TRANSFIELD SERVICES

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TRANSFIELD SERVICES

FY2015 RESULTS

CONTENTS

IMPORTANT NOTE: Throughout this document, non-International Financial Reporting Standards (IFRS) financial indicators are included to assist with understanding the Group's performance. The primary non-IFRS information is underlying earnings before income tax, depreciation and amortisation (EBITDA), underlying earnings before income tax (EBIT) and underlying net profit after tax (NPAT).

Management believes Underlying EBITDA, Underlying EBIT and Underlying NPAT are appropriate indicators of the ongoing operational earnings of the business and its segments because these measures do not include significant one-off items (both positive and negative) that relate to disposed or discontinued operations, pre-acquisition legal settlement costs, costs incurred to restructure the business in the current period or costs associated with a takeover defence. A reconciliation of non-IFRS to IFRS information is included in the Statutory Reconciliations section of the Operating and Financial Review on page 26.

All comparisons are to the previous corresponding period of FY2014 – the 12 months ended 30 June 2014, unless otherwise indicated.

Certain figures provided in this document have been rounded. In some cases, totals and percentages have been calculated from information that has not been rounded, hence some columns in tables may not add exactly.

DIRECTORS' REPORT

Year ended 30 June 2015

Your Directors present their report on the consolidated entity consisting of Transfield Services Limited (Company or Parent Entity) and the entities it controlled at the end of, or during, the year ended 30 June 2015 (Group).

Directors

The Directors of the Company at any time during or since the end of the financial year are:

- Diane Smith-Gander;
- Graeme Hunt;
- Steven Crane (resigned on 26 February 2015);
- Douglas Snedden;
- Roy McKelvie;
- Katherine Hirschfeld;
- Dean Pritchard; and
- Geoffrey Kleemann (appointed on 19 September 2014).

Principal activities

During the year, the principal continuing activities of the Group consisted of the provision of operations and maintenance, asset management, project and capital management outsourcing and infrastructure development services.

The Group operates principally in Australia, New Zealand, the Americas (comprising the USA, Canada and Chile) and portions of the Pacific.

The Group's business units comprise Resources and Industrial, Infrastructure, and Defence, Social and Property.

Dividends

No dividends were declared or paid during the year.

Review of operations and likely developments and expected results of operations

Refer to the Operating and Financial Review on pages 6 to 26 for detailed commentary regarding the operations during the financial year as well as likely developments and expected results of operations for future financial years.

Significant changes in the state of affairs

During the financial year, the Group:

- continued to progress the implementation of its improved Entreprise Resources Planning with final roll out delivered in August 2015;
- finalised the implementation of its operating model for Australia and New Zealand; and
- continued to derisk its portfolio through settlement of legacy claims.

Events subsequent to balance date

No events have occurred since the end of the financial year that may materially affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years.

Significant environmental regulations

In Australia, the Group is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 (Cth) (NGER Act), which requires the Group to report its annual greenhouse gas emissions, energy production and energy consumption. The Company is registered with the Clean Energy Regulator and has submitted reports for all relevant periods since 30 June 2009. The Group has implemented systems and processes for the collection and calculation of greenhouse gas emissions data to enable it to continue to prepare and submit reports annually. The NGER Act requires the Group to report energy and greenhouse gas emissions to the Federal Government in respect of facilities over which it has operational control.

Obligations reported in prior years with respect to the Clean Energy Act 2011 (Cth) and the Energy Efficiency Opportunities Act 2006 (Cth) no longer apply as these acts have been repealed.

The Group is in compliance with all other relevant significant environmental legislation through its Environmental Management System.

Information on directors

Details of the Directors' responsibilities, shareholdings at 30 June 2015 and other directorships held by the Directors in the three year period ended 30 June 2015 are set out below:

Director	Special responsibilities	Interests in shares and Performance Awards of Transfield Services Limited	
		Ordinary shares*	Performance Awards
Diane Smith-Gander	Chairman of the Board of Directors	86,179	-
Graeme Hunt	Member of the Health, Safety, Environment and Community Committee	235,900	3,898,983
Katherine Hirschfeld	Member of the Human Resources Committee Member of the Health, Safety, Environment and Community Committee	59,333	-
Geoffrey Kleemann	Chair of the Risk, Audit and Compliance Committee Member of the Human Resources Committee	50,000	-
Roy McKelvie	Member of the Risk, Audit and Compliance Committee Member of the Human Resources Committee	100,000	-
Dean Pritchard	Chair of the Health, Safety, Environment and Community Committee Member of the Risk, Audit and Compliance Committee	35,000	-
Douglas Snedden	Chair of the Human Resources Committee Member of the Risk, Audit and Compliance Committee Member of the Health, Safety, Environment and Community Committee	103,285	-

* *Includes shares that are held by a related party.*

Director	Directorships of other listed entities held in the last three years
Diane Smith-Gander	Wesfarmers Ltd (ASX) since 2009
Graeme Hunt	AGL Energy Ltd (ASX) since 2012
Katherine Hirschfeld	Tox Free Solutions Ltd (ASX) since 2013 InterOil Corporation (NYSE and POM) since 2015
Geoffrey Kleemann	Asciano Limited (ASX) since 2009
Roy McKelvie	-
Dean Pritchard	Spotless Group Ltd (ASX) from 2007 to 2012 Arrium Ltd (ASX) from 2000 to 2015 Steel Tube and Holdings Ltd (NZX) since 2005 Oz Minerals Ltd (ASX) since 2008
Douglas Snedden	Hillgrove Resources Ltd (ASX) from 2012 to 2015 UXC Limited (ASX) since 2012 OzForex Group Limited (ASX) since 2015

Details of each director's qualifications and experience are available on our website at www.transfieldservices.com.

DIRECTORS' REPORT

Year ended 30 June 2015

Meetings of directors

				Meetings of Committees		
	Board meetings	Extraordinary Board meetings	Board Sub-Committee meetings	Risk, Audit and Compliance	Health, Safety, Environment and Community	Human Resources
NO OF MEETINGS HELD	**12**	**5**	**1**	**4**	**4**	**4**
No of meetings attended by						
Diane Smith-Gander	12	5	1	2	1	1
Graeme Hunt	12	5	1	4	4	4
Steven Crane[1]	8	5	-	3	-	-
Katherine Hirschfeld	11	5	-	1	4	4
Geoffrey Kleemann[2]	8	3	-	3	-	2
Roy McKelvie	12	5	-	4	-	4
Dean Pritchard	12	5	1	4	4	1
Douglas Snedden	12	5	-	4	2	4

[1] Steven Crane's retirement from the Board was effective 26 February 2015.

[2] Geoffrey Kleemann's appointments to the Board, the Risk, Audit and Compliance Committee and the Human Resources Committee were effective 19 September 2014.

Company Secretary

Angelique Nesbitt (LLM, BA (AS) and GIA (Cert)) was appointed Company Secretary in March 2013 and is the Executive General Manager Compliance, Communications & Group Company Secretary. She advises the Board and senior management on governance and is responsible for the Group's global compliance program. She joined the Company in January 2005 and has more than 20 years' of experience working with and advising companies in relation to mergers and acquisitions, banking and finance, corporate law and governance.

Remuneration Report

Information about remunerations as required under section 300A(1) of the *Corporations Act 2001* is set out in the Remuneration Report on page 27 to 46, which forms part of this Directors' Report.

Insurance of officers

During the financial year, the Company paid a premium for Directors' and Officers' Liability insurance. The policy covers the Directors and officers of the Company and its controlled entities. The Directors have not included details of the nature of the liabilities covered and the amount of the premium paid in respect of the Directors' and Officers' Liability insurance policy as such disclosure is prohibited under the terms of the contract.

Proceedings on behalf of the Company

No person has applied to a court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought, or intervened in, on behalf of the Company with leave of a court under section 237 of the *Corporations Act 2001*.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. Details of the amounts paid or payable to the auditor for audit and non-audit services (comprising other assurance services) provided during the year are set out in Note 29 to the consolidated financial statements.

The Board of Directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Risk, Audit and Compliance Committee is satisfied that the provision of those non-audit services, as set out in Note 29, 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:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Risk, Audit and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 94.

Rounding of amounts to nearest hundred thousand dollars

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest hundred thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.

Diane Smith-Gander
Chairman

Graeme Hunt
Managing Director and Chief Executive Officer

At Sydney

27 August 2015

OPERATING AND FINANCIAL REVIEW

CONTENTS

IMPORTANT NOTE: Throughout this document non-IFRS financial indicators are included to assist with understanding the Company's performance. The primary non-IFRS information is proportionately consolidated financial information, operating revenue, Underlying EBITDA, Underlying EBIT and Underlying NPAT.

Management believes proportionately consolidated financial information is an accurate reflection of operational results due to the materiality of joint venture arrangements in place. Proportionately consolidated results include the Company's share of joint venture revenues and earnings. Management believes Underlying EBITDA, Underlying EBIT and Underlying NPAT are appropriate indicators of the on-going operational earnings of the business and its segments because these measures do not include one-off significant items (both positive and negative) that relate to disposed or discontinued operations, legacy legal settlement costs, costs incurred to restructure the business in the current period or cost associated with a take-over defence. A reconciliation of non-IFRS to IFRS information is included where these metrics are used. This document has not been subject to review or audit by the Company's external auditors.

All comparisons are to the previous corresponding period of FY2014 – the 12 months ended 30 June 2014, unless otherwise indicated.

Certain figures provided in this document have been rounded. In some cases, totals and percentages have been calculated from information that has not been rounded, hence some columns in tables may not add exactly.

OVERVIEW OF KEY DRIVERS

The 2015 financial year has seen Transfield Services achieve its upgraded guidance and deliver a solid full year result, despite challenging macro-economic conditions and a slowdown in a number of key Sectors. The headwinds experienced in the Energy sub-sector were largely offset by the Company's expanding portfolio of contracts within the Defence, Social & Property Sector, as well as a return to growth in the Telecommunications business within the Infrastructure Sector.

Transfield Services' strategy and operating model, which focuses on supporting non-discretionary client expenditure, primarily within stable and growing sectors, are now both firmly embedded. This approach has underpinned a sustained improvement in balance sheet health in FY2015. Transfield Services' key performance metrics have all improved year-on-year with Underlying EBITDA of $265 million, Net Debt to EBITDA ratio at 1.8 times, our operating cash conversion of 113 per cent and Return on Capital Employed (ROCE) rising to 13.7 per cent.

Included in Underlying EBITDA of $265 million were provisions and one-off items of $36 million ($31 million of which relate to legacy contracts executed prior to the inception of the Gate Governance Framework in 2013).

Highlights of the Company's recent operating and financial performance include:

- Stable Lost Time Injury Frequency Rate (LTIFR) of 1.3 injuries per million hours worked. Total Recordable Injury Frequency Rate (TRIFR) increased from 5.4 to 5.5 injuries per million hours worked in FY2015. Transfield Services is focused on continuous improvement of its Health, Safety, Environment and Community (HSEC) performance and aspires to be a "Zero-Harm" employer and operator. As such, the result, whilst in line with sector best practice, has significant room for improvement
- Renewed focus on Environment, Social and Governance (ESG) management, including improvements in communicating detail of the Company's ESG profile and ongoing proactive communication with key stakeholders
- The operating model is now fully embedded and helping to promote role and structural clarity, enhanced visibility on the markets we operate in, combined with efficiency gains through the consolidation of support functions and a service line delivery approach
- Revenue growth of 1.9% to $3,797 million, up from $3,728 million in the prior comparative period
- Underlying EBITDA of $265 million, a 22.4 per cent increase on the prior comparative period (delivering on upgraded guidance)
- EBITDA margins increased to 7.0 per cent from 5.8 per cent in the prior comparative period (excluding provisions and one off items, the Underlying EBITDA margin was circa 7.9 per cent)
- Underlying NPAT relatively flat; $72 million in FY2015 from $73 million in the prior comparative period. Statutory NPAT of $49 million, decreased from $53 million in the prior comparative period
- Prudent financial management and controls continue to drive an improvement in key capital metrics as well as restoration of balance sheet health
  - Total funding (inclusive of net debt and trade creditors) reduced by $92 million to $983 million in FY2015
  - Net debt reduced to $471 million (inclusive of a foreign exchange re-statement of $39 million). Excluding this FX restatement, this is a reduction of $102 million in cash terms compared with the prior comparative period
  - A reduction in the Net Debt to EBITDA ratio to 1.8 times, from 2.5 times in the prior comparative period
  - Underlying operating cash conversion of 113 per cent for the full year
  - Reduction in net working capital to $116 million compared with the prior comparative period of $169 million
  - Disciplined working capital management has contributed to a decrease in debtor days from 49 days to 41 days for the full year
  - ROCE improved to 13.7 per cent from 10.0 per cent in the prior comparative period

OPERATING AND FINANCIAL REVIEW

Year ended 30 June 2015

Contract highlights during the reporting period include:

- Expanded national Defence contracts with revenue of $1.6 billion over 6 years. The contracts include expansion into the Northern Territory as well as increased presence and services across many Defence facilities nationally
- Awarded another key NBN Co contract with a 5 year term and revenue of up to $140 million in the first year, with an ability to expand volumes of work going forward
- A further 5 month extension to the existing NSW Housing contract, including a 20% increase in expected volumes
- Renewal and expansion of the Austin Health contract to provide full preventative and reactive maintenance services to three campuses in Victoria and the Olivia Newton-John Cancer and Wellness Centre
- Extension and expansion of the Gold Coast University Hospital contract to provide asset and building maintenance, cleaning, security and grounds maintenance
- Extension of well servicing arrangements with Easternwell signing a one-year contract extension for two rigs with QGC Pty Ltd and secured new contracts with BHP Billiton and Roy Hill for production based drilling services
- Execution of revised contracts with Santos to provide Facilities Management and Construction services in the Cooper and Eromanga Basins in central Australia

$2.5 billion of FY2016 revenue is already contracted representing 60% of forecast revenue for the year, which is consistent with prior years. Government clients represent 54% of total contracted revenue, consistent with our Group strategy to target non-discretionary spend. Further we have $3.6 billion worth of contracts either shortlisted or preferred, $12.5 billion of actively pursued opportunities in the contract pipeline, and $35 billion of identified leads.

Key areas of focus for the coming year include:

- Intensify safety focus on lead indicators to minimise injuries, with a key focus on increasing leader led safety visits, intervention initiatives, disciplined investigation of all near-miss events and a greater focus on behavioral based safety
- A formal programme to target average contract margin improvement over the next two years (circa $75 million - $100 million in business improvement benefits)
- Positive contribution and dealings within the communities in which we operate – through our structured ESG initiatives, with a particular focus on Indigenous participation and local sourcing
- Maintain downward pressure on working capital to deliver a Net Debt to EBITDA ratio within a band of 1.5 - 2.0 times on a business as usual basis
- Streamline execution of new bids, renewals and leveraged work through bid governance discipline, transition and execution accountability
- Target an increased “share of wallet” of existing customers and pursue identified growth areas to deliver medium term growth
- Convert pipeline opportunities into contracted revenue in FY2016 and beyond – with an emphasis on maintaining and improving portfolio balance, diversity and resilience
- Target new owners of infrastructure assets (private and public)
- Continue efforts to divest non-core investments
- Develop a new company brand that captures our core values and vision

SAFETY FOCUS

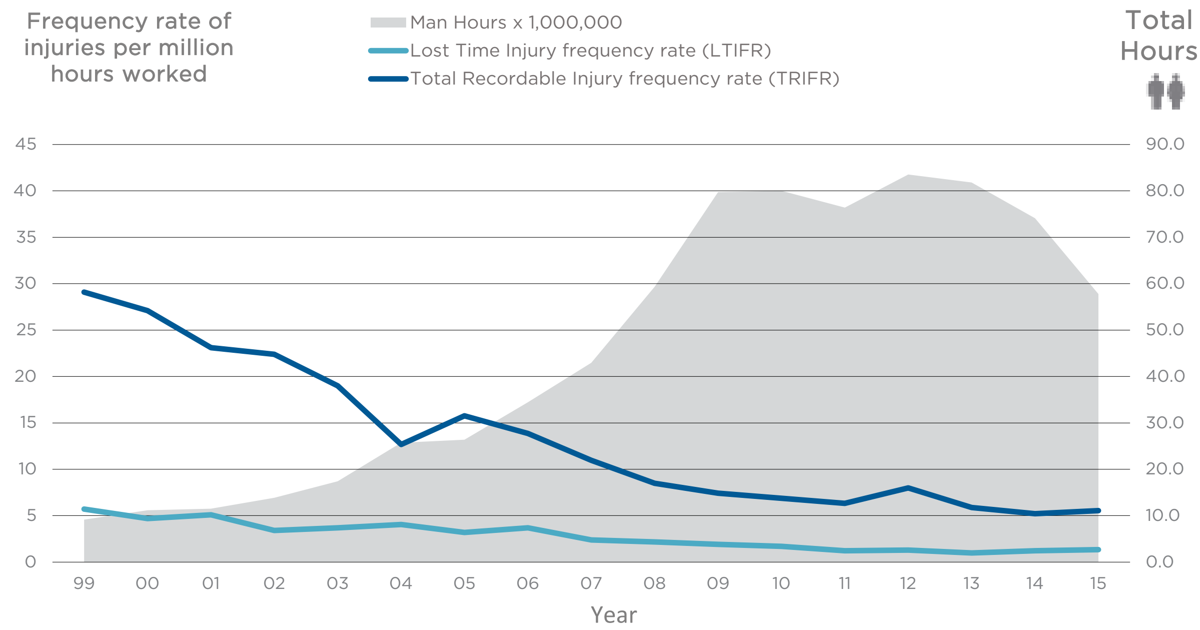
We were deeply saddened by two deaths on Company's work sites in the year. This highlights that despite being in line with our sector, there is still much more work to be done to achieve our goal.

Solid progress has been made on the Company's "return to the fundamentals" approach to safety flagged in the FY2014 annual report. The Company stated that it would focus more actively on leaders being "present and felt" in the workplace through "Leader Led Safety Conversations". Progress can be seen with 4,352 Leader Led Safety Conversations being held since late 2014, as well as the confirmation of 2,349 critical processes. Clarification of our operating standards, review of mandatory safety rules and the setting up of a cascading series of Safety Council Meetings through the entire Company have been aimed at simplifying our approach and engaging the workforce directly in the culture of present and felt safety leadership.

Against this background the Company achieved a stable Lost Time Injury Frequency Rate (LTIFR), at 1.3 injuries per one million hours worked. The Total Recordable Injury Frequency Rate (TRIFR) increased slightly from 5.4 to 5.5 in FY2015. Transfield Services is focused and totally committed to the concepts of Zero Harm and continuous improvement in all aspects of HSEC practice. As such, while the Company's result is in line with sector best practice, it is Management and the Board's view that performance in this critical area has significant room for improvement.

Notwithstanding the above, some sections of the business have shown significant improvement, with the Logistics & Facilities Management (L&FM) and Consulting service lines achieving 28 per cent and 60 per cent improvements in the TRIFR, respectively.

Historical Safety performance



OPERATING AND FINANCIAL REVIEW

Year ended 30 June 2015

MANAGEMENT REVIEW OF COMPANY PERFORMANCE

	Reported		Proportionally Consolidated	
A$'m	FY2015	FY2014	FY2015	FY2014
Operating Revenue	**3,796.7**	3,728.1	**4,206.1**	4,236.5
Underlying EBITDA	**265.3**	216.7	**281.1**	237.2
Underlying EBITDA Margin	**7.0%**	5.8%	**6.7%**	5.6%
Underlying EBIT	**168.2**	124.4	**n.a.**	n.a.
Underlying NPAT	**71.9**	72.6	**n.a.**	n.a.
Statutory NPAT	**48.6**	52.8	**n.a.**	n.a.
Contracted Revenue			**9.8bn**	8.7bn

FINANCIAL RESULTS

All numbers in the text below are statutory unless otherwise stated. All numbers defined as 'Underlying' exclude restructuring costs, settlement of legal dispute, gains and losses on disposal of assets or businesses, earnings from discontinued operations and other one-off non-operational items.

REVENUE AND PIPELINE

Operating revenue improved by 1.9 per cent year-on-year from $3,728 million in FY2014 to $3,797 million in FY2015. In FY2015, the Company's sources of revenue by Sector and Service Line, excluding Corporate revenue of $5 million, were as per the below table.

The FY2016 revenue profile is expected to remain consistent with prior years. As at 30 June 2015, 60% of forecast revenue was locked in through the $2.5 billion of contracted revenue due to be generated in FY2016. The remainder of the forecast revenue will be sourced through a combination of new contract wins, leveraged work on existing contracts and contract renewals.

The Company's total contracted revenue at 30 June 2015 is $9.8 billion, $1.1 billion higher than the prior comparative period. The Company has focused on expanding revenue via additional, leveraged work within existing contracts and is in the process of bidding on several significant tenders in the Resources & Industrial (R&I) and Defence, Social & Property (DS&P) Sectors.

The proportion of fixed fee contracts to total contracted revenue has increased to 53 per cent from 50 per cent in the prior comparative period. This results from the increased weighting of the portfolio to the Infrastructure and DS&P Sectors which are typically fixed fee contracts, together with the reduced influence of the R&I Sector which has historically consisted of schedule of rates contracts.

Work In Hand by Contract Type (% of revenue)

	FY2014	FY2015	Movement
Cost Reimbursable / KPI base	11.3%	13.8%	2.5%
Schedule of rates	35.9%	28.2%	(7.7%)
Fixed Fee for Service	49.9%	53.1%	3.2%
Lump Sum (D&C)	2.9%	4.9%	1.9%

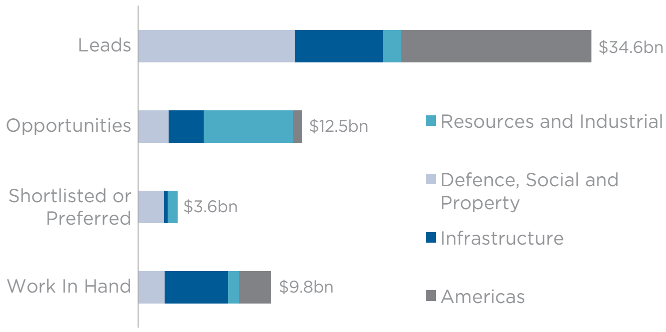
The recalibration of focus towards opportunities with greater margin growth and stronger alignment with the Company's strategy resulted in the quantum of pipeline opportunities decreasing during the period. The Company was successful in winning circa 46 per cent of total contract opportunities, based on the number of opportunities pursued, with a win rate of 31 per cent of new contracts tendered and 81 per cent of renewals. The consolidated win rate is above the historical average of 30-40 per cent. The charts below split the total pipeline by Sector.

FY2015 revenue by Sector and Service line	Infrastructure	Defence, social and property	Resources and industrial	Americas	Total service Line
Logistics and facilities management	25.5	1,408.6	10.2	-	1,444.3
Construction	460.2	-	90.2	-	550.4
Consulting	-	88.8	26.3	-	115.1
Operations and Maintenance	576.0	58.7	372.3	412.8	1,419.7
Well servicing	-	-	262.3	-	262.3
Total sector	1,061.7	1,556.1	761.3	412.8	3,791.9*

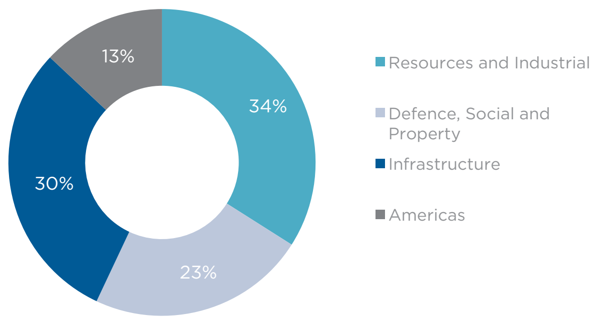
** excluding Corporate*

Leads, Opportunities and Work In Hand by Sector

AUD$'bn

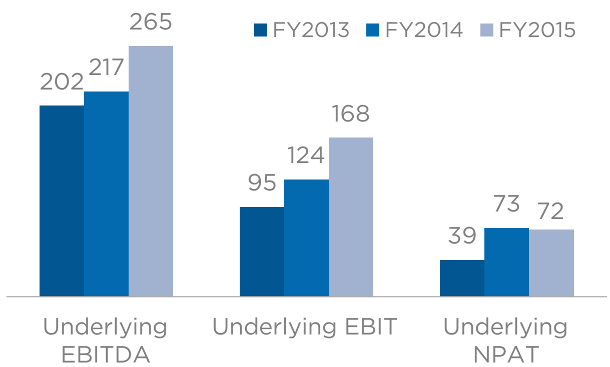


Contracted Revenue and Opportunities Pipeline (% of Revenue Distribution)



UNDERLYING EBITDA, EBIT AND NPAT

AUD$'m



The Company's Underlying EBITDA increased by $49 million from the prior comparative period to $265 million, comprising:

- New contracts or expanded contracts contributing $154 million, including the full year impact of the Department of Immigration and Border Protection (DIBP) regional processing contract on Manus Island and Nauru scope expansions, Defence Estate Maintenance and Operations Services, National Broadband Network (NBN) packages, QGC drilling contract and Woodside brownfield contract.
- Growth in revenue from existing contracts contributing $89 million due to additional volumes and / or higher margins , including contracts relating to National Broadband Network (NBN), Ultra-Fast Fibre, New South Wales Housing, Gold Coast University, Defence Land Materiel Maintenance, Austin Health, various road contracts in New Zealand and the Americas, Transfield Services Worley Parsons JV and various Operations & Maintenance contracts in the Utilities Sub-Sector.

These gains were offset by:

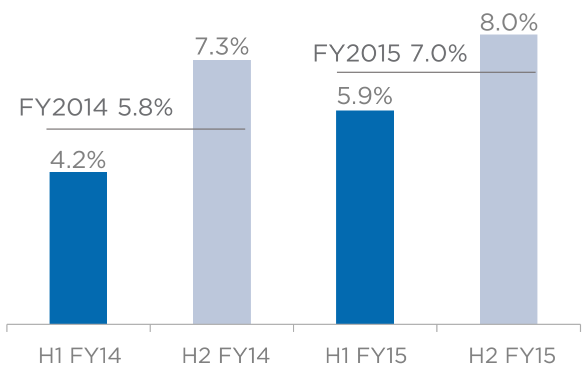
- Existing contracts which contributed lower margins and volumes, resulting in a $89 million reduction in EBITDA, such as the Distributional National contract with Ausnet, Santos CMS and drilling contracts, QGC, Telstra and various Operations & Maintenance contracts in Oil and Gas and Industrial sub-sectors in Australia and the Americas.
- Contracts ended, thereby generating lower or no earnings in the current period compared with the prior comparative period totaled $24 million including the Transfield Services Worley Parsons JV servicing Woodside onshore Liquefied Natural Gas (LNG) processing, the Sarina JV for construction in the Utilities sub-sector, the Minera Escondida maintenance contract in Chile, South East Water, Western Australia Housing, Transmission Victoria and various Operations & Maintenance contracts in the Resources & Industrial Sector.
- Contract related provisions of $31 million relating to legacy contracts taken up primarily in the first half. $5 million in one off items relating to commercial issues and disputes in the Americas and Australia. Total provisions and one-off items for FY2015 of $36 million.

None of the provisions above relate to recently executed contracts and the operational issues causing these provisions have been disclosed in prior periods. Furthermore, all the amounts relate to contracts that pre-date the revised gate governance process initiated in FY2013.

The largest increase in margins in FY2015 was in the DS&P Sector. This was driven by a full year of the DIBP regional processing contract and the extension and expansion of the Department of Defence contract, which mobilised in October 2014, as well as volume growth in other contracts such as NSW Housing.

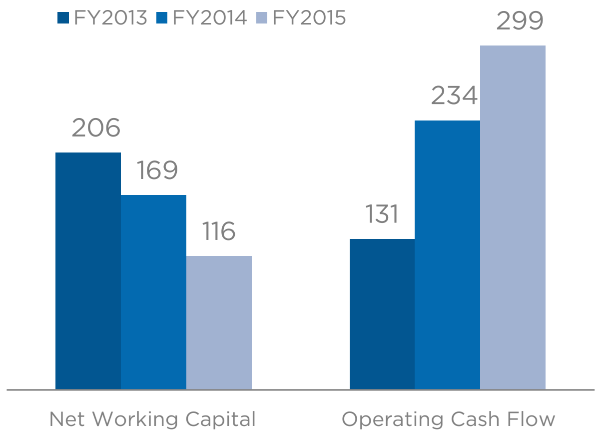
The key drivers behind the movements in margins are discussed in the Management Review by Sector which follows below.

TSE Group EBITDA margins by half year



OPERATING CASH FLOW AND WORKING CAPITAL

AUD$'m

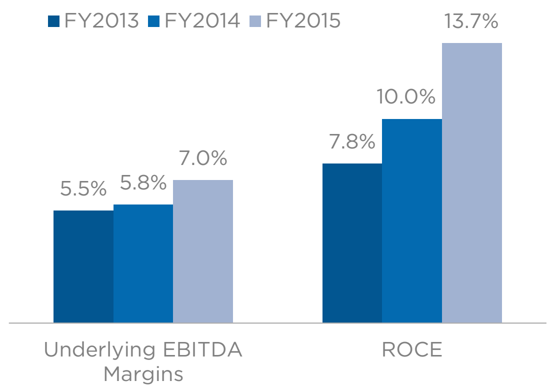


** FY2013 and FY2014 figures above are adjusted for creditor hold back of $118m.*

The Company reported an operating cash flow before interest and tax payments of $299 million, which represents a cash conversion of 113 per cent. This strong performance has been achieved through continued working capital discipline, a heightened focus on cash collection, as well as inventory management.

The Company's net working capital was $116 million, representing a reduction of $53 million against the prior comparative period. Debtor days improved to 41 days from 49 days in the prior period, work in progress days reduced to 13 days compared with 17 days and creditor days remained stable year-on-year.

CAPITAL EMPLOYED



Return on Capital Employed (ROCE) increased to 13.7 per cent compared with 10.0 per cent in prior comparative period.

CAPITAL EXPENDITURE

Strict capital discipline during the year saw FY2015 capital expenditure fall by $5 million from $85 million to $80 million.

The Company's upgrade to a single SAP platform across its global operations accounted for $26 million of this capital. This included direct costs, capitalised interest and employee labour. The upgrade commenced in FY2011 and was completed in August 2015.

The remaining capital expenditure relates to maintenance capital expenditure of $24 million, which is predominantly spent in the Energy sub-sector and growth capital expenditure of $30 million.

NET DEBT

The quality of the Company's balance sheet has materially improved over the course of FY2015. The Company's net debt of $471 million at 30 June 2015 was $63 million lower than 30 June 2014. Included in this net debt figure is $39 million foreign exchange revaluation of a portion of the Company's debt package (US Private Placement Notes), which is held in US dollars for the funding and support of its US business.

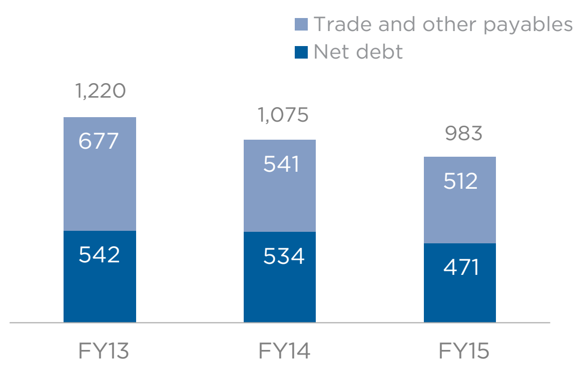
Excluding this foreign exchange revaluation, which has no P&L or cash impact and is posted to reserves, the Company's net debt would be $432 million at 30 June 2015, representing a $102 million reduction in net debt year-on-year in cash terms.

The US High Yield Bond issued in May 2014 was hedged using cross currency interest rate swaps. The increase in borrowings representing the foreign exchange revaluation of the bond is fully offset by the fair value of the cross currency swaps reported as Financial Instruments. The value of Net Debt, therefore, is not impacted by foreign exchange movements on the High Yield Bond.

Total funding for the year (including Trade Creditors) decreased by $92 million to $983 million.

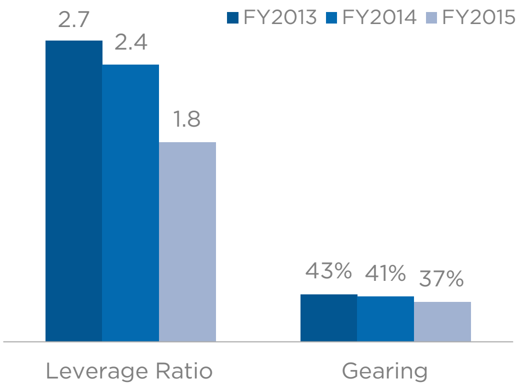
Total Funding

AUD$'m



The Company ended the year with a Net Debt to EBITDA ratio of 1.8 times at 30 June 2015. The Company's Gearing Ratio (Net Debt / Net Debt + Equity) fell to 37 per cent down from 41 per cent in FY2014. This was due to a combination of the improving working capital position and discipline around using operating cash flows to reduce group debt. The EBITDA to interest coverage ratio decreased to 3.4 times from the prior comparative period ratio of 3.7 times.

Leverage Ratio and Gearing



LIQUIDITY

As at 30 June 2015, the Company had $581 million of available funding liquidity comprising $223 million of unused but committed debt facilities and $358 million of cash and cash equivalents. Excluding evergreen debt facilities that are renewed every year (such as bank overdrafts and transactional working capital facilities), the next major debt maturity is $65 million of US Private Placement Notes in December 2016 followed by $356 million of syndicated bank facilities in July 2017.

DIVIDEND

Management and the Board will continue to take a conservative approach and prioritise cash towards debt reduction.

BOARD COMPOSITION

As previously advised Independent Director, Steve Crane resigned from the Company's Board in February 2015 after seven years of service. The Company acknowledges Mr Crane's contribution as a Director and as the Chairman of the Risk, Audit and Compliance Committee (RACC). Geoff Kleemann was appointed to the Board in September 2014 and assumed the role of Chairman of the RACC in February 2015.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PROFILE

Transfield Services relies on the strength of its corporate reputation to win and renew contracts, and maintain community and stakeholder support. Management of Environmental, Social and Governance (ESG) risks is vital to maintaining the health of our corporate reputation. ESG risk management is coordinated across compliance functions embedded within our management structure and overseen by the HSEC Board sub-committee.

GOVERNANCE

The Company's corporate governance framework aims to:

- Ensure appropriate accountability
- Minimise business risks
- Promote ethical conduct
- Enhance investor confidence
- Enhance overall value to our business

Transfield Services is committed to ensuring that the policies, processes and activities across its business reflect a high standard of governance. During FY2015 the Company updated several of its key policies including the Share Trading, Continuous Disclosure and Communications, Conflicts of Interest, Anti-Bribery and Corruption, Business Partners, Political Involvement and Support, and Investor Relations policies.

Code of Business Conduct and Human Rights

During FY2015 the Company updated the Code of Business Conduct (COBC) and in June 2015 the Board of Directors approved and adopted a new conduct principle, "Respecting and Upholding Human Rights in Business". The new conduct principle codifies mandated standards of behaviour that existed elsewhere in the Company's governance framework and highlights the importance of upholding these rights as a global corporate responsibility. The COBC and key policies can be viewed in the Governance page under the Sustainability tab of the Company's website. In accordance with the COBC, Transfield Services' employees have a responsibility to act ethically, respect and uphold the Company's values, in the conduct of any activities on behalf of the Company.

SOCIAL

Transfield Services is committed to making a positive impact within the communities and environments in which we operate. As part of this commitment, the Company takes active steps to be involved in community-based initiatives. The Company's Community Engagement Approach is well structured and is designed to ensure that we deliver on both our social and operational responsibilities.

Community engagement programmes primarily focus on:

- Investing in local economies
- Strengthening community relationships
- Enabling Indigenous participation

Transfield Services' Indigenous Participation programme operates under a Global Indigenous Framework. Transfield Services has an "Elevated Reconciliation Action Plan" (RAP) and is one of only six companies in Australia to have an "Elevated RAP". Transfield Services has launched its third RAP with an Indigenous employment target of 6.5%.

Transfield Services also supports more than 15 social enterprises and contributes circa $300,000 annually through donations and sponsorships (excluding in kind donations). The Company continues to monitor the benefits of its community engagement programmes with a focus on increasing local content and up skilling the communities in which we operate.

ENVIRONMENT

Transfield Services recognises the importance of operating sustainably and is committed to continually identifying opportunities to improve our environmental performance. Transfield Services has an Accredited Environmental Management System, global policies and procedures and Business Improvement Plans for implementing sustainability initiatives. As mentioned above, the overriding concept in HSEC practice is Zero Harm.

ESG INITIATIVES IN FY2015

Key achievements undertaken during the year included:

- Enhanced level of direct engagement with all ESG stakeholders
- Refresh of the Company's ESG Profile coinciding with a website update and sustainability presentation recently lodged with the ASX
- Reporting in accordance with the third edition of the ASX Corporate Governance Principles and Recommendations in FY2015
- Review of existing global policies and procedures resulting in the adoption of a "whole of company" approach to more formally embedding human rights in our business and existing principles in the Code of Business Conduct, together with the adoption of a Human Rights Statement
- Launch of the Company's third Reconciliation Action Plan (RAP). The RAP for 2015 to 2018 provides a detailed and accountable commitment to strengthen relationships between Indigenous and non-Indigenous people
- Continuous improvement of the gate governance process to ensure Governance standards remain appropriate and contract discipline remains a key focus
- Update of compliance and education process for Code of Business Conduct training
- Ongoing commitment to diversity, including an internal programme to facilitate a platform for greater gender diversity

Looking forward to FY2016, the Company is focused on the following:

- Continued focus on behavioural based safety approach to drive down incidents including an increased focus on workforce wellbeing including mental health
- Embedding the Global Flexibility Policy launched in July 2015 in order to promote diversity and inclusion within the business
- Developing a business partners due diligence procedure which applies to the way in which we conduct due diligence across the areas of business development, legal, risk and internal audit, procurement and compliance and governance
- Review of baseline sustainability reporting priorities with a focus on developing an external sustainability report for 2016.

STRATEGY UPDATE AND OUTLOOK

The transformation of Transfield Services' book to a majority weighting which is centred on pursuing profitable growth in areas with non-discretionary client expenditure, and value enhancing services within stable growth sectors, is a core plank of our strategy. This strategy is firmly embedded and has underpinned our earnings performance in FY2015, at a time of continuing volatility in the Resources, Energy and Construction sub-sectors.

To reinforce and implement this strategy, the Company continues to focus on the following areas:

1. Superior safety – meeting or exceeding mandated standards
2. Differentiated, non-discretionary service offering – avoiding commoditised services and targeting blue-chip clients
3. Integration into client's operations – positioning the Company as a critical partner
4. Disciplined contract selection – every contract meets profitability and return hurdles
5. Refined portfolio through non-core divestments – ensuring the asset / contract base is true to the stated strategy
6. Strong balance sheet and increased liquidity – via reduced leverage, increased focus on capital discipline and portfolio / asset rationalisation

OPERATING MODEL

As at 30 June 2015, the Company's operating model has been in place in Australia and New Zealand for a full 12 months. With the implementation of the operating model complete, the Company's focus into FY2016 will be on driving efficiencies and lowering the Group's cost base. The Company is targeting average contract margin improvement generating business improvement benefits of circa $75 million to $100 million over two years. Margin improvement will be achieved through structured interventions, the application of business improvement tools and methodologies, and a focused approach to driving cost efficiencies and contract optimisation.

ASSET DISPOSAL PROGRAM

The Company will continue to pursue a non-core asset divestment programme over the next 12 to 24 months. The Company will dispose of these assets when an opportunity permits a transaction that realises appropriate value and is in the best interests of stakeholders.

REBRANDING

As advised by the Company in its 2015 half year result, Transfield Services will be rebranding. The Company expects to announce its proposed new brand prior to the Annual General Meeting on 28 October 2015, when the new Company name will be presented for shareholder approval. The Company is focused on running a cost effective and efficient rebranding campaign.

The Company will not change the core Transfield Services values – namely Integrity, Collaboration, Challenge and Ingenuity. The rebranding will present a valuable opportunity to realign market perceptions and understanding in respect of our service offering and sector focus.

NEW SERVICE LINE

During the year the Company announced a new Service Line - Care and Welfare. The L&FM Service Line currently provides facilities, grounds and asset management services as well as logistics into the Health, Social Housing, Defence and Immigration Sectors. The aim is to leverage the capability and credibility of the L&FM Service Line by offering adjacent services to both existing and new clients. The new Care and Welfare Service Line will target:

- The provision of welfare services in the Defence, Immigration, Health, Justice, Aged Care and Disability Sectors
- Social programmes and facilities management services in the Justice Sector
- Return to work services for the Australian Government
- Training and supporting Indigenous Australians for employment in the private and public sectors
- Services to support the National Disability Insurance Scheme

BUSINESS RISKS[1]

Management of risk is one of the core responsibilities of the Board. The Board, through the Risk, Audit and Compliance Committee (RACC), requires that management design and implement risk management and internal control systems to manage Transfield Services' material business risks. Transfield Services maintains a Risk Policy that aims to make managing risk an integral part of good business practice. The Company utilises an enterprise wide risk management framework reflecting the global positioning of the Company. This framework encompasses risk, compliance and internal audit elements.

Transfield Services' identifies the following key business risks relating to its global business operations.

Health and Safety Risk: The Company must operate within appropriate safety controls and procedures to ensure compliance with various regulations, licenses, standards and community expectations and in order to satisfy its customer's safety requirements. Any failure of or non-compliance with these controls could result in fatalities, delays, increased costs, employee turnover, monetary damages, suspension of our operations and reputational damage, which may reduce the Company's ability to win new contracts, reduce its profitability and ability to operate in the future.

Reputation Risk: The Company relies on the strength of its reputation to help win and retain work. The risk to corporate reputation is a key consideration by the senior management and the Board prior to entry into any major new contract, service area or geography. The Company conducts a full risk review prior to undertaking any opportunity.

Competition Risk: The Company serves markets that are highly competitive and it is difficult to predict whether and when we will be awarded new contracts due to multiple factors influencing how customers evaluate potential services providers, such as qualifications, price experience, reputation, technology, customer relationships, financial strength, and ability to provide the relevant services in a timely, safe and cost efficient manner. Competition within the markets in which the Company operates may result in reduced market share and operating margins.

[1] Please note a more comprehensive risk section can be found within the FY2015 Annual Report.

Market Risk: The energy, mining and industrial sectors have been, and will likely continue to be, cyclical in nature and vulnerable to general downturns in the global economy and commodity prices. Consequently, our financial results have fluctuated and may continue to fluctuate depending on the demand for services from these sectors. Transfield Services' strategy has reduced the exposure to cyclical markets.

Exchange Rate Risk: The Company operates in a number of countries and regions, namely Australia, New Zealand, the Pacific, North and South America and Asia. Transfield Services generally receive revenue and incur expenses in the currencies of the countries in which the Company operates. However, there may be instances where expenses or financing may be in different currencies. To the extent that the Company incurs costs or indebtedness in one currency and has assets or payments being made in another, the Company's profit margins may be affected by changes in the exchange rate between the two currencies. Transfield Services may enter into hedges to manage its exchange rate fluctuations.

Partner Risk: The Company operates through a number of joint ventures and partnerships, which it does not entirely control, wholly control or wholly own, such as the arrangements with AECOM, Worley Parsons and Transdev. Investments in joint ventures involve risks that are not present when a third-party is not involved. The success of our joint ventures and partnerships also depends, in large part, on the satisfactory performance by our partners of their joint venture or partnership obligations to commit working capital, equity or credit support as required by the agreement and to support their indemnification and other contractual obligations.

FY2016 OUTLOOK

Despite the continued challenging macroeconomic environment, looking forward the Company expects to consolidate on the positive momentum gained over the previous two financial years.

The Company has $9.8 billion of contracted revenue, $2.5 billion of which will be delivered in FY2016. In addition, we have a healthy and firming pipeline with $3.6 billion of contracts either short listed or preferred.

It is expected earnings momentum will come from:

- Continued growth in DS&P and the Infrastructure Sectors as a result of new and existing outsourcing and asset recycling programmes
- Expansion of volumes in existing contracts in the Education, Health and Social sub-sectors
- Potential renewal of the contract with the DIBP
- Development of a new Service Line, Care and Welfare, targeting the provision of welfare services in the Defence, Immigration, Health, Justice and Disability sub-sectors
- Increased activity in the Telecommunications sub-sector as the broadband network roll-outs continue in both Australia and New Zealand
- Targeting solid pipeline of LNG projects (onshore and offshore) in the Australian market, which is also expected to lead to an increase in well servicing and O&M opportunities
- Americas well positioned to target growth opportunities in the downstream energy sector and to bring other existing service lines to the market
- Positive prospects in Chile, with the rebuilding of capability and credibility in the minerals O&M business
- Ability to target a greater share of wallet from existing clients
- Roll-out of a average contract margin improvement programme targeting $75 million to $100 million in business improvement benefits

Challenges may include:

- Ongoing deterioration in energy and commodity prices, causing producers to curtail expenditure and defer projects
- Insourcing of operations and maintenance services by some asset owners
- Cancellation or deferral of State led privatisations and PPPs
- Continued contract margin pressure

Recent contract wins in the DS&P and Infrastructure Sectors have relatively even and predictable earnings and cash delivery profiles. This tends to dampen and reduce the historical skew towards the second half earnings. Therefore, the Company expects that there will be a reduced bias to second half earnings in FY2016 compared with the FY2015.

The positive momentum of the previous two financial years position the company well. Notwithstanding the continued challenging macroeconomic environment, the Company expects to maintain Underlying EBITDA into FY2016.

MANAGEMENT REVIEW BY SECTOR

INFRASTRUCTURE

(28 PER CENT OF COMPANY REVENUE)

	Reported		Proportionately Consolidated	
A$'m	FY2015	FY2014	FY2015	FY2014
Operating Revenue	**1,061.7**	1,099.5	**1,232.7**	1,281.2
Underlying EBITDA	**48.2**	63.0	**53.8**	72.2
Underlying EBITDA Margin	**4.5%**	5.7%	**4.4%**	5.6%

FY2015 OVERVIEW

The Infrastructure Sector incorporates the Telecommunications, Utilities and Transport sub-sectors.

Infrastructure has reported a subdued operating result relative to the prior year with Underlying EBITDA of $48 million, falling by $15 million or 23 per cent against the prior corresponding period. Included in this number, was provisioning of $18 million for underperforming contracts relating to a legacy contracts in the New Zealand Telecommunications sector and South Australian public transport (Light City Buses) contract, where full recoverability of costs was not certain.

During the year, Infrastructure saw growth in both the Australian Telecommunications and Transport sub-sectors while some softness was evident within the Utilities sub-sector, which included contracts winding up in water and electrical services. This was further compounded by a general deterioration in the electrical services market and reduced volumes in the Distributional National contract with Ausnet.

EBITDA margins in the Infrastructure Sector decreased to 4.5 per cent in the current period from 5.7 per cent in the prior comparative period. The Underlying EBITDA margin excluding contract related provisions increased to 6.2 per cent.

Key features in the Infrastructure Sector during the period included:

- Return of volumes in Telecommunications from existing NBN Co contracts in Sydney and Melbourne
- Awarded another key contract with NBN Co; 5 year term with revenue of up to $140 million in the first year with an ability to expand volumes of work going forward
- Substantial productivity improvements in the Ultra-Fast Broadband contracts in New Zealand
- Solid performance from the rail business
- Winding up of contracts in electrical services and water sub-sectors

SUB-SECTOR ANALYSIS

Telecommunication

The Telecommunications sub-sector contributed 42 per cent of the Infrastructure Sectors' revenue. Services provided in this sub-sector included Construction, Operations & Maintenance and Logistics & Facilities Management.

The key contracts in the Telecommunications sub-sector include NBN Co Sydney and NBN Co Victoria contracts (both of which commenced during the year) and the Ultra-Fast Broadband contracts in New Zealand. EBITDA margins improved across the portfolio of broadband contracts in Australia and New Zealand due to stable overheads, increased leverage work and productivity improvements, specifically related to the Ultra-Fast Fibre contracts in New Zealand.

In addition to the two previously announced contracts with NBN Co in Victoria, the Company was awarded a 5 year Multi-Technology Integrated Master Agreement (MIMA) with NBN Co, which is expected to contribute revenue of approximately $140 million in the first year. The agreement provides the delivery partners with the potential to secure additional volumes based on performance.

Utilities

The Utilities sub-sector, comprising water, power and electrical services contracts, contributed 29 per cent of Infrastructure's revenue. Services provided in this sub-sector include Operations & Maintenance and Construction.

Utilities revenues and EBITDA fell compared with the prior comparative period due to the following factors:

- Reduction in client spend in the electrical services industry resulting in a loss of project work and significant volume reduction during the period
- Lower volumes and margin squeeze in the Distributional National contract with Ausnet
- Loss of volume and completion of some contracts in the water business including the Allwater and Sarina joint ventures as well as the Victorian construction projects

Transport

The Transport sub-sector, comprising road, rail and public transport contracts, contributed 29 per cent of Infrastructure's revenue. Services provided in this sub-sector include Operations & Maintenance, Construction and Logistics & Facilities Management.

Transport revenue increased by 7.9 per cent in FY2015 relative to the prior comparative period. Features in the Transport sub-sector during the period included:

- Profitable track restoration work in the rail business and new work in the rail projects group, typically at higher margins
- Renewal of the Eastlink roads contract
- Closure of the underperforming transport cleaning services contract

FY2016 OUTLOOK

The Infrastructure Sector has a solid outlook and will continue to be a core component of Transfield Services' ongoing business. The Infrastructure business remains focused on building critical mass around its diverse offering and further refining the sector focus throughout FY2016. There has been a number of significant recent contract wins outside the reporting period, including:

- Three new roads contracts with a combined revenue contribution of NZ$112 million, including a 5 year Waikato state highway maintenance contract with New Zealand Transport Agency (NZTA)
- Three year contract with NZ$78 million in revenue with Transpower to maintain transmission lines and substations
- The Nexus Consortium, which comprises Transfield Services and Partners, selected by the Queensland Government as preferred tenderer to deliver the Toowoomba Second Range Crossing project. Transfield Services will provide Operations & Maintenance services valued at circa $300 million revenue over the term of the contract

The roll-outs of the optical fibre cable programmes in both Australia and New Zealand are large multi-year projects, and Transfield Services expects to continue to be a key contractor to these programmes. We will target expanded volumes within our NBN projects and are well positioned to do so based on recent contract renewals and performance.

The Company also sees an opportunity to target medium sized construction projects in the water sub-sector within Australia and New Zealand, while looking to expand its execution capabilities in rail and bringing other Service Lines to bear within the Infrastructure Sector, including Facilities Management and Operations & Maintenance.

With certain state owned infrastructure assets expected to be privatised or outsourced in the near term, a significant opportunity exists for Transfield Services to grow its business. Further, we do not expect that changes in beneficial ownership will be restricted to public assets. Transfield Services are targeting opportunities to lock in long term Operations & Maintenance contracts to support infrastructure investors following the acquisition of major assets.

DEFENCE, SOCIAL AND PROPERTY

(41 PER CENT OF COMPANY REVENUE)

	Reported		Proportionately Consolidated	
A$'m	FY2015	FY2014	FY2015	FY2014
Operating Revenue	**1,556.1**	1,201.7	**1,556.1**	1,201.7
Underlying EBITDA	**256.0**	106.0	**256.0**	106.0
Underlying EBITDA Margin	**16.5%**	8.8%	**16.5%**	8.8%

FY2015 OVERVIEW

The DS&P Sector reported strong year-on-year growth in FY2015 with revenues increasing by 29 per cent relative to the prior comparative period.

Underlying EBITDA increased by $150 million or 141 per cent on the prior comparative period, primarily due to the benefit of a full 12 months of the expanded contract with the Department of Immigration and Border Protection together with new contract wins, including the new expanded Defence Base Services (DBS) contract and the expanded scope on the NSW Housing contract.

Also included in the result is $10 million of prior year contract provisions that were reversed in H1 FY2015.

EBITDA margins across this Sector outperformed estimates, increasing to 16.5 per cent in the current period from 8.8 per cent in the prior comparative period.

Key features in the DS&P Sector during the period included:

- Expanded national Defence contracts in August 2014 with total revenue contribution of $1.6 billion over 6 years (annualised revenue of $270 million prior to leveraged work opportunities). The contract includes expansion into the Northern Territory as well as increased presence and services across many Defence facilities nationally. We expect this contract will lead to further leveraged opportunities for the business over and above its base contract value
- Renewed and expanded contract with Austin Health and the extension and expansion of the facilities contract with Gold Coast University Hospital
- A further 19 month extension to the existing NSW Housing contract including 20 per cent increase in expected volumes
- Increased volumes and project management in existing contracts including NSW Schools contract

SUB-SECTOR ANALYSIS

Defence

The Defence sub-sector contributed 26 per cent of DS&P's revenue. Services provided in this sub-sector include Logistics & Facilities Management and Operations & Maintenance.

Revenue and EBITDA margins in the Defence sub-sector increased during the period, largely driven by the expanded contract with the Department of Defence. The contract is significant and underpins the Defence business for the next six years, with two - two year options increasing the total potential base contract value to $2.7 billion

Transfield Services performs the following contracts for the Department of Defence:

- Estate maintenance and operations services in Victoria, Tasmania, South Australia, Western Australia and the Northern Territory
- Hospitality and catering in Victoria, Tasmania, South Australia, Western Australia and the Northern Territory
- Aircraft refueling, rescue and fire fighting in Victoria, Tasmania, South Australia, Western Australia, the Northern Territory, Queensland and Southern NSW
- Retail stores, petrols, oils and lubricants nationally
- Land Materiel Maintenance nationally which involves the maintenance on the Army's wheeled and tracked vehicles
- Corrosion protection services for the Australian Submarine Corporation and Air Warfare Destroyers
- Project management / contract administration on the $170m HMAS Albatross Redevelopment programme through APP a wholly owned subsidiary

Social

The Social sub-sector contributed 69 per cent of DS&P's revenue. The majority of work provided in this sub-sector was derived from non-discretionary Logistics & Facilities Management services to government clients across health, education, immigration and social housing sub-sectors.

Revenue in this sub-sector increased during the period due to the performance of the Offshore Processing Centre contract with the Department of Immigration and Border Protection (note that Manus Island and the expanded Nauru scope were not included in the prior comparative period). Furthermore, margins across most of the contracts in the Social sub-sector improved due to focus on operational execution, cost control and identifying and converting leverage work opportunities.

Other factors that contributed to the increase in revenues in the current period were:

- Renewal and expansion of the Austin Health contract to provide full preventative and reactive maintenance services to three campuses in Victoria and the Olivia Newton-John Cancer and Wellness Centre
- Higher volumes in Facilities Management and project management consulting contracts in the education and health sub-sectors
- Extension and expansion of the New South Wales Land and Housing Corporation (NSW Housing) contract which provides comprehensive maintenance services to state properties throughout NSW
- Extension and expansion of the Gold Coast University Hospital contract to provide asset and building maintenance, cleaning, security and grounds maintenance

Property

The Property sub-sector, which delivers corporate real estate services, property sales, leasing and comprehensive project and programme consulting through our APP and CI Australia subsidiaries (previously known as Chesterton International), contributed 6 per cent of DS&P revenue.

The Property sub-sector continues to focus on project management and real estate project management, independent verification and engineering services to a diverse portfolio of clients including financial and education institutions, infrastructure consortiums, private investors, retail, land consortiums and government agencies.

OUTLOOK

The DS&P Sector will continue to leverage its existing operational footprint to target further large scale Facilities Management, Operations & Maintenance and Construction opportunities with both government and private clients, while developing further its capabilities and presence within identified growth markets.

The outlook for the DS&P Sector remains positive with a number of significant recent contract wins outside the reporting period. These include:

- A five year - $88 million integrated facilities management and property services contract with the University of Newcastle. The engagement with the University of Newcastle supports Transfield Services' successful expansion into the tertiary education sector with a top-tier customer
- The Company expects to be awarded a large multi year, State based maintenance contract in the near term
- Contract extension with Gold Coast University Hospital worth $12 million over the nine months from 29 September 2015

The strong reputation and presence of Transfield Services across Defence and Immigration will be leveraged to introduce new services to existing clients with a particular focus on Defence construction. Focus will be on increasing volumes on existing contracts in order to capitalise on major Defence reform which will result in the rationalisation of many services.

The expansion of the housing sub-sector through new contracts and additional volumes remains a key area of focus, as does the expansion of our whole of government contract in NSW which services circa 1,200 schools and TAFE colleges. Exciting opportunities exist in the identified growth areas of health & aged care, justice and tertiary education with Transfield Services well positioned to capitalise on these attractive markets through our new Service Line, Care and Welfare, which will also be a focus as existing clients increase their requirements for human support.

In the property sub-sector we will look to expand revenues through an increased Property footprint and leveraging capability across Service Lines to provide an expanded corporate real estate offering.

A solid infrastructure development pipeline presents significant opportunity for the capture of Independent Verification roles through Transfield Services' subsidiary, APP. While the sales and leasing market remains challenging, outlook for the corporate real estate sector remains strong.

As the various State Governments strive to identify ways to improve efficiency and reduce expenditure, Transfield Services continues to position itself to capture large outsourcing opportunities.

RESOURCES AND INDUSTRIAL

(20 PER CENT OF COMPANY REVENUE)

	Reported		Proportionately Consolidated	
A$'m	FY2015	FY2014	FY2015	FY2014
Operating Revenue	**761.3**	957.5	**804.2**	999.5
Underlying EBITDA	**10.5**	67.0	**19.0**	70.0
Underlying EBITDA Margin	**1.4%**	7.0%	**2.4%**	7.0%

FY2015 OVERVIEW

The R&I Sector incorporates Transfield Services' activities in the Oil and Gas, Mining and Industrial sub-sectors in Australia and New Zealand.

Market conditions in Oil and Gas, Minerals and Industrial sub-sectors remain challenging, particularly given the rate and extent of decline in oil, LNG, iron ore, coal and other commodity prices over the past 12 months. The decline in commodity prices has continued to place pressure on customers' capital and operations expenditure programmes. The sector has also felt the effects of delays in the commencement of the suite of large LNG plants (and their associated upstream facilities) in Western Australia, Northern Territory and Queensland.

The Company remains focused on the quality and cost effectiveness of its solutions, seeking to further eliminate costs and improve productivity to a more constrained commodity price environment. This approach is aimed at ensuring our operational footprint is maintained.

Revenue from the R&I Sector fell by 20 per cent year-on-year, primarily as a result of reduced work volumes, lower margins and delayed completion and commencement of operations of large Oil and Gas projects.

Underlying EBITDA fell by $56 million or 84 per cent. Included in this number, however, was provisioning of $3 million for underperforming contracts relating to a legacy Oil and Gas Operations & Maintenance contract.

The reduction in the Underlying EBITDA margin to 1.4 per cent in the current period from 7.0 per cent in the prior comparative period is indicative of the challenging market conditions and near term adjustments in the Oil and Gas and Mining sub-sectors. A deliberate approach has been taken to retain clients and volume to position the business well as the sector recovers. This approach has only been possible due to the broader portfolio approach.

Key features in the R&I Sector during the period included:

- Significant deterioration in global commodity prices
- Reduction in work volumes in coal seam gas in Queensland and onshore gas in Central Australia
- Continued pursuit of 'mega' oil and gas facilities under construction in Western Australia and the Northern Territory which are expected to have contract award announcements in FY2016
- Agreement with Woodside to provide project implementation services for its North West Shelf offshore facilities
- Execution of revised contracts with Santos to provide facilities maintenance and construction services in the Cooper and Eromanga Basins in central Australia
- Continued ramp-up of coal seam gas field services activity as QCLNG transitioned from construction to production of first LNG
- Extension of well servicing arrangements with Easternwell signing a one-year contract extension for two rigs with QGC Pty Limited
- Extension of various maintenance arrangements with BlueScope Steel

SUB-SECTOR ANALYSIS

Oil and gas

The Oil and Gas sub-sector contributed 83 per cent of revenue for the R&I Sector. Oil and Gas revenue decreased 21 per cent relative to the prior year. This decrease was largely a consequence of:

- Reduced outsourced activity due to the rapid reduction in customer discretionary spend, triggered by the rapid and sustained decline in the oil price
- Reduced growth resulting from delays in the completion of large LNG plants and their upstream facilities
- Completion of construction works for the Braemar Pipeline 2, Wandoan Interchange Facility and Mt Larcom connection projects
- Reduced work volumes from the Cooper Basin and the Santos Consolidated Maintenance Services contract
- Margin reductions in maintenance and sustaining capital contracts including those with Woodside, Santos and QGC
- Reduced margins from well services contracts

These decreases were partially offset through:

- Increased activity in the Consolidated Services Provider contract for QGC in coal seam gas
- Renewal of the Santos maintenance and construction contract
- One year contract extensions for two well servicing rigs with QGC
- Increased activity in the Origin Energy offshore and onshore contract
- Significant shutdown activity with ExxonMobil and Caltex
- Increased activity in Woodside offshore maintenance contract and start-up of the new implementation contract awarded in December 2014

Mining and industrial

The Mining and Industrial sub-sector represented 17 per cent of revenues for Resources & Industrial sector, a decrease of 17 per cent in revenue year-on-year.

Though mining remains a relatively small proportion of the portfolio, our revised service solutions and growing pipeline of higher value electrical service activity has assisted in creating value and helped increase margins. Easternwell Minerals secured new contracts with BHP Billiton and Roy Hill for production based drilling services.

These new contracts were largely offset by a reduction in drilling activity at Fortescue Metals Group (FMG), general maintenance services and sustaining capital project works in the iron ore and non-ferrous areas.

The Industrial sub-sector felt the further impacts of cost pressures in the heavy manufacturing sectors with volume and earnings reductions in contracts with Alcoa, Boral, and Qenos. In light of such industry pressures, the Company has been able to offer new products and services in the Industrial sub-sector leading to increased levels of service with existing customers such as BlueScope and Alcoa.

Renewed focus on the light industrial and retail fuels sectors continues to present new opportunities for expansion of service.

FY2016 OUTLOOK

Transfield Services remains committed to the R&I Sector and believes that the medium to longer term outlook remains positive. We expect however, that market conditions in the Oil and Gas, Mining and Industrial sub-sectors will remain challenging in FY2016. Lower oil and commodity prices will continue to promote a reconfiguration of customer spend patterns and their use of discretionary and non-discretionary capital.

The number of producing LNG trains in Australia will increase from 8 to 21 over the next 12 to 24 months. As new assets come online, strong operating capabilities and client relationships position the Company favourably for an expansion in all sub-sectors, particularly in onshore and offshore Oil and Gas.

In Mining and Industrial we will continue to pursue opportunities to provide more integrated services, where we are able to leverage our diversified service portfolio and support the introduction of further cost efficiencies for customers.

Our strategy of focusing on non-discretionary, essential and production related activity helps ensure that over the medium term the Company is less dependent on commodity price recovery to deliver growth from the Sector.

AMERICAS

(11 PER CENT OF COMPANY REVENUE)

	Reported		Proportionately Consolidated	
A$'m	FY2015	FY2014	FY2015	FY2014
Operating Revenue	**412.8**	466.1	**608.3**	695.8
Underlying EBITDA	**(10.4)**	6.0	**(8.7)**	11.8
Underlying EBITDA Margin	**(2.5%)**	1.3%	**(1.4%)**	1.7%

FY2015 OVERVIEW

Revenue in the Americas decreased by 11 per cent compared with the prior comparative period due to lower volumes in the upstream oil and gas business and the exit from several low margin contracts in the US downstream Oil and Gas business. Despite continued low copper prices, the market in Chile has stabilised over the second half of FY2015.

Underlying EBITDA fell by $16 million. Included in this number is $18 million of contract provitions relating to underperforming roads maintenance contracts in Canada and the US, as well as one-off items including the write-off of bad debts and the write-down of joint venture assets.

Key features in the Americas Sector during the period included:

- Successful renegotiation of the terms of a number of underperforming roads contracts
- Renewal of the Anglo American Mantos Blancos contract and Glencore's Lomas Bayas mine contract
- A reduction in field capital expenditure and project works in the upstream oil and gas business, as a result of the deterioration in global oil prices
- Market conditions remain favourable for the downstream business, as a result of strong demand for finished products, gasoline and high refiners' margin
- Write down of FTS JV legacy debtor, lower volumes and general underperformance in the oil sands maintenance sector

SUB-SECTOR ANALYSIS

Oil and gas

The Oil and Gas sub-sector contributed 50 per cent of the Americas revenue, across upstream, downstream and specialty services.

The decline in the oil prices has continued to place pressure on customers' capital and operations resulting in margin pressure across most accounts. The Company continues to work actively with these customers in cost reduction programme that will help support earnings into the future. Over the period the business has achieved significant contract efficiencies through significant reductions in overheads and non-bill spend, and active contract management across all areas.

Clients in the downstream business generally adopt a longer term view to operations. Overall, the downstream business has performed broadly in line with strategy, notwithstanding some project deferrals as a result of refiners taking advantage of favourable market conditions for production. The upstream business is rationalising, with capital investment on hold and significant cost reductions already underway.

Reductions in both revenue and EBITDA continued in the FTS JV in Canada which operates in the oil sands industry. This was also driven by the sharp decline in the oil price and the associated curtailment and deferral of client expenditure. The business remains concentrated on a small number of large clients.

Mining

The Mining sub-sector contributed 11 per cent of the Americas revenue, providing Operations & Maintenance services.

Since acquiring full control of InserTS in January 2015, the business has become more closely integrated with the wider Transfield Services business.

During the period, new contract wins included renewals of key contracts at Anglo American's Mantos Blancos mine and Glencore's Lomas Bayas mine.

Roads

The Roads sub-sector contributed 39 per cent of the Americas revenue, providing Operations & Maintenance services.

There has been a renewed management focus on the business, leading to greater visibility into the portfolio. This has resulted in a greater cash contribution from operations than expected.

Remediation of the three Road asset maintenance contracts in Ontario, Canada was completed during the second half of 2015, with one contract to be exited at the end of August 2015 and Transfield Services' to retain the remaining contracts in Canada. Management's view is that these contracts are now sustainable. There were also other successful remediation negotiations on other contracts, which resulted in material cash contributions.

During the year, the Port of Miami Tunnel project commenced operations, the THEA contract in Florida was renewed and the Company won the bid to continue the Five Counties contract, also in Florida.

Contracts that ended during the period were Charlotte North Carolina and FDI in Florida.

FY2016 OUTLOOK

The US downstream Oil and Gas business' order book for FY2016 is healthy, with a large number of turnaround events already committed. In the medium to long term, growth in demand for finished products is expected to support strong refiner margins and investment in downstream refining facilities.

In the Roads sub-sector, PPP opportunities are beginning to increase across the US. Transfield Services is well positioned with a number of construction and development companies to provide the Operations & Maintenance component of these PPP projects. At the same time, the Company is generating strong momentum in the renewal of existing contracts at appropriate, risk-assessed margins that meet or exceed Group thresholds for performance.

Growth in Chile will be achieved organically, by targeting opportunities with our existing blue-chip client base. The business is well positioned to achieve both revenue growth and margin improvement targets, and has seen strong momentum in new business wins and contract renewals, with other opportunities currently under discussion. Going forward, the business will benefit from a stronger local balance sheet, without the significant annual interest charges that were previously borne by the Chilean business.

The outlook for the upstream Oil and Gas business and Canadian oil and gas market remains challenging. While the mineable oil sands market is based on long-lived, high quality resources held by Tier 1 integrated oil companies, and the sector has significant scale and importance to the Canadian economy, the significant headwinds of an uncertain commodity price environment and a difficult labour sourcing model have both negatively impacted the FTS JV. The FTS JV's response is to focus on highly effective and lowest possible cost of service delivery.

CORPORATE

	Reported		Proportionately Consolidated	
A$'m	FY2015	FY2014	FY2015	FY2014
Operating Revenue	**4.8**	3.3	**4.8**	3.3
Underlying EBITDA	**(39.0)**	(25.3)	**(39.0)**	(25.3)

FY2015 OVERVIEW

Group Corporate Underlying EBITDA decreased to $39 million, a decrease of $14 million compared with the prior comparative period. This was predominately due to movements in provisions and one-off items.

The key factors impacting this movement include:

- Reversal of provisions in FY2014 which effectively reduced the prior year comparative
- Increased short and long term incentives and share based payments
- Other corporate provisions in FY2015 relating to RATCH Australia and risks and warranties
- One-off consulting payments relating to the Ferrovial take-over defence and the margin improvement programme

FY2016 OUTLOOK

With the operating model roll-out complete, Corporate unallocated costs are expected to be in the range of $30 million to $35 million.

STATUTORY RECONCILIATIONS

NON IFRS MEASURES

The primary non-IFRS information is operating revenue, Underlying EBITDA, Underlying EBIT, and Underlying NPAT.

Management deems these measures to be appropriate indicators of the financial performance of the Company.

NON IFRS MEASURE RECONCILIATIONS

A$'m	FY2015	FY2014
Revenue reconciliation		
Statutory revenue	**3,796.7**	**3,748.2**
Gain on sale of investments	-	(20.1)
Operating revenue	**3,796.7**	3,728.1
EBITDA reconciliation		
Statutory EBITDA	**242.0**	**210.5**
Gain on sale of investments	-	(20.1)
Settlement of legal claims	15.0	-
Restructuring costs	8.3	22.6
Exit of Chilean construction business	-	3.7
Underlying EBITDA	**265.3**	**216.7**
EBIT reconciliation		
Statutory EBIT	**144.9**	**118.2**
Gain on sale of investments	-	(20.1)
Settlement of legal claims	15.0	-
Restructuring costs	8.3	22.6
Exit of Chilean construction business	-	3.7
Underlying EBIT	**168.2**	**124.4**
NPAT reconciliation		
Profit after tax	**48.6**	**52.8**
Gain on sale of investments	-	(20.1)
Settlement of legal claims	15.0	-
Restructuring costs	8.3	22.6
Discontinued Operations	-	13.6
Exit of Chilean construction business	-	3.7
Underlying NPAT	**71.9**	**72.6**

REMUNERATION REPORT

IMPORTANT NOTE: Throughout this document, non-IFRS financial indicators are included to assist with understanding the Group's performance. The primary non-IFRS information is Underlying EBITDA, Underlying EBIT and Underlying NPAT.

Management believes Underlying EBITDA, Underlying EBIT and Underlying NPAT are appropriate indicators of the ongoing operational earnings of the business and its segments because these measures do not include significant one-off items (both positive and negative) that relate to disposed or discontinued operations, legacy legal settlement costs, costs incurred to restructure the business in the current period or costs associated with a takeover defence. A reconciliation of non-IFRS to IFRS information is included in the Statutory Reconciliations section of the Operating and Financial Review on page 26.

All comparisons are to the previous corresponding period of FY2014 – the 12 months ended 30 June 2014, unless otherwise indicated.

Certain figures provided in this document have been rounded. In some cases, totals and percentages have been calculated from information that has not been rounded, hence some columns in tables may not add exactly.

INTRODUCTION

FROM THE CHAIR OF THE HUMAN RESOURCES COMMITTEE

Dear Shareholders

I am pleased to present our Remuneration Report for FY2015.

Business performance during FY2015 improved over the previous period and management has continued to work towards improving the financial health of the business. The changes implemented with the new operating model, focusing on sectors and service lines, is yielding success and improving opportunities for new business and extending business with our existing clients.

The Board was pleased that management maintained a focus on delivering improved business performance and achieved results despite the potential to be distracted by the takeover offer activity during the period.

The Key Management Personnel (KMP) group remained the same throughout FY2015, with the addition of Stuart Nevison, after the changes announced with the introduction of the new operating model reported in mid-2014. Management has worked closely with the Board and its Committees towards achieving successful results for FY2015. Changes to the Non-Executive Directors (NEDs) and membership of Committees during the period has broadened and strengthened the experience of the Board.

Changes to the cash and equity incentive plans implemented for FY2015 ensured that our reward strategy remained competitive and contemporary and met the Board's objective of attracting and retaining high calibre executives. The changes have strengthened the performance reward linkage and the Board continues to apply a prudent approach to managing remuneration and improving governance. These changes are summarised in Table 6 on page 35 in the report.

Business results in FY2015 were in line with upgraded guidance provided at the 2014 Annual General Meeting (AGM) and the Board has approved short term incentive (STI) payments for qualifying KMP. STI payments will be subject to the STI deferral plan approved for FY2015 with increases in the amount of STI deferred that will vest after two years. Long term incentive (LTI) awards were granted to executives in December 2014 with a three year vesting schedule and we anticipate making grants in late 2015. We are confident that as the business results continue to improve over the coming years, these grants will represent value and be a strong driver of retention and alignment with shareholders' interests.

In accordance with our policy, we undertook a benchmarking exercise to assess NED fees and executive fixed remuneration relative to the market. As a result, there have been minor changes to Committee Chair fees and an adjustment to one of the KMP fixed remuneration levels to align fixed remuneration closer to the remuneration benchmark.

Looking ahead to FY2016, we do not envisage any significant changes to the reward framework which we believe achieves the right balance of fixed and variable remuneration, encourages performance whilst providing for retention, represents value and aligns with shareholders' interests. The Board and the Human Resources Committee (HRC) will continue to focus on Human resources (HR) governance and improve transparency and clarity of reporting on broader HR initiatives.

On behalf of the Board and the Human Resources Committee, I invite you to read the FY2015 Remuneration Report and welcome your feedback on the Company's disclosure of its remuneration arrangements.

Douglas Snedden

Chair of the Human Resources Committee

SECTION 1 - SUMMARY OF KMP REMUNERATION OUTCOMES FOR FY2015

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and its controlled entities for the year ended 30 June 2015. Except where explicitly stated, the information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Report. Sections 1 and 2 are summaries and Section 3 onwards provides more detail.

Table 1 provides shareholders with a view of non-statutory remuneration earned by KMP to 30 June 2015, excluding short term incentives (STI) paid that were disclosed in the FY2014 Remuneration Report. Data includes fixed remuneration (cash and superannuation), FY2015 STI and other benefits. It differs from the statutory tables disclosed in Section 9 as it does not include information on any equity grants made during the period. Stuart Nevison joined as Chief Executive Operations, Maintenance and Well Servicing from 1 September 2014.

Following a refresh of benchmark data for the KMP, there was an adjustment to the total fixed remuneration (TFR) for Ian Maxted that is effective from 1 September 2015. The final tranche of the "make-good" payment to Vincent Nicoletti, being $300,000 gross, was approved by the Board and paid in June 2015 in accordance with contract terms.

The Board approved the STI amounts for qualifying KMP, under the previous STI plan, which were reported in FY2014. The STI amounts earned were subject to STI deferral in accordance with the previous plan rules. In accordance with our standard practice, the cash portion of the FY2014 STI was paid in September 2014 following the close of the financial year at 30 June and was based on audited final results.

Business results improved in the current period and the Board has approved STI payments to KMP for FY2015 under the revised STI plan. Amounts for individual KMP, reflected in the table below, are differentiated based on achievement of financial and non-financial performance results at the Group level, for their area of the business and their individual contribution. The STI cash will be paid in October 2015 following the close of the financial year at June 30 and are based on audited final results. STI amounts will be subject to the revised STI deferral plan rules where 50 per cent of the STI earned is deferred to equity and vests after two years.

As no STI payments were made to KMP in FY2013, there were no performance rights granted under the medium term incentive (MTI) plan that were due to vest. The exception was the MTI granted to the Managing Director/Chief Executive Officer (MD/CEO) as part of the Success Fee where 50 per cent of the award was deferred into the MTI plan. The Board approved partial vesting of remainder of Tranche 1 and all of Tranche 2 based on achievement against the performance hurdle which was specific to this award, at the final testing date in March 2015. This was in accordance with the terms approved by the shareholders at the 2014 AGM.

The performance hurdles were not met to trigger vesting of any KMP LTI awarded in 2011 that fell due for testing in October 2014. LTI grants were made to the qualifying KMP in December 2014, due to vest in 2017. The table below represents current KMP at 30 June 2015 and amounts earned during the period. Fixed remuneration includes base cash plus superannuation less any adjustments where remuneration is pro-rated for the period, unpaid absence was taken or salary sacrificed packaged items are included in fixed remuneration.

Table 1 Executive Remuneration Outcomes Earned (STI) and Paid as at 30 June 2015

$			Short term incentive [2]				
Name	Fixed remuneration [1]	Termination benefits	Cash	Deferred [3]	Medium term incentive[4]	Non-monetary benefits	Total
Graeme Hunt	1,507,508	-	904,505	904,505	311,388	2,076	**3,629,982**
Vincent Nicoletti	[5] 921,928	-	207,378	207,378	-	2,076	**1,338,760**
Stephen Phillips	542,265	-	144,087	144,087	-	2,076	**832,515**
Philip Wratt [6]	783,740	-	116,487	116,487	-	[7] 110,656	**1,127,370**
Ian Maxted	619,918	-	192,416	192,416	-	2,076	**1,006,826**
Sandra Dodds	646,563	-	102,263	102,263	-	1,814	**852,903**
Kate Munnings	705,115	-	216,269	216,269	-	3,147	**1,140,800**
Stuart Nevison [8]	608,333	-	108,405	108,405	-	1,206	**826,349**
Joe Sofra	506,807	-	76,669	76,669	-	2,001	**662,146**
Total	**6,842,177**	**-**	**2,068,479**	**2,068,479**	**311,388**	**127,128**	**11,417,651**

[1] Includes superannuation and incentives paid for FY2014 disclosed in the FY2014 Annual Report but excludes statutory long service leave.
[2] STI amounts in AUD for qualifying KMP for FY2015 per Board approval.
[3] Represents the total AUD value of STI deferred to equity and vesting after two years under the Deferred STI plan rules.
[4] Value of vested awards based on closing share price on exercise date.
[5] Includes pro-rated amount of $150,000 of final "make-good" retention payment of $300,000.
[6] Fixed remuneration for Philip Wratt of USD 656,045 and additional contracted non-monetary benefits; values translated to AUD using the FY2015 average exchange rate or 0.83707.
[7] Includes housing allowance of USD 67,034 translated to AUD 80,082.
[8] From his appointment as KMP on 1 September 2014. Refer to Section 3 for details.

SECTION 2 - SUMMARY OF CHANGES TO NED FEES AND KMP REMUNERATION FOR FY2016

Looking forward to FY2016, there are no changes planned to the current executive remuneration framework. The remuneration philosophy and guidelines target TFR for KMP at or close to the median, with total reward opportunity including STI and LTI targeted between the 50th percentile (median) and the 75th percentile. Incentives are paid for on-plan performance, with opportunity for upside earning for business out performance.

In FY2014, the Human Resources Committee commissioned Ernst & Young to undertake an external benchmarking review of NED and KMP remuneration. For FY2015, the remuneration benchmark review was undertaken with reference to general market movements, position matching data obtained from salary survey firms and application of internal benchmarking using job sizing methodologies. Management sourced additional market data from Aon Hewitt and 3 degrees consulting. An independent external benchmarking review is scheduled to be undertaken in February 2016 for the next period.

NED FEE CHANGES FOR FY2016

The FY2015 review identified that NED fees were generally market competitive but Committee Chair fees had fallen behind market. The Board has approved a market adjustment to the Chair fees for all Committees for FY2016, effective from 1 July 2015. Other Board and Committee fees remain unchanged. The fee pool cap remains unchanged.

KMP REMUNERATION CHANGES FOR FY2016

The results of the benchmarking review indicate that the KMP's TFR is consistent with the market position described above. When reviewing TFR, the Board considers general economic indicators, remuneration market movements and benchmarks against similar roles in other organisations. Benchmark analysis includes factors such as organisational size and sector, revenue and financial performance, geographic presence, business structure, scope of operations and market capitalisation. At an individual role level, benchmark analysis includes role size, scope and complexity and accountability. There was only one change to Ian Maxted's TFR. The adjustment brings the TFR closer to the median benchmark for the role.

There are no planned changes to variable or "at-risk" executive remuneration for FY2016. Incentive plan changes implemented in FY2015 have been operating for the first full year. These will continue with updated individual performance targets that align to financial and non-financial business objectives for FY2016.

STI is earnings focused and is paid for financial and non-financial results achieved during the period. The plan design is structured to reward for a component of Group performance and business unit performance, represented by a weighting mix of each component up to 75 per cent of the STI opportunity. The remaining 25% of the STI opportunity is assessed based on their individual contribution.

The key drivers of performance measured and assessed under the STI plan include safety performance, achievement of budgeted revenue and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), quality of earnings through improved margin, improving balance sheet performance and efficient use of capital, growth of profitable extended or new business and improving cost management. STI payments for FY2015 are set out in Table 1 and are compared to STI FY2014 in Table 8. STI amounts are differentiated for KMP based on business unit and individual performance and contribution measured across a combination of financial and non-financial measures.

The STI deferral plan was revised for FY2015 and will apply to qualifying STI earned in the current period. The deferral threshold was reduced from $100,000 to $75,000 and the deferral amount for KMP was increased to 50 per cent of the total STI earned, from the previous level of 20 per cent. Deferred STI, expressed as performance rights awarded, vest after two years and there is no re-testing. This has strengthened the retention value of the award by removing the progressive vesting element under the previous plan design and provides a safety net for claw back should the need arise.

LTI is value focused and is designed to incentivise executives to achieve sustainable results and long term value creation. The reduction to two performance metrics of relative Total Shareholder Return and Return on Capital Employed has simplified the plan while retaining a focus on metrics and performance hurdles aligned to shareholder interests. The three year vesting schedule has been retained. The Board anticipates granting LTI to the KMP later in 2015 that will be due to vest in 2018. LTI grants will be made to the KMP after the FY2015 AGM; equity grants to the MD/CEO are subject to approval of shareholders at the AGM.

SECTION 3 - DIRECTOR AND EXECUTIVE CHANGES

The following changes to NEDs and executives occurred during FY2015. Mr Stuart Nevison was appointed to the role of Chief Executive Operations, Maintenance and Well Servicing and has been added to the Executive Team defined as the key management personnel (KMP) of the consolidated entity for the purpose of the *Corporations Act 2001* and *AASB 124 Related Party Disclosures*.

Changes to the Board and executives are listed in the tables below. The executives identified as KMP for the current reporting period, including their role in the organisational structure, are identified in Table 3.

Table 2 Non-Executive Directors as at 30 June 2015

Non-Executive Directors	Description of changes	Human Resources Committee role
Dean Pritchard		Non-Member
Diane Smith-Gander		Non-Member
Douglas Snedden		Chair
Geoffrey Kleemann	Appointed 19 September 2014	Member appointed 19 September 2014
Katherine Hirschfeld		Member
Roy McKelvie		Member
Steven Crane	Resigned effective 26 February 2015	

Table 3 KMP as at 30 June 2015

Senior executives	Description of changes	Role
Graeme Hunt		Managing Director and Chief Executive Officer
Vincent Nicoletti		Chief Financial Officer
Stephen Phillips		Chief Executive Business Services
Philip Wratt		President and Chief Executive Americas
Ian Maxted		Chief Development Officer and Chief Executive Defence, Social and Property Sector
Sandra Dodds		Chief Executive Infrastructure Sector
Kate Munnings		Chief Executive Logistics, Construction and Consulting
Stuart Nevison	Appointed to role on 1 September 2014	Chief Executive Operations, Maintenance and Well Servicing
Joe Sofra	Appointed to role on 23 July 2014	Chief Executive Resources & Industrials Sector

Remuneration data disclosed within the report and in the statutory tables includes those Directors and Executives above. Where changes are identified, remuneration data is as per time spent in the role during the period.

SECTION 4 - REMUNERATION GOVERNANCE, STRATEGY AND POLICY

HUMAN RESOURCES COMMITTEE AND GOVERNANCE

The Human Resources Committee (HRC) is a Board Committee responsible for ensuring that the Company's human resources policies comply with relevant laws, reflect current governance standards and mitigate operational, financial and reputational risks and seeks to align the interests of the Company and its shareholders.

The HRC considers human resources and remuneration strategy and provides recommendations on KMP appointments, remuneration policies, structures, practices and decisions to the Board for approval including remuneration for NEDs, the MD/CEO and other KMP. Review of talent and succession planning and monitoring of diversity and inclusion programs are also functions of the HRC.

The Board authorises the HRC to perform activities within the scope of its responsibilities including engaging independent advisors as it deems necessary, requiring the attendance of company officers at meetings and having unrestricted access to management, employees and information it considers relevant. The HRC may make any recommendations to the Board within its remit but it does not have delegated power to make binding decisions on behalf of the Board.

Geoffrey Kleemann joined the Committee during the year as identified in Table 2. The HRC met four times during FY2015. The MD/CEO participates in the HRC and meetings are attended by the Company Secretary and Chief Executive Business Services representing Human Resources, by invitation. They are excluded from meetings where their individual remuneration is considered. Other executives may attend on an invitation basis as subject matter experts.

INDEPENDENT REMUNERATION CONSULTANTS

External remuneration consultants may be engaged by the Board and the HRC to provide advice or information which is then used as a guide. The Board and HRC retain full accountability for the decision-making process.

The Board's governance in relation to engagement of remuneration consultants includes approving the scope and engagement of consultants. Advice is provided directly to the Chair of the HRC and the HRC may authorise management to liaise with the remuneration consultant to facilitate the engagement including briefing and providing information. The HRC did not engage external remuneration consultants nor seek any specific recommendations on KMP remuneration during FY2015.

OBJECTIVES OF THE REMUNERATION STRATEGY AND POLICIES

The Company's remuneration strategy and policies are designed to reward executives for high performance and align with shareholder interests and to attract, motivate and retain executives and employees through the following principles:

- **fair equitable and transparent** - competitive remuneration including both fixed and variable components that are designed to attract, motivate and retain a high quality workforce;
- **market relevant** - fixed remuneration and incentive opportunity that are competitive with the markets in which we compete for talent and reflect value of the role;
- **aligned with shareholder interests** - at-risk variable remuneration using a combination of cash and/or equity commensurate with and reflecting the contribution level of individuals where reward delivered is a function of individual, business and overall Group performance;
- **strong performance reward linkage** - maintaining a remuneration mix that is appropriately weighted and reflects the decision-making horizon and influence the individual exerts through the role on business results; and
- **good governance** - policies and structure that ensure variable remuneration is delivered over time, may be withheld or moderated at the discretion of the Board and unvested equity awards are subject to claw back or forfeiture in certain circumstances.

CLAW BACK POLICY

The Board has the discretion to reduce or cancel unpaid, unvested and/or deferred incentive payments, equity incentives that have not yet vested under the STI Deferral, MTI or LTI plans where information or events come to light after the initial award was made which materially undermines the Group's performance, financial standing and reputation. In exercising its discretion, the Board will also have regard to matters of procedural fairness. The Board reserves the right to pursue available legal recourse as appropriate.

Claw back was not applied to any unvested equity during the period.

SECTION 5 - NED REMUNERATION

This section sets out remuneration policies and the fee structure for NEDs and provides information on fees earned during FY2015. NEDs are remunerated by way of fixed fees in the form of cash and superannuation contributions in accordance with Recommendation 8.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition). To preserve independence and impartiality, no element of NED remuneration is at risk and no equity grants are awarded. NEDs are entitled to be reimbursed for all business-related expenses, including travel and accommodation, as may be incurred in the discharge of their duties.

The HRC and Board considered market data on Board and Committee fees and as a result Committee Chair fees have been adjusted effective from 1 July 2015. Fees for the Chairman of the Risk Audit and Compliance Committee increased from $20,000 to $22,500 and for the Chairs of the other Committees from $15,600 to $20,000 to align them with market median. The revised fees are represented in Table 4.

Table 4 Board Fees

Board fees per annum	Risk, Audit and Compliance Committee	Human Resources Committee and Health, Safety, Environment and Quality Committee
$372,320 for Chair [1]	$22,500 for the Chair of the Committee (previously $20,000)	$20,000 for the Chairs of the Committees (previously $15,600)
$182,000 for Deputy Chair [2]	$13,000 for Committee Members	$10,400 for Committee Members
$140,400 for Board Member		

[1] The Chair of the Board does not receive additional fees for service on Board Committees.
[2] The Deputy Chair position remains unfilled at this time.

The aggregate NED fee pool, currently $2,000,000 per annum, as approved by shareholders, remains unchanged for FY2016.

A minimum shareholding guideline, updated in August 2012, governs minimum shareholding targets for Directors and senior executives. The expectation is that all NEDs comply with the guidelines to acquire and hold shares in the Company with a value (based on cost) equal to one year's base fees in order to align their interests with shareholders generally. Directors have a period of up to five years from the later of the adoption of the guidelines or their appointment date to achieve the minimum shareholding target. Consistent with the Company's shareholding guidelines, NEDs are prohibited from using the Company's securities as collateral in any financial transaction, including margin loan arrangements.

Table 5 Non-Executive Director Remuneration for FY2015 and FY2014 (reported in the Prior Period)

$	Short term benefits		Post-employment benefits			
Name	Cash salary and fee	Non-monetary benefits	Super-annuation	Retirement benefits	Termination benefits	Total
Diane Smith-Gander	**353,537**	**-**	**18,783**	**-**	**-**	**372,320**
Douglas Snedden [5]	**162,680**	**-**	**15,455**	**-**	**-**	**178,135**
Roy McKelvie	**150,226**	**-**	**13,574**	**-**	**-**	**163,800**
Steven Crane [1]	**98,076**	**-**	**9,317**	**-**	**-**	**107,393**
Dean Pritchard	**154,338**	**-**	**14,662**	**-**	**-**	**169,000**
Katherine Hirschfeld	**147,216**	**-**	**13,984**	**-**	**-**	**161,200**
Geoffrey Kleemann [2]	**120,140**	**-**	**11,414**	**-**	**-**	**131,554**
TOTAL FOR FY2015	**1,186,213**	**-**	**97,189**	**-**	**-**	**1,283,402**
Diane Smith-Gander [3]	294,539	-	16,751	-	-	311,290
Douglas Snedden	155,046	-	14,342	-	-	169,388
Roy McKelvie	150,226	-	13,896	-	-	164,122
Steven Crane	150,840	-	13,953	-	-	164,793
Dean Pritchard [4]	105,387	-	9,748	-	-	115,135
Katherine Hirschfeld [4]	94,022	-	8,697	-	-	102,719
Geoffrey Kleemann [2]	-	-	-	-	-	-
TOTAL FOR FY2014	950,060	-	77,387	-	-	1,027,447

[1] Fees earned for the period up to retirement date of 26 February 2015.
[2] From his appointment as NED on 19 September 2014.
[3] Diane Smith-Gander was appointed Chairman on 25 October 2013.
[4] From their appointment as NED on 28 October 2013.
[5] Douglas Snedden was appointed to the Health, Safety, Environment and Community on 19 September 2014.

SECTION 6 - SENIOR EXECUTIVE (INCLUDING KMP) REMUNERATION

This section sets out a description of senior executive remuneration components, updated for changes applied for FY2015. They are consistent with policy objectives, reinforce the link between performance and reward and promote alignment to shareholder interests.

6.1 Remuneration structure summary

Current remuneration components for executives include fixed and variable at-risk remuneration. They are summarised as:

Total fixed remuneration (TFR) – includes cash, superannuation and any salary packaged items. TFR reflects the value of the role to the organisation and compensates the employee for their contribution, skills, knowledge and experience and is determined with reference to appropriate market benchmarks.

Short term incentive (STI) – variable at-risk opportunity related to a 12 month period and the earning opportunity is dependent on achieving business results at or above target levels and the individuals' discretionary contribution measured by the performance development review (PDR) system. It is paid as cash and the total STI earned is subject to STI deferral when the STI amount exceeds the minimum threshold of $75,000.

Deferred short term incentive (Deferred STI) – the cash portion of deferred STI, being 50% of the STI earned, is converted to performance rights. The number of rights awarded is determined by dividing the deferred cash amount by the face value of shares using a 30 day volume weighted average price prior to the grant date; awards cliff vest after a two year period and may be subject to forfeiture.

Long term incentive (LTI) – the plan and performance metrics are designed to focus participants on improving enterprise value aligned to shareholder interests. Equity grants are delivered in two tranches as performance rights, calculated by using the face value of shares at grant using a 30 day volume weighted average price prior to the grant date; granted each year subject to HRC and Board approval. LTI is offered to the MD/CEO and other KMP and not to other senior executives. Vesting is subject to meeting performance hurdles.

Table 6 Summary of Key Changes to Variable Incentives

Component	FY2015	FY2014
STI	• MD/CEO maximum STI at 150% of TFR remains unchanged • Target STI opportunity for all other KMP up to 75% of TFR with uplift component to 93.75% maximum capped at this level for out performance • Performance gateway - budgeted EBITDA to trigger plan • Funding cap of 4% to 6% of EBITDA implemented • 75% weighting of performance metrics tied to a portion for Group result and portion for sector/service/support area results – weighting between Group and Business Unit components is adjusted at Board discretion • Examples of performance metrics include EBITDA, revenue, cash conversion/collection, margin, Return on Capital Employed and cost management • 25% of STI tied to individual performance rating (PDR) • Safety metric retained as moderator with Board discretion	• STI opportunity expressed for KMP as % of TFR varies by position – range of 40% to 75% • Satisfy performance gateway budget EBIT and NPAT required to trigger plan • Part A is 40% of the STI opportunity and is subject to achieving Group NPAT and EBIT or regional EBIT financial targets. • Part B is 60% of the opportunity and is subject to achieving out performance of NPAT above the threshold target, operates similar to a profit share. • Performance metrics Group EBIT/NPAT and regional EBIT determine % of STI earned • Individual rating under performance management system (PDR) acts as a moderator • Safety metric acts as moderator
MTI	• Discontinued - see STI deferral below for plan changes	• Currently used for STI deferral (see below)
STI deferral	• Deferral increased to 50% of STI earned to align with market practice – applies to all KMP • STI subject to deferral once $75K threshold exceeded • 2 year cliff vesting; improves retention and aligns to market practice – no re-testing • Delivered as performance rights and subject to claw back	• 20% of STI deferred into MTI if above $100,0 • Deferred into MTI with additional performance hurdle; tranche vesting 50% at year 1 and 50% at year 2 • Delivered as performance rights and subject to claw back
LTI	• No change to MD/CEO LTI opportunity; 100% of TFR • LTI opportunity standardised at 60% of TFR for KMP – aligned to market benchmark • Performance metrics now in 2 tranches with 50% for each of relative Total Shareholder Return (rTSR) and Return on Capital Employed (ROCE) • 3 year vesting retained - subject to claw back	• LTI opportunity expressed as % of TFR varies by position – range of 30% to 50% • Annual grant at discretion of Board • rTSR, EPS and ROCE tranche hurdles – hurdle level reviewed annually • 3 year vesting period – re-testing removed from 2012 - subject to claw back

6.2 Total target remuneration - remuneration Mix Illustration

The mix of maximum total remuneration opportunity for senior executives is designed to provide a balance between TFR and the at risk components of remuneration. The following table illustrates the remuneration mix for the MD/CEO and Chief Financial Officer (CFO) as examples at the maximum incentive opportunity. Remuneration mix for other KMP is similar to the CFO.

	Fixed	At risk	At risk	At risk
	TFR	STI cash (@ max)	STI Deferral (@ max)	LTI
MD/CEO	28.5%	21.5%	21.5%	28.5%
CFO	39.4%	18.5%	18.5%	23.6%

The remuneration mix profile in the above illustration is consistent with good market practice, particularly the weighting of variable at-risk components at maximum earning opportunity relative to fixed remuneration. Note that 50 per cent of the STI is deferred to equity and in conjunction with the LTI equity grant results in a high portion of remuneration delivered as equity, deferred for between 2 and 3 years. This increases retention value of remuneration and aligns to shareholder interests. The actual remuneration mix will differ year on year depending on achievement of the variable incentive components, particularly STI and the amount of STI deferred to equity.

6.3 Total fixed remuneration (TFR)

The Board and HRC commission an external benchmarking exercise every two years using independent remuneration consultants and every other year a benchmarking exercise is undertaken referencing market data obtained from salary survey firms. Fixed remuneration is reviewed relative to comparable roles in similar or like organisations, having regard to organisational size and sector, revenue and financial performance, geographic presence, business structure, scope of operations and market capitalisation. This ensures fixed remuneration remains market competitive for executive talent and consistent with overall remuneration policy objectives.

At each review cycle or as required, the HRC considers a remuneration range around the 50th percentile (median) which provides flexibility to recognise individual capability, contribution, value to the organisation and performance, ensuring that fixed remuneration levels are not more generous than necessary to retain, motivate or attract key talent.

The Board acknowledged that market movements for executive salaries during FY2015 were in a range of 0% to 3% as advised by remuneration consultants. There was an adjustment to Ian Maxted's TFR to move TFR towards the median of the remuneration range for the role.

6.4 Short term incentive (STI) - tabular summary of plan structure

Following is a tabular summary of the FY2015 STI plan. Business performance for FY2015 improved markedly and the Board has approved short term incentive amounts for qualifying KMP under the plan rules. STI payments will be paid later in the year in accordance with usual practice and will be subject to application of the STI deferral for qualifying amounts. The plan operates at the absolute discretion of the Board in accordance with the plan rules.

STI plan element	Description
Purpose	The purpose of the STI plan is to reward achievement of financial and non-financial outcomes for the 12 months of the performance period aligned to the financial year.
Participation	Executives and selected individuals who materially impact the financial and operational performance of the Company, a region or a business unit. Participant list is reviewed annually.
Performance gateways and funding	Underlying budgeted Group EBITDA is used as a performance gateway. The plan is funded within a range of 4% to 6% of underlying budgeted EBITDA, as approved by the Board.
Percentage opportunity	The MD/CEO has a maximum STI opportunity capped at up to 150% of TFR. Target STI opportunity for other KMP is up to 75% of TFR with an uplift component that caps STI at a maximum of 93.75% of TFR.
Plan components	The STI percentage opportunity is divided between components. • 75% of the opportunity is linked to a combination of Group results and results of the Business Line under direct control (sector, service or support line of business) – weighting within this component between Group and Business Unit is at the discretion of the Board and may be adjusted year on year. • 25% is linked to individual contribution as measured by performance objectives assessed in the PDR process; annual objectives for KMP are reviewed and approved by the Board and HRC. • Safety performance is applied to the pay-out result as a moderator as determined by the Board.

<table>
<tr><th>STI plan element</th><th>Description</th></tr>
<tr><td>Target and out performance conditions</td><td>
Performance conditions and objectives required to trigger the STI include both financial and non-financial measures and reflect both target and out performance expectations. Target is represented by budget.
Financial objectives for the Group and each business unit are based on budgeted Underlying EBITDA. Additional financial metrics assessed include key business drivers such as revenue, cash conversion and margin, Return on Capital Employed and cost management. Non-financial metrics include business improvement initiatives, contract renewal or extension. People management targets cover development, diversity, talent management and succession planning. Targets are reset annually following the completion of the annual budgeting and planning process approved by the Board and align to business strategy.
Individual performance objectives are set out in the PDR within the framework of the Company's performance pillars of Perform, Grow, Develop and Innovate.
The table below outlines a guide used in assessing performance relative to potential STI pay-out amounts:
<table>
<tr><th>Overall performance against metrics</th><th>STI assessment range</th></tr>
<tr><td>1. Metric not achieved - <90%</td><td>0%</td></tr>
<tr><td>2. 90% or > of metric achieved</td><td>50%</td></tr>
<tr><td>3. On target performance (budget)</td><td>Up to 90%</td></tr>
<tr><td>4. Exceed target</td><td>Up to 125%</td></tr>
</table>
This framework ensures that all objectives are in alignment with the corporate strategy, reflect the performance required within the scope of each senior executive's responsibilities and accountabilities and strengthen the performance and reward linkage and alignment with shareholder interests.
</td></tr>
<tr><td>Payment and cessation of employment</td><td>
STI is paid at the discretion of the Board and is based on audited financial results of the Company. It is paid as cash typically in September following the completed performance period to 30 June.
Where a senior executive ceases employment with the Company (other than due to redundancy) before STI measures are assessable, they are generally not entitled to receive any STI. In cases of redundancy of senior executives, the Board may exercise discretion to award a pro-rated STI once performance is assessed at year end in the normal course.
</td></tr>
</table>

6.5 Deferred Short Term Incentive (Deferred STI)

A summary of the Deferred STI plan for FY2015 is provided below:

STI Plan Element	Description
Purpose	STI deferral is a prudent risk mitigation strategy. It ensures that annual incentives are not paid in full or based on unsustainable short term outcomes that may adversely affect future years' performance. It operates as a retention tool and may be subject to forfeiture or claw back.
Threshold and deferred percentage	The deferral triggers where STI earned is above the threshold of $75,000 for FY2015. STI deferral is set at 50% of the STI earned and applies to the full STI amount, not the balance above the threshold.
Equity type, award delivery and performance period	Performance rights are granted under the TranShare Executive Performance Awards Plan (TEPAP). The number of performance rights granted is a function of the deferred STI cash value, divided by the volume weighted average share price in the 30 days prior to grant approval and rounded up to a whole number. Awards vest at the completion of the two year vesting period. Each performance right vests to one ordinary share. Shares are generally sourced from on-market purchases acquired through a trust.
Restrictions	Unvested performance rights do not attract dividend accrual and do not have voting rights. KMP and other executives are prohibited from encumbering or hedging their unvested awards in accordance with the Company's remuneration and share trading guidelines.
Claw back	Unvested performance rights are subject to claw back and may be reduced to zero at Board discretion.
Cessation of employment	At cessation of employment (other than due to redundancy or retirement), the unvested rights will immediately lapse on exit. Where redundancy or retirement applies, a pro-rata number (based on service period) of the unvested rights may be retained "on foot" and vest in the ordinary course.
Change of control	Unvested awards will vest in accordance with the change of control clause in the TEPAP rules.

6.6 Long Term Incentive (LTI)

A summary of the LTI plan covering grants made during FY2015 is provided below:

<table>
<tr><th>LTI Plan Element</th><th colspan="2">Description</th></tr>
<tr><td>Purpose</td><td colspan="2">The LTI plan is value focused and reward for sustainable longer term performance of the Group and alignment with shareholder interests.</td></tr>
<tr><td>Participants and grant value</td><td colspan="2">Participation is limited to MD/CEO and other KMP and grants are determined annually by the Board. LTI grant for the MD/CEO is up to 100% of TFR and for other KMP up to 60% of TFR. The performance rights are offered at no cost to the senior executive.</td></tr>
<tr><td>Equity type, award delivery and performance period</td><td colspan="2">Performance rights are granted under the TEPAP.
The number of performance rights granted is a function of the percentage of TFR, divided by the volume weighted average share price in the 30 days prior to grant approval and rounded up to a whole number.
Awards are subject to a three year performance period and granted on terms and conditions determined by the Board, including vesting conditions linked to service and performance. Each performance right vests to one ordinary share. Shares are generally sourced from on-market purchases acquired through a trust.</td></tr>
<tr><td>Performance measures and hurdles</td><td colspan="2">The performance measures applicable to each grant of LTI awards are set by the Board, having regard to the long term business plan. Hurdles are assessed each year prior to the grant.
Each LTI grant is apportioned equally (50%) against two independently assessed performance hurdles:
• relative Total Shareholder Return (rTSR) - to assess average total shareholder return relative to the performance of an appropriate peer group of companies;
• Return on Capital Employed (ROCE) - to assess how efficiently the Company utilises its capital base as a measure of operational efficiency and effectiveness.</td></tr>
<tr><td rowspan="7">Relative TSR performance hurdle</td><td colspan="2">rTSR measures compound growth in the Company’s TSR compared with the TSR performance of other companies primarily in the S&P/ASX 200 Industrials Index sectors of Capital Goods, Commercial and Professional Services, Materials, Energy Equipment and Services, and Transportation Road and Rail.</td></tr>
<tr><td>The Company’s TSR ranking</td><td>Actual % of rights that vest up to tranche maximum</td></tr>
<tr><td>Below 51st percentile</td><td>Nil</td></tr>
<tr><td>51st percentile</td><td>5%</td></tr>
<tr><td>Between 51st percentile and 75th percentile</td><td>1.88% for each additional percentile above 51st percentile</td></tr>
<tr><td>75th percentile or higher</td><td>50%</td></tr>
<tr><td colspan="2">Vesting of LTI awards shall be rounded down to the nearest whole number of shares.</td></tr>
<tr><td rowspan="9">Return on Capital Employed (ROCE) hurdle</td><td colspan="2">ROCE is defined as EBIT divided by capital employed using a weighted average cost of capital basis (WACC). The reference rate for grants made in December 2014 was 11%. The ROCE hurdle relates to the Company achieving a minimum return over a three year financial period.</td></tr>
<tr><td>The Company’s ROCE performance</td><td>Actual % of rights that vest up to tranche maximum</td></tr>
<tr><td>Below or equal to WACC plus 1%</td><td>Nil</td></tr>
<tr><td>Between WACC plus 1% up to WACC plus 3%</td><td>1.25% for each additional 0.1% above WACC plus 1%</td></tr>
<tr><td>Equal to WACC plus 3% (Target ROCE)</td><td>25%</td></tr>
<tr><td>Between WACC plus 3% up to WACC plus 6%</td><td>0.83% for each additional 0.1% above WACC plus 3%</td></tr>
<tr><td>Equal to WACC plus 6% (Premium New Investment ROCE) or higher</td><td>50%</td></tr>
<tr><td colspan="2">The WACC is based on the average of the half year WACC calculation for FY2015, FY2016 and FY2017.</td></tr>
<tr><td colspan="2">Vesting of LTI awards shall be rounded down to the nearest whole number of shares.</td></tr>
<tr><td>Restrictions</td><td colspan="2">Unvested performance rights do not attract dividend accrual and do not have voting rights. KMP and other executives are prohibited from encumbering or hedging their unvested awards in accordance with the Company’s remuneration and share trading guidelines.</td></tr>
<tr><td>Claw back</td><td colspan="2">Unvested performance rights are subject to claw back and may be reduced to zero at Board discretion.</td></tr>
<tr><td>Cessation of employment</td><td colspan="2">At cessation of employment (other than due to redundancy or retirement), the unvested rights will immediately lapse on exit. Where redundancy or retirement applies, a pro-rata number (based on service period) of the unvested rights may be retained “on foot” and vest in the ordinary course.</td></tr>
<tr><td>Change of control</td><td colspan="2">Unvested awards will vest in accordance with the change of control clause in the TEPAP rules.</td></tr>
</table>

6.7 Minimum shareholding guideline

The Company encourages senior executives to acquire and maintain a shareholding in the Company equal in value (based on share acquisition cost) to 50 per cent (for the MD/CEO) and 30 per cent (for other KMP and senior executives) of their individual TFR. The timeframe to achieve this is over a five year period from the appointment of the senior executive. The shareholding includes all Company shares held by the executive or related parties and in other interests as defined in the guideline.

6.8 Hedging and margin lending

Company securities must not be hedged prior to vesting (that is, prior to the relevant performance and/or service conditions being met) in accordance with the Company's Share Trading Policy. The policy prohibits NEDs and senior executives from using the Company's securities as collateral in any financial transaction, including margin loan arrangements. Any employees found to have breached this policy will be subject to appropriate sanctions.

SECTION 7 - PERFORMANCE AND REWARD LINK AND OUTCOMES

Linking company performance to remuneration outcomes is a key remuneration principle of Transfield Services. The following narrative, tables and charts illustrate how the variable remuneration plans, including those that are cash and equity based, operate in alignment with performance of the company and align with shareholder interests.

Table 7 Five Year Company Performance

	2011	2012	2013	2014	2015
Net (loss)/profit after tax ($'m)	[2] (19.3)	85.0	[3] (254.4)	52.8	48.6
Underlying NPAT ($'m) [1]	100.1	85.0	39.2	72.6	71.9
Underlying EBITDA ($'m) [1]	232.3	218.8	201.7	216.7	265.3
Earnings per share (cents)	[2] (4.0)	15.6	(48.8)	10.7	9.5
Underlying earnings per shares (cents) [1]	20.3	15.6	7.6	14.6	14.0
Dividends per share paid (cents)	14.0	14.0	3.0	-	-
Change in share price ($)	0.24	(1.53)	1.05	0.32	0.34
ROCE (per cent)	12.4	8.8	7.2	9.6	13.7

[1] Underlying NPAT, Underlying EBITDA, Underlying earnings per shares and ROCE are non-IFRS financial indicators and have not been subject to review or audit by the Group's external auditors.

[2] Includes $119.9m (net of tax) of significant items.

[3] Includes an impairment loss of $298.1m net of tax.

7.1 STI performance and reward relationship STI outcomes for FY2014 and FY2015

STI payments, if earned, are paid in September/October following the close of the prior financial year based on audited results.

Company performance in FY2014 triggered the STI plan and the Board approved STI amounts for the KMP. As referenced in the table above, performance for FY2015 improved over FY2014 and the Board has approved STI payments for the MD/CEO and other KMP. Table 8 provides information on the FY2014 STI and FY2015 STI. Deferred STI increased significantly as a result of the plan changes for FY2015 set out in Section 6.5. All values are in AUD.

Table 8 FY2015 STI to FY2014 STI – cash and deferral

$ Name	Annual TFR[2]	Maximum STI %	STI earned	STI % of target	STI cash	STI deferral
Graeme Hunt	**1,507,509**	**150%**	**1,809,010**	**80%**	**904,505**	**904,505**
Vincent Nicoletti	**771,925**	**75%**	**414,756**	**72%**	**207,378**	**207,378**
Stephen Phillips	**536,338**	**75%**	**288,174**	**72%**	**144,087**	**144,087**
Philip Wratt[1]	**783,740**	**75%**	**232,974**	**40%**	**116,487**	**116,487**
Ian Maxted	**606,512**	**75%**	**384,832**	**85%**	**192,416**	**192,416**
Sandra Dodds	**671,675**	**75%**	**204,526**	**41%**	**102,263**	**102,263**
Kate Munnings	**681,700**	**75%**	**432,538**	**85%**	**216,269**	**216,269**
Stuart Nevison	**730,000**	**75%**	**216,810**	**40%**	**108,405**	**108,405**
Joe Sofra	**516,288**	**75%**	**153,338**	**40%**	**76,669**	**76,669**
TOTAL FOR FY2015	**6,805,687**		**4,136,958**		**2,068,479**	**2,068,479**

[1] Fixed remuneration for Philip Wratt of USD 656,045 and STI benefits; values translated to AUD using the FY2015 average exchange rate or 0.83707.

[2] Annual TFR for FY2015 reflects 0.25% adjustment for increase in superannuation contribution effective 1 July 2014.

$ Name	Annual TFR	Maximum STI %	STI Earned	STI % of target	STI cash	STI Deferral
Graeme Hunt	1,500,000	150%	1,518,750	68%	759,375	759,375
Vincent Nicoletti	770,000	75%	433,125	75%	346,500	86,625
Stephen Phillips	470,373	40%	127,001	68%	101,601	25,400
Philip Wratt	715,503	60%	231,823	54%	185,458	46,365
Ian Maxted	551,375	50%	227,442	82%	181,954	45,488
Sandra Dodds	670,000	75%	-	-	-	-
Kate Munnings	586,352	40%	175,906	75%	140,725	35,181
Stuart Nevison	-	-	-	-	-	-
Joe Sofra	515,000	50%	93,164	36%	93,164	-
TOTAL FOR FY2014	5,788,603		2,807,211		1,808,777	998,434

Short term incentives in Table 8 for FY2014 were calculated using the 2014 STI plan design and were based on an Underlying EBITDA of $216.7m. Sandra Dodds did not qualify for an STI in FY2014 as she did not meet the minimum 6 months' service requirement during the performance period. STI amounts were paid for performance in role that reflected results for business units prior to the introduction of the new operating model.

Short term incentives for FY2015 were calculated using the FY2015 STI plan design referenced in Section 6.4. The STI plan triggered as the FY2015 Group Underlying EBITDA result (Table 7) passed the budget threshold of $262m that represented a $45m (20%) improvement over the prior year. The FY2015 STI is calculated on the following basis:

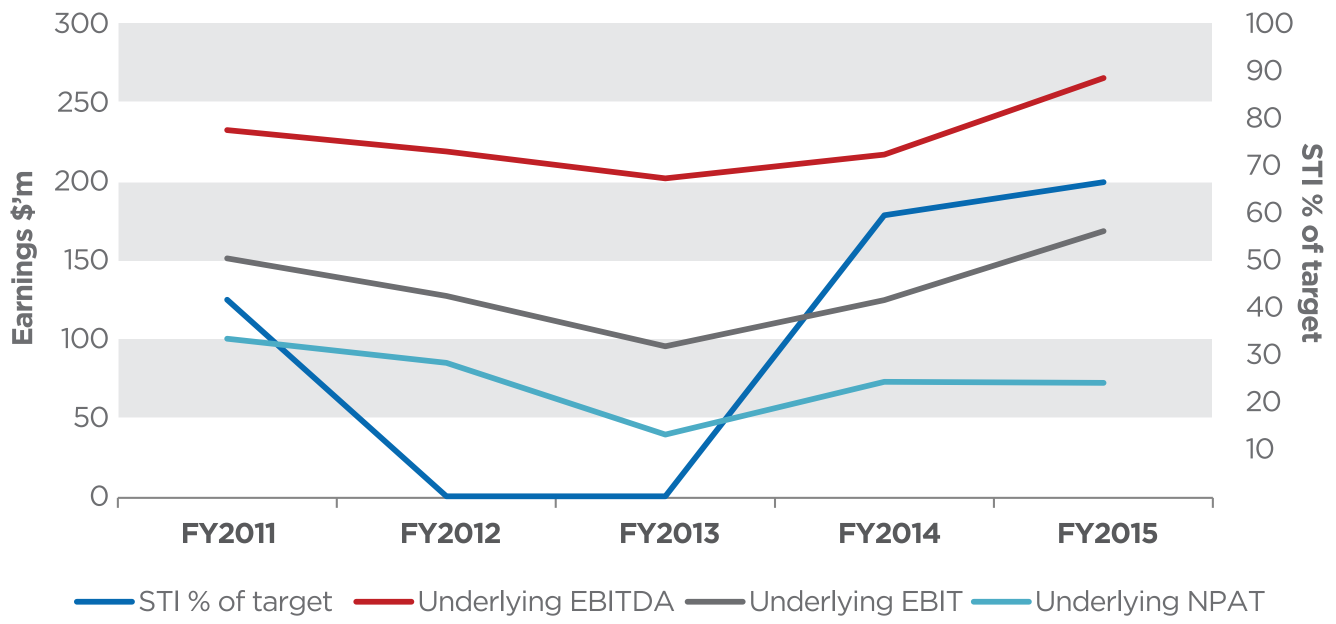
- 75% weighting based on a split between the Group Underlying EBITDA result and business line results using a basket of performance measures including revenue, margin, ROCE, cash conversion and cost management; the differentiation of STI amounts earned reflects different financial and non-financial performance outcomes at the Business Unit level;
- 25% weighting on individual PDR rating based on achievement of personal objectives; and
- A safety modifier was applied to the overall STI earned to arrive at the values in the above table, as approved by the Board.

The difference between FY2014 and FY2015 STI outcomes is explained through differences in TFR and in plan design (refer to Table 6) including STI percentage opportunity, first full year of the new operating model and changes in financial and non-financial performance outcomes achieved and inclusion of Stuart Nevison and Sandra Dodds qualifying for STI.

The changes to the FY2015 Deferred STI have resulted in a significantly higher portion of the STI being deferred for two years which will aid in senior executive retention and facilitate claw back if required.

Chart 1 provides a graphical representation of STI payments (expressed as a percentage) relative to key business metrics. It represents the non-IFRS financial indicators and has not been subject to review or audit by the Group's external auditors. It illustrates the alignment of the level of STI payments to the earnings of the Company including the current year and the previous four years.

Chart 1: Key management personnel short term incentive outcomes



7.2 MTI performance and reward relationship outcomes

KMP did not receive STI payments in FY2012 and FY2013 and as a result there were no amounts deferred into MTI due for testing in the current period. Effective FY2015, the MTI plan will not be used for STI deferral going forward and has been replaced with the FY2015 Deferred STI plan.

The Success Fee awarded to the MD/CEO in March 2013 was 50 per cent deferred into MTI, vesting in two tranches. In FY2014 the Board exercised its discretion under the MTI plan rules to approve proportional vesting with 65 per cent of Tranche 1 vesting or 76,670 performance rights.

The final testing event was in March 2015 at the second anniversary. Based on the first half FY2015 Underlying EBITDA result of $112.2m relative to the performance hurdle of first half FY2013 Underlying EBITDA result of $79.8m, the remainder of Tranche 1 and the total of Tranche 2 awards have vested. The balance of the unvested Tranche 1 of 41,280 performance rights and total Tranche 2 of 117,950 performance rights, being a total of 159,230 rights vested. Details are set out in Table 14.

7.3 LTI performance and reward relationship

LTI grants made in September 2011 for FY2012 had three tranches with performance measured independently for each tranche using EPS, rTSR and Return on Funds Employed over the vesting period of three years. Awards were due for testing at 30 September 2014.

LTI outcomes – performance assessment of FY2012 grants

During the year, the following LTI awards granted to executives were eligible for vesting and the assessment against performance hurdles are shown in the table below: Performance over the vesting period for each tranche did not meet the minimum performance hurdle levels required to vest awards. As a result, these awards have lapsed.

Table 9 Performance Testing of Grants Awarded in FY2012 – Due during FY2015

Grant date	Performance period	Vesting Hurdle	Performance Outcome	Vesting Level
30 September 2011	30 September 2014	EPS compound growth of at least 10% pa	Minimum hurdle not achieved	Nil
		rTSR ranking of at least 50th percentile	Minimum hurdle not achieved	Nil
		Return on Funds Employed	Minimum hurdle not achieved	Nil

Tracking LTI performance metrics

These charts provide a view of performance against key metrics for each of the tranches of the LTI. **Chart 2** illustrates a 5 year view of EPS and ROCE performance metrics and the percentage of LTI awards vesting. Data is presented over 5 years on the basis that awards granted up to 2012 provided for re-testing in the 12 months following the vesting date. Re-testing was removed from all future grants from 2012 onwards.

Company performance measured by EPS and ROCE have improved over the past two periods per Chart 2; however not to a sufficient level to trigger vesting of LTI tranches related to these metrics.

Chart 2: Long term incentive vesting outcomes relative to Earnings Per Share and Return on Capital Employed

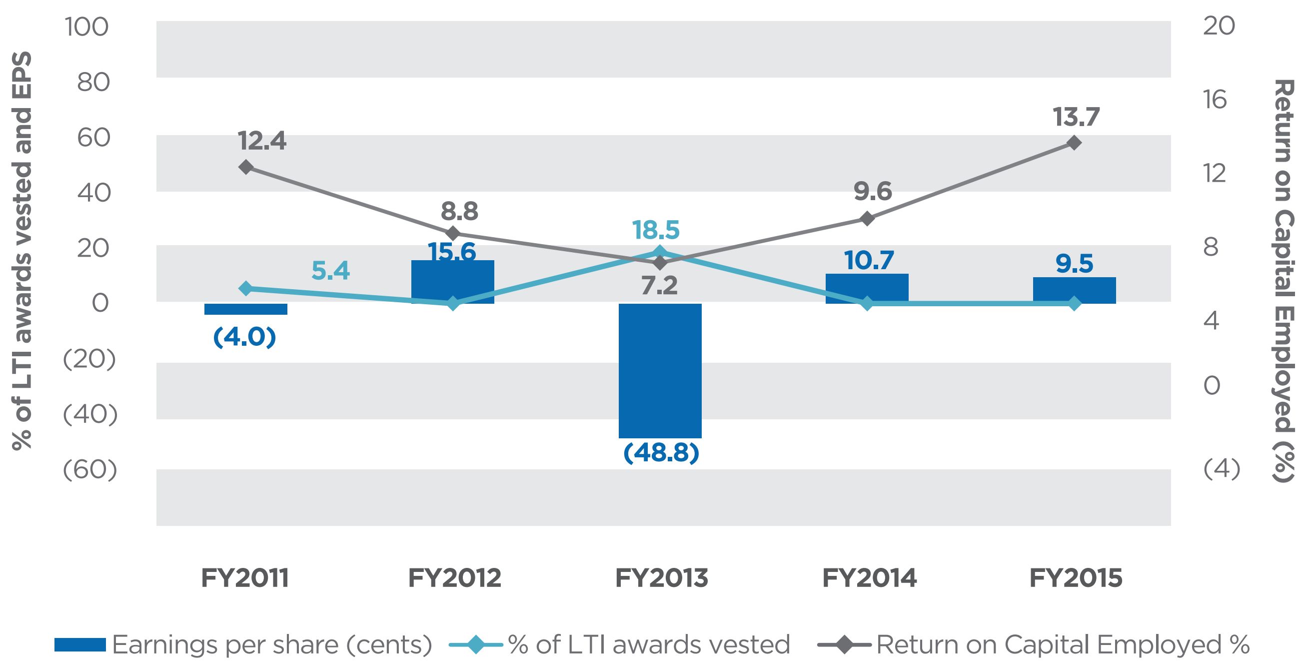
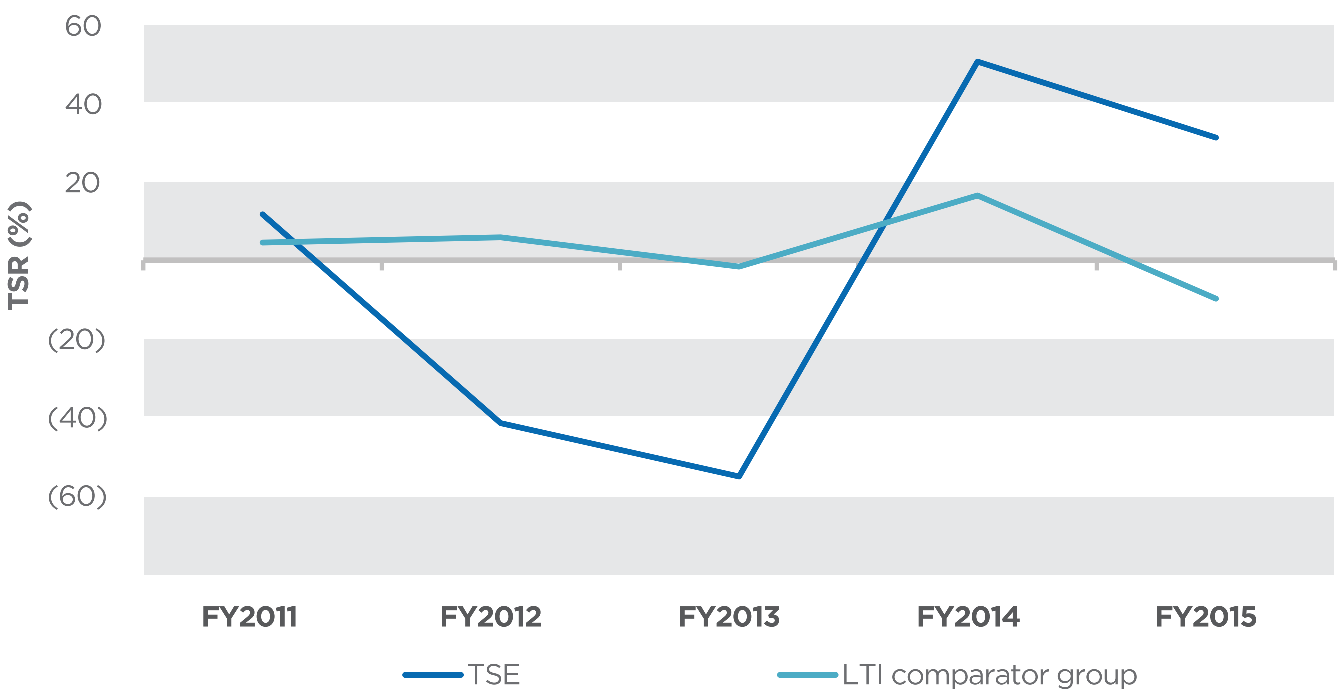


Chart 3 shows the Company's rTSR performance compared to the LTI comparator group as at 30 June each year for the previous five years. The Company's TSR under performed the comparator group up to FY2014 which resulted in the LTI tranche not vesting. Relative performance has since recovered and has out performed the comparator group for the past two periods. As this trend continues, the recent and future LTI tranche governed by this metric is expected to have a higher probability of vesting.

Chart 3: Annual relative Total Shareholder Return - TSE vs LTI comparator group



FY2015 LTI Grants

Subject to Board consideration and approval, grants of performance rights to qualifying KMP are anticipated in November 2015 with grants to the MD/CEO being subject to shareholder approval at the FY2015 AGM. Grants will be made under the revised LTI plan as described in Section 6.6 where there will now be only two tranches measured by rTSR and ROCE. Details of the vested and lapsed awards for KMP and performance rights granted including values and first exercisable date are set out in Table 14.

SECTION 8 - SENIOR EXECUTIVE SERVICE AGREEMENTS AND TRANSITIONS

The remuneration and other terms of employment for the MD/CEO and executives are formalised in Service Agreements. Agreements include the provision of STI and other benefits and participation, when eligible, in the Company's LTI plan. The material terms of the Service Agreements with executives are set out below in Table 10:

Table 10 Summary of Service Agreements for Current KMP

KMP as at 30 June 2015	Position	Employee notice period	Employer notice period (other than for gross misconduct) [1]	Restrictive covenant
Graeme Hunt	Managing Director and Chief Executive Officer	3 months	6 months	6 months
Vincent Nicoletti [3]	Chief Financial Officer	3 months	3 months	6 months
Philip Wratt	President and Chief Executive Americas[2]	6 months	12 months	6 months
Ian Maxted	Chief Development Officer and Chief Executive Defence, Social and Property Sector	3 months	3 months	3 months
Sandra Dodds	Chief Executive Infrastructure Sector	3 months	3 months	3 months
Joe Sofra	Chief Executive Resources & Industrials Sector	3 months	3 months	3 months
Kate Munnings	Chief Executive Logistics, Construction & Consulting	3 months	3 months	3 months
Stuart Nevison	Chief Executive Operations, Maintenance & Well Servicing	3 months	3 months	3 months
Stephen Phillips	Chief Executive Business Services	3 months	3 months	3 months

[1] In the event of redundancy, the notice period plus calculated redundancy and statutory benefits will be paid.
[2] Philip Wratt's secondment was extended in accordance with existing contract terms until 31 December 2016 and prior terms were retained.
[3] The notice period for Vincent Nicoletti in the event of redundancy is sixmonths.

SECTION 9 - STATUTORY TABLES

The statutory tables below contain data relevant to the FY2015 reporting period. Table 11 sets out details of remuneration provided to senior executives (calculated in accordance with applicable Accounting Standards). The table includes remuneration associated with LTI performance rights granted as part of the senior executives' LTI payments. The value reflected is an accounting value and reflects the expense to the Company of the executives' incentive arrangements. This value is not necessarily the same as the value to be derived by the executive.

Table 11 Details of Remuneration

$	Short term benefits			Post-employment benefits	Long term benefits	Share-based payments	Termination	
Name	Cash salary and fee	Cash-based STI	Non-monetary benefits	Super-annuation	Long service leave	Performance rights	Termination benefits	Total
Graeme Hunt	**1,488,725**	**904,505**	**2,076**	**18,783**	**15,362**	**1,281,625**	**-**	**3,711,076**
Vincent Nicoletti	**[2] 903,145**	**207,378**	**2,076**	**18,783**	**3,823**	**231,085**	**-**	**1,366,290**
Stephen Phillips	**517,266**	**144,087**	**2,076**	**24,999**	**9,528**	**135,501**	**-**	**833,457**
Philip Wratt	**[5] 783,740**	**116,487**	**[6] 110,656**	**-**	**-**	**115,309**	**-**	**1,126,192**
Ian Maxted	**601,135**	**192,416**	**2,076**	**18,783**	**31,645**	**182,405**	**-**	**1,028,460**
Sandra Dodds	**611,780**	**102,263**	**1,814**	**34,783**	**2,420**	**91,342**	**-**	**844,402**
Kate Munnings	**686,332**	**216,269**	**3,147**	**18,783**	**27,662**	**182,108**	**-**	**1,134,301**
Stuart Nevison[1]	**571,780**	**108,405**	**1,206**	**36,553**	**1,034**	**98,462**	**-**	**817,440**
Joe Sofra	**488,024**	**76,669**	**2,001**	**18,783**	**5,651**	**146,124**	**-**	**737,252**
TOTAL FOR FY2015	**6,651,927**	**2,068,479**	**127,128**	**190,250**	**97,125**	**2,463,961**	**-**	**11,598,870**
Graeme Hunt	1,507,443	759,375	[3] 120,080	17,775	18,421	661,637	-	3,084,731
Vincent Nicoletti [1]	[4] 1,105,348	346,500	2,564	15,433	3,242	73,769	-	1,546,856
Stephen Phillips [1]	332,486	101,601	-	13,331	4,667	37,113	-	489,198
Philip Wratt	830,014	185,458	15,244	-	8,629	(12,200)	-	1,027,145
Ian Maxted [1]	533,600	181,954	4,159	17,775	3,888	19,384	-	760,760
Sandra Dodds [1]	86,644	-	-	20,081	264	-	-	106,989
Kate Munnings	568,577	140,725	7,224	17,775	15,252	8,838	-	758,391
Stuart Nevison	-	-	-	-	-	-	-	-
Joe Sofra	482,095	93,164	-	17,775	19,501	45,857	-	658,392
TOTAL FOR FY2014	5,446,207	1,808,777	149,271	119,945	73,864	834,398	-	8,432,462

[1] From their appointment as KMP. Refer to Section 3 for details.
[2] Includes $150,000 relating to the current year amortisation of the second tranche of "make-good" retention payments.
[3] Includes reimbursement of accommodation costs for $115,920 per contract provisions.
[4] Includes "make good" retention payment of $300,000 relating to FY2014 service period plus $150,000 relating to the amortisation of the second tranche paid in FY2015.
[5] Fixed remuneration for Philip Wratt of USD 656,045 and additional contracted non-monetary benefits; values translated to AUD using the FY2015 average exchange rate or 0.83707.
[6] Includes Housing Allowance of USD 67,034 translated to AUD 80,082.

Table 12 Details of remuneration: fixed and at-risk remuneration as a percentage of actual remuneration

% Name	Fixed remuneration	Termination benefits	Cash-based STI	Performance rights	Total
Graeme Hunt	41.1%	-	24.4%	34.5%	100%
Vincent Nicoletti	67.9%	-	15.2%	16.9%	100%
Stephen Phillips	66.4%	-	17.3%	16.3%	100%
Philip Wratt	79.5%	-	10.3%	10.2%	100%
Ian Maxted	63.6%	-	18.7%	17.7%	100%
Sandra Dodds	77.1%	-	12.1%	10.8%	100%
Kate Munnings	64.8%	-	19.1%	16.1%	100%
Stuart Nevison	74.7%	-	13.3%	12.0%	100%
Joe Sofra	69.8%	-	10.4%	19.8%	100%

Table 13 Remuneration subject to vesting – STI deferral, MTI and LTI

$ Name	FY2015	FY2016	FY2016	FY2017	Total
Graeme Hunt	1,281,625	1,194,604	701,049	190,274	3,367,552
Vincent Nicoletti	231,085	254,000	185,544	55,581	726,210
Stephen Phillips	135,501	160,618	123,911	38,617	458,647
Philip Wratt	115,309	137,810	123,620	40,636	417,375
Ian Maxted	182,405	206,843	152,434	46,926	588,608
Sandra Dodds	91,342	120,014	119,769	39,724	370,849
Kate Munnings	182,108	213,554	167,208	52,745	615,615
Stuart Nevison	98,462	129,624	129,357	42,871	400,314
Joe Sofra	146,124	146,920	103,563	30,321	426,928
TOTAL	**2,463,961**	**2,563,987**	**1,806,455**	**537,695**	**7,372,098**

[1] Remuneration amounts disclosed in the above table refer to the unamortised value of MTI and LTI performance rights calculated in accordance with *AASB 2 Share-based payment*.

Table 14 Analysis of movements in performance rights

$ Name	Granted [1]	Value of awards exercised [2]	Lapsed [2]
Graeme Hunt	1,440,824	311,388	-
Vincent Nicoletti	437,403	-	-
Stephen Phillips	303,910	-	110,781
Philip Wratt	328,750	-	139,496
Ian Maxted	364,881	-	207,629
Sandra Dodds	324,351	-	-
Kate Munnings	410,113	-	202,902
Stuart Nevison	350,547	-	-
Joe Sofra	247,922	-	-
TOTAL	**4,208,701**	**311,388**	**660,808**

[1] Refer to Table 15 for details on performance rights granted as remuneration during the year.
[2] Value is based on the closing share price on exercise or lapse/forfeiture date.

Table 15 Details of performance rights granted as compensation during the year

	Date		Number of LTI awards granted		Grant date fair value[1] ($)	
Name	Grant	First exercisable and expiry	Tranche 1	Tranche 2	Tranche 1	Tranche 2
Graeme Hunt [2]	05-Nov-14	24-Oct-17	395,050	395,050	1.29	1.76
Vincent Nicoletti	24-Oct-14	24-Oct-17	144,105	144,105	1.29	1.77
Stephen Phillips	24-Oct-14	24-Oct-17	100,125	100,125	1.29	1.77
Philip Wratt	24-Oct-14	24-Oct-17	122,473	122,473	1.29	1.77
Ian Maxted	24-Oct-14	24-Oct-17	113,226	113,226	1.29	1.77
Sandra Dodds	24-Oct-14	24-Oct-17	125,390	125,390	1.29	1.77
Kate Munnings	24-Oct-14	24-Oct-17	127,262	127,262	1.29	1.77
Stuart Nevison	24-Oct-14	24-Oct-17	136,279	136,279	1.29	1.77
Joe Sofra	24-Oct-14	24-Oct-17	96,382	96,382	1.29	1.77

[1] The basis of fair value at grant date set out in Note 26 Share-based payment of the financial statements.
[2] Grant date for Mr Hunt was immediately after the FY2014 AGM as grant was subject to shareholder approval.

	Date			
Name	Grant	First exercisable and expiry	Number granted[2]	Grant date fair value[1] ($)
Graeme Hunt	04-Aug-15	13-Nov-17	650,724	1.39
Vincent Nicoletti	04-Aug-15	13-Nov-17	149,193	1.39
Stephen Phillips	04-Aug-15	13-Nov-17	103,660	1.39
Philip Wratt	04-Aug-15	13-Nov-17	83,804	1.39
Ian Maxted	04-Aug-15	13-Nov-17	138,429	1.39
Sandra Dodds	04-Aug-15	13-Nov-17	73,571	1.39
Kate Munnings	04-Aug-15	13-Nov-17	155,589	1.39
Stuart Nevison	04-Aug-15	13-Nov-17	77,989	1.39
Joe Sofra	04-Aug-15	13-Nov-17	55,158	1.39

[1] The basis of fair value at grant date set out in Note 26 Share-based payment of the financial statements.
[2] The number of performance rights granted was estimated based on the amount of STI deferral endorsed by the Board of Directors and the volume weighted average price for the 30 days preceding the grant date. As the issuance of 650,724 rights is subject to approval at the Company's FY2015 Annual General Meeting, the Group expects to issue these rights after that date. The final number of instruments to be issued may be adjusted based on the volume weighted average price for a period of 30 days closer to the issue date.

Table 16 Analysis of performance rights granted as compensation

Name	Grant date	Number granted	% vested in current year	% forfeited in current year	First date exercisable
Graeme Hunt	25-Oct-13	588,490	-	-	30-Sep-15
	25-Oct-13	252,210	-	-	31-Dec-15
	20-Dec-13	1,728,400	-	-	30-Sep-16
	25-Oct-13	117,950	100%	-	01-Mar-15
	25-Oct-13	117,950	100%	-	01-Mar-15
	28-Aug-14	269,892	-	-	30-Sep-15
	28-Aug-14	269,892	-	-	30-Sep-16
	05-Nov-14	790,100	-	-	24-Oct-17
	04-Aug-15	[1] 650,724	-	-	13-Nov-17

[1] The number of performance rights granted was estimated based on the amount of STI deferral endorsed by the Board of Directors and the volume weighted average price for the 30 days preceding the grant date. As the issuance of 650,724 rights is subject to approval at the Company's FY2015 Annual General Meeting, the Group expects to issue these rights after that date. The final number of instruments to be issued may be adjusted based on the volume weighted average price for a period of 30 days closer to the issue date.

Table 16 Analysis of performance rights granted as compensation (continued)

Name	Grant date	Number granted	% vested in current year	% forfeited in current year	First date exercisable
Vincent Nicoletti	20-Dec-13	442,500	-	-	30-Sep-16
	28-Aug-14	30,788	-	-	30-Sep-15
	28-Aug-14	30,788	-	-	30-Sep-16
	24-Oct-14	288,210	-	-	24-Oct-17
	04-Aug-15	[2] 149,193	-	-	13-Nov-17
Stephen Phillips	30-Sep-11	74,600	-	100%	30-Sep-14
	14-Dec-12	105,200	-	-	30-Sep-15
	20-Dec-13	216,300	-	-	30-Sep-16
	28-Aug-14	9,027	-	-	30-Sep-15
	28-Aug-14	9,027	-	-	30-Sep-16
	24-Oct-14	200,250	-	-	24-Oct-17
	04-Aug-15	[2] 103,660	-	-	13-Nov-17
Philip Wratt	06-Oct-10	49,849	-	[3] 70%	06-Oct-13
	30-Sep-11	60,100	-	100%	30-Sep-14
	14-Dec-12	109,300	-	-	30-Sep-15
	28-Aug-14	16,479	-	-	30-Sep-15
	28-Aug-14	16,479	-	-	30-Sep-16
	24-Oct-14	244,946	-	-	24-Oct-17
	04-Aug-15	[2] 83,804	-	-	13-Nov-17
Ian Maxted	06-Oct-10	72,508	-	[3] 70%	06-Oct-13
	30-Sep-11	90,600	-	100%	30-Sep-14
	14-Dec-12	142,200	-	-	30-Sep-15
	20-Dec-13	316,900	-	-	30-Sep-16
	28-Aug-14	16,167	-	-	30-Sep-15
	28-Aug-14	16,167	-	-	30-Sep-16
	24-Oct-14	226,452	-	-	24-Oct-17
	04-Aug-15	[2] 138,429	-	-	13-Nov-17
Sandra Dodds	24-Oct-14	250,780	-	-	24-Oct-17
	04-Aug-15	[2] 73,571	-	-	13-Nov-17
Kate Munnings	06-Oct-10	64,283	-	[3] 70%	06-Oct-13
	30-Sep-11	93,000	-	100%	30-Sep-14
	14-Dec-12	131,200	-	-	30-Sep-15
	20-Dec-13	269,600	-	-	30-Sep-16
	28-Aug-14	12,504	-	-	30-Sep-15
	28-Aug-14	12,504	-	-	30-Sep-16
	24-Oct-14	254,524	-	-	24-Oct-17
	04-Aug-15	[2] 155,589	-	-	13-Nov-17
Stuart Nevison	24-Oct-14	272,558	-	-	24-Oct-17
	04-Aug-15	[2] 77,989	-	-	13-Nov-17
Joe Sofra	14-Dec-12	126,200	-	-	30-Sep-15
	20-Dec-13	296,000	-	-	30-Sep-16
	24-Oct-14	192,764	-	-	24-Oct-17
	04-Aug-15	[2] 55,158	-	-	13-Nov-17

[2] The number of performance rights granted was estimated based on the amount of STI deferral endorsed by the Board of Directors and the volume weighted average price for the 30 days preceding the grant date. The final number of instruments to be issued may be adjusted based on the volume weighted average price for a period of 30 days closer to the issue date.
[3] Remaining amounts vested in prior periods.

No terms of equity-settled share-based payment transactions (including performance rights granted as compensation to KMP have been altered or modified by the Company during the reporting period or the prior period.

FINANCIAL REPORT

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Transfield Services Limited and its subsidiaries (collectively the Group). The financial statements are presented in Australian dollars.

Transfield Services Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 10, 111 Pacific Highway, North Sydney NSW 2060, Australia.

The financial statements were authorised for issue by the Directors on 27 August 2015.

The Group is a for-profit entity. A description of the nature of its operations and principal activities is included in the Operating and Financial Review on pages 6 to 26 of this report.

Press releases, financial reports and other information are available on our website at www.transfieldservices.com.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 30 June 2015

$'m	Note	2015	2014
Revenue	2	**3,796.7**	3,748.2
Expenses	3	**(3,560.2)**	(3,554.9)
Share of net profit from joint ventures	15	**5.5**	17.2
Depreciation	3	**(83.9)**	(78.2)
Amortisation	3	**(13.2)**	(14.1)
RESULTS FROM CONTINUING OPERATING ACTIVITIES		**144.9**	118.2
Finance costs	3	**(79.7)**	(62.7)
Finance income		**1.9**	3.7
Net finance costs		**(77.8)**	(59.0)
PROFIT BEFORE TAX		**67.1**	59.2
Income tax (expense)/benefit	19	**(18.5)**	7.2
PROFIT FROM CONTINUING OPERATIONS AFTER TAX		**48.6**	66.4
Loss from discontinued operations, net of tax		**-**	(13.6)
PROFIT AFTER TAX		**48.6**	52.8
Members of the Parent Entity		**48.6**	55.0
Non-controlling interest		**-**	(2.2)
PROFIT AFTER TAX		**48.6**	52.8
Attributable to members of the Parent Entity:			
- basic and diluted earnings per share – continuing operations	4	**9.5**	13.4
- basic and diluted loss per share – discontinued operations	4	**-**	(2.7)
BASIC AND DILUTED EARNINGS PER SHARE		**9.5**	10.7

** The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2015

$'m	Note	2015	2014
PROFIT AFTER TAX		**48.6**	52.8
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(16.6)**	(16.5)
Ineffective portion of net investment hedge reclassified to profit or loss		**-**	0.5
Exchange differences reclassified to profit or loss on disposal of foreign operations		**(0.6)**	6.2
Changes in fair value of cash flow hedge		**26.2**	(12.8)
Income tax expense on items that may be subsequently reclassified to profit or loss		**(7.8)**	3.7
Other comprehensive income, net of tax		**1.2**	(18.9)
TOTAL COMPREHENSIVE INCOME		**49.8**	33.9
Members of the Parent Entity		**49.8**	36.1
Non-controlling interest		**-**	(2.2)
TOTAL COMPREHENSIVE INCOME		**49.8**	33.9

** The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

$'m	Note	2015	2014
Cash and cash equivalents	22	**357.9**	224.8
Trade and other receivables	10	**440.2**	500.5
Inventories	11	**188.2**	209.5
Derivatives	7	**-**	1.8
Other assets		**19.2**	9.3
Total current assets		**1,005.5**	945.9
Intangible assets	18	**542.8**	552.1
Property, plant and equipment	17	**478.4**	479.7
Interests in joint ventures	15	**128.6**	129.1
Other financial assets	16	**95.3**	93.6
Deferred tax assets	20	**110.7**	79.2
Derivatives	7	**90.1**	0.5
Other assets		**58.3**	50.8
Total non-current assets		**1,504.2**	1,385.0
TOTAL ASSETS		**2,509.7**	2,330.9
Trade and other payables	12	**512.6**	541.1
Employee benefits	13	**124.6**	123.1
Other provisions	14	**43.1**	61.9
Loans and borrowings	24	**36.0**	84.7
Current tax liabilities		**71.8**	29.0
Derivatives	7	**1.4**	0.5
Total current liabilities		**789.5**	840.3
Loans and borrowings	24	**863.3**	673.8
Employee benefits	13	**33.9**	29.0
Other provisions	14	**4.9**	10.7
Deferred tax liabilities	21	**2.5**	4.8
Derivatives	7	**5.9**	15.9
Total non-current liabilities		**910.5**	734.2
TOTAL LIABILITIES		**1,700.0**	1,574.5
NET ASSETS		**809.7**	756.4
Contributed equity	25	**1,131.5**	1,131.4
Other reserves		**(94.0)**	(90.7)
Accumulated losses		**(226.8)**	(275.4)
Total equity attributable to members of the Parent Entity		**810.7**	765.3
Non-controlling interest		**(1.0)**	(8.9)
TOTAL EQUITY		**809.7**	756.4

* *The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2015

$'m	Note	2015	2014
Receipts from customers (inclusive of goods and services tax)		**4,248.0**	4,145.4
Payments to suppliers, subcontractors and employees (inclusive of goods and services tax)		**(3,982.5)**	(4,107.5)
		265.5	37.9
Distributions received from joint ventures		**9.7**	16.9
Interest received		**1.9**	3.7
Interest paid		**(74.0)**	(54.1)
Income tax (paid)/refunded		**(14.8)**	5.1
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	**188.3**	9.5
Payments for property, plant and equipment		**(80.2)**	(70.7)
Proceeds from sale of property, plant and equipment		**7.6**	30.6
Receipts from loan notes		**1.6**	3.3
Investment in and loans to joint ventures		**(4.7)**	(11.2)
Net cash (outflow)/inflow from disposal of businesses, net of transaction costs		**(0.2)**	41.7
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(75.9)**	(6.3)
Proceeds from borrowings, net of financing costs		**517.3**	1,081.7
Repayments of borrowings		**(503.9)**	(1,055.2)
Payments for acquisition of treasury shares		**(0.7)**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**12.7**	26.5
NET INCREASE IN CASH AND CASH EQUIVALENTS		**125.1**	29.7
Cash and cash equivalents at the beginning of the reporting period		**224.8**	196.1
Effects of changes in exchange rates on cash and cash equivalents		**8.0**	(1.0)
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD		**357.9**	224.8

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

	Attributable to members of the Parent Entity					
$'m	Contributed equity	Other reserves	Accumulated losses	Total	Non-controlling interest	Total equity
BALANCE AT 1 JULY 2014	**1,131.4**	**(90.7)**	**(275.4)**	**765.3**	**(8.9)**	**756.4**
Profit after tax	**-**	**-**	**48.6**	**48.6**	**-**	**48.6**
Other comprehensive income, net of tax	**-**	**1.2**	**-**	**1.2**	**-**	**1.2**
Transactions with owners in their capacity as owners						
Employee share scheme transactions	**0.1**	**4.2**	**-**	**4.3**	**-**	**4.3**
Acquisition of non-controlling interest	**-**	**(8.7)**	**-**	**(8.7)**	**8.7**	**-**
Other	**-**	**-**	**-**	**-**	**(0.8)**	**(0.8)**
Total transactions with owners	**0.1**	**(4.5)**	**-**	**(4.4)**	**7.9**	**3.5**
BALANCE AT 30 JUNE 2015	**1,131.5**	**(94.0)**	**(226.8)**	**810.7**	**(1.0)**	**809.7**
BALANCE AT 1 JULY 2013	1,131.3	(69.8)	(330.4)	731.1	(6.7)	724.4
Profit after tax	-	-	55.0	55.0	(2.2)	52.8
Other comprehensive income, net of tax	-	(18.9)	-	(18.9)	-	(18.9)
Transactions with owners in their capacity as owners						
Employee share scheme transactions	0.1	(1.6)	-	(1.5)	-	(1.5)
Other	-	(0.4)	-	(0.4)	-	(0.4)
Total transactions with owners	0.1	(2.0)	-	(1.9)	-	(1.9)
BALANCE AT 30 JUNE 2014	1,131.4	(90.7)	(275.4)	765.3	(8.9)	756.4

** The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

BASIS OF PREPARATION

These consolidated financial statements are general purpose financial statements. They have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. They also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

A summary of the Group's significant accounting policies is presented in Note 33 on page 85 to 92.

NOTE INDEX

GROUP PERFORMANCE

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GROUP STRUCTURE

ACCOUNTING POLICIES

GROUP PERFORMANCE

1. OPERATING SEGMENTS

Following the comprehensive revision of the Group's operating model in Australia and New Zealand, the operating segments have been restated to reflect the revised reporting to the Board of Directors, which is determined to be the Chief Operating Decision Maker (CODM) of the Group.

Effective 1 July 2014, the Group is now structured into three sectors across Australia and New Zealand, and the Americas. This change is in alignment with the Group's strategic objective of delivering services in sustainable growth markets that are essential to its clients' ongoing operations.

The Group's primary segments, which are based on a geographic region and market sector now comprise:

- Australia and New Zealand Infrastructure (Infrastructure);
- Australia and New Zealand Defence, Social and Property (Defence, Social & Property);
- Australia and New Zealand Resources and Industrial (Resources & Industrial);
- Americas; and
- Corporate, which includes the Group's investment in RATCH Australia Corporation Limited and inter-segment eliminations.

The Group's Corporate segment includes transactions relating to the Group's governance, finance, legal, risk management and corporate secretarial functions. Back office functions that are allocated to the Group's operations such as information technology or payroll are included in the Group's operating segments.

Each segment derives revenue from its principal activities across the following service lines:

- Logistics & Facilities Management;
- Construction;
- Consulting;
- Operations & Maintenance; and
- Well Servicing.

The primary measure of performance is segment Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). Other measures regularly reviewed by the CODM include:

- Segment revenue;
- EBITDA excluding material non-recurring items of income and expense (Underlying EBITDA); and
- Earnings Before Interest and Tax (EBIT).

2015 $'m	Infrastructure	Defence, Social & Property	Resources & Industrial	Americas	Corporate	Group
Segment revenue	**1,061.7**	**1,556.1**	**761.3**	**412.8**	**4.8**	**3,796.7**
Share of net profit/(loss) from joint ventures	**9.1**	**-**	**4.5**	**(8.1)**	**-**	**5.5**
UNDERLYING EBITDA	**48.2**	**256.0**	**10.5**	**(10.4)**	**(39.0)**	**265.3**
Settlement of legal claims[1, 2]	**-**	**-**	**-**	**(15.0)**	**-**	**(15.0)**
Restructuring costs	**-**	**(0.7)**	**(1.1)**	**(0.4)**	**(6.1)**	**(8.3)**
EBITDA	**48.2**	**255.3**	**9.4**	**(25.8)**	**(45.1)**	**242.0**
Depreciation	**(13.5)**	**(6.7)**	**(27.3)**	**(9.9)**	**(26.5)**	**(83.9)**
Amortisation	**(3.5)**	**(0.2)**	**(6.8)**	**(2.7)**	**-**	**(13.2)**
EBIT	**31.2**	**248.4**	**(24.7)**	**(38.4)**	**(71.6)**	**144.9**
Net finance costs						**(77.8)**
Income tax expense						**(18.5)**
PROFIT FROM CONTINUING OPERATIONS AFTER TAX						**48.6**
Loss from discontinued operations, net of tax						**-**
PROFIT AFTER TAX						**48.6**
Interests in joint ventures	**42.7**	**-**	**78.5**	**7.4**	**-**	**128.6**
SEGMENT ASSETS	**462.5**	**201.0**	**697.7**	**259.5**	**420.4**	**2,041.1**
Cash and cash equivalents						**357.9**
Tax assets						**110.7**
TOTAL ASSETS						**2,509.7**
SEGMENT LIABILITIES	**200.9**	**215.4**	**82.2**	**64.4**	**163.5**	**726.4**
Tax liabilities						**74.3**
Loans and borrowings						**899.3**
TOTAL LIABILITIES						**1,700.0**
CAPITAL EXPENDITURE[3]	**3.1**	**6.5**	**20.8**	**7.6**	**42.2**	**80.2**

[1] In October 2014, settlement was reached between TIMEC Company Inc., a wholly owned subsidiary of the Group, and the Virginia Department of Transport in respect of a pre-acquisition legal claim.

[2] In March 2015, settlement was reached in respect of a legal proceeding related to the sale of USM Services Holdings, Inc. to the EMCOR Group.

[3] Includes assets acquired through finance leases.

2014 (RESTATED) $'m	Infrastructure	Defence, Social & Property	Resources & Industrial	Americas	Corporate	Group
Segment revenue	1,099.5	1,201.7	957.5	466.1	3.3	3,728.1
Share of net profit from joint ventures	9.5	-	4.8	2.9	-	17.2
UNDERLYING EBITDA	63.0	106.0	67.0	6.0	(25.3)	216.7
Gain on sale of investments	-	-	20.1	-	-	20.1
Restructuring costs	(6.0)	-	(6.9)	-	(9.7)	(22.6)
Exit of Chilean construction business	-	-	-	(3.7)	-	(3.7)
EBITDA	57.0	106.0	80.2	2.3	(35.0)	210.5
Depreciation	(15.2)	(6.9)	(25.4)	(10.2)	(20.5)	(78.2)
Amortisation	(4.5)	(0.2)	(6.8)	(2.6)	-	(14.1)
EBIT	37.3	98.9	48.0	(10.5)	(55.5)	118.2
Net finance costs						(59.0)
Income tax benefit						7.2
PROFIT FROM CONTINUING OPERATIONS AFTER TAX						66.4
Loss from discontinued operations, net of tax						(13.6)
PROFIT AFTER TAX						52.8
Interests in joint ventures	41.0	-	70.6	17.5	-	129.1
SEGMENT ASSETS	529.3	178.8	732.8	267.7	318.3	2,026.9
Cash and cash equivalents						224.8
Tax assets						79.2
TOTAL ASSETS						2,330.9
SEGMENT LIABILITIES	264.1	228.9	117.3	65.1	106.8	782.2
Tax liabilities						33.8
Loans and borrowings						758.5
TOTAL LIABILITIES						1,574.5
CAPITAL EXPENDITURE[1]	5.8	1.4	11.7	5.6	46.2	70.7

[1] Includes assets acquired through finance leases.

a) Reconciliation of segment revenue to statutory revenue

$'m	2015	2014
Segment revenue	**3,796.7**	3,728.1
Gain on sale of investments	**-**	20.1
STATUTORY REVENUE	**3,796.7**	3,748.2

b) Segment revenue by service line

Restated $'m	Infrastructure	Defence, Social & Property	Resources & Industrial	Americas	Corporate	Group
Logistics & Facilities Management	**25.5**	**1,408.6**	**10.2**	**-**	**-**	**1,444.3**
Construction	**460.2**	**-**	**90.2**	`	**-**	**550.4**
Consulting	**-**	**88.8**	**26.3**	**-**	**-**	**115.1**
Operations & Maintenance	**576.0**	**58.7**	**372.3**	**412.8**	**-**	**1,419.8**
Well Servicing	**-**	**-**	**262.3**	**-**	**-**	**262.3**
Corporate	**-**	**-**	**-**	**-**	**4.8**	**4.8**
FY2015 SEGMENT REVENUE	**1,061.7**	**1,556.1**	**761.3**	**412.8**	**4.8**	**3,796.7**
Logistics & Facilities Management	39.9	1,060.1	11.4	-	-	1,111.4
Construction	451.1	-	175.8	-	-	627.0
Consulting	-	92.5	34.2	-	-	126.7
Operations & Maintenance	608.5	49.1	470.6	466.1	-	1,594.2
Well Servicing	-	-	265.5	-	-	265.5
Corporate	-	-	-	-	3.3	3.3
FY2014 SEGMENT REVENUE	1,099.5	1,201.7	957.5	466.1	3.3	3,728.1

c) Information about major customers

The Group aims to develop long term relationships with its customers and has no significant concentrations of credit risk within the wholly owned group. The Group's customers are generally large companies or government authorities with established credit histories. The Group conducts checks for creditworthiness on new customers using independent agencies and industry references. The Group also operates through a number of joint ventures globally, some of which have either a single or a dominant customer. The credit management policies of Transfield Services and those of the respective joint venture partner are applied to those customers.

2. REVENUE

$'m	2015	2014
Revenue from ordinary activities	**3,790.0**	3,717.2
Gain on sale of a joint venture	**-**	20.1
Profit on sale of property, plant and equipment	**1.9**	6.3
Realised and unrealised foreign exchange gain	**-**	1.3
Other	**4.8**	3.3
REVENUE	**3,796.7**	3,748.2

3. EXPENSES

Profit before income tax includes the following specific expenses:

$'m	2015	2014
Subcontractors, raw materials and consumables	**1,464.4**	1,675.0
Employee benefit expense	**1,715.1**	1,468.0
Property, plant and equipment	**71.7**	67.4
Pre-contract costs	**12.2**	10.8
Depreciation	**83.9**	78.2
Amortisation of intangible assets	**13.2**	14.1
Interest expense	**74.0**	54.1
Unrealised loss on revaluation of US denominated High Yield Bonds	**73.2**	-
Unrealised gain on revaluation of other borrowings	**(2.5)**	-
Unrealised gain on fair value portion of cross currency interest rate swaps	**(70.7)**	-
Amortisation of borrowing costs	**5.7**	8.6
Finance costs	**79.7**	62.7
Restructuring and redundancy costs	**16.8**	22.6
Superannuation contributions	**86.6**	88.3
Minimum lease payments on operating leases	**41.3**	43.2

4. EARNINGS PER SHARE

a) Basic and diluted earnings per share

Cents	2015	2014
- from continuing operations	**9.5**	13.4
- from discontinued operations	**-**	(2.7)
TOTAL BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	**9.5**	10.7

b) Earnings used in calculating earnings per share

$'m	2015	2014
- from continuing operations	**48.6**	68.6
- from discontinued operations	**-**	(13.6)
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY USED IN CALCULATING BASIC AND DILUTED EARNINGS PER SHARE	**48.6**	55.0

c) Weighted average number of shares

Number	2015	2014
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating basic and diluted earnings per share*	**512,332,156**	512,252,330

** Only unexercised vested performance awards are used in the calculation of diluted earnings per share. The Group's current policy is to acquire vested performance awards on market.*

5. SUBSEQUENT EVENTS

No events have occurred since the end of the reporting period that may materially affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years

RISK MANAGEMENT

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances.

a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of intangilbe assets and equity accounted investments

The recoverable amounts of cash-generating units, which include goodwill and other intangible assets, and equity accounted investments have been determined based on the higher of fair value less costs to sell, and value in use. These calculations require the use of assumptions relating to future cash flows, discount rates and growth rates. Refer to Note 18 for details of these assumptions in relation to goodwill.

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the consolidated entity's provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain and on which professional judgement, based on relevant tax law, is exercised. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Workers' compensation provisions

The Group is self-insured for workers' compensation in certain states in Australia and manages the risks associated with this through the use of actuarial techniques and engaging external experts; however, these estimates by their nature are complex. These estimates are reviewed annually and are determined using assumptions relating to future cash flows, discount rates and other economic factors.

b) Critical judgements in applying the entity's accounting policies

Recoverability of work in progress

The Group has exercised judgement in determining the recoverability of work in progress on contracts within the Group. Based on detailed analysis of each contract and ongoing constructive discussions with clients, the Group believes that it has no material unprovided liability at balance date.

Revenue recognition

The Group engages in fixed price contracts which may include cash flows from contract variations and claims. The Group must apply judgement in assessing whether it is probable revenue will be recovered under these contracts.

The Group also engages in performance-related contracts with its customers. Under the terms of these contracts, the Group is entitled to receive key performance indicator (KPI) income. The Group applies judgement around expectations of meeting the hurdles of each KPI.

Pre-contract costs

The Group capitalises pre-contract costs when it is probable that the cost will be recovered. The reasonableness of success is made with reference to factors which include judgement, such as preferred bidder status, number of remaining bidders and quality of existing customer relationships.

7. FINANCIAL, CAPITAL AND OTHER RISK MANAGEMENT

The Board of Directors is responsible for the establishment and supervision of the Group's financial and capital risk management structure. This includes approving the level of risk which the Group is prepared to accept in conducting its business and approving all material policies for the management of business risks and overseeing the management of these risks. The ultimate objective of financial and capital risk management within the Group is to contribute to the creation of shareholder value. In order to achieve this objective, the Group applies the following principles in managing its capital resources, position and risks.

a) Financial risk management

The Group's activities expose it to a variety of financial risks, including foreign currency risk, credit risk, liquidity risk, interest rate risk and country risk. The Group's overall risk management program focuses on the volatility of financial markets and seeks to minimise potential adverse effects of market volatility on the financial performance of the Group. From time to time, the Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Financial risk is managed by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Group Treasury provides written principles for overall risk management, endorsed by the Board, covering areas such as managing foreign currency, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

b) Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Capital is managed in order to maintain a strong financial position and ensure that the Group's funding needs can be optimised at all times in a cost-efficient means to support the goal of maximising shareholder wealth.

During the period, the Group maintained a public credit rating from Moody's and Standard & Poor's. Respectively, those ratings were BB with a stable outlook, and Ba2.

In order to ensure good credit quality and an appropriate capital structure, the Group monitors and estimates its financial position with measurements such as debt and equity ratios and gearing.

$'m	Note	2015	2014
Total loans and borrowings	24	**899.3**	758.5
Less fair value portion of cross currency interest rate swaps	24	**(70.7)**	-
Less cash and cash equivalents	22	**(357.9)**	(224.8)
Net debt		**470.7**	533.7
Total equity		**809.7**	756.4
TOTAL CAPITAL		**1,280.4**	1,290.1

c) Credit risk

Credit risk arises from cash and deposits, derivative financial instruments, committed debt funding and bonding facilities with financial institutions and credit exposures to customers, including outstanding receivables and committed transactions.

The Group's maximum exposure to credit risk in respect of financial assets at 30 June was:

$'m	2015	2014
Cash and cash equivalents	**357.9**	224.8
Trade and other receivables	**440.2**	500.5
Derivatives	**90.1**	2.3
MAXIMUM EXPOSURE TO CREDIT RISK IN RESPECT OF FINANCIAL ASSETS	**888.2**	727.6

Counterparties to cash and deposits, derivative financial instruments and committed debt funding and bonding facilities are limited to high credit quality financial institutions, predominantly banks with a minimum independent rating of A. The Group limits the amount of credit exposure to any one financial institution through its use of a consortium of banks.

Comments about the Group's exposure to and management of credit risk in respect of trade and other receivables are presented in note 10.

d) Liquidity risk

Liquidity risk is the risk of not being able to meet current or future financial obligations as and when they become due and payable. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed debt facilities. Group Treasury aims to maintain funding flexibility by keeping committed debt facilities and credit lines available for the business. As at reporting date the Group had sufficient headroom from its debt facilities to meet its financial obligations.

Liquidity risk - maturities, weighted average interest rate, contractual cash flows and fair values

	Weighted average interest rate %	1 year or less $'m	1 to 5 years $'m	More than 5 years $'m	Total contractual cash flows $'m	Carrying values $'m
2015						
Trade and other payables		**512.6**	**-**	**-**	**512.6**	**512.6**
Interest rate swaps		**2.3**	**0.9**	**-**	**3.2**	**3.1**
Cross currency interests rate swaps		**4.5**	**(104.6)**	**-**	**(100.1)**	**(86.8)**
Forward exchange contracts		**0.7**	**-**	**-**	**0.7**	**0.9**
Derivatives		**7.5**	**(103.7)**	**-**	**(96.2)**	**(82.8)**
Cash advances		**32.5**	**241.3**	**-**	**273.8**	**273.8**
High Yield Bonds	**8.38**	**35.7**	**591.7**	**-**	**627.4**	**421.6**
United States Private Placement	**7.12**	**22.6**	**364.0**	**-**	**386.6**	**194.6**
Finance lease liabilities	**6.83**	**9.9**	**17.9**	**1.3**	**29.1**	**26.2**
Loans and borrowings		**100.7**	**1,214.9**	**1.3**	**1,316.9**	**916.2**
TOTAL FINANCIAL LIABILITIES		**620.8**	**1,111.2**	**1.3**	**1,733.3**	**1,346.0**
2014						
Trade and other payables		541.1	-	-	541.1	541.1
Interest rate swap		1.5	1.3	-	2.8	2.7
Cross currency interests rate swaps		6.4	34.1	(28.9)	11.6	13.2
Forward exchange contracts		(1.3)	(0.5)	-	(1.8)	(1.8)
Derivatives		6.6	34.9	(28.9)	12.6	14.1
Cash advances		60.5	153.0	-	213.5	213.5
High Yield Bond	8.38	29.5	122.8	411.8	564.1	348.0
United States Private Placement	7.12	33.1	89.3	110.0	232.4	180.4
Finance lease liabilities	6.40	8.5	27.7	-	36.2	36.2
Loans and borrowings		131.6	392.8	521.8	1,046.2	778.1
TOTAL FINANCIAL LIABILITIES		679.3	427.7	492.9	1,599.9	1,333.3

The interest rate swaps, cross currency interest rate swaps and forward exchange contracts are classified as level 2 financial assets or liabilities within the fair value hierarchy (see Note 33).

e) Market risk

Foreign currency risk

The Group is exposed to foreign currency risk primarily from foreign earnings, net investment in foreign operations, and transaction settled in foreign currency. Group Treasury use forward exchange contracts, to manage foreign currency risk exposure. In addition, where economically viable, the Group attempts to match revenues and expenses, as well as assets and liabilities in each foreign currency to reduce foreign currency risk.

The Group's investments in its United States, Chile and New Zealand domiciled subsidiaries are hedged by United States dollar, Chilean peso and New Zealand dollar bank loans, which mitigate the translation risk arising from the subsidiaries' net assets. The Group's investments in other subsidiaries are not hedged.

Net investments in foreign operations are exposed to foreign currency translation risk. Foreign currency gains and losses arising from translation of net investments in foreign operations are recognised in the foreign currency translation reserve until realised. The Group does not generally use derivatives to hedge net investments in foreign operations.

The net assets/(liabilities) exposure by currency is detailed below:

	Net assets/(liabilities) exposure by functional currency						
’m	CAD	CLP	MYR	NZD	PGK	SGD	USD
30 June 2015	**29.8**	**21,754.4**	**0.8**	**106.0**	**1.1**	**0.9**	**(17.4)**
30 June 2014	46.8	5,858.3	0.5	158.2	(173.5)	0.9	(72.0)

A ten percentage point fluctuation in the foreign exchange spot rates at reporting date and financial year to date average exchange rates would have the following impact on the Group profit after tax and net assets:

	+10%		-10%	
$’m	Profit after tax	Net assets	Profit after tax	Net assets
30 June 2015	**12.1**	**(13.4)**	**(14.8)**	**16.3**
30 June 2014	10.2	(4.9)	(12.5)	6.0

This analysis assumes that all other variables (that is, interest rates) remain constant.

Interest rate risk

The Group’s interest rate risk primarily arises from its floating interest rate debt obligations.

The Group manages its long-term cash flow interest rate risk by using a combination of fixed rate borrowings and floating-to-fixed interest rate swaps to ensure interest rate exposure is within a pre-determined target range. For interest rate swaps, the Group agrees with banks or financial institutions to convert borrowings from floating rates to fixed rates at specified intervals (quarterly or semi-annually) calculated by reference to agreed notional principal amounts. The Group evaluates a variety of factors before entering into interest rate swaps that include (but are not limited to) market conditions and forecast borrowing requirements.

To the extent possible, the Group attempts to hedge its interest rate risks with effective cash flow hedges. The effect of this is that the change in fair value relating to effective interest rate swaps is recognised in equity through the hedging reserve, whilst the change in fair value relating to ineffective interest rate swaps is recognised in profit or loss.

As at 30 June 2015, the Group had a combination of Chilean peso and Australian dollar interest rate swaps in place.

The table below shows the Group’s sensitivity to interest rates on its floating rate Australian dollar, United States dollar and New Zealand dollar borrowings, being the currencies from which the Group has historically issued debt and held investments. The Group has considered volatility in interest rates during the 2015 financial year and the historic low interest rates prevailing in the United States at 30 June 2015 and considers a one percentage point upward and downward movement to be a reasonable benchmark for interest rate sensitivity over the next 12 months.

The sensitivity analysis has been prepared on the assumption that the Group’s significant risk exposures are limited to the impact of interest rate movements.

		2015		2014	
$’m	Basis points	Profit after tax	Net assets	Profit after tax	Net assets
Loans and borrowings	**+100**	**(2.6)**	**(2.6)**	(2.7)	(2.7)
Loans and borrowings	**-100**	**2.6**	**2.6**	2.7	2.7

A change in interest rates will impact the carrying value of the Group’s interest rate swaps. The table below shows the impact to the Group’s profit after tax and net assets given assumed changes in interest rates:

		2015		2014	
$’m	Basis points	Profit after tax	Net assets	Profit after tax	Net assets
Interest rate swaps	**+100**	**-**	**5.3**	-	7.8
Interest rate swaps	**-100**	**-**	**(5.3)**	-	(8.1)

An applicable tax rate of 30 percent (2014: 30 percent) has been adopted which approximates to the Group’s weighted average effective tax rate.

8. CONTINGENT LIABILITIES

Details and estimates of maximum amounts of contingent liabilities are as follows:

$'m	2015	2014
Bank guarantees	**221.1**	242.5
Insurance bonds	**220.5**	194.6
	441.6	437.1
Group's share of joint ventures' bank guarantees	**1.8**	31.2
CONTINGENT LIABILITIES	**443.4**	468.3

The Group has entered into multi-option bank guarantee facilities as part of the Secured Syndicated Facility Agreement under which guarantees are provided.

The Group has also entered into a number of unsecured bond facilities with insurance companies.

$'m	2015	2014
Bank guarantees and insurance bonds (excluding joint ventures and non-wholly owned companies)		
Used	**441.6**	437.1
Unused	**272.2**	231.6
TOTAL FACILITY	**713.8**	668.7

Legal claims arise in the ordinary course of business. The Directors consider that appropriate provisions have been raised to reflect expected settlement amounts and finalisation of open matters.

9. COMMITMENTS FOR EXPENDITURE

a) Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

$'m	2015	2014
Within one year	**67.5**	67.2
Later than one year but not later than five years	**117.6**	103.1
Later than five years	**8.4**	8.8
COMMITMENTS NOT RECOGNISED IN THE FINANCIAL STATEMENTS	**193.5**	179.1

b) Finance leases

Commitments in relation to finance leases are payable as follows:

$'m	2015	2014
Within one year	**9.9**	15.7
Later than one year but not later than five years	**17.9**	19.2
Later than five years	**1.3**	6.1
Minimum lease charges	**29.1**	41.0
Less future finance charges	**(2.9)**	(4.9)
TOTAL FINANCE LEASE LIABILITIES RECOGNISED AS A LIABILITY	**26.2**	36.1

c) Capital commitments

The Group does not have any material contractual commitments for the acquisition of property, plant and equipment at the reporting date (2014: $6.3m).

WORKING CAPITAL

10. TRADE AND OTHER RECEIVABLES

$'m	2015	2014
Trade and other receivables	**455.7**	515.4
Less provision for impairment of receivables	**(15.5)**	(14.9)
TRADE AND OTHER RECEIVABLES	**440.2**	500.5

Due to the short term nature of current trade and other receivables, fair value is approximate to carrying value.

a) Credit risk

The majority of the Group's receivables are in the form of contracted agreements with customers. In general, the terms and conditions of these contracts require settlement of invoices between 14 and 60 days from invoice date. On occasion, the terms and conditions may differ as a result of the varied nature and timing of certain operations and maintenance services.

Most significant clients are government bodies, multinational corporations and large domestic businesses with established credit histories and thus are perceived as low risk. The Group conducts checks for credit worthiness on new customers using independent agencies and industry references.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Impairment losses are mainly attributed to dispute resolutions as opposed to default of payments.

The ageing of the Group's trade and other receivables including loans to joint ventures was:

	2015			2014		
$'m	Impaired	Not impaired	Gross total	Impaired	Not impaired	Gross total
Not due	**0.1**	**347.4**	**347.5**	0.4	426.1	426.5
1-30 days overdue	**-**	**54.6**	**54.6**	1.2	46.5	47.7
31-60 days overdue	**0.1**	**14.0**	**14.1**	-	9.9	9.9
61-90 days overdue	**0.1**	**8.7**	**8.8**	-	6.7	6.7
91-120 days overdue	**0.2**	**4.9**	**5.1**	0.1	4.4	4.5
> 121 days overdue	**15.0**	**10.6**	**25.6**	13.2	6.9	20.1
TRADE AND OTHER RECEIVABLES	**15.5**	**440.2**	**455.7**	14.9	500.5	515.4

Trade receivables have been aged according to their original due date in the above ageing analysis, including where certain long outstanding trade receivables have been renegotiated as a result of the extended nature of certain Group service provisions. No collateral has been obtained for any amounts that have been identified as overdue or impaired.

At 30 June 2015, the Group transferred $14.5m (2014: $40.8m) of trade receivables to Bank of America as part of a monthly trade receivable financing program that provides the Group with a lower cost of financing compared to its syndicated debt facility. These are excluded from trade receivables as the Group transferred substantially all the risks and rewards associated with these assets.

b) Impaired trade and other receivables

Movements in the provision for impaired receivables are as follows:

$'m	2015	2014
At 1 July	**14.9**	9.5
Increase in provision recognised in other expenses	**3.0**	12.6
Provision utilised/reversed	**(4.3)**	(7.0)
Foreign currency exchange differences	**1.9**	(0.2)
AT 30 JUNE	**15.5**	14.9

11. INVENTORIES

$'m	2015	2014
Raw materials	**50.6**	33.0
Work in progress	**137.6**	176.5
INVENTORIES	**188.2**	209.5
Raw materials recognised as an expense during the year	**210.8**	194.5

Work in progress

Work in progress in respect of standard contracts represents unbilled contract expenditure on service contracts at the period end and is stated at the lower of cost and net realisable value.

Work in progress for contracts that are recognised on a percentage of completion basis is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and less progress billings.

Where progress billings exceed the aggregate costs incurred plus profits less losses, the resulting work in progress is included in current liabilities.

Contract costs include all costs directly attributable to specific contracts, costs that are specifically chargeable to the client under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's general maintenance activities.

12. TRADE AND OTHER PAYABLES

$'m	2015	2014
Trade payables	**315.4**	367.0
Other payables	**197.2**	174.1
TRADE AND OTHER PAYABLES	**512.6**	541.1

Trade payables are unsecured and usually payable within 30 to 60 days of recognition.

Due to the short term nature of current trade and other payables, fair value is approximate to carrying value.

CAPITAL EMPLOYED

13. EMPLOYEE BENEFITS

$'m	2015		2014	
	Current	Non-current	Current	Non-current
Annual leave	**68.9**	**-**	67.1	-
Long service leave	**24.2**	**15.4**	23.4	17.0
Other employee benefits	**31.5**	**18.5**	32.6	12.0
EMPLOYEE BENEFITS	**124.6**	**33.9**	123.1	29.0

14. OTHER PROVISIONS

$'m	2015		2014	
	Current	Non-current	Current	Non-current
Lease 'make-good' provision	**3.3**	**4.9**	2.4	6.3
Provision for onerous contracts	**15.8**	**-**	44.2	-
Warranty/self insurance provision	**10.2**	**-**	2.2	4.4
Other	**13.8**	**-**	13.1	-
OTHER PROVISIONS	**43.1**	**4.9**	61.9	10.7

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

$'m	Lease 'make-good'	Onerous contracts	Warranty/ self-insurance	Other	Total
At 1 July 2014	**8.7**	**44.2**	**6.6**	**13.1**	**72.6**
Effects of changes in exchange rates	**-**	**(0.2)**	**1.1**	**(0.2)**	**0.7**
Provision raised	**0.4**	**11.1**	**4.0**	**22.9**	**38.4**
Provision utilised	**(0.4)**	**(38.5)**	**(1.5)**	**(21.5)**	**(61.9)**
Provision reversed	**(0.5)**	**(0.8)**	**-**	**(0.5)**	**(1.8)**
AT 30 JUNE 2015	**8.2**	**15.8**	**10.2**	**13.8**	**48.0**
At 1 July 2013	8.2	19.2	10.9	14.2	52.5
Effects of changes in exchange rates	-	1.3	-	-	1.3
Provision raised	2.2	32.4	1.2	2.5	38.3
Provision utilised	(1.7)	(8.7)	(5.5)	(0.5)	(16.4)
Provision reversed	-	-	-	(3.1)	(3.1)
AT 30 JUNE 2014	8.7	44.2	6.6	13.1	72.6

Provision policies

Lease 'make-good'

Provisions are raised for estimated 'make-good' expenses for the Group's operating leases, namely leased premises. Reasonable estimates based on historical data have been used to calculate terminal value, which has been discounted to present value. Management reassesses this provision semi-annually. Payments are expected to be made at the end of the remaining lease term typically between one and ten years.

Onerous contracts

Provision is made for onerous contracts where the expected benefits to be derived from the contract are less than the unavoidable costs of meeting the obligations under that contract.

Warranty/self insurance

Provision is made for estimated warranty claims against the Group for claims incurred but not received principally for insurance and workers' compensation. Management estimates the provision based on historical claims and recent trends.

Other

Other provisions include provisions created upon acquisition of businesses acquired by the Group and include any contingent consideration payable. These amounts are initially recognised at fair value at acquisition date and may be reversed if it is determined that they are no longer required.

15. INTERESTS IN JOINT VENTURES

$'m	Aggregate carrying amount 2015	Aggregate carrying amount 2014	Aggregate share of profit and comprehensive income 2015	Aggregate share of profit and comprehensive income 2014
Material joint ventures	**115.8**	110.0	**9.3**	9.6
Other joint ventures	**12.8**	19.1	**(3.8)**	7.6
INTERESTS IN JOINT VENTURES	**128.6**	129.1	**5.5**	17.2

a) Share of joint ventures' commitments

$'m	2015	2014
Lease commitments	**30.9**	25.3
Other commitments	**-**	0.2
TOTAL EXPENDITURE COMMITMENTS	**30.9**	25.5

b) Material interests in joint ventures

The joint ventures which, in the opinion of the directors, are material to the Group as at 30 June 2015 are as follows:

Name of joint venture	Country of incorporation	Principal activity	Ownership 2015 %	Ownership 2014 %	Carrying amount 2015 $'m	Carrying amount 2014 $'m
Easternwell Drilling Services Holdings Pty Ltd	Australia	Well servicing	**50**	50	**52.4**	53.7
Transfield Worley Power Services Pty Ltd	Australia	Operations & Maintenance	**50**	50	**34.2**	33.8
MT Equipment Holdings Pty Ltd	Australia	Well servicing	**75**	75	**20.7**	14.4
Harbour City Ferries Partnership	Australia	Operations	**50**	50	**8.5**	8.1
MATERIAL INTERESTS IN JOINT VENTURES					**115.8**	110.0
Flint Transfield Services Ltd	Canada	Operations & Maintenance	**50**	50	**3.7**	12.4
Transfield Dexter Gateway Services Ltd	Canada	Operations & Maintenance	**50**	50	**3.7**	5.3
Transfield Services WorleyParsons JV (M) Sdn Bhd	Malaysia	Operations & Maintenance	**50**	50	**5.4**	1.4
Transfield WorleyParsons Nouvelle Caledonie (in liquidation)	New Caledonia	Operations & Maintenance	**50**	50	**-**	**-**
Others	Various	Various	**Various**	Various	**-**	-
INTERESTS IN JOINT VENTURES					**128.6**	129.1

c) Summarised financial information for material joint ventures

The information disclosed below reflects the amounts presented in the financial statements of the relevant joint ventures as amended to reflect adjustments made by the entity when using the equity method and modifications for differences in accounting policy, if any:

	Easternwell Drilling Services Holdings P/L		Transfield Worley Power Services P/L		MT Equipment Holdings P/L		Harbour City Ferries Partnership	
$'m	2015	2014	2015	2014	2015	2014	2015	2014
Statement of comprehensive income								
Revenues	**15.7**	53.6	**210.4**	242.0	**10.4**	4.0	**131.8**	128.3
Expenses	**(15.4)**	(46.8)	**(193.1)**	(221.6)	**(1.7)**	(3.1)	**(121.6)**	(122.2)
Depreciation and amortisation	**(3.1)**	(0.9)	**(3.9)**	(4.2)	**(3.3)**	(0.4)	**-**	(0.5)
Net finance income/(expense)	**0.1**	-	**(1.2)**	(0.9)	**(3.3)**	(0.5)	**-**	-
Income tax expense	**-**	(1.8)	**(4.2)**	(5.9)	**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME	**(2.7)**	4.1	**8.0**	9.4	**2.1**	-	**10.2**	5.6
Statement of financial position								
Cash and cash equivalents	**3.2**	6.6	**5.1**	10.8	**11.6**	28.6	**22.6**	19.8
Other current assets	**8.9**	7.4	**23.1**	33.1	**0.2**	1.2	**21.6**	28.6
Non-current assets	**95.9**	101.3	**65.1**	68.1	**73.8**	41.6	**13.8**	4.5
TOTAL ASSETS	**108.0**	115.3	**93.3**	112.0	**85.6**	71.4	**58.0**	52.9
Current loans and borrowings	**-**	-	**-**	-	**7.4**	-	**-**	-
Other current liabilities	**3.0**	3.6	**5.6**	29.4	**-**	3.0	**27.6**	19.9
Non-current loans and borrowings	**-**	-	**-**	-	**50.6**	49.2	**-**	-
Other non-current liabilities	**0.2**	4.3	**19.4**	15.0	**-**	-	**13.4**	16.8
TOTAL LIABILITIES	**3.2**	7.9	**25.0**	44.4	**58.0**	52.2	**41.0**	36.7
NET ASSETS	**104.8**	107.4	**68.3**	67.6	**27.6**	19.2	**17.0**	16.2
Reconciliation to carrying amount								
Group interest in net assets at 1 July	**53.7**	51.6	**33.8**	31.8	**14.4**	-	**8.1**	8.1
Share of total comprehensive income	**(1.4)**	2.1	**4.0**	4.7	**1.6**	-	**5.1**	2.8
Distributions received during the year	**-**	-	**(3.6)**	(4.3)	**-**	-	**(4.7)**	(2.8)
Additions	**-**	-	**-**	1.6	**4.7**	14.4	**-**	-
Other	**0.1**	-	**-**	-	**-**	-	**-**	-
CARRYING AMOUNT AT 30 JUNE	**52.4**	53.7	**34.2**	33.8	**20.7**	14.4	**8.5**	8.1

16. OTHER FINANCIAL ASSETS

$'m	2015	2014
RATCH Australia Corporation Limited (RACL)	**94.9**	93.2
Other investments	**0.4**	0.4
OTHER FINANCIAL ASSETS	**95.3**	93.6

a) Classification and measurement of investment in RACL

The investment in RACL comprises unquoted equity shares and loan receivables. It is classified as an available-for-sale financial asset recorded at fair value with revaluation increments/decrements recorded through equity reserves.

b) Estimate of fair value of investment in RACL

The investment in RACL is classified as a level 3 financial asset within the fair value hierarchy (see Note 33).

Its fair value was determined by the Directors with input from a valuation expert using the discounted cash flow method and assessed against comparable multiples for reasonableness.

The fair value is sensitive to movements in discount rate and long term estimates of power pricing. The table below sets out the impact on the Group's equity of changes in these assumptions that are deemed reasonably possible at 30 June 2015:

	Discount rate		Power pricing	
$'m	+1.0%	-1.0%	+10%	-10%
30 June 2015	**(13.8)**	**16.5**	**13.9**	**(13.8)**
30 June 2014	(14.6)	17.4	2.1	(2.1)

17. PROPERTY, PLANT AND EQUIPMENT

$'m	Land and leasehold improvements	Plant and equipment	Leased plant and equipment	Capital work in progress	Total
At 1 July 2014	**19.2**	**382.6**	**29.2**	**48.7**	**479.7**
Effects of changes in exchange rates	**0.2**	**1.4**	**1.3**	**0.2**	**3.1**
Additions	**0.8**	**24.3**	**4.1**	**51.0**	**80.2**
Reclassifications	**0.1**	**40.7**	**4.0**	**(44.8)**	**-**
Depreciation	**(3.5)**	**(62.1)**	**(6.1)**	**-**	**(71.7)**
Disposals and write-offs	**(2.7)**	**(7.0)**	**(1.0)**	**(2.2)**	**(12.9)**
AT 30 JUNE 2015	**14.1**	**379.9**	**31.5**	**52.9**	**478.4**
Cost	**29.2**	**725.1**	**50.0**	**52.9**	**857.2**
Accumulated depreciation	**(15.1)**	**(345.2)**	**(18.5)**	**-**	**(378.8)**
AT 30 JUNE 2015	**14.1**	**379.9**	**31.5**	**52.9**	**478.4**
At 1 July 2013	21.7	311.0	28.9	142.2	503.8
Effects of changes in exchange rates	0.2	1.1	(1.9)	-	(0.6)
Additions	0.6	16.7	6.1	47.3	70.7
Reclassifications	4.6	128.2	7.9	(140.7)	-
Depreciation	(5.9)	(53.3)	(8.2)	-	(67.4)
Disposals and write-offs	(2.0)	(21.1)	(3.6)	(0.1)	(26.8)
AT 30 JUNE 2014	19.2	382.6	29.2	48.7	479.7
Cost	39.3	688.4	58.1	48.7	834.5
Accumulated depreciation	(20.1)	(305.8)	(28.9)	-	(354.8)
AT 30 JUNE 2014	19.2	382.6	29.2	48.7	479.7

The Group capitalised $1.8m in finance costs attributable to qualifying assets during the year (2014: $7.9m).

At 30 June 2015, there are no secured items of property, plant and equipment other than items under finance lease.

More information on the Group's secured assets is included in Note 24.

18. INTANGIBLE ASSETS

$'m	Goodwill	Contract intangibles	Trademarks and brands	Customer relationships	Others	Total
At 1 July 2014	**484.7**	**7.2**	**7.5**	**51.4**	**1.3**	**552.1**
Effects of changes in exchange rates	**2.6**	**(0.2)**	**0.2**	**1.2**	**0.1**	**3.9**
Additions	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Amortisation	**-**	**(3.7)**	**(0.9)**	**(8.5)**	**(0.1)**	**(13.2)**
AT 30 JUNE 2015	**487.3**	**3.3**	**6.8**	**44.1**	**1.3**	**542.8**
Cost	**719.9**	**49.8**	**27.3**	**143.9**	**5.6**	**946.5**
Accumulated amortisation	**(232.6)**	**(46.5)**	**(20.5)**	**(99.8)**	**(4.3)**	**(403.7)**
AT 30 JUNE 2015	**487.3**	**3.3**	**6.8**	**44.1**	**1.3**	**542.8**
At 1 July 2013	481.3	10.7	8.9	60.3	1.4	562.6
Effects of changes in exchange rates	4.5	0.3	-	0.8	-	5.6
Additions	-	-	-	-	-	-
Disposals	(1.1)	-	(0.5)	(0.4)	-	(2.0)
Amortisation	-	(3.8)	(0.9)	(9.3)	(0.1)	(14.1)
AT 30 JUNE 2014	484.7	7.2	7.5	51.4	1.3	552.1
Cost	717.3	50.0	27.1	142.7	5.5	942.6
Accumulated amortisation	(232.6)	(42.8)	(19.6)	(91.3)	(4.2)	(390.5)
AT 30 JUNE 2014	484.7	7.2	7.5	51.4	1.3	552.1

a) Impairment testing for cash-generating units (CGU) containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating business units and geographic locations that represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of all CGUs was based on value in use in both the current and prior year.

The aggregate carrying amounts of goodwill allocated to the Group's business units are as follows:

$'m	2015	2014
Australia Resources and Industrial	**233.6**	233.6
New Zealand Infrastructure	**110.9**	117.6
MATERIAL CGUs	**344.5**	351.2
Chile Resources and Energy	**42.8**	40.4
Australia Infrastructure	**40.5**	40.5
Americas Infrastructure	**27.1**	22.1
Australia Defence, Social and Property	**21.8**	21.8
US Resources and Energy	**10.6**	8.7
TOTAL CARRYING VALUE	**487.3**	484.7

b) Key assumptions used for value in use calculations

Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU. Cash flows were projected based on actual operating results, the Board approved two year budget and five year business plans.

Cash flows were extrapolated for a further five year period, as this reflects the period of time over which businesses are expected to develop to a steady state of maturity. Extrapolations to 10 years were performed using rates which do not exceed the long term average growth rate for the sector and economy. Terminal growth rates are then applied to the cash flows, which rates did not exceed 3%.

Assumptions used to determine future cash flows, such as gross margin, are based on management's best estimate of the CGU's performance, taking into account past performance. In calculating the value in use for each CGU, the Group has applied post-tax discount rates to discount post-tax cash flows. The discount rates used reflect specific risks relating to the relevant CGUs and countries in which they operate.

The following key assumptions were used to determine the recoverable amounts for the Group's material CGUs:

%	Growth rate*		Post-tax discount rate	
	2015	2014	2015	2014
Australia Resources and Industrial	**3.0**	3.2	**12.1**	11.5
New Zealand Infrastructure	**3.0**	2.2	**11.8**	11.8

* The growth rate represents the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budget.

No reasonably possible change in the assumptions for these CGUs is expected to give rise to an impairment.

TAXATION

19. INCOME TAXES

$'m	2015	2014
Current tax	**55.8**	30.7
Deferred tax	**(34.5)**	(26.6)
Adjustments for current tax of prior periods	**(2.8)**	(10.1)
NET INCOME TAX EXPENSE/(BENEFIT)	**18.5**	(6.0)
Income tax expense included in loss from discontinued operations	**-**	1.2
Income tax expense/(benefit) arising from continuing operations	**18.5**	(7.2)
NET INCOME TAX EXPENSE/(BENEFIT)	**18.5**	(6.0)
Deferred income tax benefit included in income tax expense/(benefit) above comprises:		
Increase in deferred tax assets (Note 20)	**(63.5)**	(7.3)
Increase/(decrease) in deferred tax liabilities (Note 21)	**29.0**	(19.3)
MOVEMENTS IN DEFERRED TAX	**(34.5)**	(26.6)
Numerical reconciliation of income tax expense/(benefit) to prima facie tax		
Profit from continuing operations before income tax expense	**67.1**	59.2
Loss from discontinued operations before income tax expense	**-**	(12.4)
Profit before income tax expense	**67.1**	46.8
Income tax calculated at 30% (2014: 30%)	**20.1**	14.0
Tax effects of amounts which are not (taxable)/deductible in calculating taxable income:		
Non-taxable income	**(0.1)**	(6.2)
Non-deductible impairment booked	**-**	0.5
Dividends received	**0.1**	0.8
Tax losses (brought to account)/written off/unrecognised	**17.6**	4.2
Share of profits from joint ventures	**(0.1)**	(3.8)
Research and development expenditure	**(0.5)**	(0.9)
Other	**(2.2)**	12.4
	34.9	21.0
Differences in overseas tax rates and benefits on overseas income and expenses	**(13.6)**	(17.3)
Adjustments for current tax of prior periods	**(2.8)**	(9.7)
INCOME TAX EXPENSE/(BENEFIT)	**18.5**	(6.0)
Unused tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**156.2**	88.0
Potential tax benefit	**55.8**	30.0

The unused tax losses were incurred by subsidiaries that are not part of the Australian tax consolidated group. The losses are currently not considered to be recoverable in the foreseeable future. The unrecognised deferred tax assets are calculated based on the income tax rates applicable to each local jurisdiction.

20. DEFERRED TAX ASSETS

$'m	2015	2014
Amount expected to be recovered after more than 12 months	**129.3**	56.4
Amount expected to be recovered within 12 months	**102.7**	108.9
Gross deferred tax assets	**232.0**	165.3
Set off deferred tax liabilities within common jurisdictions	**(121.3)**	(86.1)
NET DEFERRED TAX ASSETS	**110.7**	79.2

$'m	Creditors/ deferred income	Tax losses	Employee benefits	Doubtful debts	Derivatives and other	Total
At 1 July 2014	**54.6**	**47.6**	**38.7**	**5.1**	**19.3**	**165.3**
(Charged)/credited to:						
- profit or loss	**(8.6)**	**36.4**	**7.3**	**(0.4)**	**28.8**	**63.5**
- other comprehensive income	**-**	**-**	**-**	**-**	**(3.4)**	**(3.4)**
Effect of changes in exchange rates	**-**	**5.5**	**0.1**	**0.9**	**0.1**	**6.6**
AT 30 JUNE 2015	**46.0**	**89.5**	**46.1**	**5.6**	**44.8**	**232.0**
At 1 July 2013	55.3	40.6	37.9	5.8	15.1	154.7
(Charged)/credited to:						
- profit or loss	(0.8)	7.6	0.6	(0.6)	0.5	7.3
- other comprehensive income	-	-	-	-	3.7	3.7
Effect of changes in exchange rates	0.1	(0.6)	0.2	(0.1)	-	(0.4)
AT 30 JUNE 2014	54.6	47.6	38.7	5.1	19.3	165.3

21. DEFERRED TAX LIABILITIES

$'m	2015	2014
Amount to be settled after more than 12 months	**67.3**	37.5
Amount to be settled within 12 months	**56.5**	53.4
Gross deferred tax liabilities	**123.8**	90.9
Set off deferred tax assets within common jurisdictions	**(121.3)**	(86.1)
NET DEFERRED TAX LIABILITIES	**2.5**	4.8

$'m	Inventories	Plant and equipment	Trade and other receivables	Intangible assets	Derivatives and other	Total
At 1 July 2014	**32.2**	**19.8**	**17.3**	**17.7**	**3.9**	**90.9**
Charged/(credited) to:						
- profit or loss	**0.8**	**0.7**	**5.3**	**(2.1)**	**24.3**	**29.0**
- other comprehensive income	**-**	**-**	**-**	**-**	**4.4**	**4.4**
Effect of changes in exchange rates	**(0.5)**	**0.3**	**(0.3)**	**0.2**	**(0.2)**	**(0.5)**
AT 30 JUNE 2015	**32.5**	**20.8**	**22.3**	**15.8**	**27.0**	**123.8**
At 1 July 2013	49.5	13.8	16.7	26.2	2.0	108.2
Charged/(credited) to:						
- profit or loss	(18.8)	5.8	0.6	(8.7)	1.8	(19.3)
- other comprehensive income	-	-	-	-	-	-
Effect of changes in exchange rates	1.5	0.2	-	0.2	0.1	2.0
AT 30 JUNE 2014	32.2	19.8	17.3	17.7	3.9	90.9

A deferred tax liability has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the consolidated entity's subsidiaries. The deferred tax liability will only arise in the event of a disposal of a subsidiary.

NET DEBT

22. CASH AND CASH EQUIVALENTS

$'m	2015	2014
Cash at bank and on hand	**357.9**	215.2
Restricted cash	**-**	9.6
CASH AND CASH EQUIVALENTS	**357.9**	224.8

The fair value of cash and cash equivalents is considered to be the same as the carrying value.

Floating interest rates on deposits were from 0.00 percent to 3.50 percent (2014: 0.00 percent to 3.25 percent) per annum.

Floating interest rates on cash at bank were from 0.00 percent to 2.70 percent (2014: 0.00 percent to 2.63 percent) per annum.

The restricted cash balance was cash held in escrow in relation to the sale of USM in 2011 and was released during the year ended 30 June 2015 (2014: $6.6m).

23. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

$'m	2015	2014
Profit after tax	**48.6**	52.8
Add: Amortisation of borrowing costs	**5.7**	8.6
Add: Share-based payments	**5.1**	(1.5)
Add: Depreciation	**71.7**	67.4
Add: Amortisation	**13.2**	14.1
Add: Impairment	**-**	1.5
Unrealised foreign exchange loss/(gain)	**1.3**	(2.0)
Disposal of assets recognised in investing activities	**0.9**	-
Disposal of controlled entities and interests in joint ventures	**-**	(12.1)
Difference between share of net profits and distributions received from joint ventures	**4.2**	(0.3)
Other non-cash items	**(3.3)**	(7.1)
Change in operating assets and liabilities (net of effects from purchase or sale of controlled entities and interests in joint ventures)		
Decrease in trade and other receivables	**66.0**	7.9
Decrease in inventories	**26.8**	28.7
Decrease in trade and other payables	**(24.7)**	(149.0)
(Decrease)/Increase in employee and other provisions	**(19.7)**	14.7
Increase in other operating assets	**(14.6)**	(2.4)
Increase in net deferred tax assets	**(35.6)**	(16.5)
Increase in current tax liability	**42.7**	4.7
NET CASH INFLOW FROM OPERATING ACTIVITIES	**188.3**	9.5

24. LOANS AND BORROWINGS

	2015			2014		
$'m	Current	Non-current	Total	Current	Non-current	Total
Cash advances	**11.0**	**-**	**11.0**	-	-	-
High Yield Bond [1]	**-**	**421.6**	**421.6**	-	348.0	348.0
Unsecured	**11.0**	**421.6**	**432.6**	-	348.0	348.0
Cash advances	**21.6**	**241.2**	**262.8**	60.5	153.0	213.5
United States Private Placement	**-**	**194.6**	**194.6**	21.2	159.2	180.4
Lease liabilities	**9.3**	**16.9**	**26.2**	8.5	27.7	36.2
Secured [2]	**30.9**	**452.7**	**483.6**	90.2	339.9	430.1
Less: Unamortised borrowing costs	**(5.9)**	**(11.0)**	**(16.9)**	(5.5)	(14.1)	(19.6)
LOANS AND BORROWINGS	**36.0**	**863.3**	**899.3**	84.7	673.8	758.5

[1] Through the use of cross currency interest rate swaps (CCIRS), the US$325m High Yield Bonds (HYB) liability has been swapped to floating rate Australian dollar debt of $348m. The Group recognises the HYB carrying amount at amortised cost in USD translated at period-end exchange rate. The CCIRS are designated in an effective hedge relationship. A $73m loss has been recognised in the statement of profit or loss on the translation of the USD denominated debt at 30 June 2015, offset by a $73m gain on the fair value portion of the CCIRS (see Note 3). Settlement of the HYB and CCIRS will occur at maturity on 15 May 2020 and result in a net cash outflow of $348m.

[2] Following the Group's debt refinancing in May 2014, certain cash advance facilities, the US Private Placement notes, derivatives (as detailed in Note 7(d)) and bank guarantees (as detailed in Note 8(a)) were secured by way of a Security Trust Deed. The security provided by the Company is a registered first ranking security over all assets of the Group that are permitted to be secured.

The net debt of the Group inclusive of the fair value portion of the CCIRS is as follows:

$'m	2015	2014
Loans and borrowings	**899.3**	758.5
Fair value portion of CCIRS	**(70.7)**	-
Loans and borrowings net of fair value portion of CCIRS	**828.6**	758.5
Less: cash and cash equivalents	**(357.9)**	(224.8)
NET DEBT [1]	**470.7**	533.7

[1] Net debt is a non-IFRS measure and has not been subject to review or audit by the Group's external auditors

a) Risk management

Information on financial risk management policies and fair values is included in Note 7.

b) Available facilities

At reporting date the Group had unrestricted access to undrawn borrowing facilities totalling $223.1m (2014: $215.2m) consisting of:

Currency millions	Overdraft		Syndicated debt facility			Bilateral facilities				USPP [1]	HYB [2]
Maturity date	AUD	NZD	AUD	USD	NZD	CAD	CLP	NZD	USD	USD	USD
At call	7.0	2.0	-	-	-	-	-	-	-	-	-
November 2015	-	-	-	-	-	-	-	15.0	-	-	-
December 2015	-	-	-	-	-	25.0	12,780.0	-	-	-	-
June 2016	-	-	-	-	-	-	-	-	25.0	-	-
December 2016	-	-	-	-	-	-	-	-	-	50.0	-
July 2017	-	-	236.0	50.0	63.0	-	-	-	-	-	-
December 2017	-	-	-	-	-	-	17,100.0	-	-	-	
December 2019	-	-	-	-	-	-	-	-	-	100.0	-
May 2020	-	-	-	-	-	-	-	-	-	-	325.0
TOTAL FACILITIES	**7.0**	**2.0**	**236.0**	**50.0**	**63.0**	**25.0**	**29,880.0**	**15.0**	**25.0**	**150.0**	**325.0**
Drawn down	-	-	186.0	-	63.0	20.8	5,400.0	-	-	150.0	325.0
TOTAL UNDRAWN	**7.0**	**2.0**	**50.0**	**50.0**	**-**	**4.2**	**24,480.0**	**15.0**	**25.0**	**-**	**-**

[1] These long term senior unsecured notes to institutional investors (United States Private Placement - "USPP") were issued on 29 December 2009. The weighted average coupon rate on the outstanding notes is 7.12 per cent.

[2] These senior unsecured bonds (High Yield Bonds - HYB) were issued on 13 May 2014 a coupon rate of 8.375 per cent.

EQUITY

25. CONTRIBUTED EQUITY

$'m	2015	2014
Ordinary shares – fully paid	**1,131.7**	1,131.7
Shares held by equity compensation plans (treasury shares)	**(0.2)**	(0.3)
CONTRIBUTED EQUITY	**1,131.5**	1,131.4

a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Movements in ordinary shares

	2015 $'m	2015 Shares	2014 $'m	2014 Shares
Opening balance	**1,131.7**	**512,457,716**	1,131.7	512,457,716
CLOSING BALANCE	**1,131.7**	**512,457,716**	1,131.7	512,457,716

b) Treasury shares

Treasury shares are shares in Transfield Services Limited held by TranShare Plan Trust for the purpose of awarding shares under the TranShare deferred retention incentive scheme, TranShare Executive Performance Awards Plan and to facilitate the employee share plan (TranShare Plan).

Movements in treasury shares

	2015 $'m	2015 Shares	2014 $'m	2014 Shares
Opening balance	**0.3**	**146,722**	0.4	238,414
Acquisition of shares on market	**0.8**	**487,000**	-	-
Shares transferred to employees	**(0.9)**	**(541,602)**	(0.1)	(91,692)
CLOSING BALANCE	**0.2**	**92,120**	0.3	146,722

26. SHARE-BASED PAYMENTS

a) TranShare Executive Performance Awards Plan

A detailed analysis of the conditions of the TranShare Executive Performance Awards Plan is set out in the Remuneration Report on pages 27 to 46.

The table below sets out the number of performance awards granted under the Plan:

	2015 LTI	2015 MTI	2015 STI Deferral	2014 LTI	2014 MTI
As at 1 July	**16,609,145**	**2,069,814**	**-**	11,376,438	800,760
Granted	**1,930,485**	**4,770,518**	**1,488,115**	8,735,700	1,701,114
Exercised	**(11,240)**	**(568,100)**	**-**	(30,180)	(55,887)
Forfeited	**(4,613,585)**	**(584,573)**	**-**	(3,472,813)	(376,173)
AS AT 30 JUNE	**13,914,805**	**5,687,659**	**1,488,115**	16,609,145	2,069,814
Exercisable at 30 June	**90,020**	**-**	**-**	106,000	2,700

Performance rights outstanding at the end of the year have the following expiry date:

Grant date	Expiry date	2015 LTI	2015 MTI	2015 Deferred STI	2014 LTI	2014 MTI
26-Sep-09	26-Sep-15	**90,020**	**-**	**-**	106,000	-
6-Oct-10	6-Oct-14	**-**	**-**	**-**	1,165,111	-
30-Sep-11	30-Sep-14	**-**	**-**	**-**	2,354,434	2,700
14-Dec-12	30-Sep-15	**3,833,200**	**-**	**-**	4,673,100	366,000
1-Mar-13	1-Mar-15	**-**	**-**	**-**	-	235,900
20-Dec-13	30-Sep-16	**7,271,000**	**225,100**	**-**	8,310,500	755,500
28-Aug-14	30-Sep-16	**-**	**169,930**	**-**	-	709,714
13-Oct-14	30-Sep-16	**-**	**220,113**	**-**	-	-
24-Oct-14	24-Oct-16	**-**	**4,532,732**	**-**	-	-
24-Oct-14	24-Oct-17	**1,930,485**	**-**	**-**	-	-
5-Nov-14	30-Sep-16	**790,100**	**539,784**	**-**	-	-
04-Aug-15	13-Nov-17	**-**	**-**	**1,488,115**	-	-
PERFORMANCE RIGHTS		**13,914,805**	**5,687,659**	**1,488,115**	16,609,145	2,069,814
Weighted average remaining contractual life (years)		**1.12**	**1.31**	**2.28**	1.54	1.12

The performance awards granted on 4 August 2015 relate to rights issued under the Deferred STI plan for 2015. The number of performance rights granted was estimated based on the amount of STI deferral endorsed by the Board of Directors and the volume weighted average price for the 30 days preceding the grant date. As the issuance of 650,724 rights is subject to approval by the members of the Parent Entity at the Company's FY2015 Annual General Meeting, the Group expects to issue these rights after that date. The final number of instruments to be issued will be determined based on the volume weighted average price for a period of 30 days closer to the issue date.

All performance rights were granted for no consideration, have a $nil exercise price and carry no dividend or voting rights.

b) Fair value of performance rights granted

The assessed fair values at grant date of performance awards granted during the year ended 30 June 2015 are set out below.

They are independently determined using the following pricing model and key inputs:.

Award type	LTI Tranche 1	LTI Tranche 2	LTI Tranche 1	LTI Tranche 2	MTI Tranche 1	MTI Tranche 2
Option pricing model	**Monte-Carlo**	**Binomial**	**Monte-Carlo**	**Binomial**	**Monte-Carlo**	**Binomial**
Exercise price and consideration	**$Nil**	**$Nil**	**$Nil**	**$Nil**	**$Nil**	**$Nil**
Vesting conditions*	**rTSR**	**ROCE**	**rTSR**	**ROCE**	**aTSR**	**ROCE**
Grant date	**24-Oct-14**	**24-Oct-14**	**5-Nov-14**	**5-Nov-14**	**24-Oct-14**	**24-Oct-14**
Expiry date	**24-Oct-17**	**24-Oct-17**	**24-Oct-17**	**24-Oct-17**	**24-Oct-16**	**24-Oct-16**
Share price at grant date	**$1.91**	**$1.91**	**$1.90**	**$1.90**	**$1.91**	**$1.91**
Expected share price volatility	**50%**	**50%**	**50%**	**50%**	**50%**	**50%**
Expected dividend yield	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**1.8%**	**1.8%**
Risk free interest rate	**2.57%**	**2.57%**	**2.54%**	**2.54%**	**2.48%**	**2.48%**
Fair value at grant date	**$1.29**	**$1.77**	**$1.29**	**$1.76**	**$1.32**	**$1.84**

** ROCE = Return on capital employed / rTSR = relative Total Shareholder Return / aTSR = absolute Total Shareholder Return.*

Award type	Deferred STI Tranche 1	Deferred STI Tranche 2	Deferred STI Tranche 1	Deferred STI Tranche 2	Deferred STI Tranche 1	Deferred STI Tranche 2
Option pricing model	**Binomial**	**Binomial**	**Binomial**	**Binomial**	**Binomial**	**Binomial**
Exercise price and consideration	**$Nil**	**$Nil**	**$Nil**	**$Nil**	**$Nil**	**$Nil**
Vesting conditions*	**EBITDA**	**EBITDA**	**EBITDA**	**EBITDA**	**EBITDA**	**EBITDA**
Grant date	**28-Aug-14**	**28-Aug-14**	**13-Oct-14**	**13-Oct-14**	**5-Nov-14**	**5-Nov-14**
Expiry date	**1-Sept-15**	**1-Sept-16**	**1-Nov-15**	**1-Nov-16**	**1-Sept-15**	**1-Sept-16**
Share price at grant date	**$1.41**	**$1.41**	**$1.34**	**$1.34**	**$1.90**	**$1.90**
Expected share price volatility	**50%**	**50%**	**50%**	**50%**	**50%**	**50%**
Expected dividend yield	**-**	**2.40%**	**-**	**2.50%**	**-**	**2.00%**
Risk free interest rate	**2.48%**	**2.55%**	**2.49%**	**2.50%**	**2.47%**	**2.47%**
Fair value at grant date	**$1.41**	**$1.34**	**$1.34**	**$1.27**	**$1.90**	**$1.83**

** EBITDA = Earnings before Interest, Tax, Depreciation and Amortisation.*

Expected volatility is based on an evaluation of the Company's share price, particularly over the historical period commensurate with the expected term.

The fair value of performance rights granted under the Deferred STI plan for 2015 was determined based on the volume weighted average price for the 30 days preceding the grant date.

c) Expenses arising from share-based payment transactions

Total expenses before tax arising from share-based payment transactions recognised during the year as a part of employee benefit expense were as follows:

$'m	2015	2014
Performance rights expensed under TranShare Executive Performance Awards Plan	**5.1**	(1.1)
EXPENSE BEFORE TAX ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS	**5.1**	(1.1)

27. DIVIDENDS

No dividends were provided for or paid during the year ended 30 June 2015 (2014: $Nil).

Based on the Group's capital management policies, the Directors have determined that it is not appropriate to pay a final dividend for the period.

OTHER INFORMATION

28. RELATED PARTY TRANSACTIONS

a) Parent Entity and ultimate controlling party

The parent and ultimate controlling entity of the Group is Transfield Services Limited.

b) Transactions with key management personnel (KMP)

Compensation

$'000	2015	2014
Short-term employee benefits (cash salary and fees, cash bonuses and non-monetary benefits)	**8,848**	8,391
Long-term employee benefits	**97**	172
Post-employment benefits	**190**	148
Share-based payments	**2,464**	303
Termination benefits	**-**	302
TOTAL COMPENSATION OF KEY MANAGEMENT PERSONNEL	**11,599**	9,316

Detailed remuneration disclosures of KMP can be found in the Remuneration Report on pages 27 to 46.

Other transactions

KMP that are shareholders have rights to receive dividends on the same terms and conditions as other shareholders. They did not receive any dividend during the period (2014: $nil).

c) Other related entities transactions

	Transaction value for the year ended 30 June		Unsecured balance outstanding at 30 June	
$'000	2015	2014	2015	2014
Sale of goods and services				
Joint ventures	**101,946**	52,512	**11,471**	4,769
Purchase of goods				
Joint ventures	**(1,223)**	(565)	**-**	-
Advances to				
Joint ventures			**1,661**	-
Advances from				
Joint ventures			**(6,000)**	-

All transactions with related parties were made on normal commercial terms and conditions and at market rates.

No provision for doubtful debts or expense has been recognised in respect of amount owed by related parties.

Advances to/from joint ventures are short term and callable on demand.

The Parent Entity provides performance guarantees from time to time on behalf of related parties (see note 8). These guarantees will only crystallise if the respective guaranteed parties fail to meet their performance obligations.

29. REMUNERATION OF AUDITORS

During the year, the following amounts were paid to the auditor of the Parent Entity, its related practices and non-related audit firms:

$	2015	2014
Audit services and review of financial reports	**1,789,600**	2,140,300
Other assurance and due diligence services	**28,500**	698,300
Other advisory services	**30,000**	249,200
TOTAL FEES PAID TO KPMG	**1,848,100**	3,087,800
Audit services	**246,593**	152,700
Taxation services	**1,537,582**	2,137,200
Other advisory services	**2,245,931**	2,800,800
TOTAL FEES PAID TO OTHER FIRMS	**4,030,106**	5,090,700

GROUP STRUCTURE

30. SUBSIDIARIES

a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2015 are set out below:

Entity	Country of	Class of	Ultimate equity holding	
%	incorporation	shares	2015	2014
Transfield Services (Australia) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (New Zealand) Limited	New Zealand	Ordinary	**100**	100
Transfield Services Americas Inc.	USA	Ordinary	**100**	100
Transfield Services Infrastructure Inc.	USA	Ordinary	**100**	100
Transfield Services (Canada) Limited	Canada	Ordinary	**100**	100
TIMEC Company Inc.	USA	Ordinary	**100**	100
APP Corporation Pty Limited	Australia	Ordinary	**100**	100
Easternwell Group Pty Limited	Australia	Ordinary	**100**	100

The group has no subsidiaries with a material non-controlling interest or any protective rights that restrict the Group's ability to access or use its assets or settle its liabilities.

31. DEED OF CROSS GUARANTEE

The following entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others.

- Transfield Services Limited
- Transfield Services (Holdings) Pty Limited
- Transfield Services (Australia) Pty Limited
- APP Corporation Pty Limited
- Broadspectrum Australia Pty Limited
- Broadspectrum Australia (WA) Pty Limited
- Broadspectrum Australia (Qld) Pty Limited
- Transfield Services Engineering Group Pty Limited
- ICD Asia Pacific Pty Limited
- Transfield Services (Oil & Gas) Pty Limited
- Easternwell Group Pty Limited
- Piver Pty Limited, Easternwell WA Pty Limited
- Gorey & Cole Holdings Pty Limited
- Gorey & Cole Drillers Pty Limited
- Australian Drilling Solutions Pty Limited
- Sides Drilling Pty Limited
- Sides Drilling Contractors Pty Limited (trading in its own right)
- Sides Drilling Contractors Pty Limited ATF the Sides Drilling Contractors Trust
- Easternwell Group Investments Pty Limited
- Easternwell Group Operations Pty Limited
- OGC Services Pty Limited
- Easternwell Drilling Holdings Pty Limited

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare and lodge a financial report and a director's report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investment Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order. As there are no other parties to the Deed of Cross Guarantee that are controlled by Transfield Services Limited, they also represent the 'Extended Closed Group'.

a) Consolidated statement of profit or loss and other comprehensive income

Set out below is a consolidated Statement of profit or loss and other comprehensive income and summary of movements in consolidated retained profits for the Closed Group.

$'m	2015	2014
Revenue from continuing operations	**2,826.1**	2,843.4
Share of net profits from joint ventures	**3.1**	4.8
Subcontractors, raw materials and consumables	**(1,062.6)**	(931.6)
Employee benefit expense	**(1,320.1)**	(1,440.4)
Depreciation, amortisation and impairment	**(52.6)**	(211.7)
Other expenses	**(184.8)**	(230.0)
Net finance costs	**(40.6)**	(22.0)
Profit before tax	**168.5**	12.5
Income tax (expense)/benefit	**(28.7)**	29.0
PROFIT FROM CONTINUING OPERATIONS AFTER TAX	**139.8**	41.5
Accumulated losses at the beginning of the financial year	**(134.4)**	(175.9)
Profit after tax	**139.8**	41.5
Less: Dividends paid	**-**	-
RETAINED PROFIT/(ACCUMULATED LOSSES) AT THE END OF THE FINANCIAL YEAR	**5.4**	(134.4)

b) Statement of financial position

Set out below is a consolidated statement of financial position for the Closed Group.

$'m	2015	2014
Cash and cash equivalents	**303.4**	158.8
Trade and other receivables	**749.2**	863.4
Inventories	**105.5**	67.4
Derivatives	**-**	1.8
Prepayments and other current assets	**16.8**	9.3
Total current assets	**1,174.9**	1,100.7
Intangible assets	**338.3**	345.4
Property, plant and equipment	**257.6**	249.6
Interests in joint ventures	**90.0**	87.0
Other financial assets	**133.0**	131.3
Deferred tax assets	**63.7**	55.5
Derivatives	**90.1**	-
Prepayments and other current assets	**46.1**	34.0
Total non-current assets	**1,018.8**	902.8
TOTAL ASSETS	**2,193.7**	2,003.5
Trade and other payables	**359.2**	392.8
Employee benefits	**103.6**	113.0
Other provisions	**30.7**	25.8
Current tax liabilities	**74.4**	-
Derivatives	**1.4**	0.5
Total current liabilities	**569.3**	532.1
Loans and borrowings	**421.6**	406.4
Employee benefits	**30.9**	39.1
Other provisions	**2.2**	6.9
Derivatives	**2.6**	14.8
Total non-current liabilities	**457.3**	467.2
TOTAL LIABILITIES	**1,026.6**	999.3
NET ASSETS	**1,167.1**	1,004.2
Contributed equity	**1,131.7**	1,131.4
Reserves	**30.0**	7.2
Retained profits/(accumulated losses)	**5.4**	(134.4)
Parent Entity interest	**1,167.1**	1,004.2
Non-controlling interest	**-**	-
TOTAL EQUITY	**1,167.1**	1,004.2

32. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

$'m	2015	2014
Current assets	**1,221.3**	1,329.6
Non-current assets	**361.9**	200.0
TOTAL ASSETS	**1,583.2**	1,529.6
Current liabilities	**6.0**	19.3
Non-current liabilities	**423.2**	394.7
TOTAL LIABILITIES	**429.2**	414.0
NET ASSETS	**1,154.0**	1,115.6
Contributed equity	**1,131.7**	1,131.4
Reserves	**25.6**	7.2
Accumulated losses	**(3.3)**	(23.0)
TOTAL EQUITY ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	**1,154.0**	1,115.6
Profit/(loss) after tax	**19.7**	(24.9)
Other comprehensive income, net of tax	**18.4**	(12.9)
TOTAL COMPREHENSIVE INCOME	**38.1**	(37.8)

b) Guarantees and contingent liabilities

Details and estimated maximum amounts of contingent liabilities, bank guarantees and letters of credit are disclosed in Note 8.

The Parent Entity is required to guarantee and indemnify related parties for their contractual performance and financial obligations in the normal course of business. These will only give rise to a liability where the related entity fails to meet its obligations and the guarantee is called upon. The Parent Entity has a formal deed of guarantee to these entities. The Directors are not aware of any material claims on the Parent Entity in relation to these guarantees.

There is also a cross guarantee given by entities within the Extended Closed Group as described in Note 31. No deficiencies of assets exist in any of these companies.

No liability has been recognised by the Parent Entity or the Group in relation to this guarantee, as the fair value of the guarantees is immaterial.

c) Capital commitments

The parent entity has no capital commitments at 30 June 2015 (2014: $Nil).

ACCOUNTING POLICIES

33. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation of the financial report

These financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. They are presented in Australian dollars, which is the Company's functional and presentation currency.

These financial statements also comply with IFRS as issued by the International Accounting Standards Board.

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

b) Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint ventures

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

Joint operations

The Group recognises its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

c) Business combinations

Business combinations are accounted for using the acquisition method. For every business combination the Group identifies the acquirer, which is the combining entity that obtains control of the combining entities or businesses. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill arising in a business combination is measured at 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, as measured at 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 previously 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 only assumed in a business combination if such a liability represents a present obligation and arises from a past event and its fair value can be measured reliably.

Transaction costs other than those associated with the issue of debt or equity securities, that the Group incurs in connection with the business combination are expensed as incurred.

d) Foreign currency transactions

Transactions and balances

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the approximate dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary items denominated in foreign currencies are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary items carried at fair value are reported as part of the fair value gain or loss.

Foreign operations

Assets and liabilities, including goodwill and fair value adjustments arising on consolidation of foreign operations, are translated into Australian currency at year-end exchange rates, while income and expenses are translated at average exchange rates.

Exchange differences arising on translation, including financial liabilities designated as a hedge of a net investment in a foreign operation, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity to the extent that the hedge is effective.

When a foreign operation is sold a proportionate share of such exchange differences is recognised in the profit or loss as part of the gain or loss on sale.

e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chief Operating Decision Maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director and Chief Executive Officer.

f) Revenue

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. No margin is recognised where the outcome of the contract cannot be reliably estimated. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Operations and maintenance and facilities management services revenue

Service revenue is recognised when the service is completed in accordance with the terms of the contract, unless the contract is long-term or where service activity within a contract period is expected to vary significantly year on year, in which case revenue is recognised in accordance with the percentage of completion method or when a significant act is executed.

Asset and project management revenue

Asset and project management revenue is recognised when the services are rendered and in accordance with individual contracts as appropriate.

Construction revenue

Construction revenue relates to contracts for the construction of assets on behalf of third parties. Construction revenue is recognised based on the percentage of completion method when recovery of the consideration is probable, there is no continuing ownership interest with the assets and the amount of revenue can be measured reliably.

Drilling and related services revenue

Drilling and related services revenue is recognised when the service is completed in accordance with the terms of the drilling contract, unless the contract is long-term or where service activity within a contract period is expected to vary significantly year on year in which case revenue is recognised in accordance with the percentage of completion method or when a significant milestone is reached.

Infrastructure development revenue

Infrastructure development revenue relates to a range of activities from sale of infrastructure development equity opportunities to sale of completed infrastructure assets and also includes revenues from the contracted development of infrastructure assets on behalf of third parties. Infrastructure development revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, there is no continuing equity involvement with the assets and the amount of revenue can be measured reliably.

Key performance indicator (KPI) revenue

The Group derives KPI revenue from certain contracts when contract performance hurdles are met. These hurdles are typically safety and performance related. KPI revenue is only recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The Group's policy is to recognise KPI income on a pro-rata basis to the extent that the Group is capable of achieving the desired outcomes under the terms of the contract and the value of the KPI revenue can be reliably estimated. When an uncertainty arises about the collectability of an amount already recognised as revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an adjustment to the amount of revenue originally recognised.

g) Income tax

The income tax expense or benefit for the period is the tax payable or refundable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

The head entity, Transfield Services Limited, and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement, which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Transfield Services Limited. The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

A similar regime operates in the United States. The Group's United States domiciled wholly owned subsidiaries have adopted the equivalent arrangement in that jurisdiction. Transfield Services Limited and the controlled entities in the Australian tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Transfield Services Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

h) Leases

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in loans and borrowings.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the asset's useful life or the lease term where there is no certainty that ownership of the asset will transfer.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

i) Impairment of assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. 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 an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

For the purposes of goodwill impairment testing, cash generating units to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

At each reporting date, the Group reviews non-financial assets other than goodwill that have been previously impaired for indications that the conditions that resulted in the impairment have reversed.

Impairment policies in respect of non-derivative financial assets are set out in Note 33(n) and Note 33(p).

j) Trade receivables

All trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less provision for impairment. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

Recoverability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for impairment is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in profit or loss as other expenses.

When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited in profit or loss against other expenses.

k) Inventories

Consumables and stores

Consumables and stores are stated at the lower of cost (assigned on the first-in-first-out basis) and net realisable value and charged to specific contracts when used. Net realisable value is the estimated selling price in the ordinary course of business less the estimated sale costs.

Work in progress

Work in progress in respect of standard contracts represents unbilled contract expenditure on service contracts at the period end and is stated at the lower of cost and net realisable value.

Work in progress for contracts that are recognised on a percentage of completion basis are stated at the aggregate of contract costs incurred to date plus recognised profit less recognised losses and less progress billings.

Where progress billings exceed the aggregate costs incurred plus profits less losses, the resulting work in progress is included in current liabilities.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the client under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's general maintenance activities.

l) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the consolidated statement of financial position.

m) Discontinued operations and non-current assets held for sale

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss.

Non-current assets that are expected to be recovered primarily through sale rather than continuing use, are classified as held for sale. Immediately before classification as held for sale the assets are re-measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying value and fair value less cost to sell.

n) Non-derivative financial assets

Recognition

Regular purchases and sales of non-derivative financial assets are recognised on trade date being the date on which the Group commits to purchase or sell the asset. Non-derivative financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification

The Group classifies its non-derivative financial assets as either loans or receivables or available-for-sale financial assets, depending on the purpose for which the investments were acquired. Management determines the classification of its non-derivative financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Loans and receivables are carried at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets, principally comprising equity securities, are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date and the sale is highly probable.

Available-for-sale financial assets are measured at fair value plus transaction costs with revaluation gains and losses recognised in reserves within equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Where there is no traded market value, the fair value of available-for-sale financial assets is based on the present value of expected net cash inflows.

Impairment

The Group assesses at each statement of financial position date, whether there is objective evidence that a financial asset or group of financial assets is impaired and, if evidence of impairment exists, recognises an impairment loss in profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or hedges of probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Gains and losses arising on derivative financial instruments that are not designated as hedges are recognised in the profit or loss.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are recycled to profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging transactions is recognised in profit or loss within revenue. However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory) the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

p) Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the statement of financial position date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Fair values of financial assets and liabilities carried at fair value are analysed by valuation, defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted process included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

q) Property, plant and equipment

Land is shown at cost. All other plant and equipment is stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment as well as finance costs capitalised on qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repair and maintenance expenses are charged to profit or loss as incurred.

Land is not depreciated. Where the expected pattern of consumption of future economic benefits is most accurately reflected by the completion of increased units of production and the total units of production over the asset's life can be determined reliably, the cost is allocated based on the proportional completion of the total units of production over the asset's life. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful live as follows:

- buildings: 25 - 40 years
- leasehold improvements: remaining lease term
- plant and equipment: 2 - 20 years
- software and IT equipment: 3 to 15 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – (refer Note 33(i)).

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Capital work in progress

Expenditure on development activities for the design of new or substantially improved products or services before the start of commercial production or use is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour, finance costs incurred and an appropriate proportion of overheads. Such assets are included in capital work in progress until completed at which time they are transferred into plant and equipment and depreciated in accordance with the policies set out above.

Capital work in progress includes only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset. Other development expenditure is recognised in profit or loss as an expense as incurred.

r) Intangible assets

Goodwill is measured as described in note 33(c) and included in intangible assets. It is not amortised but tested for impairment annually or more frequently if indicators of impairment are identified. It is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units (CGU's) for the purpose of impairment testing. Each of those CGU's represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

The fair value of other intangible assets acquired in a business combination is based on the aggregated discounted cash flows expected to be derived from the use and the sale of the assets.

Other intangible assets have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over their estimated useful as follows:

- Trademarks and brands: 5 - 22 years
- Contract intangibles: 3 - 15 years
- Customer relationships: 6 - 22 years
- Customer/supplier databases: 15 - 22 years
- Other: 5 years

s) Pre-contract costs

Pre-contract costs are costs incurred in relation to securing a contract. These costs include costs incurred prior to and during the contract bidding process as well as costs incurred upon set-up and mobilisation of a contract upon award. They are capitalised in other assets in the statement of financial position when there is a probable expectation that they will be recovered. They are recognised over the life of the contract in profit or loss within depreciation expense. Where a contract award is subsequently unsuccessful, any capitalised costs are immediately expensed to profit or loss as other expenses.

t) Trade and other payables

Trade and other payables represent liabilities for unpaid goods and services provided to the Group prior to the end of the financial period.

u) Short-term and long-term loans and borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as capitalised costs and amortised on a straight line basis over the term of the facility.

Loans and borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

v) Employee benefits

Annual leave, sick leave and Directors' retirement benefits

Liabilities for annual leave, accumulating sick leave expected to be settled within 12 months and, in accordance with the Group's remuneration policy, Directors' retirement benefits (including non-monetary benefits) are recognised in provision for employee benefits in respect of employees' or Directors' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in provision for employee benefits and measured at the present value of the expected future payments to be made in respect of services provided by employees at reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at reporting date of high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date.

Short-term incentive plans

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present obligation to pay this amount as a result of past service provided and the obligation can be estimated reliably.

Superannuation

Contributions to defined contribution superannuation funds are charged as an expense as the contributions are paid or become payable.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in provision for employee benefits and are measured at amounts expected to be paid when the liabilities are settled, discounted to net present value.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value. The liabilities for termination benefits are recognised in other payables unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Equity-based compensation benefits

Equity-based compensation benefits are provided to employees through the TranShare Executive Performance Awards Plan, the Transfield Services Executive Options Scheme and the Deferred Retention Incentive Scheme.

Performance Awards

The fair value of Performance Awards granted under the Transfield Services Executive Options Scheme or the TranShare Executive Performance Awards Plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the Performance Awards.

Shares under the Deferred Retention Incentive Scheme

Shares acquired under the Deferred Retention Incentive Scheme are held by the TranShare PlanTrust and included in treasury shares as a reduction in equity until they are allocated to individual employees. The expense is recognised and the liability is accrued over the vesting period.

The fair value at grant date of Performance Awards is independently determined using a binomial and Monte Carlo model that takes into account the exercise price, the term of Performance Award, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the Performance Award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the Performance Award.

The fair value of the Performance Awards granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of Performance Awards that are expected to become exercisable. At each statement of financial position date, the entity revises its estimate of the number of Performance Awards that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of Performance Awards, the balance of the share-based payments reserve relating to those Performance Awards is transferred to share capital.

The difference between the market value of shares issued to employees and the employee's consideration under the employee share scheme is recognised as an employee benefit expense with a corresponding increase in equity when the employee becomes entitled to the shares.

w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required on settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

x) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under that contract, and only after any impairment losses to assets dedicated to that contract have been recognised.

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract. The net estimated cash flows are discounted at the statement of financial position date using market yields of national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payment, where the effect of discounting is material.

y) Finance costs

Finance costs are recognised as an expense in the period in which they are incurred except where they are incurred in the cost of qualifying assets (refer Note 33(q)). They include interest on bank overdraft and short-term and long-term borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

Finance costs incurred 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. The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year.

z) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached. Grants that compensate the Group for expenses are recognised in profit or loss in the same period as the expense that they compensate is recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

aa) Contributed equity

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, Options or Performance Awards are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Any amounts of unvested shares held by the TranShare Plan Trust are controlled by the Group until they vest and are recorded as a reduction in equity.

When ordinary shares are repurchased the amount of the consideration paid including directly attributable costs (net of income tax) is recognised as a deduction from equity. These shares are classified as treasury shares and presented in other reserves. When they are subsequently sold or reissued, the amount received is recognised as an increase in equity and any resulting surplus or deficit is presented in accumulated losses.

ab) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the year but not distributed at statement of financial position date.

ac) Earnings / (loss) per share

Basic earnings / (loss) per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings / (loss) per share adjusts the figures used in the determination of basic earnings / (loss) per share to take into account the post income tax effect of interest and 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.

ad) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within other receivables or payables in the statement of financial position.

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

ae) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission dated 10 July 1998 relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded in accordance with that Class Order to the nearest hundred thousand dollars or, in certain cases, the thousand dollars as stated.

af) Reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of Options and Performance Awards granted but not exercised. The share-based payments reserve is tax-effected as a result of the intention to acquire shares to fulfil vested Awards on market (refer to Note 4).

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 33(d). The reserve is recognised in profit and loss when the net investment is disposed.

Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument that is designated and qualifies for recognition as a cash flow hedge, as described in Note 33(o). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Share capital contribution reserve

The share capital contribution reserve is used to recognise the post-acquisition capital contributions by the vendors to equity of subsidiaries.

Other reserve

Other reserve is comprised of revaluation reserve, share capital contribution and statutory reserve. Revaluation reserves relates to the revaluation of other financial assets classified as available for sale financial assets.

ag) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are effective for annual periods beginning after 1 July 2014. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

Mandatory for years beginning on or after 1 January 2018

Expected date of adoption by the Group: 1 July 2018

The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. These changes are not expected to have a material impact on the Group.

AASB 15 Revenue from contracts with Customers (effective date 1 January 2017) and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

Mandatory for years beginning on or after 1 January 2017

Expected date of adoption by the Group: 1 July 2017

This standard will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The adoption of this standard may have a significant impact on how and when the Group recognises revenue and introduces new disclosure requirements. The Group is yet to assess the potential impact if any of adopting this new standard.

DIRECTORS' DECLARATION

Year ended 30 June 2015

In the Directors' opinion the financial statements and notes set out on pages 47 to 92 are in accordance with the *Corporations Act 2001*, including:

- complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date.

There are reasonable grounds to believe that:

- the Group will be able to pay its debts as and when they become due and payable at the date of this declaration; and
- the members of the Extended Closed Group identified in Note 31 will be able to meet any obligations or liabilities which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 31.

The Directors draw attention to Note 33(a) to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

The Directors have been given the declaration by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors:

Diane Smith-Gander
Chairman

Graeme Hunt
Managing Director and Chief Executive Officer

At Sydney

27 August 2015

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Transfield Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

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

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

KPMG

KPMG

Kevin Leighton
Partner

Sydney
27 August 2015

KPMG

Independent auditor's report to the members of Transfield Services Limited

Report on the financial report

We have audited the accompanying financial report of Transfield Services Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, consolidated statement of profit or loss, 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 33 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 33, 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.

KPMG

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 the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 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 33.

Report on the remuneration report

We have audited Section 3 to 9 of the remuneration report included in the directors' report for the year ended 30 June 2015. 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 Transfield Services Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Leighton
Partner

Sydney
27 August 2015

CORPORATE DIRECTORY

Year ended 30 June 2015

Directors	Diane Smith-Gander	Chairman
	Graeme Hunt	Managing Director and Chief Executive Officer
	Douglass Snedden	
	Roy McKelvie	
	Katherine Hirschfeld	
	Dean Pritchard	
	Geoffrey Kleemann	
Company Secretary	Angelique Nesbitt	
Notice of annual general meeting	The annual general meeting of Transfield Services Limited	
	will be held at	Sydney Mint
		10 Macquarie Street
		Sydney, NSW 2000
	on	Wednesday, 28 October 2015
Principal registered office in Australia	Level 10, 111 Pacific Highway	
	North Sydney, NSW 2060	
Share register	Computershare Investor Services Pty Limited	
	Level 3, 60 Carrington St	
	Sydney NSW 2000	
Auditors	KPMG	
	10 Shelley Street	
	Sydney, NSW 2000	
Securities exchange listing	Transfield Services Limited shares are listed on the Australian Securities Exchange under the code 'TSE'.	
Website address	www.transfieldservices.com	

CORPORATE DIRECTORY

Year ended 30 June 2015

Subsidiaries

The following is a list of the entities controlled by the Group at any point during the year end 30 June 2015:

Entity	Country of	Class of	Ultimate equity holding	
%	incorporation	shares	2015	2014
ACN 164 381 417 Pty Limited	Australia	Ordinary	**100**	100
APP Corporation Pty Limited	Australia	Ordinary	**100**	100
Aquas Holdings Pty Limited	Australia	Ordinary	**100**	100
Australian Drilling Solutions Pty Limited	Australia	Ordinary	**100**	100
Australian Quality Assurance and Superintendence Pty Limited	Australia	Ordinary	**100**	-
Broadspectrum (IP) Holdings Pty Limited	Australia	Ordinary	**100**	100
Broadspectrum Australia (QLD) Pty Limited	Australia	Ordinary	**100**	100
Broadspectrum Australia (WA) Pty Limited	Australia	Ordinary	**100**	100
Broadspectrum Australia Pty Limited	Australia	Ordinary	**100**	100
CI Australia Pty Limited (formerly Chesterton International (NSW) Pty Limited)	Australia	Ordinary	**100**	100
Colby Corporation Pty Limited	Australia	Ordinary	**100**	100
Colby Unit Trust	Australia	Ordinary	**100**	100
Collinsville Operations Pty Limited	Australia	Ordinary	**100**	100
Eastern Catering Services Holdings Pty Limited	Australia	Ordinary	**100**	100
Eastern Catering Services Pty Limited	Australia	Ordinary	**100**	100
Eastern Pressure Control Pty Limited	Australia	Ordinary	**51**	51
Easternwell Drilling Assets Pty Limited	Australia	Ordinary	**100**	100
Easternwell Drilling Holdings Pty Limited	Australia	Ordinary	**100**	100
Easternwell Drilling Labour Hire Pty Limited	Australia	Ordinary	**100**	100
Easternwell Drilling Pty Limited	Australia	Ordinary	**100**	100
Easternwell Energy Rigs Pty Ltd	Australia	Ordinary	**100**	100
Easternwell Engineering Pty Limited	Australia	Ordinary	**100**	100
Easternwell Group Assets Pty Limited	Australia	Ordinary	**100**	100
Easternwell Group Investments Pty Limited	Australia	Ordinary	**100**	100
Easternwell Group Operations Pty Limited	Australia	Ordinary	**100**	100
Easternwell Group Pty Limited	Australia	Ordinary	**100**	100
Easternwell Service No2 Pty Limited	Australia	Ordinary	**100**	100
Easternwell Training Pty Limited	Australia	Ordinary	**100**	100
Easternwell TS Pty Limited	Australia	Ordinary	**100**	100
Easternwell WA Pty Limited	Australia	Ordinary	**100**	100
ETSH Pty Limited	Australia	Ordinary	**100**	100
EWG Aircraft Pty Limited	Australia	Ordinary	**100**	100
EWS Aircraft Pty Limited	Australia	Ordinary	**100**	100
Gorey & Cole Drillers Pty Limited	Australia	Ordinary	**100**	100
Gorey & Cole Holdings Pty Limited	Australia	Ordinary	**100**	100
ICD (Asia Pacific) Pty Limited	Australia	Ordinary	**100**	100
O.G.C Services Pty Limited	Australia	Ordinary	**100**	100

CORPORATE DIRECTORY

Year ended 30 June 2015

Entity %	Country of incorporation	Class of shares	Ultimate equity holding 2015	 2014
Peak Drilling Pty Limited	Australia	Ordinary	**100**	100
Piver Pty Limited	Australia	Ordinary	**100**	100
Porcelain Holdings Pty Limited	Australia	Ordinary	**100**	100
SDC Plant & Equipment Pty Limited	Australia	Ordinary	**100**	100
SDC Plant & Equipment Trust	Australia	Ordinary	**100**	100
Sides Drilling Contractors Pty Limited	Australia	Ordinary	**100**	100
Sides Drilling Contractors Trust	Australia	Ordinary	**100**	100
Sides Drilling Pty Limited	Australia	Ordinary	**100**	100
Silver City Drilling (QLD) Pty Limited	Australia	Ordinary	**100**	100
Ten Rivers Pty Ltd (formerly Transfield Services (NWDF) Pty Limited)	Australia	Ordinary	**100**	100
Transfield Metrolink Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (Asset Management Optimisation) Pty Ltd	Australia	Ordinary	**100**	100
Transfield Services (Australia) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (Brisbane Ferries) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (Chile) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (Finance) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (Holdings) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (India) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (International) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (NWDF) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (Oil and Gas) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (Sydney Ferries) Pty Limited	Australia	Ordinary	**100**	100
Transfield Services (USM) Holdings Pty Ltd	Australia	Ordinary	**100**	100
Transfield Services Engineering Group Pty Limited	Australia	Ordinary	**100**	100
Transfield Services Share Plan Trust	Australia	Ordinary	**100**	100
TranShare Plan Company Pty Limited	Australia	Ordinary	**100**	100
TS (Procurement) Pty Ltd	Australia	Ordinary	**100**	100
Transfield Services Holdings (Delaware) Pty Limited LLC	Australia / USA	Ordinary	**100**	100
Transfield Services (Alberta) Limited	Canada	Ordinary	**100**	100
Transfield Services (Canada) Limited	Canada	Ordinary	**100**	100
Transfield Services (Ontario) Limited	Canada	Ordinary	**100**	100
Transfield Services Canada (Holdings) Limited	Canada	Ordinary	**100**	100
Ingeneria Ambiental y Servicios S.A. (Chile)	Chile	Ordinary	**100**	83
Inser-Transfield Services SA (Chile)	Chile	Ordinary	**100**	83
Inversiones Transfield Services (Chile) Holdings Limitada	Chile	Ordinary	**100**	100
Inversiones Transfield Services (Chile) Limitada	Chile	Ordinary	**100**	100

CORPORATE DIRECTORY

Year ended 30 June 2015

Entity	Country of	Class of	Ultimate equity holding	
%	incorporation	shares	2015	2014
TS (Technology and Consulting) Private Limited	India	Ordinary	**100**	100
Global Broadspectrum Sdn Bhd (In Members Voluntary Liquidation)	Malaysia	Ordinary	**100**	100
Transfield Services (Asia) Sdn Bhd	Malaysia	Ordinary	**100**	100
Transfield Services (Malaysia) Sdn Bhd (In Members Voluntary Liquidation)	Malaysia	Ordinary	**-**	100
Transfield Services Mauritius Limited	Mauritius	Ordinary	**100**	100
APP Corporation (NZ) Limited	New Zealand	Ordinary	**100**	100
Transfield Services (New Zealand) Limited	New Zealand	Ordinary	**100**	100
TSNZ Pulp and Paper Maintenance Services Limited	New Zealand	Ordinary	**100**	100
Transfield Services (Qatar) WLL	Qatar	Ordinary	**49***	49*
Transfield Services Mannai Oil and Gas Services WLL in members voluntary liquidation)	Qatar	Ordinary	**49***	49*
Broadspectrum Pte Limited	Singapore	Ordinary	**100**	100
HRI, Inc	USA	Ordinary	**100**	100
TIMEC Company Inc.	USA	Ordinary	**100**	100
TIMEC Operating Company, Inc	USA	Ordinary	**100**	100
TIMEC Specialty Services, Inc	USA	Ordinary	**100**	100
Transfield Services (Delaware) General Partnership	USA	N/A	**100**	100
Transfield Services Americas Inc	USA	Ordinary	**100**	100
Transfield Services Infrastructure Inc. (trading as Transfield Services North America Transportation Infrastructure)	USA	Ordinary	**100**	100
Transfield Services Oilfields, LLC	USA	Ordinary	**100**	100
Transfield Services Upstream Holdings, LLC	USA	Ordinary	**100**	100

* Legal ownership is 49 percent however commercial ownership is 80 percent. These entities are consolidated for Group reporting purpose.