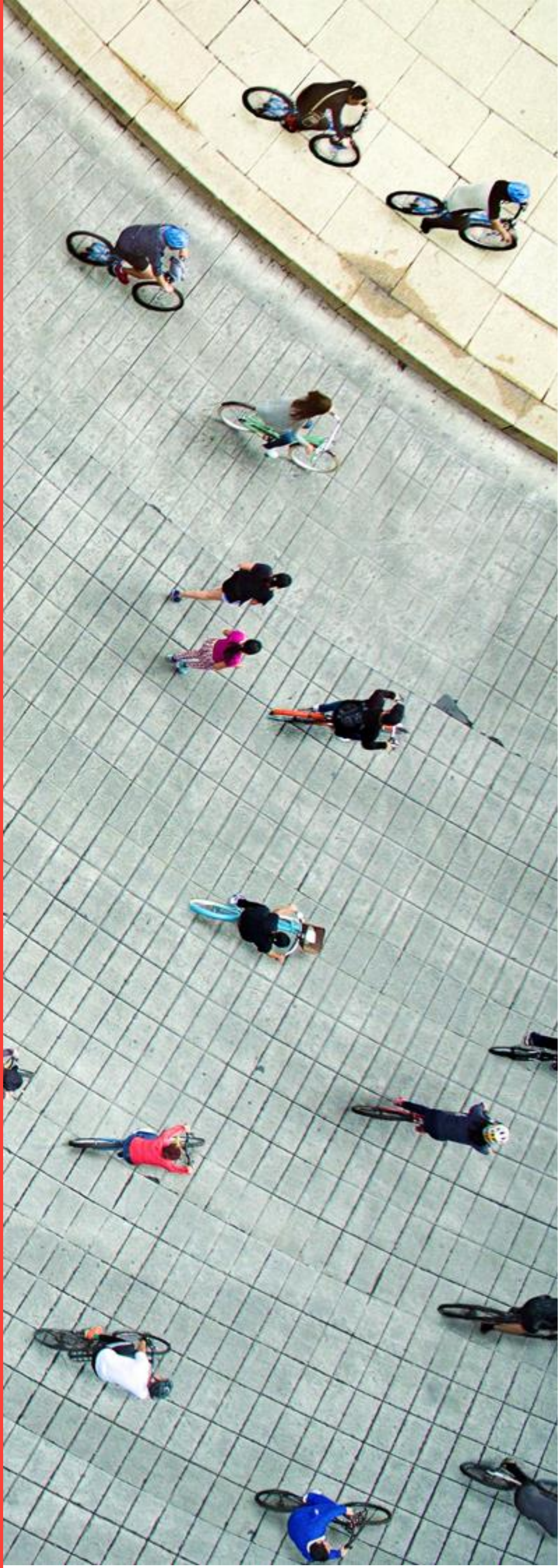
Tax Report for 2017

Financial Year

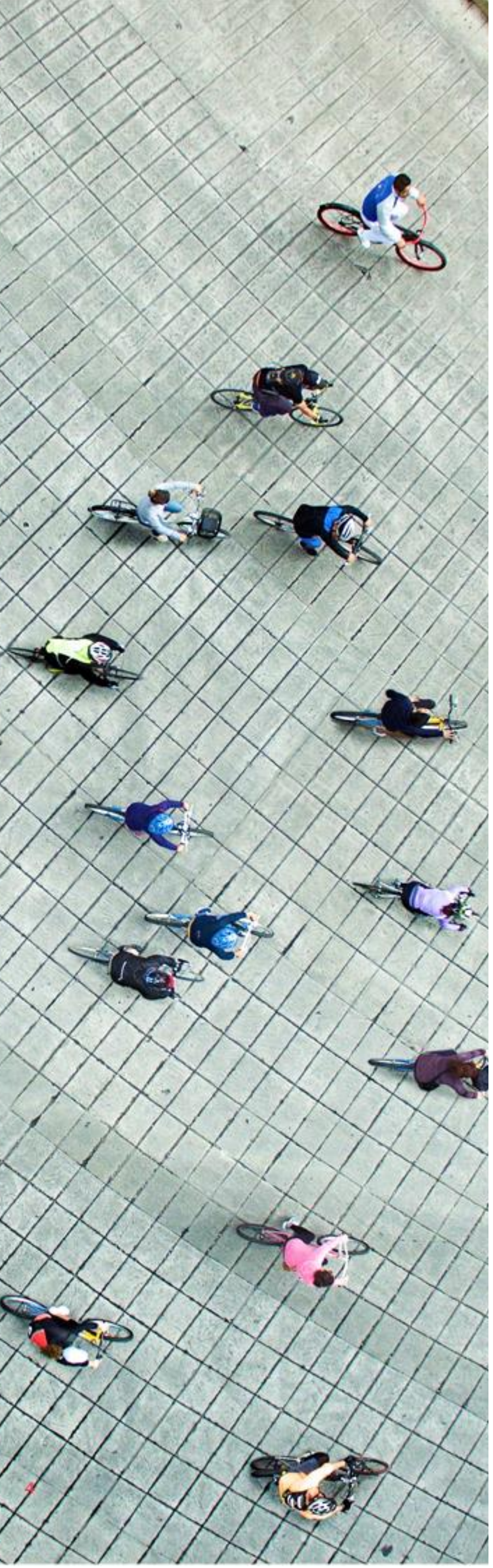
Year ended 31 December 2017



Prepared for:

- WSP Australia Holdings Pty ltd
- PB Australia Pty Ltd
- WSP Australia Pty Ltd and subsidiaries

Table of contents



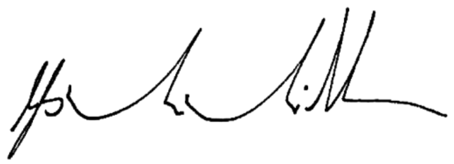
Introduction

The Australian Finance team is committed to meeting the highest standards of tax governance, and we are proud to present this report on the WSP Australia Group's tax contributions for the 2017 Financial Year.

WSP Australia makes a wide range of tax related payments to Tax Authorities in the various jurisdictions in which it operates. We ensure the appropriate amounts of tax are paid in each jurisdiction.

WSP Australia has appropriate systems, processes and controls in place to identify, monitor, manage and escalate tax risks. In addition to internal measures, we regularly use a range of highly qualified external taxation advisers to provide specific advice on significant transactions. These ensure out tax affairs are well managed so that we comply with all our tax obligations and pay the correct tax in all countries.

This report provides a detailed explanation of our tax profile and follows the guidelines set out in the Tax Transparency Code recommended by the Australian Board of Taxation and adopted by Australian Federal Government.



George McMillan
Chief Financial Officer

Group overview

This report has been prepared on a voluntary basis for the Australian entities within the WSP Australia group.

For Australian tax law, WSP Australia has elected to form a tax consolidated group (TCG). The WSP TCG is made up of WSP Australia Holdings Pty Ltd (as the Head Company of the Tax Consolidated Group) and eight wholly owned Australian corporate subsidiaries.

The Australian entities are ultimately 100% owned by WSP Global Inc. in Canada.

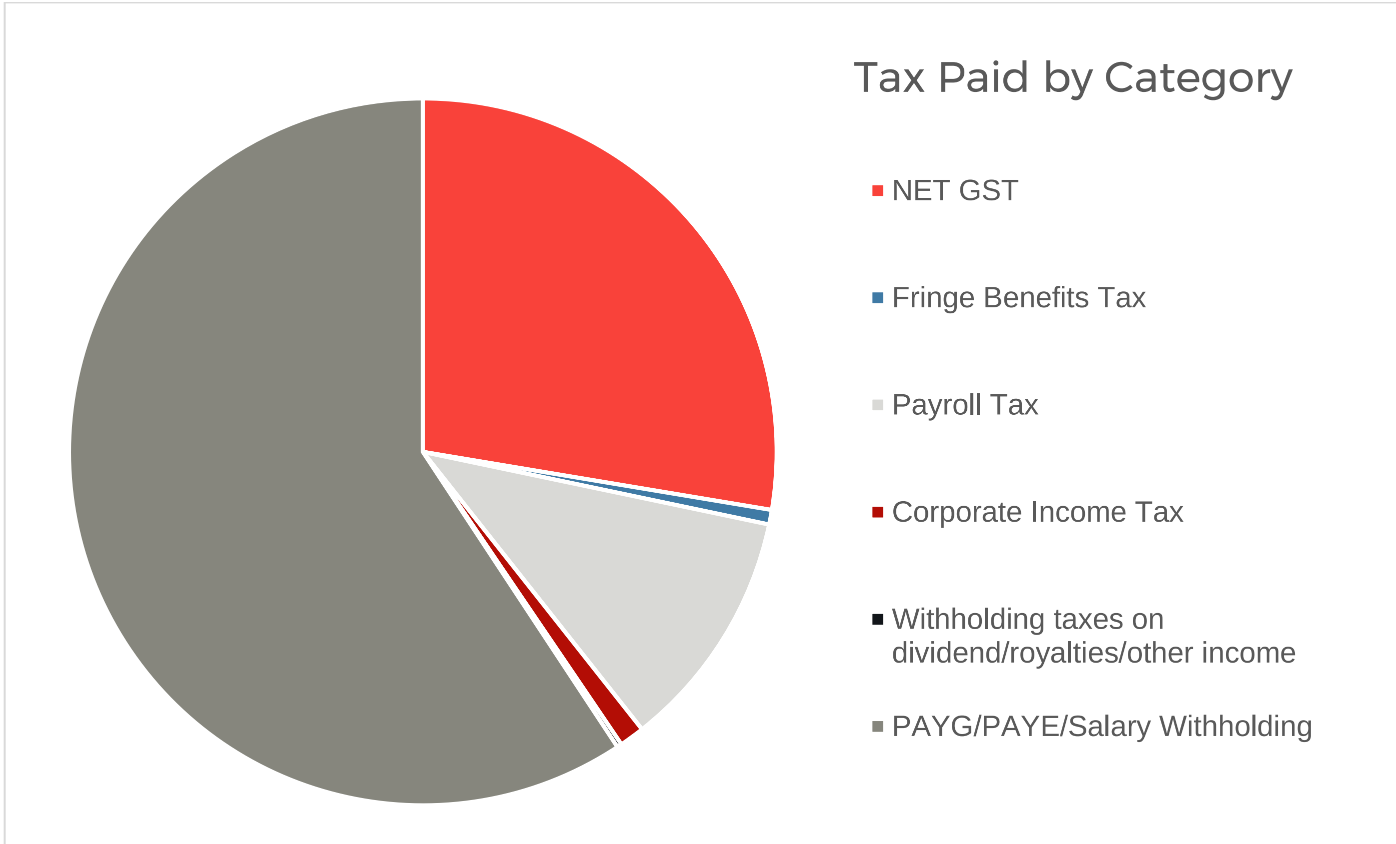
Tax payments / contributions

The table and graph below summarise the taxes paid, collected and remitted during the 2017 financial year to the Australian (Federal and State) tax authorities.

Description	**A$'000**
Corporate Income Tax[1]	**1,486**
Other Taxes	
— Fringe Benefits Tax	862
— Payroll Tax	14,317
— Withholding taxes on dividend/royalties/other income	278
— NET GST[2]	35,730
Tax collected by WSP on behalf of others:	
PAYG/PAYE/Salary Withholding	76,645
Total	**129,318**

(1) Corporate income tax is net of carried forward tax losses/tax offsets/rebates, such as the research and development tax offset, and not including the refund from prior years.

(2) Net GST is the GST collected on sales by WSP less GST paid on business inputs purchased by WSP.



Reconciliation of accounting profit to income tax payable

A reconciliation of accounting profit to income tax expense is provided for the 2017 financial year end.

Income Tax Expense (ITE) is an accounting concept, which represents the amount of income tax accrued for accounting purposes. It is common for there to be differences between the ITE and the amount of tax paid to relevant tax authorities.

Differences are due to the ITE including amounts that are not likely to be paid/received in the current period (commonly referred to as deferred tax expenses). Further, for accounting purposes, ITE includes only taxes on profits and excludes other types of taxes such as GST, FBT and PAYG tax paid on behalf of employees.

Normalised Tax Rate Calculation	A$'000	Elimination	Normalised ETR A$'000
Net Earnings / (Loss) Before Tax (exclude the effect of intercompany event)	**212.097**	**-181,473**	**30,623**
Tax using the Company's statutory tax rate (30%)	63,629	-54,442	9,187
Adjustments			
Non-deductible expenses	-54,308	-54,442	134
Tax offsets and other incentives	-3,052		-3,052
Other items	-19,838	-18,829	-1,009
Recognition of tax losses carried forward	-1,438		-1,438
(Over)/under provision of income tax in previous year	2,866		2,866
Total income tax expense	**-12,141**		**6,688**
Normalised Tax Rate	**-5.72%**		**21.84%**

Effective tax rate (ETR)

The ETR is an accounting concept, which reflects the income tax accrued on the profit for a particular year. WSP Australia reported ITE of $(12.1m) on a profit before tax of $212m, resulting in an ETR of (5.7)%. This ETR was significantly impacted by transactions within the TCG, which impacted on the financial statements, but do not have an overall economic impact for the group. Excluding the impact of these internal transactions (normalising the effective tax rate) increases the ETR to 21.84%.

The following transactions may impact upon the ETR and the normalised ETR in FY 2017:

- WSP Australia made a gain of $129m as a result of a share sale transaction to achieve a group restructure. As the seller and buyer are related entities, no capital gain tax is realised from this event.
- WSP Australia have current year Research and Development tax offsets, which are utilised to offset taxes payable, reducing tax expense.
- WSP Australia reinstated a significant amount of DTA given 3 year cumulative profitable earning position is achieved. This is purely a recognition event for financial reporting purposes.
- WSP Australia Holdings received franked dividends from WSP Australia. As these entities are within the same TCG, there is no taxable income.

ATO Income and taxes paid report 2017/18

WSP Australia is included on the ATO's Corporate Tax Transparency report as it's a foreign-owned corporate tax entity with total income of $100 million or more. Per the report, the ATO tax rate is calculated as taxes paid as a percentage of taxable income for December 2017 year, giving an ATO tax rate of 21.2%. This is lower than the corporate tax rate of 30%.

This difference can be explained by the non-refundable R&D credit claimed in the tax return for the December 2017 year. An R&D credit of $3m was obtained, reducing the taxes payable and thus the ATO tax rate by 8.8% – which is the difference between our tax rate of 21.2% and the corporate tax rate of 30%.

Other tax adjustments

Tax adjustments are made for to recognise standard timing differences, between the recognition of income and expenses for each of tax and accounting purposes, including employee provisions, risk and doubtful provisions, depreciation and returns from Joint Venture participation.


wsp