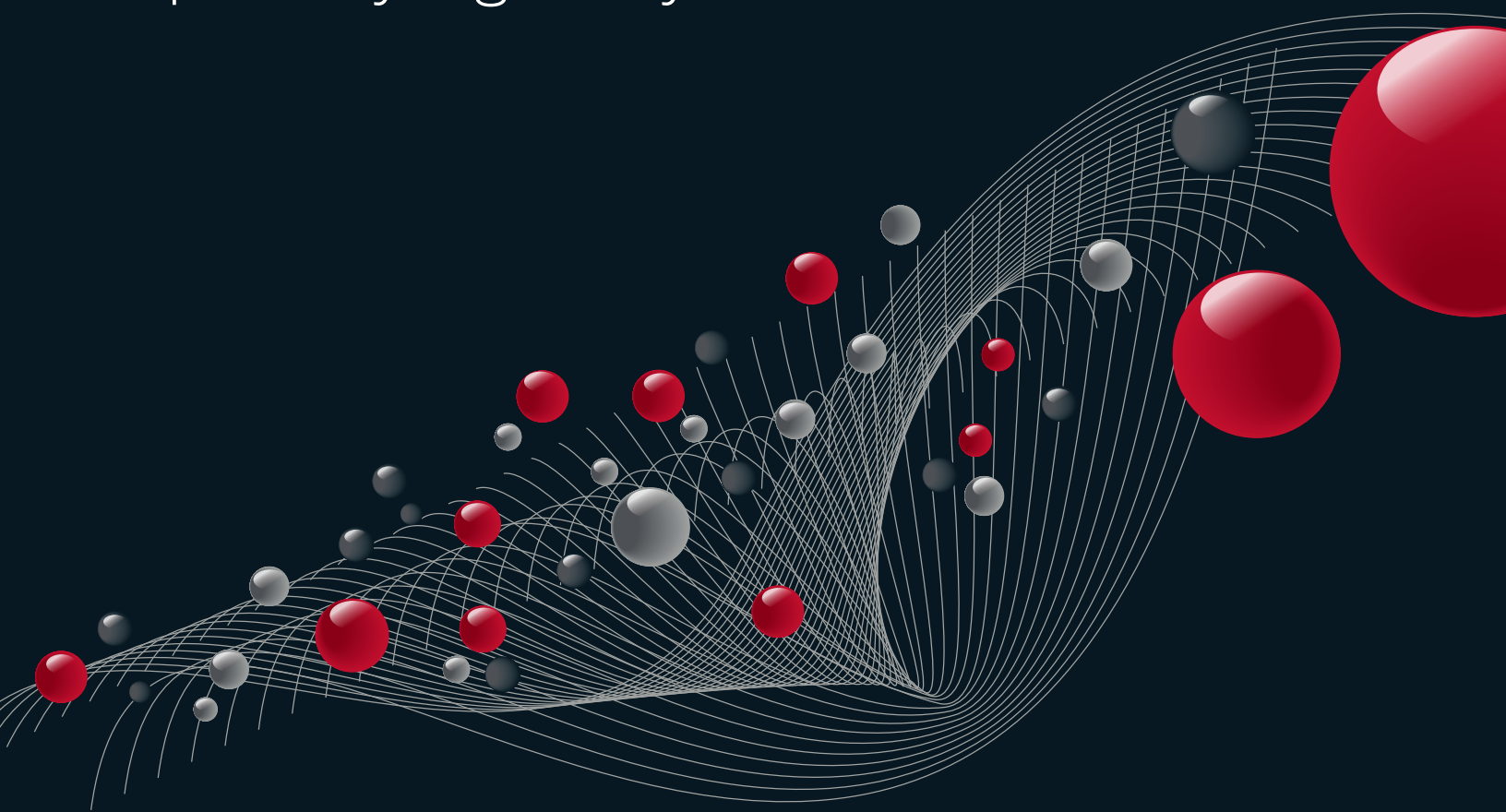




Inspired by ingenuity



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Ingenuity inspires us.

We achieved a strong turnaround in 2010, creating a positive momentum for the future. This momentum, coupled with our growth strategy and acute focus, drives us closer to realising our ambitious goals.

Directors' report

Your Directors present this report on the consolidated entity (referred to hereafter as the Group) consisting of Ausenco Limited and the entities it controlled at the end of, or during, the year ended 31 December 2010.

DIRECTORS

Directors of Ausenco Limited at any time during, or since the end of, the financial year are:

Wayne Goss
 Zimi Meka
 George Lloyd
 Greg Moynihan
 Mary Shafer-Malicki (appointed 1 January 2011)
 Bob Thorpe
 Hank Tuten

PRINCIPAL ACTIVITIES

During the year the principal activities of the Group consisted of the provision of engineering design, project management, process controls and operations solutions to the following sectors:

Energy
 Environment & Sustainability
 Minerals & Metals
 Process Infrastructure
 Program Management

DIVIDENDS - AUSENCO LIMITED

Dividends paid to members during the financial year were as follows:

	2010	2009
	\$'000	\$'000
Final ordinary dividend for the financial year ended 31 December 2009 of 4.5 cents per share paid on 14 April 2010	5,493	-
Interim ordinary dividend for the financial year ended 31 December 2009 of 5.0 cents per share paid on 16 September 2009	-	6,076
Final ordinary dividend for the financial year ended 31 December 2008 of 13.5 cents per share paid on 15 April 2009	-	12,375
	<u>5,493</u>	<u>18,451</u>

The Board has decided that no final dividend be declared for the financial year ended 31 December 2010.

EARNINGS PER SHARE

	2010	2009
	Cents	Cents
Basic earnings per share	(8.8)	19.0
Diluted earnings per share	(8.8)	18.6

SAFETY

The Group's safety performance for the 12 months to 31 December 2010 included a Lost Time Injury Frequency Rate (LTIFR) of 1.14 and a Total Recordable Injury Frequency Rate (TRIFR) of 3.22 per million hours worked. This represents a 16% improvement of total recordable injuries in 2009 and we continue to strive for our goal of zero harm.

REVIEW OF OPERATIONS

Revenue from continuing operations for the year of \$513.4 million was up 18.7% on the revenue of \$432.5 million for the previous corresponding year. Ausenco recorded a net loss before tax for the period of \$18.7 million, a decrease of 210.0% over the net profit before tax of \$17.0 million achieved in the previous 12 months. Net loss after tax for the period was \$10.7 million, a decrease of 152.9% over the previous year. The decline in net earnings was driven by a number of specific activities including an impairment charge on the Group's Energy business, office consolidations and closures and strategic and rebranding initiatives. In addition to these one-off costs, the Group experienced relatively higher comparable foreign exchange rates, retention costs as a result of maintaining personnel capacity for targeted opportunities and higher tender related costs. In the second half of 2010 the Group recorded a profit after tax of \$8.9 million.

Underlying EBITDA for the year was \$10.6 million, a decrease of 73.6% on the previous corresponding period. Basic earnings per share is a loss of 8.8 cents, a decrease of 146.3% over the 19.0 cents per share achieved last year.

The Group's earnings before interest and tax (EBIT) margin was negative 3.1% compared to a positive margin of 5.0% last year and the after tax margin of 2.1% was lower than the 4.7% margin reported last year. A net tax benefit of \$8.1 million for the year ended 31 December 2010 was recorded for the year.

Net operating cash flow was \$23.1 million, compared to an outflow of \$2.3 million in the previous year. The turnaround in operating cash flow was driven by management's focus on cash collections and expenditure management.

The Group's gross cash position at 31 December 2010 was \$63.6 million. Net debt increased from \$0.5 million at 31 December 2009 to \$2.8 million during the period as a result of movements in foreign exchange rates, debt repayments and working capital movements. The net gearing ratio increased to 1.2% from 0.2% while the EBITDA to total financing costs ratio was negative 0.7 times (2009: 4.5 times).

In light of Ausenco's relatively low net gearing levels, solid cash flows and improving outlook, the Group's banker has accepted compliance with the requirements of banking facilities at 31 December 2010 despite our first half year financial performance leading to non-compliance with certain financial covenant measures. Ausenco expects to comply with its financial covenants in 2011.

Business Line Performance

	Segment revenues		Segment EBITA	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Energy	883	5,749	(1,631)	682
Environment & Sustainability	51,742	39,931	5,469	2,760
Minerals & Metals	287,245	219,805	32,306	33,457
Process Infrastructure	152,235	162,423	(1,912)	16,071
Program Management	18,104	157	1,180	(1,369)
Corporate	-	-	(40,117)	(27,089)
Total	510,209	428,065	(4,705)	24,512

Energy

The Energy business line is a strategically important market sector for the Group providing diversity in earnings and longer term growth opportunities. During 2010, the Energy business was awarded new work in alternative energy and renewable power generation makers in Australia, South America and Canada. The business also formed and actively marketed three new strategic alliances with well credentialed partners in power generation, wind and mineral energy resource projects.

Environment & Sustainability

During 2010, revenues increased significantly, up 29.6% to \$51.7m. The increased revenues were driven from strong performances in South America. EBITA was up 98.2% to \$5.5m from \$2.8m the previous year. The business secured significant work with globally diversified clients including work for BHP Billiton's heap leach expansion programs in Chile and Columbia. The outlook for the Environmental & Sustainability business remains strong as early stage exploration momentum continues, supported by global commodity demand.

REVIEW OF OPERATIONS (continued)

Minerals & Metals

The Minerals & Metals business line operating revenue was up 30.7% to \$287.2m in 2010. EBITA was marginally lower at \$32.3m compared with \$33.5m in 2009 while the EBITA margin decreased from 15.2% in 2009 to 11.2% in 2010. Higher tendering costs and non-recoverable personnel costs contributed to the decrease in the EBITA margin. The business line was awarded US\$1.2 billion in new Create phase work throughout the year including Kestrel underground, Kestrel CHPP, Ernst Henry, Cadia East and Chatree.

Process Infrastructure

The Process Infrastructure business line operating revenue was down 6.3% from \$162.4m in 2009 to \$152.2m in 2010. EBITA was 111.9% lower as a result of the impact of higher tendering costs, slower project activity in North America and higher non-recoverable personnel costs. The business was awarded a range of new Evaluate and Innovate phase work across South America to provide new port facilities, trucking, rail and pipeline work. A focus for Process Infrastructure business is to convert key Evaluate and Innovate phase projects into Create phase opportunities to improve longer term operating margins.

Program Management

Program Management's revenue increased from \$0.2m in 2009 to \$18.1m in 2010. 2010 represents the first full year of operations for the business. During the year Program Management was awarded a \$285m contract to manage the delivery of Hancock Coal's Alpha Coal project through a 50/50 joint venture with Worley Parsons. The business was also awarded a number of contracts in Papua New Guinea through the Kramer Ausenco business and Optimise work with Newcrest for the Hidden Valley gold project. Program Management is targeting a strong list of Optimise phase projects to further grow a stable recurring revenue base.

Corporate

The Corporate EBITA was a loss of \$40.1m in 2010, up from \$27.1m in 2009. The 2010 result included a number of one-off costs including \$6.7m in office rationalisation costs and other strategic investment costs related to the OneAusenco rebranding and strategic global offices.

Ausenco expects growth in 2011 and beyond 2012 as the benefits of the strategic growth initiatives undertaken in 2010 crystallise and global business conditions continue to improve. Key risks to the Group include further strengthening of the Australian Dollar, ongoing delays in anticipated project capital expenditure commitments and rescheduled delivery dates for key projects already underway.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than matters mentioned in this report, no other significant changes in the state of affairs have occurred during the year ended 31 December 2010.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

- (a) The Group's operations in future financial years
- (b) The results of these operations in future financial years, or
- (c) The Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in and expected results of the operations of the Group have been discussed generally in the Annual Report. Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group does not carry out environmentally sensitive activities in its own right. The Group's principal exposure to environmental risk lies in failing to perform services to the appropriate standard of care, resulting in environmental damage. Assessment and management of such risks forms part of Ausenco's risk management and quality assurance systems. The Directors are not aware of any breaches of environmental regulations as a result of the activities of the consolidated entity.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors (including meetings of committees of Directors) held during the year ended 31 December 2010, and the number of meetings attended by each Director were:

	Board		Audit Committee		Remuneration Committee	
	Meetings held while a Director	Number Attended	Meetings held while a Director	Number Attended	Meetings held while a Director	Number Attended
Wayne Goss	10	10	6	6	3	3
Zimi Meka	10	10	-	-	-	-
George Lloyd	10	7	6	6	3	3
Greg Moynihan	10	10	6	6	-	-
Bob Thorpe	10	10	6	5	-	-
Hank Tuten	10	9	-	-	3	3

INFORMATION ON DIRECTORS

Wayne Goss LLB, MBA, FAICD Chairman

Wayne was appointed as Chairman in 2002. He is Chairman of the National Board of Deloitte and Chair of Free TV Australia Limited. He is a former director of Ingeus Limited (2003 – 2007), WebCentral Group Limited (2005 – 2006), Lincolne Scott (1999 – 2005), Peplin Limited (2000 – 2005) and Brisbane Broncos Limited (2004 – 2005). Wayne is also former Chairman of the Board of Trustees of the Queensland Art Gallery (1999 – 2008), Government Reform Commission, South Australian Government (2006 – 2007) and the Advisory Council, Graduate School of Government, University of Sydney (2003 – 2006). He was awarded an Honorary Doctorate by the Queensland University of Technology in 2001, by Griffith University in 2003 and The University of Queensland in 2007. Wayne was admitted as a solicitor of the Supreme Court of Queensland in 1973. He has a Bachelor of Laws (1975) and a Master of Business Administration (1997) from the University of Queensland. He was elected Premier of Queensland in 1989 and served in that capacity until 1996. He is also a Fellow of the Australian Institute of Company Directors and an Adjunct Professor, School of Business at The University of Queensland.

Zimi Meka B Eng (Hons) Mech, MIE Aust, MAICD, RPEQ Chief Executive Officer

Zimi Meka is one of the founding directors of Ausenco Limited and was appointed as Chief Executive Officer / Managing Director in 1999. Zimi's background includes senior roles in engineering and operations companies prior to the formation of Ausenco in 1991. He has over 25 years experience in the design, construction and operation of a wide range of processing plants and infrastructure in the minerals industry in Australia and internationally. Zimi was the Queensland University of Technology "QUT" 2008 Alumnus of the Year and was also nominated as one of Engineers Australia's 2009 Top 100 Influential Engineers in Australia.

George Lloyd
MBA, B Eng Sc (Industrial), FAusIMM
Non-Executive Director

George Lloyd is a director of a number of listed resource companies (as per below) and is also involved in providing advisory services to the resources sector. He is Chairman of AWR Lloyd Limited, an Asian based firm providing mergers and acquisitions, corporate strategy, industrial research and investor relations advisory services to the mining and energy industries in Asia and Australia. He is also Chairman of Pryme Oil and Gas Limited (since January 2008), and Chairman of Cape Alumina Limited (since January 2009). George has over thirty years resource industry experience and has served as a senior executive and board member of listed and unlisted Australian resource companies with interests in minerals, energy and industry services. During the past three years he also served as a non executive director of Goldlink Income Plus Limited (2007 – 2008).

Greg Moynihan
B Com, Grad Dip SIA, CPA, ASA, Fellow FINSIA, MAICD
Non-Executive Director

Greg Moynihan has spent most of his career within the broad finance sector and is a former Chief Executive Officer of Metway Bank Limited. He has held senior executive positions in Citibank Australia, Metway and Suncorp Metway covering a range of disciplines including financial and capital management, investment management, and corporate strategy. Since leaving Suncorp Metway in 2003, he has pursued a number of business interests, primarily in the investment management and private equity sectors. Greg has held past directorships with a range of companies including Cashcard Australia Ltd, LJ Hooker Ltd, RACQ Insurance Ltd, HFA Limited and various subsidiaries of Suncorp Metway Ltd. He is currently a director of Sunwater Limited (since 2007), Urban Art Projects Pty Ltd (since 2008), Corporate Travel Management Limited (since 2010) and several private investment companies.

Mary Shafer-Malicki
B Sc (Chem Eng)
Non-Executive Director (appointed 1 January 2011)

Mary has held a number of senior executive leadership roles in her 25 year career, including over 15 years with BP Group, during which time she was Chief Executive Officer of BP Angola and Director General of BP Vietnam. Mary's extensive experience includes operations, strategy, commercial, safety and supply chain management. Her international exposure includes North America, Netherlands, United Kingdom, West Africa and Vietnam.

Bob Thorpe
B Tech (Mech), MIE Aust
Non-Executive Director

Bob Thorpe was Ausenco's founding Managing Director until retiring from the role in 1999. Prior to the formation of Ausenco in 1991, Bob held Director and General Manager positions in engineering and operations management companies in Queensland and Western Australia. Bob has more than 35 years experience in design, engineering, project management, construction, operation and maintenance of large scale processing plants in Australia and internationally. He also has significant experience in contractual and commercial management, estimating systems and corporate risk management. Bob was a non executive director of Cloncurry Metals Limited (2007 - 2009).

Hank Tuten
BA Econ
Non-Executive Director

Hank Tuten is a partner in and chairs the Investment Committee of Resource Capital Funds, a United States based investment fund. Prior to this, Hank spent more than 15 years with the N M Rothschild and Sons Group. During that period he was progressively, the Chief Executive Officer of Rothschild Australia Limited, Rothschild North America Inc. and Continuation Investments, the Rothschild Group's private equity arm. Hank has also had experience as a commercial banker with the Philadelphia National Bank. During the past three years he also served as a non executive director of Australian Solomons Gold Limited (2004 – 2009) and St. Barbara Mines Limited (2002 – 2008).

INFORMATION ON COMPANY SECRETARY

Belinda Smith
B Bus (Acctg), Grad Dip ACG, ACIS, CA

Belinda Smith was appointed to the position of Company Secretary on 20 January 2010. Belinda has been with Ausenco since 2008 and is responsible for all Company Secretarial functions. Belinda has extensive commercial and corporate governance experience gained whilst working with another public company and previously a Big 4 accounting firm.

INSURANCE OF OFFICERS

During the financial year, Ausenco paid a premium to insure the Directors and Officers of all consolidated entities. The contracts prohibit the disclosure of the amounts of premiums paid.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entities, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

NON-AUDIT SERVICES

The Group may employ its auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the Company, its related practices and non-related audit firms:

	Consolidated	
	2010	2009
	\$	\$
1. AUDIT SERVICES		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial statements	482,742	475,217
Related practices of PricewaterhouseCoopers Australian firm	330,802	402,154
Non-PricewaterhouseCoopers audit firms for the audit or review of financial statements of any entity in the Group	11,808	13,583
Total remuneration for audit services	<u>825,352</u>	<u>890,954</u>
2. OTHER ASSURANCE SERVICES		
PricewaterhouseCoopers Australian firm:		
Other accounting services	33,110	12,440
Related practices of PricewaterhouseCoopers Australian firm:		
Other accounting services	11,345	55,016
Non-PricewaterhouseCoopers audit firms	-	20,498
Total remuneration for other assurance services	<u>44,455</u>	<u>87,954</u>
TAXATION SERVICES		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	7,515	58,075
Related practices of PricewaterhouseCoopers Australian firm	88,630	276,959
Non-PricewaterhouseCoopers audit firms	23,830	23,685
Total remuneration for taxation services	<u>119,975</u>	<u>358,719</u>
Total remuneration for non-audit services	<u>164,430</u>	<u>446,673</u>

REMUNERATION REPORT

EXECUTIVE SUMMARY

Ausenco's remuneration strategy is designed to drive superior shareholder returns over the long-term by aligning the short and long-term interests of our people and our shareholders and by attracting and retaining high quality people. This strategy has been in place since Group inception and continues to evolve to ensure that it meets its objectives.

Historically this has led to strong shareholder returns. The direct impact of the global financial crisis on Ausenco's financial performance in 2009 had extended longer into 2010 than was expected, resulting in disappointing financial performance for the year, particularly in the first half of the year. While the Group reported growth in revenue, the adverse impact of strategic costs, office rationalisation expenses and a goodwill impairment charge resulted in a net loss after tax for the year. This performance was below the comparable performance of the international peer group. For the current year, at risk remuneration declined to reflect the disappointing financial performance of the Group.

The Ausenco Board (the Board) believes that Ausenco's remuneration strategy will be an important contribution to improved performance in the short to medium-term. The 2010 net loss after tax has adversely impacted the Group's five year profit performance, earnings per share, and total shareholder return measures, performing below relative levels of its peers during this period. While the Group's 2010 return on capital employed was below the peer group, the average return of capital employed does compare favourably with its peers.

Ausenco's performance over the 6 years since 2005:

	2005	2006	2007	2008	2009	2010	5 year CAGR
Earnings							
- NPAT	5.7	13.4	41.5	56.3	20.1	(10.7)	(213%)
- Basic EPS (cps)	7.9	17.3	50.5	62.7	19.0	(8.8)	(202%)
Return on capital employed	24%	57%	87%	26%	6%	(5%)	
Total shareholder returns							
- Dividend interim and final (cps)	1.3	10.0	30.3	31.8	9.5	-	(100%)
- Share price at 31 December 2010 ^a	-	3.48	15.22	2.19	4.56	3.08	25%
- Annual Total Shareholder Return ^b (%)	N/A	251%	343%	(84%)	117%	(32%)	
Total shareholder Return since listing						290%	

a Listing price at 15 June 2006 - \$1.00

b Total Shareholder Return (TSR) represents the accumulated share price when all cash dividends are reinvested at the ex-dividend date

The peer group comprises Aker Solutions, AMEC, Fluor Corporation, Jacobs, Lycopodium, Sedgman, Shaw Group, SNC Lavalin, Wood Group and Worley Parsons. This group was adjusted by the Remuneration Committee effective from 1 January 2010 with the introduction of 3 new peers (Jacobs, Shaw Group and Wood Group).

REMUNERATION COMMITTEE

The Remuneration Committee ("Committee") was established as a sub committee of the Board in April 2006. The Committee is governed by its charter, which sets out the membership, responsibilities, authority and activities of the Committee. The Charter is available in the Investor Relations section of the Group's website www.ausenco.com.

The Committee met three times during the financial year. Attendance at those meetings is detailed in this Directors' Report.

The following Directors were members of the Committee during the year:

Name	Position	Duration
Hank Tuten	Chairman	From April 2006
Wayne Goss	Member	From April 2006
George Lloyd	Member	From April 2006

The Committee invites members of management to assist in its deliberations (except concerning their own remuneration).

REMUNERATION POLICY AND STRUCTURE

The Committee is responsible for ensuring that the Group has coherent remuneration policies and practices which enable it to attract and retain executives, Directors and employees who will generate sustained business performance, create value for shareholders and support the Group's goals and values.

The Board has adopted the Committee recommended remuneration policies that are designed to:

- Enable review of and where appropriate reflect market practices and remuneration trends
- Facilitate recommendations to the Board in relation to the Group's remuneration policies and procedures
- Enable monitoring of Directors, non-executive Directors and senior management performance and
- Facilitate recommendations to the Board in relation to the remuneration of senior management and non-executive Directors.

The executive remuneration and reward framework provides a mix of fixed and variable remuneration, including a blend of short and long term incentives. As executive's impact on business performance increases in the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards. The framework has three components comprising the executive's total remuneration:

1. Fixed remuneration and benefits set by reference to market data and not directly related to the Group's financial performance.
2. Short-term performance incentives set by reference to market data and not wholly related to the Group's financial performance.
3. Long-term performance incentives aligned with those drivers which the Board believes will underpin sustainable long-term growth in shareholder value.

KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES' REMUNERATION

The Remuneration Report shows remuneration information for the Key Management Personnel (KMP) of Ausenco and the Company as defined in AASB 124 Related Party Disclosures. The remuneration structure for non executive Directors provides for a fixed remuneration component only. The structure for Senior Executive personnel incorporates at risk components as part of the group's short and long term incentive plans in addition to fixed remuneration. The remuneration arrangements for each of these groups are discussed separately in this report, with KMP individuals divided into three separate groups for the ease of reference:

NON EXECUTIVE DIRECTORS, being those individuals listed on pages 4 to 5 of the Financial Report.

EXECUTIVE DIRECTOR, being Mr Zimi Meka, the Chief Executive Officer.

OTHER SENIOR EXECUTIVES, being those individuals who report directly to the Chief Executive Officer and have the requisite authority and responsibility for planning, directing and controlling the activities of the Group and the Company. These individuals are listed below. They are all KMP of the Group and the Company:

- Mr Craig Allen, Chief Financial Officer
- Mr Nick Bell - Chief Operating Officer
- Mr Greg Chrisfield - Chief Sustainability Officer
- Mr Ken Roxburgh - Chief Commercial Officer
- Mr Neil Trembath - Chief People Officer
- Mr Paul Young - Chief Information Officer

SENIOR EXECUTIVE REMUNERATION POLICY

The Group's Senior Executive remuneration and reward structure is designed to:

- Demonstrate a clear relationship between the Group's and executive's performance and remuneration
- Provide sufficient and reasonable rewards to ensure the Group attracts and retains suitably qualified executives for key roles on a global, regional and local basis
- Apply quantifiable and measurable performance targets that are aligned to the Group's strategic plan, within an appropriate control framework
- Measure and reward executive performance using financial and non-financial key performance indicators which are structured to include both lead and lag indicators of performance.

The Board recognises that it is necessary for remuneration packages of Senior Executives to include both a fixed component and an incentive or performance related component, a portion of which is an equity component vesting at the end of each two, three and four year period following grant.

The relative proportion of total remuneration packages that is performance based is set out in the table below:

Role Title	Name	Fixed Remuneration	Short-Term incentive	Long-term incentive
Chief Executive Officer	Zimi Meka	51%	21%	28%
Chief Financial Officer	Craig Allen	58%	18%	24%
Chief Operating Officer	Nick Bell	62%	16%	22%
Chief Sustainability Officer	Greg Chrisfield	72%	12%	16%
Chief Commercial Officer	Ken Roxburgh	78%	9%	13%
Chief People Officer	Neil Trembath	72%	12%	16%
Chief Information Officer	Paul Young	77%	9%	14%

FIXED REMUNERATION

The total remuneration packages for Senior Executives contain a fixed component. This is expressed as a specific amount that the executive may take in a form agreed with the Group and is determined based on the scope and nature of the individual's role, their performance and experience. The fixed component of remuneration is set at a level to reflect the market range for a comparable role. In addition, the past performance of the executive is assessed, as are the performance of business units within his or her control and the contribution of the executive to the overall performance of the Group.

Senior Executives may choose to receive benefits by way of salary sacrificed motor vehicles and superannuation. All benefits received by Senior Executives are disclosed below. In addition, the Group provides superannuation in accordance with its legal obligations in the relevant global jurisdictions.

SHORT TERM INCENTIVE ("STI") PLAN

The terms of employment for Senior Executives contain a short term annual performance based component. The STI plan involves linking specific targets or key performance indicators ("KPIs") with the opportunity to earn cash incentives based on a percentage of base salary.

Any portion of the STI that is not achieved in any financial year may not be deferred to future financial years.

Currently 60% of the KPIs for the STI plan relate to financial performance. In general, the performance conditions are related to the Group's overall profitability and the financial performance of the Group when measured against the annual business plan.

The remaining 40% of the KPIs for the STI plan relate to non financial performance. These non financial indicators include lead and lag indicators directly linked to the KPIs included in the Group's strategic plan. The non financial KPIs are linked to outstanding performance in the following areas:

- client satisfaction
- health, safety and the environment in support of Group's objective of "Safety in all we do"
- people management and development, and
- adherence to and implementation of the Group's strategic business plan.

The Board considers these performance conditions to be appropriate because they directly link remuneration to the strategic objectives and direction of Ausenco, achievement of financial and non financial targets and identification of new growth opportunities that are important for Ausenco's future success.

The basis for determining whether the performance criteria for the financial KPIs are met is an objective measurement against the audited financial statements for the financial year. The non financial KPIs are assessed as measured against relevant criteria which take into account the Group's safety performance, people and performance measures including retention, and specific actions required to implement the business plan. Measurement of the non financial KPIs involves the assessment of a combination of objective measures. KPIs are generally chosen because they focus on the key behaviours or results the Group seeks to attain, are capable of measurement and can be readily audited.

In addition to the annual targets described above, significant projects are from time to time assigned their own KPIs. These KPIs are tailored to deliver specific project outcomes. There were no special projects of this kind during the 2010 financial year.

No 2010 short term incentive amounts are payable as budgeted profitability measures, as part of the financial targets, were not achieved during the year. Short term incentive payments for achieving 2010 non-financial targets are assessed, reviewed and approved based on their individual merits.

LONG TERM INCENTIVE ("LTI") PLAN - PERFORMANCE RIGHTS PLAN ("PRP")

The Group's LTI plan is designed to link executive reward with the key performance drivers which underpin sustainable long term growth in total shareholder return, comprising earnings growth, share price appreciation, dividends and capital returns to shareholders.

The Board determines on an annual basis whether the LTI plan will operate in the year. Participation in the LTI plan is offered at the discretion of the Board to eligible executives who are able to influence the generation of shareholder wealth over the long term. The LTI plan provides the opportunity to receive performance rights, subject to the satisfaction of performance hurdles and vesting periods.

The Group's PRP provides for performance rights to be issued to eligible employees. Under the PRP, eligible employees are invited to apply for performance rights, each of which entitles the holder to subscribe for one fully paid ordinary share in the Company at a nil exercise price (i.e. zero priced options).

Subject to the relevant performance hurdles being satisfied, each performance right entitles the holder to subscribe for one fully paid ordinary share in the Company at a nil exercise price. One third of the rights granted vest at the end of each two, three and four year period following grant, subject to an overriding service condition. Performance rights carry no dividend or voting rights.

Where a participant leaves the Group, the terms of the PRP prescribe that the Board may exercise its discretion to allow a proportion of performance rights to vest and be exercised. The Board may deem any performance rights to have lapsed if, in the opinion of the Board, the executive acts fraudulently or dishonestly or is in breach of any of their obligations to the Group.

In the event of a takeover or other formal scheme for the acquisition of the shares of the Group, the Directors may exercise their discretion to determine that all unvested performance rights vest, subject to further conditions to be determined by the Board.

PERFORMANCE RIGHTS HURDLES

The Group uses dual measures of Earnings Per Share (EPS) growth and Total Shareholders Return (TSR) as part of its PRP. The Board believes that the combination of EPS growth and TSR is the most appropriate measure for Ausenco at its current stage of development and best reflects current market practice. During 2010, the Board approved a Remuneration Committee recommendation to balance equally the EPS and TSR performance target weightings.

Accordingly 50% of each Senior Executive's performance rights are exercisable subject to EPS measurement in accordance with the following table. The balance of each Senior Executive's performance rights entitlement for each year will be measured by the Group's TSR against a group of comparator organisations considered to be Ausenco's key competitors globally and also represent key comparator groups used by competitor organisations and clients. In 2010 the TSR target was measured against the ASX 300 Index.

Earnings Per Share Target (50%)		Total Shareholder Return Targets (50%)	
EPS growth above CPI performance target	Rights Vesting	TSR growth above Comparator Group	Rights Vesting
Less than 4% above CPI	0%	Less than 50% percentile	0%
4% above target	20%	At 50% percentile	30%
More than 4% above CPI target	An additional 7.5% for each 1%	More than 50% percentile and up to 75%	From 51st to 75th, 0.8% increase for each 1.0% percentile
More than 8% above CPI target	50%	More than 75% percentile	50%

Basic earnings per share is determined by dividing the operating profit attributable to members of the Group by the weighted average number of ordinary shares outstanding during the financial year, as required under AASB 133 Earnings per Share. Growth in EPS will be measured by comparing the EPS in the base year and the measurement years calculated on a normalised basis. EPS growth was less than 4% above the CPI target in 2010 and therefore 0% of the 50% EPS component will vest.

The TSR growth measure represents the change in the capital value of a listed entity's share price over a period, plus dividends, expressed as a percentage of the opening value. During 2010, there was no TSR growth, therefore none of the 50% TSR component will vest.

EXECUTIVE OPTIONS PLAN ("EOP")

Prior to the Company's listing on the ASX, it operated a cash based incentive plan which provided conditions for attraction and retention of Senior Executives and was commensurate with individual performance. The EOP was established in April 2006 as a replacement LTI plan for Senior Executives and to also operate as a complimentary reward mechanism for eligible executive employees in specific circumstances.

Under the EOP, eligible executive employees are invited to apply for options, each of which entitles the holder to subscribe for one fully paid ordinary share in the Company at an exercise price equal to the Company's share market price at the time of grant. The EOP provides for options, with associated time based vesting conditions, to be issued to eligible executive employees.

Options are granted for a three year period, with one third of each option tranche vesting and becoming exercisable after each subsequent annual anniversary of the date of grant, subject to an overriding service condition. Options expire five years after the date of grant. Options granted under the EOP carry no dividend or voting rights.

Where a participant leaves the Group, the terms of the EOP prescribe that the Board may exercise its discretion to allow a proportion of performance rights to vest and be exercised. The Board may deem any options to have lapsed if, in the opinion of the Board, the executive acts fraudulently or dishonestly or is in breach of any of their obligations to the Group.

In the event of a takeover or other formal scheme for the acquisition of the Shares in the Group, the Directors may exercise their discretion to determine that all unvested options vest, subject to further conditions to be determined by the Board.

EMPLOYEE SHARE ACQUISITION PLAN ("ESAP")

The ESAP was approved by shareholders in 2006 and launched in August 2008. The Plan is available to all personnel employed on a permanent basis by the Group ("Eligible Employees").

The ESAP was designed to assist with retaining permanent employees of the Group by enabling them to share in the organisation's success. The ESAP provides the Group's Eligible Employees with an enhanced opportunity to acquire Shares ("Plan Shares") in the Company.

Each annual ESAP offer is subject to Board approval. For 2010, the Board decided not to offer the ESAP due to the uncertain economic climate and its impact on contributed equity.

Under the 2008 ESAP offer, Eligible Employees were able to purchase Ausenco Plan Shares up to a specified percentage of their base salary. This "Employee Contribution" amount was matched by Ausenco with an equal Company Contribution for an equivalent number of Plan Shares, vesting pro rata over the next three years following the Plan offer.

Shares purchased under the Plan are available for sale by transfer to each Eligible Employee in three (3) equal annual installments. These restrictions are removed from Plan Shares purchased with the employee contribution if a participating Eligible Employee ceases employment with the Group. Plan participants who cease employment forfeit any shares purchased with the Company Contribution unless those shares have already passed their vesting periods.

Plan Shares may only be held by the Trustee for a maximum of 10 years. At the expiry of 10 years, vested Plan Shares will be transferred to the relevant Eligible Employee.

OPTIONS AND RIGHTS AS REMUNERATION

Details of performance rights and options over ordinary shares in the Company provided as remuneration to each of the Group's Senior Executives are set out below. When exercisable, each performance right and option is convertible into one ordinary share of the Company.

Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

The assessed fair value at grant date of the performance rights and options granted to the individuals is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables shown below. During the year, the Group granted rights to Senior Executives set out in the following table:

	Number of options / rights held at 1 Jan 2010 ^a	Performance rights granted in the current financial year	Options granted in the current financial year	Options / Rights exercised during the current financial year	Options / Rights forfeited during the current financial year	Number of options / rights held at 31 Dec 2010 ^b	Number of options / rights vested in the current financial year	Number of options / rights vested at 31 Dec 2010
EXECUTIVE DIRECTOR								
Zimi Meka	704,478	76,143	-	133,960	100,368	546,293	71,802	405,135
Total	704,478	76,143	-	133,960	100,368	546,293	71,802	405,135
KEY MANAGEMENT PERSONNEL								
Craig Allen	262,817	42,831	-	125,541	58,302	121,805	42,208	39,354
Nick Bell	140,515	46,743	-	-	61,734	125,524	41,538	41,538
Greg Chrisfield	36,066	16,752	-	-	22,803	30,015	-	-
Ken Roxburgh	63,229	12,996	-	17,194	17,688	41,343	17,194	16,328
Neil Trembath	39,846	17,058	-	1,042	23,217	32,645	1,042	-
Paul Young	19,476	10,428	-	-	13,005	16,899	-	-
Total	561,949	146,808	-	143,777	196,749	368,231	101,982	97,220
Grand Total	1,266,427	222,951	-	277,737	297,117	914,524	173,784	502,355

^a Or date of appointment if later

^b Or date of retirement/resignation if earlier

	Number of options / rights held at 1 Jan 2009 ^a	Performance rights granted in the current financial year	Options granted in the current financial year	Options / Rights exercised during the current financial year	Options / Rights forfeited during the current financial year	Number of options / rights held at 31 Dec 2009 ^b	Number of options / rights vested in the current financial year	Number of options / rights vested at 31 Dec 2009
EXECUTIVE DIRECTOR								
Zimi Meka	570,441	155,739	-	-	21,702	704,478	233,646	467,293
Total	570,441	155,739	-	-	21,702	704,478	233,646	467,293
KEY MANAGEMENT PERSONNEL								
Craig Allen	183,446	92,214	-	-	12,843	262,817	122,687	122,687
Nick Bell	51,538	95,901	-	-	6,924	140,515	-	-
Greg Chrisfield ^c	-	36,066	-	-	-	36,066	-	-
Ken Roxburgh	105,479	27,975	-	66,328	3,897	63,229	66,328	16,328
Neil Trembath	7,815	36,720	-	-	4,689	39,846	-	-
Paul Young	-	19,476	-	-	-	19,476	-	-
Total	348,278	308,352	-	66,328	28,353	561,949	189,015	139,015
Grand Total	918,719	464,091	-	66,328	50,055	1,266,427	422,661	606,308

a Or date of appointment if later

b Or date of retirement/resignation if earlier

c Mr Chrisfield was appointed on 12 January 2009

The following table shows unissued ordinary shares of Ausenco Limited under options/rights at the date of this report:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
			Number	Number	Number	Number	Number	Number
27/04/06	27/04/11	\$1.00	533,332	-	199,999	-	333,333	333,333
18/12/06	18/12/11	-	733,520	-	344,105	16,076	373,339	373,339
19/02/08	19/02/15	-	87,573	-	11,181	3,181	73,211	22,085
25/02/08	19/02/15	-	12,246	-	314	1,566	10,366	3,246
05/03/08	19/02/15	-	9,783	-	1,063	2,645	6,075	1,669
31/03/08	10/09/12	-	2,982	-	-	-	2,982	2,982
23/06/08	31/12/11	-	40,000	-	-	-	40,000	40,000
23/06/08	19/02/15	-	4,614	-	-	-	4,614	1,538
31/03/09	17/03/14	-	1,635,114	-	-	726,678	908,436	-
01/01/10	01/04/15	-	-	760,680	-	401,472	359,208	-
			3,059,164	760,680	556,662	1,151,618	2,111,564	778,192
Weighted average exercise price			\$0.17	\$ -	\$0.35	\$ -	\$0.15	\$0.42

For options/rights granted, the fair value at grant date is determined using the Hull White option pricing model that takes into account the exercise price, the term of the options/rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the options/rights. The model inputs for the options/rights granted during the year ended 31 December 2010 included:

- (i) Share price at grant date in 2010 was \$4.57; (2009 issue: \$2.19)
- (ii) Expected price volatility of the company's shares: 62.4%; (2009 issue: 71.8%)
- (iii) Expected dividend yield: 4.1%; (2009 issue: 16.2%) and
- (iv) Risk-free interest rate: 4.99% (2009 issue: 3.27%).

The expected price volatility is based on historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

EXECUTIVE SERVICE AGREEMENTS

The remuneration and other terms of employment for Senior Executives are formalised in Executive Service Agreements. These agreements provide for the Senior Executive's remuneration, including fixed annual remuneration and performance related STI plan (cash bonuses as disclosed below), and may include participation in the LTI plan.

As part of their fixed annual remuneration, Senior Executives may receive benefits including motor vehicles. In addition, fixed annual remuneration will include provision for superannuation, pension scheme and like benefits or payments which Ausenco is required to provide in respect of its employees.

Specific Information regarding the Executive Service Agreements for Senior Executives in 2010 is summarised below:

Name	Position	Terms of agreement / contract and date commenced if during the year	Total Employment Cost ^a	Target STI ^b	Notice Period – Employee	Notice Period - Company
Zimi Meka	Chief Executive Officer	3 years from 15 June 2009 ^c	517,750	40%	6 months	6 months
Craig Allen	Chief Financial Officer	No fixed term	408,750	30%	6 months	6 months
Nick Bell	Chief Operating Officer	No fixed term	490,500	26%	6 months	6 months
Greg Chrisfield	Chief Sustainability Officer	No fixed term	299,750	16%	6 months	6 months
Ken Roxburgh	Chief Commercial Officer	No fixed term	310,000	12%	6 months	6 months
Neil Trembath	Chief People Officer	No fixed term	305,200	16%	6 months	6 months
Paul Young	Chief Information Officer	No fixed term	215,820	12%	6 months	6 months

a Total Employment Cost (TEC) in Ausenco's primary measure of fixed remuneration – which included annual base salary, superannuation and non-monetary benefits but excludes leave accrued but not taken. It does not include STI or LTI payments.

b Target STI as a percentage of base salary is subject to achievement of an individual and Ausenco's performance objectives and overall compliance with Ausenco's values. The Target STI percentage (shown above) has been accrued at 100% and represents the amount payable for Ausenco and the individuals checking on-target performance. Achieving threshold or stretch goals to these objectives acts as a multiplier to these individual STI targets.

c Mr Meka's employment contract provides for successive three year rollover terms unless otherwise terminated by the giving of notice.

In December 2010 the Board resolved that effective 1 January 2011 Mr Meka's remuneration package structure will change to accommodate the current onerous personal taxation treatment resulting from his substantial shareholding in the Company. The restructure results in Mr Meka's Long Term Incentive component being removed and converted into a final package of 70% Fixed Remuneration (\$692,750) and 30% Short Term Incentive (\$300,000 At Target), all other terms and conditions of his contract remain unchanged. Note that changes in legislation (Corporations Amendment (Improving Accountability on Termination Payments) Act 2009 (Cth)) regarding termination payment restrictions, will by force of law be triggered under this remuneration change.

REMUNERATION PAID AND OTHER SPECIFIC DISCLOSURES

Details of Remuneration

Details of the remuneration paid to Senior Executives of Ausenco and the Company during the 2010 financial year is set out in the following table:

Details of Remuneration		Primary Benefits			Post Employments		Share Based Payments			Total	Percentage of remuneration consists of share based payments
		Salary and Fees	STI/Cash Bonus	Non-monetary Benefits	Long Service Leave	Superannuation Benefits	Executive Options	Performance Rights Plan	ESAP		
		\$	\$	\$	\$	\$	\$	\$	\$		
EXECUTIVE DIRECTOR											
Zimi Meka	FY 2010	472,849	-	5,408	15,812	40,393	-	135,637	-	670,099	20.2%
	FY 2009	459,945	81,225	8,011	7,895	33,558	3,633	147,046	-	741,313	20.3%
Sub-total	FY 2010	472,849	-	5,408	15,812	40,393	-	135,637	-	670,099	20.2%
	FY 2009	459,945	81,225	8,011	7,895	33,558	3,633	147,046	-	741,313	20.3%
KEY MANAGEMENT PERSONNEL											
Craig Allen	FY 2010 ^A	373,023	-	5,408	-	32,143	-	81,517	4,999	497,090	17.4%
	FY 2009 ^A	361,623	51,469	-	-	27,130	1,813	86,818	4,999	533,852	17.5%
Nick Bell	FY 2010 ^A	446,250	-	5,408	-	40,163	128,000	67,480	6,000	693,301	29.1%
	FY 2009 ^A	427,500	29,560	-	-	41,135	115,200	48,408	6,000	667,803	25.4%
Greg Chrisfield	FY 2010 ^A	275,000	-	5,408	-	24,750	-	22,769	-	327,927	6.9%
	FY 2009 ^A	271,599	-	-	-	24,115	-	14,366	-	310,080	4.6%
Ken Roxburgh	FY 2010 ^A	282,034	-	11,622	-	25,383	-	26,211	-	345,250	7.6%
	FY 2009 ^A	267,814	13,907	13,718	-	25,355	1,088	29,813	-	351,695	8.8%
Neil Trembath	FY 2010 ^A	279,423	-	21,857	-	24,342	-	26,852	3,733	356,207	8.6%
	FY 2009 ^A	267,320	16,854	16,269	-	20,453	-	21,543	3,733	346,172	7.3%
Paul Young	FY 2010	205,448	-	5,408	-	18,490	-	13,292	2,639	245,277	6.5%
	FY 2009	188,863	10,005	-	-	17,898	-	7,758	2,639	227,163	4.6%
Sub-total	FY 2010	1,861,178	-	55,111	-	165,271	128,000	238,121	17,371	2,465,052	15.6%
	FY 2009	1,784,719	121,795	29,987	-	156,086	118,101	208,706	17,371	2,436,765	14.1%
Grand total	FY 2010	2,334,027	-	60,519	15,812	205,664	128,000	373,758	17,371	3,135,151	16.6%
	FY 2009	2,244,664	203,020	37,998	7,895	189,644	121,734	355,752	17,371	3,178,078	15.6%

^A Highest Paid Executive

NON EXECUTIVE DIRECTOR REMUNERATION POLICY

The fees paid to Non-Executive Directors are set at levels which reflect both the responsibilities of, and the time commitments required from each non executive Director to discharge their duties. The non executive Directors do not receive performance related payments.

In setting fee levels for the non executive Directors, the Committee, which makes recommendations to the Board, takes into account

- the Group's remuneration policies
- independent professional advice
- fees paid by comparable companies
- the level of remuneration necessary to attract and retain directors of a suitable calibre, and
- the general time commitment required from Directors and the risks associated with discharging the duties attaching to the role of Director.

Non Executive Directors' fees, including Committee fees, are set by the Board within the maximum aggregate amount of \$600,000 (2009: \$480,000) approved by shareholders at the 2010 Annual General Meeting. Total fees paid during the 2010 financial year were \$387,477 (2009: \$414,836).

Non-Executive Directors receive a base fee of \$75,300 (2009: \$75,300) per annum in relation to their services as a director. The Chairman of the Board received an annual fee of \$154,800 (2009: \$154,800) reflecting the greater time commitment required. The Chairman of the Board does not receive any additional fees for Committee membership or participation. There are no additional fees paid to Directors who sit on sub committees such as the Remuneration Committee and the Audit Committee.

In accordance with Rule 13.4 of the Constitution, Directors are also permitted to be paid additional fees for special duties which may be in addition to, or in substitution of fees otherwise paid to Directors, within the aggregate remuneration cap approved by shareholders.

Directors are also entitled to be reimbursed for all business related expenses, including travel on the Group's business, which may be incurred in discharge of their duties.

Superannuation contributions are made on behalf of the Non-Executive Directors in accordance with Ausenco's statutory superannuation obligations.

The Board, with the assistance of the Committee, reviews its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice principles of corporate governance.

The Non-Executive Director fee arrangements were reviewed during the 2008 financial year to ensure that they adequately reflect the increased size and complexity of Ausenco and the consequent enhanced responsibilities associated with membership of the Committees of the Board, as well as increased travel requirements of members of the Board.

REMUNERATION

Details of non-executive Directors' remuneration for the financial years ended 31 December 2010 and 31 December 2009 are set out in the following table:

Details of Remuneration		Primary Benefits		Post Employment		Total
		Salary and Fees	STI/Cash Bonus	Statutory Superannuation	Other	
		\$	\$	\$	\$	\$
NON-EXECUTIVE DIRECTORS						
Wayne Goss	FY2010	142,018	-	12,782	-	154,800
	FY2009	142,018	-	12,782	-	154,800
George Lloyd	FY2010	69,083	-	6,217	-	75,300
	FY2009	69,083	-	6,217	-	75,300
Greg Moynihan	FY2010	75,300	-	6,777	-	82,077
	FY2009	100,400	-	9,036	-	109,436
Bob Thorpe	FY2010	71,155	-	4,145	-	75,300
	FY2009	69,083	-	6,217	-	75,300
Hank Tuten ^a	FY2010	-	-	-	-	-
	FY2009	-	-	-	-	-
Total	FY2010	357,556	-	29,921	-	387,477
	FY2009	380,584	-	34,252	-	414,836

^a Mr Tuten does not receive a fee for his role as a director

Share-based compensation (continued)

DIRECTORS' / KEY MANAGEMENT PERSONNEL'S SHAREHOLDINGS

Particulars of Directors' beneficial interests in options, performance rights and shares of the Company as at the date of this report are set out in note 33 of the financial statements.

2010 Shares	Balance at 1 January 2010	Shares granted as remuneration	Shares acquired during the year	Received on exercise of options / rights	Shares sold	Balance at 31 December 2010
DIRECTORS						
Wayne Goss	1,209,934	-	-	-	-	1,209,934
Zimi Meka	15,369,297	-	2,828	133,960	-	15,506,085
George Lloyd	215,961	-	2,064	-	-	218,025
Greg Moynihan	10,688	-	20,000	-	-	30,688
Bob Thorpe	11,118,250	-	-	-	-	11,118,250
Hank Tuten	3,618,787	-	11,165	-	-	3,629,952
Sub-Total	31,542,917	-	36,057	133,960	-	31,712,934
SENIOR EXECUTIVES						
Craig Allen	585,902	-	62,161	125,541	-	773,604
Nick Bell	74,155	-	145	-	-	74,300
Greg Chrisfield	-	-	-	-	-	-
Ken Roxburgh	581,423	-	-	17,194	-	598,617
Neil Trembath	14,555	-	815	1,042	-	16,412
Paul Young	10,663	-	8,343	-	-	19,006
Sub-total	1,266,698	-	71,464	143,777	-	1,481,939
Grand Total	32,809,615	-	107,521	277,737	-	33,194,873

2010 Options and Performance Rights	Balance at 1 January 2010	Granted as remuneration	Exercise of options / rights	Shares forfeited	Balance at 31 December 2010
DIRECTORS					
Zimi Meka	704,478	76,143	133,960	100,368	546,293
Sub-total	704,478	76,143	133,960	100,368	546,293
SENIOR EXECUTIVES					
Craig Allen	262,817	42,831	125,541	58,302	121,805
Nick Bell	140,515	46,743	-	61,734	125,524
Greg Chrisfield	36,066	16,752	-	22,803	30,015
Ken Roxburgh	63,229	12,996	17,194	17,688	41,343
Neil Trembath	39,846	17,058	1,042	23,217	32,645
Paul Young	19,476	10,428	-	13,005	16,899
Sub-total	561,949	146,808	143,777	196,749	368,231
Grand Total	1,266,427	222,951	277,737	297,117	914,524

Share-based compensation (continued)

2009 Shares	Balance at 1 January 2009	Shares granted as remuneration	Shares acquired during the year	Received on exercise of options / rights	Shares sold	Balance at 31 December 2009
DIRECTORS						
Wayne Goss	1,205,246	-	4,688	-	-	1,209,934
Zimi Meka	15,057,312	-	311,985	-	-	15,369,297
George Lloyd	195,814	-	20,147	-	-	215,961
Greg Moynihan	6,000	-	4,688	-	-	10,688
Bob Thorpe	10,957,267	-	160,983	-	-	11,118,250
Hank Tuten	3,550,000	-	68,787	-	-	3,618,787
Sub-Total	30,971,639	-	571,278	-	-	31,542,917
SENIOR EXECUTIVES						
Craig Allen	576,868	18,123	56,255	-	65,344	585,902
Nick Bell	12,976	10,409	50,770	-	-	74,155
Greg Chrisfield	-	-	-	-	-	-
Ken Roxburgh	535,106	-	25,704	50,000	29,387	581,423
Neil Trembath	8,074	5,935	546	-	-	14,555
Paul Young	6,703	3,523	437	-	-	10,663
Sub-total	1,139,727	37,990	133,712	50,000	94,731	1,266,698
Grand Total	32,111,366	37,990	704,990	50,000	94,731	32,809,615

2009 Options and Performance Rights	Balance at 1 January 2009	Granted as remuneration	Exercise of options / rights	Shares forfeited	Balance at 31 December 2009
DIRECTORS					
Zimi Meka	570,441	155,739	-	21,702	704,478
Sub-total	570,441	155,739	-	21,702	704,478
SENIOR EXECUTIVES					
Craig Allen	183,446	92,214	-	12,843	262,817
Nick Bell	51,538	95,901	-	6,924	140,515
Greg Chrisfield	-	36,066	-	-	36,066
Ken Roxburgh	105,479	27,975	66,328	3,897	63,229
Neil Trembath	7,815	36,720	-	4,689	39,846
Paul Young	-	19,476	-	-	19,476
Sub-total	348,278	308,352	66,328	28,353	561,949
Grand Total	918,719	464,091	66,328	50,055	1,266,427

Share-based compensation (continued)

ADDITIONAL INFORMATION

The following table provides the options / rights granted to date to KMP provides for the maximum value of options / rights yet to vest.

	Date options/ rights granted	Number of options/ rights granted	% vested during year	% forfeited in year	Date first option/ right tranche can be exercised	Fair value per option/ right at grant date	Exercise price per option/ right	Expiry Date	Minimum value of options/ rights to vest	Maximum value of options/ rights to vest
EXECUTIVE DIRECTOR										
Zimi Meka	27/04/06	500,000	-	-	27/04/07	\$0.20	\$1.00	27/04/11	-	-
	18/12/06	200,940	33%	-	18/12/08	\$2.09	\$0.00	18/12/11	-	-
	19/02/08	36,168	33%	-	19/02/10	\$6.25	\$0.00	19/02/15	-	17,123
	31/03/09	155,739	-	40%	17/03/11	\$1.83	\$0.00	17/03/14	-	95,368
	01/01/10	76,143	-	50%	01/04/12	\$3.94	\$0.00	01/04/15	-	121,870
SENIOR EXECUTIVES										
Craig Allen	27/04/06	250,000	-	-	27/04/07	\$0.20	\$1.00	27/04/11	-	-
	18/12/06	118,062	33%	-	18/12/08	\$2.09	\$0.00	18/12/11	-	-
	19/02/08	21,405	33%	-	19/02/10	\$6.25	\$0.00	19/02/15	-	10,134
	31/03/09	92,214	-	40%	17/03/11	\$1.83	\$0.00	17/03/14	-	56,468
	01/01/10	42,831	-	50%	01/04/12	\$3.94	\$0.00	01/04/15	-	68,553
Nick Bell	23/06/08	40,000	100%	-	31/12/10	\$6.00	\$0.00	31/12/11	-	-
	23/06/08	11,538	33%	-	19/02/10	\$6.30	\$0.00	19/02/15	-	-
	31/03/09	95,901	-	40%	17/03/11	\$1.83	\$0.00	17/03/14	-	58,726
	01/01/10	46,743	-	50%	01/04/12	\$3.94	\$0.00	01/04/15	-	74,814
Greg Chrisfield ^a	31/03/09	36,066	-	40%	17/03/11	\$1.83	\$0.00	17/03/14	-	22,085
	01/01/10	16,752	-	50%	01/04/12	\$3.94	\$0.00	01/04/15	-	26,812
Ken Roxburgh	27/04/06	150,000	-	-	27/04/07	\$0.20	\$1.00	27/04/11	-	-
	18/12/06	48,984	33%	-	18/12/08	\$2.09	\$0.00	18/12/11	-	-
	19/02/08	6,495	33%	-	19/02/10	\$6.25	\$0.00	19/02/15	-	3,075
	31/03/09	27,975	-	40%	17/03/11	\$1.83	\$0.00	17/03/14	-	17,131
	01/01/10	12,996	-	50%	01/04/12	\$3.94	\$0.00	01/04/15	-	20,801
Neil Trembath	19/02/08	7,815	33%	-	19/02/10	\$6.25	\$0.00	19/02/15	-	3,700
	31/03/09	36,720	-	40%	17/03/11	\$1.83	\$0.00	17/03/14	-	22,486
	01/01/10	17,058	-	50%	01/04/12	\$3.94	\$0.00	01/04/15	-	27,302
Paul Young	31/03/09	19,476	-	40%	17/03/11	\$1.83	\$0.00	17/03/14	-	11,926
	01/01/10	10,428	-	50%	01/04/12	\$3.94	\$0.00	01/04/15	-	16,690

^a Mr Chrisfield was appointed on 12 January 2009

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

ROUNDING OF AMOUNTS

The Group is of a kind referred to in Class Order 98/0100, issued by Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITORS

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



W K Goss
Director



L H Meka
Director

Brisbane
22 February 2011



Auditor's Independence Declaration

As lead auditor for the audit of Ausenco Limited for the year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ausenco Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written over the printed name.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'S P Neill', written over the printed name.

S P Neill
Partner

22 February 2011

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Liability limited by a scheme approved under Professional Standards Legislation.

Ausenco Limited
Consolidated statement of comprehensive income
For the year ended 31 December 2010

		Consolidated	
	Notes	2010	2009
		\$'000	\$'000
Revenue from continuing operations	2	513,373	432,486
Other income	3	165	8,901
Staff and contractors costs		(278,551)	(254,332)
Reimbursable costs		(145,017)	(81,365)
Office and administration costs		(77,038)	(64,670)
Other expenses		(5,948)	(3,664)
Depreciation and amortisation expense	4	(11,689)	(12,844)
Impairment of goodwill	14	(8,200)	-
Finance costs	4	(5,803)	(7,502)
(Loss) / profit before income tax		(18,708)	17,010
Income tax benefit	5	8,056	3,132
(Loss) / profit from continuing operations		(10,652)	20,142
Other comprehensive income			
Changes in the fair value of cash flow hedges	26	1,828	521
Exchange differences on translation of foreign operations	26	(2,942)	(6,319)
Net investment hedge	26	(7,225)	(10,841)
Income tax relating to components of other comprehensive income	26	(324)	(322)
Other comprehensive (loss) net of tax		(8,663)	(16,961)
Total comprehensive (loss) / income for the year		(19,315)	3,181
(Loss) / profit attributable owners of Ausenco Limited		(10,652)	20,142
		(10,652)	20,142
Total comprehensive (loss) / income attributable to the owners of Ausenco Limited for the year		(19,315)	3,181
		(19,315)	3,181
		Cents	Cents
Earnings per share for (loss) / profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	28	(8.8)	19.0
Diluted earnings per share	28	(8.8)	18.6

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

Ausenco Limited
Consolidated Balance Sheet
As at 31 December 2010

Consolidated

	Notes	31 December 2010 \$'000	31 December 2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	63,594	78,745
Trade and other receivables	7	48,208	55,713
Unbilled revenue	8	43,740	38,695
Current tax receivables		2,239	2,950
Other current assets	9	7,337	11,847
Assets classified as held for sale	10	<u>2,617</u>	<u>2,597</u>
Total current assets		<u>167,735</u>	<u>190,547</u>
Non-current assets			
Available-for-sale financial assets	11	78	138
Property, plant and equipment	12	25,805	24,504
Deferred tax assets	13	31,748	24,030
Intangible assets	14	<u>180,950</u>	<u>198,570</u>
Total non-current assets		<u>238,581</u>	<u>247,242</u>
Total assets		<u>406,316</u>	<u>437,789</u>
LIABILITIES			
Current liabilities			
Trade and other payables	15	80,427	56,193
Billings in advance	16	1,241	8,221
Borrowings	17	19,451	15,652
Current tax liabilities		314	307
Provisions	18	2,408	234
Other current liabilities	19	<u>2,357</u>	<u>14,881</u>
Total current liabilities		<u>106,198</u>	<u>95,488</u>
Non-current liabilities			
Trade and other payables		1,342	-
Borrowings	20	46,968	63,611
Deferred tax liabilities	21	9,429	10,159
Provisions	22	1,788	1,022
Derivative financial instruments	23	585	1,681
Other non-current liabilities	24	<u>6,109</u>	<u>6,104</u>
Total non-current liabilities		<u>66,221</u>	<u>82,577</u>
Total liabilities		<u>172,419</u>	<u>178,065</u>
Net assets		<u>233,897</u>	<u>259,724</u>
EQUITY			
Contributed equity	25	209,605	206,838
Reserves	26(a)	(30,705)	(18,256)
Retained earnings	26(b)	<u>54,997</u>	<u>71,142</u>
Total equity		<u>233,897</u>	<u>259,724</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Ausenco Limited
Statement of changes in equity
For the year ended 31 December 2010

Consolidated	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2009	<u>106,486</u>	<u>5,983</u>	<u>69,451</u>	<u>181,920</u>
Total comprehensive income for the year as reported in the 2009 financial statements	<u>-</u>	<u>(16,961)</u>	<u>20,142</u>	<u>3,181</u>
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	93,667	-	-	93,667
Dividends provided for or paid	-	-	(18,451)	(18,451)
Employee share options and performance rights	111	490	-	601
Employee share plan	406	(356)	-	50
Equity settled transactions	<u>6,168</u>	<u>(7,412)</u>	<u>-</u>	<u>(1,244)</u>
	<u>100,352</u>	<u>(7,278)</u>	<u>(18,451)</u>	<u>74,623</u>
Balance at 31 December 2009	<u>206,838</u>	<u>(18,256)</u>	<u>71,142</u>	<u>259,724</u>
Balance at 1 January 2010	<u>206,838</u>	<u>(18,256)</u>	<u>71,142</u>	<u>259,724</u>
Total comprehensive income for the year as reported in the 2010 financial statements	<u>-</u>	<u>(8,663)</u>	<u>(10,652)</u>	<u>(19,315)</u>
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,352	-	-	2,352
Cost of issuing capital	415	-	-	415
Dividends provided for or paid	-	-	(5,493)	(5,493)
Employee share options and performance rights	-	(156)	-	(156)
Employee share plan	<u>-</u>	<u>(3,630)</u>	<u>-</u>	<u>(3,630)</u>
	<u>2,767</u>	<u>(3,786)</u>	<u>(5,493)</u>	<u>(6,512)</u>
Balance at 31 December 2010	<u>209,605</u>	<u>(30,705)</u>	<u>54,997</u>	<u>233,897</u>

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

Ausenco Limited
Statement of cash flows
For the year ended 31 December 2010

		Consolidated	
		2010	2009
Notes		\$'000	\$'000
Cash flows from operating activities			
	Receipts from customers (inclusive of GST)	506,538	452,202
	Payments to suppliers and employees (inclusive of goods and services tax)	<u>(482,445)</u>	<u>(426,273)</u>
		24,093	25,929
	Interest received	3,872	1,361
	Borrowing costs paid	(5,997)	(7,491)
	Income taxes refunded / (paid)	<u>1,126</u>	<u>(22,077)</u>
	Net cash inflow / (outflow) from operating activities	<u>23,094</u>	<u>(2,278)</u>
31			
Cash flows from investing activities			
	Payment for purchase of equity and other investments	-	(700)
	Payments for property, plant and equipment	(6,095)	(13,223)
	Payments for acquisition of businesses	(14,124)	-
	Payments for intangibles	(1,192)	-
	Proceeds from sale of investments and property, plant and equipment	<u>237</u>	<u>1,594</u>
	Net cash (outflow) / inflow from investing activities	<u>(21,174)</u>	<u>(12,329)</u>
Cash flows from financing activities			
	Proceeds from borrowings	4,099	-
	Repayment of borrowings	(15,192)	(20,936)
	Proceeds from issues of equity	-	90,075
	Share issue costs	-	(2,496)
	Payments for shares acquired by Ausenco Performance Trust	-	(82)
	Dividends paid	<u>(4,333)</u>	<u>(14,586)</u>
	Net cash (outflow) / inflow from financing activities	<u>(15,426)</u>	<u>51,975</u>
27			
NET (DECREASE) / INCREASE IN CASH HELD			
	Cash at the beginning of the financial year	(13,506)	37,368
		78,745	46,410
	Effects of exchange rate changes on cash	<u>(1,645)</u>	<u>(5,033)</u>
	Cash and cash equivalents at end of year	<u>63,594</u>	<u>78,745</u>
6			

Non-cash financing activities

During the 2009 year, shares with a value of \$6,168,372 were issued in relation to the acquisition of PSI in accordance with the Sale and Purchase Agreement. This transaction had no cash flow effect.

Dividends satisfied by the issue of shares under the dividend reinvestment plan are shown in note 27.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Ausenco Limited and its subsidiaries.

Ausenco Limited is a company limited by shares, incorporated and domiciled in Australia. A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 2 to 3 of the Directors' Report which is not part of the financial report.

The financial report was authorised for issue by the Directors on 22 February 2011.

(a) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, AASB Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Ausenco Limited comply with the International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention except for derivatives which are stated at fair value.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 42.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information has been reclassified where appropriate to enhance comparability.

Changes in accounting policy

The Group has adopted the following standards/revised standards for the annual reporting period commencing on 1 January 2010:

AASB 2009-8 Amendments to Australia Accounting Standards - Group Cash-Settled transactions Share-based Payment Transactions (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The Group will apply these amendments retrospectively. This amendment has had no impact on the group's financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The group will apply the amended standard from 1 January 2011. As the group has not made such rights issues, the amendment will not have any effect on the group's financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Restatement of Goodwill

Since the prior financial year, a dispute as to the amount of any further consideration existed with the former Ausenco Vector shareholders, who had lodged a claim in the US courts. During the year the group made a decision to resolve the dispute and agreed on a settlement with the former Vector shareholders.

The amount paid as settlement has been recognised as additional goodwill acquired in the Ausenco Vector Business. The group applies AASB 108 and has restated comparatives. The restatement has no effect of earnings per share or net equity in prior periods. Refer note 14 (a) for additional disclosure.

(b) PRINCIPLES OF CONSOLIDATION

(i) Interposing new parent entity

Prior to 30 June 2005, Ausenco Services Pty Ltd (at the time known as Ausenco Limited) was the parent entity of the Group. Following a restructure to interpose a new parent entity, involving a 1:1 share swap with existing shareholders, Ausenco Services Pty Ltd became a wholly owned subsidiary of Ausenco Limited (at the time known as Ausenco Holdings Limited).

(ii) Reverse acquisition

The interposition of the new parent entity stated in note 1 (b)(i) is commonly referred to as reverse acquisition. The acquirer is Ausenco Services Pty Ltd whose equity interests have been acquired and the issuing entity, Ausenco Limited, is the acquiree. Reverse acquisition accounting applies only in the consolidated statements.

Ausenco Services Pty Ltd is deemed to be the controlling parent for accounting purposes under AASB 3 Business Combinations. The consolidated entity, therefore represents, a consolidation of Ausenco Services Pty Ltd and the entities it controlled for accounting purposes (including Ausenco Limited) for both the 31 December 2008 and 31 December 2009 financial years.

Therefore, in Ausenco Limited's separate financial statements, Ausenco Limited's investment in subsidiaries is accounted for in accordance with AASB 127 Consolidations and Separate Financial Statements. The amount recognised as issued equity instruments in the consolidated financial statements represents the issued equity of Ausenco Services Pty Ltd, plus any new equity issued by Ausenco Limited after the restructure.

The equity structure appearing in the consolidated financial statements prepared following a reverse acquisition reflects the equity structures of Ausenco Limited for the purpose of calculating the weighted average number of ordinary shares outstanding.

(iii) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ausenco Limited ("company" or "parent entity") as at 31 December 2010 and the results of all subsidiaries for the year then ended. Ausenco Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

For the purpose of preparing consolidated accounts, Ausenco Services Pty Ltd is considered the "controlling" parent of the consolidated entity (note 1(b)(ii)).

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)). Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Group.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(iv) Joint ventures

The accounting treatment for the recognition of the results from joint venture operations is based on the proportionate consolidation method. Details relating to the joint ventures are set out in note 30.

The application of proportionate consolidation means that the balance sheet of the venturer includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The income statement of the venturer includes its share of the income and expenses of the jointly controlled entities.

(v) Employee share trust

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Unvested shares held by the Ausenco Performance Trust are disclosed as treasury shares and deducted from contributed equity.

(vi) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Ausenco Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) SEGMENT REPORTING

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

(d) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Translation differences on non-monetary financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheets presented are translated at the closing rate at the date of that balance sheets
- income and expenses for each income statements and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statements, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) REVENUE RECOGNITION

Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid. Revenue is measured at the fair value of the consideration received or receivable:

(i) Engineering design and project services

Contract revenue and expenses of fixed price contracts are recognised in accordance with the percentage of completion method. For a reimbursable contract, revenue and expenses are recognised when the work is completed.

Methods used to determine the stage of completion of a contract include:

- (i) proportion of contract costs incurred to date for work performed against estimated total contract costs,
- (ii) surveys of work performed, and
- (iii) completion of a physical proportion of the contract work.

If the work is completed and not yet invoiced, this unbilled proportion is classified as revenue and contained within the unbilled revenue balance. When it is probable that a loss will arise from a contract, the excess of total costs over revenue is recognised as an expense immediately. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

(ii) Consulting services

Revenue is recognised when the service is provided.

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established. However, the investment may need to be tested for impairment as a consequence.

This applies even if they are paid out of pre-acquisition profits (refer note 1(k)).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

(f) INCOME TAX

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Tax consolidation legislation

Ausenco Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004.

The head entity, Ausenco Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Company. Details about the tax funding agreement are disclosed in note 5.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(g) LEASES

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 12). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

(h) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Costs incurred in connection with the business combination are accounted for separately and are recognised as expenses.

Consideration is measured and recognised at fair value at the acquisition date. Any subsequent changes in the fair value of contingent consideration classified as debt is recorded in the income statement.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheets.

(j) RECEIVABLES

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amounts of the provision are recognised in the income statement.

(k) INVESTMENTS AND OTHER FINANCIAL ASSETS

Classification

The Group classifies its investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 7).

(ii) *Available-for-sale financial assets*

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

(iii) Derivatives not qualified as hedge

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or expenses.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 40.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in the profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

(I) FAIR VALUE ESTIMATION

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities approximate their carrying amount.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

(m) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Costs may also include transfers from equity of any gains/losses on qualifying cash flow hedging of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statements during the reporting period in which they are incurred.

Property, plant and equipment are stated at historical cost less accumulated depreciation. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The expected useful lives are as follows:

- Property, plant and equipment	2.5 - 5 years
- Leasehold improvements	10 years

Leasehold improvements are depreciated on a straight-line basis. Property, plant and equipment are depreciated using either straight-line or diminishing value basis.

(n) INTANGIBLE ASSETS

(i) Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is identified according to business segment (note 14(b)).

(ii) Brand names

Brand names have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost of brand names over their estimated useful lives, which is 8 years.

(iii) Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over 5 years.

(iv) Customer contracts and relationships

Customer contracts and relationships acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which is between 2 and 8 years.

(o) TRADE AND OTHER CREDITORS

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

(p) BORROWINGS

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

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

(q) FINANCE COSTS

Finance costs are recognised as expenses in the period in which they are incurred.

Finance costs include:

- (i) interest on bank overdrafts and short-term and long-term borrowings
- (ii) amortisation of discounts or premiums relating to borrowings, and
- (iii) amortisation of ancillary costs incurred in connection with the arrangement of borrowing.

(r) PROVISIONS

Project provisions are recognised when:

- (i) the Group has a present constructive obligation as a result of past events
- (ii) it is probable that an outflow of resources will be required to settle the obligation, and
- (iii) the amount can be reliably estimated.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

(s) EMPLOYEE BENEFITS

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Ausenco Executive Option Plan and Ausenco Performance Rights Plan. Information relating to these schemes is set out in note 37.

The fair value of options at grant date is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

The fair value at grant date is independently determined using a Hull White option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate (note 1(b)(v)).

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and any proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(iv) Superannuation

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that the cash refund or a reduction in the future payments is available.

(t) CONTRIBUTED EQUITY

Ordinary shares are classified as equity (note 25).

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(u) DIVIDENDS

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance sheet date.

(v) EARNINGS PER SHARE

(i) Basic earnings per share

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

(ii) 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.

(w) GOODS AND SERVICES TAX (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheets.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(x) UNBILLED REVENUE

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented as billings in advance.

Contract costs include all costs directly related to specific contracts plus costs that are specifically chargeable to the customer under the terms of the contract.

(y) IMPAIRMENT OF ASSETS

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and additionally when there is an indicator of 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 an 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).

(z) ROUNDING OF AMOUNTS

The group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets, investment property and non-current biological assets that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(ab) DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 23. Movements in the hedging reserve in shareholders' equity are shown in note 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge

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

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

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

(ac) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) **AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9** (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is not likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it will have no effect on the Group's accounting for its available for sale financial assets. AASB 9 permits the recognition of fair value gains and losses in comprehensive income if they relate to equity investments that are not held for trading. The Group does not have material equity investments or available for sale debt investments.

(ii) **Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards** (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 January 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) **AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19** (effective 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 January 2010) and the Group has not entered into any debt for equity swaps since that date.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

(iv) AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from 1 January 2011.

(ad) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, Ausenco Limited, disclosed in note 38 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Ausenco Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Ausenco Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2004. The head of the tax consolidated group is Ausenco Limited. The Australian Taxation Office has been notified of this decision. The entities also have tax sharing and funding agreements in place in order to allocate tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provided for the allocation of income tax liabilities between the entities should the head default on its tax payment obligations.

As a consequence, Ausenco Limited as the head entity in the tax consolidated group, recognises current income tax relating to transactions, events and balances of the wholly-owned Australian controlled entities in these financial statements as is those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transaction, events and balances. Amounts receivable or payable under the tax sharing agreement and the tax funding agreement will be recognised separately by Ausenco Limited as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing and funding agreements are recognised as a component of income tax expense (revenue).

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2 REVENUE

	Consolidated	
	2010 \$'000	2009 \$'000
From continuing operations		
Services	510,322	429,396
Interest income	<u>3,051</u>	<u>3,090</u>
	<u>513,373</u>	<u>432,486</u>

3 OTHER INCOME

	Consolidated	
	2010 \$'000	2009 \$'000
Other Income		
Net gain on sale of shares (note 11)	3	931
Net foreign exchange gains	-	7,916
Other income	<u>162</u>	<u>54</u>
	<u>165</u>	<u>8,901</u>

4 EXPENSES

	Consolidated	
	2010 \$'000	2009 \$'000
(Loss) / profit before income tax includes the following specific expenses:		
Property, plant and equipment depreciation (note 12)	6,850	7,546
Amortisation of intangibles (note 14)	<u>4,839</u>	<u>5,298</u>
Total depreciation and amortisation	<u>11,689</u>	<u>12,844</u>
<i>Impairment losses financial assets</i>		
Trade Receivables (note 7)	1,693	2,142
Goodwill (note 14)	<u>8,200</u>	<u>-</u>
	<u>9,893</u>	<u>2,142</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>5,803</u>	<u>7,502</u>
Total finance costs	<u>5,803</u>	<u>7,502</u>
Operating lease rentals	32,129	17,897
Foreign exchange losses (net)	3,027	-
Business combination transaction costs	-	58
Defined contribution superannuation expense	10,406	9,560

5 INCOME TAXES

	Consolidated	
	2010	2009
	\$'000	\$'000
(a) Income tax expense:		
Income tax (benefit) / expense	(634)	1,541
Deferred tax (benefit) / expense	(3,684)	(485)
(Over) / under provision from prior years	<u>(3,738)</u>	<u>(4,188)</u>
	<u>(8,056)</u>	<u>(3,132)</u>
Deferred income tax (benefit) / expense included in income tax (benefit) / expense comprises:		
(Decrease) / increase in deferred tax assets (note 13)	(3,192)	1,013
(Increase) / decrease in deferred tax liabilities (note 21)	<u>(492)</u>	<u>(1,498)</u>
	<u>(3,684)</u>	<u>(485)</u>
	Consolidated	
	2010	2009
	\$'000	\$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) / profit from continuing operations before income tax expense	<u>(18,708)</u>	17,010
Tax at the Australian tax rate of 30% (2009 - 30%)	(5,612)	5,103
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	118	127
International exempt income	(1,102)	(1,957)
Assessable income not recognised in accounting profit	187	824
Unrealised foreign exchange losses relating to net investment hedges	(2,167)	(3,301)
Current period losses not recognised	3,012	1,448
Items of capital nature	(105)	(620)
Investment allowance	(54)	(260)
Impairment of goodwill	591	-
Amortisation of intangibles	309	272
Other	<u>1,009</u>	<u>(528)</u>
	<u>(3,814)</u>	<u>1,108</u>
International tax rate differential *	(504)	(52)
(Over) / under provision from prior years	(2,336)	(3,352)
Previously unrecognised tax losses used to reduce deferred tax expense	<u>(1,402)</u>	<u>(836)</u>
	<u>(4,242)</u>	<u>(4,240)</u>
Total income tax benefit	<u>(8,056)</u>	<u>(3,132)</u>

* represents net reduction for foreign tax rate differential, international withholding taxes and foreign tax losses unable to be utilised within the Group.

5 INCOME TAXES (continued)

	Consolidated	
	2010	2009
	\$'000	\$'000
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	<u>32,367</u>	<u>25,209</u>
	32,367	25,209
Potential tax benefit at relevant country tax rates	<u>10,901</u>	<u>8,698</u>

(d) Tax consolidation

Ausenco Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2004. The head entity of the tax consolidated group is Ausenco Limited. The Australian Taxation Office has been notified of this decision. The entities also have tax sharing and funding agreements in place in order to allocate tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provided for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

As a consequence, Ausenco Limited as the head entity in the tax consolidated group, recognises current income tax relating to transactions, events and balances of the wholly-owned Australian controlled entities in these financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under the tax sharing agreement and the tax funding agreement will be recognised separately by Ausenco Limited as tax-related amounts receivable or payable. Expenses and benefits arising under the tax sharing and funding agreements are recognised as a component of income tax expense / (benefit).

6 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2010	2009
	\$'000	\$'000
Cash at bank and on hand	46,430	33,946
Cash deposits at call	<u>17,164</u>	<u>44,799</u>
	63,594	78,745

(a) Cash at bank and on hand

Cash on hand is non-interest bearing. Cash at bank is bearing interest at a rate between 0.0% and 4.5% (2009: 0.0% and 3.7%).

(b) Deposits at call

The deposits are bearing interest at variable rates between 0.4% and 9.8% (2009: 3.0% and 9.5%).

7 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2010	2009
	\$'000	\$'000
Trade debtors	45,406	48,000
Less: Provision for impairment of receivables (note 7(a))	<u>(1,807)</u>	<u>(4,654)</u>
	<u>43,599</u>	<u>43,346</u>
GST/VAT receivables	1,649	349
Debtor retentions	363	172
Other receivables (note 7(c))	<u>2,597</u>	<u>11,846</u>
	<u>48,208</u>	<u>55,713</u>

(a) Impaired trade receivables

As at 31 December 2010 current trade receivables of the Group with a nominal value of \$1,807,000 (2009: \$4,654,000) were impaired. The amount of the provision was \$1,807,000 (2009: \$4,654,000).

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
At 1 January	4,654	7,454
Provision for impairment recognised during the year	1,930	2,142
Increase through Joint Venture	-	18
Receivables written off during the year as uncollectable	(3,772)	(2,171)
Unused amount reversed as receivable collected	<u>(1,005)</u>	<u>(2,789)</u>
	<u>1,807</u>	<u>4,654</u>

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As of 31 December 2010, trade receivables of \$24,024,814 (2009: \$16,841,178) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
Up to 3 months	16,032	11,246
3 to 6 months	<u>7,993</u>	<u>5,595</u>
	<u>24,025</u>	<u>16,841</u>

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

Other receivables mainly consist of deposits, sundry debtors and advance amounts.

7 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (continued)

(d) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 40.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivable is insignificant as is the fair value of any collateral sold or repledged. Refer to note 40 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

8 CURRENT ASSETS – UNBILLED REVENUE

	Consolidated	
	2010	2009
	\$'000	\$'000
Unbilled revenue	43,740	38,695

Total contract revenue recognised for the 2010 financial year as revenue amounted to \$283 million (2009: \$368 million).

The Group uses the percentage of completion method for its fixed price contracts whereby contract revenue is matched with contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

Methods used to determine the stage of completion of a contract include:

- (i) proportion of contract costs incurred to date for work performed against estimated total contract costs;
- (ii) surveys of work performed; and
- (iii) completion of a physical proportion of the contract work.

For contracts in progress at the reporting date, the aggregate amount of costs incurred and recognised to date were \$204 million (2009: \$225 million).

Total advances received in relation to construction contracts in progress were \$1.2 million (2009: \$8.2 million).

Total retentions outstanding in relation to construction contracts in progress amount to nil (2009: \$0.2 million).

9 CURRENT ASSETS – OTHER CURRENT ASSETS

	Consolidated	
	2010 \$'000	2009 \$'000
Prepayments	7,005	10,693
Interest receivable	<u>332</u>	<u>1,154</u>
	<u>7,337</u>	<u>11,847</u>

10 CURRENT ASSETS - ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated	
	2010 \$'000	2009 \$'000
Land and buildings - Vector Chile Limitada	<u>2,617</u>	<u>2,597</u>
	<u>2,617</u>	<u>2,597</u>

The asset is expected to be sold within the next 12 months.

11 NON-CURRENT ASSETS – AVAILABLE FOR SALE FINANCIAL ASSETS

	Consolidated	
	2010 \$'000	2009 \$'000
At beginning of year	138	804
Additions	-	138
Disposals	<u>(60)</u>	<u>(804)</u>
At end of year	<u>78</u>	<u>138</u>
Listed securities		
Equity securities	<u>78</u>	<u>138</u>
	<u>78</u>	<u>138</u>

Profit recognised on sales of shares in 2010 was \$3,162 (2009: \$931,000) (refer to note 3).

12 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2010	2009
	\$'000	\$'000
Property, plant and equipment		
At cost	55,566	52,074
Less: Accumulated depreciation	(29,761)	(27,570)
Total property, plant and equipment	25,805	24,504

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and the end of the current financial year are set out below:

Consolidated 31 December 2010	Freehold land and buildings	Property, plant and equipment	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2010	446	14,318	9,740	24,504
Additions	66	5,482	3,660	9,208
Disposals	-	(160)	(13)	(173)
Depreciation charge	(17)	(3,984)	(2,849)	(6,850)
Effects in movements in exchange rates	(39)	(1,929)	(896)	(2,864)
Net transfers (to) / from other non-current assets	-	1,980	-	1,980
Balance as at 31 December 2010	456	15,707	9,642	25,805
Consolidated 31 December 2009	Freehold land and buildings	Furniture, fittings and equipment	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2009	-	15,840	4,443	20,283
Increase through joint ventures	446	235	3	684
Additions	-	5,878	7,345	13,223
Disposals	-	(896)	(66)	(962)
Depreciation charge	-	(5,586)	(1,960)	(7,546)
Effects in movements in exchange rates	-	(482)	(200)	(682)
Net transfers (to) / from other non-current assets	-	(671)	175	(496)
Balance as at 31 December 2009	446	14,318	9,740	24,504

13 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated	
	2010	2009
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Accruals	3,234	1,823
Doubtful debts	254	952
Employee benefits	2,959	2,426
Project provisions	1,391	393
Tax losses	15,547	10,871
Unrealised foreign exchange losses	4,687	3,319
Unrealised foreign exchange loss on financial instrument	400	480
Lease incentive liability	1,291	1,478
Property, plant and equipment	513	272
Other	519	539
	<u>30,795</u>	<u>22,553</u>
Amounts recognised directly in equity		
Employee options	200	427
Costs associated with the IPO	598	571
Unrealised loss on hedge of financial instrument	155	479
Total deferred tax assets	<u>31,748</u>	<u>24,030</u>
Balance at 1 January	24,030	21,118
Acquisitions of subsidiaries (note 1)	6	27
Credited / (expensed) to the income statement (note 5)	3,192	(1,013)
Credited / (expensed) to equity	98	(127)
Reclassification of DTA / DTL	-	1,697
Net tax losses	4,676	2,281
Foreign currency translation reserve	(273)	(472)
Other	19	519
Closing balance at 31 December	<u>31,748</u>	<u>24,030</u>
Deferred tax assets expected to be recovered within 12 months	7,837	5,595
Deferred tax assets expected to be recovered after more than 12 months	23,911	18,435
	<u>31,748</u>	<u>24,030</u>

14 NON-CURRENT ASSETS - INTANGIBLE ASSETS

Consolidated		Brand		Customer	Other	
Year ended 31 December 2010	Goodwill	names	Software	contracts	intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening net book amount at 1 January 2010	181,272	8,564	5,415	3,210	109	198,570
Transfers within intangibles	(501)	115	-	386	-	-
Net transfers (to) / from other current and non-current assets	-	-	1,318	-	-	1,318
Additions	551	-	1,192	-	-	1,743
Impairment charge	(8,200)	-	-	-	-	(8,200)
Amortisation charge	-	(1,432)	(2,765)	(540)	(102)	(4,839)
Effects of movements in exchange rates	(7,046)	(401)	-	(193)	(2)	(7,642)
Closing net book amount	166,076	6,846	5,160	2,863	5	180,950
At 31 December 2010						
Cost	174,276	10,875	11,940	6,209	771	204,071
Accumulated amortisation and impairment	(8,200)	(4,029)	(6,780)	(3,346)	(766)	(23,121)
Net book amount	166,076	6,846	5,160	2,863	5	180,950
Consolidated		Brand		Customer	Other	
Year ended 31 December 2009	Goodwill	names	Software	contracts	intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening net book amount at 1 January 2009	192,224	9,704	3,063	4,282	429	209,702
Net transfers (to) / from other current and non-current assets	-	-	872	-	-	872
Additions	3,019	-	3,999	-	-	7,018
Amortisation charge	-	(1,456)	(2,519)	(963)	(360)	(5,298)
Effects of movements in exchange rates	(13,971)	316	-	(109)	40	(13,724)
Closing net book amount	181,272	8,564	5,415	3,210	109	198,570
At 31 December 2009						
Cost	181,272	11,161	9,430	6,016	772	208,651
Accumulated amortisation and impairment	-	(2,597)	(4,015)	(2,806)	(663)	(10,081)
Net book amount	181,272	8,564	5,415	3,210	109	198,570

14 NON-CURRENT ASSETS - INTANGIBLE ASSETS (continued)

(a) Restatement of goodwill

(i) Ausenco Vector

As noted in the prior year, a dispute as to the amount of any further consideration existed with the former Ausenco Vector shareholders, who had lodged a claim in the US courts. If any future amounts were determined to be due, the goodwill associated with the Ausenco Vector business combination would be retrospectively restated.

During the year the Group made a decision to resolve the dispute and agreed on a payment of \$14.1 million with the former Ausenco Vector shareholders.

Summarised below is the impact of this additional payment to the purchase consideration and fair value of assets and liabilities acquired in relation to the acquisition of the Vector group:

	Ausenco Vector Restated \$'000	Ausenco Vector Previously Reported \$'000
Summary of acquisition		
Cash paid	30,518	30,518
Fair value of shares issued	4,292	4,292
Total original purchase consideration	34,810	34,810
Final settlement paid	14,124	-
Total final purchase consideration	48,934	34,810
Fair value of net identifiable assets acquired (refer below)	(9,384)	(9,384)
Goodwill	39,550	25,426
Purchase consideration		
Cash paid	44,642	30,518
Less cash balances acquired	(2,254)	(2,254)
Outflow of cash	42,388	28,264
Assets and liabilities acquired		
Cash and cash equivalents	2,254	2,254
Receivables	10,563	10,563
Plant and equipment	1,252	1,252
Other	1,576	1,576
Software	80	80
Brand names	1,175	1,175
Customer contracts / relationships	1,696	1,696
Payables	(4,282)	(4,282)
Borrowings	(181)	(181)
Tax liabilities	(3,654)	(3,654)
Provisions	(1,095)	(1,095)
Net identifiable assets acquired	9,384	9,384

The prior period goodwill restatement also affects the opening balance of Other Current Liabilities (Note 19).

(ii) Kramer Ausenco

In the prior year, accounting for the contribution to the Kramer Ausenco joint venture was provisionally determined based on the preliminary and incomplete information. An audit of the Kramer Ausenco entities was completed in July 2010 resulting in the restatement of the asset values on contribution.

14 NON-CURRENT ASSETS - INTANGIBLE ASSETS (continued)

(b) Impairment tests for goodwill

Goodwill is allocated to the Group's Cash-Generating Units (CGUs) identified according to business segment.

	Ausenco Sandwell \$'000	Ausenco PSI \$'000	Ausenco Vector \$'000	Kramer Ausenco \$'000	Total \$'000
2010					
Energy	9,554	-	-	-	9,554
Environment & Sustainability	-	-	38,475	-	38,475
Process Infrastructure	63,532	51,449	-	3,066	118,047
	73,086	51,449	38,475	3,066	166,076
2009					
Energy	18,097	-	-	-	18,097
Environment & Sustainability	-	-	39,881	-	39,881
Process Infrastructure	68,908	51,449	-	2,937	123,294
	87,005	51,449	39,881	2,937	181,272

(c) Key assumptions used for value-in-use calculations

Cash Flows

The value in use calculation is based on cash flow projections for a term of five years plus a terminal value. The cash flow projections for the five year period are based on assumptions in relation to the cash inflows and outflows that represent management's best estimate based on future cash flows.

Discount Rate

In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above and were in the range of 11.0% to 15.8% (2009: 10.3% to 11.1%).

Growth Rate

The growth rate used to calculate the terminal value used in the value in use calculation was 2.7% (2009: 3.0%) and represents management's expectations of long term growth.

Sensitivity Analysis

A sensitivity analysis was conducted to determine the carrying value of the Cash-Generating Units under adverse conditions. There is no impairment charge with any reasonable change in the assumptions used to generate the cash flow projections.

(d) Impairment charge

During the year, an impairment charge of \$8.2m was taken up against the Energy CGU as a result of impairment testing of the Energy CGU goodwill carrying value.

15 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2010 \$'000	2009 \$'000
Trade creditors	32,616	13,464
Other creditors and accruals	43,433	40,029
Other tax payable	4,378	2,700
	<u>80,427</u>	<u>56,193</u>

16 CURRENT LIABILITIES – BILLINGS IN ADVANCE

	Consolidated	
	2010 \$'000	2009 \$'000
Billings in advance	<u>1,241</u>	<u>8,221</u>
	<u>1,241</u>	<u>8,221</u>

17 CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2010 \$'000	2009 \$'000
<i>SECURED</i>		
Bank loans	<u>15,591</u>	<u>12,274</u>
Total secured current borrowings	<u>15,591</u>	<u>12,274</u>
<i>UNSECURED</i>		
Other loans	3,860	3,195
Hire purchase liability	-	183
Total unsecured current borrowings	<u>3,860</u>	<u>3,378</u>
	<u>19,451</u>	<u>15,652</u>

(a) Bank loans

Bank loans are subject to a weighted average interest rate of 6.4% (2009: 6.6%). See note 20(a) for details of security given.

(b) Other loans

Other liabilities are subject to a weighted average interest rate of 4.9% (2009: 5.6%).

18 CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2010 \$'000	2009 \$'000
Warranties	-	234
Onerous leases and make-good	<u>2,408</u>	<u>-</u>
	<u>2,408</u>	<u>234</u>

MOVEMENTS IN PROVISIONS

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

Carrying amount at start of year	234	566
Charged / (credited) to the income statement	<u>2,174</u>	<u>(332)</u>
Carrying amount at the end of year	<u>2,408</u>	<u>234</u>

Provision is made for the estimated warranty claims in respect of services provided. These claims are expected to be settled in the next financial year.

19 CURRENT LIABILITIES - OTHER CURRENT LIABILITIES

	Consolidated	
	31 December 2010 \$'000	31 December 2009 \$'000
Lease incentives	1,023	757
Deferred consideration	<u>1,334</u>	<u>14,124</u>
	<u>2,357</u>	<u>14,881</u>

The 2009 deferred consideration balance has been restated due to the adjustment of goodwill (note 14(a)). Prior to the restatement, there was no deferred consideration accrued.

20 NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2010 \$'000	2009 \$'000
(a) Composition of borrowings		
<i>SECURED</i>		
Bank loans	46,001	60,990
Finance lease liabilities (note 35)	424	10
<i>UNSECURED</i>		
Other loans	<u>543</u>	<u>2,611</u>
	<u>46,968</u>	<u>63,611</u>

As at 31 December 2010, the Australia and New Zealand Banking Group (ANZ) multi-option, multi-currency finance facility was \$114.7 million (2009: \$143.5 million).

At 31 December 2010, \$38.5 million (2009: \$57.3 million) of the total ANZ facility was unused.

Other group borrowings comprise of bank overdrafts and lines of credit details of which are included in note 40.

20 NON-CURRENT LIABILITIES – BORROWINGS (continued)

(b) Assets pledged as security

	Consolidated	
	2010	2009
	\$'000	\$'000
Current		
<i>Floating charge</i>		
Cash and cash equivalents	48,641	54,694
Trade and other receivables	27,708	34,425
Unbilled revenue	22,683	13,219
Other current assets	7,799	9,496
Non-current assets classified as held for sale	-	2,597
Total current assets pledged as security	106,831	114,431
Non-current		
<i>Finance lease</i>		
Plant and equipment	-	64
<i>Fixed and floating charge</i>		
Plant, property and equipment	19,623	16,444
Deferred tax assets	19,859	13,519
Intangible assets	178,472	91,633
Total non-current assets pledged as security	217,954	121,660
 Total assets pledged as security	 324,785	 236,091

21 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated	
	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:		
Unrealised foreign exchange gains	3,396	4,515
Amortisation - intangible assets	1,301	1,893
Work in progress	-	262
Retentions	365	83
Depreciation - property, plant and equipment	69	47
Intangible assets	3,167	2,366
Other	941	993
	<u>9,239</u>	<u>10,159</u>
Amounts recognised directly in equity		
Asset revaluation	190	-
Total deferred tax liabilities	<u>9,429</u>	<u>10,159</u>
Balance at 1 January	10,159	10,937
Acquisition of subsidiaries	332	8
Reclassification of DTA / DTL	-	1,697
(Expensed) / charged to the income statement (note 5)	(492)	(1,498)
(Expensed) / charged to equity	-	(155)
Foreign currency translation reserve	(555)	(830)
Other	(15)	-
Closing balance at 31 December	<u>9,429</u>	<u>10,159</u>
Deferred tax liabilities expected to be settled within 12 months	365	357
Deferred tax liabilities expected to be settled after more than 12 months	9,064	9,802
	<u>9,429</u>	<u>10,159</u>

22 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2010 \$'000	2009 \$'000
Employee entitlements	920	1,022
Other	868	-
	<u>1,788</u>	<u>1,022</u>

23 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2010 \$'000	2009 \$'000
Non-Current Liability		
Interest rate swap	585	1,681
	585	1,681

In May 2008 US \$42.3 million was drawn in conjunction with the financing of acquisitions. This five year amortising loan matures in May 2013. Ausenco has entered into an effective economic interest rate swap contract to mitigate the associated variable interest rate risk of this loan to 6.9% (2009: 6.9%) over five years. As at 31 December 2010 the fair value liability of the interest rate swap was \$585,519 (2009: \$1,681,115).

Net investment hedge

The group has certain entities that have long-term intercompany loans with other foreign operations totalling \$69.9 million (2009:\$68.7 million) that, in substance, are a part of the net investment in those foreign operations. These are designated as a hedge of the net investment in the foreign operations. On consolidation the exchange differences are transferred to the foreign currency translation reserve in shareholders equity (note 26(a)(iii)). At 31 December 2010 this amount was \$7.2 million (2009:\$10.8 million).

24 NON- CURRENT LIABILITIES - OTHER NON-CURRENT LIABILITIES

	Consolidated	
	2010 \$'000	2009 \$'000
Lease incentives	5,241	4,770
Deferred consideration	-	1,334
Onerous leases and make-good	868	-
	6,109	6,104

25 CONTRIBUTED EQUITY

	Consolidated	
	2010 \$'000	2009 \$'000
(a) Share capital		
Balance at 1 January	206,838	106,486
Issued during the financial year	-	98,130
Dividend reinvestment plan	1,162	3,865
Share options exercised	200	111
Transaction costs	415	(2,160)
Treasury shares	-	(82)
Transfer of treasury shares	990	488
Balance at 31 December	<u>209,605</u>	<u>206,838</u>

	Consolidated	
	Shares 2010	Shares 2009
(b) Movements in ordinary shares		
Balance at 1 January	121,861,958	91,648,060
Shares issued	272,032	28,877,104
Exercise of options	199,999	111,453
Exercise of performance rights	93,587	52,211
Share purchase plan	-	1,173,130
Total contributed equity	<u>122,427,576</u>	<u>121,861,958</u>

(c) Terms and Conditions of Contributed Equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Treasury Shares

Treasury shares are shares in Ausenco Limited that are held by the Ausenco Performance Trust for the purpose of issuing shares under the Ausenco employee share and performance rights schemes (see note 37 for further information).

	2010 Shares	2009 Shares
Balance at 1 January	1,374,983	1,546,590
Acquired throughout year	-	36,941
Transferred - options / performance rights	(54,849)	(107,720)
Transferred - ESAP	(112,979)	(100,828)
Balance at 31 December	<u>1,207,155</u>	<u>1,374,983</u>

26 RESERVES

	Consolidated	
	2010	2009
	\$'000	\$'000
(a) Reserves		
Hedging reserve - cash flow hedges	(456)	(1,960)
Options and performance rights reserve	2,421	2,577
Foreign currency translation reserve	(33,020)	(22,853)
Share based payment reserve	350	3,980
	<u>(30,705)</u>	<u>(18,256)</u>

Movements:

<i>(i) CASH FLOW HEDGING RESERVE</i>		
Balance at 1 January	(1,960)	(2,159)
Movement in cash flow hedging reserve	1,828	521
Deferred tax (note 13)	(324)	(322)
Balance at 31 December	<u>(456)</u>	<u>(1,960)</u>
<i>(ii) OPTIONS AND PERFORMANCE RIGHTS RESERVE</i>		
Balance at 1 January	2,577	2,087
Options and performance rights expense (note 37)	1,221	1,121
Exercise of options received	(426)	(476)
Acquisition of shares for options exercised	(951)	(155)
Balance at 31 December	<u>2,421</u>	<u>2,577</u>
<i>(iii) FOREIGN CURRENCY TRANSLATION RESERVE</i>		
Balance at 1 January	(22,853)	(5,693)
Net investment hedge (note 23)	(7,225)	(10,841)
Currency translation differences arising during the year	(2,942)	(6,319)
Balance at 31 December	<u>(33,020)</u>	<u>(22,853)</u>
<i>(iv) SHARE BASED PAYMENT RESERVE</i>		
Balance at 1 January	3,980	11,748
Vesting of shares held by Ausenco Performance Trust	(3,672)	(676)
Employee share plan expense (note 37)	450	919
Equity settled transactions	-	(7,412)
Shares issued to employees	(408)	(599)
Balance at 31 December	<u>350</u>	<u>3,980</u>

The equity settled transactions balance represents the contingent consideration share component of the PSI Group acquisition that was settled during the year.

(b) Retained earnings

Movement in retained profits were as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
Balance at 1 January	71,142	69,451
Net (loss) / profit attributable to members of Ausenco Limited	(10,652)	20,142
Dividends paid	(5,493)	(18,451)
Balance at 31 December	<u>54,997</u>	<u>71,142</u>

26 RESERVES (continued)

(c) Nature and purpose of reserves

(i) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(ab). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(ii) Options and performance rights reserve

The options and performance rights reserve is used to recognise:

- the grant date fair value of options and rights issued to employees but not exercised
- in the parent entity - the fair value of shares and options issued to employees of subsidiaries and the funding of the share purchase by the Ausenco Performance Trust.

(iii) Share-based payments reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of shares issued to employees
- the issue of shares held by the Ausenco Performance Trust to employees

(iv) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

27 DIVIDENDS

	2010 \$'000	2009 \$'000
(a) Ordinary shares		
Final ordinary dividend for the financial year ended 31 December 2009 of 4.5 cents per share paid on 14 April 2010 (fully franked based on tax paid at 30%)	5,493	-
Interim ordinary dividend for the financial year ended 31 December 2009 of 5.0 cents per share paid on 16 September 2009 (fully franked based on tax paid at 30%)	-	6,076
Final ordinary dividend for the financial year ended 31 December 2008 of 13.5 cents per share paid on 15 April 2009 (fully franked based on tax paid at 30%)	-	12,375
	5,493	18,451
	Consolidated	
	2010	2009
	\$'000	\$'000
(b) Dividends not recognised at year end		
Since year end the Board of Directors have recommended no payment of a final dividend in relation to 2010 (2009: 4.5 cents, 100% franked based on tax paid at 30%).	-	5,489

27 DIVIDENDS (continued)

(c) Franked dividends

	2010	2009
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>7,136</u>	<u>6,230</u>

The above amounts represent the balance of the franking account as at the reporting date, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

28 EARNINGS PER SHARE

	Consolidated	
	2010	2009
	Cents	Cents
Basic earnings per share (cents per share)	(8.8)	19.0
Net profit used as the numerator in calculating basic earnings per share (\$'000)	(10,652)	20,142
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share	120,977,535	106,088,370
Diluted earnings per share (cents per share)	(8.8)	18.6
Net profit used as the numerator in calculating diluted earnings per share (\$'000)	(10,652)	20,142
Weighted average number of ordinary shares used as a denominator in calculating diluted earnings per share	120,977,535	108,222,481
 <i>WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR</i>		
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	120,977,535	106,088,370
<i>ADJUSTMENTS FOR CALCULATION OF DILUTED EARNINGS PER SHARE</i>		
Options and rights	<u>-</u>	<u>2,134,111</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>120,977,535</u>	<u>108,222,481</u>

For the year ended 31 December 2010 there was no difference in the weighted average number of ordinary shares used for the basic and diluted net loss per ordinary share as the effect of all potentially dilutive ordinary shares outstanding was anti-dilutive. As at 31 December 2010, the number of options and rights outstanding were 2,111,564 which could potentially have a dilutive impact in the future.

The options granted on 31 March 2008 and 23 June 2008 (total 42,982) are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 31 December 2009.

29 INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

	BENEFICIAL INTEREST HELD BY CONSOLIDATED ENTITY		
	Country of incorporation	2010 %	2009 %
Ausenco Africa Limited	Mauritius	100	100
Ausenco Americas LLC	United States	100	100
Ausenco Argentina S.R.L.	Argentina	100	100
Ausenco Beijing Limited	China	100	100
Ausenco Canada Inc	Canada	100	100
Ausenco Communities Pty Ltd	Australia	100	100
Ausenco do Brasil Engenharia Ltda*	Brazil	100	100
Ausenco Engineers Private Limited	India	100	100
Ausenco Engineering Canada Inc	Canada	100	100
Ausenco Global Pty Ltd	Australia	100	100
Ausenco International Pty Ltd	Australia	100	100
Ausenco Ireland Pty Limited	Ireland	100	-
Ausenco Management Pty Ltd	Australia	100	100
Ausenco Operations Pty Ltd	Australia	100	100
Ausenco Projects Limited	Hong Kong	100	100
Ausenco PSI LLC	United States	100	100
Ausenco Saudi Arabia Ltd.	Saudi Arabia	50	50
Ausenco Senegal SARL	Senegal	100	100
Ausenco Services Pty Ltd	Australia	100	100
Ausenco Solutions Canada Inc	Canada	100	100
Ausenco Solutions Pty Ltd	Australia	100	100
Ausenco Solutions Quebec Inc.	Canada	100	-
Ausenco Taggart Mongolia LLC	Mongolia	50	-
Ausenco USA Inc.	United States	100	100
Ausenco Vietnam Co Ltd	Vietnam	100	100
Forestal Enterprises Ltd	Mauritius	100	100
Forestal International Consultants Inc	Canada	100	100
Global Procurement Services Limited	Thailand	100	100
Pipeline Systems Chile SA	Chile	100	100
Pipeline Systems Incorporated (Baotou) Ltd	China	100	100
Pipeline Systems International Australia Pty Ltd	Australia	100	100
PSI Chile Limitada	Chile	100	100
PSI Engineering Ltd.	Canada	100	100
PSI Peru S.A.C.	Peru	100	100
PT Ausenco Indonesia	Indonesia	100	100
Sandwell Chile Limitada	Chile	100	100
Sandwell Engenharia Ltda*	Brazil	-	100
Sandwell Engineers Corp	United States	100	100
Sandwell Engineers (Proprietary) Limited	South Africa	70	70
Sandwell Inc	Canada	100	100
Sandwell Offshore Technologies. Inc	United States	100	100
Sandwell Peru S.A	Peru	100	100
Sandwell Sarana Consultants Ltd.	Canada	100	100
Swan Wooster Engineering Consultants Inc.	Canada	100	100
Vector Argentina S.A.	Argentina	100	100
Vector Bolivia S.R.L.	Bolivia	100	100
Vector Chile Limitada	Chile	100	100
Vector Colombia Limitada	Colombia	100	100
Vector Engineering. Inc.	United States	100	100
Vector Panama S.A.	Panama	100	100
Vector Peru S.A.C	Peru	100	100

* During 2010 Ausenco do Brasil Engenharia Ltda merged with Sandwell Engenharia Ltda, a fully controlled entity of the group incorporated in Brazil. The entity name remains unchanged.

30 INVESTMENTS IN JOINT VENTURES

Entities within the Group have entered into the following joint venture operations:

	OWNERSHIP INTEREST	
	CONSOLIDATED	
	2010	2009
	%	%
AB Ventures Limited - Construction for Lumwana Copper Project	50	50
AB Joint Venture - Services Contractor for Lumwana Copper Project	50	50
Khanong Development Group Joint Venture - Integrated engineering and construction services in Laos (wound up during year)	-	70
Ausenco Taggart - Global Coal Projects	50	50
Kramer Ausenco - Integrated engineering and construction services in PNG and the South Pacific Islands	50	50
Roche - A joint venture between Ausenco Sandwell and Roche Mining	50	-

Information relating to the joint venture entities, presented in accordance with the accounting policy described in note 1(b)(iv) is set out below:

	Consolidated	
	2010	2009
	\$'000	\$'000
SHARE OF ENTITIES' ASSETS AND LIABILITIES		
Current assets	6,722	4,325
Non-current assets	3,795	3,731
Total assets	<u>10,517</u>	<u>8,056</u>
Current liabilities	(25,286)	(20,332)
Non-current liabilities	(1,253)	(87)
Total liabilities	<u>(26,539)</u>	<u>(20,419)</u>
Net assets	<u>(16,022)</u>	<u>(12,363)</u>
SHARE OF ENTITIES' REVENUE AND EXPENSES		
Service revenues	9,505	13,104
Net (loss) / gain on foreign exchange contract	(35)	(1,779)
Expenses	<u>(12,127)</u>	<u>(7,712)</u>
(Loss) / profit before income tax	<u>(2,657)</u>	<u>3,613</u>

The group had no other commitments in the joint ventures.

Contingent liabilities in joint ventures are disclosed in note 32.

31 NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated	
	2010	2009
	\$'000	\$'000
Reconciliation of operating profit after income tax to net cash flow from operating activities:		
Net (loss) / profit after income tax expense	(10,652)	20,142
NON-CASH ITEMS		
Depreciation and amortisation of non-current assets	11,689	12,844
Impairment of intangible assets	8,200	-
Share based payment expense	(2,589)	447
Swaption (gain) / loss	-	(201)
Unrealised net loss / (gain) on foreign exchange	235	(7,916)
Net (loss) / gain on disposal of property, plant and equipment	(3)	247
Cash flow adjusted for non-cash items	6,880	25,563
CHANGES IN ASSETS AND LIABILITIES ADJUSTED FOR EFFECTS OF PURCHASE OF CONTROLLED ENTITIES DURING THE FINANCIAL YEAR		
Decrease / (increase) in trade receivables	8,080	40,449
(Increase) / decrease in unbilled revenue	(5,045)	9,037
Decrease / (increase) in other current assets	2,640	7,084
(Increase) / decrease in deferred tax assets	(7,303)	(3,011)
(Decrease) / increase in billings in advance	(6,980)	(12,003)
(Decrease) / increase in payables and other liabilities	23,781	(37,295)
(Decrease) / increase in provision for income tax	1,097	(28,520)
(Decrease) / increase in other provisions	669	(3,834)
(Decrease) / increase in provision for deferred tax liabilities	(725)	252
Net cash (outflow) / inflow from operating activities	23,094	(2,278)

32 CONTINGENT LIABILITIES

	Consolidated	
	2010	2009
	\$'000	\$'000
(a) Guarantees		
The consolidated entity is, in the normal course of business, required to provide guarantees and letters of credit on behalf of controlled entities in respect of their contractual performance related obligations. These guarantees and indemnities only give rise to a liability where the entity concerned fails to perform its contractual obligations.		
Bank guarantees outstanding at the balance date in respect of commitments for expenditure	27,989	16,776

(b) Litigation

During December 2008, AB Ventures Limited (ABV), 50% owned by the Group, issued a Notice of Demand on a supplier in relation to material loss and damages suffered by ABV on the Lumwana copper project as a result of negligence during its performance of the supplier's work under the contract.

In a separate action relating to the Lumwana copper project, ABV is also in dispute with one of its suppliers the basis of which has been disclaimed by ABV. The matter is in the process of being presented to the Courts in Zambia with a co-claimant in this matter confirming on 7 June 2010 that they will no longer wish to pursue the claim. Based on the current process, ABV does not believe any adverse financial impact will result on the resolution of this claim.

One of the Group's wholly owned subsidiary companies has been incorrectly named as a co defendant to a court action in Ontario, Canada. The claim related to services that were provided by a company which is not, and has not at any time been, related to Ausenco. Ausenco is vigorously defending the claim.

33 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Ausenco Limited during the financial year:

(i) *Chairman - non-executive*
Wayne Goss (Chairman)

(ii) *Executive directors*
Zimi Meka (Chief Executive Officer)

(iii) *Non-executive directors*
George Lloyd
Greg Moynihan
Mary Shafer-Malicki (appointed 1 January 2011)
Bob Thorpe
Hank Tuten

(b) Key management personnel

Craig Allen	Chief Financial Officer
Nick Bell	Chief Operating Officer
Greg Chrisfield	Chief Sustainability Officer
Ken Roxburgh	Chief Commercial Officer
Neil Trembath	Chief People Officer
Paul Young	Chief Information Officer

(c) Key management personnel compensation

	Consolidated	
	2010	2009
	\$	\$
Short-term employee benefits	2,394,546	2,485,682
Post-employee benefits	221,476	197,539
Share-based payments	519,129	494,857
	<u>3,135,151</u>	<u>3,178,078</u>

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 7 to 19.

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Ausenco Limited and other Key Management Personnel of the Group, including their personally related parties are set out below:

2010 Options and Performance Rights	Balance at 1 January 2010	Granted as remuneration	Exercise of options / rights	Shares forfeited	Balance at 31 December 2010
DIRECTORS					
Zimi Meka	704,478	76,143	133,960	100,368	546,293
Sub-total	704,478	76,143	133,960	100,368	546,293
SENIOR EXECUTIVES					
Craig Allen	262,817	42,831	125,541	58,302	121,805
Nick Bell	140,515	46,743	-	61,734	125,524
Greg Chrisfield	36,066	16,752	-	22,803	30,015
Ken Roxburgh	63,229	12,996	17,194	17,688	41,343
Neil Trembath	39,846	17,058	1,042	23,217	32,645
Paul Young	19,476	10,428	-	13,005	16,899
Sub-total	561,949	146,808	143,777	196,749	368,231
Grand Total	1,266,427	222,951	277,737	297,117	914,524

2009 Options and Performance Rights	Balance at 1 January 2009	Granted as remuneration	Exercise of options / rights	Shares forfeited	Balance at 31 December 2009
DIRECTORS					
Zimi Meka	570,441	155,739	-	21,702	704,478
Sub-total	570,441	155,739	-	21,702	704,478
SENIOR EXECUTIVES					
Craig Allen	183,446	92,214	-	12,843	262,817
Nick Bell	51,538	95,901	-	6,924	140,515
Greg Chrisfield ^a	-	36,066	-	-	36,066
Ken Roxburgh	105,479	27,975	66,328	3,897	63,229
Neil Trembath	7,815	36,720	-	4,689	39,846
Paul Young	-	19,476	-	-	19,476
Sub-total	348,278	308,352	66,328	28,353	561,949
Grand Total	918,719	464,091	66,328	50,055	1,266,427

^a Mr Chrisfield was appointed on 12 January 2009

All vested options are exercisable at the end of the year.

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Ausenco Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2010 Shares	Balance at 1 January 2010	Shares granted as remuneration	Shares acquired during the year	Received on exercise of options / rights	Shares sold	Balance at 31 December 2010
DIRECTORS						
Wayne Goss	1,209,934	-	-	-	-	1,209,934
Zimi Meka	15,369,297	-	2,828	133,960	-	15,506,085
George Lloyd	215,961	-	2,064	-	-	218,025
Greg Moynihan	10,688	-	20,000	-	-	30,688
Bob Thorpe	11,118,250	-	-	-	-	11,118,250
Hank Tuten	3,618,787	-	11,165	-	-	3,629,952
Sub-Total	31,542,917	-	36,057	133,960	-	31,712,934
SENIOR EXECUTIVES						
Craig Allen	585,902	-	62,161	125,541	-	773,604
Nick Bell	74,155	-	145	-	-	74,300
Greg Chrisfield	-	-	-	-	-	-
Ken Roxburgh	581,423	-	-	17,194	-	598,617
Neil Trembath	14,555	-	815	1,042	-	16,412
Paul Young	10,663	-	8,343	-	-	19,006
Sub-total	1,266,698	-	71,464	143,777	-	1,481,939
Grand Total	32,809,615	-	107,521	277,737	-	33,194,873

2009 Shares	Balance at 1 January 2009	Shares granted as remuneration	Shares acquired during the year	Received on exercise of options / rights	Shares sold	Balance at 31 December 2009
DIRECTORS						
Wayne Goss	1,205,246	-	4,688	-	-	1,209,934
Zimi Meka	15,057,312	-	311,985	-	-	15,369,297
George Lloyd	195,814	-	20,147	-	-	215,961
Greg Moynihan	6,000	-	4,688	-	-	10,688
Bob Thorpe	10,957,267	-	160,983	-	-	11,118,250
Hank Tuten	3,550,000	-	68,787	-	-	3,618,787
Sub-Total	30,971,639	-	571,278	-	-	31,542,917
SENIOR EXECUTIVES						
Craig Allen	576,868	18,123	56,255	-	65,344	585,902
Nick Bell	12,976	10,409	50,770	-	-	74,155
Greg Chrisfield	-	-	-	-	-	-
Ken Roxburgh	535,106	-	25,704	50,000	29,387	581,423
Neil Trembath	8,074	5,935	546	-	-	14,555
Paul Young	6,703	3,523	437	-	-	10,663
Sub-total	1,139,727	37,990	133,712	50,000	94,731	1,266,698
Grand Total	32,111,366	37,990	704,990	50,000	94,731	32,809,615

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(e) Other transactions with key management personnel

	2010 \$	2009 \$
Mr Allen is a Director and shareholder of San Simeon Investments Pty Ltd which provides finance system and development consulting services	-	24,000

34 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2010 \$	2009 \$
(a) Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial statements	482,742	475,217
Related practices of PricewaterhouseCoopers Australian firm	330,802	402,154
Non-PricewaterhouseCoopers audit firms for the audit or review of financial statements of any entity in the Group	11,808	13,583
Total remuneration for audit and other assurance services	825,352	890,954
(b) Other assurance services		
PricewaterhouseCoopers Australian firm		
Other accounting services	33,110	12,440
Related practices of PricewaterhouseCoopers Australian firm		
Other accounting services	11,345	55,016
Non-PricewaterhouseCoopers audit firms	-	20,498
Total remuneration for audit-related services	44,455	87,954
<i>Taxation services</i>		
PricewaterhouseCoopers Australian firm		
Tax compliance services	7,515	58,075
Related practices of PricewaterhouseCoopers Australian firm	88,630	276,959
Non-PricewaterhouseCoopers audit firms	23,830	23,685
Total remuneration for taxation services	119,975	358,719
Total remuneration for non-audit services	164,430	446,673
Total	989,782	1,337,627

35 COMMITMENTS

	Consolidated	
	2010 \$'000	2009 \$'000
<i>(i) Capital expenditure commitments in relation to plant and equipment</i>		
Contracted but not provided for and payable:		
Within one year	748	416
Later than one year but not later than five years	829	937
Later than five years	-	-
	1,577	1,353
 <i>(ii) Operating leases</i>		
The Group leases various offices under non-cancellable operating leases expiring within one to eight years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	18,641	21,863
Later than one year but not later than five years	56,185	71,037
Later than five years	22,859	35,699
Commitments not recognised in the financial statements	97,685	128,599
 <i>(iii) Finance leases</i>		
Commitments in relation to finance leases are payable as follows:		
Within one year	2,162	189
Later than one year but not later than five years	424	10
Later than five years	-	-
Future finance charges	(104)	(6)
Commitments recognised in the financial statements	2,482	193
 <i>(vi) Remuneration commitment</i>		
Commitments for the payment of salaries and other remuneration as follows:		
Within one year	518	518
Later than one year and not later than five years	237	798
Later than five years	-	-
	755	1,316

36 RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the Group is Ausenco Limited which owns 100% of the issued ordinary shares of Ausenco Services Pty Ltd, the controlling parent for consolidated accounting purposes.

(b) Subsidiaries

Investment in controlled entities and subsidiaries are set out in note 29.

(c) Wholly owned group transactions

The following transactions occurred with related parties:

	Consolidated	
	2010	2009
	\$	\$
<i>Other related parties</i>		
Revenue from contract services	7,470,857	2,629,618
Loan repaid by related parties	-	(2,428,846)
Loans advanced to joint venture entities	-	1,408,369

37 SHARE-BASED PAYMENTS

(a) EXECUTIVE OPTION PLAN ("EOP")

The Group EOP was established in 2006 as a replacement for the cash based long term incentive plan. Staff eligibility to participate in the EOP is limited to Group Senior Executives (including Directors).

Under the EOP, eligible executive employees are invited to apply for options, each of which entitles the holder to subscribe for one fully paid ordinary share in the Company at an exercise price equal to the Company's share market price at the time of grant. The EOP provides for options, with associated time based vesting conditions, to be issued to eligible executive employees. Options are granted for a three year period, with one third of each option tranche vesting and becoming exercisable after each subsequent annual anniversary of the date of grant, subject to an overriding service condition. Options expire five years after the date of grant. Options granted under the EOP carry no dividend or voting rights.

(b) PERFORMANCE RIGHTS PLAN ("PRP")

The Group PRP was established in 2006 and provides for performance rights to be issued to eligible employees. Under the PRP, eligible employees are invited to apply for performance rights, each of which entitles the holder to subscribe for one fully paid ordinary share in the Company at a nil exercise price (i.e. zero priced options).

Subject to the relevant performance hurdles being satisfied, each performance right entitles the holder to subscribe for one fully paid ordinary share in the Company at a nil exercise price. During 2010, the Board approved a Remuneration Committee recommendation to balance equally the EPS and TSR performance target weightings. One third of the rights granted vest at the end of each two, three and four year period following grant, subject to an overriding service condition. Performance rights carry no dividend or voting rights.

Where a participant leaves the Group, the terms of the PRP prescribe that the Board may exercise its discretion to allow a proportion of performance rights to vest and be exercised. The Board may deem any performance rights to have lapsed if, in the opinion of the Board, the executive acts fraudulently or dishonestly or is in breach of any of their obligations to the Group.

In the event of a takeover or other formal scheme for the acquisition of the Shares in the Group, the Directors may exercise their discretion to determine that all unvested options vest, subject to further conditions to be determined by the Board.

37 SHARE-BASED PAYMENTS (continued)

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2010								
27/04/06	27/04/11	\$1.00	533,332	-	199,999	-	333,333	333,333
18/12/06	18/12/11	\$-	733,520	-	344,105	16,076	373,339	373,339
19/02/08	19/02/15	\$-	87,573	-	11,181	3,181	73,211	22,085
25/02/08	19/02/15	\$-	12,246	-	314	1,566	10,366	3,246
05/03/08	19/02/15	\$-	9,783	-	1,063	2,645	6,075	1,669
31/03/08	10/09/12	\$-	2,982	-	-	-	2,982	2,982
23/06/08	31/12/11	\$-	40,000	-	-	-	40,000	40,000
23/06/08	19/02/15	\$-	4,614	-	-	-	4,614	1,538
31/03/09	17/03/14	\$-	1,635,114	-	-	726,678	908,436	-
01/01/10	01/04/15	\$-	-	760,680	-	401,472	359,208	-
Total			3,059,164	760,680	556,662	1,151,618	2,111,564	778,192

Weighted average exercise price \$0.17 \$- \$0.35 \$- \$0.15 \$0.42

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2009								
27/04/06	27/04/11	\$1.00	824,997	-	291,665	-	533,332	533,332
18/12/06	18/12/11	\$-	953,542	-	158,554	61,468	733,520	429,162
19/12/08	19/12/15	\$-	230,151	-	-	142,578	87,573	4,760
25/02/08	19/12/15	\$-	37,248	-	-	25,002	12,246	-
05/03/08	19/12/15	\$-	41,580	-	-	31,797	9,783	-
31/03/08	10/09/12	\$-	2,982	-	-	-	2,982	2,982
23/06/08	31/12/11	\$-	40,000	-	-	-	40,000	-
23/06/08	19/02/15	\$-	11,538	-	-	6,924	4,614	-
31/03/09	17/03/14	\$-	-	1,885,635	-	250,521	1,635,114	-
Total			2,142,038	1,885,635	450,219	518,290	3,059,164	970,236

Weighted average exercise price \$0.38 \$- \$0.64 \$- \$0.17 \$0.54

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2010 was \$3.48 (2009: \$3.92).

The weighted average remaining contractual life of share options/rights outstanding at the end of the period was 2.5 years (2009: 3.2 years).

Fair value of options/rights granted

The fair value at a grant date is independently determined using the Hull-White option pricing model that takes into account the exercise price, the term of the options/rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the options/rights.

37 SHARE-BASED PAYMENTS (continued)

The model inputs for options/rights granted during the year ended 31 December 2010 included:

- (i) Share price at grant date in 2010 is \$4.57; (2009 issue: \$2.19)
- (ii) Expected price volatility of the company's shares: 62.4%; (2009 issue: 71.8%)
- (iii) Expected dividend yield: 4.1%; (2009 issue: 16.2%) and
- (iv) Risk-free interest rate: 4.99% (2009 issue: 3.27%).

The expected price volatility is based on the historic volatility (based on the remaining life of the options/rights), adjusted for any expected changes to future volatility due to publicly available information.

(c) EMPLOYEE SHARE ACQUISITION PLAN ("ESAP")

The ESAP was approved by shareholders in 2006 and launched in August 2008. The Plan is available to all personnel employed on a permanent basis by the Group ("Eligible Employees").

Each annual ESAP offer is subject to Board approval. For 2010, the Board decided not to offer the plan due to the uncertain economic climate and its impact on contributed equity.

The ESAP was designed to assist with retaining permanent employees of the Group by enabling them to share in the organisation's success. The ESAP provides the Group's Eligible Employees with an enhanced opportunity to acquire Shares ("Plan Shares") in the Company.

Under the 2008 ESAP offer, Eligible Employees were able to purchase Ausenco Plan Shares up to a specified percentage of their base salary. This "Employee Contribution" amount was matched by Ausenco with an equal Company Contribution for an equivalent number of Plan Shares, vesting pro rata over the next three years following the Plan offer.

Shares purchased under the Plan are available for sale by transfer to each Eligible Employee in three (3) equal annual installments. These restrictions are removed from Plan Shares purchased with the employee contribution if a participating Eligible Employee ceases employment with the Group. Plan participants who cease employment forfeit any shares purchased with the Company Contribution unless those shares have already passed their vesting periods.

Plan Shares may only be held by the Trustee for a maximum of 10 years. At the expiry of 10 years, vested Plan Shares will be transferred to the relevant Eligible Employee.

(d) EXPENSES ARISING FROM SHARE BASED PAYMENT TRANSACTIONS

Consolidated	
2010	2009
\$'000	\$'000

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses were as follows:

Options and rights issued under EOP and PRP	1,221	1,121
Shares issued under ESAP	450	919
	<u>1,671</u>	<u>2,040</u>

38 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity	
	2010 \$'000	2009 \$'000
Balance sheet		
Current assets	100,913	125,944
Non-current assets	<u>131,565</u>	<u>111,359</u>
Total assets	<u>232,478</u>	<u>237,303</u>
Current liabilities	-	-
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
<i>Shareholders' equity</i>		
Contributed equity	227,128	225,803
Reserves		
Share-based payments reserve	2,422	2,578
ESAP SBP Reserve	1,584	2,209
Retained earnings	<u>1,344</u>	<u>6,713</u>
	<u>232,478</u>	<u>237,303</u>
(Loss) / profit for the year	<u>(203)</u>	<u>1,876</u>
Total comprehensive (loss) / profit	<u>(203)</u>	<u>1,876</u>

(b) Guarantees entered into by the parent entity

As at 31 December 2010, the parent entity recognised no financial guarantees.

In addition, there are cross guarantees given by Ausenco Limited, Ausenco Solutions Pty Ltd, Ausenco International Pty Ltd, Ausenco Global Pty Ltd, Ausenco Operations Pty Ltd and Ausenco Services Pty Ltd as described in note 41. No deficiencies of assets exist in any of these companies.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2010 or 31 December 2009.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 31 December 2010, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

39 SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer, Chief Financial Officer and the Chief Operating Officer (collectively Chief Decision Makers) that are used to make strategic decisions.

The Chief Decision Makers consider the business from a services perspective and have identified six reportable segments being Energy, Environment & Sustainability, Minerals & Metals, Process Infrastructure, Program Management and Corporate. Although the Energy and Program Management segments do not meet the quantitative thresholds required by AASB 8, management has concluded that these segments should be reported, as they are closely monitored by the Chief Decision Makers as a potential growth segments and are expected to materially contribute to Group revenue in future.

All segments deliver study, engineering, EPCM, project management and operations and maintenance services to the global resources and energy sectors. The Minerals & Metals segment delivers its services through the Minerals & Metals business. The Process Infrastructure segment is a combination of the Ausenco PSI, Ausenco Sandwell and Ausenco Kramer businesses delivering port, pipeline, marine and transport solutions. The Environment & Sustainability segment comprises the Ausenco Vector business, providing geotechnical and environmental solutions. The Energy segment concentrates on the delivery of projects to the gas, renewable energy, project sectors, consulting and engineering services to the oil and gas industry through the Ausenco Sandwell business. The Program Management segment draws upon the combined program management expertise across the Group, supported by systems and processes and a global procurement network.

(b) Segment information provided to the Chief Decision Makers

The segment information provided to the Chief Decision Makers for the reportable segments for the year ended 31 December 2010 is as follows:

2010	Energy \$'000	Environment & Sustainability \$'000	Minerals & Metals \$'000	Process Infrastructure \$'000	Program Management \$'000	Corporate \$'000	Total \$'000
Total segment revenue	883	52,512	287,803	159,695	18,104	-	518,997
Inter-segment revenue	-	(770)	(558)	(7,460)	-	-	(8,788)
Revenue from external customers	883	51,742	287,245	152,235	18,104	-	510,209
Interest revenue	-	-	1	166	-	2,883	3,050
Interest expense	-	(89)	-	(123)	-	(4,340)	(4,552)
Depreciation and amortisation	-	(672)	(2,087)	(1,578)	-	(7,352)	(11,689)
Reportable Segment EBITA	(1,631)	5,469	32,306	(1,912)	1,180	(40,117)	(4,705)
Total segment assets	359	13,380	27,034	49,927	1,248	-	91,948

39 SEGMENT INFORMATION (continued)

(b) Segment information provided to the Chief Decision Makers (continued)

The segment information provided to the Chief Decision Makers for the reportable segments for the year ended 31 December 2009 is as follows:

2009	Energy \$'000	Environment & Sustainability \$'000	Minerals & Metals \$'000	Process Infrastructure \$'000	Program Management \$'000	Corporate \$'000	Total \$'000
Total segment revenue	5,749	41,514	220,713	171,342	157	550	440,025
Inter-segment revenue	-	(1,583)	(908)	(8,919)	-	(550)	(11,960)
Revenue from external customers	5,749	39,931	219,805	162,423	157	-	428,065
Interest revenue	-	69	431	507	-	2,083	3,090
Interest expense	(230)	(226)	(16)	(352)	-	(4,562)	(5,386)
Depreciation and amortisation	(203)	(977)	(3,122)	(2,708)	-	(5,982)	(12,992)
Reportable Segment EBITA	682	2,760	33,457	16,071	(1,369)	(27,089)	24,512
Total segment assets	-	11,364	38,651	44,393	-	-	94,408

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Chief Decision Makers is measured in a manner consistent with that in the income statements.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated	
	2010 \$'000	2009 \$'000
Total segment revenue	518,997	440,025
Intersegment eliminations	(8,788)	(11,960)
Interest revenue	3,051	3,090
Other revenue	113	1,331
Total revenue from continuing operations (note 2)	513,373	432,486

The Group is domiciled in Australia. The result of its revenue from external customers in Australia is \$139,481,726 (2009: \$106,356,101), and the total of revenue from external customers in other countries is \$370,208,864 (2009: \$323,025,437). Segment revenues are allocated based on the country in which projects are located. Revenues of approximately \$110,008,085 are derived from a single external customer, these revenues are attributable to the Minerals & Metals segment.

39 SEGMENT INFORMATION (continued)

(c) **Other segment information (continued)**

(ii) *Segment EBITA*

The Chief Decision Makers assess the performance of the operating segments based on a measure of segment EBITA.

A reconciliation of reportable segment profit / (loss) to operating profit / (loss) before income tax is provided as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
Reportable Segment EBITA	(4,705)	24,512
Finance costs	(5,803)	(7,502)
Impairment of goodwill	(8,200)	-
(Loss) / profit before income tax from continuing operations	<u>(18,708)</u>	<u>17,010</u>

(iii) *Segment assets*

The amounts provided to the Chief Decision Makers with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
Segment assets	91,948	94,408
Cash	63,594	78,745
Current tax receivables	2,239	2,950
Other current assets	7,337	11,847
Assets classified as held for sale	2,617	2,597
Unallocated:		
Deferred tax	31,748	24,030
Intangibles (note 14)	180,950	198,570
Investments	78	138
Property, plant and equipment	<u>25,805</u>	<u>24,504</u>
Total assets as per the balance sheet	<u>406,316</u>	<u>437,789</u>

The total of segment assets located in Australia is \$25,136,855 (2009: \$41,622,160), and the total of these segment assets located in other countries is \$66,811,004 (2009: \$52,786,840). Segment assets are allocated to countries based on where the assets are located.

40 FINANCIAL RISK MANAGEMENT

The Group uses basic derivative instruments to manage financial risk. The Group does not use or issue derivative or financial instruments for speculative or trading purposes. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk.

The Group's principal financial instruments comprise cash and borrowings. The main purpose of these financial instruments is to partially finance the Group's operations and acquisitions.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations and acquisitions.

40 FINANCIAL RISK MANAGEMENT (continued)

As at 31 December 2010, the Group recognised a derivative of \$0.58 million (2009: \$1.68 million) being the fair value of an interest rate swap. This contract was entered into to mitigate the associated variable interest rate risk pertaining to a United States dollar loan with ANZ Bank. The derivative contract has been designated as effective hedging.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The majority of the Group's revenue is received in Australian dollars, although the prices received are influenced by major movements in exchange rates, particularly that of the United States dollar relative to the Australian dollar. The Group does not currently hedge any of this indirect currency exposure.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and Canadian dollar.

At 31 December 2010, the Group had the following exposure to United States dollar and Canadian dollar foreign currency that is not designated as cash flow hedges:

	Consolidated	
	2010	2009
	\$'000	\$'000
Financial assets		
Foreign cash held	12,871	6,161
Receivables	<u>939</u>	<u>2,459</u>
	<u>13,810</u>	<u>8,620</u>
Financial Liabilities		
Trade creditors and other accruals	94	167
Loans	<u>32,797</u>	<u>46,319</u>
	<u>32,891</u>	<u>46,486</u>
Net Exposure	<u>(19,081)</u>	<u>(37,866)</u>

At 31 December 2010 and 31 December 2009, the Group did not have any forward currency contracts or foreign exchange options to cover the exposure to foreign currency risk in United States dollar receivables.

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

With all other variables held constant, the below table illustrates how post tax profit and equity for both the Group and parent company would have been affected had the following scenarios occurred:

- the Australian dollar had moved against the United States dollar;
- the Australian dollar had moved against the Canadian dollar; and
- the American dollar had moved against the Canadian dollar.

40 FINANCIAL RISK MANAGEMENT (continued)

	Consolidated	
	Post Tax Profit and Equity	
	Higher / (Lower)	
	2010	2009
	\$'000	\$'000
Consolidated:		
AUD / USD + 10%	(703)	(138)
AUD / USD - 5%	408	80
AUD / CAD + 10%	(94)	(54)
AUD / CAD - 5%	54	(5)
USD / CAD + 10%	1,995	2,492
USD / CAD - 5%	(1,162)	(1,572)

The movements in profit are due to the movement in foreign exchange rates which impact the fair value of financial assets and liabilities denominated in foreign currencies.

(ii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term borrowings.

The Group has entered into an interest rate swap contract to mitigate the variable interest rate risk associated with the drawdown of a US \$42.3 million loan with ANZ Bank in May 2008. As at 31 December 2010, the loan balance was US \$31.8 million (2009: US \$35.9 million).

At 31 December 2010 and 31 December 2009, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	Consolidated		Consolidated	
	31 December 2010		31 December 2009	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Financial assets				
Cash Assets	3.2	52,647	4.7	50,054
	3.2	52,647	4.7	50,054
Financial Liabilities				
Bank Loans	4.9	11,879	3.4	9,603
Interest rate swaps	6.9	585	6.9	1,681
	5.0	12,464	3.9	11,284

The Board and management believe the balance date risk exposure is representative of the risk exposure inherent in the financial instruments.

The Group regularly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

40 FINANCIAL RISK MANAGEMENT (continued)

	Higher / (Lower)			
	2010 \$'000 Profit	2010 \$'000 Equity	2009 \$'000 Profit	2009 \$'000 Equity
Consolidated:				
+1% (100 basis points)	285	74	282	325
-0.5% (50 basis points)	(143)	(15)	(141)	(53)

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group also has a policy in place to ensure that surplus cash is invested with financial institutions of appropriate credit worthiness.

The credit risk of financial assets of the Group which have been recognised on the balance sheet is generally the carrying amount, net of any provisions for doubtful debts.

For some trade receivables the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient assets to meet liabilities as they fall due. The Group ensures that it can meet its financial obligations as they fall due by maintaining sufficient reserves of cash and short term deposits to meet forecast cash outlays.

Financing arrangements

The Group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

40 FINANCIAL RISK MANAGEMENT (continued)

	Consolidated	
	2010 \$'000	2009 \$'000
SECURED FACILITIES		
Total facilities available:		
Overdraft facilities	20,000	30,000
Multi-option facilities	7,891	11,021
Multi-currency loan facility	54,584	75,968
Asset finance facility	2,422	4,227
Bank guarantee and letter of credit	40,000	38,691
	124,897	159,907
Facilities utilised at balance date:		
Multi-option facilities	5,215	1,266
Multi-currency loan facility	54,584	69,468
Asset finance facility	2,322	2,265
Bank guarantee and letter of credit	21,633	16,670
	83,754	89,669
Facilities not utilised at balance date:		
Overdraft facilities	20,000	30,000
Multi-option facilities	2,676	9,755
Multi-currency loan facility	-	6,500
Asset finance facility	100	1,962
Bank guarantee and letter of credit	18,367	22,021
	41,143	70,238
UNSECURED FACILITIES		
Total facilities available:		
Performance bonds and letters of credit	19,680	22,394
	19,680	22,394
Facilities utilised at balance date:		
Performance bonds and letters of credit	6,357	-
	6,357	-
Facilities not utilised at balance date:		
Performance bonds and letters of credit	13,323	22,394
	13,323	22,394

The bank overdraft facilities may be drawn at any time.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from balance date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, their balances will not necessarily agree with the amounts disclosed in the balance sheet.

	0-1 Year \$'000	1-2 Years \$'000	2-5 Years \$'000	5+ Years \$'000	Total \$'000
2010					
Non-derivatives					
Trade and other payables	80,427	1,342	-	-	81,769
Borrowings and future interest payments	22,754	24,435	23,075	1,123	71,387
Financial guarantee contracts	7,870	-	-	-	7,870
Total non-derivatives	111,051	25,777	23,075	1,123	161,026
Derivatives					
Net settled (interest rate swaps)	597	-	-	-	597
Total derivatives	597	-	-	-	597

40 FINANCIAL RISK MANAGEMENT (continued)

2009

Non-derivatives

Trade and other payables	56,193	-	-	-	56,193
Borrowings and future interest payments	17,822	31,907	31,853	-	81,582
Financial guarantee contracts	8,536	-	-	-	8,536
Total non-derivatives	<u>82,551</u>	<u>31,907</u>	<u>31,853</u>	<u>-</u>	<u>146,311</u>

Derivatives

Net settled (interest rate swaps)	<u>1,369</u>	<u>1,191</u>	<u>1,688</u>	<u>-</u>	<u>4,248</u>
Total derivatives	<u>1,369</u>	<u>1,191</u>	<u>1,688</u>	<u>-</u>	<u>4,248</u>

(d) Cash flow and fair value interest rate risk

The Group has significant interest bearing assets. Please refer to note 40 (a)(ii) for the interest rate analysis and note 6(b) for interest bearing asset details.

(e) Capital management risk

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Management also measures the gearing position of the Group to ensure that banking debt covenants are complied with.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

(f) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Group applies fair value measurement using the following fair value hierarchy

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

40 FINANCIAL RISK MANAGEMENT (continued)

The following table presents the company's assets and liabilities measured and recognised at fair value at 31 December 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

At 31 December 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Available-for-sale financial assets				
Equity securities	<u>78</u>	<u>-</u>	<u>-</u>	<u>78</u>
Total assets	<u>78</u>	<u>-</u>	<u>-</u>	<u>78</u>
Liabilities				
Derivatives used for hedging	<u>-</u>	<u>585</u>	<u>-</u>	<u>585</u>
Total liabilities	<u>-</u>	<u>585</u>	<u>-</u>	<u>585</u>

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, the interest rate swap with ANZ bank) is determined and provided by the ANZ using valuation techniques which are derived from observable prices. The ANZ swap is included in level 2.

In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

41 DEED OF CROSS GUARANTEE

During 2010, the following companies within the Group were parties to a deed of cross guarantee under which each company guarantees the debts of the others:

- Ausenco Limited
- Ausenco Solutions Pty Ltd
- Ausenco International Pty Ltd
- Ausenco Global Pty Ltd
- Ausenco Operations Pty Ltd
- Ausenco Services Pty Ltd

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

(a) Consolidated income statements, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Ausenco Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 31 December 2010 of the closed group consisting of Ausenco Limited, Ausenco Solutions Pty Ltd, Ausenco International Pty Ltd, Ausenco Global Pty Ltd, Ausenco Operations Pty Ltd and Ausenco Services Pty Ltd.

41 DEED OF CROSS GUARANTEE (continued)

	2010 \$'000	2009 \$'000
Income statement		
Revenue from continuing operations	241,806	259,980
Other income	(8,948)	(5,046)
Staff and contractor costs	(138,065)	(123,931)
Reimbursable costs	(33,588)	(52,889)
Office and administration costs	(38,435)	(34,677)
Other expenses	(286)	(905)
Depreciation and amortisation	(5,853)	(5,580)
Finance costs	(2,888)	(3,440)
Profit before income tax	13,743	33,512
Income tax expense	521	372
Profit from continuing operations	14,264	33,884
Other comprehensive income		
Exchange differences on translation of foreign operations	(14)	(223)
Net investment hedge	828	8,841
Other comprehensive income for the year, net of tax	814	8,618
Total comprehensive income for the year	814	8,618
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	45,764	30,331
Profit for the year	14,264	33,884
Dividends provided for or paid	(5,493)	(18,451)
Retained earnings at the end of the financial year	54,535	45,764

41 DEED OF CROSS GUARANTEE (continued)

(b) Balance Sheet

Set out below is a consolidated balance sheet as at 31 December 2010 of the closed group consisting of Ausenco Limited, Ausenco Solutions Pty Ltd, Ausenco International Pty Ltd, Ausenco Global Pty Ltd, Ausenco Operations Pty Ltd and Ausenco Services Pty Ltd.

	2010 \$'000	2009 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	29,607	52,344
Trade and other receivables	122,962	112,480
Unbilled revenue	15,682	9,804
Current tax receivables	3,275	2,184
Other current assets	<u>4,630</u>	<u>6,212</u>
Total current assets	<u>176,156</u>	<u>183,024</u>
Non-current assets		
Available-for-sale financial assets	138,688	62,091
Other financial assets	9,371	62,101
Property, plant and equipment	13,385	14,003
Deferred tax assets	9,538	9,538
Intangible assets	<u>3,278</u>	<u>5,187</u>
Total non-current assets	<u>174,260</u>	<u>152,920</u>
Total assets	<u>350,416</u>	<u>335,944</u>
LIABILITIES		
Current liabilities		
Trade and other payables	36,692	25,731
Billings in advance	5,870	4,428
Borrowings	9,693	9,036
Provisions	1,822	75
Other current liabilities	<u>310</u>	<u>625</u>
Total current liabilities	<u>54,387</u>	<u>39,895</u>
Non-current liabilities		
Borrowings	18,043	25,944
Deferred tax liabilities	604	604
Provisions	973	2,102
Other non-current liabilities	<u>3,992</u>	<u>4,302</u>
Total non-current liabilities	<u>23,612</u>	<u>32,952</u>
Total liabilities	<u>77,999</u>	<u>72,847</u>
Net assets	<u>272,417</u>	<u>263,097</u>
Equity		
Contributed equity	213,862	212,547
Reserves	4,020	4,786
Retained earnings	<u>54,535</u>	<u>45,764</u>
Total equity	<u>272,417</u>	<u>263,097</u>

42 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Revenue Recognition

The Group, in assessing the outcome of the contracts at the early stages of progress, when incorporating risks to completion has only recognised contract revenues to the extent of costs incurred that are expected to be recoverable. It is probable that the Group will be able to recover the contract costs incurred, however as the outcome of the contract costs cannot be estimated reliably, no profit is recognised in the early stages of the contract.

(b) Intangibles

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(n). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to the assumptions.

(c) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance sheet date.

(d) Derivatives

Derivatives are initially recognised at fair value of consideration paid on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

(e) Income taxes

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

(f) Share-based payment transaction

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 at grant date is calculated using the Hull White option pricing model.

43 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than matters mentioned in this report, no matter or circumstance has arisen since 31 December 2010 that has significantly affected, or may significantly affect:

- (a) Ausenco's operations in future years
- (b) the results of those operations in future financial years, or
- (c) Ausenco's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 22 to 83 are in accordance with the *Corporations Act 2001*, including:
- (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) Giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2010 and of their performance for the financial year ended on that date; and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.



W K Goss
Director



L H Meka
Director

Brisbane
22 February 2011



Independent auditor's report to the members of Ausenco Limited

Report on the financial report

We have audited the accompanying financial report of Ausenco Limited (the company), which comprises the balance sheet as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Ausenco Limited (the consolidated entity). The consolidated entity comprises 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 Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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 and fair presentation of the financial report 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's opinion

In our opinion:

- (a) the financial report of Ausenco Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 19 of the directors' report for the year ended 31 December 2010. 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 Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Ausenco Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

S P Neill
Partner

Brisbane
22 February 2011

Corporate Directory

Directors

Wayne Goss	Chairman
Zimi Meka	Chief Executive Officer
George Lloyd	Non Executive Director
Greg Moynihan	Non Executive Director
Mary Shafer-Malicki	Non Executive Director
Bob Thorpe	Non Executive Director
Hank Tuten	Non Executive Director

Chief Financial Officer

Craig Allen

Company Secretary

Belinda Smith

Principal Registered Office in Australia

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Australia

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F: +61 7 3169 7001

Principal Share Register

Computershare Investor Services Pty Ltd

Address from 7 March 2011

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West End Queensland 4101
Australia
www.computershare.com

Auditor

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Level 15, Riverside Centre
123 Eagle Street
Brisbane Qld 4000
Australia
www.pwc.com.au

Lawyers

McCullough Robertson Lawyers
Level 11, Central Plaza Two
66 Eagle Street
Brisbane Qld 4000
Australia
www.mccullough.com.au

Principal Banker

Australia and New Zealand Banking Group Limited (ANZ)
www.anz.com.au

Securities Exchange Listing

Ausenco Limited shares are listed on the Australian Securities Exchange under the code 'AAX'.

Website address

For further information visit
www.ausenco.com

