# WORLEY GROUP LIMITED

ACN 096 090 158

# PRELIMINARY FINAL REPORT

# APPENDIX 4E

# FINANCIAL YEAR ENDED 30 JUNE 2004

# WORLEY GROUP LIMITED PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2004

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | CONSOLIDATED | |
|---|---|---|---|---|
| | | % | 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
| Revenue from ordinary activities | | | 375,484 | 377,743 |
| Less: procurement services revenue [1] | | | - | (8,251) |
| Revenue from ordinary activities excluding procurement services revenue | | | 375,484 | 369,492 |
| Add: share of revenue from associates | | | 152,248 | 109,859 |
| Less: procurement services revenue | | | (12,930) | (4,977) |
| Net revenue from associates | | | 139,318 | 104,882 |
| **Aggregated revenue [2]** | **UP** | **8.5** | **514,802** | **474,374** |
| **Earnings before interest and tax (EBIT)** | **UP** | **25.7** | **40,425** | **32,149** |
| **Profit before tax** | **UP** | **25.8** | **40,736** | **32,394** |
| **Net profit after tax** | **UP** | **19.9** | **30,645** | **25,558** |
| **Net profit attributable to members of Worley Group Limited** | **UP** | **18.8** | **30,722** | **25,860** |
| **Basic earnings per share before amortisation of trade name and goodwill (cents per share)** | **UP** | **12.3** | **22.9** | **20.4** |
| **Basic earnings per share (cents per share)** | **UP** | **13.8** | **20.6** | **18.1** |
| **Diluted earnings per share (cents per share)** | **UP** | **15.7** | **20.6** | **17.8** |
| **Net tangible assets per share ($ per share)** | **UP** | **37.8** | **0.51** | **0.37** |

[1] Procurement services revenue, being pass through revenue for nil margin, is accounted for within an associate. In the prior period, procurement revenue was accounted for through a joint venture partnership for part of the year, and formed part of revenue from ordinary activities.

[2] Aggregated revenue is defined as statutory revenue plus share of revenue from associates. Similarly, pass through procurement services revenue is excluded from aggregated revenue. The directors believe the disclosure of revenue attributable to associates provides additional information to form a true and fair view of the financial performance of Worley.

# WORLEY GROUP LIMITED PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2004

| DIVIDEND | AMOUNT PER SECURITY | FRANKED AMOUNT PER SECURITY |
|---|---|---|
| Final dividend (cents per share) | 6.50 | 100% |
| Record date for determining entitlement to dividend | 21 September 2004 | |
| Date dividend is to be paid | 30 September 2004 | |

## REVIEW OF OPERATIONS

The commentary on the results for the financial year is contained in the press release dated 24 August 2004 accompanying this statement.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 July 2003, Worley Engineering Pty Limited, a wholly owned subsidiary of Worley Group Limited, acquired a 51% interest in Jones & Jones Engineering Design Pty Limited. A total cash consideration of $1.6 million was paid to acquire this interest.

On 1 August 2003, Worley Engineering Pty Limited acquired 50% of the issued share capital of Macdonald Engineering Group Limited, a Canadian engineering Company. The Company has since been renamed MEG Worley Limited. A total cash consideration of $3.3 million was paid to acquire this interest.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Effective 1 July 2004, Worley Engineering Pty Limited acquired a 50% interest in the MEC Group of China. The company, to be renamed Maison Worley, will provide a range of comprehensive project design and management services to a wide range of international and Chinese clients. A total cash consideration of $5.6 million was paid to acquire this interest.

No other matter or circumstance has arisen since 30 June 2004 that has significantly affected, or may significantly affect:

a) The consolidated entity's operations in future financial years, or

b) The results of those operations in future financial years, or

c) The consolidated entity's state of affairs in future financial years.

## AUDIT

This financial report is based on accounts which have been subject to an audit.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held as follows:

| | |
|---|---|
| **Place** | North Sydney Harbourview Hotel,<br>17 Blue Street, North Sydney, NSW 2000 |
| **Date** | Monday, 15th of November 2004 |
| **Time** | 2.00 PM |
| **Approximate date the annual report will be available** | Tuesday, 7th of September 2004 |

# WORLEY GROUP LIMITED PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2004

## STATEMENTS OF FINANCIAL PERFORMANCE

| | | CONSOLIDATED | |
|---|---|---|---|
| | NOTES | 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
| **Revenue from ordinary activities** | 2 | 375,484 | 377,743 |
| **Expenses from ordinary activities** | | | |
| Staff costs | | (244,424) | (243,295) |
| Reimbursable costs | | (41,192) | (42,959) |
| Depreciation and amortisation expenses | 3 | (8,576) | (9,320) |
| Borrowing costs expense | | (961) | (362) |
| Office and administration costs | | (26,466) | (32,882) |
| Other expenses | | (22,874) | (22,118) |
| Share of net profits of associates accounted for using the equity method* | 5 | 9,745 | 5,587 |
| **Profit from ordinary activities before income tax expense** | | 40,736 | 32,394 |
| Income tax expense relating to ordinary activities | 6 | (10,091) | (6,836) |
| **Profit from ordinary activities after income tax expense** | | 30,645 | 25,558 |
| Net loss attributable to outside equity interests | | 77 | 302 |
| **Net profit attributable to members of Worley Group Limited** | | 30,722 | 25,860 |
| Net exchange difference on translation of financial reports of foreign controlled entities | | (1,487) | (3,662) |
| Share issue costs | | (25) | (6,925) |
| Adjustment arising from adoption of revised Accounting Standard AASB 1028: "Employee Benefits" | | - | (188) |
| **Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity** | | (1,512) | (10,775) |
| **Total changes in equity other than those resulting from transactions with owners as owners** | | 29,210 | 15,085 |
| Basic earnings per share before amortisation of trade name and goodwill (cents per share) | 1 | 22.9 | 20.4 |
| Basic earnings per share (cents per share) | 1 | 20.6 | 18.1 |
| Diluted earnings per share (cents per share) | 1 | 20.6 | 17.8 |

* Share of net profits of associates accounted for using the equity method is after tax

The above statements of financial performance should be read in conjunction with the accompanying notes.

# WORLEY GROUP LIMITED PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2004

## STATEMENTS OF FINANCIAL POSITION

| | | CONSOLIDATED | |
|---|---|---|---|
| | NOTES | 2004 $'000 | 2003 $'000 |
| *ASSETS* | | | |
| *Current assets* | | | |
| Cash assets | | 24,139 | 35,428 |
| Receivables | | 84,448 | 70,148 |
| Inventories | | 17,876 | 10,777 |
| Other financial assets | | 2,657 | 1,234 |
| **Total current assets** | | 129,120 | 117,587 |
| *Non-current assets* | | | |
| Investments accounted for using the equity method | | 27,791 | 11,713 |
| Other financial assets | | 139 | 120 |
| Property, plant and equipment | | 9,298 | 11,186 |
| Intangible assets | | 61,065 | 61,705 |
| Deferred tax assets | 6 | 8,894 | 8,139 |
| Other | | 2,451 | 211 |
| **Total non-current assets** | | 109,638 | 93,074 |
| **TOTAL ASSETS** | | 238,758 | 210,661 |
| *LIABILITIES* | | | |
| *Current liabilities* | | | |
| Payables | | 44,234 | 43,625 |
| Interest bearing liabilities | | 10,808 | 3,852 |
| Tax liabilities | 6 | 6,148 | 4,594 |
| Provisions | | 24,196 | 28,531 |
| **Total current liabilities** | | 85,386 | 80,602 |
| *Non-current liabilities* | | | |
| Interest bearing liabilities | | 315 | 689 |
| Deferred tax liabilities | 6 | 9,881 | 7,782 |
| Provisions | | 2,718 | 2,926 |
| **Total non-current liabilities** | | 12,914 | 11,397 |
| **TOTAL LIABILITIES** | | 98,300 | 91,999 |
| **NET ASSETS** | | **140,458** | **118,662** |
| *EQUITY* | | | |
| Contributed equity | | 108,858 | 108,883 |
| Reserves | 8 | (6,078) | (4,591) |
| Retained profits | 8 | 36,053 | 13,545 |
| Equity attributable to members of Worley Group Limited | | 138,833 | 117,837 |
| Outside equity interests | | 1,625 | 825 |
| **TOTAL EQUITY** | | **140,458** | **118,662** |

The above statements of financial position should be read in conjunction with the accompanying notes

## STATEMENTS OF CASH FLOWS

| | | CONSOLIDATED | |
|---|---|---|---|
| | NOTES | 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
| *CASH FLOWS FROM OPERATING ACTIVITIES* | | | |
| Receipts from customers (inclusive of goods and services tax) | | 378,213 | 412,072 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (359,801) | (376,181) |
| | | 18,412 | 35,891 |
| Dividends received | | 1,808 | 3,324 |
| Interest received | | 1,271 | 607 |
| Borrowing costs paid | | (922) | (271) |
| Income taxes paid | | (7,344) | (11,553) |
| **Net cash inflow from operating activities** | 9 | 13,225 | 27,998 |
| *CASH FLOWS FROM INVESTING ACTIVITIES* | | | |
| Payments for purchase of equity and other investments | | (10,697) | (2,831) |
| Payments for property, plant and equipment | | (3,377) | (4,048) |
| Proceeds from disposal of property, plant and equipment | | 130 | 211 |
| **Net cash outflow from investing activities** | | (13,944) | (6,668) |
| *CASH FLOWS FROM FINANCING ACTIVITIES* | | | |
| Proceeds from issue of ordinary shares | | - | 21,148 |
| Payment of share issue costs | | (25) | (6,925) |
| Repayment of bank loans | | (9,418) | (15,500) |
| Proceeds from bank loans | | 12,000 | 8,419 |
| Lease payments | | (375) | (774) |
| Loans made to related parties | | (5,422) | - |
| Loans from related parties repaid | | 3,439 | 320 |
| Dividends paid | | (15,932) | (12,044) |
| **Net cash outflow from financing activities** | | (15,733) | (5,356) |
| **NET (DECREASE)/INCREASE IN CASH HELD** | | (16,452) | 15,974 |
| Cash at the beginning of the financial year | | 32,823 | 17,989 |
| Cash balances in controlled entities acquired net of overdraft | | 622 | (1,180) |
| Effects of exchange rate changes on cash | | (43) | 40 |
| **CASH AT THE END OF THE FINANCIAL YEAR** | 9 | **16,950** | **32,823** |

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the acquired entities.

### *(A) PRINCIPLES OF CONSOLIDATION*

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Worley Group Limited ("Worley" or "parent entity") as at 30 June 2004 and the results of all controlled entities for the financial year then ended. Worley and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the financial year during which control existed.

### *(B) CHANGES IN ACCOUNTING POLICY*

*Equity Based Compensation Scheme – Performance Rights*

Worley has always had a policy of expensing the fair value of performance rights since the inception of the scheme. Previous accounting guidance indicated that the share price variation from date of issue of the performance right to reporting date be taken up in the Statement of Financial Performance as an unrealised gain or loss. Recent accounting guidance on share based payments does not require the recognition of such gains or losses in the current vesting periods. Any variation in share prices after grant date is reflected in contributed equity at the date of settlement of the performance right.

The impact of the change in accounting policy to current financial year profits and current liabilities is not material.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | CONSOLIDATED | |
|---|---|---|
| | 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
| **1 EARNINGS PER SHARE** | | |
| Basic earnings per share before amortisation of trade name and goodwill (cents per share) | 22.9 | 20.4 |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 149,356,711 | 143,194,711 |
| Basic earnings per share (cents per share) | 20.6 | 18.1 |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 149,356,711 | 143,194,711 |
| Diluted earnings per share (cents per share) | 20.6 | 17.8 |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | 149,356,711 | 145,426,573 |
| **2 REVENUE** | | |
| *REVENUES FROM OPERATING ACTIVITIES* | | |
| Services | 373,319 | 367,180 |
| Procurement services | - | 8,251 |
| | 373,319 | 375,431 |
| *REVENUES FROM OUTSIDE THE OPERATING ACTIVITIES* | | |
| Interest revenue | 1,272 | 607 |
| Other | 893 | 1,705 |
| | 2,165 | 2,312 |
| Revenue from ordinary activities | 375,484 | 377,743 |

| | CONSOLIDATED | |
|---|---|---|
| | 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
| **3 PROFIT FROM ORDINARY ACTIVITIES** | | |
| Profit from ordinary activities before income tax expense includes the following specific expenses: | | |
| Depreciation of property, plant and equipment | 4,082 | 4,367 |
| Amortisation | | |
| Leasehold improvements | 576 | 845 |
| Plant and equipment under finance leases | 304 | 615 |
| Goodwill | 1,694 | 1,623 |
| Trade name | 1,750 | 1,750 |
| Deferred expenditure | 170 | 120 |
| Total amortisation | 4,494 | 4,953 |
| Total depreciation and amortisation | 8,576 | 9,320 |

| | PARENT ENTITY | |
|---|---|---|
| | 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
| **4 DIVIDENDS** | | |
| *(A) ORDINARY SHARES* | | |
| Final ordinary dividend for the financial year ended 30 June 2002 of 5.47 cents per ordinary share paid on 9 August 2002 | - | 2,000 |
| Special dividend of 7.15 cents per ordinary share paid on 11 October 2002 | - | 10,000 |
| Final ordinary dividend for the financial year ended 30 June 2003 of 5.0 cents per ordinary share paid on 13 October 2003 | - | 7,469 |
| Interim ordinary dividend for the financial year ended 30 June 2004 of 5.5 cents per ordinary share paid on 6 April 2004 | 8,214 | - |
| Total dividends paid and declared for payment | 8,214 | 19,469 |

| | CONSOLIDATED | |
|---|---|---|
| | 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
| *(B) FRANKING CREDIT BALANCE* | | |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 12,619 | 11,499 |

The above amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

## 5 INVESTMENTS IN ASSOCIATES

| DETAILS OF MATERIAL INTERESTS IN ASSOCIATE ENTITIES ARE AS FOLLOWS | OWNERSHIP INTEREST 2004 % | 2003 % | CONTRIBUTION TO NET PROFIT 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
|---|---|---|---|---|
| Ranhill Worley Sdn Bhd | 49 | 49 | 2,215 | 1,560 |
| Petrocon Arabia Co Limited | 50 | 50 | 1,488 | 1,500 |
| Damit Worley Engineering Sdn Bhd | 50 | 50 | 512 | 853 |
| I&E Systems Pty Limited | 50 | 50 | 514 | 818 |
| Transfield Worley Limited | 50 | 50 | 768 | 687 |
| Burns & Roe Worley Pty Limited | 50 | 50 | 2,488 | 520 |
| WorleyParsons Energy Services LLC | 50 | - | 1,551 | - |
| MEG Worley Limited | 50 | - | 453 | - |
| Other interests in associated entities * | | | (244) | (351) |
| | | | 9,745 | 5,587 |

* Incorporates results of associated entities not material on an individual basis.

| | CONSOLIDATED | |
|---|---|---|
| | 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
| **6 INCOME TAX** | | |
| The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows: | | |
| Profit from ordinary activities before income tax expense | 40,736 | 32,394 |
| Income tax calculated at 30% | 12,221 | 9,718 |
| Tax effect of permanent differences | | |
| Share of associates' net profits | (2,924) | (1,676) |
| Amortisation of goodwill and trade name | 1,033 | 1,039 |
| Legal and professional expenses not deductible | 65 | 143 |
| Provision for support of related entity | (15) | (645) |
| Additional allowable tax depreciation | (1,300) | (1,341) |
| Other | (149) | 477 |
| Income tax adjusted for permanent differences | 8,931 | 7,715 |
| Research and development concession relating to prior years | (351) | (3,319) |
| Overprovision in previous financial year | (294) | (97) |
| International tax rate differential * | 1,805 | 2,537 |
| Income tax expense | 10,091 | 6,836 |
| *DEFERRED TAX ASSETS AND LIABILITIES* | | |
| Current tax payable | 6,148 | 4,594 |
| Provision for deferred income tax – non-current | 9,881 | 7,782 |
| Future income tax benefit – non-current | 8,894 | 8,139 |

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

### *TAX CONSOLIDATION*

Effective 1 July 2003, for the purposes of income taxation, Worley Group Limited and its eligible 100% owned Australian resident subsidiaries formed a tax consolidated group. The head entity of the tax consolidated group is Worley Group Limited. As a result, Worley Group Limited recognises deferred tax balances and tax liabilities for all entities in the group in addition to its own. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the members on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

There has been no material impact to the group on entering tax consolidations. Worley Group Limited has not yet formally notified the Australian Tax Office of its adoption of the tax consolidation regime.

### 7 CONTROLLED ENTITIES

On 1 July 2003, Worley Engineering Pty Limited, a wholly owned subsidiary of Worley Group Limited, acquired 51% of the issued share capital of Jones & Jones Engineering Design Pty Limited. A total cash consideration of $1.6 million was paid to acquire this interest.

During the year, Worley Engineering Pty Limited contributed $0.5 million to acquire a 60% shareholding in Worley Astron Pty Limited. On 17 March 2004, Worley Astron Pty Limited acquired a business with identifiable net assets of $0.5 million and goodwill of $0.4 million.

The fair value of the identifiable net assets acquired is as follows:

| | TOTAL $'000 |
|---|---|
| *ASSETS* | |
| Cash assets | 622 |
| Receivables | 1,937 |
| Inventories | 57 |
| Other financial assets | 66 |
| Property, plant and equipment | 329 |
| Deferred tax assets | 245 |
| Total assets | 3,256 |
| *LIABILITIES* | |
| Payables | 849 |
| Tax liabilities | 325 |
| Provisions | 814 |
| Deferred tax liabilities | 70 |
| Total liabilities | 2,058 |
| Net assets | 1,198 |
| Less: | |
| Outside equity interests | (714) |
| Goodwill arising on acquisition | 1,606 |
| Cash consideration paid | 2,090 |
| | |
| Net cash effect: | |
| Cash consideration paid | 2,090 |
| Cash included in net assets acquired | (622) |
| | 1,468 |

| | CONSOLIDATED 2004 $'000 |
|---|---|
| **8 RESERVES AND RETAINED PROFITS** | |
| Foreign currency translation reserve | (6,078) |
| Retained profits | 36,053 |
| | 29,975 |

*(A) FOREIGN CURRENCY TRANSLATION RESERVE*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

*MOVEMENTS:*

| | |
|---|---|
| Balance as at 1 July 2003 | (4,591) |
| Loss on translation of foreign controlled entities and associates | (1,487) |
| Balance as at 30 June 2004 | (6,078) |

*(B) RETAINED PROFITS*

| | |
|---|---|
| Balance as at 1 July 2003 | 13,545 |
| Net profit attributable to members of Worley Group Limited | 30,722 |
| Dividends provided for or paid | (8,214) |
| Balance as at 30 June 2004 | 36,053 |

| | CONSOLIDATED | |
|---|---|---|
| | 2004 $'000 | 2003 $'000 |
| **9 NOTES TO THE STATEMENTS OF CASH FLOWS** | | |
| *(A) CASH AT BANK AND ON HAND* | | |
| Cash at bank and on hand | 24,139 | 35,428 |
| The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows: | | |
| Balances as above | 24,139 | 35,428 |
| Less: Bank overdrafts | (7,189) | (2,605) |
| Balance per statements of cash flows | 16,950 | 32,823 |

| | CONSOLIDATED | |
|---|---|---|
| | 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
| *(B) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES* | | |
| Net profit after income tax expense | 30,645 | 25,558 |
| *NON-CASH ITEMS* | | |
| Depreciation of non-current assets | 4,658 | 4,367 |
| Amortisation of non-current assets | 3,917 | 4,953 |
| Provision for support of related entity | - | (1,650) |
| Dividends received from associates | 1,808 | 3,324 |
| Share of associates' net profits | (9,745) | (5,587) |
| Net gain on disposal of investments | - | (29) |
| Net (gain)/loss on disposal of property, plant and equipment | (8) | 82 |
| Finance charges on capitalised leases | 38 | 91 |
| Cash flow adjusted for non-cash items | 31,313 | 31,109 |
| Changes in assets and liabilities adjusted for effects of purchase of controlled entities during the financial year: | | |
| (Increase)/decrease in receivables | (10,384) | 7,166 |
| Increase in inventories | (7,042) | (492) |
| Increase in prepayments | (1,357) | (173) |
| Increase in other assets | (2,408) | - |
| (Increase)/decrease in future income tax benefit | (510) | 148 |
| Decrease in payables | (116) | (6,555) |
| Increase/(decrease) in provision for income tax | 1,228 | (3,899) |
| Increase in other provisions | 2,110 | 3,597 |
| Increase/(decrease) in provision for deferred tax | 2,029 | (965) |
| Exchange rate movement on opening balances | (1,638) | (1,938) |
| Net cash inflow from operating activities | 13,225 | 27,998 |

## 10 SEGMENT INFORMATION

In order to better position Worley for the next phase of its growth, an internal restructure has taken place resulting in 4 primary business segments: Hydrocarbons; Minerals, Metals and Chemicals; Industrial and Infrastructure; and Power and Water. The Hydrocarbons segment now incorporates the Oil & Gas, and Refining, Petrochemicals & Chemicals business units. Prior year comparatives are restated to reflect the current management structure.

*PRIMARY REPORTING — BUSINESS SEGMENTS*

| 12 MONTHS TO 30 JUNE 2004 | HYDRO-CARBONS $'000 | MINERALS, METALS AND CHEMICALS $'000 | INDUSTRIAL AND INFRA-STRUCTURE $'000 | POWER AND WATER $'000 | OTHER $'000 | ELIMINA-TIONS $'000 | CONSOLIDATED $'000 |
|---|---|---|---|---|---|---|---|
| Sales to external customers | 243,242 | 94,793 | 33,707 | 1,577 | - | - | 373,319 |
| Inter-segment sales | 927 | 571 | 4,145 | - | - | (5,643) | - |
| **Total sales revenue** | 244,169 | 95,364 | 37,852 | 1,577 | - | (5,643) | 373,319 |
| Share of net profit of associates | 7,223 | - | - | 2,522 | - | - | 9,745 |
| Other revenue | - | - | - | - | 2,165 | - | 2,165 |
| **Total segment revenue** | 251,392 | 95,364 | 37,852 | 4,099 | 2,165 | (5,643) | 385,229 |
| Add: share of associates' revenue | 125,683 | - | - | 26,565 | - | - | 152,248 |
| Less: procurement revenue | (12,930) | - | - | - | - | - | (12,930) |
| Less: share of associates' net profit | (7,223) | - | - | (2,522) | - | - | (9,745) |
| **Aggregated revenue** | 356,922 | 95,364 | 37,852 | 28,142 | 2,165 | (5,643) | 514,802 |
| Segment result | 36,044 | 14,949 | 2,445 | 3,082 | - | - | 56,520 |
| Amortisation expense | | | | | | | (3,423) |
| Unallocated corporate expenses | | | | | | | (12,361) |
| Profit from ordinary activities before income tax expense | | | | | | | 40,736 |
| Income tax expense | | | | | | | (10,091) |
| **Profit from ordinary activities after income tax expense** | | | | | | | 30,645 |
| Segment assets | 96,565 | 27,943 | 9,616 | 8,620 | - | - | 142,744 |
| Goodwill and trade name | | | | | | | 61,065 |
| Unallocated corporate assets | | | | | | | 34,949 |
| **Consolidated total assets** | | | | | | | 238,758 |
| Segment liabilities | 56,573 | 13,746 | 5,459 | - | - | - | 75,778 |
| Unallocated corporate liabilities | | | | | | | 22,522 |
| **Consolidated total liabilities** | | | | | | | 98,300 |
| Investments in associates included in segment assets | 19,171 | - | - | 8,620 | - | - | 27,791 |
| Acquisition of property, plant and equipment, intangible and other non current assets | 4,062 | 2,527 | 495 | 4,630 | - | - | 11,714 |
| Depreciation and amortisation expense | 3,930 | 356 | 177 | - | - | - | 4,463 |
| Unallocated depreciation and amortisation expense | | | | | | | 4,113 |
| Total depreciation and amortisation | | | | | | | 8,576 |
| Non cash expenses other than depreciation and amortisation | 173 | - | - | - | - | - | 173 |

## 10 SEGMENT INFORMATION (continued)

*PRIMARY REPORTING – BUSINESS SEGMENTS (CONTINUED)*

| 12 MONTHS TO 30 JUNE 2003 | HYDRO-CARBONS $'000 | MINERALS, METALS AND CHEMICALS $'000 | INDUSTRIAL AND INFRA-STRUCTURE $'000 | POWER AND WATER $'000 | OTHER $'000 | ELIMINA-TIONS $'000 | CONSOLIDATED $'000 |
|---|---|---|---|---|---|---|---|
| Sales to external customers | 272,266 | 66,850 | 27,384 | - | 680 | - | 367,180 |
| Procurement services revenue | 8,251 | - | - | - | - | - | 8,251 |
| Inter-segment sales | 1,253 | - | 2,148 | - | - | (3,401) | - |
| **Total sales revenue** | 281,770 | 66,850 | 29,532 | - | 680 | (3,401) | 375,431 |
| Share of net profit of associates | 4,995 | - | - | 592 | - | - | 5,587 |
| Other revenue | - | - | - | - | 2,312 | - | 2,312 |
| **Total segment revenue** | 286,765 | 66,850 | 29,532 | 592 | 2,992 | (3,401) | 383,330 |
| Add: share of associates' revenue | 80,395 | - | - | 29,464 | - | - | 109,859 |
| Less: procurement revenue – controlled | (8,251) | - | - | - | - | - | (8,251) |
| Less: procurement revenue – associates | (4,977) | - | - | - | - | - | (4,977) |
| Less: share of associates' net profit | (4,995) | - | - | (592) | - | - | (5,587) |
| **Aggregated revenue** | 348,937 | 66,850 | 29,532 | 29,464 | 2,992 | (3,401) | 474,374 |
| Segment result | 39,055 | 8,468 | 2,640 | 592 | 1,663 | - | 52,418 |
| Amortisation expense | | | | | | | (3,373) |
| Unallocated corporate expenses | | | | | | | (16,651) |
| Profit from ordinary activities before income tax expense | | | | | | | 32,394 |
| Income tax expense | | | | | | | (6,836) |
| **Profit from ordinary activities after income tax expense** | | | | | | | 25,558 |
| Segment assets | 78,241 | 19,390 | 11,367 | 2,731 | - | - | 111,729 |
| Goodwill and trade name | | | | | | | 61,705 |
| Unallocated corporate assets | | | | | | | 37,227 |
| **Consolidated total assets** | | | | | | | 210,661 |
| Segment liabilities | 42,828 | 9,227 | 6,187 | - | - | - | 58,242 |
| Unallocated corporate liabilities | | | | | | | 33,757 |
| **Consolidated total liabilities** | | | | | | | 91,999 |
| Investments in associates included in segment assets | 8,982 | - | - | 2,731 | - | - | 11,713 |
| Acquisition of property, plant and equipment, intangible and other non current assets | 4,589 | 168 | 223 | - | - | - | 4,980 |
| Depreciation and amortisation expense | 4,022 | 410 | 220 | - | 1,471 | - | 6,123 |
| Unallocated depreciation and amortisation expense | | | | | | | 3,197 |
| Total depreciation and amortisation expense | | | | | | | 9,320 |
| Non cash expenses other than depreciation and amortisation | 144 | - | - | - | - | - | 144 |

## 10 SEGMENT INFORMATION (continued)

*SECONDARY REPORTING – GEOGRAPHICAL SEGMENTS*

| 12 MONTHS TO 30 JUNE 2004 | AUSTRALIA AND NEW ZEALAND $'000 | ASIA AND MIDDLE EAST $'000 | AMERICA $'000 | TOTAL $'000 |
|---|---|---|---|---|
| Sales to external customers | 299,877 | 56,208 | 17,234 | 373,319 |
| Aggregated revenue | 366,330 | 105,490 | 42,982 | 514,802 |
| Segment assets | 195,811 | 33,866 | 9,081 | 238,758 |

| 12 MONTHS TO 30 JUNE 2003 | AUSTRALIA AND NEW ZEALAND $'000 | ASIA AND MIDDLE EAST $'000 | AMERICA $'000 | TOTAL $'000 |
|---|---|---|---|---|
| Sales to external customers | 286,987 | 61,888 | 26,556 | 375,431 |
| Aggregated revenue | 341,099 | 106,719 | 26,556 | 474,374 |
| Segment assets | 181,209 | 23,684 | 5,768 | 210,661 |

The consolidated entity provides engineering design, project services, maintenance and reliability support services to a number of markets. The consolidated entity's activities also include infrastructure developments (in Power and Water) and the development and commercialisation of technological innovation.

The consolidated entity's operations are organised and managed separately according to the nature of the services they provide, with each segment serving different markets.

The primary segments are Hydrocarbons; Minerals, Metals and Chemicals; Industrial and Infrastructure; and Power and Water.

Geographically, the consolidated entity operates in three predominant segments, Australia and New Zealand; Asia and the Middle East; and America. Outside of Australia, activities are predominantly in the Hydrocarbons segment.

*SEGMENT ACCOUNTING POLICIES*

Segment accounting policies are the same as the consolidated entity's policies described in note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of receivables and plant and equipment.

Segment revenues, expenses and results include transactions between segments incurred in the ordinary course of business. These transactions are priced on an arm's length basis and are eliminated on consolidation.

## 11 CONTINGENT LIABILITIES

| | CONSOLIDATED | |
|---|---|---|
| | 12 MONTHS TO 30 JUNE 2004 $'000 | 12 MONTHS TO 30 JUNE 2003 $'000 |
| *GUARANTEES* | | |
| The consolidated entity is, in the normal course of business, required to provide guarantees and letters of credit on behalf of controlled entities, associates and related parties in respect of their contractual performance related obligations.<br>These guarantees and indemnities only give rise to a liability where the entity concerned fails to perform its contractual obligations. | | |
| Bank guarantees outstanding at balance date in respect of financing facilities | 2,466 | 3,196 |
| Bank guarantees outstanding at balance date in respect of contractual performance | 19,782 | 15,924 |
| | 22,248 | 19,120 |