



ANNUAL REPORT  
2015

MAINTAINING TODAY

**creating  
tomorrow**



MAINTAINING TODAY

# creating tomorrow



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## who we are today

UGL is a leading provider of outsourced engineering, construction and maintenance services. We partner with world-leading technology suppliers to provide industry-leading services and whole-of-life solutions across the core sectors of rail, technology systems, power, resources, water and defence.

With revenue in excess of \$2.3 billion we employ over 8,000 people across our operations in Australia, New Zealand and South East Asia.



## our values

Our values are the blueprint for UGL's success by guiding the way we work with our clients, our partners, our communities, the environment and each other.

### **SAFETY & SUSTAINABILITY**

Protecting our people and our environment

### **INTEGRITY & COURAGE**

Doing what is right even when it's difficult

### **CLIENT FOCUS**

Exceeding customer expectations

### **COLLABORATION**

Accomplishing more together

### **INNOVATION**

Delivering smarter solutions



# Our vision & strategy

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## OUR VISION

An industry disruptor that dominates the Australian market through the application of world leading technology and execution capabilities taking the smartest solutions to our clients and sectors globally

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## STRATEGIC PRIORITIES

Our focus in driving towards our vision will be across 6 key strategic priorities



### LEAD IN SAFETY AND SUSTAINABILITY

Achieve Zero Harm in our work practices and provide a genuine health focus for our employees. Be a sustainable enterprise in our own right and a leader in delivering projects that are sustainable across the asset lifecycle.



### BUILD OUR PORTFOLIO STRENGTHS THROUGH INNOVATION

Invest in attractive markets where we have differential ability to win, including seeking out and “proving up” new and disruptive technologies in our Australian markets, then applying them globally.



### BUILD A WORLD CLASS TALENT BASE

Build, develop and retain a world class talent base. Value, engage and empower our people ensuring that UGL's values and culture are consistently and genuinely lived across the business.



### BE THE PARTNER OF CHOICE

Build a portfolio of loyal customers by always looking to exceed their expectations through a constant relentlessness to improve and innovate to deliver superior value.



### CONSISTENTLY DELIVER

Rigorously apply standards, processes and procedures matched to the correct capability to enable consistent industry leading delivery at above target margin (no project surprises).



### DELIVER STRONG ECONOMIC RETURNS FOR SHAREHOLDERS

Reliably deliver EPS growth and ASX 200 Industrials Index top quartile shareholder returns.

# Roadmap to UGL's vision

Our vision will be delivered through a clear four stage process

## COMPLETED

- Detailed project and business reviews and implement new initiatives
- Restructure of divisional and corporate overheads to right size the business
- Focus on and reduce WIP balance
- Establish an effective risk and governance framework

**FY15**

STAGE 1  
Reset

- Improve project gross margin delivery
- Convert identified pipeline opportunities
- Realise full run-rate of cost reduction initiatives implemented in FY15
- Deliver average cash flow conversion of 100% of NPAT excluding Ichthys CCPP

**FY16**

STAGE 2  
Turnaround

- Revenue step change driven by exposure to transport infrastructure and LNG maintenance
- Commencement of major contracts within Technology Systems and Asset Services divisions
- Improvement in margin due to replacement of nil margin revenue with new profitable contracts

**FY17**

STAGE 3  
Step Change

- Sustainable enterprise and industry leader
- Continue to seek opportunities for growth and value enhancement

**FY18 & BEYOND**

STAGE 4  
Growth

# Our operating model

## DIVISION

### Rail & Defence

\$986m



## OVERVIEW

Our Rail & Defence business operates extensively across both the freight and passenger rail markets in rolling stock supply and asset management in Australia and Hong Kong. The business also provides naval ship maintenance services.

## CORE CAPABILITIES

- Passenger build and maintenance
- Freight build and maintenance
- GE parts sales & distribution
- Supply chain services
- Component manufacture
- Naval ship maintenance

### Asset Services

\$463m



With over 30 years of experience our Asset Services business offers industry leading services in maintenance, shutdowns and turnarounds across a number of sectors. The business is Australia's largest LNG maintenance services provider.

- Maintenance services
- Shutdowns and turnarounds
- Sectors:
  - LNG
  - Minerals processing
  - Petroleum
  - Power
  - Water

### Technology Systems

\$231m

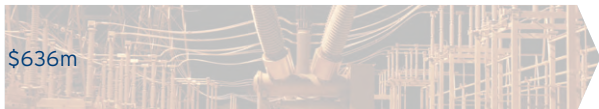


Technology Systems is an industry leader in road tunnel and rail infrastructure systems and provides signalling communications and telecommunications solutions across a range of sectors.

- Road and rail tunnel mechanical, electrical, controls, signalling and communications systems
- Train signalling & control systems
- Wireless communications

### Engineering & Construction

\$636m



Our Engineering & Construction business delivers complex projects from the initial design through to procurement, construction and final commissioning.

- Power, water and resources sector:
  - Engineering
  - Procurement
  - Construction
  - Commissioning

### International

\$11m



The International business has been built on our water infrastructure capabilities in Singapore and Malaysia, expanding across transport systems and oil and gas pipeline services.

- Engineering design, procurement, construction and commissioning of water treatment plants
- O&G pipeline EPC capability
- EPC capability for tunnel services

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## VALUE PROPOSITION

- A multi-faceted specialist across passenger and freight rail offering a complete and integrated single source solution
- Industry leading performance in cost and quality along with strong fleet reliability and availability
- Optimal supply chain management with international expertise in inventory purchasing, logistics management and lean practices

- Industry leading provision of LNG, Power and Mining maintenance and shutdown, turnaround & sustaining capital services
- Full lifecycle asset support with dynamic asset management solutions aligned with client objectives
- Committed and flexible workforce with significant capacity and capability supporting a near permanent shutdown crew

- In-house engineering design and construction capability resulting in design cost savings to the client and continuity across design, build, commissioning and maintenance phases
- Unique and complementary rail signalling and communications capability
- Established partnerships with world leading OEMs

- Industry leading footprint with a significant geographical spread across Australia and New Zealand
- Lower project costs through smart design optimising outcomes both financially and through plant performance and reliability
- A reliable, predictable and collaborative approach maintaining client relationships focussed on delivery

- Over 35 years of EPC and process engineering capabilities for water treatment plans, both industrial and municipal in Singapore
- EPC capability for onshore and near-shore pipelines, floating structures and subsea structures
- Existing EPC capability for tunnel service and building mechanical, electrical and plumbing capability

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## MARKET POSITION

- We have resized our Freight business to suit the current market conditions maintaining local capabilities in the locomotive and wagon build sectors with our primary focus on securing opportunities in the maintenance sector
- UGL is a leading player in passenger rail maintenance and is well placed to increase market share through potential network privatisations. The business is repositioning itself as a local build partner for offshore suppliers to compete effectively in the passenger build market
- Our defence capabilities are underpinned by our strongly performing NSM contract. We will leverage our strong technical capabilities and NSM track record to benefit from the forecast uplift in Navy sustainment spend

- UGL is a tier 1 maintenance services provider with a strong track record in minerals processing and a growing reputation in LNG, positioning us well for further growth in LNG opportunities as new assets move to the operational phase
- A core base of secured LNG trains allows for the retention of a national shutdown and turnaround team providing a competitive advantage and strong growth opportunities
- An emerging presence in power generation allows us to build on our experience with Stanwell Corporation and the Hazelwood power station to expand our capabilities in this sector

- We are a market leader in technology systems with a high level of expertise and strong local knowledge and experience
- UGL has delivered 10 of the last 12 road tunnel projects in Australia
- The current high levels of public investment in transport infrastructure provides a solid pipeline of opportunities
- UGL has strong relationships with civil and technical partners and is well placed to continue to win major tunnel systems projects currently in the pipeline

- While current investment in resources infrastructure is declining UGL is well positioned to secure opportunities in the power and water sectors
- As a clear market leader in power systems, potential growth opportunities will arise from the privatisation of the NSW distribution network and renewable energy
- UGL has a strong project delivery track record in the steady growth wastewater market

- Strong foundations in the water sector in South East Asia
- We are building our oil and gas experience and international client base in Australia
- Hong Kong's urban expansion creates potential for new transport projects, supported by our long standing relationship with MTR

# Our board



## 1. KATHRYN SPARGO

LLB (HONS), BA, FAICD  
CHAIRMAN

Kate Spargo has extensive business experience gained from advisory roles on strategic and governance issues following a career in legal practice in both the public and private sectors. Her experience as a director of both listed and unlisted companies over the last 17 years mainly in the finance, infrastructure, and professional services sectors, brings a general legal and governance focus to board considerations. She also serves as a director on a number of not-for-profit organisations.

Kate is also a Director of Sonic Healthcare Limited (since July 2010), Fletcher Building Limited (since March 2012) and Adairs Limited (since May 2015). She is the Chairman of Suncorp Portfolio Services Limited and a Director of Colinvest Ltd and SMEC Holdings Limited.

## 2. ROSS TAYLOR

BACHELOR OF ENGINEERING - CIVIL (HONS)  
CEO

Ross Taylor has over 30 years of experience in the construction, engineering and real estate industries in Australia and internationally.

Prior to joining UGL, Ross held the position of Group CEO at Tenix, a privately held engineering and construction company delivering services in the gas, electricity, water, wastewater, heavy industrial and mining sectors across Australasia.

Before this Ross held various senior roles during his 24 years at Lend Lease Corporation, most recently as the former Group Chief Operating Officer.

Ross is currently the Chairman of Bairo Pite Clinic, a not for profit organisation providing health services in Timor-Leste.

### 3. GUY COWAN

BSC (HONS), FCA (UK), MAICD  
NON-EXECUTIVE DIRECTOR

Guy Cowan has worked extensively in the oil and gas industry, including more than 23 years working in senior international financial strategy roles with the Royal Dutch Shell Group. Previous positions have also included working as the Chief Financial Officer for the Fonterra Co-operative Group Limited and as a chartered accountant with PWC and KPMG.

Guy's international finance career has given him a sound understanding of risk and internal control as well as international accounting standards.

Guy is currently a Director of Coffey International Ltd (since February 2012). He is the Chairman of Beak and Johnston Limited and Winson Group Pty Ltd and a Director of Queensland Sugar Limited and Snapper Road Pty Ltd.

### 4. JOHN D COOPER

BSC (BUILDING) (HONS), FIE AUST, FAICD, FAIM  
NON-EXECUTIVE DIRECTOR

John Cooper has over 35 years of experience in the construction and engineering sectors in Australia and internationally. His executive management career has encompassed roles in large civil, commercial and infrastructure projects as well as complex engineering and project management activities in the mining, oil & gas, engineering and property sectors.

His broad business and board experience has been gained having spent over 20 years in various roles with Concrete Construction Group (later known as Walter Construction), CMPS&F, Clough Engineering and Murray Roberts Engineering.

John is a Director of Aurizon Holdings Limited (since April 2012) and NRW Holdings Limited (since March 2011).

### 5. ROBERT KAYE SC

LLB, LLM (HONS)  
NON-EXECUTIVE DIRECTOR

Robert Kaye SC has over 35 years of experience in legal practice and is a barrister at law. Since his appointment as Senior Counsel, he has provided advice to both public and private corporations across a range of commercial matters including transactions, corporate and property. He has significant mediation experience and has participated in the successful resolution of complex commercial disputes. He previously served on a number of NSW Bar Association committees including the Professional Conduct and Equal Opportunity Committees.

Mr Kaye SC is currently the Chairman of Collins Foods Limited (since October 2014, appointed Chairman March 2015) and Paperlinx Limited (since September 2012) as well as a non-executive director of Magontec Limited (since July 2013).

### 6. RICHARD HUMPHRY

FCA, FCPA, S FIN  
NON-EXECUTIVE DIRECTOR

Richard Humphry has extensive experience as a company director in financial markets, financial reporting and auditing, and risk management.

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

Richard is a Director of HSBC Bank Australia Limited, BUPA Australia Pty Ltd, BUPA Australia Holdings Pty Ltd and BUPA Foundation (Australia) Ltd.

### 7. JANE HARVEY

BCOM, MBA, FCA, FAICD  
NON-EXECUTIVE DIRECTOR

Jane Harvey is an experienced non-executive director and audit committee chair with 15 years of experience in both listed and not-for-profit organisations. Ms Harvey has extensive commercial and financial skills applied in a range of line management and advisory roles across various industries including utilities, energy infrastructure, transport and logistics, financial services and retail.

Ms Harvey was formerly a Partner at PricewaterhouseCoopers until 2002. She is currently a director of Colonial Foundation Trust and Orygen, the National Centre of Excellence in Youth Mental Health.

Ms Harvey is currently a non-executive director of IOOF Holdings Limited (since October 2005) and DUET Finance Limited (since August 2013).

# Our leadership team



**ALAN BEACHAM**  
**EXECUTIVE GENERAL**  
**MANAGER**  
**RAIL, DEFENCE &**  
**INTERNATIONAL**

Alan joined UGL in 2010 and is responsible for leading UGL's Rail, Defence and International businesses.

Prior to joining UGL, Alan was the Managing Director of KM&T Pty Ltd a specialised management consulting firm focused on delivering business improvement to a range of market sectors including the rail industry.

He is a chartered engineer with 20 years of experience in manufacturing and maintenance in the transport sector. Following an early career with Rolls-Royce in the manufacture of gas turbines for civil and military aircraft, Alan transitioned to the Formula 1 industry working for Mercedes-Ilmore improving the bridge between design and manufacturing. Moving to Australia, Alan returned to the aviation industry working with Qantas to review their engine maintenance business and develop a strategic plan for the future of that business.

Alan holds a Bachelor of Manufacturing Engineering & Management from Nottingham University.



**DAVID MACKENZIE**  
**EXECUTIVE GENERAL**  
**MANAGER**  
**TECHNOLOGY SYSTEMS**

David joined UGL in 2005 and is responsible for leading UGL's Technology Systems business.

He has over 30 years of experience across the transport, power, telecommunications, broadcast and mining sectors throughout Australia and the Asia Pacific region. Across these industries he has led projects and engineering teams integrating multiple system technologies to drive improved performance of assets and networks.

David has been involved in the delivery of some of Australia's largest transport infrastructure projects. He is a Steering Committee member on Regional Rail Link in Melbourne and a member of the Northwest Rapid Transit consortium board delivering Sydney Metro Northwest.

David holds a Bachelor of Electrical & Computer Engineering from the Queensland University of Technology and is a member of the Institution of Engineers Australia.



**SHANE KIMPTON**  
**EXECUTIVE GENERAL**  
**MANAGER**  
**ASSET SERVICES**

Shane Kimpton joined UGL in 2009 and is responsible for leading UGL's Asset Services business.

With strong operational experience nationally and internationally in the resources and power sectors, Shane has built a broad portfolio of clients and was instrumental in consolidating UGL's position as Australia's largest LNG maintenance and turnaround services provider.

Shane has worked in a number of locations across some of the world's largest LNG projects for organisations including Transfield Services, Worley Parsons, Qenos, BHP, Exxon and Mobil. Prior to joining UGL, Shane was the Operations and Shutdown Manager of the Transfield Worley Triggs joint venture successfully managing the RasGas Qatar shutdown involving over 2,000 people. As Vice President Turnarounds for FT Services in Calgary, Canada he delivered turnaround and capital projects across Canada for a client base including Suncor, Shell and CNRL.

Shane holds a Diploma of Engineering from Swinburne University of Technology and is a member of the Maintenance Engineering Society of Australia.



**MARK CHILCOTE**  
**EXECUTIVE GENERAL**  
**MANAGER**  
**ENGINEERING &**  
**CONSTRUCTION**

Mark joined UGL in 2013 and is responsible for leading UGL's Engineering & Construction business.

With over 25 years' experience in the successful execution of major lump sum risk projects in the power industry, Mark was previously General Manager, Industrial and Energy Division of Leighton Contractors. Early in his career, Mark held a number of roles with State Electricity Commission of Victoria, John Holland and ABB. In 1999 he relocated to Malaysia as General Manager Construction for Alstom's power projects in the Asia Pacific Region. He later moved to Switzerland with Alstom as Vice President of Construction where he was responsible for the construction of power projects globally before completing his time with Alstom managing all business operations and projects in the Asia Pacific region.

He holds a Bachelor of Mechanical Engineering from Monash University and is a member of the Australian Institute of Company Directors and the Institute of Engineers.



**RAY CHURCH**  
CHIEF FINANCIAL OFFICER

Ray joined UGL in February 2015 and is responsible for the overall financial management of the company as well as the corporate functions of commercial, estimating, treasury & insurance, legal, internal audit, ICT and shared services.

He is a senior finance executive with over 29 years of extensive financial, commercial and operational experience with deep experience in oil & gas, infrastructure and engineering services. Having worked for prominent multi-national companies including Chevron, BP and Leighton Asia across North America, Europe, Russia and Asia, Ray brings a compelling combination of international experience from both a client and service provider perspective. He has a track record of driving business performance and leadership of complex finance teams.

Ray holds a Bachelor of Commerce from James Cook University and is a Chartered Accountant.



**JAYNE WHITNEY**  
EXECUTIVE GENERAL  
MANAGER  
PEOPLE & CULTURE

Jayne Whitney joined UGL in 2015 and is responsible for the overall management of UGL's people, learning and development and organisational culture. Throughout her executive career, Jayne has enabled business growth through her leadership of significant organisational change, restructuring operational businesses to maximise returns whilst also delivering improved services and innovation to clients.

Jayne has held Senior Executive positions at some of Australia's leading engineering firms and has been instrumental in lifting employee engagement and setting a strong and collaborative organisational culture.

Jayne also has a proven track record of institutionalising sustainability into the fabric of businesses, delivering the first Infrastructure Sustainability Rating in Australia.

She holds an MBA from Warwick University, a Bachelor of Science in Economics from the University of Wales and Graduate Diplomas through both the Australian Institute of Company Directors and the Australian Investor Relations Association.



**REBECCA HILL**  
EXECUTIVE GENERAL  
MANAGER  
INVESTOR RELATIONS &  
CORPORATE DEVELOPMENT

Rebecca joined UGL in 2011 and is responsible for UGL's investor and media relations, strategy and corporate development, business development and marketing and communications functions.

She has over 18 years of experience across investment banking, investor relations and strategic communications. During her 11 years with global investment bank, JPMorgan, Rebecca gained experience across equity research, corporate broking, equity capital markets and M&A and corporate advisory. During her career, Rebecca has worked locally and internationally across numerous industries advising major multinational corporations on the execution of corporate transactions as well as providing strategic financial and communications advice to ASX-listed corporates.

Rebecca holds a Bachelor of Commerce (Hons) and a Master of Financial Management from the University of Queensland.



**ADAM CLAMPETT**  
EXECUTIVE GENERAL  
MANAGER  
SAFETY, SUSTAINABILITY &  
QUALITY

Adam joined UGL in 2012 and is responsible for safety, sustainability and quality. He is strongly committed to embedding safety as a behaviour-led culture throughout the business and has established and led a robust workplace safety program underpinned by industry leading systems and standards.

With over 20 years of experience in safety, quality and risk, Adam has held leadership roles in a number of multi-national corporations including Downer EDI, BAE Systems Australia and Qantas. His experience encompasses cultural improvement and engagement initiatives, development and implementation of leading safety, sustainability and quality management systems and behavioural improvement initiatives aimed at driving progress and consistency in large complex organisations.

Adam holds a Bachelor of Engineering (Geomatics) degree from UNSW, a Diploma in OHS and Post Graduate qualifications in Risk Management.

# Chairman's message

UGL has been through a year of significant transition in FY2015, emerging as a focused engineering and maintenance services company following the sale of DTZ in November 2014. New leadership at both the Board and senior management levels is driving UGL forward with substantial work already completed to reset and strengthen the company. It is an exciting new beginning and I am confident UGL has a very prosperous future ahead as we build on the strengths of our people and our diverse capabilities.

Despite the changes during the year, the underlying engineering business continued to sell well generating revenue of \$2.3 billion<sup>1</sup>, up 2.6 per cent on the prior year – a solid result in the current economic environment. While underlying net profit after tax was \$30.3 million<sup>2</sup>, at a statutory level UGL posted a net loss after tax of \$236.4 million including the Ichthys Combined Cycle Power Plant (CCPP) project provision, net accounting profit on the DTZ sale and other one-off costs associated with resetting and strengthening the engineering business.

In order to conserve capital to meet cash flow obligations associated with the Ichthys CCPP project, the Board has elected not to pay dividends in FY2015. We will consider reinstating dividends when earnings have normalised and the Board considers it appropriate based on UGL's capital requirements and outlook.

## COMPLETING THE DTZ SALE

UGL announced the completion of the sale of its global property services business DTZ on 6 November 2014 for \$1.215 billion to a consortium comprising TPG Capital, PAG Asia Capital and Ontario Teacher's Pension Plan. Net proceeds from the sale were \$1.05 billion after transaction costs and other sale adjustments including known liabilities transferred with DTZ.

The Board believes the sale price represented fair value for DTZ. Net proceeds of \$500 million equating to \$3 per share were distributed to shareholders on 27 November 2014 following approval at the 2014 Annual General Meeting.

## CHANGE IN LEADERSHIP

Ross Taylor joined UGL as CEO on 24 November 2014 and has brought a rigorous and detailed focus to UGL's operations.

In collaboration with his leadership team, Ross has undertaken significant work over the last eight months to reset UGL and establish a clear path to improved financial and operational performance. Initiatives included a bottom up review of UGL's projects and operating businesses, a significant overhead reduction program and introduction of a new operating model, implementation of a strengthened risk and governance framework and the development of a new vision and strategic priorities for UGL.

Importantly, Ross also led the overhaul of the Ichthys CCPP project, resetting the delivery program and revised cost to complete as announced in February 2015. He continues to have direct oversight of commercial negotiations with the client.

Joining Ross at UGL in February this year, our new Chief Financial Officer, Ray Church, is ensuring that UGL's financial and risk management systems and processes reflect the new operating model. Ray is spearheading the introduction of the "UGL Way" which will introduce a standardised and consistent operating methodology across the company over the next eighteen months.

The Board has been very pleased with the rapid pace of improvement Ross has already set and while there are still challenges ahead, the Board is confident in Ross's ability to lead UGL through a turnaround in FY2016 and return the company to strong earnings growth.

## BOARD RENEWAL

Following the retirement of former Chairman Trevor Rowe in October 2014, I was delighted to be appointed as Chairman of UGL at the conclusion of the 2014 Annual General Meeting. One of my immediate priorities was to ensure the UGL Board has the right diversity of skills and experience to provide the company with strong stewardship in its new form as a standalone engineering and maintenance services company.

Over the course of the year, we announced the appointment of three new non-executive directors, significantly broadening the existing skills of the Board by adding strong construction and engineering industry experience as well as competencies across governance, risk, finance and commercial and contract law.

In April 2015, we welcomed John Cooper to the Board as a non-executive director. John has over 35 years of experience in the construction and engineering sector in Australia and internationally bringing valuable industry experience to the Board. He is currently a non-executive director of Aurizon Holdings Limited and NRW Holdings Limited.

In August 2015, we announced the appointment of Jane Harvey and Robert Kaye SC to the Board.

Jane Harvey has 15 years of experience as a non-executive director of both listed and not-for-profit organisations with extensive commercial and financial skills applied in a range of line management and advisory roles across various industries including utilities, energy infrastructure, transport and logistics, financial services and retail. She is currently a non-executive director of DUET Finance Limited and IOOF Holdings Limited, chairing the Audit and Risk Committee of DUET Finance Limited and the Audit Committee of IOOF Holdings Limited.

Robert Kaye SC has over 35 years of experience in legal practice and is a barrister at law. Since his appointment as Senior Counsel, he has provided advice to both public and private corporations across a range of commercial matters including transactions, corporate and property. He is currently the Chairman of Collins Foods Limited and Paperlinx Limited as well as a non-executive director of Magontec Limited.

John Cooper, Jane Harvey and Robert Kaye SC will stand for election to the Board at the 2015 Annual General Meeting with the unanimous support of the Board for their respective appointments.

At the 2015 Annual General Meeting, Guy Cowan will stand for re-election with unanimous Board support. With a background in chartered accounting and international experience in the oil and gas industry, Guy contributes valuable financial and commercial skills to the Board.

During the year, Dr Doug McTaggart resigned from the UGL Board due to other conflicting Board and business commitments. On behalf of the Board, I would like to thank Dr McTaggart for his valuable contribution to the Board during his tenure.

#### DIVERSITY AND INCLUSION

UGL's most important asset is its people. To build and retain a world class talent base, diversity is critical and as such, one of our key priorities is to ensure a diverse and inclusive culture is pervasive across UGL. While we continue to make progress in this area, the Board is currently reviewing UGL's diversity vision and strategy with the goal of establishing a revised set of measurable objectives for achieving greater diversity levels from FY2016.

In FY2015, we initiated the Professional Development Network program. This program develops the skills of key individuals identified as diversity champions from across a range of our operating divisions. Throughout the year the participants attended a number of workshops where they received training and coaching to further develop the skills to champion diversity and inclusion initiatives across their areas of the business. We will continue to build upon this work as we reset our diversity strategy in FY2016.

Further progress was made this year against UGL's Reconciliation Action Plan. Our involvement in large scale projects located in or near Indigenous Australian communities provides us with a unique opportunity to partner with these communities and provide a meaningful contribution

to the process of reconciliation between Indigenous and non-Indigenous Australians. During FY2015, we undertook a number of initiatives including:

- Involvement in the Ironbark Fitness for Work Program at the Ichthys LNG project in Darwin, donating health and safety materials to assist local indigenous candidates to become "work ready".
- A local apprenticeship scheme for the Ichthys CAPP project with emphasis on indigenous employment achieving indigenous participation of 42 per cent.
- Development of the Aboriginal and Torres Strait Island (ATSI) strategy for the Gladstone region to increase employment, training and economic development outcomes for Aboriginal and Torres Strait Islander people in the region.
- Continued sponsorship of the New South Wales Reconciliation Council, supporting the teaching of reconciliation in schools and the Schools Reconciliation Challenge a NSW schools artwork competition promoting the themes of reconciliation.

#### CONCLUSION

Over the last year, I have had the privilege of visiting a number of UGL's projects and meeting with staff on site and across various parts of the company. While the complexity of these projects never fails to impress me, the skills of our people and their commitment to delivering for their clients is what I know will underpin UGL's future success. On behalf of the Board, I would like to recognise the contribution made by UGL's 8,000 people over the last year.

FY2016 is a new beginning for UGL as we deliver a turnaround in performance and return to strong earnings growth. I look forward to working with the Board, Ross and his leadership team to deliver this outcome on behalf of our shareholders. We look forward to reporting our progress in the coming year.



**Kate Spargo**  
Chairman



1 Includes UGL's share of joint venture revenue

2 Adjusted for the Ichthys CAPP project provision, restructuring costs, impairments associated with the resources slowdown, settlement of project claims, change in tender capitalisation policy, goodwill impairment and profit on sale of DTZ.

# CEO's report

In November 2014, I joined UGL with the clear goal of establishing the starting point from which to turnaround UGL's financial and operational performance. Within my first three months, I met with many of UGL's clients, shareholders and analysts to gain a strong understanding of the external perspectives of the company. I visited our offices and sites, meeting our people and gaining a detailed understanding of UGL's operations. With the support of independent review teams, UGL's project portfolio was subject to a thorough review and a diagnostic of the entire organisation was conducted at both the operational and functional levels.

UGL has now been reset and we have established a clear path forward to turnaround our performance. While my report provides an overview of UGL's performance over the 2015 financial year, I have also taken the opportunity to outline our priorities as we move forward, supported by a new vision and strategic priorities, a more efficient operating model and a robust plan to deliver improved results and deliver sustainable growth.

While there are still challenges ahead, my early impressions of the company's strengths remain unchanged. We are a trusted partner to our clients and as a result, we hold leading positions in a number of our markets and are well positioned in the current growth sectors of transport infrastructure and LNG maintenance. While our strategy has been refined, the core strength of the company remains the diversity of its businesses underpinned by its strong recurring revenue base. I have no doubt that UGL has a very bright future.

## SAFETY

At UGL nothing is more important than safety. It is part of the core fibre of our organisation and our approach is led from the top down supported by the training, processes and systems to encourage our people to be personally accountable for their own safety and for the safety of those around them.

During the 2015 financial year we continued to achieve improvements in safety performance as measured by our key lagging safety indicators. The Lost Time Injury (LTI) frequency rate fell from 1.7 to 0.9 per million hours worked and the Total Recordable Case (TRC) frequency rate declined from 7.3 to 6.4 per million hours worked.

Our people are working hard to prevent injuries before they happen. Through proactive reporting, we have achieved a 50 per cent improvement in our leading indicators over the past two years. We will further build on this momentum in FY2016 with the target of achieving safety performance consistent with industry best practice.



## FINANCIAL PERFORMANCE

UGL generated operating revenue for the 2015 financial year of \$3.0 billion<sup>1</sup> including a partial year contribution from DTZ of \$729 million. Underlying net profit after tax was \$30.3 million<sup>2</sup>. Including the impact of the Ichthys CCPP project provision, profit on sale of DTZ and other one-off charges associated with the review and reset of the business, UGL generated a statutory net loss after tax of \$236.4 million in FY2015.

Excluding DTZ, UGL generated underlying revenue of \$2.3 billion<sup>1</sup>, up 2.6 per cent on the prior year. This growth was supported by \$2.1 billion in sales resulting in a year end order book of \$4.7 billion which is a particularly pleasing result in the challenging economic environment. This is further enhanced by the award of the \$131 million Tangara Technology Upgrade project in August and expected closure of the NorthConnex contract in the coming weeks.

Underlying EBIT was \$47.5 million<sup>2</sup> in FY2015 reflecting a margin of 2.0 per cent. Significant work was undertaken during the year to optimise the operating model in order to deliver improved EBIT margins from FY2016.

As of 1 July 2015, a new operating model was implemented establishing five divisions with greater focus on their end markets and enhanced alignment of service delivery models and expertise. By moving to this model, we have removed significant overhead as well as the associated surplus office space and facilities with annual cost savings of \$33 million expected to be generated from FY2016.

We have also cleaned up the balance sheet as part of the business reset. Strong progress was made in reducing WIP through the cash settlement of longstanding claims and the write-down of historical disputes where certainty was reassessed. Given the resources slowdown, we also raised a number of impairments and provisions across our operations exposed to the resources sector. A more conservative tender capitalisation policy was introduced to expense bid costs, only allowing for the capitalisation of these costs when UGL is preferred or successfully contracted. Finally, we assessed the book values of our divisions based on our new operating structure to determine if the carrying values were supportable in the current markets and determined that it was prudent to book impairments to goodwill for our rail exposed operations.

Improved working capital management will continue to be a key area of focus in FY2016, with greater accountability for cash flow management now held at a project and divisional level where cash is controlled. We expect average cash conversion of 100 percent of NPAT excluding the impact of the Ichthys CCPP project.



### ICHTHYS CCPP PROJECT

On 6 November 2014, UGL announced an increase in the forecast project costs associated with the Ichthys CCPP project being undertaken in joint venture with CH2M HILL in Darwin. Following a complete reprogram of the project and a reforecast of the cost to complete estimate to align with the revised program, a provision of \$175 million was raised against the project in February 2015.

Since the reset, the project has stabilised with productivity targets achieved and performance in line with the revised cost to complete. UGL remains in substantive commercial negotiations with the client however, in parallel we are actively pursuing historic and current claims through contractual processes.

### PROJECT DELIVERY

An independent review of UGL's projects was undertaken earlier this year and pleasingly, no new issues were identified. While this was an encouraging outcome, the reviews did uncover some key contributors to poor margin performance related to inconsistencies in the implementation of our project management disciplines and under-utilisation of our SAP platform.

We are now well progressed standardising our systems and processes including the reconfiguration of our SAP system to support this requirement. In FY2016, implementation of the "UGL Way" will be a key priority introducing a standard and consistent operating methodology that applies to all of our people, in all locations, at all times.

### VISION AND STRATEGIC PRIORITIES

In collaboration with the leadership team, we have set a new vision and defined strategic priorities for UGL which will shape the company's future. Our core business is about the creation and delivery of critical assets and their ongoing operations and maintenance. Our new vision recognises that we deliver our strongest performance where we have sourced world class technology or execution capabilities that provide us with a competitive advantage and integrate this into our offering.

To deliver our vision, we are working through a very clear four stage process. The first stage has been completed with the organisation restructured, overhead resized, long dated WIP reduced and a stronger risk management framework in place.

The second stage delivers a turnaround in FY2016. Simply put, we expect to deliver similar revenue to FY2015, generate an EBIT margin of 3 per cent, convert our profits to cash, maintain sales momentum and deliver the Ichthys CCPP project successfully.

Stage three should see a step change in our business through FY2017. Revenue should grow as a result of projects we have already secured in LNG maintenance and transport infrastructure, our EBIT margin should move back to 4 per cent and we should largely have completed the skills, systems and cultural transformation of the organisation.

Stage four is about building UGL into the future and part of this growth will come from the momentum we have created through the 2016 and 2017 financial years as well as new and adjacent growth opportunities.

### OUTLOOK

FY2015 was a demanding year for UGL, but one that was critical to ensure we took the necessary steps to position the business for the bright future it deserves.

I believe we have undertaken what was required and while some actions remain a work in progress given the longer timelines required to deliver them, we are now positioned to allow our teams to focus on running UGL well and looking for the right opportunities to grow the business into the future.

I appreciate that our achievements in FY2015 would not have been possible without the dedication and commitment of our people and the ongoing support of our clients, partners and shareholders. My sincere thanks to you all for your support and your confidence in the future of UGL.

**Ross Taylor**  
CEO



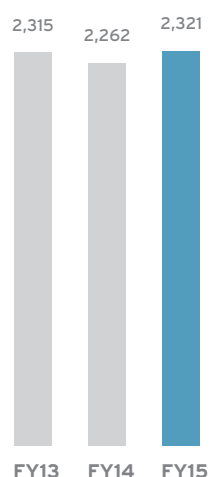
1 Includes UGL's share of joint venture revenue

2 Adjusted for the Ichthys CCPP project provision, restructuring costs, impairments associated with the resources slowdown, settlement of project claims, change in tender capitalisation policy, goodwill impairment and profit on sale of DTZ.

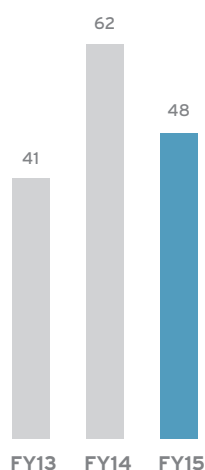
# Operational & financial review

EXCLUDING DTZ

## FINANCIAL PERFORMANCE

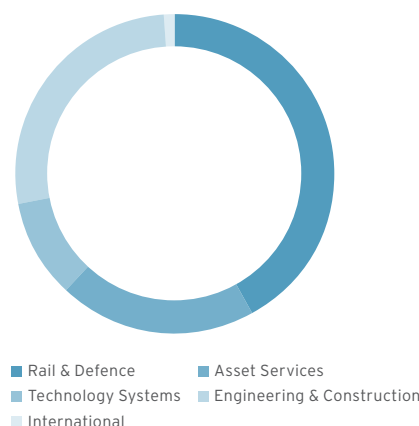


### OPERATING REVENUE<sup>1</sup> (\$M)

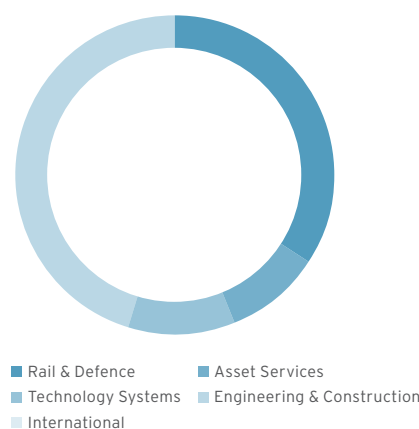


### UNDERLYING EBIT<sup>2</sup> (\$M)

- FY2015 operating revenue up 3 per cent to \$2.3 billion driven primarily by growth in Engineering & Construction revenue. Rail & Defence and Asset Services revenue also increased year on year due to higher maintenance revenues across both businesses
- Ongoing downturn in the resources sector impacted underlying EBIT for FY2015 through lower coal freight locomotive sales, margin pressure from coal sector customers and losses incurred in UGL's Western Australia based design services business
- EBIT margins were also impacted by nil margin revenue recognised on the Ichthys CCPP and SMP projects and an overweight legacy cost base



### FY15 OPERATING REVENUE BY DIVISION (\$M)



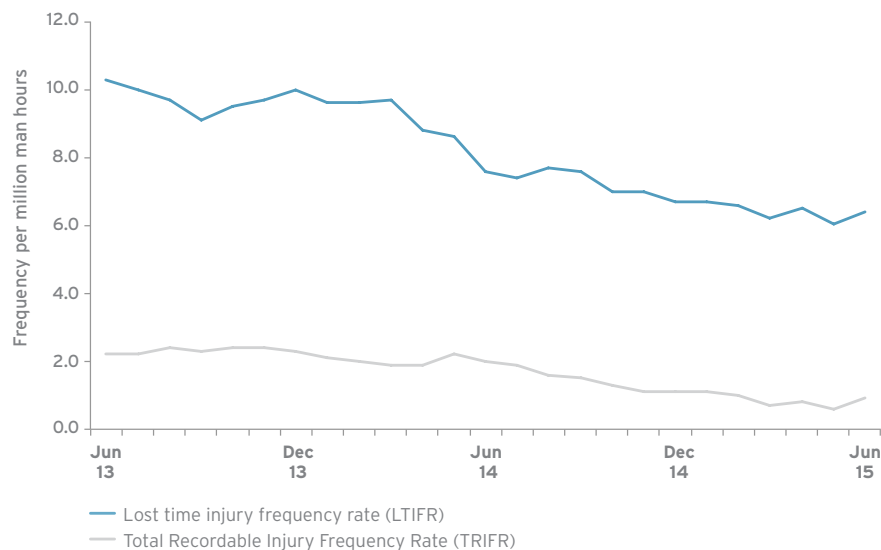
### FY15 UNDERLYING EBIT BY DIVISION (\$M)

- A number of Technology Systems projects were completed in FY2015 resulting in a decline in revenue year on year. Regional Rail Link was a solid contributor to FY2015 EBIT, delivered on time and ahead of budget
- Excluding the impact of the Ichthys CCPP project, Engineering & Construction generated a 53 per cent increase in EBIT in FY2015 due to strong contributions from the Power Systems and Power Transmission businesses

<sup>1</sup> Includes UGL's share of joint venture revenue

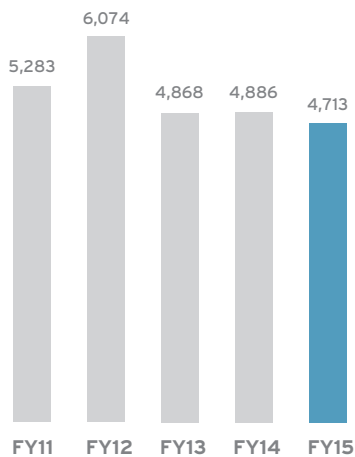
<sup>2</sup> Adjusted for the Ichthys CCPP project provision, restructuring costs, impairments associated with the resources slowdown, settlement of project claims, change in tender capitalisation policy and goodwill impairment

## SAFETY

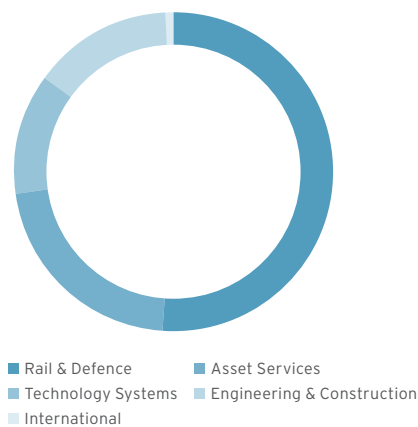


- Improvement in safety performance during the 2015 financial year as measured by key lagging safety indicators
- LTIFR fell from 1.7 to 0.9 per million hours worked
- TRIFR declined from 7.3 to 6.4 per million hours worked
- Through proactive reporting a 50 per cent improvement in leading indicators has been achieved over the last two years

## ORDER BOOK



ORDER BOOK (\$M)



ORDER BOOK BY DIVISION (\$M)






ORDER BOOK MIX (\$M)






- Solid order book at 30 June 2015 is supported by \$2.1 billion in sales during the year
- The order book is further enhanced by the award of the \$131 million Tangara Technology Upgrade project in August 2015 and expected closure of NorthConnex in the coming weeks
- Recurring revenue comprises 70% of the order book value
- Historical order book impacted by slow down in resources sector and revenue burn on long term rail maintenance contracts

# Major contracts

## Major contracts (pre 2015)

CLIENT/PROJECT	SERVICE OFFERING	ORIGINAL VALUE \$M	LOCATION
 Transport Sydney Trains	UGL Unipart Passenger car heavy maintenance and logistics management	1,400 +\$900m extension option	Sydney, NSW
 Metro	Metro Trains Melbourne Operations and maintenance of passenger train franchise	1,300 excluding capital works	Melbourne, VIC
 Freightliner	Freightliner Locomotive and wagon maintenance	115	Newcastle, NSW
 Pacific National	Pacific National Locomotive upgrade & maintenance	540	Spotswood, VIC
 Ichthys Project	Ichthys SMP Structural, mechanical and electrical package for Ichthys LNG Project	370	Bladin Point, NT
 Chevron	Chevron Maintenance of Chevron's Western Australian assets	NA	Ashburton North Strategic Industrial Area, WA
 Stanwell	Stanwell Maintenance and other works across Stanwell's coal, gas and hydro energy assets	280	Mica Creek, Stanwell, Tarong, Tarong North, QLD
 Ichthys Project	Ichthys CCPP Power Station Construction of a combined cycle power plant	275	Bladin Point, NT
 MTR	MTR Corporation Maintenance of passenger rail cars in Hong Kong	NA	Hong Kong

## Major contracts secured in 2015

CLIENT/PROJECT	SERVICE OFFERING	ORIGINAL VALUE \$M	LOCATION
 Sydney Metro Northwest	Sydney Metro Northwest Design, build, finance and operate new rapid transit service	Total consortium contract 3,700	Sydney, NSW
 Australia Pacific LNG	APLNG Maintenance and shutdowns for APLNG's Curtis Island liquefied natural gas facility	NA	Curtis Island, QLD
 Santos GLNG	GLNG Maintenance and shutdowns for Santos GLNG's Curtis Island liquefied natural gas facility	120	Curtis Island, QLD
 bp	BP Operation and maintenance of BP's 17 fuel terminals across Australia in joint venture with BP	190	Cairns, Townsville, Mackay, Gladstone, Bulwer Kirra St (Marine), Whinstanes/Meeandah, Newcastle, Hobart, Burnie, Largs North, Esperance, Kalgoorlie, Kewdale, Geraldton, Port Headland, Broome
 NSW Government Transport for NSW	Tangara Technology Upgrade Technology upgrade of the Tangara fleet in Sydney	131	Sydney

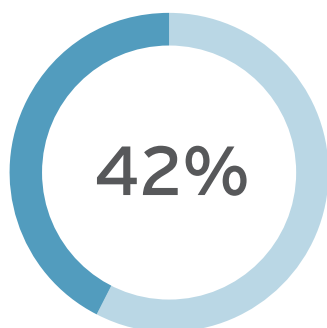


# Rail & Defence

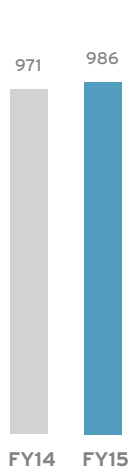


“Our proven record and commitment to innovative solutions allows us to develop a compelling value proposition in maintenance, rolling stock and supply chain management for our customers.”

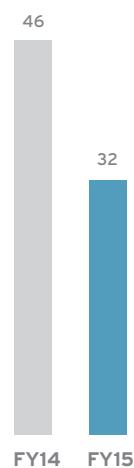
Alan Beacham, EGM Rail & Defence and International



TOTAL FY15 REVENUE CONTRIBUTION (%)



REVENUE<sup>1</sup> (\$M)



UNDERLYING EBIT<sup>2</sup> (\$M)

<sup>1</sup> Includes UGL's share of joint venture revenue

<sup>2</sup> Adjusted for restructuring costs, impairments associated with the resources slowdown, settlement of project claims, change in tender capitalisation policy and goodwill impairment

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## FINANCIAL PERFORMANCE

Revenue across Rail & Defence increased by 2 per cent to \$986 million during FY2015.

EBIT of \$32.4 million was impacted by a fall in coal locomotive sales during the year and the associated under-utilisation of rail facilities. Rationalisation of these sites to optimise the cost base for current market conditions occurred in the second half of the financial year.

Strong performance continued across the MTM Melbourne train operations contract and the Sydney Trains maintenance and logistics contract, both key contributors to earnings during the year.

Key opportunities were secured during the year, most significantly the award of the Sydney Metro Northwest (formerly North West Rail Link) contract to the Northwest Rapid Transit Consortium. UGL, in partnership with MTR Corporation and John Holland, will perform a 15 year maintenance and operations contract once services commence in 2019.

In August, UGL announced the award of the Tangara technology upgrade project to UGL Unipart Rail, a \$131 million contract to be completed over a three year period to July 2018.

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## OUTLOOK

While the freight locomotive market remains subdued, continued strength in the maintenance and upgrade markets should result in a reasonably flat revenue expectation for FY2016.

The 30 June 2015 order book of \$2.4 billion is further enhanced by the award of the Tangara Technology Upgrade contract to UGL Unipart Rail. Rail & Defence maintains a solid order book of 95% recurring revenue supporting a stable future revenue base.

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## CASE STUDY - METRO TRAINS MELBOURNE



**Project:** Metro Trains Melbourne

**Client:** Department of Transport, Victoria

**Original contract value:** \$1.3bn (excluding capital works)

**Contract duration:** 2009-2017 + 7 year extension option

**Location:** VIC

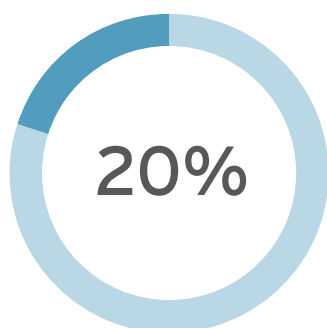
**Description:** 8 year contract commencing in November 2009 (with options for additional 7 years) to operate and maintain Melbourne's passenger train franchise. UGL is a shareholder in MTM, alongside MTR Corporation and John Holland and this partnership has expanded their services to the recently awarded Sydney Metro Northwest in Sydney.

# Asset Services

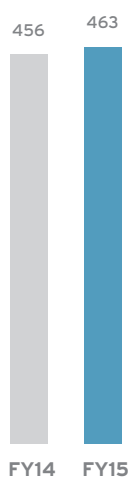


“With a reputation for excellence in service delivery we will be the industry leader of essential maintenance services to customers across oil & gas, power generation, mining, mineral processing and water.”

Shane Kimpton, EGM Asset Services



TOTAL FY15 REVENUE CONTRIBUTION (%)



REVENUE<sup>1</sup> (\$M)



UNDERLYING EBIT<sup>2</sup> (\$M)

<sup>1</sup> Includes UGL's share of joint venture revenue

<sup>2</sup> Adjusted for restructuring costs, impairments associated with the resources slowdown, settlement of project claims and change in tender capitalisation policy

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## FINANCIAL PERFORMANCE

In FY2015 revenue increased 2 per cent to \$463.2 million due to the Stanwell and Chevron maintenance contracts secured during the prior year.

EBIT however fell to \$8.5 million with the ongoing cost focus of coal sector customers resulting in further pressure on margins for maintenance services and low work volumes in UGL's Western Australian based design services business. As part of the corporate restructure the design services business was closed in July 2015.

Significant maintenance contracts were secured during the year with UGL selected by APLNG and GLNG for maintenance and shutdown services on their Curtis Island LNG facilities reflecting UGL's market leading position in LNG maintenance in Australia.

UGL was awarded a new three year \$190 million contract to operate and maintain BP Australia's 17 fuel terminals in joint venture with BP, extending our longstanding maintenance relationship which has existed since the 1990s.

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## OUTLOOK

Asset Services revenue is expected to grow in FY2016 due to the contribution of contracts secured in FY2015 including APLNG, GLNG and BP as well as the ongoing ramp up of the Chevron maintenance contract.

Profitability of Asset Services is expected to improve in FY2016 with the closure of the Western Australia design services business and the coal sector now reset to a new base.

The divisional order book at 30 June 2015 was \$1.0 billion with the majority of secured revenue recurring in nature. With a core base of LNG maintenance, UGL is well positioned to benefit from further growth in the LNG sector as additional assets are commissioned and move into the operational phase.

With sufficient scale in the LNG sector, UGL is able to maintain a national shutdown crew providing the company with a distinct competitive advantage. In FY2017, we expect the shutdown component of our work to increase significantly as the LNG plants we operate enter their first shut down cycle.

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## CASE STUDY - BP KWINANA REFINERY



**Project:** BP Kwinana Refinery

**Client:** BP

**Contract duration:** 1990-ongoing

**Location:** Kwinana, WA

**Description:** UGL has been operating as the primary contractor on the BP Kwinana Refinery for over 15 years, managing maintenance and turnarounds, including the safe and successful delivery of the largest turnaround in BP Kwinana history. UGL's successful management of this project was a key factor in the recent decision to award UGL a new three year contract to operate and maintain BP's 17 fuel terminals across Australia through the Australian Terminal Operations Management company (ATOM), an incorporated 50/50 joint venture between UGL and BP. Through the JV, UGL is contracted to perform all engineering, maintenance and project works for BP's Australian fuel terminal network.

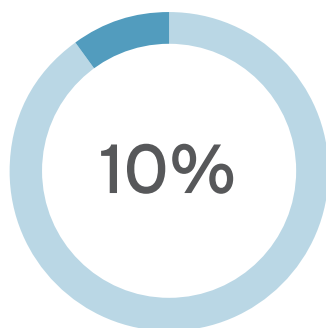


# Technology Systems

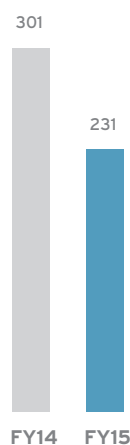


**"As a leading Australian systems integrator we successfully deliver technology systems across major infrastructure projects in road & rail tunnels, rail signalling and critical communications through our knowledge and expertise in selecting the best solutions for our customers."**

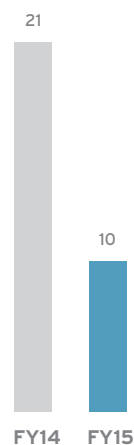
David MacKenzie, EGM Technology Systems



**TOTAL FY15 REVENUE CONTRIBUTION (%)**



**REVENUE<sup>1</sup> (\$M)**



**UNDERLYING EBIT<sup>2</sup> (\$M)**

<sup>1</sup> Includes UGL's share of joint venture revenue

<sup>2</sup> Adjusted for restructuring costs, impairments associated with the resources slowdown, settlement of project claims, change in tender capitalisation policy and goodwill impairment

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## FINANCIAL PERFORMANCE

In FY2015 Technology Systems generated revenue of \$231.3 million, down 23 per cent on the prior year largely due to the completion of Regional Rail Link and Solomon Spur and lower revenue from DTRS as the project neared completion during the year.

EBIT fell to \$10.3 million reflecting the completion of projects and the ongoing dispute on the DTRS contract. Regional Rail Link contributed strongly to earnings, achieving practical completion during the year ahead of time and under budget.

During the year, UGL as part of the Northwest Rapid Transit Consortium was awarded the \$3.7 billion operations contract to deliver the Sydney Metro Northwest. As part of this contract Technology Systems in joint venture with MTR Corporation will design and deliver the tunnel systems, rail signalling and overall control systems for the new rapid transit service.

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## OUTLOOK

Revenue in FY2016 is expected to be flat as Sydney Metro Northwest replaces projects completed in FY2015.

With a strong pipeline of tunnel works in Australia, the medium term outlook for Technology Systems is supported by the secured Sydney Metro Northwest and NorthConnex, which is expected to close in the coming weeks. We expect revenue in Technology Systems to increase substantially in FY2017 as these large tunnel projects move from design to the delivery phase.

The Technology Systems order book at 30 June 2015 was \$578 million and will be significantly extended by the award of NorthConnex.

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## CASE STUDY - REGIONAL RAIL LINK



**Project:** Regional Rail Link

**Client:** Regional Rail Link Authority (RRLA) of Victoria

**Original contract value:** \$176 million

**Contract duration:** 2012-2015

**Location:** Victoria

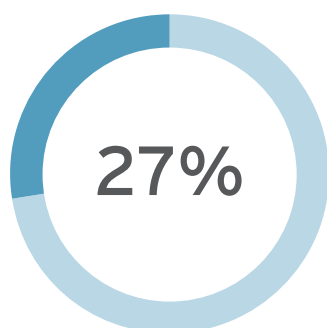
**Description:** Operating as part of an alliance with Manidis Roberts, Metro Trains Melbourne (MTM), V/Line, and RRLA, UGL provided train control, signalling, telecommunications and passenger information systems throughout the Regional Rail Link system in Victoria. The project was recognised by the Australian Constructors Association winning the Australian Construction Achievement Award in 2015 for its achievements, with a strong partnership approach delivering the project eight months early and \$900 million under budget.

# Engineering & Construction

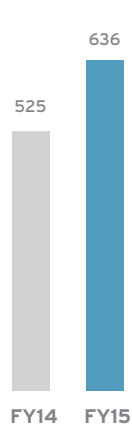


**“We will become the partner of choice with enduring long term customer relationships secured by delivering high value, differentiated engineering, procurement and construction services across a range of sectors.”**

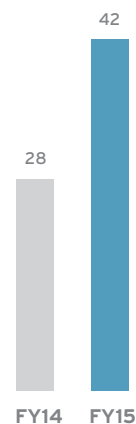
Mark Chilcote, EGM Engineering & Construction



**TOTAL FY15 REVENUE CONTRIBUTION (%)**



**REVENUE<sup>1</sup> (\$M)**



**UNDERLYING EBIT<sup>2</sup> (\$M)**

<sup>1</sup> Includes UGL's share of joint venture revenue

<sup>2</sup> Adjusted for the Ichthys CCPP project provision, restructuring costs, impairments associated with the resources slowdown, settlement of project claims and change in tender capitalisation policy

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## FINANCIAL PERFORMANCE

Engineering & Construction revenue increased 21 per cent in FY2015 to \$636.3 million driven by the ramp up of the Ichthys CCPP and SMP projects as well as power projects undertaken during the year at Roy Hill and West Angelas.

Despite Ichthys CCPP and SMP revenue earned at nil margin, EBIT increased 53 per cent to \$42.0 million resulting in an EBIT margin of 6.6 per cent due to the strong contribution of power systems and transmission projects during the year.

In February 2015, a \$175 million provision was raised on the Ichthys CCPP project following a complete reprogram and reforecast of the cost to complete the project. The impact of this provision on the FY2015 EBIT for Engineering & Construction is not reflected in the result in order to provide a more accurate reflection of underlying performance for the division during the year.

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## OUTLOOK

Engineering & Construction revenue is expected to grow in FY2016 due to a full year contribution from the Ichthys SMP project. Margin recognition will start to occur on the SMP project during FY2016 when the project is 30 per cent complete in accordance with the joint venture's revenue recognition policy.

Engineering & Construction's FY2016 EBIT margin will continue to be impacted by nil margin revenue recognised on Ichthys CCPP.

In FY2016, our clear priority is the successful delivery of Ichthys CCPP and SMP projects and we remain focused on an improved financial outcome for Ichthys CCPP.

The divisional order book at 30 June 2015 was \$667 million and while investment in resources infrastructure is declining, as a clear market leader in power systems, UGL is well positioned to benefit from potential growth in the renewable energy sector and the privatisation of the New South Wales distribution network.

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## CASE STUDY - ROY HILL



Project: Roy Hill

Client: Alinta Energy

Original contract value: \$136 million

Location: East Pilbara, WA

Description: Nearing completion, this project has seen UGL design, procure, construct, test and commission the 120km High Voltage, single circuit transmission line between Newman and the Roy Hill Iron Ore (RHIO) Mine, as stage one of Alinta Energy's East Pilbara Link Project. Also included in the scope of the project were design, construction, testing and commissioning of a 66/220kV substation and associated 66kV connecting works at Newman, a 220/33kV substation at RHIO Mine, a 6MW reciprocating diesel engine Power Station at RHIO Mine and a 33kV electrical distribution system at RHIO Mine.



# International

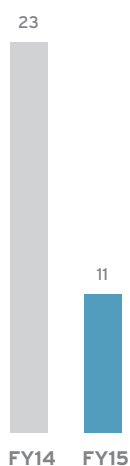


**“We are positioning UGL as a trusted service provider delivering complex projects in the clean water, tunnels and oil & gas pipeline sectors in South East Asia.”**

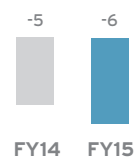
Alan Beacham, EGM Rail & Defence and International



**TOTAL FY15 REVENUE CONTRIBUTION (%)**



**REVENUE<sup>1</sup> (\$M)**



**UNDERLYING EBIT<sup>2</sup> (\$M)**

<sup>1</sup> Includes UGL's share of joint venture revenue

<sup>2</sup> Adjusted for restructuring costs and change in tender capitalisation policy

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## FINANCIAL PERFORMANCE

FY2015 International revenue of \$11.3 million was impacted by reduced levels of secured infrastructure projects in South East Asia.

Due to the low level of secured activity, overhead costs were not recovered and a loss of \$5.9 million was incurred during FY2015. As a result, the cost base for the International business was right-sized during the year to appropriately support the scale of operations going forward.

The downturn in locomotive sales in Australia also impacted production throughput volume in the UGL Texmaco fabrication facility in India. UGL is currently exiting the joint venture arrangement under which this facility operates; the cost of which have already been provisioned for.

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## OUTLOOK

UGL's International business is focussed on three key market segments: tunnelling, water and oil & gas pipelines which have strong prospects in the near to medium term in South East Asia.

Our continued investment in the region will be contingent on securing identified key opportunities in FY2016.

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## CASE STUDY



**Project:** Klang Valley Mass Rapid Transit Line 1

**Client:** MMC Gamuda KVMRT (UGW) Joint Venture

**Original contract value:** \$27 million

**Contract duration:** 2010-ongoing

**Location:** Kuala Lumpur, Malaysia

**Description:** As part of the delivery of a fully commissioned MRT line known as The Klang Valley Mass Rapid Transit Project (KVMRT) UGL was awarded mechanical and electrical packages consisting of the engineering, construction, testing, commissioning, care and maintenance of the underground mechanical and electrical works. This comprises the electrical system, plumbing and sanitary system, environmental control system, fire protection and detection system, tunnel mechanical and electrical works and tunnel ventilation system.

# Corporate responsibility

## CREATING A SUSTAINABLE TOMORROW

UGL's approach to Corporate Responsibility is about operating our businesses and achieving our goals in a way that reflects our values, connects our business decisions to ethical, social and environmental concerns and reflects the standards of an industry-leading organisation.

Our Corporate Responsibility framework reflects our commitment to manage all of our activities as a sustainable organisation in order to deliver an overall positive impact for our clients, employees, shareholders, the wider community and the environment.

Our framework centres around:

### OUR CLIENTS

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

### OUR PEOPLE

Valuing our employees by providing a safe and rewarding work environment which invests in their future and where diversity is a given.

### OUR PARTNERS

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

### OUR CLIENTS IN FY2015

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

UGL's client base demands a multi-stakeholder approach involving internal collaboration between our businesses and our people, and externally with our technology and joint venture partners and our suppliers, to deliver outcomes which exceed our clients' expectations.

We are focused on ensuring we fully understand our clients and their objectives as building enduring relationships not only enhances the services we provide but drives innovation and ideas which can be leveraged across our entire business.

In conducting our business activities, we are strongly committed to conducting our activities in accordance with the highest ethical standards and business practices, irrespective of where or with whom we are doing business.

### CASE STUDY:

UGL has been an active participant in an anti-fraud and corruption program with Sydney Trains, helping Sydney Trains develop a self-assessment tool for suppliers. The tool is being developed to assist suppliers of Sydney Trains assess their fraud and corruption prevention measures. UGL is part of the industry working group currently piloting the new self-assessment tool.

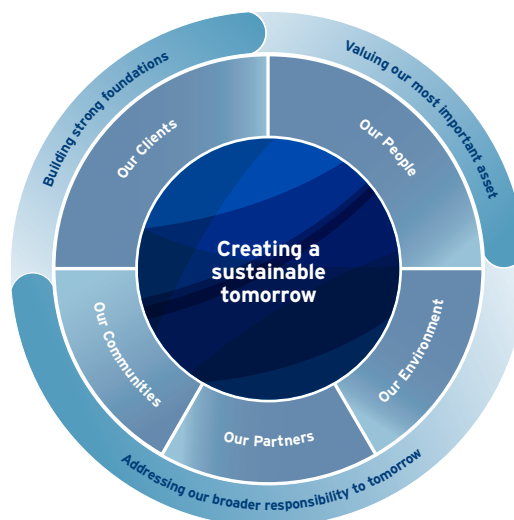


### OUR COMMUNITIES

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

### OUR ENVIRONMENT

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



### OUR PEOPLE IN FY2015

One of UGL's key strategic priorities is to build, develop and retain a world class talent base by valuing, engaging and empowering our people, ensuring that UGL's values and culture are consistently and genuinely lived across the business. Embedding a culture which places the highest priority on the safety and health of our people is one of our most important priorities.

We continue to develop our people to lead the way in safe work practices and expect our people to proactively manage safety risk within the work environment. We encourage them to always speak up and raise safety issues when they occur and to demonstrate personal responsibility for themselves and others regarding safety.

Underpinning UGL's approach to safety are three key initiatives: a Just and Fair culture, Life Rules and our Rewards and Recognition program.

A Just and Fair culture acknowledges that we can all learn from our mistakes, although reckless violations or deliberately contravening UGL's standards and putting individuals at risk are not tolerated.



Our Life Rules set out UGL's expectations in dealing with critical high risk activities. The objective of Life Rules is to ensure that key hazards are known and appropriately managed. Recent history across UGL and within the industries in which we operate suggests that our highest risk of injury relates to some common critical high risk activities.

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

UGL's Rewards and Recognition program supports and promotes a culture of continual health and safety improvement and innovation. The program includes monthly site-based initiatives with the pinnacle being acknowledgment of health and safety excellence across UGL through a bi-annual CEO's Award. Since its introduction, a number of site and regional programs have been implemented with over 50 nominations received for the bi-annual CEO's Award.



During FY2015, UGL completed a second Safety Climate Survey soliciting feedback from over 3,000 employees on UGL's safety culture. Based on this feedback, UGL implemented the following actions:

- May 2015 launch of the CEO Safety video message, clearly affirming that nothing is more important than safety at UGL;
- Continued implementation of a fit for purpose skills and competency framework;
- Increased focus on lead indicators such as the Proactive Reporting of Hazards (PRR) and Proactive Monitoring Reports (PMR) through safety conversations and inspections.

To build and retain a world class talent base, diversity is critical and as such, one of our key priorities is to ensure a diverse and inclusive culture is pervasive across UGL. While we continue to make progress in this area, we are currently reviewing UGL's diversity vision and strategy with the goal of establishing a revised set of measurable objectives for achieving greater diversity levels from FY2016.

## CASE STUDY:

In January 2015, the biannual CEO's Award for Safety Leadership and Innovation was awarded by UGL CEO Ross Taylor to Brenton France, a Supervisor on UGL's Digital Train Radio System project, for his ongoing commitment to ensuring excellent HSSE outcomes. Brenton's diligence in applying risk controls, monitoring site safety and mentoring his team in developing their own HSSE awareness and capability directly contributed to the excellent HSSE record on the DTRS Project.



In FY2015, we initiated the Professional Development Network program. This program develops the skills of key individuals identified as diversity champions from across a range of our operating divisions. Throughout the year the participants attended a number of workshops to further enhance their skills as internal change agents, with a clear focus on driving diversity and inclusion in the workplace, to support our diversity agenda and act as role models for inclusive behaviour.

In promoting an equitable workforce, one of the areas of focus at UGL is gender balance. Developing and promoting talented women to senior leadership roles at UGL is not about achieving a targeted number but about recognising the significant contribution that gender diversity can bring to delivering the best results.

Specific actions that have had a positive impact on the selection and hiring of women, resulting in a 5% increase of women into our senior management ranks and a 36% increase in the number of women joining the business over FY2015 include:

- incorporating the practice of having at least one female shortlisted candidate for professional roles;
- deploying psychometrics to overcome unconscious bias;
- educating hiring managers in the importance of seeking candidates from diverse backgrounds.

## CASE STUDY:

During the 2015 financial year \$17,850 has been raised for charity by UGL's West Angeles Power Systems team via an incentive-based, internal safety performance competition. Driving healthy competition linked to the recordable safety statistics for its Civils, Electrical, Mechanical, Indirect and Night Shift teams, each team was able to select the not-for-profit organisation to which they would direct their portion of the funds raised. This initiative has been so successful in terms of reducing LTIFR and TTIFR rates and raising awareness of everyday safety issues that the team have agreed to keep it running into the next financial year and for the duration of the project.

# Corporate responsibility

## OUR PARTNERS IN FY2015

UGL supports various industry-related partnerships on a corporate or project level aligned to our commitment of creating a sustainable future. In FY2015, these partnerships included:



### MATES IN CONSTRUCTION

A program focused on supporting employees through training them in the detection of mental health issues that can have a higher rate of occurrence when working in remote regional areas or on projects that are by their nature relatively isolated. The support program includes Applied Suicide Intervention Skills Training (ASIST) for nominated team members in UGL's Asset Services division.



### WORK VENTURES

The 2015 financial year saw an agreement between UGL's ICT team and Work Ventures in order to refurbish and resell UGL's redundant IT equipment on to communities in need at a heavily discounted price.



### TRACKSAFE FOUNDATION

UGL is a founding member and long-term supporter of the TrackSAFE Foundation, established by the Australian Rail industry in March 2012. TrackSAFE's primary endeavour is to reduce near collisions, injuries and fatalities on the rail network resulting from suicide and reckless behaviour.



### AUSTRALIAN RED CROSS

UGL has an historical association with Australian Red Cross and recently donated the proceeds of its mobile phone upgrade project to the organisation.



### AUSTRALIAN CONSTRUCTORS ASSOCIATION

Working in association with the Australian Constructors Association (ACA) (a subgroup of the Ai Group), UGL is an active participant of a sustainability working party, operated by the ACA to better inform Boards and Senior Executive teams on sustainability issues and opportunities.



### CITYSWITCH

The CitySwitch Green Office initiative was originally put in place to support commercial office tenants to improve office energy and waste efficiency through the provision of a range of services. UGL has been a member since 2012 and is committed to completing an annual NABERS rating on the occupancy of its North Sydney Head Office premises.



### SUSTAINABILITY ADVANTAGE

Run through the NSW Office of Environment & Heritage, the Sustainability Advantage program has been set up to assist organisations in achieving increased competitiveness and an improved bottom line through better environmental practices. UGL has been a signatory member of the program since 2012 and is a participant in the Responsible Constructors Leadership Group (RCLG), a working group formed under Sustainability Advantage.

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## OUR COMMUNITIES IN FY2015

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

Further progress was made this year against UGL's 2013-2015 Reconciliation Action Plan. Our involvement in large scale projects located in or near Indigenous Australian communities provides us with a unique opportunity to partner with these communities and provide a meaningful contribution to the process of reconciliation between Indigenous and non-Indigenous Australians.

The UGL workforce has been quick to embrace the intent and vision of this plan and numerous initiatives and programs have been put in place across the business to drive a strong engagement and a broader collective understanding of the challenges faced by Indigenous Australians. This has led to a 62 per cent increase in the number of Indigenous employees at UGL over the 2015 financial year increasing from 39 to 63 full time employees. UGL recognises that a continued, long-term perspective is required to bring about sustainable change.

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### CASE STUDY:

UGL's Yukenbulla project team employed a local Roma, Aboriginal and Torres Strait Islander-run business to provide additional labour for the site and to help address potential biosecurity issues related to the spread of local weeds. Yukenbulla Services has been employed during the 2015 financial year to assist in the washing and cleaning of all vehicles to ensure their biosecurity compliance when entering sites. With an employment roster that comprises greater than 80% indigenous employees, a percentage of the income of the business is automatically donated to a local 'Elders and Cultural Fund' to further assist indigenous people from the Surat Basin. Another percentage of the income is being invested back into its current employees by way of a training module towards Certificate 3 Land Management and Construction Training for all eligible employees of the business.



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### CASE STUDY:

UGL sponsored the NSW Reconciliation Council's 'Schools Reconciliation Challenge' in 2015, which saw creative entries from Year 5-9 students around NSW competing to see if their artwork might be selected as one of 18 pieces making up the 'Homegrown Heroes' exhibition put on display at the Rocks Discovery Museum. This is UGL's second year as a sponsor and support includes funding for the framing of winning artworks, as well as support for the travel expenses of those students whose artwork was selected for the exhibition.



# Corporate responsibility

## OUR ENVIRONMENT IN FY2015

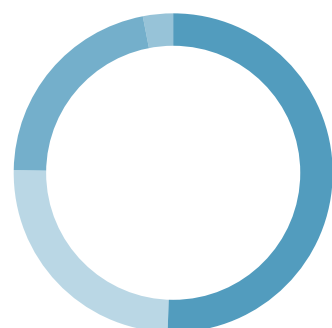
UGL recognises that environmental conservation is one of the most important issues our communities are tackling. We recognise the importance of maintaining a high standard of environmental care in conducting our activities. Across all of our operations, we are committed to minimising pollution and contributing towards a sustainable future by operating in a manner that reaches a balance between environmental, technical, economic and social objectives.

During FY2015, UGL continued to measure and monitor a variety of lead environmental performance indicators, the results of which show a broad improvement in UGL's performance relative to previous years.

### ENERGY CONSUMPTION

A further 10% reduction in UGL's overall direct and indirect energy consumption was achieved in FY2015, now down to 318,304 GJ used. This reduction can largely be attributed to the sale of DTZ and a 35 per cent reduction in transport fuels. This has been offset by improved project reporting with energy consumption related to project activities becoming a recordable statistical area for the first time during the year.

### ENERGY BY SOURCE (GJ)



Transport Fuels 161,390	Project Activities 68,542
Natural Gas 9,300	Electricity Consumption 79,071

### CASE STUDY:

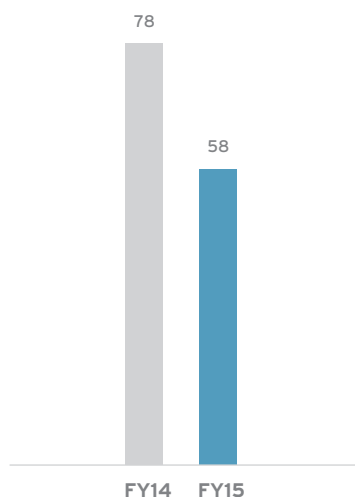
During pre-survey works for a Power Transmission project in Yuleba, the UGL team discovered a near threatened species of Gecko within the construction zone. Following positive identification of the Golden Tailed Gecko (officially recognised as a near-threatened species), approximately 300 were relocated into a neighbouring area across from where they were discovered. Subsequent surveys have found that the relocated population has adapted to their new surroundings and an additional survey will be undertaken in the coming year, after the breeding season, to ensure the population has stabilised.

### WATER

Water conservation initiatives implemented across UGL's offices and facilities have seen a significant 25% reduction in water consumption for these locations over the year. The focus for FY2016 will be to see how some of these initiatives can also be applied to our project activities.

UGL has also commenced measuring and reporting the consumption of water from our project activities, with an initial 967 ML of municipal water being consumed in FY2015.

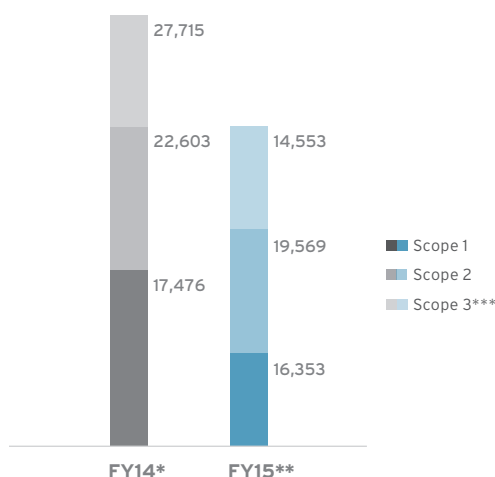
### OFFICE & FACILITY WATER CONSUMPTION



## GREENHOUSE GAS EMISSIONS

UGL's Greenhouse gas emissions continued to fall in FY2015 with the largest reduction observed in scope 3 emissions, where a 47% drop can be directly attributed to the removal of DTZ flights and hotel stays. A steady reduction in total scope 1 and scope 2 emissions was also observed and can be directly linked to the 13% reduction in electricity consumption that has been delivered through a continued focus on energy efficiency and the related consolidation of some of UGL's maintenance and manufacturing facilities.

### GREENHOUSE GAS EMISSIONS (T-CO<sub>2</sub>-E)



\*2014 emissions include DTZ

\*\*2015 emissions reported regardless of operational control

\*\*\* Scope 3 emissions include business travel, hotel stays, electricity, gas and other indirect emissions.

## ENVIRONMENTAL REGULATORY PERFORMANCE

UGL continually reviews and monitors all operations to ensure systems and processes are in place to align operations with client and legislated environmental requirements. Where failures are identified, including significant spills, detailed investigations are undertaken and potential system (or behavioural) improvements are made to prevent recurrence. In FY2015, UGL did not cause any material breach of environmental legislation.

## CASE STUDY:

In FY2015, UGL changed its mobile phone infrastructure to a smartphone environment. The change in handsets provided an opportunity to recycle the old devices and 895 mobile phones and wireless air cards were donated to the Australian Red Cross.

## SPILLS

Whilst spills of fuel, oils and other substances demand a high level of environmental event reporting, over 75% of these spills were less than 5L and could be immediately resolved with negligible impacts to the environment. Overall the trend to identify small spills as part of regular inspections is positive and indicates an increased duty of care from our workforce related to a growing recognition of the importance of environmental hazard and impact reporting. The number of significant spills (>100L or 100kg) has remained steady at four for the last two years and UGL continues to implement strong environmental controls to reduce the total number of spills, with a particular focus on eliminating significant spills.

### SPILLS/LOSS OF CONTAINMENT

Spill Type	Number of Spills Reported
<5L	70
5 to 50L	13
50 to 100L	5
>100L (Significant Spills)	4

- Hypochlorite solution leaked into tank bund
- Oil spilt from bulk storage when punctured by machinery
- Secondary effluent overflowed following instrument failure
- Portable toilet pipe cracked spilling liquid onto hardstand

## ENVIRONMENTAL MANAGEMENT

Re-certification of UGL's management system against ISO AS/NZ ISO 14001:2004 was achieved in FY2015 and preparations are already underway to update this standard in the coming year as part of our drive for continual improvement.

## ENVIRONMENTAL REPORTING

UGL's adoption of the RobecoSAM Sustainability Investing benchmarking scorecard system continues to assist the company in focusing on its total Sustainability opportunity. UGL has been a member of the RobecoSAM Sustainability Investing Australia Index since 2012, following an invitation from S&P Dow Jones.



# Directors' report for the year ended 30 June 2015

The directors of UGL Limited (the Company or UGL) present their report on UGL and its subsidiaries (the Group), together with the consolidated financial statements of the Group for the financial year ended 30 June 2015 and the auditor's report thereon.

## 1. DIRECTORS

The names of the persons who have held office as a director, or have been appointed as a director, during the period since 1 July 2014 and up to the date of this report are:

NAME OF DIRECTOR	TERM IN OFFICE	QUALIFICATIONS	INDEPENDENT STATUS
<b>Current</b>			
Kathryn Spargo	Director since October 2010 Chairman since October 2014	LLB (Honours), BA, FAICD	Independent
Ross Taylor	Director since November 2014	B.Eng., Civil Engineering, (1st Class Honours)	Executive
John Cooper	Director since April 2015	BSc (Building) (Hons), FIE Aust, FAICD, FAIM	Independent
Guy Cowan	Director since February 2009	BSc (Hons), FCA (UK), MAICD	Independent
Richard Humphry AO	Director since October 2004	FCA, FCPA, S Fin	Independent
Jane Harvey	Director since 10 August 2015	B Com, MBA, FCA, FAICD	Independent
Robert Kaye SC	Director since 10 August 2015	LLB, LLM (Hons)	Independent
<b>Former directors</b>			
Trevor Rowe AO DUniv	September 2002 - October 2014 and Chairman from October 2003 to October 2014	DUniv, FCIS, FCPA, FAICD, ACSA, FCSA	Independent
Raymond Ch'ien	September 2012 - October 2014	PHD Economics	Independent
Richard Leupen	October 2000 - October 2014	BSc (MechEng), CP Engineer, FIE Aust, FAIMM, FAICD	Executive
Doug McTaggart	September 2012 - 7 August 2015	BEcon (Hons), MA, PhD, DUniv	Independent

Further detail on skills and experience is outlined on page 6 of the annual report.

### UGL Responsibilities

At the date of this report the membership of the committees is outlined in the below table.

NOMINATION & REMUNERATION COMMITTEE	RISK & AUDIT COMMITTEE	HEALTH, SAFETY, SECURITY & ENVIRONMENT COMMITTEE
Richard Humphry (Chairman)	Richard Humphry (Chairman)	Guy Cowan (Chairman)
Kathryn Spargo	John Cooper	Kathryn Spargo
	Guy Cowan	Ross Taylor
	Kathryn Spargo	

### Directorships of other listed companies

The following table provides all directorships of other listed companies held by each director (at the date of this report) at any time in the 3 years immediately before the end of the financial year and the period for which each directorship has been held.

	CURRENT	FORMER
K Spargo	Sonic Healthcare Limited (July 2010), Fletcher Building Limited (March 2012), Adairs Limited (May 2015)	Nil
G Cowan	Coffey International Ltd (February 2012)	Raisama Limited (April 2010 to February 2012) and Ludowici Limited (November 2009 to July 2012)
R Humphry AO	Nil	Nil
J Cooper	Aurizon Holdings Limited (April 2012), NRW Holdings Limited (March 2011)	Southern Cross Electrical Engineering Limited (October 2007 to May 2015), Neptune Marine Services Limited (April 2012 to June 2013), Flinders Mines Limited (September 2010 to December 2012)
R Taylor	Nil	Nil
J Harvey	DUET Finance Limited (August 2013), IOOF Holdings Limited (October 2005)	David Jones Limited (October 2012 to August 2014), Medibank Private Limited (September 2007 to March 2014, pre ASX listing)
R Kaye	Collins Food Limited (October 2014), Paperlinx Limited (September 2012), Magontec (July 2013)	Nil

## 2. COMPANY SECRETARIES

The following persons hold office as Company Secretary.

Lyn Nikolopoulos was Company Secretary from October 2006 to December 2010 and was re-appointed on 29 July 2011. She has a Bachelor of Business from UTS and she holds a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia. She is a fellow of the GIA and has over 15 years' experience in a company secretary role.

Pryce Dale, General Counsel, was appointed joint Company Secretary from September 2014. He has a Bachelor of Economics and Bachelor of Law from Charles Darwin University and over 15 years' experience in both private and in-house legal practice in Australia and the UK.

## 3. BOARD AND COMMITTEE MEETINGS

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

	BOARD SCHEDULED		RISK & AUDIT COMMITTEE		NOMINATION & REMUNERATION COMMITTEE		HEALTH, SAFETY, SECURITY & ENVIRONMENT COMMITTEE	
<b>Current directors</b>								
K Spargo	12	12	4	4	4	4	2	2
R Taylor	10	10	-	-	-	-	2	2
J Cooper	4	4	-	-	-	-	-	-
G Cowan	12	12	4	4	-	-	2	2
R Humphry AO	12	12	4	4	2	2	-	-
<b>Former</b>								
T Rowe AO	2	2	-	-	2	2	-	-
R Leupen	2	2	-	-	-	-	-	-
R Ch'ien	2	2	-	-	-	-	-	-
D McTaggart	12	11	-	-	4	4	-	-

Shaded column: Meetings held while a director or member, and required to attend.

Unshaded column: Meetings attended.

\* Directors are invited to attend committee meetings subject to availability. The table records attendance at committee meetings as members.

## 4. PRINCIPAL ACTIVITIES

UGL is a leading provider of outsourced engineering, construction and maintenance services. UGL partners with world-leading technology suppliers to provide industry-leading services and whole-of-life solutions across the core sectors of rail, technology systems, power, resources, water and defence.

With statutory revenue in excess of \$2.0 billion we employ over 8,000 people across our operations in Australia, New Zealand and South East Asia.

On 5 November 2014, UGL completed the sale of its DTZ property services business, refocusing the group on core engineering and maintenance services.

## 5. OPERATING AND FINANCIAL REVIEW

### GROUP FINANCIAL PERFORMANCE

For the year ended 30 June 2015, UGL generated operating revenue of \$3.0 billion which included revenue from DTZ of \$0.73 billion, prior to its sale on 5 November 2014. UGL's engineering business generated revenues of \$2.3 billion, up 2.3% on the prior year.

The result for FY2015 includes the impact of the Ichthys CCPP project provision, profit on sale of DTZ and other significant one off charges associated with the review and reset of the engineering business. The consolidated reported after tax loss of \$232.4 million comprises a loss from continuing operations of \$298.8 million offset by profit from discontinued operations of \$66.4 million reflecting DTZ's earnings to the date of sale and the profit on sale after tax.

After excluding significant one off items, the Group generated an underlying net profit after tax (NPAT) and non-controlling interests of \$30.3 million as follows:

	2015 \$'000
<b>Loss after income tax and non-controlling interests</b>	<b>(236.4)</b>
<i>Adjusted for:</i>	
<b>Ichthys CCPP provision</b>	<b>175.0</b>
<b>Resources slow down</b>	
Impairment of Rail and Technology Systems goodwill	63.0
Impairment of Rail development costs	51.3
Impairment of Rail investment	9.8
Property consolidations	13.1
Asset and inventory write downs	10.8
<b>Claims settlement</b>	<b>39.8</b>
<b>Tenders costs</b>	<b>18.9</b>
<b>Redundancy costs</b>	<b>17.3</b>
<b>Other restructuring costs</b>	<b>20.8</b>
<b>Tax on underlying adjustments</b>	<b>(104.1)</b>
<b>Profit on sale of DTZ, net of tax</b>	<b>(48.9)</b>
<b>Underlying net profit after tax</b>	<b>30.3</b>

Underlying NPAT has been presented to provide an accurate reflection of the Group's underlying operating performance after excluding the impact of significant non-recurring items during the year.

In June 2015, UGL announced a restructure of its business to right size its overheads and cost base to reflect a standalone engineering and construction company. As a result, the continuing operations have been organised into five business divisions to better reflect its service delivery capabilities and expertise. The operations of each division are as follows:

- Rail and Defence: Passenger and freight build and maintenance, GE parts sales and distribution, supply chain services, component manufacture, and naval ship maintenance;
- Asset Services: Maintenance, shutdowns and turnarounds in the liquified natural gas, minerals processing, petroleum, power and water sectors;
- Technology Systems: Road tunnel signalling and communications systems, train signalling and control systems, and wireless communications;
- Engineering and Construction: Engineering, procurement; construction and commissioning in the power, water and resources sectors; and
- International: Engineering design, procurement, construction and commissioning of water treatment plants and oil and gas pipeline engineering, procurement and construction capability.

Despite the economic challenges and organisational changes which occurred during the year, the engineering business continued to sell well resulting in a strong closing year end order book of \$4.7 billion. With an optimised cost base and a strong order book, the Group is well positioned to deliver improved EBIT margins in FY2016. Further details in relation to the FY2016 outlook and the performance of each division are provided in the Operational & Financial Review on pages 14 to 27.

### REVENUE

Total continuing revenue was \$2.3 billion (refer Note 3. Operating Segments), which includes \$309 million from equity accounted investments. This represents an overall increase of 2.3% on the prior year, driven by the performance of the Engineering & Construction and Asset Services business offset by a decline in revenue in Technology Systems due to several contracts completing and new wins being in the early stages of delivery.

# Directors' report for the year ended 30 June 2015

Total revenue from continuing operations of \$2.0 billion reported in the Consolidated Income Statement is 10.5% higher than prior year due mainly to the increase in activity of unincorporated joint ventures which were proportionally consolidated in the current year.

Further details in relation to the performance of each division and outlook for 2016 are provided in the Operational & Financial Review on pages 14 to 27.

## EXPENSES

Employment costs from continuing operations increased by 17.5% to \$973 million, due primarily to the increased activity arising from joint operations which were proportionally consolidated in the current financial year. Year on year employment costs as a percentage of UGL's normalised cost base has remained relatively constant at 47% compared to 45% in the prior year. The marginal increase this year is in line with a similar increase in overall group revenue.

Subcontractor expenses, raw materials and consumables from continuing operations have increased 11.9% to \$891 million, also due to the ramp up in activity from joint operations which were proportionally consolidated in the current year and \$39.8 million of legacy claim settlements. Year on year these costs as a percentage of UGL's normalised cost base have remained constant at 43% compared to 44% in the prior year.

Other expenses of \$363 million includes the \$175 million Ichthys CCPP project provision, impairments of goodwill, development costs, investments and other asset write downs totalling \$134.9 million, tender costs of \$18.9 million and restructuring costs totalling \$13.8 million.

Costs associated with the consolidation of properties total \$13.1 million, contributed to the increase in rental and occupancy expenses in the current year.

## EARNINGS

Underlying EBIT from continuing engineering operations was \$47.5 million at a margin of \$2.0%. This EBIT excludes DTZ and all other significant non-recurring items which occurred during the year.

## GROUP FINANCIAL POSITION

Funding, liquidity and capital are managed at Group level with the Divisions focused on working capital and operating cash flow management within their responsibilities. Overall cash (net of bank overdrafts) decreased \$14.6 million (or 8.2%) to \$164.6 million at the end of the financial year.

The movement in cash is due to a number of large items. DTZ net proceeds on sale of \$1.1 billion were used to repay debt of \$587 million and pay a capital return and dividend to shareholders of \$500 million. The closing cash held at year end has increased by \$90.9 million due to the increased activity arising from joint operations which were proportionally consolidated in the current financial year. This increase in cash has been offset by operating cash outflows from the Ichthys CCPP project and restructuring costs.

## OPERATING CASH

Cash flows from operating activities totalled \$65.0 million, slightly ahead of \$62.1 million in the prior year. Operating cash increased by \$69.9 million due to an increase in activity from joint operations proportionally consolidated in the current year. This increase was offset by additional working capital requirements to fund the Ichthys CCPP project and other one off restructuring costs associated with the reset of the engineering business. The business maintains a significant focus on working capital management, achieved by working with customers to ensure payment terms are met and disputed claims are resolved. Focus also remains on commercial terms so new contracts provide accelerated billing milestones and payments in advance to the extent possible.

## INVESTING/FINANCING CASH

Net cash proceeds of \$1.1 billion received from the sale of DTZ were used to repay debt of \$587 million and pay a capital return and dividend to shareholders of \$500 million.

## DEBT AND BONDING

At 30 June 2015, the Group has access to bank loan facilities totalling \$381 million, with an average debt maturity of 2.6 years of which \$131 million was drawn down. This compares to bank loan facilities of \$1.090 billion (of which \$737.0 million was drawn) at 30 June 2014. Bank debt of \$587 million was repaid from the proceeds of the DTZ sale.

In June 2015, the Group completed the refinance of all its finance facilities by repaying a portion of the remaining USPP debt, resizing domestic bank facilities and improving the maturity profile. At 30 June, investors holding USD\$88 million of notes had accepted the prepayment offer, leaving USD\$35 million (AUD\$41 million) in place. One additional investor accepted the offer on 1 July and a further USD\$10 million (AUD\$13 million) was repaid.

Bank guarantee limits were surplus to the requirements of UGL after the DTZ sale and were reduced from \$684 million to \$544 million, of which \$336 million (61.8%) have been utilised.

Net debt reduced from \$567 million last year (gearing ratio 32.4%) to net cash of \$33.7 million at year end.

## BALANCE SHEET

Net assets reduced from \$1.185 billion to \$435 million with proceeds from the sale of DTZ used to fund the capital/dividend return of \$500 million, together with a reduction in net asset value as a result of the impact of the Ichthys CCPP project provision, and other significant one off costs and asset write downs associated with resetting the engineering business.

Current trade and other receivables increased by 5.2% from \$219.7 million to \$231.1 million, which is in line with the increase in revenue.

Inventories fell by \$74.6 million (23.3%) to \$245.1 million, with work in progress reducing due to several large contracts and claims settling in 2015.

Investments decreased from \$34.3 million to \$17.0 million due to the \$9.8 million impairment of the Texmaco UGL Rail Private Ltd joint venture and the reclassification of other material investments as joint operations, accordingly being proportionally consolidated.

Intangible assets decreased from \$481.1 million to \$338.9 million due to an impairment of goodwill of \$63.0 million and the write off of development costs totalling \$51.3 million primarily in the rail business.

Total provisions increased \$128.0 million, primarily due to the \$175.0 million provision raised for contract losses arising from the Ichthys CCPP project. \$83.5 million of this provision was utilised during the year, with a closing balance of \$91.5 million. In addition, provisions relating to restructure and onerous leases have increased by \$28.9 million.

Trade and other payables increased by \$89.9 million (27.6%), due primarily to an increase in billings in advance under construction contracts of \$101.0 million, largely as a result of the increased activity from joint operations which were proportionally consolidated. As a result, net construction work-in-progress fell to \$2.1 million compared to \$169.1 million in the prior period.

Total loans and borrowings reduced by \$609.6 million due to the repayment of debt, primarily using proceeds received from the sale of DTZ.

Share capital decreased from \$910.8 million to \$421.3 million, with \$489.5 million returned to shareholders by way of capital return. An unfranked dividend of \$10.0 million was also paid following the disposal of DTZ.

#### 6. DIVIDENDS PAID OR TO BE PAID

During the period a distribution of \$3.00 per share was approved by shareholders at the Company's Annual General Meeting held on 30 October 2014. The distribution was made from net proceeds arising on the sale of DTZ. The Australian Taxation Office ruled that the distribution would comprise a capital return of \$2.94 per share (\$489,543,046), and an unfranked dividend of \$0.06 per share (\$9,990,674). The distribution was made on 27 November 2014, to shareholders on record at 20 November 2014.

In order to conserve capital to meet cash flow obligations associated with the Ichthys CCPP project, the Board has elected not to pay a final dividend this year. Reinstatement of dividends will be considered when underlying earnings have normalised and it is considered appropriate in the context of UGL's capital requirements and outlook.

#### 7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

#### 8. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the repayment of US\$10 million US Notes (\$13,021,000) in July 2015 (see Note 19: Loans and borrowings), no matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, the results of these operations or state of affairs of the Group in subsequent financial years.

#### 9. ENVIRONMENTAL REGULATION PERFORMANCE

UGL understands the importance of sustainable governance and environmental protection, to provide protection of the environment and a precautionary approach towards environmental challenges. Minimising impacts on the environment and ensuring compliance to legal and other obligations are a key priority to the Board and the Management Team, with environmental responsibilities allocated throughout all levels of the company. Systems and procedures are in place to ensure operations, products and services align with the Company's environmental policy and deliver on commitments to clients and the community. Environmental obligations are monitored by the Health, Safety, Security & Environment (HSSE) Committee and are subjected to internal and external audit in accordance with UGL's system certification to AS/NZS ISO14001, AS/NZS 4801, OHSA 18001 and AS/NZS 9001.

Based on the results of enquiries made, the Directors are not aware of any material breaches of environmental legislation during the reporting period.

#### 10. DIRECTORS' AND OFFICERS' INDEMNITY AND INSURANCE

Under its Constitution which was adopted on 30 October 2014, the Company must indemnify each Officer (as defined in the Constitution) on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses (Liabilities) incurred by the Officer as an officer of the Company or of a related body corporate.

The indemnity:

- Is enforceable without the officer having to first incur any expense or make any payment;
- Is a continuing obligation and is enforceable by the Officer even though the Officer may have ceased to be an officer of the Company or of a related body corporate;
- Applies to Liabilities incurred both before and after the adoption of the Constitution on 30 October 2014;
- Operates only to the extent that the loss or liability is not covered by insurance.

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

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

# Directors' report for the year ended 30 June 2015

## 11. REMUNERATION REPORT

### 11.1 COMMITTEE CHAIRMAN'S INTRODUCTORY LETTER TO SHAREHOLDERS

UGL has emerged as a focused standalone engineering and construction company with new leadership following the completion of the DTZ sale in the 2015 financial year. At the Board level, the Company has a new Chairman, three new Board members and a new Chairman of the Nomination & Remuneration Committee. Leading the senior management team are a new CEO and new CFO.

With this leadership in place, significant work has been undertaken over the last six months to reset the business. We have refined the Company's vision and strategic priorities, clearly outlining the path forward to turn around UGL's financial and operational performance and return to strong, stable growth. Specifically we have:

- Undertaken a detailed review of UGL's projects and businesses, including a reprogram and reforecast of the Ichthys CCPP project;
- Optimised the organisational structure, removed duplicate management layers and provided a greater focus on consistent project delivery and risk management;
- Developed a five year strategy to realise our new vision;
- Established a robust business plan and budget for FY16; and
- Augmented the Board to ensure ongoing diversity and breadth of skillset.

UGL is well positioned for a turnaround in FY16 and a return to strong growth.

The Board and the Nomination & Remuneration Committee have used this transition period as an opportunity to review our remuneration frameworks and align them with our strategic priorities and business aspirations.

For our senior executive team, other than the CEO, we have:

- Rebased our short term incentive plan, focussing on aligning the structure with market practice, while maintaining a UGL-specific focus. The outcome is a scorecard where the majority of measures reflect financial performance, split between annual earnings, sales and cash, with the balance reflecting key individual performance objectives. To be eligible to earn a short term incentive however, safety hurdles must first be achieved; and
- Reintroduced our long term incentive plan, which features equally weighted Earnings Per Share and relative Total Shareholder Return performance hurdles over a three year vesting period.

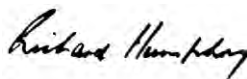
At the 2014 Annual General Meeting, UGL received a 27% shareholder vote against our Remuneration Report. Feedback from our major shareholders and proxy advisor groups centred around three key issues, two of which related to legacy arrangements for former executives put in place to support the separation of DTZ and are now concluded. The third area related to long term incentive arrangements for the new CEO, Ross Taylor, which were negotiated in May 2014 and approved by shareholders at the 2014 Annual General Meeting.

The Board has responded to shareholder and proxy advisor concerns regarding Ross Taylor's remuneration arrangements and subsequent to discussions with the CEO, announced amendments to the long term incentive in May 2015. The Board believes the amendments to the long term incentive arrangements reflect a fair basis of reward which will appropriately incentivise Ross Taylor to deliver strong consistent performance for the benefit of shareholders. The Board is confident that Ross Taylor has the right leadership capabilities and skills to drive a turnaround in UGL's operational performance.

UGL has an exciting future ahead as it delivers on its planned turnaround and leverages its fundamental strengths to generate growth. The Board is confident that the right leadership team is in place and incentivised with appropriate remuneration frameworks to drive future performance and align executive pay with shareholder wealth outcomes.

On behalf of all the Directors, we continue to value your feedback and look forward to welcoming you to our 2015 Annual General Meeting.

Yours sincerely



Richard G Humphry AO

Chairman, Nomination & Remuneration Committee

### 11.2 2015 REMUNERATION REPORT

The Remuneration Report details the remuneration arrangements of UGL's Key Management Personnel (KMP) for the 2015 financial year. KMP are individuals who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. KMP comprise the non-executive directors of the Company and senior executives.

Following the separation of DTZ and UGL's engineering business during the course of the year, a number of changes to the senior executive team occurred, including the commencement of a new CEO, Ross Taylor, and a new CFO, Ray Church.

Further, UGL has had several changes to the composition of the Board during the course of the year and following the financial year end.

These, in addition to the senior executive changes referenced above, are reflected in the tables below.

**Table 1: KMP for the 2015 financial year**

NAME	POSITION	DATE INDIVIDUAL BECAME A KMP (IF PARTIAL YEAR)
<b>Non-executive directors</b>		
K Spargo	Chairman <sup>1</sup>	
J Cooper	Non-executive director	15 April 2015
G Cowan	Non-executive director	
R Humphry AO	Non-executive director	
D McTaggart	Non-executive director	

1. Appointed as Chairman on 30 October 2014. Served as a Non-executive director for the full FY15 year.

#### Executive director

R Taylor	CEO	24 November 2014
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#### Senior executives

R Church	Chief Financial Officer	16 March 2015
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**Table 2: KMP departures during the 2015 financial year**

NAME	POSITION	DATE INDIVIDUAL CEASED AS A KMP
<b>Former Non-executive directors</b>		
T Rowe AO	Chairman	30 October 2014
R Ch'ien	Non-executive director	30 October 2014
<b>Former Executive director</b>		
R Leupen	CEO	21 November 2014
<b>Former senior executives</b>		
R Bonaccorso	Chief Financial Officer	13 March 2015
T Lickerman	Global Chief Executive Officer, DTZ	5 November 2014

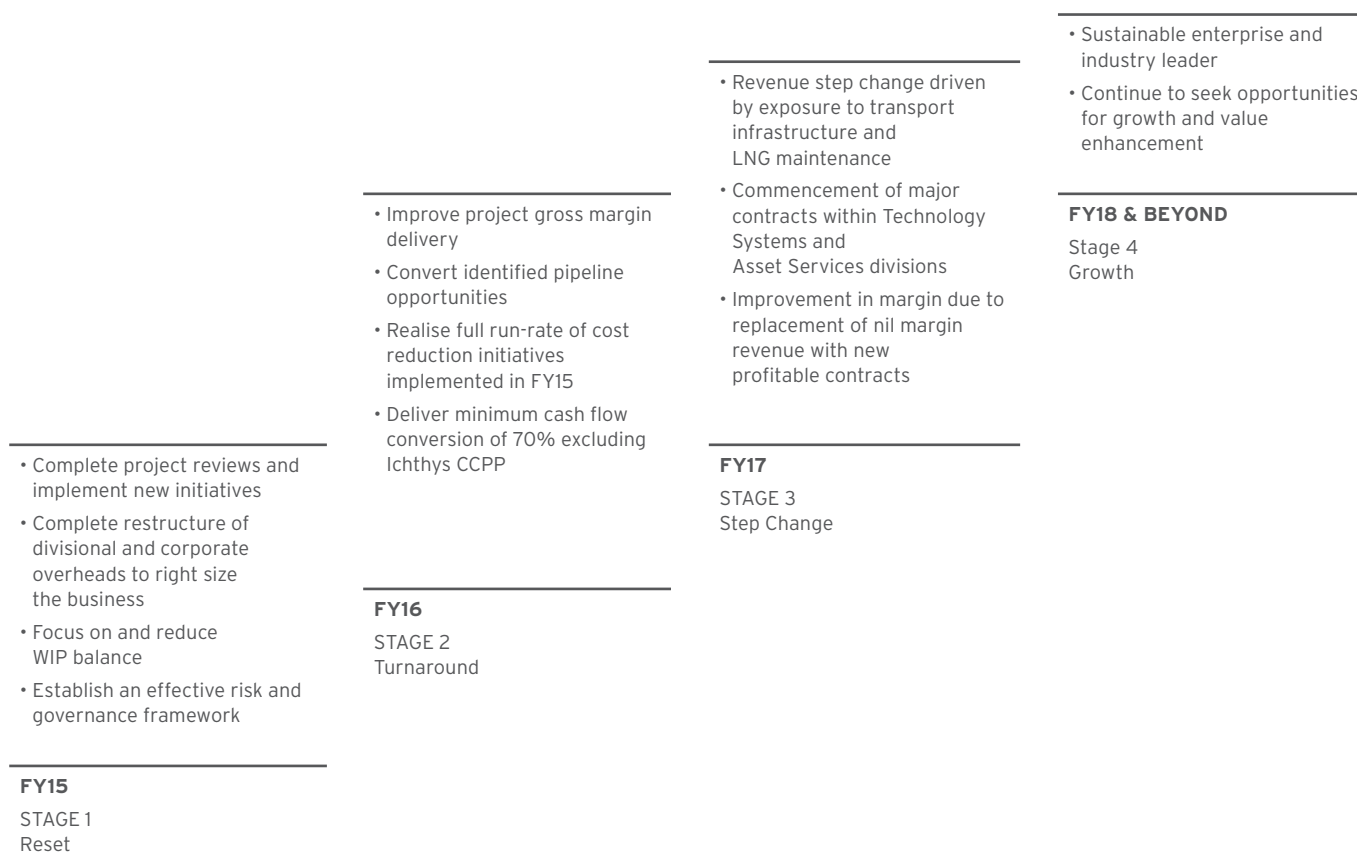
**Table 3: Non-executive director changes post 30 June 2015 and prior to Annual Report issue**

NAME	POSITION	DATE INDIVIDUAL CEASED/COMMENCED AS A KMP
<b>Non-executive directors</b>		
J Harvey	Non-executive director	Commenced 10 August 2015
R Kaye SC	Non-executive director	Commenced 10 August 2015
D McTaggart	Non-executive director	Ceased 3 August 2015

### 11.3 REMUNERATION PHILOSOPHY AND FRAMEWORK SUMMARY

UGL's five year plan, as outlined in Diagram 1 below, sets out the initiatives to be undertaken and goals to be achieved in order to deliver UGL's strategy and objectives.

**Diagram 1: UGL five year plan**



Each year, an annual business plan will be prepared which sets out the initiatives that will need to be achieved during the year to deliver the five year plan. Our remuneration strategy is aligned to reflect achievement of both these plans.

The short term incentive (STI) structure is designed to reward achievement of the annual plan and annual targets. To incentivise delivery of the longer term priorities the long term incentive (LTI) structure is used.

Senior executive remuneration has three components:

1. Fixed Remuneration<sup>1</sup>: base salary including non-monetary benefits and superannuation, which is aligned to market and individual performance.
2. STI: 'at risk' pay for performance based on annual scorecard linking the senior executive's annual targets and outlining the outcomes from achieving them.
3. LTI: 'at risk' equity-based awards aligned with shareholder value creation and time-based vesting to encourage retention.

The Board considers that a significant portion of executive remuneration should be 'at risk' in order to drive superior performance by rewarding senior executives for achievements that are linked to UGL's annual and five year plans and that are expected to deliver benefits to shareholders. Where threshold performance levels are not reached, the entirety of STI and LTI payments are subject to forfeiture. The key components of UGL's senior executive remuneration framework are shown in Diagram 2.

1. Fixed Remuneration was previously referred to as Total Employment Cost.

# Directors' report for the year ended 30 June 2015

Diagram 2: Key components of UGL's senior executive remuneration framework

Remuneration Elements		
Fixed Remuneration	Short Term Incentive (STI)	Long Term Incentive (LTI)
<ul style="list-style-type: none"> <li>Base salary, non-monetary benefits and superannuation (where applicable) and is reviewed annually.</li> </ul>	<ul style="list-style-type: none"> <li>'At risk' award opportunity for the achievement of one year performance objectives linked to relevant business strategy and annual goals.</li> <li>Thresholds in place:                             <ul style="list-style-type: none"> <li>Financial</li> <li>Safety</li> </ul> </li> <li>Scorecard made up of:                             <ul style="list-style-type: none"> <li>Majority financial performance measures</li> <li>Balance in non-financial performance measures</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>'At risk' award opportunity for the achievement of performance hurdles over a three year (senior executives), or three and four year (CEO), measurement period.</li> <li>Performance hurdles equally weighted:                             <ul style="list-style-type: none"> <li>Relative TSR</li> <li>EPS</li> </ul> </li> <li>Typically no value is derived unless UGL meets or exceeds TSR and EPS growth performance measures.</li> </ul>
	<b>Short Term Incentive (STI) deferral</b> <ul style="list-style-type: none"> <li>25% of any STI award of \$50k and over provided to the CEO and senior executives is deferred into equity for two years. Deferral into equity provides medium term alignment with shareholder interests and supports the applicable clawback provisions (if exercised).</li> </ul>	<ul style="list-style-type: none"> <li>Pro-rata vesting scales are applied to the respective LTI performance conditions, which provides greater breadth in earnings opportunity for senior executives.</li> <li>Grant of equity awards aligns shareholder and executive interests, enhances retention of key talent and focuses executives on long term, sustainable business performance.</li> </ul>

## 11.4 REMUNERATION GOVERNANCE

### 11.4.1 BOARD AND NOMINATION & REMUNERATION COMMITTEE

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

The Board's Nomination & Remuneration Committee (Committee), comprising solely of Non-executive directors, assists the Board in discharging its duties. Current members of the Committee are:

- Richard Humphry (Chair); and
- Kate Spargo.

The specific responsibilities of the Board and the Committee are detailed in their respective charters, which are available on the UGL website at [www.ugllimited.com](http://www.ugllimited.com).

In summary, the Committee is responsible for making recommendations to the Board in relation to director and executive remuneration, including:

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

The Board and Committee will review, monitor, and align UGL's remuneration framework to ensure it meets regulatory and corporate governance requirements. Additionally, the Board and Committee's decisions are informed by market practice and investors' views whilst taking into account UGL's overall business strategy and key drivers.

### 11.4.2 REMUNERATION AND RISK

The Board and the Committee have ultimate responsibility for, and oversight of, remuneration for UGL. To ensure that senior executive variable pay entitlements and outcomes remain aligned with sustainable, long term company performance to the benefit of shareholders, UGL's remuneration framework has various protections in place, which include:

- Mandated deferral of 25% of STI awards of \$50k and over to senior executives into equity over two years;
- Clawback provisions applicable to deferred STI equity and unvested LTI grants in the event an executive acts fraudulently or dishonestly; and
- LTI performance hurdles, balanced between relative Total Shareholder Return and Earnings Per Share, that reflect the long term performance of the business and align to shareholder wealth interests over time.

### 11.4.3 EXTERNAL ADVISORS AND REMUNERATION CONSULTANTS

When necessary, the Committee engages remuneration consultants to provide advice and market-related information. In the 2015 financial year, the Committee obtained such advice from Egan Associates and EY.

The Committee independently appoints its remuneration consultants and engages with them in a manner in which any information provided is not subject to undue influence by KMP to whom the recommendation relates.

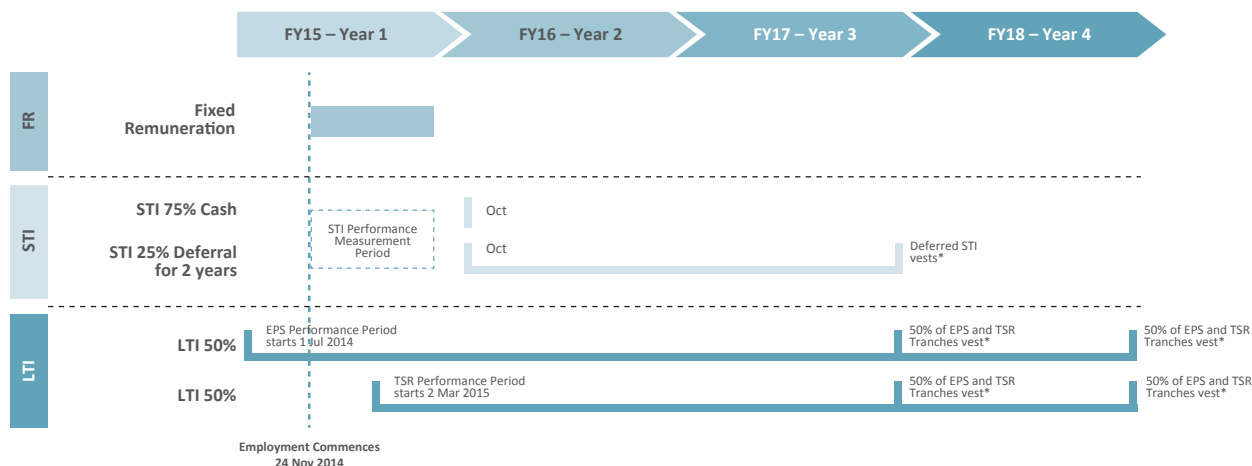
The information provided by external advisors is used as an input to the Committee's considerations and decision making only. The Board has ultimate decision making authority over matters of remuneration structure and outcomes.

The Committee did not receive any 'remuneration recommendations' (as defined in section 9B of the Corporations Act) from any remuneration consultant during the course of this year.

### 11.5 FY15 REMUNERATION FRAMEWORK IN DETAIL

Our executive incentive arrangements directly link sustained Company performance and employee remuneration by requiring achievement against a number of performance related goals, many of which directly impact shareholder value over the long term. Diagrams 3 and 4 illustrate the FY15 remuneration framework timelines for the CEO and CFO respectively.

Diagram 3: CEO remuneration framework timeline



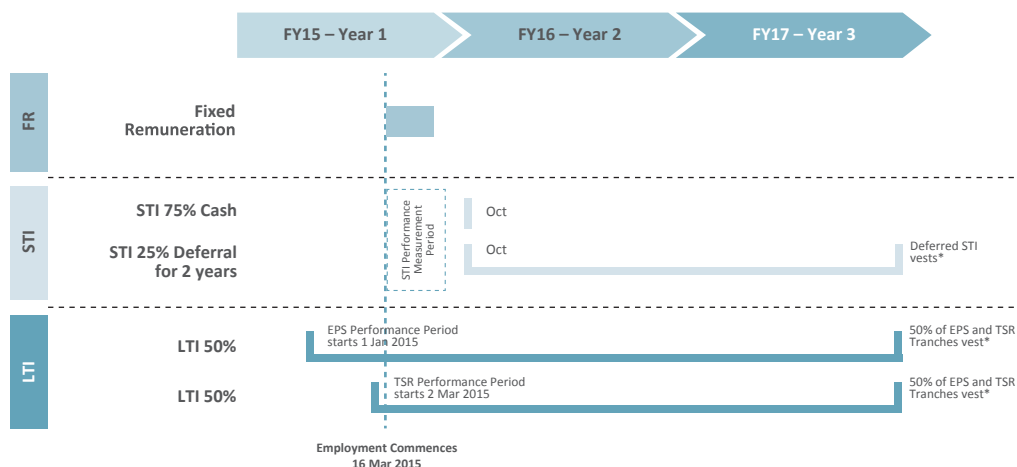
\* Subject to performance or restriction conditions.

As announced by UGL in May 2015 and forming part of the amendments to Ross Taylor's LTI arrangements in response to concerns raised by proxy advisors and shareholders:

- The commencement date for the TSR performance hurdle was changed from 1 July 2014 to 2 March 2015. This change was effected so that Ross Taylor was not penalised for the impact of legacy issues prior to his appointment as CEO, and also aligns the performance period for the TSR component with that applicable to LTI grants for other UGL senior executives.
- As part of these amendments, both the TSR and EPS performance conditions were transitioned from cliff vesting to a sliding scale: the full LTI opportunity will only vest where EPS growth of 10 percent is achieved over the performance period and a TSR in the 75th percentile of the comparator group is recorded at the end of the performance period.

Refer to section 11.6.3 of the Remuneration Report for further detail on these amendments to the CEO's LTI grant.

Diagram 4: CFO remuneration framework timeline



\* Subject to performance or restriction conditions.

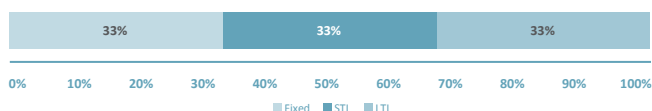
# Directors' report for the year ended 30 June 2015

## 11.5.1 REMUNERATION MIX

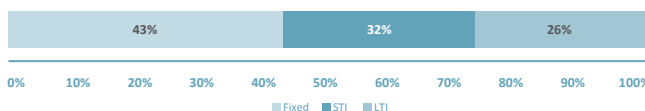
The ratio between fixed and variable pay incentivises executives to focus on UGL's short, medium and long term performance. Diagrams 5 and 6 show the CEO and CFO's remuneration mix for the 2015 financial year i.e. the level of remuneration an executive could expect to receive for achievement of at-risk performance measures.

*Diagrams 5 and 6: Executive remuneration mix (as a percentage of total remuneration)<sup>1</sup>*

**CEO  
Remuneration Mix<sup>2</sup>**



**CFO  
Remuneration Mix**



1. The remuneration mix for former executives has been excluded as no STI or LTI awards were made to these executives in 2015.
2. The LTI component of the remuneration mix for the CEO has been pro-rated to illustrate the annualised value.

## 11.5.2 FIXED REMUNERATION

All senior executives receive a fixed component of remuneration. Fixed remuneration is base salary, non-monetary benefits and superannuation (where applicable). Senior executives may sacrifice part of their base salary for alternative benefits including additional superannuation contributions and motor vehicles.

Fixed remuneration of senior executives is reviewed annually based on role, external market comparators, individual performance and consideration of the relativities between senior executives.

## 11.5.3 SHORT TERM INCENTIVE (STI)

UGL's STI plans are the 'at risk' incentive schemes linked to the achievement of specific annual financial and non-financial targets. This annual focus is balanced by the deferral of 25% of any STI award of \$50k and over into equity for two years, which aligns senior executives' interests with those of UGL shareholders over the medium term and ensures that short term performance achieved by senior executives is sustainable.

The Board has conducted a review of the STI framework applicable to senior executives, other than the CEO. The new framework implemented for FY15 introduces a more structured approach to the setting of performance measures and has been designed to provide better line of sight and transparency between business performance achieved and STI outcomes.

For FY16, the CEO's STI framework has been revised to align with the structure in place for other senior executives, whilst maintaining the same maximum (100% of fixed remuneration) STI opportunity as the current contractual arrangement.

Key features of the FY15 CEO and senior executive STI plans are outlined in Table 4 and Table 5 respectively.

**Table 4: Key features of the CEO STI plan for FY15**

Opportunity, Thresholds and Performance Conditions		
How much can the CEO earn under the plan?	The CEO's STI opportunity is a maximum of 100% of fixed remuneration.	
Is there a threshold level of performance required?	<p>Yes. At least 90% of budgeted UGL EBIT must be achieved for the financial year.</p> <p>Achievement of the threshold does not automatically entitle the CEO to an STI award. Financial and non-financial performance measures must also be met to earn an STI payment.</p>	
What are the performance conditions?	Measures	CEO
	<b>Financial measures</b> (87.5% of fixed remuneration)	Assessed against: <ul style="list-style-type: none"> <li>• EPS compared to budget;</li> <li>• Return on funds employed (ROFE) compared to budget;</li> <li>• Net cash flow compared to budget; and</li> <li>• Underlying EBIT ratio to total revenue achieved compared to budget (profitability).</li> </ul>
	<b>Non-financial measures</b> (12.5% of fixed remuneration)	Assessed against: <ul style="list-style-type: none"> <li>• Achievement of FY15 key strategic initiatives, linked to Stage 1 of the five year business plan outlined on page 5;</li> <li>• Set detailed business strategy;</li> <li>• Set detailed FY16 business plan;</li> <li>• Review UGL systems, processes and controls; and</li> <li>• Review and implement effective risk and capital management strategies and, reinforce safety processes.</li> </ul>
Why have the performance conditions been selected?	<p><b>Financial measures:</b> These financial measures were identified as the key metrics for assessment of the financial performance of the business at the time the CEO's contract was negotiated in May 2014. The financial measures have been reviewed for FY16 and aligned to those in place for other senior executives.</p> <p><b>Non-financial measures:</b> Focuses the CEO on the achievement of relevant key initiatives to establish UGL as a stand-alone construction and engineering company.</p>	

Setting and assessing performance	
Who sets and assesses performance?	The Nomination & Remuneration Committee in accordance with its responsibilities, assesses the CEO's performance against set financial and non-financial measures, and makes a recommendation to the Board regarding the annual STI payment for the CEO.
How is the STI delivered?	75% of any STI award is paid in cash, and the other 25% is deferred into equity that is restricted for two years. As the deferred shares have been earned, the CEO is entitled to receive dividends on shares and is entitled to voting rights during the two year restriction period.
Cessation of employment and change of control	
What happens in the event of a change of control?	Generally, in the event of a takeover or change of control of the Company, the Board may determine to vest some or all of the shares under the STI deferral.
What happens in the event of cessation of employment?	In general, unvested STI awards are forfeited, unless the Board determines otherwise.

**Table 5: Key features of the senior executive STI plan for FY15**

Overview of the senior executive STI Plan								
Who participates in the senior executive STI plan?	Senior executives, including the CFO but excluding the CEO, participate in the senior executive STI plan.							
How much can executives earn?	STI opportunity for senior executives ranges from zero to 130% of target STI for significant out-performance (zero to 118% for the CFO).							
Thresholds and performance conditions								
Is there a threshold level of performance required?	Yes. There are threshold levels for safety and EBIT that must be met to receive an STI payment.  Achievement of the thresholds does not automatically entitle executives to an STI award. Financial and non-financial performance measures must also be met to earn an STI payment.							
Is there a 'modifier'?	Yes.  For all senior executives, target STI is calibrated between 90% and 110% of target based on performance against key relevant safety measures. For some executives, a further multiplication factor of between 75% and 110% is applied to the safety-calibrated target based on Company EBIT performance. For executives with both these modifiers, the result is an effective target range of between 67.5% and 121%, except where the thresholds above are not met and the STI is reduced to zero.							
What are the performance conditions?	<table><tr><th>Measures</th><th>Senior executives</th></tr><tr><td><b>Financial measures</b> (70% of STI opportunity)</td><td>Assessed against budgeted:<ul style="list-style-type: none"><li>• EBIT (40% of STI opportunity); and</li><li>• Margin on Sales and Contract Variations (30% of STI opportunity).</li></ul></td></tr><tr><td><b>Non-financial measures</b> (30% of STI opportunity)</td><td>Assessed against:<ul style="list-style-type: none"><li>• Achievement of individualised key strategic initiatives linked to Stage 1 of the five year business plan outlined on page 39.</li></ul></td></tr></table>	Measures	Senior executives	<b>Financial measures</b> (70% of STI opportunity)	Assessed against budgeted: <ul style="list-style-type: none"><li>• EBIT (40% of STI opportunity); and</li><li>• Margin on Sales and Contract Variations (30% of STI opportunity).</li></ul>	<b>Non-financial measures</b> (30% of STI opportunity)	Assessed against: <ul style="list-style-type: none"><li>• Achievement of individualised key strategic initiatives linked to Stage 1 of the five year business plan outlined on page 39.</li></ul>	
Measures	Senior executives							
<b>Financial measures</b> (70% of STI opportunity)	Assessed against budgeted: <ul style="list-style-type: none"><li>• EBIT (40% of STI opportunity); and</li><li>• Margin on Sales and Contract Variations (30% of STI opportunity).</li></ul>							
<b>Non-financial measures</b> (30% of STI opportunity)	Assessed against: <ul style="list-style-type: none"><li>• Achievement of individualised key strategic initiatives linked to Stage 1 of the five year business plan outlined on page 39.</li></ul>							
Setting and assessing performance								
Who sets and assesses performance?	The CEO sets and assesses performance and short term incentive outcomes for senior executives with guidance from the Nomination & Remuneration Committee.							
How is the STI delivered?	75% of any STI award of \$50k and over is paid in cash, and the other 25% is deferred into equity that is restricted for two years. As the deferred shares have been earned, senior executives are entitled to receive dividends on shares and are also entitled to voting rights during the restriction period.							
Why have the performance conditions been selected?	<i>Financial measures:</i> EBIT and Margin on Sales and Contract Variations are determined to be the most appropriate financial measures to align the behaviours of senior executives with the annual earnings performance targets as set out in UGL's annual budget and five year plan. EBIT ensures senior executives focus on delivering targeted earnings aligned with the current year budget while Margin on Sales and Contract Variations ensures senior executives are focused on securing new work at appropriate margins which are aligned to future earnings targets as set out in the five year plan.  <i>Non-financial measures:</i> Focuses senior executives on the achievement of relevant key initiatives in the annual business plan, thereby supporting progress towards realisation of the longer term five year plan.							
Cessation of employment and change of control								
What happens in the event of a change of control?	Generally, in the event of a takeover or change of control of the Company, the Board may determine to vest some or all of the shares under the STI deferral.							
What happens in the event of cessation of employment?	In general, unvested STI awards are forfeited, unless the Board determines otherwise.							

# Directors' report for the year ended 30 June 2015

## 11.5.3.1 FY15 STI outcome for CEO

In the seven months since joining UGL, Ross Taylor has reset the business and established a clear path forward to deliver a turnaround in UGL's operational performance, as outlined in UGL's five year business plan on page 39.

Ichthys CCPP Project Detailed Review	Project & Business Review	Reset Vision, Strategy and FY16 Business Plan
<ul style="list-style-type: none"> <li>Project reprogrammed and cost to complete was reforecast</li> <li>Project continues to track to revised program and in line with revised cost to complete</li> </ul>	<ul style="list-style-type: none"> <li>Project portfolio was reviewed and the need for increased standardisation and consistent application of project management disciplines identified and addressed</li> <li>New operating model introduced, reducing overheads by \$33m per annum</li> <li>Optimised structure to best manage construction versus operational risk</li> </ul>	<ul style="list-style-type: none"> <li>Vision and strategic priorities reset and pathway to deliver established</li> <li>Five year plan developed, with key initiatives for FY15 achieved and a number of FY16 initiatives already progressed</li> </ul>

The table below provides an overview of STI performance for the year for the CEO. In assessing the financial performance measures, underlying results (before one-off adjustments) have been applied. The Board believes that assessing the CEO's performance against underlying results provides a more accurate assessment of performance given that the one-off adjustments included in the FY15 statutory results relate to legacy issues which existed prior to Ross Taylor's commencement.

**Table 6: CEO FY15 performance**

	MEASURES <sup>1</sup>	RESULTS	ACHIEVED
<b>Threshold</b>	At least 90% of budgeted UGL EBIT must be achieved.	\$47.3m	✓
<b>Financial measures</b> (87.5% of fixed remuneration)	EPS compared to budget	12.4¢	✓
	Return on funds employed (ROFE) compared to budget	9.6%	✓
	Net cash flow compared to budget	(\$52.4m)	✓
	Underlying EBIT ratio to total sales achieved compared to budget.	2.1%	✓
<b>Non-financial measures</b> (12.5% of fixed remuneration)	Key strategic and management initiatives	Detailed business strategy developed and approved by the Board.	✓
		Detailed FY16 business plan completed and approved by the Board.	✓
		Full analysis of UGL systems, processes and controls completed, and comprehensive overhaul underway to develop 'UGL Way'.	✓
		Risk and capital management strategies reviewed and effective controls introduced. Safety processes reinforced.	✓

1. Actual targets have not been disclosed for commercial reasons.

On the basis of the performance above, pro-rated for the period from Ross Taylor's employment commencement date to the end of FY15, the Board determined that Ross Taylor's STI award was \$900,000.

The FY15 STI outcome for the CFO is disclosed on page 51 of this Report.

No STI awards were made to former KMP in FY15.

## 11.5.3.2 'Take home' pay

The following table provides a breakdown of the actual pay the current CEO and CFO realised for each component of remuneration in respect of the 2015 financial year, which is not subject to accounting treatment.

**Table 7: 'Take home' realised pay (unaudited)**

	FIXED REMUNERATION <sup>1</sup>	CASH STI <sup>2</sup>	DEFERRED STI	SHARED BASED AWARDS	TOTAL
<b>Executive director</b>					
Mr R Taylor	\$875,000	\$675,000	-	-	\$1,550,000
<b>Senior executive</b>					
Mr R Church	\$249,815	\$97,509	-	-	\$347,324

1. Reflects the fixed remuneration received for the period the executive was employed.

2. The cash STI represents 75% of the STI earned for the period, with 25% deferred for an additional two year period. The STI award was pro-rated for the period the executive was employed.

#### 11.5.4 LONG TERM INCENTIVE (LTI)

The Board reintroduced the LTI plan for senior executives during the 2015 financial year, after its suspension while the DTZ separation was executed. It is intended that LTI awards to senior executives other than the CEO will now be granted on an annual basis.

The Board also made changes to the CEO's LTI arrangements, which are discussed further in section 11.6.3 of this report.

UGL's LTI plans are designed to align senior executives' long term interests with those of shareholders by providing an allocation of equity-based incentive awards which vest subject to achievement of long term performance conditions. They also encourage retention of key talent over the performance period. The key features of the LTI plans for the CEO and senior executives are detailed in Table 8 and Table 9 respectively.

**Table 8: Key features of the CEO LTI FY15 plan**

Overview and Performance conditions																					
What is awarded under the LTI plan?	Pursuant to the terms of his amended contract, the CEO was granted an upfront LTI award covering the financial years up to and including the year ended 30 June 2018. This award had a remuneration value of \$5.5m representing a face value equivalent to 100% of fixed remuneration multiplied by 3 years and 8 months. Accordingly, 2,575,872 performance rights were granted in May 2015, with the number of rights calculated by dividing the remuneration value of the award by the volume weighted average price of UGL shares for the 5-day trading period starting 24 November 2014, being \$2.14 (face value calculation).																				
What are the performance measures?	<p>The CEO's LTI award is earned only upon achievement against two financial performance measures:</p> <ul style="list-style-type: none"> <li>• Relative Total Shareholder Return (TSR): 50% of the LTI grant; and</li> <li>• Earnings Per Share growth (EPS): 50% of the LTI grant.</li> </ul>																				
Over what period is performance measured?	<p>For the FY15 CEO grant, the performance periods are as follows:</p> <p><b>Relative TSR measure:</b></p> <ul style="list-style-type: none"> <li>• The relative TSR measurement period commenced 2 March 2015;</li> <li>• The first tranche of 50% is subject to a 2.3 year performance period ending 30 June 2017; and</li> <li>• The second tranche of 50% is subject to a 3.3 year performance period ending 30 June 2018.</li> </ul> <p><b>EPS measure:</b></p> <ul style="list-style-type: none"> <li>• The measurement period for the underlying normalised annualised EPS performance condition commenced 1 July 2014, with a baseline of 13.3 cents; based upon the FY14 underlying Engineering EBIT adjusted for Engineering related corporate costs, interest and tax divided by the number of UGL shares on issue;</li> <li>• The first tranche of 50% is subject to a 3 year performance period ending 30 June 2017; and</li> <li>• The second tranche of 50% is subject to a 4 year performance period ending 30 June 2018.</li> </ul>																				
How are the performance conditions assessed?	<p><b>Relative TSR:</b> UGL's TSR is compared to the TSR of companies in the S&amp;P/ASX 200 Industrials (Sector) accumulation index at the beginning of the respective performance periods.</p> <p><b>EPS:</b> UGL's compound annual underlying EPS growth rate is measured over the performance period.</p> <ul style="list-style-type: none"> <li>• Relative TSR performance condition <ul style="list-style-type: none"> <li>- TSR is measured by the change in value of the UGL's cumulative TSR over the relevant performance periods compared to the TSR performance of the comparator group over the same period. The comparator group consists of the companies in the S&amp;P/ASX200 Industrials Accumulation index (ASX code XNJAI) as at the start of the applicable performance periods. The Board has the discretion to adjust the comparator group to take into account events including but not limited to takeovers, mergers or demergers that might occur during the performance periods.</li> </ul> <p>The relative TSR vesting scale is:</p> <table> <tr> <th>TSR PERCENTILE</th><th>% OF TSR TRANCHE VESTING</th></tr> <tr> <td>Below 50%</td><td>Nil</td></tr> <tr> <td>50%</td><td>50%</td></tr> <tr> <td>50% to 75%</td><td>Sliding scale</td></tr> <tr> <td>&gt;75%</td><td>100%</td></tr> </table> </li> <li>• Absolute EPS performance condition <ul style="list-style-type: none"> <li>- measured as the compound annual underlying EPS growth over the performance periods.</li> </ul> <p>The EPS vesting scale is:</p> <table> <tr> <th>EPS GROWTH PER ANNUM</th><th>% OF EPS TRANCHE VESTING</th></tr> <tr> <td>Below 5%</td><td>Nil</td></tr> <tr> <td>5%</td><td>50%</td></tr> <tr> <td>5% to 10%</td><td>Sliding scale</td></tr> <tr> <td>&gt;10%</td><td>100%</td></tr> </table> </li> </ul>	TSR PERCENTILE	% OF TSR TRANCHE VESTING	Below 50%	Nil	50%	50%	50% to 75%	Sliding scale	>75%	100%	EPS GROWTH PER ANNUM	% OF EPS TRANCHE VESTING	Below 5%	Nil	5%	50%	5% to 10%	Sliding scale	>10%	100%
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# Directors' report for the year ended 30 June 2015

Why were the performance measures chosen?	<p>Relative TSR and annual underlying compound EPS growth were selected as the LTI performance measures because they provide a direct link between generation of economic returns for shareholders, UGL's business strategy and executive reward.</p> <p>The Board considers these performance conditions to be appropriate because they ensure that a proportion of the CEO's remuneration is linked to the generation of profits (expressed on a per share basis) and shareholder value through the combined application of both an absolute and relative performance criteria.</p> <p>In particular, the use of a relative TSR based hurdle:</p> <ul style="list-style-type: none"> <li>• Ensures alignment between comparative shareholder return and reward for the executive; and</li> <li>• Provides a relative, external market performance measure, having regard to those companies with which UGL competes for capital, customers and talent.</li> </ul> <p>An absolute underlying EPS growth based hurdle:</p> <ul style="list-style-type: none"> <li>• Links executive reward to a fundamental indicator of financial performance that is directly connected to shareholders; and</li> <li>• Links directly to UGL's long term objectives of maintaining and improving earnings performance.</li> </ul> <p>The use of dual performance measures combines a strong external market based focus through share price growth and dividends (TSR), and a non-market based measure aimed at driving improved Company earnings results (EPS).</p>
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Is performance subject to retesting?	No, retesting of performance is not permitted.
Who assesses performance against targets?	The Nomination & Remuneration Committee, based on independent external advice (relative TSR measure) and financial information (EPS measure), reviews performance against the LTI measures for the CEO. Seeking independent external advice provides objectivity and independence from management influence.

Does the CEO receive dividends and voting rights on unvested awards?	No, there are no voting rights or entitlements to dividends on unvested awards under the CEO's LTI plan.
----------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------

## Cessation of employment and change of controls

What happens in the event of a change of control?	Upon a change of control event, the Board may determine to vest some or all of the LTI awards. In making this determination, the Board will consider all relevant circumstances, including the performance against the TSR and EPS measures up to the date of the change of control event and the portion of the performance period that has expired.
What happens in the event of cessation of employment?	<p>In general, unvested LTI awards are forfeited.</p> <p>In limited circumstances, such as death, serious injury or incapacity during the performance period or other reason approved by the Board, any unvested performance shares will vest at the end of the performance period if the relevant performance conditions have been satisfied.</p>

**Table 9: Key features of the senior executive FY15 LTI plan**

## Overview of the LTI

Who participates in the senior executive LTI?	Senior executives, including the CFO but excluding the CEO, participate in the senior executive LTI plan.
What was awarded under the LTI plan in FY15?	In March 2015, senior executives received an LTI award of performance rights, the vesting of which is subject to the performance conditions outlined below. The number of rights awarded was calculated by dividing the remuneration value of the award by the volume weighted average price of UGL shares for the 5-day trading period starting 2 March 2015, being \$1.66 (face value calculation).

## Performance conditions

What are the performance conditions?	<p>Senior executive LTI awards are earned only upon achievement against two financial performance measures:</p> <ul style="list-style-type: none"> <li>• <i>Relative Total Shareholder Return (TSR)</i>: 50% of the LTI grant; and</li> <li>• <i>Earnings Per Share growth (EPS)</i>: 50% of the LTI grant.</li> </ul>
Over what period is performance measured?	<p>The Board has determined that the new LTI plan will generally be subject to performance conditions over a three year period, commencing 1 July. However, due to the later timing of the FY15 grants, the performance periods are slightly shorter.</p> <p>For the FY15 senior executive grant the performance periods are as follows:</p> <ul style="list-style-type: none"> <li>• The EPS measurement period commences 1 January 2015 (post the DTZ sale);</li> <li>• The TSR measurement period commences 2 March 2015 (date of grant for the award); and</li> <li>• The performance period for both measures finishes on 30 June 2017.</li> </ul>

How are the performance conditions assessed?	<p>Relative TSR: UGL's TSR is compared to the TSR of companies in the S&amp;P/ASX 200 Industrials (Sector) accumulation index at the beginning of the respective performance periods.</p> <p>EPS: UGL's compound annual underlying EPS growth rate is measured over the performance period.</p> <ul style="list-style-type: none"> <li>Relative TSR performance condition <ul style="list-style-type: none"> <li>TSR is measured by the change in value of the UGL's cumulative TSR over the performance period compared to the TSR performance of the comparator group over the same period. The comparator group consists of the companies in the S&amp;P/ASX200 Industrials Accumulation index (ASX code XNJAI) as at the start of the performance period. The Board has the discretion to adjust the comparator group to take into account events including but not limited to takeovers, mergers or demergers that might occur during the performance period.</li> </ul> </li> </ul> <p>For senior executives the TSR vesting scale is:</p> <table> <tr> <th>TSR PERCENTILE</th><th>% OF TSR TRANCHE VESTING</th></tr> <tr> <td>Below 50%</td><td>Nil</td></tr> <tr> <td>50%</td><td>50%</td></tr> <tr> <td>50% to 75%</td><td>Sliding scale</td></tr> <tr> <td>&gt;75%</td><td>100%</td></tr> </table> <ul style="list-style-type: none"> <li>Absolute EPS performance condition <ul style="list-style-type: none"> <li>measured as the compound annual underlying EPS growth over the performance period.</li> </ul> </li> </ul> <p>For senior executives the EPS vesting scale is:</p> <table> <tr> <th>EPS GROWTH PER ANNUM</th><th>% OF EPS TRANCHE VESTING</th></tr> <tr> <td>Below 5%</td><td>Nil</td></tr> <tr> <td>5%</td><td>50%</td></tr> <tr> <td>5% to 10%</td><td>Sliding scale</td></tr> <tr> <td>&gt;10%</td><td>100%</td></tr> </table>	TSR PERCENTILE	% OF TSR TRANCHE VESTING	Below 50%	Nil	50%	50%	50% to 75%	Sliding scale	>75%	100%	EPS GROWTH PER ANNUM	% OF EPS TRANCHE VESTING	Below 5%	Nil	5%	50%	5% to 10%	Sliding scale	>10%	100%
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Why were the performance measures chosen?	<p>Relative TSR and annual compound EPS growth were selected as the LTI performance measures because they provide a direct link between generation of economic returns for shareholders, UGL's business strategy and executive reward.</p> <p>The Board considers these performance conditions to be appropriate because they ensure that a proportion of each executive's remuneration is linked to the generation of profits (expressed on a per share basis) and shareholder value through the combined application of both and absolute and relative performance criteria.</p> <p>In particular, the use of a relative TSR based hurdle:</p> <ul style="list-style-type: none"> <li>Ensures alignment between comparative shareholder return and reward for the executive; and</li> <li>Provides a relative, external market performance measure, having regard to those companies with which the UGL competes for capital, customers and talent.</li> </ul> <p>An absolute underlying EPS growth based hurdle:</p> <ul style="list-style-type: none"> <li>Links executive reward to a fundamental indicator of financial performance that is directly connected to shareholders; and</li> <li>Links directly to UGL's long term objectives of maintaining and improving earnings performance.</li> </ul> <p>The use of dual performance measures combines a strong external market based focus through share price growth and dividends (TSR), and a non-market based internal measure aimed at driving improved Company earnings results (EPS).</p>																				
Is performance subject to retesting?	No, retesting of performance is not permitted.																				
Who assesses performance against targets?	The Nomination & Remuneration Committee based on independent external advice (relative TSR measure) and financial information (EPS measure) reviews performance against the LTI measures for the senior executives. Seeking independent external advice provides objectivity and independence from management influence.																				
Does the executive receive dividends and voting rights on unvested awards?	No, there are no voting rights or entitlements to dividends on unvested awards under the LTI plan.																				
<b>Cessation of employment and change of controls</b>																					
What happens in the event of a change of control?	Upon a change of control event, the Board may determine to vest some or all of the LTI awards. In making this determination, the Board will consider all relevant circumstances, including the performance against the TSR and EPS measures up to the date of the change of control event and the portion of the performance period that has expired.																				
What happens in the event of cessation of employment?	<p>In general, unvested LTI awards are forfeited.</p> <p>In limited circumstances, such as upon a senior executive's death, serious injury or incapacity during the performance period or other reason approved by the Board, any unvested performance shares will vest at the end of the performance period if the relevant performance conditions have been satisfied.</p>																				

# Directors' report for the year ended 30 June 2015

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

**Table 10: Retrospective financial metrics linked to shareholder wealth**

	2011	2012	2013	2014	2015
Underlying net profit after tax and non-controlling interests	\$164.4m	\$168.3m	\$92.1m	\$111.7m	\$30.3m <sup>1</sup>
Underlying Engineering EBIT	\$212.1m	\$188.1m	\$127.4m	\$139.0m	\$117.9m
Underlying earnings per share	99.0¢	101.3¢	55.4¢	67.1¢	16.4¢
Return on equity (annualised)	13.6%	11.6%	3.7%	5.4%	1.9%
Dividends per share	70.0¢	70.0¢	39.0¢	nil	nil
Return of capital per share	nil	nil	nil	nil	\$3.00
Increase/(decrease) in share price	\$0.33	(\$1.47)	(\$5.49)	(\$0.08)	(\$0.83)

1. Reflects partial year contribution from DTZ until date of sale on 6 November 2014.

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

## 11.5.4.1 FY15 LTI outcomes

During the course of FY15, LTI awards granted in 2010 and 2011 were scheduled to vest, subject to achievement of TSR and EPS performance hurdles previously disclosed in the FY11 and FY12 Remuneration Reports. The performance hurdles under both these awards were not achieved and therefore all awards issued in relation to these grants lapsed.

## 11.6 RESPONSE TO SHAREHOLDER VOTE AGAINST 2014 REMUNERATION REPORT

At our 2014 Annual General Meeting, 27% of shareholders voted against the 2014 Remuneration Report.

The following is an outline of the key concerns raised by UGL stakeholders in relation to the remuneration practices disclosed in the 2014 Remuneration Report, and details a response from UGL on the specific matters raised.

A number of the issues raised related to legacy arrangements that were implemented to support either the global diversification of UGL's business model or later the separation of DTZ from UGL. The Board had determined that these specific, one-off remuneration arrangements were necessary in order to effectively incentivise executives to maximise the value of the related corporate transactions for UGL shareholders and, with the completion of the DTZ separation, they are now concluded.

### 11.6.1 Succession incentive awarded to former CEO, Richard Leupen

It was considered appropriate at the time of entering into Richard Leupen's contract in 2009 to provide a succession incentive to support changes undertaken by UGL to significantly diversify its business model both globally and by capability. Finding the right successor to Richard Leupen was considered critical to UGL's ongoing success and ability to deliver satisfactory returns to shareholders.

In recognition of shareholder feedback, the Board has discontinued this form of award.

### 11.6.2 Grant of sign-on award to former Global Chief Executive, DTZ, Tod Lickerman

The sign-on award to Tod Lickerman, primarily granted in equity, was to compensate for bonuses and equity foregone in his previous employment and facilitate alignment with the interests of UGL shareholders. The US\$2.33m equity component of the sign-on award lapsed in November 2014 when DTZ separated from UGL and Tod Lickerman's employment with UGL concluded.

This was a one-off arrangement and no other sign-on awards have been offered to senior executives.

### 11.6.3 CEO'S remuneration arrangements

The terms of Ross Taylor's LTI grant were approved by shareholders at UGL's AGM on 30 October 2014. However, some key shareholders and proxy advisors raised concerns about these arrangements, specifically relating to:

- Cliff vesting of the award;
- Uncertainty about how the separation of DTZ would impact calculation of the relative Total Shareholder Return (TSR) and Earnings Per Share (EPS) performance hurdles, and the EPS baseline;
- Preference for a longer vesting period than three years for half of the award; and
- The appropriateness of relative TSR as a performance hurdle, given it is subject to investment markets, may not reflect the true underlying value of the Company, and may vest if TSR is negative.

After careful consideration, the Board and Ross Taylor agreed structural changes to the CEO's LTI arrangements which were subsequently announced on 11 May 2015. These changes more closely align the arrangements with good governance practice and other UGL senior executives. These changes were also implemented to ensure that Ross Taylor remains appropriately incentivised to drive performance and ensure delivery of a turnaround in the UGL's operational performance followed by strong future growth.

While structural changes have been made to the LTI, the expected opportunity for the CEO is unchanged from previous arrangements and no remuneration will be paid if performance hurdles are not met.

The key changes to the CEO's LTI arrangements are set out below:

- **Change from cliff vesting to sliding scale vesting:** both the Total Shareholder Return (TSR) and Earnings Per Share (EPS) components of the LTI are now subject to a sliding scale. The scale is aligned to that applied under UGL's senior executive LTI framework. As a result of the change, the full LTI opportunity will now vest only if UGL achieves EPS growth of 10 percent over the performance period and a TSR in the 75th percentile of the comparator group at the end of the relevant performance period.
- **Commencement date for TSR performance hurdle:** the start date for the TSR performance hurdle has changed from 1 July 2014 to 2 March 2015 consistent with other UGL senior executives. The Board of Directors believes the change of date will provide a more accurate assessment of performance over Ross Taylor's tenure by minimising the impact of legacy issues which existed prior to Ross Taylor's commencement date of 24 November 2014.
- **Early termination:** the minimum one year performance period threshold for the proration of the CEO's LTI has been removed. The proration period for early termination will commence from the CEO's commencement date of 24 November 2014.

The Board considers that the original performance periods set for the CEO's award, being half of the award vesting after three years and the remaining half vesting after four years, was an appropriate performance period for vesting of an LTI award. Market practice indicates that the vast majority of companies have vesting periods of three or more years. However, for the purpose of providing a more accurate assessment of performance over Ross Taylor's tenure, the Board determined to alter the start date for the TSR performance hurdle and this has resulted in a shorter performance period for half of this LTI grant.

Regarding the appropriateness of relative TSR as a performance hurdle, the Board acknowledges that there are many factors that drive the company's share price, including industry and broader market influences. However, it also believes that the relative share price movements are directly impacted by management decisions and the resulting operational performance. Relative TSR measures the value created for an investor in UGL over time versus an investment made in a comparable company. Although an award using relative TSR as a measure could vest if absolute TSR was negative, the UGL vesting scale would require that for the minimum vesting level, 50% of companies within the S&P/ASX 200 Industrials accumulation index would have to be experiencing negative TSR growth greater than UGL's.

The Board considers relative TSR to be a key metric as it focuses senior executives on long term, sustainable business performance, is simple and transparent and, provides strong alignment with long term shareholder wealth outcomes. For these reasons, the Board determined to retain it as one of the two equally weighted performance measures applicable to the CEO's and other senior executives' LTI plans.

The EPS baseline has been set at 13.3 cents, with compounded growth measured from 1 July 2014, the performance period for which remains unchanged from the original arrangements announced in June 2014. The EPS baseline is based on the FY14 underlying Engineering EBIT adjusted for Engineering related corporate costs, interest and tax divided by the number of UGL shares on issue.

UGL applied a face value (5-day volume weighted average price (VWAP)) calculation when determining the number of LTI awards to issue to the CEO. This is regarded by governance advisers and shareholders to be the most transparent method of calculating the number of securities to be issued for an LTI award, in contrast to options pricing methodologies that tend to increase the number of rights to be issued due to their inherent volatility and risk assumptions.

Full details of the revised LTI arrangements are provided in section 11.5.4 on page 45 of this Report.

## 11.7 AWARDS RELATED TO THE SEPARATION OF DTZ: FORMER EXECUTIVES

The following section details specific arrangements implemented for former executives to ensure the successful separation of DTZ. The Board has no intention of entering into similar arrangements with any executives now that the sale is complete.

### *Former CEO, Richard Leupen*

In the 2014 Remuneration Report, UGL disclosed the agreement of a strategic incentive fee opportunity of \$1.5m for Richard Leupen to support the intended separation of DTZ. In FY15, this fee vested and was paid for satisfying the achievement of strategic milestones linked to the sale and separation of DTZ and UGL's performance over the period to the completion of his contract. These included:

- Successful completion of the DTZ sale process and delivery of the Share Purchase Agreement with no price adjustments or loss of significant key personnel as specified under the Agreement;
- The review and adjustment to the size of the UGL engineering business to operate as a standalone business; and
- The UGL engineering business strongly positioned for emerging opportunities.

### *Former Chief Financial Officer, Robert Bonaccorso*

Robert Bonaccorso was granted and received a demerger award recognising the key role of Robert Bonaccorso in achieving the DTZ sale outcome and remaining within his role through the period prior to and through the transaction. Requirements were:

- No adjustments to purchase price and management of cash and working capital; and
- Retention of key employees without additional expenditure on retention schemes.

## 11.8 SUMMARY OF SERVICE AGREEMENTS

### *Former CEO*

Richard Leupen was required to provide six months' notice to the Board if he intended to resign prior to 30 April 2015 (other than for material breach). In the event the Board determined to terminate Richard Leupen's contract prior to 30 April 2015 (other than for fraud or material breach) the Board was required to provide six months' notice or pay Richard Leupen the total fixed remuneration equivalent.

# Directors' report for the year ended 30 June 2015

## Senior executives

Senior executives are employed under service contracts. No senior executive has a fixed-term contract. Termination provisions are summarised in Tables 11 and 12 below.

**Table 11: Current KMP termination provisions**

CURRENT SENIOR EXECUTIVE	PERIOD OF NOTICE FROM UGL	PERIOD OF NOTICE FROM THE SENIOR EXECUTIVE
R Taylor	Six months' notice (or payment in lieu)	Six months' notice
R Church	Six months' notice (or payment in lieu)	Six months' notice

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

**Table 12: Former KMP termination provisions**

SENIOR EXECUTIVE	PERIOD OF NOTICE FROM UGL	PERIOD OF NOTICE FROM THE SENIOR EXECUTIVE	TERMINATION PAYMENTS
R Bonaccorso	Twelve months' notice (or payment in lieu)	Six months' notice	Minimum Statutory Requirements
T Lickerman	Twelve months' notice (or payment in lieu)	Six months' notice	N/A

## 11.9 STATUTORY REMUNERATION TABLES

Table 13 details the UGL's executive remuneration in accordance with the Corporations Act and accounting standards.

**Table 13: Statutory executive remuneration table**

		SHORT TERM				POST-EMPLOYMENT	OTHER LONG TERM		TERMINATION BENEFITS	SHARE-BASED PAYMENTS			TOTAL	
	YEAR	SALARY	STI CASH BONUS¹	NON-MONETARY BENEFITS²	SUB-TOTAL	SUPER-ANNUATION	LONG SERVICE LEAVE			VALUE OF OPTIONS³	VALUE OF PERFORMANCE-SHARES⁴	SUB-TOTAL	\$	PROPORTION OF REMUNERATION PERFORMANCE-RELATED %
Executive director														
R Taylor CEO	2015	864,043	675,000	762	1,539,805	10,957	-	-		846,276	45,000	891,276	2,442,038	64.1
Senior executives														
R Church Chief Financial Officer	2015	209,148	82,805	199	292,152	5,563	-	-		37,708	2,696	40,404	338,119	36.4
Former senior executives⁶														
R Leupen⁵	2015	805,986	1,500,000	1,314	2,307,300	7,826	-	202,321		-	-	-	2,517,447	59.6
CEO	2014	2,062,225	-	33,730	2,095,955	17,775	-	-		-	(2,500,729)	(2,500,729)	(386,999)	-
R Bonaccorso	2015	523,998	768,554	2,454	1,295,006	13,245	-	-		-	(147,709)	(147,709)	1,160,541	53.5
Chief Financial Officer	2014	731,025	-	1,929	732,954	17,775	-	-		-	302,414	302,414	1,053,143	28.7
T Lickerman	2015	284,354	-	6,041	290,396	-	-	-		(431,583)	-	(431,583)	(141,188)	-
Global Chief Executive Officer, DTZ	2014	566,913	811,911	6,578	1,385,482	-	-	-		431,583	-	431,583	1,817,065	68.4

### Notes to the statutory executive remuneration table

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

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

Table 14 details the UGL's executive 2015 short term incentives in accordance with the Corporations Act and accounting standards.

**Table 14: FY15 Statutory executive short term incentive table**

	CASH STI BONUS <sup>1</sup>	DEFERRED STI	TOTAL STI	TOTAL STI ACHIEVABLE	VESTED IN YEAR %	VESTING IN FUTURE YEARS %	FORFEITED IN YEAR %	VALUE YET TO VEST	FINANCIAL YEAR WHICH GRANT WILL VEST
<b>Executive director</b>									
R Taylor CEO	675,000	225,000	900,000	900,000	75.0	25.0	-	225,000	2017
<b>Senior executives</b>									
R Church Chief Financial Officer	82,805	27,602	110,407	159,319	75.0	25.0	30.7	27,602	2017
<b>Former senior executives</b>									
R Leupen CEO	1,500,000	-	1,500,000	1,500,000	100.0	-	-	-	-
R Bonaccorso Chief Financial Officer	768,554	-	768,554	768,554	100.0	-	-	-	-

1. Amounts included in remuneration for the financial year represent the amount related to the financial year based on achievement of specified performance criteria. The Board approved these amounts on 21 August 2015. Amounts forfeited are due to performance criteria not being met in relation to the current financial year. Deferred STI is granted as performance shares vesting after two years, subject to continuing employment. The performance criteria applied to the payment of STI to former executives are described in section 11.7 of the Remuneration Report.

#### 11.10 NON-EXECUTIVE DIRECTOR FEES

##### **Approach to setting Non-executive director fees**

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

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

The aggregate annual fees payable to Non-executive directors are limited to the maximum amount approved by shareholders. The maximum total annual amount is currently \$2,300,000 as approved by shareholders at the 2011 Annual General Meeting, which includes superannuation contributions and the value of shares acquired under the Directors' Share Plan. A total of \$989,711 in fees was paid to Non-executive directors in the 2015 financial year.

##### **Non-executive director fee structure**

Non-executive directors receive a base fee plus a fee for membership or Chairmanship of Board Committees. The Chairman, taking into account the greater time commitment required, receives a higher fee, but does not receive any additional fees for membership or Chairmanship of Board Committees. Non-executive directors receive compulsory superannuation contributions. Non-executive directors have participated in the Directors' Share Plan in FY15, which is not linked to performance in any way. In order to maintain independence, Non-executive directors do not participate in any performance-related incentive arrangements or incentive awards made to employees.

Table 15 sets out the Non-executive director fee policy for the 2015 financial year. These fees include compulsory superannuation contributions and remained unchanged for the full year.

**Table 15: Non-executive director Board and Committee fees for FY15**

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

1. The Chairman is a member of all Committees but does not receive additional fees for Committee participation.

2. Directors' Share Plan - each Non-executive director receives shares to the value of 30% of their gross fees per annum. Shares are purchased on market and must not be sold or transferred while the director remains in office, in order to maintain alignment with shareholder interests.

# Directors' report for the year ended 30 June 2015

## Total non-executive director fees

Non-executive director fees are shown in Table 16 for the 2014 and 2015 financial years in accordance with statutory requirements and accounting standards.

Table 16: Non-executive director remuneration

		SHORT TERM			POST EMPLOYMENT			TOTAL <sup>4</sup>
YEAR		SALARY AND FEES	NON-MONETARY BENEFITS <sup>1</sup>	SUB-TOTAL	SUPERANNUATION	OTHER BENEFITS <sup>2</sup>	SUB-TOTAL	\$
Non-executive directors								
K Spargo - Chairman	2015	235,995	-	235,995	16,483	45,750	62,233	298,228
	2014	125,376	-	125,376	11,597	41,092	52,689	178,065
J Cooper	2015	21,055	-	21,055	2,000	6,873	8,873	29,928
G Cowan	2015	115,778	-	115,778	10,999	38,030	49,029	164,807
	2014	113,266	-	113,266	10,477	37,123	47,600	160,866
R Humphry AO	2015	118,813	2,565	121,378	11,287	39,034	50,321	171,699
	2014	114,275	1,929	116,203	10,570	37,454	48,024	164,228
D McTaggart	2015	106,716	-	106,716	10,138	35,053	45,191	151,907
	2014	104,183	-	104,183	9,637	34,146	43,783	147,966
Former non-executive directors <sup>3</sup>								
T Rowe AO - Chairman	2015	89,989	1,901	91,890	6,261	28,875	35,136	127,026
	2014	270,975	1,929	272,904	17,775	86,625	104,400	377,304
R Ch'ien	2015	35,000	-	35,000	616	10,500	11,116	46,116
	2014	103,152	-	103,152	1,848	31,500	33,348	136,500

1. Non-monetary benefits include the cost to the Company of FBT, where applicable.

2. Other benefits are contributions to the Directors' Share Plan.

3. The remuneration for Mr Rowe and Mr Ch'ien relate to the period of the financial year the individuals were KMP.

4. Year on year changes in fees reflect the different Board and Committee positions held.

## 11.11 HEDGING, MARGIN LENDING AND INSIDER TRADING POLICIES

The Board has adopted a Trading in Securities policy which outlines information relating to trading in UGL securities, including hedging, margin lending and prohibition on insider trading. Further details of the policy are outlined in the corporate governance statement.

## 11.12 ADDITIONAL STATUTORY DISCLOSURES

### Share options and performance rights

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

Granting of options ceased in the 2014 financial year and no options vested or were exercised during the year.

Performance rights provide a right to receive a given number of shares in the Company, exercisable on a one-for-one basis, for nil consideration. All rights expire on the earlier of their expiry date or termination of the individual's employment. Vesting of performance rights is conditional on continuous employment and the achievement of performance hurdles.

No performance rights have been granted since the end of the 2015 financial year.

**Table 17: Analysis of share option and performance rights holdings**

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

2015	HELD AT 1 JULY 2014	VESTED AND/OR GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES <sup>1</sup>	HELD AT 30 JUNE 2015	EXERCISABLE AT 30 JUNE 2015
<b>PERFORMANCE RIGHTS</b>						
<b>Executive director</b>						
R Taylor	-	2,575,872	-	-	2,575,872	-
<b>Senior executives</b>						
R Church	-	262,237	-	-	262,237	-
<b>Former senior executives<sup>2</sup></b>						
T Lickerman	578,966	-	-	(578,966)	-	-
<b>OPTIONS</b>						
<b>Former senior executives<sup>2</sup></b>						
R Leupen	750,000	-	-	(750,000)	-	-
R Bonaccorso	261,445	-	-	(261,445)	-	-

1. Other changes represent options that expired or were forfeited during the year.

2. Where the KMP have left UGL or ceased to be classified as a KMP during the period, the balance held is the balance at the date they left the Company or date ceased to be classified as a KMP.

3. No options or rights vested or were exercisable during the year.

**Table 18: Analysis of share options and rights granted as remuneration**

Details of the vesting profile of the options and rights granted and held as at 30 June 2015 as remuneration to each KMP are presented in the table below:

<b>PERFORMANCE RIGHTS/OPTIONS</b>						
	NUMBER	GRANT DATE	% VESTED IN YEAR	% FORFEITED IN YEAR <sup>1</sup>	FINANCIAL YEAR ENDED IN WHICH GRANT MAY VEST	FINANCIAL YEAR ENDED IN WHICH % FORFEITED WAS GRANTED
<b>PERFORMANCE RIGHTS</b>						
<b>Executive director</b>						
R Taylor	1,287,936	11/05/2015	-	-	2018	-
	1,287,936	11/05/2015	-	-	2019	-
Total	2,575,872					
<b>Senior executives</b>						
R Church	262,237	25/03/2015	-	-	2018	-
<b>Former senior executives<sup>2</sup></b>						
T Lickerman	215,091	15/01/2014	-	100%	n/a	2014
	161,722	15/01/2014	-	100%	n/a	2014
	202,153	15/01/2014	-	100%	n/a	2014
Total	578,966					
<b>OPTIONS</b>						
<b>Former senior executives<sup>2</sup></b>						
R Leupen	750,000	17/12/2004	-	100%	-	2005
R Bonaccorso	261,445	24/06/2010	-	100%	2015	2009

1. The options were forfeited due to either the performance or service criteria not being met.

2. The remuneration for Richard Leupen, Robert Bonaccorso and Tod Lickerman relate to the period of the financial year the individuals were KMP.

# Directors' report for the year ended 30 June 2015

**Table 19: Performance rights granted as remuneration**

Details of performance rights granted over ordinary shares in the Company that were granted as remuneration to each relevant executive KMP during the reporting period are as follows:

2015	NUMBER GRANTED DURING THE YEAR	VESTING CONDITION	FAIR VALUE AT GRANT DATE \$	GRANTED IN YEAR \$	GRANT DATE	EXPIRY DATE	NUMBER LAPSED DURING THE YEAR
<b>Executive director</b>							
R Taylor	643,968	Relative TSR	1.45	933,754	11/05/2015	1/09/2017	-
	643,968	EPS	1.91	1,229,979	11/05/2015	1/09/2017	-
	643,968	Relative TSR	1.40	901,555	11/05/2015	1/09/2018	-
	643,968	EPS	1.84	1,184,901	11/05/2015	1/09/2018	-
Total	2,575,872			4,250,189			
<b>Senior executive</b>							
R Church	131,119	Relative TSR	0.83	108,828	25/03/2015	1/09/2017	-
	131,118	EPS	1.42	186,189	25/03/2015	1/09/2017	-
Total	262,237			295,017			
Total for executives	2,838,109			4,545,206			

## Performance shares

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

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

**Table 20: Analysis of performance shares holdings**

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

2015	HELD AT 1 JULY 2014 <sup>2</sup>	GRANTED AS COMPENSATION	VESTED	OTHER CHANGES <sup>3</sup>	HELD AT 30 JUNE 2015 <sup>4</sup>	VESTED 30 JUNE 2015
<b>Executive director</b>						
R Taylor	-	-	-	-	-	-
<b>Senior executives</b>						
R Church	-	-	-	-	-	-
<b>Former senior executives</b>						
R Leupen <sup>1</sup>	131,778	-	(131,778)	-	-	-
R Bonaccorso	66,595	-	(23,582)	(43,013)	-	-
T Lickerman	-	-	-	-	-	-

1. Consists of performance shares granted as compensation as long term incentives and succession incentive shares.

2. Represents the shares held at 1 July 2014 or at the date first classified as a KMP.

3. Other changes represent performance shares that were forfeited during the year.

4. Where the KMP have left UGL or ceased to be classified as a KMP during the period, the balance held is the balance at the date they left the Company or date ceased to be classified as a KMP.

**Table 21: Performance shares granted as remuneration**

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

	NUMBER GRANTED DURING THE YEAR <sup>1</sup>	FAIR VALUE GRANTED DURING THE YEAR \$ <sup>1</sup>	GRANT DATE	FAIR VALUE AT GRANT DATE \$	VESTING DATE	NUMBER LAPSED DURING THE YEAR
<b>Executive director</b>						
R Taylor	-	-	2015	225,000	2017	-
<b>Senior executives</b>						
R Church	-	-	2015	27,602	2017	-

1. 25% of the 2015 STI will be awarded in performance shares in October 2015. The number of shares granted will be determined at that time.

**Table 22: Analysis of performance shares granted as remuneration**

Details of the vesting profile of performance shares granted and held as at 30 June 2015 as remuneration to each director of the UGL and relevant UGL executives are presented in the table below:

	PERFORMANCE SHARES <sup>1</sup>		% VESTED IN YEAR	% FORFEITED IN YEAR <sup>2</sup>	FINANCIAL YEAR ENDED IN WHICH GRANT MAY VEST	VALUE YET TO VEST <sup>3</sup> MAX \$ <sup>4</sup>
	NUMBER	DATE				
<b>Executive director</b>						
R Taylor	-	2015	-	-	2017	225,000
<b>Senior executives</b>						
R Church	-	2015	-	-	2017	27,602
<b>Former senior executives</b>						
R Leupen	21,603	24/06/2009	100%	-	2015	-
	18,121	19/08/2009	100%	-	2015	-
	16,722	18/08/2010	100%	-	2015	-
	19,491	16/08/2011	100%	-	2015	-
	22,688	1/09/2012	100%	-	2015	-
	33,153	13/08/2013	100%	-	2015	-
Total	131,778					
R Bonaccorso	43,013	29/11/2011	-	100%	n/a	-
	23,582	23/08/2012	100%	-	2015	-
Total	66,595					

1. 25% of the 2015 STI will be awarded in performance shares in October 2015. The number of shares granted will be determined at that time.

2. The performance shares were forfeited due to the performance or service criteria not being met.

3. The minimum value of performance shares yet to vest is \$nil as the performance criteria may not be met and consequently the performance shares may not vest.

4. The maximum value of performance shares yet to vest is not determinable as it depends on the market price of ordinary shares of UGL on the ASX at the date the performance shares vest. The maximum values presented above represent the dollar value of the deferred STI.

**Table 23: Movement in shares**

Movement during the reporting period in the number of ordinary shares held directly, indirectly or beneficially by each KMP, including their related parties:

	HELD AT 1 JULY 2014	RECEIVED ON EXERCISE OF OPTIONS	GRANTED AS COMPENSATION	OTHER CHANGES <sup>1</sup>	HELD AT 30 JUNE 2015 <sup>2</sup>	INCLUDED AS HELD 30 JUNE 2015, HELD NOMINALLY
<b>Directors</b>						
K Spargo	39,070	-	-	24,451	63,521	-
J Cooper	-	-	-	1,562	1,562	-
G Cowan	25,453	-	-	14,629	40,082	-
R Humphry AO	192,460	-	-	15,071	207,531	-
D McTaggart	12,293	-	-	13,491	25,784	-
R Taylor	-	-	-	-	-	-
<b>Directors (former)</b>						
R Ch'ien	6,729	-	-	2,106	8,835	-
R Leupen	2,635,259	-	-	(750,000)	1,885,259	-
T Rowe AO	150,066	-	-	5,793	155,859	-
<b>Senior executives</b>						
R Church	-	-	-	-	-	-
<b>Former senior executives</b>						
R Bonaccorso	66,595	-	-	(43,013)	23,582	-
T Lickerman	-	-	-	-	-	-

1. Other changes represents shares purchased for the Directors' Share Plan, or forfeited during the year.

2. Where the KMP has left UGL or ceased to be classified as a KMP during the period, the balance held is the balance at the date they left the Company or date ceased to be classified as a KMP.

# Directors' report for the year ended 30 June 2015

**Table 24: Unquoted share options over ordinary shares in the Company on issue as at date of this Report**

EXPIRY DATE	EXERCISE PRICE	NO. OF OPTIONS
31 December 2015	\$8.49	195,600

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

**Table 25: Unquoted performance rights over ordinary shares in the Company on issue as at date of this Report**

EXPIRY DATE	EXERCISE PRICE	NO. OF RIGHTS
1 September 2017	\$nil	3,533,209
1 September 2018	\$nil	1,287,936
		4,821,145

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

**Table 26: Securities held by directors at the date of this Report**

The directors have a relevant interest in the following number of shares in the Company as at the date of this Report:

	NUMBER OF SHARES	NO. OF RIGHTS
<b>Non-executive directors</b>		
K Spargo - Chairman	69,665	-
J Cooper	4,636	-
G Cowan	43,527	-
R Humphry AO	211,122	-
<b>Executive director</b>		
R Taylor	-	2,575,872

## 12. NON-AUDIT SERVICES

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

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

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Risk & Audit Committee to ensure they do not impact the integrity and objectivity of the auditor
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards

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

	2015 \$	2014 \$
Amounts received or due and receivable by KPMG for:		
Audit or review of the financial statements	2,295,000	2,817,150
Other services:		
Taxation	182,000	286,000
DTZ sale - vendor due diligence, tax and other assurance*	2,965,841	-
Other	64,000	25,000
	3,211,841	311,000
	5,506,841	3,128,150

\* The sale of DTZ was a complex process which commenced in November 2013 as a demerger and eventually resulted in the business sale. This work was substantially completed in the financial year ended 30 June 2014, however, the fee was agreed, billed and paid in the financial year ended 30 June 2015.

## 13. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 57 and forms part of the Directors' Report for the financial year ended 30 June 2015.

## 14. ROUNDING OF AMOUNTS

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

Signed in accordance with a resolution of the directors.



**Kathryn D Spargo**  
Chairman



**Ross Taylor**  
Managing Director & CEO

Dated at Sydney this 21st day of August 2015.



# Lead auditor's independence declaration

Under section 307C of the *Corporations Act 2001*

To: the directors of UGL Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 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.

A stylized signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature in black ink, appearing to read 'T. Gilerman'.

**Tanya Gilerman**

Partner

Sydney

21 August 2015

# Consolidated income statement

for the year ended  
30 June 2015

	NOTE	2015 \$'000	2014 \$'000
<b>Continuing operations</b>			
Revenue	4	2,011,156	1,819,326
Other income	5	386	18,719
Raw materials and consumables		(729,797)	(664,719)
Employment costs		(973,029)	(828,206)
Depreciation and amortisation		(34,049)	(25,655)
Sub-contractor expenses		(160,807)	(131,056)
Finance costs (net)	7	(22,095)	(22,480)
Rental and occupancy expenses		(51,963)	(39,913)
Communication expenses		(9,587)	(5,787)
Insurance		(10,598)	(13,583)
Plant and equipment expenses		(28,244)	(26,052)
Motor vehicle expenses		(17,416)	(19,214)
Travel		(24,403)	(21,832)
Other expenses	6	(362,985)	(27,192)
Share of profits of equity accounted investees (net of tax)	14	15,068	12,006
(Loss)/profit before income tax		(398,363)	24,362
Income tax benefit	8	99,600	7,461
(Loss)/profit from continuing operations		(298,763)	31,823
<b>Discontinued operation</b>			
Profit from discontinued operation, net of tax	26	66,390	36,684
<b>(Loss)/profit for the year</b>		<b>(232,373)</b>	<b>68,507</b>
Profit attributable to:			
Owners of the Company		(236,396)	62,082
Non-controlling interests		4,023	6,425
(Loss)/profit for the year		(232,373)	68,507
Profit attributable to discontinued operations:			
Owners of the Company		66,294	34,655
Non-controlling interests		96	2,029
Profit for the year		66,390	36,684
		CENTS	CENTS
<b>Earnings per share</b>			
Earnings per share from continuing and discontinued operations			
Basic earnings per share (cents per share)	35	(142.0)	37.3
Diluted earnings per share (cents per share)	35	(140.1)	37.3
Earnings per share from continuing operations			
Basic earnings per share (cents per share)	35	(181.8)	16.5
Diluted earnings per share (cents per share)	35	(179.3)	16.5

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

# Consolidated statement of comprehensive income

for the year ended  
30 June 2015

	2015 \$'000	2014 \$'000
(Loss)/profit for the year	(232,373)	68,507
Other comprehensive income from continuing operations:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences - foreign operations	(24,065)	(9,292)
Foreign currency translation differences - equity accounted investees	-	982
Cash flow hedges	2,447	(1,059)
Tax on items that may be reclassified subsequently to profit or loss	-	-
Total items that may be reclassified subsequently to profit or loss	(21,618)	(9,369)
Other comprehensive income from continuing operations for the year (net of tax)	(21,618)	(9,369)
Other comprehensive income from discontinued operations:		
Items that will not be reclassified to profit or loss:		
Defined benefit plans actuarial losses	-	(4,395)
Total items that will not be reclassified to profit or loss	-	(4,395)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences - foreign operations	28,999	13,039
Tax on items that may be reclassified subsequently to profit or loss	-	-
Total items that may be reclassified subsequently to profit or loss	28,999	13,039
Other comprehensive income from discontinued operations for the year (net of tax)	28,999	8,644
Total comprehensive income from continuing operations	(320,381)	22,454
Total comprehensive income from discontinued operations	95,389	45,328
<b>Total comprehensive income for the year</b>	<b>(224,992)</b>	<b>67,782</b>
Total comprehensive income from continuing operations attributable to:		
Owners of the Company	(324,308)	18,058
Non-controlling interests	3,927	4,396
Total comprehensive income for the year	(320,381)	22,454
Total comprehensive income from discontinued operations attributable to:		
Owners of the Company	95,304	43,156
Non-controlling interests	85	2,172
Total comprehensive income for the year	95,389	45,328

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

# Consolidated statement of financial position

as at  
30 June 2015

	NOTE	2015 \$'000	2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	9	164,597	182,497
Trade and other receivables	10	231,062	219,702
Inventories	11	245,089	319,675
Income tax receivable	12	21,283	28,774
Other financial assets	13	4,589	-
Assets held for sale	26	-	1,584,841
<b>Total current assets</b>		<b>666,620</b>	<b>2,335,489</b>
<b>Non-current assets</b>			
Trade and other receivables	10	1,234	4,169
Other financial assets	13	9,750	9,779
Investments accounted for using the equity method	14	17,000	34,322
Property, plant and equipment	15	51,749	59,004
Intangible assets	16	338,861	481,199
Deferred tax assets	17	154,019	66,567
<b>Total non-current assets</b>		<b>572,613</b>	<b>655,040</b>
<b>Total assets</b>		<b>1,239,233</b>	<b>2,990,529</b>
<b>Current liabilities</b>			
Trade and other payables	18	415,891	326,031
Loans and borrowings	19	13,331	22,368
Employee benefits	20	91,056	69,795
Other financial liabilities	22	5,114	4,108
Income tax payable	12	952	4,343
Provisions	23	125,272	16,888
Liabilities held for sale	26	-	628,115
<b>Total current liabilities</b>		<b>651,616</b>	<b>1,071,648</b>
<b>Non-current liabilities</b>			
Loans and borrowings	19	117,572	718,133
Employee benefits	20	5,043	5,365
Other financial liabilities	22	286	572
Provisions	23	29,304	9,719
<b>Total non-current liabilities</b>		<b>152,205</b>	<b>733,789</b>
<b>Total liabilities</b>		<b>803,821</b>	<b>1,805,437</b>
<b>Net assets</b>		<b>435,412</b>	<b>1,185,092</b>
<b>Equity</b>			
Share capital	24	421,293	910,836
Reserves		(27,109)	(30,053)
Retained earnings		34,870	281,257
		429,054	1,162,040
Amounts recognised directly in equity relating to assets classified as held for sale		-	10,234
<b>Total equity attributable to owners of the Company</b>		<b>429,054</b>	<b>1,172,274</b>
<b>Non-controlling interests</b>		<b>6,358</b>	<b>12,818</b>
<b>Total equity</b>		<b>435,412</b>	<b>1,185,092</b>

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

# Consolidated statement of changes in equity

for the year ended  
30 June 2015

\$'000 YEAR ENDED 30 JUNE 2015	ATTRIBUTABLE TO OWNERS OF THE COMPANY									
	TRANSLATION RESERVE	HEDGING RESERVE	EMPLOYEE EQUITY BENEFIT RESERVE	RESERVE FOR TREASURY SHARES	TOTAL RESERVES	SHARE CAPITAL	RETAINED EARNINGS	TOTAL	NON- CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 1 July 2014	(11,936)	(2,956)	23,538	(28,465)	(19,819)	910,836	281,257	1,172,274	12,818	1,185,092
Loss for the year	-	-	-	-	-	-	(236,396)	(236,396)	4,023	(232,373)
Foreign currency translation differences	4,945	-	-	-	4,945	-	-	4,945	(11)	4,934
Gains on cash flow hedges taken to equity	-	18,493	-	-	18,493	-	-	18,493	-	18,493
Net change in fair value of cash flow hedges transferred to the initial carrying amount of the hedged item	-	(16,046)	-	-	(16,046)	-	-	(16,046)	-	(16,046)
Income tax	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	4,945	2,447	-	-	7,392	-	(236,396)	(229,004)	4,012	(224,992)
Transactions with owners in their capacity as owners:										
Share-based payments	-	-	523	-	523	-	-	523	-	523
Treasury shares transferred	-	-	-	200	200	-	-	200	-	200
Transfer of vested shares	-	-	(10,065)	10,065	-	-	-	-	-	-
Transfer to profit on sale of subsidiaries	(15,742)	337	-	-	(15,405)	-	-	(15,405)	(5,735)	(21,140)
Return of capital	-	-	-	-	-	(489,543)	-	(489,543)	-	(489,543)
Dividends to owners	-	-	-	-	-	-	(9,991)	(9,991)	(4,737)	(14,728)
Total transactions with owners	(15,742)	337	(9,542)	10,265	(14,682)	(489,543)	(9,991)	(514,216)	(10,472)	(524,688)
Balance at 30 June 2015	(22,733)	(172)	13,996	(18,200)	(27,109)	421,293	34,870	429,054	6,358	435,412
YEAR ENDED 30 JUNE 2014										
Balance at 1 July 2013	(16,522)	(1,897)	26,244	(32,473)	(24,648)	910,836	231,896	1,118,084	11,905	1,129,989
Profit for the year	-	-	-	-	-	-	62,082	62,082	6,425	68,507
Foreign currency translation differences	4,586	-	-	-	4,586	-	-	4,586	143	4,729
Gains on cash flow hedges taken to equity	-	5,789	-	-	5,789	-	-	5,789	-	5,789
Net change in fair value of cash flow hedges transferred to the initial carrying amount of the hedged item	-	(6,848)	-	-	(6,848)	-	-	(6,848)	-	(6,848)
Defined benefit plans actuarial losses	-	-	-	-	-	-	(4,395)	(4,395)	-	(4,395)
Total comprehensive income for the year	4,586	(1,059)	-	-	3,527	-	57,687	61,214	6,568	67,782
Transactions with owners in their capacity as owners:										
Share-based payments	-	-	1,022	-	1,022	-	-	1,022	-	1,022
Treasury shares transferred	-	-	-	280	280	-	-	280	-	280
Transfer of vested shares	-	-	(3,728)	3,728	-	-	-	-	-	-
Dividends to owners	-	-	-	-	-	-	(8,326)	(8,326)	(5,790)	(14,116)
Non-controlling interests acquisition without change of control	-	-	-	-	-	-	-	-	135	135
Total transactions with owners	-	-	(2,706)	4,008	1,302	-	(8,326)	(7,024)	(5,655)	(12,679)
Balance at 30 June 2014	(11,936)	(2,956)	23,538	(28,465)	(19,819)	910,836	281,257	1,172,274	12,818	1,185,092

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

# Consolidated statement of cash flows

for the year ended  
30 June 2015

	NOTE	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2,862,711	4,203,865
Cash payments to suppliers and employees		(2,781,114)	(4,120,528)
Interest received		3,818	3,064
Interest and other costs of finance paid		(31,314)	(40,029)
Distributions from equity accounted investees		16,938	25,173
Income taxes paid		(6,054)	(9,473)
Net cash from operating activities	25(b)	64,985	62,072
<b>Cash flows from investing activities</b>			
Payment for plant and equipment		(17,556)	(24,287)
Proceeds from sale of property, plant and equipment		5,343	75,559
Payment for software		(4,011)	(26,593)
Payment for other intangibles		(2,479)	(13,258)
Project establishment costs		(6,189)	(19,258)
Proceeds from sale of discontinued operation	26	1,087,227	-
Purchase of non-controlling interests		-	(40)
Investments in equity accounted investees		(106)	(20,858)
Net cash from/(used) in investing activities		1,062,229	(28,735)
<b>Cash flows from financing activities</b>			
Return of capital	24	(489,543)	-
Proceeds from borrowings		227,472	515,964
Repayment of borrowings		(867,839)	(510,458)
Payment of finance lease liabilities		(1,643)	(3,896)
Dividends paid to owners	24	(9,991)	(8,326)
Dividends paid to non-controlling interests		(944)	(5,790)
Net cash used in financing activities		(1,142,488)	(12,506)
Net (decrease)/increase in cash and cash equivalents		(15,274)	20,831
Cash and cash equivalents at 1 July		179,230	157,654
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		641	745
Cash and cash equivalents at 30 June	25(a)	164,597	179,230

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

Consolidated cash flows for 2015 and 2014 refer to the results of the UGL Limited consolidated group, including the DTZ businesses sold classified as a discontinued operation. (See Note 26: Assets held for sale and discontinued operations)

# Notes to the financial statements

for the year ended  
30 June 2015

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# Notes to the financial statements

for the year ended  
30 June 2015

## NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

### (a) Reporting entity

UGL Limited (the Company or the parent entity or UGL) is a company domiciled in Australia. The consolidated financial statements of the Company for the year ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the Group or the consolidated entity) and the Group's interest in associates and jointly controlled entities. The Group is a leading provider of end-to-end outsourced engineering, asset management and maintenance services with a diversified end-market exposure across core sectors of rail, transport & technology systems, power, resources, water and defence.

### (b) Statement of compliance

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

The consolidated financial statements were authorised for issue by the directors on 21 August 2015.

### (c) Basis of preparation

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

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

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

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

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

### (d) Changes in significant accounting policies

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current accounting period. Their adoption has not had any material impact on the Group's assets, profits or earnings per share for the year ended 30 June 2015.

### (e) Basis of consolidation

#### *Business combinations*

Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is

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

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

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

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

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

#### *Subsidiaries*

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

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

#### *Interests in equity accounted investees*

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

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

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

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

#### *Accounting for acquisition of non-controlling interests*

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

#### *Joint operations*

A joint operation is carried on by each venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs

in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

#### **Transactions eliminated on consolidation**

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

#### **(f) Discontinued operation**

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

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

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

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

#### **(g) Segment reporting**

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

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

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

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

#### **(h) Revenue recognition**

##### **Goods sold and services rendered**

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

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

##### **Construction contracts**

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

Profit recognition for lump sum fixed price contracts does not commence until cost to completion can be reliably measured. This is generally 20% complete.

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

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

#### **Dividends**

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

#### **(i) Finance costs (net)**

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

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

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

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

#### **(j) Income tax**

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

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

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

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

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

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a

# Notes to the financial statements

for the year ended  
30 June 2015

series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

## **(k) Cash and cash equivalents**

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

## **(l) Inventories**

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

## **Construction work in progress**

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

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

## **(m) Assets held for sale**

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

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

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

## **(n) Property, plant and equipment**

### **Owned assets**

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

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

## **Leased assets**

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

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

## **Sale of non-current assets**

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

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

## **Subsequent costs**

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

## **Depreciation**

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

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

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

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

## **(o) Intangibles**

### **Goodwill**

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

### **Subsequent measurement**

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

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

### **Software**

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

### **Project establishment costs**

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

### **Development costs**

Expenditure on development projects is capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it can be available for use or sale, the potential for the asset to generate future economic benefits on completion, and the ability to measure reliably the expenditure attributable to the asset during its development.

### **Other intangible assets**

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

### **Subsequent expenditure**

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

### **Amortisation**

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

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

- Software - 1 to 10 years
- Project establishment costs - Initial contract term
- Development costs - 2 to 5 years
- Other intangible assets - 5 to 15 years

### **(p) Impairment**

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

### **Impairment of non-financial assets**

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

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

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

### **Impairment of financial assets**

Assessment is made at each reporting date as to whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are only recognised if there is objective evidence of impairment as a result of a loss event that has occurred after initial recognition of the asset or group of assets and that loss event has

an impact on the estimated future cash flows of such assets that can be reliably estimated.

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

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

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

### **(q) Provisions**

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

### **(r) Financial instruments**

#### **Non-derivative financial instruments**

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

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

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

#### **Derivative financial instruments**

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

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

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

### **(s) Derivatives and hedging activities**

The Group designates certain derivatives as either:

- Hedges of probable forecast transactions (cash flow hedges);
- Hedges of a net investment in a foreign operation (net investment hedges);

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- Hedges of fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- Economic hedges (not subject to hedge accounting).

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

## **Cash flow hedges**

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

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

## **Net investment hedge**

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

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

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

## **Fair value hedges**

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

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

## **Economic hedges**

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

## **(t) Foreign currencies**

### **Transactions**

Foreign currency transactions are initially translated into the functional currency at the rate of exchange at the date of the transaction. Monetary

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

## **Foreign operations**

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

## **(u) Lease payments**

### **Operating lease payments**

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

### **Finance lease payments**

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

## **(v) Employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's net obligation for long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

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

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

## **(w) Share-based payments**

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

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

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

#### (x) Earnings per share

##### **Basic earnings per share**

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

##### **Diluted earnings per share**

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

#### (y) Share capital

##### **Ordinary shares**

Ordinary shares are classified as equity.

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

##### **Treasury shares**

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

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

##### **Dividends**

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

#### (z) Australian goods and services tax

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

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

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

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

#### (aa) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are relevant to the Group's operations but are not mandatory for the 30 June 2015 accounting period. The Group's assessment of the impact of these is set out below.

- AASB 9 *Financial Instruments* which will become mandatory for the Group's annual reporting period ending 30 June 2019, addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model. The standard also introduces expanded disclosure requirements and changes in presentation.

As the new hedging rules align hedge accounting more closely with the Group's risk management practices it is expected that it will be easier to apply hedge accounting in the future.

The new impairment model includes expected credit loss, which may result in earlier recognition of credit losses.

The Group does not plan to adopt this standard early, and the full extent of the impact has not yet been determined.

- AASB 15 *Revenue from Contracts with Customers* which will become mandatory for the Group's annual reporting period ending 30 June 2019, replaces the existing revenue standard and interpretations and is based on the identification of performance obligations under a contract to determine revenue treatment. The standard permits a modified retrospective approach on adoption whereby transitional adjustments are recognised in retained earnings as at 1 July 2018 (date of initial application) without restating the comparative period. The new rules are applied retrospectively only to those contracts that are not completed as at 1 July 2018.

Management is currently assessing the impact of the new rules, noting that application of the new standard to traditional construction contracts is expected to result in a revenue accounting outcome broadly similar to the present current stage of completion method.

Management will review new and existing contracts to ensure that enforceable contractual rights and obligations satisfy the revenue recognition criteria.

The Group does not expect to adopt the new standard before 1 July 2018.

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

## NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### **Construction contracts**

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

### **Capitalisation of tender costs**

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

### **Goodwill and intangibles**

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

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

### **Self-insurance provisions**

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

### **Current and deferred income taxes**

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes. Judgement is also required in assessing whether deferred tax assets are recognised on the statement of financial position. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Changes in circumstances will alter expectations, which may impact the amount of

# Notes to the financial statements

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deferred tax assets and liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised.

## Share-based payments

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

## Control assessment

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

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

## NOTE 3: OPERATING SEGMENTS

For management purposes, from 1 June 2015 the continuing Group has been organised into five business units, based on their products and services. The reorganisation resulted from the sale of the DTZ business and the subsequent move to a new business structure transitioning to a standalone engineering group.

Operations of each reportable segment:

- Rail and Defence: Passenger and freight build and maintenance, GE parts sales and distribution, supply chain services, component manufacture, and naval ship maintenance.
- Asset Services: Maintenance, shutdowns and turnarounds in liquefied natural gas, minerals processing, petroleum, power and water sectors.
- Technology Systems: Road tunnel signalling and communications systems, train signalling and control systems, and wireless communications.
- Engineering and Construction: Engineering, procurement; construction and commissioning in the power, water and resources sectors.
- International: Engineering design, procurement, construction and commissioning of water treatment plants, oil and gas pipeline engineering, procurement and construction capability.

The executive management team appointed to take up full responsibility for individual business unit performance commenced their duties as of 1 July 2015.

DTZ Property, discontinued segment in June 2014, the Company announced that it had entered into a binding agreement to sell the DTZ businesses to a consortium comprising TPG Capital, PAG Asia Capital and Ontario Teachers' Pension Plan. The sale was completed on 5 November 2014. Refer Note 26: Assets held for sale and discontinued operations.

Prior to 1 June 2015, the Group was organised into two business units: UGL Engineering; and DTZ Property. Comparative information for the year ended 30 June 2014 has been restated to reflect the five continuing business units operating from 1 June 2015. The measurement basis for the segment profit or loss in both periods remains the same, except for the allocation of overhead to each of the five business units, previously allocated in total to the Engineering segment.

Corporate overhead has been reallocated to the segments based on the new reporting framework adopted by management. This allocation has been applied to the current and prior year allocation of overhead disclosures.

Management measures performance based on segment profit before interest and income tax (EBIT); and after adjusting for non-recurring expenditure including restructure and redundancy, impairment of intangible assets and joint venture investments, claims resolution and settlement, provision for contract loss and write down of inventory.

Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

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

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

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

UGL ENGINEERING - CONTINUING \$'000	RAIL & DEFENCE	ASSET SERVICES	TECHNOLOGY SYSTEMS	ENGINEERING & CONSTRUCTION	INTERNATIONAL	TOTAL
<b>2015</b>						
Reportable segment revenue						
External revenues	986,066	461,615	225,876	635,591	11,321	2,320,469
Inter-segment revenue	257	1,590	5,439	711	19	8,016
Total reportable segment revenue	986,323	463,205	231,315	636,302	11,340	2,328,485
Reportable segment profit/(loss) (Segment EBIT)	32,449	8,522	10,304	41,952	(5,870)	87,357
Interest income	710	-	447	15	40	1,212
\$'000	UGL ENGINEERING - CONTINUING	DTZ PROPERTY - DISCONTINUED	REPORTABLE SEGMENTS	CORPORATE/ UNALLOCATED	ELIMINATIONS	TOTAL
<b>2015</b>						
Reportable segment revenue						
External revenues	2,320,469	728,138	3,048,607	-	-	3,048,607
Inter-segment revenue	8,016	1,010	9,026	-	(9,026)	-
Total reportable segment revenue	2,328,485	729,148	3,057,633	-	(9,026)	3,048,607
Reconciliation:						
Revenue - joint ventures and associates					(319,947)	(319,947)
Elimination of discontinued operation					(717,504)	(717,504)
Consolidated revenue						2,011,156
Reportable segment profit/(loss) (Segment EBIT)	87,357	27,797	115,154	(39,826)	-	75,328
Reconciliation:						
Provision for contract loss				(175,000)	-	(175,000)
Claims resolution and settlement				(39,777)	-	(39,777)
Goodwill impairment				(62,970)	-	(62,970)
Asset impairment and provisions				(79,443)	-	(79,443)
Redundancy and restructure costs				(43,606)	-	(43,606)
Tender costs written off				(18,927)	-	(18,927)
Interest income	1,212	1,008	2,220	1,535	-	3,755
Interest expense				(29,302)	-	(29,302)
Tax on equity accounted income					(6,888)	(6,888)
Elimination of discontinued operation					(21,533)	(21,533)
Consolidated loss before income tax from continuing operations						(398,363)

# Notes to the financial statements for the year ended 30 June 2015

## NOTE 3: OPERATING SEGMENTS (continued)

UGL ENGINEERING - CONTINUING \$'000	RAIL & DEFENCE	ASSET SERVICES	TECHNOLOGY SYSTEMS	ENGINEERING & CONSTRUCTION	INTERNATIONAL	TOTAL
<b>2014</b>						
Reportable segment revenue						
External revenues	969,419	454,171	294,108	521,209	22,831	2,261,738
Inter-segment revenue	1,654	1,615	7,224	4,200	17	14,710
Total reportable segment revenue	971,073	455,786	301,332	525,409	22,848	2,276,448
Reportable segment profit/(loss) (Segment EBIT)	45,779	11,428	21,141	27,512	(5,130)	100,730
Interest income	849	-	-	73	88	1,010

\$'000	UGL ENGINEERING - CONTINUING	DTZ PROPERTY - DISCONTINUED	REPORTABLE SEGMENTS	CORPORATE/ UNALLOCATED	ELIMINATIONS	TOTAL
<b>2014</b>						
Reportable segment revenue						
External revenues	2,261,738	2,249,732	4,511,470	-	-	4,511,470
Inter-segment revenue	14,710	3,654	18,364	-	(18,364)	-
Total reportable segment revenue	2,276,448	2,253,386	4,529,834	-	(18,364)	4,511,470
Reconciliation:						
Revenue - joint ventures and associates					(469,695)	(469,695)
Elimination of discontinued operation					(2,222,449)	(2,222,449)
Consolidated revenue						1,819,326
Reportable segment profit/(loss) (Segment EBIT)	100,730	123,916	224,646	(38,865)	-	185,781
Reconciliation:						
Amortisation of intangibles associated with acquisitions				(10,673)	-	(10,673)
DTZ separation costs				(52,761)	-	(52,761)
Restructuring costs				(39,330)	-	(39,330)
Release of DTZ pre-acquisition provisions				12,624	-	12,624
Profit on sale of property, plant and equipment				15,273	-	15,273
Interest income	1,010	1,917	2,927	714	-	3,641
Interest expense				(41,073)	-	(41,073)
Tax on equity accounted income					(5,585)	(5,585)
Elimination of discontinued operation					(43,535)	(43,535)
Consolidated profit before income tax from continuing operations						24,362

\$'000	DEPRECIATION & AMORTISATION	SHARE OF PROFIT - EQUITY ACCOUNTED INVESTEES	SEGMENT ASSETS	EQUITY ACCOUNTED INVESTMENTS	CAPITAL EXPENDITURE
<b>Other segment information</b>					
<b>2015</b>					
Continuing operations:					
Rail & Defence	3,910	15,068	547,908	17,000	5,176
Asset services	2,529	-	156,942	-	2,457
Technology systems	2,028	-	118,106	-	2,405
Engineering & Construction	9,184	-	122,927	-	6,432
International	57	-	12,922	-	213
	17,708	15,068	958,805	17,000	16,683
DTZ Property - discontinued	-	1,987	-	-	-
Reportable segments	17,708	17,055	958,805	17,000	16,683
Corporate/unallocated	16,341	-	280,428	-	4,748
Total	34,049	17,055	1,239,233	17,000	21,431
<b>2014</b>					
Continuing operations:					
Rail & Defence	8,049	12,912	721,438	15,003	17,545
Asset services	4,073	(2,611)	175,059	6,333	-
Technology systems	2,455	-	98,355	-	658
Engineering & Construction	3,905	3,444	83,816	2,636	1,990
International	49	(1,739)	24,506	10,350	-
	18,531	12,006	1,103,174	34,322	20,193
DTZ Property - discontinued	33,169	6,147	1,580,441	15,993	41,044
Reportable segments	51,700	18,153	2,683,615	50,315	61,237
Corporate/unallocated	7,124	-	306,914	-	674
Total	58,824	18,153	2,990,529	50,315	61,911

	2015 \$'000	2014 \$'000
Other material non-cash items, included in segment results:		
Rail & Defence		
Impairment of held for sale assets	-	1,885
Geographical information (continuing operations):		
Revenues from external customers based on the location of the customer:		
Australia	1,977,689	1,772,581
Other countries	33,467	46,745
	2,011,156	1,819,326
Non-current assets based on geographical location of assets (continuing operations):		
Australia	435,211	490,167
Other countries	623	1,004
	435,834	491,171

Revenue from one customer in the Rail & Defence segment represents approximately \$248 million (2014: \$352 million) of the Group's total revenue from continuing operations.

#### NOTE 4: REVENUE

Services	917,329	861,637
Construction contracts	1,027,442	864,046
Sale of goods	66,385	93,643
	2,011,156	1,819,326

#### NOTE 5: OTHER INCOME

Net gain on sale of property, plant and equipment	-	16,899
Other	386	1,820
	386	18,719

# Notes to the financial statements for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
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## NOTE 6: EXPENSES

Profit before income tax from continuing operations includes the following specific expenses:

Rental expenses - operating leases	47,839	37,647
Defined contribution plans contributions	53,161	44,322
Equity-settled share-based payments	699	1,022
Restructuring and redundancy costs	43,606	36,035
Provision for contract losses*	175,000	-
Impairment of goodwill*	62,970	-
Impairment of development costs*	51,305	-
Impairment of joint venture investment*	9,796	-
Claims resolution and settlement	39,777	-
Write down of inventory	5,261	-
Write down of establishment costs*	18,927	-
Provision for onerous leases	11,588	-
Net realised foreign exchange losses	1,436	-

\* These expenses are included in other expenses in the consolidated income statement.

## NOTE 7: FINANCE COSTS (NET)

Interest expense	22,046	16,670
Other borrowing costs	2,796	7,621
	24,842	24,291
Interest revenue	(2,747)	(1,811)
	22,095	22,480

## NOTE 8: INCOME TAX (BENEFIT)/EXPENSE

### Income tax recognised in profit or loss

Current year (benefit)/expense	(13,011)	12,505
Deferred tax benefit - origination and reversal of temporary differences	(87,452)	(19,811)
Adjustments for prior years	863	(155)
	(99,600)	(7,461)

### Deferred income tax benefit included in tax expense comprises:

Increase in deferred tax assets	(76,760)	(15,351)
Decrease in deferred tax liabilities	(10,692)	(4,460)
	(87,452)	(19,811)

### Reconciliation of effective tax rate

Accounting profit before income tax:

Profit before income tax expense - continuing operations	(398,363)	24,362
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Tax at the Australian tax rate of 30% (2014: 30%)	(119,509)	7,309
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Adjusted for:

- equity-settled share-based payments	365	54
- impairment of intangibles	18,891	-
- other non-deductible/assessable items	(101)	297
- finance costs	(1,226)	(6,601)
- equity accounted investee income	(4,291)	(3,350)
- capital gains tax	3,063	(3,288)
- overseas tax rate differential	272	(196)
- tax losses recouped	2,073	(1,531)
Over provision in prior years	863	(155)
Income tax benefit - continuing operations	(99,600)	(7,461)

The income tax expense for discontinued operations was \$4,073,000 (2014: \$6,851,000), and the tax expense on the gain on sale of the discontinued operations was \$17,172,000. Both of these are included in 'Profit from discontinued operations, net of tax'. (See Note 26: Assets held for sale and discontinued operations.)

	2015 \$'000	2014 \$'000
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## NOTE 9: CASH AND CASH EQUIVALENTS

Bank balances	164,560	177,005
Call deposits	-	5,396
Cash on hand	37	96
	164,597	182,497

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 36: Financial instruments.

	2015 \$'000	2014 \$'000
<b>NOTE 10: TRADE AND OTHER RECEIVABLES</b>		
Current		
Trade and other receivables	225,832	217,938
Allowance for impairment of trade receivables	(30)	(799)
	225,802	217,139
Prepayments	5,002	2,523
Retentions withheld on contracts in progress	258	40
	231,062	219,702
Non-current		
Trade and other receivables	-	3,951
Prepayments	1,234	218
	1,234	4,169

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 36: Financial instruments.

	2015 \$'000	2014 \$'000
<b>NOTE 11: INVENTORIES</b>		
Current		
Raw materials and stores	81,624	90,274
Construction work in progress (refer below)	163,465	229,401
	245,089	319,675
Contracts in progress		
Aggregate of costs and profits recognised on contracts in progress	8,109,271	7,994,239
Progress billings and advances received on contracts in progress	(8,107,140)	(7,825,175)
Net construction work in progress	2,131	169,064
Net construction work in progress comprises:		
Amounts due from customers - work in progress	163,465	229,401
Amounts due to customers - included in trade and other payables as billings in advance under construction contracts	(161,334)	(60,337)
	2,131	169,064

Write-down of inventories to net realisable value amounted to \$9,821,000 (2014: \$1,260,000), recognised as an expense and included in 'Raw materials and consumables' in the income statement.

## NOTE 12: CURRENT TAX RECEIVABLE AND PAYABLE

The current tax receivable of \$21,283,000 (2014: \$28,774,000) represents the amount of income tax recoverable in respect of current and prior financial periods that arises from the payment of tax in excess of amounts due to the relevant tax authority. The current tax liability of \$952,000 (2014: \$4,343,000) represents the amount of income tax payable in respect of current and prior financial periods.

	2015 \$'000	2014 \$'000
<b>NOTE 13: OTHER FINANCIAL ASSETS</b>		
Current		
Foreign currency forward contracts	4,589	-
Non-current		
Loan to associate	9,750	9,750
Foreign currency forward contracts	-	29
	9,750	9,779

# Notes to the financial statements for the year ended 30 June 2015

2015  
\$'000

2014  
\$'000

## NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Equity accounted investees	17,000	34,322
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### Interests in joint venture entities and associates

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

			INTERESTS HELD		INVESTMENT CARRYING AMOUNT	
NAME	PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITIES	2015 %	2014 %	2015 \$'000	2014 \$'000
Associates:						
Metro Trains Melbourne Pty Ltd	Australia	Operation and maintenance of Melbourne passenger train network	20	20	15,366	13,501
Metro Trains Sydney Pty Ltd	Australia	Operation and maintenance of North West Rail link	20	-	10	-
					15,376	13,501
Joint ventures:						
Naval Ship Management (Australia) Pty Ltd	Australia	Defence fleet maintenance	50	50	1,624	1,502
Texmaco UGL Rail Private Ltd	India	Manufacture and supply of rolling stock components	50	50	-	10,350
United Group Infrastructure/ Balfour Beatty (UGL/Balfour Beatty)	Australia	High voltage transmission line installation	-	50	-	1,014
					1,624	12,866
Reclassified to Joint Operations:						
UGL KAEFER	Australia	General maintenance services and field managed modifications	-	50	-	6,333
CH2 - UGL	Australia	Power plant construction	-	50	-	1,622
					-	7,955
					17,000	34,322

During the year the investment in the Texmaco UGL Rail Private Ltd joint venture was written off as fully impaired. The impairment loss of \$9,796,000 is included in other expenses in the income statement. Equity accounting has ceased for this joint venture. The unrecognised share of losses, if accounted for using the equity method, totalled \$766,000 for the period subsequent to the impairment write off. A liability has been taken up for \$766,000 as the Group has continuing obligations in respect of the joint venture.

The UGL/Balfour Beatty joint venture ceased in the 2015 financial year.

Reclassification to Joint Operations: The UGL KAEFER and CH2 - UGL unincorporated joint venture operations have been reclassified as joint operations in the current period (Refer Note 32: Joint Operations).

2015  
\$'000

2014  
\$'000

Results of individually immaterial interests in equity accounted investees

### Continuing operations:

Associates

Post tax profit	12,486	9,879
Total comprehensive income	12,486	9,879

Joint ventures

Post tax profit	2,582	2,127
Other comprehensive income	-	982
Total comprehensive income	2,582	3,109
Total post tax profit	15,068	12,006

\$'000	FREEHOLD LAND	BUILDINGS	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT UNDER LEASE	TOTAL
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## NOTE 15: PROPERTY, PLANT AND EQUIPMENT

### Cost

Balance 1 July 2013	16,750	58,408	249,783	63,556	15,507	404,004
Additions	-	270	18,257	5,363	2,575	26,465
Transfers and reclassifications	-	-	(3,230)	837	-	(2,393)
Transfer to assets held for sale	(405)	(7,217)	(70,511)	(37,787)	(16,458)	(132,378)
Disposals	(16,094)	(50,627)	(23,562)	(6,913)	(759)	(97,955)
Effect of movements in exchange rates	-	17	368	2,003	(158)	2,230
Balance at 30 June 2014	251	851	171,105	27,059	707	199,973
Balance 1 July 2014	251	851	171,105	27,059	707	199,973
Additions	-	-	11,625	927	-	12,552
Transfers and reclassifications	-	4	5,537	98	-	5,639
Disposals	-	(6)	(17,454)	(2,167)	(154)	(19,781)
Effect of movements in exchange rates	-	(9)	(163)	18	(29)	(183)
Balance at 30 June 2015	251	840	170,650	25,935	524	198,200

### Depreciation

Balance at 1 July 2013	-	(25,388)	(168,888)	(31,193)	(7,709)	(233,178)
Depreciation for the year	-	(1,272)	(18,451)	(7,320)	(2,786)	(29,829)
Impairment	-	-	-	(912)	-	(912)
Transfers and reclassifications	-	-	2,249	99	-	2,348
Transfer to assets held for sale	-	3,202	46,798	17,872	9,339	77,211
Disposals	-	23,108	16,639	4,539	542	44,828
Effect of movements in exchange rates	-	(9)	(598)	(920)	90	(1,437)
Balance at 30 June 2014	-	(359)	(122,251)	(17,835)	(524)	(140,969)
Balance at 1 July 2014	-	(359)	(122,251)	(17,835)	(524)	(140,969)
Depreciation for the year	-	(36)	(15,276)	(3,902)	(121)	(19,335)
Impairment	-	-	(2,594)	-	-	(2,594)
Transfers and reclassifications	-	(2)	(2,248)	(21)	-	(2,271)
Disposals	-	6	16,922	1,436	154	18,518
Effect of movements in exchange rates	-	5	182	(13)	26	200
Balance at 30 June 2015	-	(386)	(125,265)	(20,335)	(465)	(146,451)

### Carrying amounts

At 1 July 2013	16,750	33,020	80,895	32,363	7,798	170,826
At 30 June 2014	251	492	48,854	9,224	183	59,004
At 30 June 2015	251	454	45,385	5,600	59	51,749

Transfers and reclassifications refers to transfers and adjustments between asset categories and inclusion of Joint Operations' assets in the 2015 financial year.

Impairment losses are included in 'Other expenses' in the income statement.

# Notes to the financial statements for the year ended 30 June 2015

\$'000	GOODWILL	PROJECT ESTABLISHMENT COSTS	SOFTWARE	SOFTWARE UNDER DEVELOPMENT	TRADEMARKS AND TRADE NAMES	CUSTOMER CONTRACTS	DEVELOPMENT COSTS	OTHER IDENTIFIED INTANGIBLE ASSETS	TOTAL
<b>NOTE 16: INTANGIBLE ASSETS</b>									
<b>Cost</b>									
Balance 1 July 2013	1,134,767	28,955	96,612	40,506	45,438	163,990	67,295	15,831	1,593,394
Additions	-	889	1,128	8,333	-	-	-	-	10,350
Costs capitalised	-	18,369	20	14,972	-	-	13,258	-	46,619
Transfers and reclassifications	-	-	3,323	(945)	-	-	-	-	2,378
Transfer to assets held for sale	(791,390)	(2,454)	(17,713)	(62,069)	(49,882)	(162,089)	-	(14,021)	(1,099,618)
Disposals	-	(6,794)	(921)	-	-	-	(2,684)	(1,220)	(11,619)
Effect of movements in exchange rates	15,415	-	(115)	(797)	4,444	599	-	618	20,164
Balance at 30 June 2014	358,792	38,965	82,334	-	-	2,500	77,869	1,208	561,668
Balance 1 July 2014	358,792	38,965	82,334	-	-	2,500	77,869	1,208	561,668
Additions	-	-	2,043	-	-	-	-	-	2,043
Costs capitalised	-	5,899	-	-	-	-	2,478	-	8,377
Transfers and reclassifications	-	343	138	-	-	-	-	-	481
Disposals	-	(30,851)	(2,471)	-	-	(2,500)	(2,461)	-	(38,283)
Effect of movements in exchange rates	-	-	(14)	-	-	-	-	-	(14)
Balance at 30 June 2015	358,792	14,356	82,030	-	-	-	77,886	1,208	534,272
<b>Amortisation and impairment</b>									
Balance at 1 July 2013	-	(7,632)	(54,938)	-	-	(60,619)	(14,343)	(10,873)	(148,405)
Amortisation for the year	-	(5,171)	(11,758)	-	-	(9,142)	(1,272)	(1,651)	(28,994)
Transfers and reclassifications	-	-	(2,333)	-	-	-	-	-	(2,333)
Transfer to assets held for sale	-	654	14,443	-	-	66,518	-	10,948	92,563
Disposals	-	2,440	882	-	-	-	1,578	1,220	6,120
Effect of movements in exchange rates	-	-	82	-	-	743	-	(245)	580
Balance at 30 June 2014	-	(9,709)	(53,622)	-	-	(2,500)	(14,037)	(601)	(80,469)
Balance at 1 July 2014	-	(9,709)	(53,622)	-	-	(2,500)	(14,037)	(601)	(80,469)
Amortisation for the year	-	(4,395)	(10,183)	-	-	-	(15)	(121)	(14,714)
Transfers and reclassifications	-	-	(37)	-	-	-	-	-	(37)
Impairment loss	(62,970)	-	-	-	-	-	(51,305)	-	(114,275)
Disposals	-	9,566	2,011	-	-	2,500	-	-	14,077
Effect of movements in exchange rates	-	(8)	15	-	-	-	-	-	7
Balance at 30 June 2015	(62,970)	(4,546)	(61,816)	-	-	-	(65,357)	(722)	(195,411)
<b>Carrying amounts</b>									
At 1 July 2013	1,134,767	21,323	41,674	40,506	45,438	103,371	52,952	4,958	1,444,989
At 30 June 2014	358,792	29,256	28,712	-	-	-	63,832	607	481,199
At 30 June 2015	295,822	9,810	20,214	-	-	-	12,529	486	338,861

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

Transfers and reclassifications refers to transfers and adjustments between asset categories and inclusion of Joint Operations' assets in the 2015 financial year.

Impairment losses are included in 'Other expenses' in the income statement.

#### Impairment tests for cash-generating units (CGUs) containing goodwill

##### *Change to the Group CGUs and allocation of Goodwill*

The Group's CGUs have been revised during the year as a result of the sale of the DTZ business and the subsequent move to a new business structure transitioning to a standalone engineering and construction group.

From 1 June 2015 the Group has been organised into five business units: Rail and Defence; Asset Services; Technology Systems; Engineering and Construction; and International. (See Note 3: Operating segments.)

As a result of this reorganisation the basis on which goodwill is monitored for internal management purposes has changed and goodwill has been reallocated to revised CGUs, using a relative value approach. This was based on an assessment of the independence of markets and segregation of cash flows. Management reporting from 1 June 2015 reflects these changes and the underlying CGUs. Comparative information for 2014 has been restated to reflect this change.

CGU changes are:

- Goodwill previously allocated to the Engineering - Rail CGU is now disaggregated and allocated to the Rail CGU and Technology Systems CGU.
- Goodwill previously allocated to the Engineering CGU is now disaggregated and allocated to the Engineering and Construction CGU and the Asset Services CGU.

##### *Goodwill allocation*

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs which represent the lowest level within the Group at which goodwill is monitored for internal management purposes as follows, after recognising impairment of goodwill arising from the reorganisation.

	2015 \$'000	2014 \$'000
Rail	134,535	186,743
Technology Systems	35,339	46,101
Engineering and Construction	70,713	70,713
Asset Services	55,235	55,235
Total goodwill	295,822	358,792

##### *Impairment testing*

The Group uses value in use calculations to determine the recoverable amount of CGUs. The calculations use cash flow projections based on the following year's budget and plan, extended over a period of five years.

Cash flows into perpetuity are extrapolated using a growth factor relevant to the sector and business plan. A post-tax discount rate is applied adjusted for the risk of the industry in which each unit operates.

The value in use calculation concluded that the carrying amounts of the Rail and Technology Systems CGUs were \$62,970,000 higher than their value in use.

	2015 \$'000	
	VALUE IN USE	IMPAIRMENT
Rail	293,000	52,208
Technology Systems	73,000	10,762
Engineering and Construction	383,000	-
Asset Services	212,000	-
Total goodwill impairment	961,000	62,970

The impairment loss of \$62,970,000 is allocated entirely to Goodwill, and recognised in other expenses in continuing operations.

##### *Key assumptions used for value in use calculations*

A terminal growth rate of 3% (2014: 3%) has been applied to extrapolate cash flows. The growth rate does not exceed the long-term average growth rate for the business in which the cash-generating units operate. FY2016 budgets form the basis of year one growth, with a rate of 4% (2014: 4%) applied for the short term (years two to four).

A post-tax discount rate of 10.2% (2014: 9.5%) has been applied to discount the forecast future attributable post-tax cash flows.

The discount rate used reflects specific risks relating to the relevant cash-generating units.

##### *Sensitivity to changes in assumptions*

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

For the Engineering and Construction and Asset Services CGUs neither of these tests resulted in a possible impairment loss at 30 June 2015 (2014: \$Nil impairment for both tests).

Following the impairment losses recognised in the Rail CGU and the Technology Systems CGU the recoverable amounts for these CGUs are equal to their carrying amounts. Any adverse movement in key assumptions would lead to further impairments.

# Notes to the financial statements for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
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## NOTE 17: DEFERRED TAX ASSETS AND LIABILITIES

### (a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

#### Gross deferred tax assets

Provisions	54,402	16,782
Employee benefits	30,053	25,599
Property, plant and equipment	6,912	6,295
Inventories	4,141	2,581
Income recognition	-	11,227
Deferred expenditure	223	225
Tax losses/credits	68,687	24,949
	164,418	87,658
Amount netted against deferred tax liabilities	(10,399)	(21,091)
Net deferred tax assets	154,019	66,567

#### Gross deferred tax liabilities

Property, plant and equipment	(4,216)	(5,744)
Research and development	-	(5,400)
Income recognition	(2,944)	(972)
Deferred expenditure	(2,765)	(8,845)
Other	(474)	(130)
	(10,399)	(21,091)
Amount netted against deferred tax assets	10,399	21,091
Net deferred tax liabilities	-	-

	DEFERRED TAX ASSETS \$'000	DEFERRED TAX LIABILITIES \$'000
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### (b) Deferred tax movements

At 1 July 2013	68,262	(21,669)
(Charged)/credited:		
- to profit or loss	15,351	4,460
- transfers	3,879	(3,879)
- foreign exchange differences	166	(3)
At 30 June 2014	87,658	(21,091)
(Charged)/credited:		
- to profit or loss	76,760	10,692
At 30 June 2015	164,418	(10,399)
Set off of deferred tax within the same tax jurisdiction	(10,399)	10,399
Net deferred tax	154,019	-
	2015 \$'000	2014 \$'000

### (c) Unrecognised deferred tax balances

#### Deferred tax assets

Tax losses - revenue	2,941	1,166
Tax losses - capital	-	-
	2,941	1,166

The deferred tax assets arising from tax losses of subsidiaries have not been recognised as an asset because it is not probable that future tax profit will be available against which the Group can utilise this benefit.

	2,941	1,166
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## NOTE 18: TRADE AND OTHER PAYABLES

### Current

#### Unsecured:

- trade payables and accruals	216,098	211,365
- work in progress accruals	38,459	54,329
- billings in advance under construction contracts	161,334	60,337
	415,891	326,031

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 36: Financial instruments.

### Financial guarantees

In accordance with the deed of covenant and note agreements entered into by the Company with its providers of finance facilities and the US note holders, the Company has agreed to be guarantor, together with a number of wholly owned subsidiaries of the Company, for the principal and interest payments.

Bank guarantees and surety bonds are issued to third parties arising out of dealings in the normal course of business by subsidiaries (see Note 19: Loans and borrowings - other finance facilities (a) and (b)).

The Company has also entered into a Deed of Cross Guarantee with certain subsidiaries as described in Note 31: Subsidiaries (b). Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event of any of the entities party to the Deed being wound up. Details of the consolidated position of the Company and subsidiaries party to the Deed are set out in Note 31: Subsidiaries (b).

No liability has been recognised by the Group in relation to these guarantees, as the fair value of the guarantees is immaterial.

	2015 \$'000	2014 \$'000
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## NOTE 19: LOANS AND BORROWINGS

### Current

#### Unsecured:

- bank overdraft	-	3,267
- bank loan	-	17,197
- US notes	13,021	-
Secured:		
- bank loans	-	1,722
- finance lease liabilities	310	182
	13,331	22,368

### Non-current

#### Unsecured:

- bank loans	85,000	452,632
- US notes	32,552	265,393

#### Secured:

- finance lease liabilities	20	108
	117,572	718,133

Interest rates on bank loans are floating and the average interest rate applicable at 30 June 2015 was 3.68% (2014: 4.29%).

US notes are US\$35 million of debt (2014: US\$250 million) raised in the US private placement note market in three tranches at fixed interest rates at a weighted average of 6.20% over the three tranches.

In accordance with the deed of covenant and note agreements entered into by the Company with its providers of finance facilities and the US note holders, the Company has agreed to be guarantor, together with a number of wholly owned subsidiaries of the Company, for the principal and interest payments. The Group has agreed, among other things, not to grant any security over its assets (subject to certain exceptions) and to maintain specified financial ratios.

All borrowing covenant ratios and limits have been complied with during the financial year.

#### Debt maturities and amounts utilised

A portion of the funds received from the sale of the DTZ business (Refer: Note 26: Assets held for sale and discontinued operations) was used to settle and retire bank debt and a number of the US notes.

Bank loans and US notes are drawn under the following term debt facilities negotiated subsequent to the sale of DTZ:

#### Bank loan facilities available

30 JUNE 2015	MATURITY DATE	PRINCIPAL FACILITY CURRENCY AMOUNT THOUSANDS	PRINCIPAL FACILITY AMOUNT A\$'000	AMOUNT UTILISED A\$'000	AMOUNT UNUTILISED A\$'000
<b>Bank loans</b>					
Term debt	July 2016	AUD 60,000	60,000	-	60,000
Term debt	July 2017	AUD 25,000	25,000	-	25,000
Term debt	August 2017	AUD 50,000	50,000	-	50,000
Term debt	July 2018	AUD 125,000	125,000	10,000	115,000
Term debt	August 2019	AUD 75,000	75,000	75,000	-
			335,000	85,000	250,000
<b>US notes</b>					
Tranche 1	September 2016	USD 24,000	31,250	31,250	-
Tranche 2	June 2018	USD 2,000	2,604	2,604	-
Tranche 3	September 2018	USD 9,000	11,719	11,719	-
		USD 35,000	45,573	45,573	-

Certain Tranche 1 US notes totalling \$13,021,000 (USD 10 million) were repaid in July 2015, and have been classified as current as a result.

	2015 \$'000	2014 \$'000
<b>Other finance facilities:</b>		
(a) Unsecured bank guarantee and/or letter of credit facilities provided by several financial institutions:		
Guarantee and/or letter of credit	464,494	593,749
Amount utilised	256,903	373,869
Unused guarantee facilities	207,591	219,880
(b) Unsecured bond facilities provided by surety entities:		
Bonds in aggregate	78,041	92,463
Amount utilised	78,041	58,572
Unused bond facilities	-	33,891

#### NOTE 20: EMPLOYEE BENEFITS

##### Current

Salaries and wages accrued	370	625
Liability for long service leave	24,657	24,261
Liability for annual leave	36,772	34,291
Other employee benefits	29,257	10,618
	91,056	69,795

##### Non-current

Liability for long service leave	5,043	5,365
	5,043	5,365

During the year the Group changed the discount rate used to determine the carrying value of long service leave from the Australian government bond rate to the Australian high quality corporate bond rate. This change in accounting estimate resulted in the carrying amount of long service leave decreasing from \$30,318,000 to \$29,700,000 in the current year. This element of future provisioning will move in line with the market rates of interest and will fluctuate as rates rise and fall in each reporting period.

##### Superannuation

##### Defined contribution superannuation plans

The majority of the Group's employees are entitled to benefits on retirement, disability or death from defined contribution superannuation funds to which the Group contributes based on accumulated contributions and earnings for each employee. The Group has a legal obligation to contribute to the funds in accordance with the superannuation guarantee charge legislation in Australia and similar obligations in overseas jurisdictions. The Group's legal or constructive obligation is limited to these contributions. Contributions to these superannuation plans are charged as an expense as the contributions are paid or become payable.

# Notes to the financial statements for the year ended 30 June 2015

## NOTE 21: SHARE-BASED PAYMENTS

### Employee share plans and share-based payments

#### Deferred short-term incentive scheme (DSTI)

The new short-term incentive scheme for certain key senior executives which commenced in the 2015 financial year includes a deferred component whereby 25% of cash bonuses due are converted into performance shares. Shares will vest if the executive remains employed by a Group company for two years. Dividends are received over the vesting period and no amount is payable on vesting of the shares.

Performance shares will be issued in relation to bonuses payable for the 2015 financial year when bonus entitlements for that year are paid in October 2015.

During the year 322,147 performance shares vested and were issued related to bonuses for the 2012 financial year under the previous DSTI.

No shares were issued under the previous DSTI in the 2014 financial year as no bonuses were paid or payable for that year.

#### Long-term incentive schemes (LTI)

During the year a new LTI scheme awarding performance rights was introduced, with 2,245,273 performance rights issued to senior employees.

The awards vest subject to TSR and EPS hurdles over performance periods ranging from 2.3 years to 3.3 years, and continuing employment. Each award of performance shares and options is split into two equal tranches, with one tranche being measured against the TSR hurdle and the other tranche against the EPS hurdle. No amount is payable on vesting of the rights and conversion to shares. Refer to the Remuneration Report section in the Directors' Report for performance conditions.

An LTI award of 2,575,872 performance rights was also made to the CEO (refer to the Remuneration Report section in the Directors' Report).

In prior years certain senior executives were awarded an LTI in the form of either options, performance shares, or a mix of both, at the individual's choice. No further awards will be made under this scheme. The awards vested subject to TSR and EPS hurdles over a four year performance period, and continuing employment. Each award of performance shares and options was split into two equal tranches, with one tranche being measured against the TSR hurdle and the other tranche against the EPS hurdle.

No LTI awards were made under this scheme in the 2015 financial year (2014: Nil).

Dividends on the performance shares were received over the vesting period and no amount was payable on vesting of the shares.

#### Other UGL share schemes

The non-executive directors' Share Plan continued in the 2015 financial year (refer to the Remuneration Report section in the Directors' Report for further information).

#### Share-based payments

##### Share options

The Company previously issued options to employees under LTI schemes. All options were issued subject to performance hurdles consistent with the objective of aligning the interest of employees with shareholders.

The number and weighted average exercise prices of share options are as follows:

	WEIGHTED AVERAGE EXERCISE PRICE 2015	NUMBER OF OPTIONS 2015	WEIGHTED AVERAGE EXERCISE PRICE 2014	NUMBER OF OPTIONS 2014
Outstanding at the beginning of the period	\$8.94	1,493,579	\$9.44	1,699,819
Forfeited during the period	\$13.15	(547,979)	\$13.05	(206,240)
Expired during the period	\$5.20	(750,000)	-	-
Exercised during the period	-	-	-	-
Granted during the period	-	-	-	-
Outstanding at the end of the period	\$8.49	195,600	\$8.94	1,493,579
Exercisable at the end of the period	-	-	\$5.20	750,000

The options outstanding at 30 June 2015 have an exercise price of \$8.49 (2014: \$5.20 to \$14.59) and a weighted average contractual life remaining of 1.5 years (2014: 2.6 years).

During the financial year no share options were exercised (2014: Nil).

No options were granted in the 2015 financial year (2014: Nil).

Options expiring unexercised during the year included 750,000 issued shares, treated as options for accounting purposes. These shares will be sold on market, with a resultant increase in paid-up capital, after the financial year end.

Share options issued are granted under a service condition and exercise is also dependent on the Group achieving certain performance hurdles.

#### Performance rights

During the year 4,821,145 performance rights were granted to employees, including the CEO, under the new LTI scheme. All performance rights granted provide a right to receive a given number of shares in the Company, on a one-for-one basis, for nil consideration. Vesting is dependent on achieving certain performance hurdles consistent with the objective of aligning the interest of employees with shareholders. No dividends are paid on performance rights.

The number of performance rights is as follows:

	NUMBER OF RIGHTS 2015	NUMBER OF RIGHTS 2014
Outstanding at the beginning of the period	578,966	-
Forfeited during the period	(578,966)	-
Granted during the period	4,821,145	578,966
Vested during the period	-	-
Outstanding at the end of the period	4,821,145	578,966

The weighted average remaining contractual life of performance rights is 2.4 years.

The fair value of services received in return for performance rights granted to employees is measured by reference to the fair value of the performance rights granted. The estimate of the fair value of the services received is measured by reference to the vesting conditions specific to the grant based on either analytical, binomial tree or Monte-Carlo simulation option-pricing models.

	2015	2014
Fair value of performance rights granted during the year and assumptions		
Fair value at measurement date	\$0.83 - \$1.91	\$5.22 - \$5.94
Share price at grant date	\$1.60 - \$2.09	\$6.65
Performance shares life	2.3 to 3.3 years	1 to 3 years
Expected dividends	3.8% - 4.9%	5%
Risk-free interest rate	1.73% - 2.12%	3%

Performance rights issued in the year are granted under a service condition and vesting is also dependent on achieving certain performance hurdles.

#### Performance shares

The Company has previously issued performance shares to employees, under employee share plans. All performance shares currently outstanding vest in September 2015, subject to various performance conditions, for no consideration.

The number of performance shares is as follows:

	NUMBER OF SHARES 2015	NUMBER OF SHARES 2014
Outstanding at the beginning of the period	837,894	2,217,697
Forfeited during the period	(322,299)	(1,144,533)
Granted during the period	-	66,309
Vested during the period	(453,925)	(301,579)
Outstanding at the end of the period	61,670	837,894

The fair value of services received in return for performance shares granted to employees is measured by reference to the fair value of the performance shares granted. The estimate of the fair value of the services received is measured by reference to the vesting conditions specific to the grant based on either analytical, binomial tree or Monte-Carlo simulation option-pricing models.

	2015	2014
Fair value of performance shares granted during the year and assumptions		
Fair value at measurement date	-	\$7.54
Share price at grant date	-	\$7.54
Performance shares life	-	6 months
Expected dividends	-	-
Risk-free interest rate	-	-

Performance shares are granted under a service condition and vesting is also dependent on achieving certain performance hurdles.

	2015 \$'000	2014 \$'000
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#### NOTE 22: OTHER FINANCIAL LIABILITIES

##### Current

Foreign currency forward contracts	4,542	2,661
Lease liabilities and incentives	572	1,447
	5,114	4,108

##### Non-current

Foreign currency forward contracts	286	-
Lease liabilities and incentives	-	572
	286	572

2015  
\$'000

2014  
\$'000

#### NOTE 23: PROVISIONS

##### Current

Warranty and contract	91,920	6,483
Workers' compensation	3,203	2,528
Public liability	2,945	1,881
Restructure	22,220	2,934
Make good and onerous leases	3,590	1,423
Other	1,394	1,639
	125,272	16,888

##### Non-current

Warranty and contract	10,869	4
Workers' compensation	147	-
Make good and onerous leases	18,288	9,715
	29,304	9,719
Total provisions	154,576	26,607

# Notes to the financial statements for the year ended 30 June 2015

## NOTE 23: PROVISIONS (continued)

### Movement in provisions

	WARRANTY AND CONTRACT \$'000	WORKERS' COMPENSATION \$'000	PUBLIC LIABILITY \$'000	RESTRUCTURE \$'000	MAKE GOOD AND ONEROUS LEASES \$'000	OTHER \$'000	TOTAL \$'000
Balance at 1 July 2014	6,487	2,528	1,881	2,934	11,138	1,639	26,607
Provisions made during the year	184,678	2,437	2,268	21,839	12,686	-	223,908
Provisions used during the year	(89,072)	(1,597)	(1,204)	(2,553)	(1,957)	-	(96,383)
Provisions reversed during the year	-	(18)	-	-	(125)	(245)	(388)
Reclassification	690	-	-	-	-	-	690
Foreign exchange movement	6	-	-	-	-	-	6
Unwinding of discount	-	-	-	-	136	-	136
Balance at 30 June 2015	102,789	3,350	2,945	22,220	21,878	1,394	154,576

#### Warranties and contracts

Provision is made for the estimated liability on all products still under warranty at balance date, and known claims arising under service and construction contracts. The provision is estimated having regard to previous claims experience.

The main contributor to the increase in the warranties and contracts provision for the year is a \$175 million provision raised for contract losses arising from the Joint Venture of CH2M HILL and UGL (the JV) to build a Combined Cycle Power Plant power station for the Ichthys LNG Project. As at 30 June 2015 the provision amounts to \$91,486,000.

An announcement was made to market on 6 November 2014, that as a result of a range of project changes and events in the design and procurement phase of the project and subsequent delays, the forecast project costs had significantly increased, resulting in the JV recognising a provision of US\$170 million. While acknowledging the JV's position in relation to the provision recognised, UGL was not in a position to reliably measure the provision at that stage.

Subsequently CH2M Hill and UGL together completed a detailed review of the cost to complete estimate with some allowance for future commercial settlements, resulting in the JV recognising a provision of \$350 million (approximately US\$280 million). UGL has recognised its share of the provision for \$175 million, equating to its 50% share of these losses.

In determining the cost to complete, the review considered all key components of the complex design and construction schedule based on significant judgements to arrive at estimates of forward scheduling and procurement, production and contingencies. Although management consider the current estimated costs to complete the project are valid and reliably measured, there is still a significant amount of work that needs to be performed on the project before achieving substantial completion and there can be no guarantee that additional cost growth will not occur.

As at 30 June 2015, the total contract value of the joint venture project was approximately \$587 million, and the project was approximately 60% complete, with engineering and procurement nearing completion and construction activities ongoing.

Engagement with the client continues as management pursues ongoing commercial negotiations for the recovery of costs, claims and project acceleration, which if successful, could impact the current position. The outcome of these negotiations is not yet certain.

In addition, management continues to vigorously pursue recovery of costs and schedule impacts by all means currently available under the existing contract and at law, with the assistance of external legal and commercial claims specialists.

#### Public liability and workers' compensation insurance

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

#### Make good and onerous leases

Provision is made for rectification and maintenance obligations; and for onerous leases being the unavoidable costs of meeting contractual obligations, where the costs of those obligations exceed the economic benefits expected to be received from the lease contracts.

#### Restructure

Restructuring costs arise from the business review and resulting project to transition to a standalone construction and engineering business, commenced in November 2014. Provision is made for employee termination benefits, contract terminations, and consulting fees.

	2015 \$'000	2014 \$'000
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## NOTE 24: CAPITAL AND RESERVES

### Share capital

#### Issued and paid-up capital

165,761,240 (2014: 165,761,240) ordinary shares	421,293	910,836
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Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

	2015		2014	
	NUMBER OF ORDINARY SHARES	\$'000	NUMBER OF ORDINARY SHARES	\$'000
Movements in contributed equity				
Opening balance	165,761,240	910,836	165,761,240	910,836
Return of capital	-	(489,543)	-	-
Closing balance	165,761,240	421,293	165,761,240	910,836

A distribution of \$3.00 per share was approved by shareholders at the Company's Annual General Meeting held on 30 October 2014. The distribution was to be made from proceeds arising on the sale of the DTZ businesses (refer Note 26). The Australian Taxation Office ruled that the distribution would comprise a capital return of \$2.94 per share (\$489,543,046), and an unfranked dividend of \$0.06 per share (\$9,990,674). The distribution was made on 27 November 2014, to shareholders on record at 20 November 2014.

Total ordinary shares of 166,511,240 are held by the share registry, which includes an additional 750,000 issued shares, treated for accounting purposes as options. These options expired unexercised during the period. The 750,000 shares will be sold on market, with a resultant increase in paid-up capital, after the financial year end.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

	2015 \$'000	2014 \$'000
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### Dividends

Dividends recognised in the current year by the Company are:

No final dividend was paid for the 2014 financial year (2013: 5 cents unfranked paid on 6 September 2013)

- 8,326

An unfranked dividend of 6 cents per share was paid on 27 November 2014, as a component of the \$3.00 per share distribution approved by shareholders at the Company's Annual General Meeting held on 30 October 2014

9,991 -

Total dividends paid

9,991 8,326

Dividends not recognised at year end:

Since the year end the directors have not recommended the payment of a final dividend

- -

### Dividend franking account - Company

Franking credits at a tax rate of 30% (2014: 30%) available to shareholders of UGL for subsequent financial years

3,400 3,352

The above amounts represent the balance of the dividend franking account at year end adjusted for:

- (i) franking credits that will arise from the payment of the current tax liability;
- (ii) franking debits that will arise from the payment of dividends recognised as a liability at the year-end; and

- (iii) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has assumed the benefit of all franking credits.

### Capital risk management

The Board's objective when managing capital is to safeguard the ability of the Group to continue as a going concern whilst providing adequate returns to shareholders and maintaining an optimal capital structure to reduce the cost of capital.

The Board monitors the return on capital, which is defined as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board also establishes the dividend payout policy. For the 2015 and 2014 financial years, the Board announced that no interim or final dividend would be paid, and that reinstatement of dividends is unlikely until underlying earnings have normalised and payment is considered appropriate in the context of UGL's capital requirements and outlook.

During the year a distribution of \$3.00 per share was made from the proceeds of the sale of the DTZ business, comprising a capital return of \$2.94 and a special unfranked dividend of \$0.06 per share.

Capital is monitored on the basis of the gearing ratio. The strategy is to maintain a gearing ratio of net debt/(net debt + equity) for the Group of up to 40%. The gearing ratios at 30 June 2015 and 30 June 2014 were as follows:

	NOTE	2015 \$'000	2014 \$'000
Total borrowings	19, 26	130,903	749,210
Less: cash and cash equivalents	9	(164,597)	(182,497)
Net (cash)/debt		(33,694)	566,713
Total equity		429,054	1,172,274
Total capital		395,360	1,738,987
Gearing ratio		(8.5%)	32.6%

As disclosed in Note 19: Loans and borrowings, the Group is required to maintain specified financial ratios. The Group complied with all borrowing covenant ratios and other capital requirements during the year.

There were no changes in the Group's approach to capital management during the year.

### Reserves

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

#### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions where settlement has not yet occurred.

#### Employee equity benefit reserve

The employee equity benefit reserve represents the cumulative expense associated with equity-settled compensation, under employee option and share plans.

#### Treasury shares

The reserve for treasury shares comprises the cost of the Company's shares purchased and held by the trustee of the UGL Limited Employee Share Plan Trust being unvested and forfeited shares previously granted under UGL employee share plans, available for future grants. As at 30 June 2015 the Trust held 1,421,628 of the Company's shares (2014: 2,136,007 shares) of which 1,359,958 shares (2014: 1,114,014 shares) were forfeited shares.

# Notes to the financial statements for the year ended 30 June 2015

	NOTE	2015 \$'000	2014 \$'000
<b>NOTE 25: CASH FLOW INFORMATION</b>			
(a) Reconciliation of cash			
Cash and cash equivalents	9	164,597	182,497
Bank overdraft	19	-	(3,267)
Cash and cash equivalents in statement of cash flows		164,597	179,230
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and deposits at call, net of overdrafts, and investments in money market instruments with less than 90 days to maturity.			
(b) Reconciliation of profit after tax to cash flow from operations			
(Loss)/profit after tax		(232,373)	68,507
Adjustment for:			
Depreciation and amortisation		34,050	58,824
Impairment of goodwill		62,970	-
Impairment of development costs		51,305	-
Impairment of equity accounted investment		9,796	-
Impairment of property, plant and equipment		2,594	2,797
Write down of project establishment costs		18,927	-
Equity-settled share-based payments		699	1,305
Loss/(profit) on sale of property, plant and equipment		259	(16,261)
Profit on sale of discontinued operation	26	(66,102)	-
Transfer of reserves and non-controlling interests on sale of discontinued operation	26	21,140	317
Unrealised foreign exchange loss (gain)		1,514	(931)
Share of equity accounted investees net profit/distribution		1,031	7,021
Interest defined benefit plan		-	531
Interest discount unwind		88	217
Movement in income taxes payable		(54,700)	16,894
Movement in deferred taxes		(47,079)	(26,977)
Changes in assets and liabilities:			
Trade and other receivables		(25)	(56,765)
Inventories		71,576	21,058
Other financial assets		(3,487)	(4,000)
Trade and other payables		68,825	31,214
Provisions and employee benefits		123,977	(41,679)
Cash flow from operations		64,985	62,072

## NOTE 26: ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets held for sale and discontinued operations comprise:

	2015 \$'000	2014 \$'000
Assets held for sale	-	4,400
Assets held for sale - discontinued operation	-	1,580,441
	1,584,841	
Liabilities held for sale - discontinued operation	-	628,115
	2015 \$'000	2014 \$'000
<b>Assets classified as held for sale</b>		
Land	-	284
Buildings	-	2,811
Plant and equipment	-	1,305
	-	4,400

During the financial year ended 30 June 2014 the Company implemented and substantially completed a property sales program. As at 30 June 2014, one industrial site remained as held-for-sale, with the sale taking place in the second half of the 2015 financial year realising a net loss of \$348,000, included in other expenses. These assets were presented in the Rail & Defence segment in Note 3: Operating segments.

### Discontinued operation

In June 2014, the Company announced that it had entered into a binding agreement to sell the DTZ businesses to a consortium comprising TPG Capital, PAG Asia Capital and Ontario Teachers' Pension Plan for an enterprise value of \$1.215 billion. The sale was completed on 5 November 2014, for a net consideration of \$1.179 billion, before working capital and other sale adjustments, and after deduction of \$35.5 million held in escrow to be used to settle any future legal claims arising from events that occurred prior to 5 November 2014 but not notified at that date. The balance of funds remaining in escrow as at November 2017 will be paid to UGL, but there is no certainty that any funds will remain to be available to the Company at that time.

Additional proceeds totalling \$60.4 million, arising from sale price adjustments for cash and working capital, were received in May 2015. With the inclusion of these sale price adjustments, the total cash consideration for the sale amounted to \$1.240 billion.

The results of the DTZ business for the period to 5 November 2014 are presented in the DTZ Property segment in Note 3: Operating segments.

Assets and liabilities of the DTZ businesses sold (reported as a disposal group) and stated at their carrying amounts, are as follows:

	SOLD 5 NOVEMBER 2014 \$'000	HELD FOR SALE 30 JUNE 2014 \$'000
<b>Assets:</b>		
Cash and cash equivalents	111,529	-
Trade and other receivables	448,577	453,042
Inventories	13,854	10,844
Income tax receivable	1,548	4,208
Other financial assets	32,994	31,895
Investments accounted for using the equity method	14,998	15,993
Property, plant and equipment	55,688	48,881
Intangible assets	1,047,028	1,007,055
Deferred tax assets	14,132	8,523
	1,740,348	1,580,441
<b>Liabilities:</b>		
Trade and other payables	211,337	258,982
Bank overdraft	1,732	-
Loans and borrowings	9,065	8,709
Employee benefits	163,304	176,479
Other financial liabilities	30,835	31,772
Income tax payable	22,231	18,674
Provisions	113,542	122,028
Deferred tax liabilities	10,671	11,471
	562,717	628,115
<b>Net assets</b>	<b>1,177,631</b>	<b>952,326</b>
<b>Total consideration on sale:</b>		
Cash proceeds on completion	1,179,506	
Cash and working capital sale price adjustments	60,368	
Cash consideration received	1,239,874	
Transfer of Reserves and Non-Controlling Interests on sale	21,140	
Transaction costs	(17,281)	
	1,243,733	
<b>Gain on sale of discontinued operation</b>	<b>66,102</b>	
<b>Net change in cash:</b>		
Cash consideration received	1,239,874	
Transaction costs	(42,850)	
Cash disposed of (net of overdraft)	(109,797)	
<b>Net cash inflow</b>	<b>1,087,227</b>	

Results of the discontinued operation, gain on sale and cash flows from the discontinued operation are as follows:

	PERIOD TO 5 NOVEMBER 2014 \$'000	2014 \$'000
<b>Profit from discontinued operations</b>		
Revenue	717,504	2,222,449
Other income	10,596	823
Expenses	(708,554)	(2,185,884)
Share of profit of equity accounted investees (net of tax)	1,987	6,147
<b>Profit before income tax</b>	<b>21,533</b>	<b>43,535</b>
<b>Attributable income tax expense</b>	<b>(4,073)</b>	<b>(6,851)</b>
<b>Profit for the period from discontinued operations</b>	<b>17,460</b>	<b>36,684</b>
<b>Gain on sale of discontinued operation</b>	<b>66,102</b>	
<b>Income tax expense</b>	<b>(17,172)</b>	
<b>Gain on sale of discontinued operation after tax</b>	<b>48,930</b>	
<b>Profit from discontinued operation, net of tax</b>	<b>66,390</b>	
<b>Cash flow from discontinued operations</b>		
Net cash (outflows)/inflows from operating activities	(44,991)	18,572
Net cash outflows from investing activities	(7,356)	(54,058)
Net cash inflows from financing activities	41,889	27,781
<b>Net cash outflows</b>	<b>(10,458)</b>	<b>(7,705)</b>
	2015 \$'000	2014 \$'000

#### NOTE 27: OPERATING LEASES

Non-cancellable operating leases are payable as follows:

- not later than one year	24,256	29,500
- later than one year but not later than five years	51,627	56,467
- later than five years	28,308	37,479
	104,191	123,446

The Group has entered into commercial leases on certain motor vehicles, and office and industrial premises. These leases have average terms of between one and ten years. There are no financial restrictions placed upon the lessee by entering into these leases.

# Notes to the financial statements for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>NOTE 28: CAPITAL AND OTHER COMMITMENTS</b>		
Capital expenditure commitments		
Contracted but not yet provided for and payable:		
- Plant and equipment purchases	572	1,557
- Software purchases	71	765
	643	2,322
Other commitments	-	-

## NOTE 29: CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of the matters noted below, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:

- (i) Under the provisions of certain joint venture agreements undertaken by entities controlled by UGL, the controlled entities are jointly and severally liable for all liabilities incurred by these joint ventures/joint operations. As at 30 June 2015, with the exception of the CH2 - UGL joint operation, where a provision has been made for contract losses (see Note 23: Provisions), the assets of the joint ventures exceed such liabilities.
- (ii) In the normal course of business, entities within the Group may incur contractors' and product liability, or be subject to threatened or pending legal actions arising from their activities. Such liabilities include the potential costs to carry out further works and/or costs of litigation by or against those Group entities. The business carries professional indemnity insurance and no separate disclosure is made of the costs of claims covered by insurance as to do so could seriously prejudice the position of the Group.  
  
Where such costs are not covered by professional indemnity insurance, provision is made for the potential costs of carrying out further works based on known claims and previous claims history, and for legal costs and claims where litigation has been commenced, or it is probable that litigation will commence.  
  
Based on previous experience, amounts specifically provided, and the circumstances of specific claims outstanding, no additional costs are anticipated. However, as the ultimate outcome of these claims cannot be reliably determined at the date of this report, contingent liabilities may exist for any amounts that ultimately become payable in excess of current provisioning levels.
- (iii) The Company is a defendant in proceedings filed against it in the Supreme Court of Victoria by a shareholder on behalf of a defined, but unnamed, group of shareholders. The Writ claims loss and damage arising from UGL's alleged misleading and deceptive conduct and failure to disclose material information to the market prior to the disclosure of a \$175 million provision that was raised for contract losses in relation to the joint venture between CH2M Hill and UGL to build a Combined Cycle Power Plant for the Ichthys LNG Project (refer Note 23: Provisions). The Company is vigorously defending these proceedings.

## NOTE 30: PARENT ENTITY DISCLOSURES

For the financial years ended 30 June 2015 and 2014, the parent entity of the Group was UGL Limited.

	2015 \$'000	2014 \$'000
Results of the parent entity		
Profit/(loss) for the year	58,400	(47,918)
Other comprehensive income	18,245	(840)
Total comprehensive income for the year	76,645	(48,758)
Financial position of the parent entity at year end		
Current assets	129,506	85,732
Total assets	778,665	1,517,816
Current liabilities	89,314	67,232
Total liabilities	195,971	531,471
Total equity of the parent entity comprises:		
Share capital	421,293	910,836
Employee equity benefit reserve	13,996	23,538
Hedging reserve	4,541	(840)
Retained earnings	142,864	52,811
Total equity	582,694	986,345
Parent entity capital commitments for acquisition of property, plant and equipment		
Contracted but not yet provided for and payable	-	957

Parent entity guarantees in respect of debts of its subsidiaries.

The Company has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries, and the subsidiaries may provide financial assistance to the Company.

The directors of subsidiaries who are parties to the Deed of Cross Guarantee detailed in Note 31: Subsidiaries (b) have given an undertaking that they will provide financial assistance to the Company and that they guarantee each creditor payment in full. The effect of this undertaking is to ensure sufficient financial assistance is provided to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations now and in the future.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed, are disclosed in Note 31: Subsidiaries (b).

The parent entity has no contingent liabilities, other than being a defendant in the proceedings referred to in Note 29 (iii), above.

## NOTE 31: SUBSIDIARIES

### (a) Significant subsidiaries

The financial statements at 30 June 2015 include the following subsidiaries:

	PARTIES TO DEED OF CROSS GUARANTEE	COUNTRY OF INCORPORATION AND OPERATION	OWNED 2015 %	2014 %
<b>Parent entity:</b>				
UGL Limited	(b)	Australia		
<b>Subsidiaries - continuing operations:</b>				
Inspection Testing & Certification Pty Ltd	(b)	Australia	100	100
Olympic Dam Maintenance Pty Ltd	(b)	Australia	100	100
UGL Engineering Pty Ltd	(b)	Australia	100	100
UGL Operations and Maintenance (Services) Pty Limited	(b)	Australia	100	100
UGL Operations and Maintenance Pty Limited	(b)	Australia	100	100
UGL Rail (North Queensland) Pty Ltd	(b)	Australia	100	100
UGL Rail Fleet Services Pty Limited	(b)	Australia	100	100
UGL Rail Pty Ltd	(b)	Australia	100	100
UGL Rail Services Pty Limited	(b)	Australia	100	100
United Group Infrastructure (Services) Pty Ltd	(b)	Australia	100	100
United Group International Pty Ltd	(b)	Australia	100	100
United Group Pty Ltd	(b)	Australia	100	100
United KG (No. 1) Ltd	(b)	Australia	100	100
United KG (No. 2) Pty Ltd	(b)	Australia	100	100
United KG Construction Pty Ltd	(b)	Australia	100	100
United KG Engineering Services Pty Ltd	(b)	Australia	100	100
United KG Maintenance Pty Ltd	(b)	Australia	100	100
UGL (NZ) Limited	(b)	New Zealand	100	100
United Group Infrastructure (NZ) Limited	(b)	New Zealand	100	100
Newcastle Engineering Pty Ltd		Australia	100	100
Railfleet Maintenance Services Pty Ltd		Australia	100	100
UGL Resources (Contracting) Pty Ltd		Australia	100	100
United Goninan Construction Pty Ltd		Australia	100	100
United Group Melbourne Transport Limited		Australia	100	100
United Group Water Projects (Victoria) Pty Ltd		Australia	100	100
United Group Water Projects Pty Ltd		Australia	100	100
UGL Canada Inc		Canada	100	100
UGL Engineering Private Limited		India	100	100
UGL (Malaysia) SDN BHD		Malaysia	100	100
Aras Tenang SDN BHD		Malaysia	100	100
UGL Resources (Malaysia) SDN BHD (In liquidation)		Malaysia	100	100
UGL (Singapore) Pte Ltd		Singapore	100	100
BKP Electrical Limited (In liquidation)		Fiji	90	90
Mainco Melbourne Pty Ltd (In liquidation)		Australia	70	70
UGL Unipart Rail Services Pty Ltd		Australia	70	70
United Group Investment Partnership		USA	100	100

PARTIES TO DEED OF CROSS GUARANTEE	COUNTRY OF INCORPORATION AND OPERATION	OWNED 2015 %	2014 %
---------------------------------------------	-------------------------------------------------	--------------------	-----------

### Significant subsidiaries - sold:

UGL Services Pty Ltd	Australia	-	100
UGL Process Solutions Pty Ltd	Australia	-	100
UGL Procurement Services Pty Ltd	Australia	-	100
UGL HR Services Pty Ltd	Australia	-	100
UGL FM Services Pty Ltd	Australia	-	100
DTZ Facilities & Engineering (S) Limited	Singapore	-	100
PREMAS Property Services (Shanghai) Co. Ltd	China	-	100
DTZ Operations Pte Ltd	Singapore	-	100
DTZ Township Management Pte Ltd	Singapore	-	100
United Group Investment Partnership	USA	-	100
DTZ Global Inc	USA	-	100
DTZ America Inc	USA	-	100
DTZ Inc	USA	-	100
UGL Europe Limited	UK	-	100
DTZ Debenham Tie Leung Limited	UK	-	100
DTZ International Limited	UK	-	100
DTZ Asset Management SAS	France	-	100
DTZ Deutschland Holdings GmbH	Germany	-	100
DTZ Pacific Holdings Limited	British Virgin Islands	-	100
Edmond Tie & Company Holdings Pte Ltd	Singapore	-	69
DTZ France SA	France	-	100
DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co Ltd	China	-	100
DTZ Zadelhoff Tie Leung Central & Eastern Europe BV	Netherlands	-	100

### (b) Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly owned subsidiaries listed above as parties to the Deed of Cross Guarantee are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

During the year the following entities ceased to be parties to the Deed of Cross Guarantee on sale of the DTZ businesses on 5 November 2014: UGL Services Pty Ltd; UGL Process Solutions Pty Ltd; UGL Procurement Services Pty Ltd; UGL HR Services Pty Ltd; and UGL FM Services Pty Ltd. No other entities were added to or released from the Deed of Cross Guarantee in the period.

# Notes to the financial statements for the year ended 30 June 2015

## NOTE 31: SUBSIDIARIES (continued)

A consolidated statement of comprehensive income and statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2015 are set out as follows:

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS	2015 \$'000	2014 \$'000
Revenue	1,558,916	1,793,776
Expenses	(1,978,659)	(1,819,782)
Finance costs (net)	(18,038)	(22,488)
Share of profit of equity accounted investees	15,068	12,006
Loss before tax	(422,713)	(36,488)
Income tax benefit	106,522	20,234
Loss after tax	(316,191)	(16,254)
Other comprehensive income	(3,767)	(11,342)
Total comprehensive income for the year	(319,958)	(27,596)
Profit from sale of discontinued operation	229,596	-
Retained earnings at beginning of year	183,232	211,735
Transfers to and from reserves	3,767	11,342
Dividends recognised during the year	(13,784)	(12,249)
Retained earnings at the end of the year	82,853	183,232

STATEMENT OF FINANCIAL POSITION	2015 \$'000	2014 \$'000
Current assets		
Cash and cash equivalents	48,757	20,580
Trade and other receivables	187,306	245,996
Inventories	215,659	314,018
Income tax receivable	21,283	51,727
Other financial assets	4,589	-
Held for sale assets	-	4,400
Total current assets	477,594	636,721
Non-current assets		
Trade and other receivables	99,346	193,683
Investments accounted for using the equity method	17,000	34,322
Other financial assets	37,110	466,407
Property, plant and equipment	43,624	58,975
Intangible assets	282,458	547,471
Deferred tax assets	152,432	48,241
Total non-current assets	631,970	1,349,099
Total assets	1,109,564	1,985,820
Current liabilities		
Trade and other payables	364,802	309,484
Loans and borrowings	92	182
Employee benefits	89,603	82,356
Other financial liabilities	5,050	4,108
Provisions	30,852	17,400
Total current liabilities	490,399	413,530
Non-current liabilities		
Loans and borrowings	85,020	458,232
Employee benefits	5,043	7,019
Other financial liabilities	286	572
Deferred tax liabilities	-	2,703
Provisions	29,277	10,539
Total non-current liabilities	119,626	479,065
Total liabilities	610,025	892,595
Net assets	499,539	1,093,225
Equity		
Share capital	421,293	910,836
Reserves	(4,607)	(843)
Retained earnings	82,853	183,232
Total equity	499,539	1,093,225

The following subsidiaries were parties to the deed of cross guarantee as at 30 June 2014, but ceased to be parties on sale of the DTZ businesses: UGL Services Pty Ltd; UGL Process Solutions Pty Ltd; UGL Procurement Services Pty Ltd; UGL HR Services Pty Ltd; and UGL FM Services Pty Ltd. As at 30 June 2014, the aggregate net assets of these companies amounted to \$80,276,000; and their aggregate contribution to profit or loss was \$8,656,000.

## NOTE 32: JOINT OPERATIONS

The consolidated entity has interests in the following joint operations which are proportionately consolidated:

NAME	PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITIES	INTERESTS HELD	
			2015 %	2014 %
UGL KAEFER	Australia	General maintenance services and field managed modifications	50	50
CH2 - UGL	Australia	Power plant construction	50	50
UGL Kentz	Australia	Structural, mechanical and piping construction	50	-
NRT Systems	Australia	Delivery of rail systems, rolling stock, tunnel services and depot equipment	40	-

### Principles of accounting for joint operations

Under AASB 11: *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The Group has re-evaluated the classification of the joint arrangements of UGL KAEFER and CH2 - UGL previously accounted for as joint ventures. In making this assessment the Group considered the legal form of the separate vehicles, the contractual terms of the arrangements and other facts and circumstances including materiality in the context of the Group's revised scale of operations post the sale of DTZ in the 2015 financial year.

The Group now recognises its direct right to the jointly held assets, liabilities, revenues and expenses of the identified joint operations and has incorporated them in the 2015 financial statements under the appropriate headings.

JOINT OPERATIONS ASSETS AND LIABILITIES	2015 \$'000	2014 \$'000
Assets (including Cash \$90,867,000 (2014: \$20,998,000))	131,381	48,374
Liabilities	(244,530)	(40,419)
Net (liabilities)/assets	(113,149)	7,955

## NOTE 33: RELATED PARTIES

### Key management personnel compensation

	2015 \$	2014 \$
Short-term employee benefits	6,452,471	6,149,286
Post-employment benefits	299,491	407,476
Termination benefits	202,321	-
Share-based payments	352,386	(1,718,014)
	7,306,669	4,838,748

### Individual directors and executives compensation disclosures

Information regarding individual directors and executive compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interest existing at year end.

### Loans to key management personnel and their related parties

No loans were outstanding or made to key management personnel and their related parties at any time during the 2015 and 2014 financial years.

### Key management personnel transactions

From time-to-time key management personnel (KMP), or their related parties, may hold positions or interests in other entities that the Group transacts with. The nature of these positions is such that neither party has control or significant influence over the trading terms, which are on normal arms-length bases.

### Non-key management personnel transactions

Contributions to superannuation funds on behalf of employees are disclosed in Note 6: Expenses.

### Transactions with equity accounted investees

Details of equity accounted investees are set out in Note 14: Investments accounted for using the equity method.

Aggregate amounts included in the determination of profit before income tax that resulted from transactions with equity accounted investees were as follows:

	2015 \$	2014 \$
Sale of goods and services	29,281,461	174,980,225
Interest received	731,250	731,301
Purchase of goods and services	3,125,863	2,352,658

Aggregate amounts receivable from equity accounted investees at balance sheet date were as follows:

Loan to associate	9,750,000	9,750,000
Receivable from equity accounted investees	1,608,160	14,861,983
Payable to equity accounted investees	360,496	1,420,734

### Terms and conditions

Outstanding balances are unsecured and repayable in cash.

Loans to equity accounted investees are made on normal commercial terms and repayable at the end of the initial franchise term. The average interest rate on loans during the year was 7.5% (2014: 7.5%).

# Notes to the financial statements for the year ended 30 June 2015

	2015 \$	2014 \$
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## NOTE 34: AUDITOR REMUNERATION

Amounts received or due and receivable by KPMG for:

Audit or review of the financial statements	2,295,000	2,817,150
Other services		
Taxation	182,000	286,000
DTZ Sale - vendor due diligence, tax and other assurance	2,965,841	-
Other	64,000	25,000
	3,211,841	311,000
	5,506,841	3,128,150

	2015 \$'000	2014 \$'000
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## NOTE 35: EARNINGS PER SHARE

The calculation of earnings per share is based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Net (loss)/profit attributable to ordinary shareholders of the Company - continuing operations	(302,690)	27,427
Net profit attributable to ordinary shareholders of the Company - discontinued operations	66,294	34,655
	(236,396)	62,082

	2015 NO.	2014 NO.
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Weighted average number of ordinary shares used in calculating basic earnings per share	166,511,240	166,511,240
Effect of dilutive securities:		
- options and rights	2,276,638	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	168,787,878	166,511,240

	2015 CENTS	2014 CENTS
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Continuing operations:		
Basic earnings per share (cents per share)	(181.8)	16.5
Diluted earnings per share (cents per share)	(179.3)	16.5
Discontinued operations:		
Basic earnings per share (cents per share)	39.8	20.8
Diluted earnings per share (cents per share)	39.3	20.8
Basic earnings per share (cents per share)	(142.0)	37.3
Diluted earnings per share (cents per share)	(140.1)	37.3

## NOTE 36: FINANCIAL INSTRUMENTS

### Financial risk management

#### Overview

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk; and market risk (including currency risk and interest rate risk).

The Group's overall financial risk management processes and procedures seek to minimise potential adverse effects on the financial performance of the Group that may arise from the unpredictability of financial markets.

Liquidity and market risk management is carried out by a central treasury department (Group Treasury) in accordance with risk management policies. Financial risk management policies are reviewed periodically to reflect changes in market conditions and the Group's activities. Group Treasury identifies, evaluates and hedges these financial risks in close cooperation and with input from the Group's business units.

The Group uses derivative financial instruments such as foreign exchange contracts, interest rate swaps, as well as rise and fall clauses in contracts, to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group uses various methods to measure different types of risk exposures. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks, and ageing analysis for credit risk.

The following commentary and disclosures are based on the continuing business of the Group as at 30 June 2015, after changes to the Group's financing arrangements arising from the sale of DTZ businesses in November 2014. Refer Note 26: Assets held for sale and discontinued operations.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or the counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The maximum exposure to credit risk is the carrying amount of the financial assets.

### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base consists mainly of government, semi-government and major public company customers. The demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, has less of an influence on credit risk.

New customers are analysed individually for creditworthiness, taking into account credit ratings where available, financial position, previous trading experience and other factors. This includes all major contracts and tenders approved by the Group Tender Committee.

In monitoring customer credit risk, customers are assessed individually by their debtor ageing profile. Monitoring of receivable balances on an ongoing basis minimises the exposure to bad debts. There are no significant concentrations of credit risk within the Group.

A provision for impairment is recognised when there is a clear indication that an individual trade receivable is impaired.

Counterparties to derivative financial instruments are principally large banks and recognised financial intermediaries with which the Group has loans and borrowings outstanding and which have acceptable credit ratings determined by a recognised rating agency.

The ageing of trade receivables at the reporting date was:				
Not past due	154,152	-	155,579	(675)
Past due up to 30 days	30,079	-	18,527	-
Past due 31 to 120 days	3,412	-	4,333	-
Past due 121 days to one year	2,958	-	649	-
More than one year	292	(30)	880	(124)
	190,893	(30)	179,968	(799)

	2015 \$'000	2014 \$'000
Balance at 1 July	(799)	(11,280)
Provisions made during the year	-	(9,295)
Impairment loss utilised	712	3,144
Provisions reversed during the year	60	6,652
Transfer to held-for-sale	-	10,193
Foreign exchange movement	(3)	(213)
Balance at 30 June	(30)	(799)

None of the Group's other receivables and other assets are past due (2014: \$nil).

The impairment allowance relates to specific customers, identified as being in trading difficulties, or where specific debts are in dispute. The impairment allowance does not include debts past due relating to customers with a good credit history, or where payments of amounts due under a contract for such customers are delayed due to works in dispute and previous experience indicates that the amount will be paid in due course.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity is managed to ensure, as far as possible, that sufficient funds are available to meet liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Surplus funds are generally only deposited with banks in the Group's relationship panel.

# Notes to the financial statements for the year ended 30 June 2015

## NOTE 36: FINANCIAL INSTRUMENTS (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements.

	CARRYING AMOUNT \$'000	CONTRACTUAL CASH FLOWS					
		TOTAL \$'000	6 MONTHS OR LESS \$'000	6 TO 12 MONTHS \$'000	1 TO 2 YEARS \$'000	2 TO 5 YEARS \$'000	MORE THAN 5 YEARS \$'000
2015							
Non-derivative financial liabilities							
Unsecured bank loans	85,000	(95,221)	(1,588)	(1,588)	(3,177)	(88,868)	-
Unsecured US notes	45,573	(50,672)	(14,824)	(1,014)	(19,419)	(15,415)	-
Finance lease liabilities	330	(361)	(178)	(158)	(25)	-	-
Trade and other payables - excluding billings in advance	254,557	(254,557)	(254,557)	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
Carrying amount at fair value:							
Liabilities	4,828						
Assets	(4,589)						
Outflow		(100,180)	(83,059)	(9,859)	(7,262)	-	-
Inflow		100,271	81,235	11,567	7,469	-	-
	385,699	(400,720)	(272,971)	(1,052)	(22,414)	(104,283)	-
2014							
Non-derivative financial liabilities							
Unsecured bank loans	469,829	(486,032)	(22,030)	(4,824)	(292,948)	(166,230)	-
Unsecured US notes	265,393	(332,421)	(8,782)	(8,782)	(17,564)	(297,293)	-
Secured bank loans	1,722	(1,722)	(1,722)	-	-	-	-
Finance lease liabilities	290	(327)	(106)	(97)	(101)	(23)	-
Trade and other payables - excluding billings in advance	265,694	(265,694)	(265,694)	-	-	-	-
Bank overdraft	3,267	(3,380)	(3,380)	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
Carrying amount at fair value:							
Liabilities	2,661						
Assets	(29)						
Outflow		(60,071)	(40,615)	(12,736)	(6,720)	-	-
Inflow		61,742	41,666	13,179	6,897	-	-
	1,008,827	(1,087,905)	(300,663)	(13,260)	(310,436)	(463,546)	-

Refer to Note 19: Loans and borrowings for details of the maturities of bank loans and US notes.

### Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. The Group's activities expose it primarily to the financial risks of changes in foreign currency rates and interest rates which are discussed further below. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group aims to minimise the effects of these risks by the use of financial derivatives. All such transactions are carried out in accordance with Group policy. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

### Currency risk

The Group operates primarily in Australia and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily with respect to the US dollar, Euro and British pound.

The Group's major foreign currency exposure relates to purchases of raw materials and consumables, and equipment. Its hedging policy applies to exposures arising from these specific transactions.

Group companies are required to manage their foreign exchange risk against their local functional currency. The Group companies are required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities in accordance with Group policies, using forward contracts transacted on their behalf by Group Treasury.

Forward contracts are also entered into to hedge currency risk arising from interest and principal payments on US borrowings. These contracts are designated as cash flow hedges.

### Exposure to currency risk

The Group's exposure to foreign currency risk at balance date, reflected in the foreign exchange contracts taken out to manage that risk, was as follows, based on notional amounts:

		NOTIONAL AMOUNTS AUD		AVERAGE EXCHANGE RATE AUD	
		2015 \$'000	2014 \$'000	2015 \$	2014 \$
US dollars					
Buy US dollars/sell Australian dollars	One year or less	61,095	32,346	0.8376	0.9029
Buy Australian dollars/sell US dollars	One year or less	25,727	20,894	0.9313	0.9601
	One year to three years	6,427	451	0.7875	0.8504
Euros					
Buy euros/sell Australian dollars	One year or less	879	-	0.6521	-
Buy Australian dollars/sell euros	One year or less	-	286	-	0.6825
New Zealand dollars					
Buy Australian dollars/sell NZ dollars	One year or less	-	937	-	1.0750
British pounds					
Buy British pounds/sell Australian dollars	One year or less	512	1,327	0.5299	0.5530
VARIOUS		BUY CURRENCY			
Buy Malaysian ringgits/sell Singapore dollars	One year or less - MYR	356	-	MYR 2.6093	-
Buy Hong Kong dollars/sell British pounds	One year or less - HKD	-	81,314	-	HKD 12.3205

The forward currency contracts are considered to be highly effective hedges as they are matched against forward inventory, contract costs and equipment purchases. Any gains or losses on the forward contracts attributable to the hedged risk are taken directly to equity. When goods and services are delivered the amount recognised in equity is adjusted to the inventory account, or property, plant and equipment in the statement of financial position.

There was no significant cash flow hedge ineffectiveness in the current or prior year.

### Exchange rates

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2015	2014	2015	2014
US dollar	0.8369	0.9185	0.7680	0.9420
Euro	0.6963	0.6771	0.6866	0.6906
British pounds	0.5305	0.5651	0.4885	0.5531

### Sensitivity analysis

At 30 June 2015, had the Australian dollar weakened/strengthened by 10% against the respective foreign currencies, with all other variables held constant, the Group post-tax profit would have been materially unchanged mainly as a result of the effectiveness of the hedging in place, and Group equity would have been \$1,786,000 higher/\$1,786,000 lower (2014: \$8,622,000 higher/\$8,622,000 lower) had the Australian dollar weakened/strengthened against the respective currencies.

The analysis is performed consistently from year to year.

### Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

Borrowings are primarily from Australian banks, in Australian dollars, at Australian market variable rates. The Group also has fixed rate borrowings denominated in US dollars.

The Group may use interest rate swaps from time to time to manage interest rate exposure.

### Fixed and variable rate exposure:

	2015 \$'000	2014 \$'000
Fixed rate instruments		
Financial assets	9,750	9,750
Financial liabilities	(45,903)	(265,683)
	(36,153)	(255,933)
Variable rate instruments		
Financial assets	164,560	182,401
Financial liabilities	(85,000)	(474,818)
	79,560	(292,417)

At reporting date the Group had the following variable rate borrowings outstanding.

	30 JUNE 2015		30 JUNE 2014	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'000
Bank overdrafts	-	-	3.20	(3,267)
Bank and other loans	3.68	(85,000)	3.25	(471,551)
Net exposure to cash flow interest rate risk		(85,000)		(474,818)

### Interest rate swaps - cash flow hedges

At 30 June 2015, the Group had no interest rate swaps outstanding (2014: \$nil).

# Notes to the financial statements for the year ended 30 June 2015

## NOTE 36: FINANCIAL INSTRUMENTS (continued)

### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss for the Group.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates during the year would have increased (decreased) equity and profit or loss before tax by \$1,188,000 for the Group (2014: \$4,858,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed consistently from year to year.

### Fair values

#### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	FAIR VALUE HIERARCHY LEVEL	2015		2014	
		CARRYING AMOUNT \$'000	FAIR VALUE \$'000	CARRYING AMOUNT \$'000	FAIR VALUE \$'000
Trade and other receivables		225,802	225,802	221,090	221,090
Cash and cash equivalents		164,597	164,597	182,497	182,497
Bank overdraft		-	-	(3,267)	(3,267)
Forward exchange contracts net - at fair value	2	(239)	(239)	(2,632)	(2,632)
Secured bank loans	2	-	-	(1,722)	(1,722)
Finance lease liabilities	2	(330)	(298)	(290)	(263)
Unsecured bank facilities	2	(85,000)	(85,000)	(469,829)	(469,829)
US notes	2	(45,573)	(48,775)	(265,393)	(288,892)
Trade and other payables		(415,891)	(415,891)	(326,031)	(326,031)
		(156,634)	(159,804)	(665,577)	(689,049)

### Fair value hierarchy

Financial instruments carried at fair value are classified by valuation method based on the following hierarchy:

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

Derivate financial instruments (forward exchange contracts) are the only financial instruments carried by the Group at fair value, with a Level 2 valuation method applied consistently in the current and prior year. A Level 2 valuation method was also applied consistently in current and prior year to assets and liabilities not recognised in the statement of financial position at fair value.

### Estimation of fair value

The following methods and assumptions are used in estimating the fair values of financial instruments:

- forward exchange contracts - bank valuations adjusted as necessary to reflect the credit risk of the various counterparties;
- loans and borrowings, and finance leases - present value of future principal and interest cash flow, discounted at the market rate of interest at the reporting date; and
- trade and other receivables and payables - carrying amount equals fair value.

## NOTE 37: AFTER BALANCE DATE EVENTS

Other than the repayment of US\$10 million US Notes (\$13,021,000) in July 2015 (see Note 19: Loans and borrowings), no matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, the results of these operations or state of affairs of the Group in subsequent financial years.

# Directors' declaration

1. In the opinion of the directors of UGL Limited (the Company):

- (a) the consolidated financial statements and notes that are set out on pages 58 to 96 and the Remuneration Report set out in pages 38 to 56 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 31 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2015.

4. The directors draw attention to Note 1(b) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



**Kathryn D Spargo**  
Chairman



**Ross Taylor**  
Managing Director & CEO

Dated at Sydney this 21st day of August 2015.



# Independent audit report to members of UGL Limited

## REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of UGL Limited ('the Company'), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 37 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

## INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## AUDITOR'S OPINION

In our opinion:

- (a) the financial report of UGL Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 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 1.

## EMPHASIS OF MATTER

Without modifying our conclusion, we draw attention to note 23 in the financial statements which outlines the estimation of the Ichthys CCPP project loss provision and its significance to the current year financial performance. We note that engagement with the client continues as management pursues ongoing commercial negotiations for the recovery of costs, claims and project acceleration, which if successful could impact the current position. The outcome of these negotiations is not yet certain.

## REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 38 to 56 of 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 UGL Limited for the year ended 30 June 2015 complies with Section 300A of the *Corporations Act 2001*.

KPMG

**Tanya Gilerman**  
Partner  
Sydney

21 August 2015

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# Additional information for listed companies

as at 18 August 2015

The following additional information is provided in accordance with the ASX listing rules.

## SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders disclosed in substantial holding notices given to the Company are:

SHAREHOLDERS	NUMBER OF ORDINARY SHARES	%
Allan Gray Australia Pty Ltd	31,245,875	18.77
AXA Group	10,421,638	6.26
Ubique Assets Management Pty Ltd	10,356,412	6.22
National Australia Bank	9,069,204	5.45
Invesco Australia Limited	8,681,565	5.21
FSS Trustee Corporation	8,524,984	5.12

## DISTRIBUTION OF ORDINARY SHAREHOLDINGS

RANGE OF HOLDINGS	NUMBER OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES	%
1 - 1,000	10,810	5,167,416	3.10
1,001 - 5,000	7,730	18,173,839	10.91
5,001 - 10,000	1,282	9,344,378	5.61
10,001 - 100,000	711	16,124,938	9.68
100,001 and over	46	117,700,669	70.70
Total	20,579	166,511,240	100.00

The number of shareholders with less than a marketable parcel of 294 securities (\$1.70 on 18 August 2015) is 3,652, holding in total 477,005 shares.

## OPTIONS AND PERFORMANCE RIGHTS

The Company has on issue 195,600 options over unissued ordinary shares in the Company held by 12 option holders, and 4,821,145 rights over unissued ordinary shares in the Company held by 48 rights holders.

## VOTING RIGHTS

The voting rights attached to ordinary shares are that each member present in person or by proxy, attorney or representative at a general meeting has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken on a poll. There are no voting rights attached to options and performance rights.

# Additional information for listed companies

as at 18 August 2015

## TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest shareholders of the ordinary shares of the Company are:

NAME	NUMBER OF ORDINARY SHARES HELD	% HELD OF ISSUED ORDINARY CAPITAL
Citicorp Nominees Pty Ltd	28,906,678	17.36
J P Morgan Nominees Australia Limited	26,987,686	16.21
National Nominees Limited	23,952,621	14.38
HSBC Custody Nominees (Australia) Limited	17,696,809	10.63
BNP Paribas Noms Pty Ltd	2,363,404	1.42
Argo Investments Limited	2,113,242	1.27
UBS Nominees Pty Ltd	1,847,981	1.11
Pacific Custodians Pty Ltd	1,551,337	0.93
Milton Corporation Limited	1,451,191	0.87
Citicorp Nominees Pty Ltd	1,407,731	0.85
Pacific Custodians Pty Ltd	1,402,196	0.84
Sandhurst Trustees Ltd	765,607	0.46
Pacific Custodians Pty Ltd	750,000	0.45
UBS Nominees Pty Ltd	473,121	0.28
Navigator Australia Ltd	432,094	0.26
Nulis Nominees (Australia) Limited	372,348	0.22
Ten Luxton Pty Ltd	325,000	0.20
Mr David James Irvine	319,529	0.19
HSBC Custody Nominees (Australia) Limited - GSCO ECA	289,900	0.17
Le Grand Pty Ltd	271,000	0.16
Total	113,679,475	68.26

## ON-MARKET BUY-BACK

There is no current on-market buy-back.

## STOCK EXCHANGE LISTINGS

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX code: UGL).

# Corporate directory

## DIRECTORS

Kathryn D Spargo  
Non-executive Chairman

Ross Taylor  
Chief Executive Officer

Richard G Humphry AO  
Non-executive Director

Guy M Cowan  
Non-executive Director

John D Cooper  
Non-executive Director

Jane Harvey  
Non-executive Director

Robert Kaye SC  
Non-executive Director

## CHIEF FINANCIAL OFFICER

Ray Church

## COMPANY SECRETARIES

Pryce Dale  
Lyn Nikolopoulos

## REGISTERED OFFICE

ABN 85 009 180 287  
Level 10  
40 Miller Street  
North Sydney NSW 2060  
Telephone: +61 2 9492 8888

## AUDITORS

KPMG  
10 Shelley Street  
Sydney NSW 2000

## SHARE REGISTRY

Link Market Services  
680 George Street  
Sydney NSW 2000  
Telephone: 1800 200 296  
Overseas: +61 2 8280 7796

## UGL LIMITED

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