or inflation	3.1%	3.3%
2.5% or inflation	2.2%	2.2%
Life expectancy of male aged 60 at report date	28.0 years	27.9 years
Life expectancy of male aged 60, 20 years after report date	30.0 years	29.9 years

The calculation of the defined benefit obligation is sensitive to the following key assumptions:

CHANGE IN ASSUMPTIONS	APPROX. CHANGE IN LIABILITIES:
Discount rate by 0.1% pa	+/− $2.0 million
Increase in life expectancy by one year	+ $2.7 million

	2014	2013
Categories of plan assets		
Major categories of plan assets:		
Equity instruments	25%	24%
Debt, cash and other instruments	75%	76%
	100%	100%

The plan assets are held exclusively within instruments with quoted market prices in an active market. The plan does not invest directly in property occupied by the Group or in financial securities issued by the Group.

The investment strategy is set by the independent trustees of the plan. The current strategy is to be broadly 50% bonds/cash and 50% non-bonds, invested in a series of portfolios as set out below:

	%
Long term asset allocation	
Equities	22
Diversified growth funds	22
Multi-asset credit funds	9
Emerging market multi-asset funds	7
Corporate bonds	20
Government bonds and LDI portfolios	19
Cash	1
	100

Deferred compensation plan

A US entity of the Group provides a deferred compensation plan to certain US employees whereby a portion of employee remuneration is held on trust, enabling the employees to defer tax on remuneration until payment is made to them from the trust. The employee is at risk for any investment fluctuations of the funds held on trust. Eligible employees may defer up to 13% of their base salary. The entity matches 100% of the amount deferred by the employee with a cap of 5% of the employee's gross salary. In the event of insolvency of the entity, the trust's assets are available to all general creditors of the entity.

Non-current deferred compensation plan liabilities are supported by an equal and opposite plan asset.

NOTE 21: SHARE-BASED PAYMENTS

Employee share plans and share-based payments

Deferred short-term incentive scheme (DSTI)

The short-term incentive scheme for certain key senior executives which commenced in the 2011 financial year includes a deferred component whereby a proportion of cash bonuses due are converted into performance shares. Shares will vest if the executive remains employed by a Group company for two years. Dividends are received over the vesting period and no amount is payable on vesting of the shares. During the year no performance shares were issued under the DSTI (2013: 463,915 performance shares issued related to bonuses due for the 2012 financial year). No shares were granted under the DSTI in the 2014 financial year (2013: Nil), as no bonuses are paid or payable for either year.

The DSTI includes an opportunity for additional shares defined as the Medium-Term Incentive (MTI) which may be granted and will vest if the executive remains employed by a Group company for two years and the Group or executive's business unit achieves EBIT growth of between greater than 5% and 10% averaged over those two years. During the year no shares (2013: 8,772 shares) were granted and vested under this performance measure. No amount is payable on vesting of the shares.

Long-term incentive scheme (LTI)

578,966 performance rights were awarded in the 2014 financial year.

In prior years certain senior executives were awarded an LTI in the form of either options, performance shares, or a mix of both, at the individual's choice. The calculation methodology applied ensures relative parity in the composite value of shares and options granted. The awards vest subject to TSR and EPS hurdles over a four year performance period, and continuing employment. Each award of performance shares and options is split into two equal tranches, with one tranche being measured against the TSR hurdle and the other tranche against the EPS hurdle.

Performance conditions broadly align with the hurdles applicable to the Managing Director and CEO.

During the year, no performance shares (2013: Nil) and no options (2013: Nil) were issued under the LTI.

Dividends on the performance shares are received over the vesting period and no amount is payable in respect of the shares.

Other UGL share schemes

The Non-executive Directors' Share Plan and the Managing Director and CEO's succession plan continued in the 2014 financial year (refer to the Remuneration Report section in the Directors' Report for further information).

Share-based payments

Share options

The Company issues options to employees under the LTI scheme. All options are issued subject to performance hurdles consistent with the objective of aligning the interest of employees with shareholders. (Refer to the Remuneration Report section in the Directors' Report for further information.)

NOTE 21: SHARE-BASED PAYMENTS (continued)

The number and weighted average exercise prices of share options are as follows:

	WEIGHTED AVERAGE EXERCISE PRICE 2014	NUMBER OF OPTIONS 2014	WEIGHTED AVERAGE EXERCISE PRICE 2013	NUMBER OF OPTIONS 2013
Outstanding at the beginning of the period	$9.44	1,699,819	$11.90	2,836,933
Forfeited during the period	$13.05	(206,240)	$14.10	(683,304)
Expired during the period	-	-	$17.80	(453,810)
Exercised during the period	-	-	-	-
Granted during the period	-	-	-	-
Outstanding at the end of the period	$8.94	1,493,579	$9.44	1,699,819
Exercisable at the end of the period	$5.20	750,000	$5.20	750,000

The options outstanding at 30 June 2014 have an exercise price in the range of $5.20 to $14.59 and a weighted average contractual life of 2.6 years.

During the financial year no share options were exercised (2013: Nil).

No options were granted in the 2014 financial year (2013: Nil).

Share options issued are granted under a service condition and exercise is also dependent on the Group achieving certain performance hurdles.

Performance shares

The Company has previously issued performance shares to employees, including the Managing Director and CEO, under employee share plans. Performance shares were granted during the year under the Managing Director and CEO's succession plan (refer to the Remuneration Report section in the Directors' Report for further information). All performance shares outstanding vest from September 2014 to September 2015, subject to various performance conditions, for no consideration.

The number of performance shares is as follows:

	NUMBER OF SHARES 2014	NUMBER OF SHARES 2013
Outstanding at the beginning of the period	2,217,697	2,296,903
Forfeited during the period	(1,144,533)	(375,082)
Granted during the period	66,309	518,062
Vested during the period	(301,579)	(222,186)
Outstanding at the end of the period	837,894	2,217,697

The fair value of services received in return for performance shares granted to employees is measured by reference to the fair value of the performance shares granted. The estimate of the fair value of the services received is measured by reference to the vesting conditions specific to the grant based on either analytical, binomial tree or Monte-Carlo simulation option-pricing models.

	2014	2013
Fair value of performance shares granted during the year and assumptions		
Fair value at measurement date	$7.54	$8.54 - $10.54
Share price at grant date	$7.54	$10.11 - $10.54
Performance shares life	6 months	1.5 - 2.0 years
Expected dividends	-	8.5%
Risk-free interest rate	-	2.65% - 3.21%

Performance shares issued in the year are granted under a service condition and vesting is also dependent on achieving certain performance hurdles.

Performance rights

During the year 578,966 performance rights were granted to one employee and remain outstanding at year end. Subject to performance conditions, the rights vest for no consideration between October 2016 and October 2018. No dividends are paid on performance rights. Fair value measurement at grant date was between $5.22 and $5.94, and the share price at grant date was $6.65. For the fair value calculation an expected dividend rate of 5% and a risk-free interest rate of 3% were assumed.

	2014 $'000	2013 $'000
NOTE 22: OTHER FINANCIAL LIABILITIES		
Current		
Foreign currency forward contracts	2,661	1,016
Lease liabilities and incentives	1,447	3,315
	4,108	4,331
Non-current		
Foreign currency forward contracts	-	1,398
Lease liabilities and incentives	572	31,933
	572	33,331
NOTE 23: PROVISIONS		
Current		
Warranty and contract	6,483	6,349
Workers' compensation	2,528	11,120
Public liability	1,881	9,238
Claims	-	27,486
Onerous leases	1,423	2,038
Other	4,573	16,573
	16,888	72,804
Non-current		
Warranty and contract	4	8
Workers' compensation	-	8,970
Public liability	-	18,801
Claims	-	78,797
Onerous leases	4,000	1,468
Other	5,715	11,970
	9,719	120,014
Total provisions	26,607	192,818

Movement in provisions

	WARRANTY AND CONTRACT $'000	WORKERS' COMPENSATION $'000	PUBLIC LIABILITY $'000	CLAIMS $'000	ONEROUS LEASES $'000	OTHER $'000	TOTAL $'000
Balance at 1 July 2013	6,357	20,090	28,039	106,283	3,506	28,543	192,818
Provisions made during the year	4,264	15,455	7,801	-	5,423	11,511	44,454
Provisions used during the year	(3,690)	(13,943)	(6,861)	(20,701)	(2,312)	(8,986)	(56,493)
Provisions reversed during the year	(444)	(6,091)	(2,677)	(25,907)	-	(7,277)	(42,396)
Reclassification	-	-	-	-	-	(1,307)	(1,307)
Transfer to liabilities held for sale	-	(12,853)	(24,280)	(69,387)	(1,615)	(13,893)	(122,028)
Foreign exchange movement	-	(130)	(141)	9,712	282	1,319	11,042
Unwinding of discount	-	-	-	-	139	378	517
Balance at 30 June 2014	6,487	2,528	1,881	-	5,423	10,288	26,607

Warranties and contracts
Provision is made for the estimated liability on all products still under warranty at balance date, and known claims arising under service and construction contracts. The provision is estimated having regard to previous claims experience.

Public liability and workers' compensation insurance
The Group self-insures for various risks, including workers' compensation in some states. Provision is made for the Group's obligations for incurred and incurred but not reported (IBNR) insurance claims, based on assessment using prior claims history.

Claims
Provision is made for claims and legal costs where litigation has been commenced, or it is probable that litigation will commence, where such claims are not covered by professional indemnity insurance. Provision is also made for the Group's liability for IBNR claims, based on assessment using prior claims history and estimation of the insurance cover likely to be available in future years.

Onerous leases
Provision is made for the unavoidable costs of meeting contractual obligations where the costs of those obligations exceed the economic benefits expected to be received from the lease contracts.

Other
Other provisions include provisions for rectification and maintenance obligations.

NOTE 24: CAPITAL AND RESERVES

	2014 $'000	2013 $'000
Share capital		
Issued and paid-up capital		
165,761,240 (2013: 165,761,240) ordinary shares	910,836	910,836

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

	2014 NUMBER OF ORDINARY SHARES	2014 $'000	2013 NUMBER OF ORDINARY SHARES	2013 $'000
Movements in contributed equity				
Opening balance	165,761,240	910,836	165,565,038	908,775
Shares issued pursuant to employee share plans	-	-	196,202	2,061
Closing balance	165,761,240	910,836	165,761,240	910,836

In March 2013, the Company issued 196,202 shares (share price $10.50), purchased by the UGL Limited Employee Share Plan Trust, and recognised as treasury shares.

Total ordinary shares of 166,511,240 are held by the share registry, which includes an additional 750,000 shares, treated for accounting purposes as options.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

	2014 $'000	2013 $'000
Dividends		
Dividends recognised in the current year by the Company are:		
Final unfranked dividend for 2013 of 5 cents per share (2012: 36 cents fully franked) paid on 6 September 2013 (2012: 7 September 2012)	8,326	59,873
No interim dividend was paid in the current year (2013: 34 cents, franked to 50%, paid on 27 March 2013)	-	56,614
Total dividends paid	8,326	116,487
Dividends not recognised at year end:		
Since the year end the directors have not recommended the payment of a final dividend (2013: 5 cents, unfranked)	-	8,326
Dividend franking account – Company		
Franking credits at a tax rate of 30% (2013: 30%) available to shareholders of UGL for subsequent financial years	3,352	1,245

The above amounts represent the balance of the dividend franking account at year end adjusted for:

(i) franking credits that will arise from the payment of the current tax liability;

(ii) franking debits that will arise from the payment of dividends recognised as a liability at the year end; and

(iii) franking credits that will arise from the receipt of dividends recognised as receivables by the tax-consolidated group at the year end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has assumed the benefit of all franking credits.

NOTE 24: CAPITAL AND RESERVES (continued)

Capital risk management
The Board's objective when managing capital is to safeguard the ability of the Group to continue as a going concern whilst providing adequate returns to shareholders and maintaining an optimal capital structure to reduce the cost of capital.

The Board monitors the return on capital, which is defined as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also establishes the dividend payout policy which was targeted as being 65% to 75% of underlying earnings in previous periods. As announced to market, the Directors have temporarily suspended the payment of dividends until completion of the DTZ sale process. Accordingly the dividend payout for the year ended 30 June 2014 was $nil (underlying $nil) (2013: 178%, underlying 70%).

Capital is monitored on the basis of the gearing ratio. The strategy is to maintain a gearing ratio of net debt/(net debt + equity) for the Group within 30% to 40%. The gearing ratios at 30 June 2014 and 30 June 2013 were as follows:

	NOTE	2014 $'000	2013 $'000
Total borrowings	19, 26	749,210	741,694
Less: cash and cash equivalents	9	(182,497)	(161,070)
Net debt		566,713	580,624
Total equity		1,172,274	1,118,084
Total capital		1,738,987	1,698,708
Gearing ratio		32.6%	34.2%

As disclosed in Note 19: Loans and borrowings, the Group is required to maintain specified financial ratios. The Group complied with all borrowing covenant ratios and other capital requirements during the year.

There were no changes in the Group's approach to capital management during the year.

Reserves
Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions where settlement has not yet occurred.

Employee equity benefit reserve
The employee equity benefit reserve represents the cumulative expense associated with equity-settled compensation, under employee option and share plans.

Treasury shares
The reserve for treasury shares comprises the cost of the Company's shares purchased and held by the trustee of the UGL Limited Employee Share Plan Trust being unvested shares granted under UGL employee share plans. As at 30 June 2014 the Trust held 2,136,007 of the Company's shares (2013: 2,522,122 shares).

NOTE 25: CASH FLOW INFORMATION

	NOTE	2014 $'000	2013 $'000
(a) Reconciliation of cash			
Cash and cash equivalents	9	182,497	161,070
Bank overdraft	19	(3,267)	(3,416)
Cash and cash equivalents in statement of cash flows		179,230	157,654

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and deposits at call, net of overdrafts, and investments in money market instruments with less than 90 days to maturity.

	2014 $'000	2013 $'000
(b) Reconciliation of profit after tax to cash flow from operations		
Profit after tax	68,507	41,195
Adjustment for:		
Depreciation and amortisation	58,824	71,638
Impairment of trademarks and trade names	-	29,149
Impairment of property, plant and equipment	2,797	-
Equity-settled share-based payments	1,305	4,732
Profit on sale of property, plant and equipment	(16,261)	(16,854)
Profit on sale of unlisted investment	-	(1,653)
FCTR write off on disposal of subsidiary	317	-
Unrealised foreign exchange loss (gain)	(931)	253
Share of equity accounted investees net profit/distribution	7,021	7,224
Interest defined benefit plan	531	706
Interest discount unwind	217	399
Movement in income taxes payable	16,894	(17,276)
Movement in deferred taxes	(26,977)	(19,104)
Changes in assets and liabilities:		
Trade and other receivables	(56,765)	(21,683)
Inventories	21,058	8,168
Other financial assets	(4,000)	(6,925)
Trade and other payables	31,214	34,507
Provisions and employee benefits	(41,679)	(8,899)
Cash flow from operations	62,072	105,577

NOTE 26: ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets held for sale and discontinued operations comprise:

	2014 $'000
Assets held for sale	4,400
Assets held for sale – discontinued operation	1,580,441
	1,584,841
Liabilities held for sale – discontinued operation	628,115

	2014 $'000
Assets classified as held for sale	
Land	284
Buildings	2,811
Plant and equipment	1,305
	4,400

During the financial year the Company implemented and substantially completed a property sales program. As at 30 June 2014, one industrial site remained as held-for-sale, with a sale expected within the next twelve months. These assets are presented in the Engineering segment in Note 3: Operating segments.

These industrial site assets held-for-sale are carried at fair value less costs to sell based on a provisional offer received subsequent to the year end. An impairment loss on classification to held-for-sale of $1,885,000 is recognised in other expenses in continuing operations.

Discontinued operation

In June 2014, the Company announced that it had entered into a binding agreement to sell the DTZ businesses to a consortium comprising TPG Capital, PAG Asia Capital and Ontario Teachers' Pension Plan for an enterprise value of $1.215 billion. Completion is expected to occur in the last quarter of the 2014 calendar year, subject to regulatory approvals, no material adverse change and other business related conditions.

The DTZ business has been classified as a discontinued operation. The results, assets and liabilities are presented in the DTZ Property segment in Note 3: Operating segments.

The full year results and cash flows from the discontinued operation are as follows:

	NOTE	2014 $'000	2013 $'000
Profit from discontinued operations			
Revenue		2,222,449	1,913,296
Other income		823	1,069
Expenses		(2,185,884)	(1,882,571)
Share of profit of equity accounted investees (net of tax)		6,147	3,692
Profit before income tax		43,535	35,486
Attributable income tax expense		(6,851)	(7,342)
Profit for the year from discontinued operations		36,684	28,144
Cash flow from discontinued operations			
Net cash inflows from operating activities		18,572	59,572
Net cash outflows from investing activities		(54,058)	(47,439)
Net cash inflows from financing activities		27,781	20,717
Net cash (outflows)/inflows		(7,705)	32,850

The major classes of assets and liabilities of the DTZ businesses at the end of the reporting period (reported as a disposal group) and stated at their carrying amounts, are as follows:

	2014 $'000
Assets classified as held for sale:	
Trade and other receivables	453,042
Inventories	10,844
Income tax receivable	4,208
Other financial assets	31,895
Investments accounted for using the equity method	15,993
Property, plant and equipment	48,881
Intangible assets	1,007,055
Deferred tax assets	8,523
	1,580,441
Liabilities directly associated with assets classified as held for sale:	
Trade and other payables	258,982
Loans and borrowings	8,709
Employee benefits	176,479
Other financial liabilities	31,772
Income tax payable	18,674
Provisions	122,028
Deferred tax liabilities	11,471
	628,115
Total amounts recognised directly in equity associated with assets classified as held for sale	10,234

NOTE 27: OPERATING LEASES

	2014 $'000	2013 $'000
Non-cancellable operating leases are payable as follows:		
– not later than one year	29,500	82,891
– later than one year but not later than five years	56,467	172,864
– later than five years	37,479	105,653
	123,446	361,408

The Group has entered into commercial leases on certain motor vehicles and office premises. These leases have average terms of between one and ten years. There are no financial restrictions placed upon the lessee by entering into these leases.

NOTE 28: CAPITAL AND OTHER COMMITMENTS

	2014 $'000	2013 $'000
Capital expenditure commitments		
Contracted but not yet provided for and payable:		
– Plant and equipment purchases	1,557	2,419
– Software purchases	765	543
	2,322	2,962
Other commitments	–	–

NOTE 29: CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of the matters noted below, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:

(i) Under the provisions of certain joint venture agreements undertaken by entities controlled by UGL, the controlled entities are jointly and severally liable for all liabilities incurred by these joint ventures. As at 30 June 2014, the assets of the joint ventures exceed such liabilities.

(ii) In the normal course of business, entities within the Group may incur contractors' and product liability, or be subject to threatened or pending legal actions arising from their activities. Such liabilities include the potential costs to carry out further works and/or costs of litigation by or against those Group entities. The business carries professional indemnity insurance and no separate disclosure is made of the costs of claims covered by insurance as to do so could seriously prejudice the position of the Group.

Where such costs are not covered by professional indemnity insurance, provision is made for the potential costs of carrying out further works based on known claims and previous claims history, and for legal costs and claims where litigation has been commenced, or it is probable that litigation will commence. Provision is also made for the Group's liability for incurred but not reported (IBNR) claims, based on assessment using prior claims history.

Based on previous experience, amounts specifically provided, and the circumstances of specific claims outstanding, no additional costs are anticipated. However, as the ultimate outcome of these claims cannot be reliably determined at the date of this report, contingent liabilities may exist for any amounts that ultimately become payable in excess of current provisioning levels.

NOTE 30: PARENT ENTITY DISCLOSURES

For the financial years ended 30 June 2014 and 2013, the parent entity of the Group was UGL Limited.

	2014 $'000	2013 $'000
Results of the parent entity		
(Loss)/ profit for the year	(47,918)	80,494
Other comprehensive income	(840)	-
Total comprehensive income for the year	(48,758)	80,494
Financial position of the parent entity at year end		
Current assets	85,732	157,944
Total assets	1,517,816	1,404,816
Current liabilities	67,232	49,621
Total liabilities	531,471	358,681
Total equity of the parent entity comprises:		
Share capital	910,836	910,836
Employee equity benefit reserve	23,538	26,244
Hedging reserve	(840)	-
Retained earnings	52,811	109,055
Total equity	986,345	1,046,135
Parent entity capital commitments for acquisition of property, plant and equipment		
Contracted but not yet provided for and payable	957	126

Parent entity guarantees in respect of debts of its subsidiaries.

The Company has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries, and the subsidiaries may provide financial assistance to the Company.

The directors of subsidiaries who are parties to the Deed of Cross Guarantee detailed in Note 31: Subsidiaries (b) have given an undertaking that they will provide financial assistance to the Company and that they guarantee each creditor payment in full. The effect of this undertaking is to ensure sufficient financial assistance is provided to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations now and in the future.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed, are disclosed in Note 31: Subsidiaries (b).

The parent entity has no contingent liabilities.

NOTE 31: SUBSIDIARIES

(a) Significant subsidiaries

The financial statements at 30 June 2014 include the following significant subsidiaries:

	PARTIES TO DEED OF CROSS GUARANTEE	COUNTRY OF INCORPORATION AND OPERATION	OWNED 2014 %	OWNED 2013 %
Parent entity:				
UGL Limited	(b)	Australia		
Significant subsidiaries – continuing operations:				
UGL Engineering Pty Ltd (formerly UGL Infrastructure Pty Ltd)	(b)	Australia	100	100
Inspection Testing & Certification Pty Ltd	(b)	Australia	100	100
Olympic Dam Maintenance Pty Ltd	(b)	Australia	100	100
United KG Construction Pty Ltd	(b)	Australia	100	100
United KG Maintenance Pty Ltd	(b)	Australia	100	100
United Group Pty Ltd	(b)	Australia	100	100
United KG (No. 1) Ltd	(b)	Australia	100	100
United KG (No. 2) Pty Ltd	(b)	Australia	100	100
United KG Engineering Services Pty Ltd	(b)	Australia	100	100
United Group Infrastructure (Services) Pty Ltd	(b)	Australia	100	100
United Group International Pty Ltd	(b)	Australia	100	100
UGL Rail Pty Ltd	(b)	Australia	100	100
UGL Rail Services Pty Limited	(b)	Australia	100	100
UGL Operations and Maintenance (Services) Pty Limited (formerly UGL Resources (Services) Pty Limited)	(b)	Australia	100	100
UGL Rail (North Queensland) Pty Ltd	(b)	Australia	100	100
UGL (NZ) Limited	(b)	New Zealand	100	100
United Group Infrastructure (NZ) Limited	(b)	New Zealand	100	100
UGL Operations and Maintenance Pty Limited (formerly UGL Resources Pty Ltd)	(b)	Australia	100	100
UGL Rail Fleet Services Pty Limited	(b)	Australia	100	100
UGL Unipart Rail Services Pty Ltd		Australia	70	70
Significant subsidiaries – held for sale:				
UGL Services Pty Ltd	(b)	Australia	100	100
UGL Process Solutions Pty Ltd	(b)	Australia	100	100
UGL Procurement Services Pty Ltd	(b)	Australia	100	100
UGL HR Services Pty Ltd	(b)	Australia	100	100
UGL FM Services Pty Ltd	(b)	Australia	100	100
DTZ Facilities & Engineering (S) Limited (formerly UGL Services PREMAS Operations Limited)		Singapore	100	100
PREMAS Property Services (Shanghai) Co. Ltd		China	100	100
DTZ Operations Pte Ltd (formerly UGL Services ESMACO Operations Pte Ltd)		Singapore	100	100
DTZ Township Management Pte Ltd (formerly ESMACO Township Management Pte Ltd)		Singapore	100	100
United Group Investment Partnership		USA	100	100
DTZ Global Inc (formerly United Group USA Inc)		USA	100	100
DTZ America Inc (formerly UGL Services Equis Operations Co)		USA	100	100
DTZ Inc (formerly UGL Services Unicco Operations Co)		USA	100	100
UGL Europe Limited		UK	100	100
DTZ Debenham Tie Leung Limited		UK	100	100
DTZ International Limited		UK	100	100
DTZ Asset Management SAS		France	100	100
DTZ Deutschland Holdings GmbH		Germany	100	100
DTZ Pacific Holdings Limited		British Virgin Islands – operations Hong Kong and China	100	100
Edmond Tie & Company Holdings Pte Ltd		Singapore	69	69
DTZ France SA		France	100	100
DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co Ltd		China	100	100
DTZ Zadelhoff Tie Leung Central & Eastern Europe BV		Netherlands	100	100

(b) Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed above as parties to the Deed of Cross Guarantee are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

During the year no entities were added to or released from the Deed of Cross Guarantee.

A consolidated statement of comprehensive income and statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2014 are set out as follows:

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS	2014 $'000	2013 $'000
Revenue	1,793,776	1,892,079
Expenses	(1,819,782)	(1,826,494)
Finance costs expense	(22,488)	(19,506)
Share of profit of equity accounted investees	12,006	1,359
(Loss)/ profit before tax	(36,488)	47,438
Income tax benefit/(expense)	20,234	11,166
(Loss)/ profit after tax	(16,254)	58,604
Other comprehensive income	(11,342)	(15,992)
Total comprehensive income for the year	(27,596)	42,612
Retained earnings at beginning of year	211,735	269,618
Transfers to and from reserves	11,342	15,992
Dividends recognised during the year	(12,249)	(116,487)
Retained earnings at the end of the year	183,232	211,735

NOTE 31: SUBSIDIARIES (continued)

STATEMENT OF FINANCIAL POSITION	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	20,580	14,238
Trade and other receivables	245,996	216,479
Inventories	314,018	332,249
Income tax receivable	51,727	61,582
Other financial assets	-	860
	4,400	-
Total current assets	636,721	625,408
Non-current assets		
Trade and other receivables	193,683	14,852
Investments accounted for using the equity method	34,322	31,947
Other financial assets	466,407	466,714
Property, plant and equipment	58,975	123,963
Intangible assets	547,471	533,855
Deferred tax assets	48,241	28,886
Total non-current assets	1,349,099	1,200,217
Total assets	1,985,820	1,825,625
Current liabilities		
Trade and other payables	309,484	288,044
Loans and borrowings	182	423
Employee benefits	82,356	68,848
Other financial liabilities	4,108	2,492
Provisions	17,400	17,425
Total current liabilities	413,530	377,232
Non-current liabilities		
Loans and borrowings	458,232	294,393
Employee benefits	7,019	7,453
Other financial liabilities	572	3,417
Deferred tax liabilities	2,703	6,527
Provisions	10,539	3,536
Total non-current liabilities	479,065	315,326
Total liabilities	892,595	692,558
Net assets	1,093,225	1,133,067
Equity		
Share capital	910,836	910,836
Reserves	(843)	10,496
Retained earnings	183,232	211,735
Total equity	1,093,225	1,133,067

The following subsidiaries are parties to the deed of cross guarantee as at 30 June 2014, but will cease to be parties on sale of the DTZ businesses: UGL Services Pty Ltd; UGL Process Solutions Pty Ltd; UGL Procurement Services Pty Ltd; UGL HR Services Pty Ltd; and UGL FM Services Pty Ltd. As at 30 June 2014, the aggregate net assets of these companies amounted to $80,276,000 (2013: $71,692,000), and their aggregate contribution to profit or loss was $8,656,000 (2013: $8,755,000).

NOTE 32: RELATED PARTIES

Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	6,149,286	6,127,877
Post-employment benefits	407,476	417,873
Other long-term benefits	-	40,216
Share-based payments	(1,718,014)	2,183,145
	4,838,748	8,769,111

Individual directors and executives compensation disclosures

Information regarding individual directors and executive compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interest existing at year end.

Loans to key management personnel and their related parties

No loans were outstanding or made to key management personnel and their related parties at any time during the 2013 and 2014 financial years.

Key management personnel transactions

From time-to-time key management personnel (KMP), or their related parties, may hold positions or interests in other entities that the Group transacts with. The nature of these positions is such that neither party has control or significant influence over the trading terms, which are on normal arms-length bases.

Non-key management personnel transactions

Contributions to superannuation funds on behalf of employees are disclosed in Note 6: Expenses.

Transactions with equity accounted investees

Details of equity accounted investees are set out in Note 14: Investments accounted for using the equity method.

Aggregate amounts included in the determination of profit before income tax that resulted from transactions with equity accounted investees were as follows:

	2014 $	2013 $
Sale of goods and services	174,980,225	175,001,470
Interest received	731,301	731,250
Purchase of goods and services	2,352,658	1,062,922
Aggregate amounts receivable from equity accounted investees at balance sheet date were as follows:		
Loan to associate	9,750,000	9,750,000
Receivable from equity accounted investees	14,861,983	32,348,434
Payable to equity accounted investees	1,420,734	424,295

Terms and conditions

Outstanding balances are unsecured and repayable in cash.

Loans to equity accounted investees are made on normal commercial terms and repayable at the end of the initial franchise term. The average interest rate on loans during the year was 7.5% (2013: 7.5%).

NOTE 33: AUDITOR REMUNERATION

	2014 $	2013 $
Amounts received or due and receivable by KPMG for:		
Audit or review of the financial statements	2,817,150	2,596,830
Other services		
Taxation	286,000	155,184
Other	25,000	33,000
	311,000	188,184
	3,128,150	2,785,014

NOTE 34: EARNINGS PER SHARE

	2014 $'000	2013 $'000
The calculation of earnings per share is based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.		
Net profit attributable to ordinary shareholders of the Company – continuing operations	27,427	9,914
Net profit attributable to ordinary shareholders of the Company – discontinued operations	34,655	26,005
	62,082	35,919

	2014 NO.	2013 NO.
Weighted average number of ordinary shares used in calculating basic earnings per share	166,511,240	166,380,618
Effect of dilutive securities:		
– options	–	–
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	166,511,240	166,380,618
Basic and diluted earnings per share (cents per share) – continuing operations	16.5	6.0
Basic and diluted earnings per share (cents per share) – discontinued operations	20.8	15.6
	37.3	21.6

NOTE 35: FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk; and market risk (including currency risk and interest rate risk).

The Group's overall financial risk management processes and procedures seek to minimise potential adverse effects on the financial performance of the Group that may arise from the unpredictability of financial markets.

Liquidity and market risk management is carried out by a central treasury department (Group Treasury) in accordance with risk management policies. Financial risk management policies are reviewed periodically to reflect changes in market conditions and the Group's activities. Group Treasury identifies, evaluates and hedges these financial risks in close cooperation and with input from the Group's business units.

The Group uses derivative financial instruments such as foreign exchange contracts, interest rate swaps, as well as rise and fall clauses in contracts, to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group uses various methods to measure different types of risk exposures. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks, and ageing analysis for credit risk.

The following commentary and disclosures are based on the continuing business of the Group as at 30 June 2014, before consideration of any change to the Group's financing arrangements post the completion of the agreement to sell the DTZ businesses with completion expected to occur in the last quarter of the 2014 calendar year. Refer Note 26: Assets held for sale and discontinued operations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or the counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The maximum exposure to credit risk is the carrying amount of the financial assets.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base consists mainly of government, semi-government and major public company customers. The demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, has less of an influence on credit risk.

New customers are analysed individually for creditworthiness, taking into account credit ratings where available, financial position, past experience and other factors. This includes all major contracts and tenders approved by the Group Tender Committee.

In monitoring customer credit risk, customers are grouped by business segment, and then by their debtor ageing profile. Monitoring of receivable balances on an ongoing basis minimises the exposure to bad debts. There are no significant concentrations of credit risk within the Group.

A provision for impairment is recognised when there is a clear indication that an individual trade receivable is impaired.

NOTE 35: FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments

Counterparties to derivative financial instruments are principally large banks and recognised financial intermediaries with which the Group has loans and borrowings outstanding and which have acceptable credit ratings determined by a recognised rating agency.

	NOTE	2014 $'000	2013 $'000
Credit risk			
Exposure to credit risk			
The carrying amount of financial assets represents the maximum credit exposure			
Maximum exposure at the reporting date was:			
Trade receivables		179,968	446,546
Other receivables		41,921	156,871
Trade and other receivables (excluding prepayments and retentions)	10	221,889	603,417
Bank balances and call deposits	9	182,401	160,910
Other assets	13	9,750	27,805
Foreign exchange contracts	13	28	860
		414,068	792,992
Maximum exposure to credit risk for trade and other receivables at the reporting date by business segment was:			
UGL Engineering		219,683	208,155
DTZ Property		-	394,931
Unallocated		2,206	331
		221,889	603,417

	GROSS 2014 $'000	IMPAIRMENT 2014 $'000	GROSS 2013 $'000	IMPAIRMENT 2013 $'000
The ageing of trade receivables at the reporting date was:				
Not past due	155,579	(675)	310,449	(965)
Past due up to 30 days	18,527	-	64,166	(103)
Past due 31 to 120 days	4,333	-	48,430	(981)
Past due 121 days to one year	649	-	12,929	(3,661)
More than one year	880	(124)	10,572	(5,570)
	179,968	(799)	446,546	(11,280)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014 $'000	2013 $'000
Balance at 1 July	(11,280)	(15,180)
Provisions made during the year	(9,295)	(7,771)
Impairment loss recognised	3,144	5,081
Provisions reversed during the year	6,652	7,820
Transfer to held-for-sale	10,193	-
Foreign exchange movement	(213)	(1,230)
Balance at 30 June	(799)	(11,280)

The creation and release of the allowance for impaired receivables is included in "other expenses" in the income statement.

None of the Group's other receivables and other assets are past due (2013: $nil).

Impairment allowance

The impairment allowance relates to specific customers, identified as being in trading difficulties, or where specific debts are in dispute. The impairment allowance does not include debts past due relating to customers with a good credit history, or where payments of amounts due under a contract for such customers are delayed due to works in dispute and previous experience indicates that the amount will be paid in due course.

When the Group is satisfied that no recovery of the amount owing is possible, the amounts considered irrecoverable are written off against the financial asset directly.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity is managed to ensure, as far as possible, that sufficient funds are available to meet liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash and excess committed credit facilities to meet expected operational expenses, including the servicing of financial obligations. Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Refer Note 19: Loans and borrowings for details of lines of credit available.

Surplus funds are generally only deposited with banks in the Group's relationship panel.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements.

2014	CARRYING AMOUNT $'000	CONTRACTUAL CASH FLOWS TOTAL $'000	6 MONTHS OR LESS $'000	6 TO 12 MONTHS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
Non-derivative financial liabilities							
Unsecured bank loans	469,829	(486,032)	(22,030)	(4,824)	(292,948)	(166,230)	–
Unsecured US notes	265,393	(332,421)	(8,782)	(8,782)	(17,564)	(297,293)	–
Secured bank loans	1,722	(1,722)	(1,722)	–	–	–	–
Finance lease liabilities	290	(327)	(106)	(97)	(101)	(23)	–
Trade and other payables – excluding billings in advance	265,694	(265,694)	(265,694)	–	–	–	–
Bank overdraft	3,267	(3,380)	(3,380)	–	–	–	–
Derivative financial liabilities							
Forward exchange contracts							
used for hedging:							
Carrying amount at fair value:							
Liabilities	2,661						
Assets	(29)						
Outflow		(60,071)	(40,615)	(12,736)	(6,720)	–	–
Inflow		61,742	41,666	13,179	6,897	–	–
	1,008,827	(1,087,905)	(300,663)	(13,260)	(310,436)	(463,546)	–

2013	CARRYING AMOUNT $'000	TOTAL $'000	6 MONTHS OR LESS $'000	6 TO 12 MONTHS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
Non-derivative financial liabilities							
Unsecured bank loans	455,385	(478,809)	(54,542)	(4,142)	(205,582)	(214,543)	–
Unsecured other loans	2,612	(2,808)	(220)	(24)	(235)	(2,329)	–
Unsecured US notes	269,542	(355,455)	(8,919)	(8,919)	(17,838)	(264,191)	(55,588)
Secured bank loans	2,725	(2,775)	(251)	(502)	(1,005)	(1,017)	–
Finance lease liabilities	8,014	(8,392)	(1,684)	(1,657)	(3,051)	(2,000)	–
Trade and other payables – excluding billings in advance	457,949	(457,949)	(457,949)	–	–	–	–
Bank overdraft	3,416	(3,416)	(3,416)	–	–	–	–
Derivative financial liabilities							
Forward exchange contracts							
used for hedging:							
Carrying amount at fair value:							
Liabilities	2,414						
Assets	(860)						
Outflow		(67,266)	(34,360)	(14,762)	(18,144)	–	–
Inflow		68,798	35,371	14,736	18,691	–	–
	1,201,197	(1,308,072)	(525,970)	(15,270)	(227,164)	(484,080)	(55,588)

Refer to Note 19: Loans and borrowings for details of the maturities of bank loans and US notes.

Market risk
Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. The Group's activities expose it primarily to the financial risks of changes in foreign currency rates and interest rates which are discussed further below. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group aims to minimise the effects of these risks by the use of financial derivatives. All such transactions are carried out in accordance with Group policy. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk
The Group operates internationally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily with respect to the US dollar, Euro, British pound and Singapore dollars.

The Group's major foreign currency exposure relates to purchases of raw materials and consumables, and equipment. Its hedging policy applies to exposures arising from these specific transactions.

Group companies are required to manage their foreign exchange risk against their local functional currency. The Group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities in accordance with Group policies, using forward contracts transacted on their behalf by Group Treasury.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

NOTE 35: FINANCIAL INSTRUMENTS (continued)

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date, reflected in the foreign exchange contracts taken out to manage that risk, was as follows, based on notional amounts:

		NOTIONAL AMOUNTS AUD		AVERAGE EXCHANGE RATE AUD	
		2014 $'000	2013 $'000	2014 $	2013 $
US dollars					
Buy US dollars/sell Australian dollars	One year or less	32,346	20,004	0.9029	1.0027
	One year to three years	-	2,815	-	0.9825
Buy Australian dollars/sell US dollars	One year or less	20,894	30,780	0.9601	0.9914
	One year to three years	451	16,568	0.8504	0.9723
Euros					
Buy euros/sell Australian dollars	One year or less	-	768	-	0.7682
Buy Australian dollars/sell euros	One year or less	286	-	0.6825	-
New Zealand dollars					
Buy Australian dollars/sell NZ dollars	One year or less	937	-	1.0750	-
British pounds					
Buy British pounds/sell Australian dollars	One year or less	1,327	5,858	0.5530	0.6065
Singapore dollars					
Buy Singapore dollars/sell Australian dollars	One year or less	-	2,539	-	1.1818
Various					Buy currency
Buy US dollars/sell Singapore dollars	One year or less – USD	-	1,793	-	USD 0.8027
Buy euros/sell British pounds	One year or less – Euro	-	9,000	-	Euro 0.8055
Buy Hong Kong dollars/sell British pounds	One year or less – HKD	81,314	81,692	HKD 12.3205	HKD 12.3776

The forward currency contracts are considered to be highly effective hedges as they are matched against forward inventory, contract costs and equipment purchases. Any gains or losses on the forward contracts attributable to the hedged risk are taken directly to equity. When goods and services are delivered the amount recognised in equity is adjusted to the inventory account, or property, plant and equipment in the statement of financial position.

There was no significant cash flow hedge ineffectiveness in the current or prior year.

Exchange rates

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2014	2013	2014	2013
US dollar	0.9185	1.0270	0.9420	0.9275
Euro	0.6771	0.7935	0.6906	0.7092
Singapore dollar	1.1572	1.2724	1.1763	1.1725
New Zealand dollar	1.1062	-	1.0761	-
British pounds	0.5651	0.6549	0.5531	0.6072

Sensitivity analysis

At 30 June 2014, had the Australian dollar weakened/strengthened by 10% against the respective foreign currencies, with all other variables held constant, the Group post-tax profit would have been materially unchanged mainly as a result of the effectiveness of the hedging in place, and Group equity would have been $8,622,000 higher/$8,622,000 lower (2013: $17,210,000 higher/$17,210,000 lower) had the Australian dollar weakened/strengthened against the respective currencies.

The analysis is performed consistently from year to year.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

Group policy is to maintain approximately 50% of its borrowings at fixed rate. The Group may use interest rate swaps from time to time to achieve this.

	2014 $'000	2013 $'000
Fixed rate instruments		
Financial assets	9,750	9,750
Financial liabilities	(265,683)	(277,556)
	(255,933)	(267,806)
Variable rate instruments		
Financial assets	182,401	160,910
Financial liabilities	(474,818)	(464,138)
	(292,417)	(303,228)

At reporting date the Group had the following variable rate borrowings outstanding.

	30 JUNE 2014		30 JUNE 2013	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000
Bank overdrafts	3.20	(3,267)	1.89	(3,416)
Bank and other loans	3.25	(471,551)	3.01	(460,722)
Net exposure to cash flow interest rate risk		(474,818)		(464,138)

Interest rate swaps – cash flow hedges

At 30 June 2014, the Group had no interest rate swaps outstanding (2013: $nil).

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss for the Group.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates during the year would have increased (decreased) equity and profit or loss before tax by $4,858,000 for the Group (2013: $3,889,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed consistently from year to year.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2014		2013	
	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Trade and other receivables	221,090	221,090	592,137	592,137
Cash and cash equivalents	182,497	182,497	161,070	161,070
Bank overdraft	(3,267)	(3,267)	(3,416)	(3,416)
Forward exchange contracts net – at fair value (Level 2 valuation method)	(2,632)	(2,632)	(1,554)	(1,554)
Secured bank loans	(1,722)	(1,722)	(2,725)	(2,725)
Finance lease liabilities	(290)	(263)	(8,014)	(7,972)
Unsecured bank facilities	(469,829)	(469,829)	(455,385)	(455,385)
US notes	(265,393)	(288,892)	(269,542)	(305,332)
Trade and other payables	(326,031)	(326,031)	(547,639)	(547,639)
Other loans	–	–	(2,612)	(2,612)
	(665,577)	(689,049)	(537,680)	(573,428)

Fair value hierarchy

Financial instruments carried at fair value are classified by valuation method based on the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivate financial instruments (forward exchange contracts) are the only financial instruments carried by the Group at fair value, with a Level 2 valuation method applied consistently in the current and prior year.

Estimation of fair value

The following methods and assumptions are used in estimating the fair values of financial instruments:

- forward exchange contracts – bank valuations adjusted as necessary to reflect the credit risk of the various counterparties;
- loans and borrowings, and finance leases – present value of future principal and interest cash flow, discounted at the market rate of interest at the reporting date; and
- trade and other receivables and payables – carrying amount equals fair value.

NOTE 36: AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, the results of these operations or state of affairs of the Group in subsequent financial years.

Directors' declaration

1. In the opinion of the directors of UGL Limited (the Company):
   (a) the consolidated financial statements and notes that are set out on pages 56 to 91 and the Remuneration Report set out in pages 9 to 26 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 31 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.
4. The directors draw attention to Note 1(b) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Trevor C Rowe AO
Chairman

Richard A Leupen
Managing Director & CEO

Dated at Sydney this 22 day of August 2014.

KPMG

Independent audit report to members of UGL Limited

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of UGL Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

AUDITOR'S OPINION

In our opinion:

(a) the financial report of UGL Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 30 to 47 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of UGL Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Mark Epper
Partner
Sydney

22 August 2014

Summary of financial statistics

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue											
Sales	$m	1,254.9	2,232.4	2,549.7	3,478.2	4,754.4	4,186.9	4,285.1	4,454.4	3,816.1	4,041.8
Other	$m	1.0	-	-	-	-	-	-	-	-	-
Total	$m	1,255.9	2,232.4	2,549.7	3,478.2	4,754.4	4,186.9	4,285.1	4,454.4	3,816.1	4.041.8
Results											
EBITDA	$m	81.9	147.3	179.9	246.9	273.1	275.8	296.4	265.9	143.4	164.1
Depreciation and amortisation	$m	(18.5)	(27.1)	(31.3)	(43.7)	(53.9)	(59.2)	(59.8)	(63.3)	(71.6)	(58.8)
EBIT	$m	63.4	120.2	148.6	203.2	219.2	216.6	236.6	202.6	71.8	105.3
Net interest	$m	(6.1)	(14.4)	(23.6)	(17.7)	(30.5)	(20.3)	(20.8)	(24.8)	(33.2)	(37.4)
PBT	$m	57.3	105.8	125.0	185.5	188.7	196.3	215.8	177.8	38.6	67.9
Income tax	$m	(9.8)	(27.1)	(33.7)	(53.1)	(45.0)	(52.3)	(57.1)	(42.4)	2.6	0.6
Net profit after tax	$m	47.5	78.7	91.3	132.4	143.7	144.0	158.7	135.4	41.2	68.5
NPAT attributable to non-controlling interests	$m	-	-	1.4	(1.3)	(1.2)	0.5	(0.2)	(1.1)	(5.3)	(6.4)
NPAT attributable to shareholders	$m	47.5	78.7	92.7	131.1	142.5	144.5	158.5	134.3	35.9	62.1
Amortisation of acquired intangibles	$m	-	-	-	8.4	13.1	11.0	9.8	11.5	14.1	10.7
Acquisition, restructuring and rebranding expenses	$m	-	-	-	-	-	-	-	29.8	65.1	64.1
Tax on adjusting items	$m	-	-	-	(3.4)	(5.3)	(4.4)	(3.9)	(7.3)	(23.6)	(25.2)
NPAT underlying (adj. for amortisation of acquired intangibles & acquisition and restructuring expenses)	$m	47.5	78.7	92.7	136.1	150.3	151.1	164.4	168.3	91.5	111.7
Balance sheet											
Total assets	$m	684.4	1,356.5	1,553.2	2,381.2	2,537.7	2,505.2	2,408.5	2,808.2	2,914.2	2,990.5
Net debt	$m	(32.6)	165.1	267.2	277.2	324.4	233.6	178.2	435.4	580.6	566.7
Shareholders' funds	$m	328.9	520.8	596.2	1,056.0	1,119.0	1,158.4	1,165.9	1,169.7	1,118.1	1,172.3
Issued shares											
Total issued shares	m	118.4	133.5	137.7	163.3	164.3	165.2	165.3	165.6	165.8	165.8
Earnings per share											
Cents per share	cps	45.8	63.7	67.8	81.8	87.1	87.7	95.5	80.8	21.9	37.3
Cents per share (underlying)	cps	45.8	63.7	67.8	84.9	91.9	91.7	99.0	101.3	55.4	67.1
Dividends											
Interim	cps	10.0	20.0	20.0	24.0	29.0	29.0	32.0	34.0	34.0	-
Final	cps	20.0	24.0	28.0	34.0	35.0	35.0	38.0	36.0	5.0	-
Special	cps	-	-	-	-	-	-	-	-	-	-
Total	cps	30.0	44.0	48.0	58.0	64.0	64.0	70.0	70.0	39.0	-
Franked		Fully	Fully	Fully	Fully	Fully	Fully	Fully	Fully	Partially	-
Gearing											
Net debt/ equity	%	(9.9)	31.7	44.9	26.3	28.9	20.2	15.3	37.2	51.9	48.3
Net debt/ (net debt + equity)	%	(11.0)	24.1	31.0	20.8	22.5	16.8	13.2	27.1	34.2	32.6
Interest cover	times	7.7	6.6	5.2	11.5	7.4	10.7	11.4	12.1	6.5	6.2
Dividend cover											
Excluding special dividends	times	1.5	1.4	1.3	1.4	1.4	1.4	1.4	1.5	0.6	n/a
Net asset backing	cps	277.8	390.1	432.9	646.6	681.7	701.7	708.7	704.3	678.6	711.7
Net tangible asset backing	cps	161.3	26.0	(38.3)	(43.8)	(82.4)	(31.7)	54.7	(131.2)	(212.6)	(221.3)

Additional information for listed companies as at 19 August 2014

The following additional information is provided in accordance with the ASX listing rules.

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders disclosed in substantial holding notices given to the Company are:

SHAREHOLDERS	NUMBER OF ORDINARY SHARES	%
Allan Gray Australia Pty Ltd	21,695,390	13.03
Janus Capital Management Inc	13,675,955	9.67
Caledonia (Private) Investments Pty ltd	8,928,694	5.36

DISTRIBUTION OF ORDINARY SHAREHOLDINGS

RANGE OF HOLDINGS	NUMBER OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES	%
1 - 1,000	14,783	7,412,604	4.45
1,001 - 5,000	11,761	26,987,929	16.21
5,001 - 10,000	1,528	10,939,228	6.57
10,001 - 100,000	714	14,950,611	8.98
100,001 and over	42	106,220,868	63.79
Total	28,828	166,511,240	100.00

The number of shareholders with less than a marketable parcel of 75 securities ($6.59 on 19 August 2014) is 1,258, holding in total 46,184 shares.

OPTIONS

The Company has on issue 1,322,542 options over unissued ordinary shares in the Company held by 53 option holders.

VOTING RIGHTS

The voting rights attached to ordinary shares are that each member present in person or by proxy, attorney or representative at a general meeting has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken on a poll. There are no voting rights attached to options.

TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest shareholders of the ordinary shares of the Company are:

NAME	NUMBER OF ORDINARY SHARES HELD	% HELD OF ISSUED ORDINARY CAPITAL
HSBC Custody Nominees (Australia) Limited	32,993,483	19.81
JP Morgan Nominees Australia Limited	19,033,577	11.43
Citicorp Nominees Pty Limited	16,540,412	9.93
National Nominees Limited	14,452,610	8.68
National Nominees Limited	2,165,943	1.30
Argo Investments Limited	2,113,242	1.27
UBS Nominees Pty Ltd	1,995,573	1.20
BNP Paribas Noms Pty Ltd	1,830,169	1.10
Pacific Custodians Pty Limited	1,827,829	1.10
Protech Holdings (WA) Pty Ltd	1,614,573	0.97
Milton Corporation Limited	1,451,191	0.87
Warbont Nominees Pty Ltd	1,026,611	0.62
Richard Anthony Leupen	1,020,686	0.61
Navigator Australia Ltd	696,725	0.42
QIC Limited	580,171	0.35
Nulis Nominess (Australia) Limited	556,928	0.33
HSBC Custody Nominees (Australia) Limited	538,000	0.32
Mr Paul Long	430,219	0.26
Citicorp Nominees Pty Limited	410,034	0.25
BKI Investment Company Limited	403,500	0.24
Total	101,681,476	61.06

ON-MARKET BUY-BACK

There is no current on-market buy-back.

STOCK EXCHANGE LISTINGS

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX code: UGL).

Corporate Directory

DIRECTORS

Trevor C Rowe AO
Non-executive Chairman

Raymond K F Ch'ien
Non-executive Director

Guy M Cowan
Non-executive Director

Richard G Humphry AO
Non-executive Director

Richard A Leupen
Managing Director &
Chief Executive Officer

Douglas F McTaggart
Non-executive Director

Kathryn D Spargo
Non-executive Director

CHIEF FINANCIAL OFFICER

Robert Bonaccorso

COMPANY SECRETARIES

Pryce Dale

Lyn Nikolopoulos

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