Statement of Financial Performance For the financial year ended 30 June 2012

	NOTES	CONSOLIDATED 2012 $'M	2011 $'M
REVENUE			
Services revenue		7,389.5	5,605.1
Interest income		7.0	6.1
Other income	5	11.9	72.0
Revenue and other income		**7,408.4**	**5,683.2**
EXPENSES			
Staff costs		(4,114.2)	(2,999.2)
Contract related reimbursable costs		(2,032.3)	(1,519.8)
Office and administration costs		(492.0)	(430.1)
Depreciation	9	(19.1)	(14.2)
Amortization		(83.9)	(81.5)
Borrowing costs		(51.1)	(47.6)
Other		(149.6)	(123.9)
Total expenses		**(6,942.2)**	**(5,216.3)**
Share of net profits of associates accounted for using the equity method	24(C)	27.6	31.5
Profit before income tax expense		**493.8**	**498.4**
Income tax expense	6(A)	(117.3)	(116.0)
Profit after income tax expense		**376.5**	**382.4**
Profit after income tax expense attributable to:			
Members of WorleyParsons Limited		**353.2**	**364.2**
Non-controlling interests		**23.3**	**18.2**
Basic earnings per share (cents)	21	143.7	148.3
Diluted earnings per share (cents)	21	142.5	147.2

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

Statement of Comprehensive Income For the financial year ended 30 June 2012

	CONSOLIDATED	
	2012 $'M	2011 $'M
Profit after income tax expense	**376.5**	**382.4**
Net movement in foreign currency translation reserve	(34.6)	(169.3)
Net movement in hedge reserve	1.2	(1.5)
Total comprehensive income, net of tax	**343.1**	**211.6**
Total comprehensive income, net of tax, attributable to:		
Members of WorleyParsons Limited	319.9	195.1
Non-controlling interests	23.2	16.5

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

Statement of Financial Position As at 30 June 2012

	NOTES	CONSOLIDATED 2012 $'M	2011 $'M
ASSETS			
Current assets			
Cash and cash equivalents	7	247.3	171.2
Trade receivables	8	1,725.9	1,361.7
Other receivables	8	183.4	149.8
Inventories		1.4	1.3
Prepayments		89.5	77.5
Derivatives	35	0.6	0.6
Finance lease receivable	27	1.5	1.4
Total current assets		**2,249.6**	**1,763.5**
Non-current assets			
Property, plant and equipment	9	135.7	108.1
Intangible assets	10	1,704.8	1,696.8
Equity accounted associates	24(B)	104.1	86.3
Derivatives	35	16.0	-
Finance lease receivable	27	28.5	30.0
Deferred tax assets	11	132.6	123.9
Other non-current assets		20.0	7.5
Total non-current assets		**2,141.7**	**2,052.6**
TOTAL ASSETS		**4,391.3**	**3,816.1**
LIABILITIES			
Current liabilities			
Trade and other payables	12	976.4	740.6
Interest bearing loans and borrowings	13	3.7	43.7
Income tax payable		15.7	11.7
Provisions	14	499.6	359.3
Derivatives	36	4.0	0.9
Total current liabilities		**1,499.4**	**1,156.2**
Non-current liabilities			
Interest bearing loans and borrowings	15	733.1	631.8
Deferred tax liabilities	16	112.6	99.1
Provisions	17	66.3	57.1
Derivatives	36	0.0	15.1
Total non-current liabilities		**912.0**	**803.1**
TOTAL LIABILITIES		**2,411.4**	**1,959.3**
NET ASSETS		**1,979.9**	**1,856.8**
EQUITY			
Issued capital	18	1,221.3	1,219.6
Reserves	19	(267.7)	(249.8)
Retained profits	20	1,003.8	871.7
Parent Entity interest		1,957.4	1,841.5
Non-controlling interests		22.5	15.3
TOTAL EQUITY		**1,979.9**	**1,856.8**

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

Statement of Changes in Equity For the financial year ended 30 June 2012

	CONSOLIDATED								
	ISSUED CAPITAL $'M	RETAINED PROFITS $'M	FOREIGN CURRENCY TRANSLATION RESERVE $'M	HEDGE RESERVE $'M	PERFORMANCE RIGHTS RESERVE $'M	ACQUISITION RESERVE $'M	MEMBERS OF THE PARENT ENTITY $'M	NON-CONTROLLING INTERESTS $'M	TOTAL $'M
As at 1 July 2011	**1,219.6**	**871.7**	**(261.0)**	**(3.1)**	**23.9**	**(9.6)**	**1,841.5**	**15.3**	**1,856.8**
Profit after income tax expense	–	353.2	–	–	–	–	353.2	23.3	376.5
Other comprehensive income	–	–	(34.5)	1.2	–	–	(33.3)	(0.1)	(33.4)
Total comprehensive income, net of tax	**–**	**353.2**	**(34.5)**	**1.2**	**–**	**–**	**319.9**	**23.2**	**343.1**
Transactions with owners									
Performance rights transactions	1.7	–	–	–	15.4	–	17.1	–	17.1
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	–	3.2	3.2
Dividends paid	–	(221.1)	–	–	–	–	(221.1)	(19.2)	(240.3)
As at 30 June 2012	**1,221.3**	**1,003.8**	**(295.5)**	**(1.9)**	**39.3**	**(9.6)**	**1,957.4**	**22.5**	**1,979.9**
As at 1 July 2010	**1,208.3**	**694.1**	**(93.4)**	**(1.6)**	**22.7**	**–**	**1,830.1**	**8.9**	**1,839.0**
Profit after income tax expense	–	364.2	–	–	–	–	364.2	18.2	382.4
Other comprehensive income	–	–	(167.6)	(1.5)	–	–	(169.1)	(1.7)	(170.8)
Total comprehensive income, net of tax	**–**	**364.2**	**(167.6)**	**(1.5)**	**–**	**–**	**195.1**	**16.5**	**211.6**
Transactions with owners									
Performance rights transactions	11.3	–	–	–	1.2	–	12.5	–	12.5
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	–	8.0	8.0
Non-controlling interests	–	–	–	–	–	(9.6)	(9.6)	0.6	(9.0)
Dividends paid	–	(186.6)	–	–	–	–	(186.6)	(18.7)	(205.3)
As at 30 June 2011	**1,219.6**	**871.7**	**(261.0)**	**(3.1)**	**23.9**	**(9.6)**	**1,841.5**	**15.3**	**1,856.8**

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

Statement of Cash Flows For the financial year ended 30 June 2012

	NOTES	CONSOLIDATED 2012 $'M	2011 $'M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		6,853.6	5,388.2
Payments to suppliers and employees (inclusive of goods and services tax)		(6,286.7)	(4,999.1)
		566.9	389.1
Dividends received from associates		23.0	29.4
Interest received		7.0	6.1
Borrowing costs paid		(45.3)	(31.7)
Income taxes paid		(114.1)	(99.1)
Net cash inflow from operating activities	26	**437.5**	**293.8**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of equity accounted investment		(21.5)	-
Payments for acquisition of controlled entities	23(D)	(28.9)	(92.3)
Cash balances in controlled entities acquired, net of bank overdraft	23(D)	2.7	28.9
Payments for purchase of property, plant and equipment and computer software		(59.0)	(42.5)
Proceeds from sale of property, plant and equipment		0.4	0.1
Net cash outflow from investing activities		**(106.3)**	**(105.8)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(2,252.9)	(1,573.8)
Proceeds from borrowings		2,267.9	1,642.1
Costs of bank facilities and proceeds from finance leases		(6.4)	(7.1)
Net loans (from)/to related parties		(20.7)	8.2
Dividends paid to the Company's shareholders	22(B)	(221.1)	(186.6)
Dividends paid to non-controlling interests		(18.4)	(18.7)
Net cash outflow from financing activities		**(251.6)**	**(135.9)**
Net increase in cash		**79.6**	**52.1**
Cash and cash equivalents at the beginning of the financial year		166.1	130.2
Effects of exchange rate changes on cash		1.6	(16.2)
Cash and cash equivalents at the end of the financial year	7	**247.3**	**166.1**

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

1. CORPORATE INFORMATION

The financial report of WorleyParsons Limited (Company or Parent Entity) for the financial year ended 30 June 2012 was authorized for issue in accordance with a resolution of the directors on 29 August 2012.

WorleyParsons Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: WOR).

The nature of the operations and principal activities of the Company is described in note 34.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF ACCOUNTING

(i) Basis of preparation

This general purpose financial report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

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 Directors' Report and financial statements. Amounts have been rounded off to the nearest hundred thousand dollars in accordance with that Class Order. Amounts shown as 0.0 represent amounts less than $50,000 which have been rounded down.

(ii) Statement of compliance

The consolidated financial report complies with International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board.

(iii) Historical cost convention

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

(iv) Critical accounting estimates

In the application of AAS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made:

- revenue recognition, refer note 2(G);
- goodwill and intangible assets with identifiable useful lives, refer notes 2(M) and 10;
- warranty and other provisions, refer notes 2(P), 14 and 17;
- share based payments, refer note 2(C), 18 and 33; and
- recovery of deferred taxes, refer notes 2(D) and 6(D).

Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(v) Adoption of new accounting standards

The Group has adopted the applicable new and amended accounting standards from 1 July 2011:

- revised AASB 124 Related Party Disclosures;
- AASB 1054 Australian Additional Disclosures;
- AASB 2009-12 and AASB 2010-5 Amendments to Australian Accounting Standards;
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets; and
- AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project.

Adoption of these standards did not have any material effect on the financial position or performance of the Group.

(vi) New standards not yet applicable

The following new and amended accounting standards and interpretations have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2012:

Effective 1 July 2015:

AASB 9 Financial Instruments and AASB 2009-11 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

This standard is not applicable until 1 January 2015 but is available for early adoption.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

This standard requires entities to group items presented in other comprehensive income into those that might be reclassified subsequently to profit or loss and those that will not.

Effective 1 July 2013:

AASB 10 Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities and is applicable to accounting periods beginning on or after 1 January 2013 and will be effective for the Group from 1 July 2013. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG 112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The Group has commenced assessment of its relationships with other entities to determine if control may exist under the new definitions. No such situations have been identified to date.

AASB 11 Joint Arrangements

AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. AASB 11 uses the principle of control in AASB 10 Consolidated Financial Statements to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly controlled entities using proportionate consolidation. This standard is applicable to accounting periods beginning on or after 1 January 2013 and will be effective for the Group from 1 July 2013 and may result in a change in the accounting for the joint arrangements held by the Group. Management is in the process of assessing the full impact of the change to the accounting standards. The change is expected to result in changes in some line items in the statement of financial performance and statement of financial position; however, no material impact is expected on profit after income tax attributable to members or on net assets.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 is applicable to accounting periods beginning on or after 1 January 2013 and includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. There will be no impact on any of the amounts recognized in the Group's financial statements.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. This standard does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. AASB 13 is applicable to accounting periods beginning on or after 1 January 2013; however, adoption of this standard is not expected to have any impact on the Group's financial statements.

AASB 119 Employee Benefits

The revised standard changes the definition of short term employee benefits. The distinction between short term and other long term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. This standard is applicable to accounting periods beginning on or after 1 January 2013 and will result in a change in the Group's classification of provision for employee benefits, and therefore may change its measurement.

AASB 1053 Application of Tiers of Australian Accounting Standards

This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. AASB 1053 is applicable to accounting periods beginning on or after 1 July 2013; however, adoption of this standard is not expected to have any impact on the Group's financial statements.

(B) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by WorleyParsons Limited as at 30 June 2012 and the results of all controlled entities for the financial year then ended. WorleyParsons Limited and its controlled entities together are referred to in this financial report as the consolidated entity or the Group. Investments in associates and joint ventures are equity accounted and are not part of the consolidated group (refer note (B)(iv) below).

The impact of all transactions between entities in the consolidated entity are eliminated in full. Non-controlling interests in the results and equity of controlled entities are shown separately in the statement of financial performance, statement of comprehensive income and statement of financial position.

(i) Controlled entities

Where control of an entity is obtained during a financial year, its results are included in the statement of financial performance and the statement of comprehensive income 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 year during which control existed.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(ii) Jointly controlled operations and assets

The proportionate interests in the assets, liabilities and expenses of jointly controlled operations and jointly controlled assets have been incorporated in the financial statements under the appropriate headings. Details of the jointly controlled operations have been set out in note 25.

(iii) Equity accounted investments

(a) Joint ventures

The interest in joint ventures is carried at the lower of the equity accounted amount and the recoverable amount in the consolidated financial statements. The share of profits or losses of the entities is recognized in the statement of financial performance and the statement of comprehensive income, and the share of movements in reserves is recognized in the statement of financial position.

Profits or losses on transactions establishing joint ventures and transactions with the joint ventures are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realized by the joint ventures on consumption or sale.

Details of the joint ventures have been set out in note 24.

(b) Associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under this method, the consolidated entity's share of the post-acquisition profits or losses after tax of associates is recognized in the statement of financial performance and the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognized in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control. Details of the associates are set out in note 24.

(iv) Non-controlling interests

Non-controlling interests not held by the Company are allocated their share of net profit after tax in the statement of financial performance and of total comprehensive income net of tax in the statement of comprehensive income, and are presented within equity in the statement of financial position, separately from Parent Entity interest.

(C) EMPLOYEE BENEFITS

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefits or liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by the employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, is used.

Employee benefits expenses arising in respect of wages and salaries, non-monetary benefits, leave entitlements and other types of entitlements are charged against profits on a net basis in their respective categories.

Equity based compensation scheme – performance rights

Performance rights (rights) over the ordinary shares of WorleyParsons Limited are granted to executive directors and other executives of the consolidated entity for nil consideration in accordance with performance guidelines approved by the Board. The fair values of the rights are amortized on a straight line basis over their performance period. For share settled rights, the fair value of the rights is the share price at grant date adjusted for the impact of performance hurdles and other vesting or exercise criteria attached to the right. For cash settled rights, the fair value of the rights is recalculated at the end of each reporting period and amortized on a straight line basis over their vesting period. The accounting estimates and assumptions relating to rights would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Fair value per right at grant date is independently determined using an appropriate option pricing model in accordance with AASB 2 Share-based Payment that takes into account the exercise price, the term of the right, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the right, 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 right. This amount represents the actual cost to the Company.

A Monte Carlo simulation is applied to fair value the TSR element. In accordance with the rules of the performance rights plan, the model simulates the Company's TSR and compares it against the peer group over the three-year period of each grant. The model takes into account the historic dividends, share price volatilities and co-variances of the Company and each comparator company to produce a predicted distribution of relative share performance. This is applied to the grant to give an expected value of the TSR element. For the EPS and "continuing employment condition" the Black-Scholes model is utilized.

Total fair value at grant is calculated by multiplying the fair value per right by the number of rights granted. This does not represent the actual value the executive will derive from the grant, which will depend on the achievement of performance hurdles measured over the vesting period. The maximum value of the rights granted has been estimated based on the fair value per right. The minimum total value of the rights granted, if the applicable performance hurdles are not met, is nil.

Deferred short term incentive plan
Deferred short term incentives are granted to executive directors and other executives of the consolidated entity in accordance with guidelines approved by the Board. These incentives are delivered in the form of a grant of rights under the Performance Rights Plan, except where the value of the incentive is less than the established threshold.

The rights awarded under the plan are deferred and will vest in two equal tranches. The Group accounts for these deferred awards as equity settled share based payments. Incentives granted which are less than the established threshold are accounted for as an employee benefit in accordance with the Group accounting policies.

(D) TAXES

(i) Income tax
The income tax expense 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 between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses as well as any adjustments required between prior periods current tax expense and income tax returns and any relevant withholding taxes.

Deferred tax assets and liabilities are recognized for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognized in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time did not affect either accounting profit or taxable profit or loss.

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

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

Current and deferred tax amounts relating to items recognized directly in equity are also recognized in equity and not in the statement of financial performance.

(ii) Tax consolidation
WorleyParsons Limited and its wholly owned Australian entities elected to form a tax consolidated group from 1 July 2003. On formation of the tax consolidated group, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, WorleyParsons Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate WorleyParsons Limited for any current tax liability assumed and are compensated by WorleyParsons Limited for any current tax loss, deferred tax assets and tax credits that are transferred to WorleyParsons Limited under the tax consolidation legislation. The tax consolidated current tax liability or current year tax loss and other deferred tax assets are required to be allocated to the members of the tax consolidated group in accordance with UIG 1052 Tax Consolidation Accounting. The Group uses an allocation method for this purpose where the allocated current tax payable, current tax loss, deferred tax assets and other tax credits for each member of the tax consolidated group are determined as if the Group is a stand-alone taxpayer but modified as necessary to recognize membership of a tax consolidated group. The funding amounts are determined by reference to the amounts recognized in the wholly owned entities' financial statements which are determined having regard to membership of the tax consolidated group. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognized as current inter-company receivables or payables.

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

(E) 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 (functional currency). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

(ii) Translation of foreign currency transactions
Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates at balance date. Exchange gains and losses are brought to account in determining the profit and loss for the financial year.

(iii) Specific hedges
Hedging is undertaken to avoid or minimize potential adverse financial effects of movements in foreign currency exchange rates. Gains or losses arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions, are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. Note 3 provides specific details on the calculation of these gains or losses.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in equity in the foreign currency translation reserve.

At each balance date, the Group measures the effectiveness of its cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in the profit and loss.

(F) ACQUISITION OF ASSETS AND BUSINESS COMBINATIONS

The purchase 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 up, shares issued or liabilities undertaken or assumed at the date of acquisition. Transaction costs directly attributable to the acquisition are expensed as incurred. Where equity instruments are issued in a business combination, the value of the instruments is their market price as determined by market valuation at the acquisition date. Transaction costs arising on the issue of equity instruments are recognized directly in equity.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognized as a gain in the statement of financial performance, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the 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 Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(G) REVENUE RECOGNITION

Amounts disclosed as revenue are net of trade allowances, duties and taxes paid. Revenue is recognized and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized:

(i) Engineering design and project services

Contract revenue and expenses are recognized in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a contract, the excess of total costs over revenue is recognized as an expense immediately.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognized as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognized to the extent of costs incurred. Incentive payments on contracts are recognized as part of total contract revenue where it is probable that specified performance standards are met or exceeded and the amount of the incentive payment can be reliably measured.

Revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned.

For fixed price contracts, the stage of completion is measured by reference to labor hours incurred to date as a percentage of estimated total labor hours for each contract.

(ii) Sale of goods – procurement services revenue

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(iii) Interest

Interest income is recognized as it accrues using the effective interest rate method.

(iv) Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(H) TRADE AND OTHER RECEIVABLES

All trade and other receivables are recognized at the original amounts less an allowance for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect debts. The recoverable amount of trade and other receivables is reviewed on an ongoing basis.

Unbilled contract revenue is stated at the aggregate of contract costs incurred to date plus recognized profits less recognized losses and progress billings. Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the consolidated entity's activities in general.

(I) INVENTORIES

(i) Raw materials and finished goods

Raw materials and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Consumables and stores

Consumables and stores are stated at the lower of cost and net realizable value and charged to specific contracts when used.

(iii) Work in progress

Work in progress is valued at the lower of cost and net realizable value. Cost comprises staff salary costs and direct expenses together with an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less further costs expected to be incurred to completion.

(J) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. The expected useful lives for plant and equipment range from three to 10 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The cost of improvements to or on leasehold properties is amortized over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

(K) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested at least twice a year for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the 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).

(L) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) The Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as an expense in the statement of financial performance.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and rewards of ownership of the leased item, are recognized as an expense on a straight line basis. Lease incentives are recognized in the statement of financial performance as an integral part of the total lease expense.

(ii) The Group as a lessor

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee or a third party are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognized.

Income on finance leases is recognized on a basis reflecting a constant periodic return based on the lessor's net investment outstanding in respect of the finance lease.

Leases where the Company retains substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Operating lease rental revenue is recognized on a straight line basis.

(M) INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity or an associate. Goodwill on acquisition of controlled entities is included in intangible assets and goodwill on acquisition of associates is included in investments in associates. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is not amortized; instead, it is tested at least twice a year for any impairment in the carrying amount or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those groups of units. The groups of cash generating units to which goodwill is allocated are the operating segments determined in accordance with AASB 8 Operating Segments, as set out in note 34. These segments represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the groups of cash generating units to which the goodwill relates. When the recoverable amount of the groups of cash generating units is less than the carrying amount, an impairment loss is recognized.

Impairment losses recognized for goodwill are not subsequently reversed.

(ii) Identifiable intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is recognized in the profit and loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortization period or method, as appropriate, which is a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the statement of financial performance on a straight line basis over the following periods:

- customer contracts and relationships 3-15 years
- trade names 5-10 years
- computer software 5 years
- favorable property leases 3-10 years
- other 3-10 years.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(N) TRADE AND OTHER PAYABLES

Liabilities for trade and other payables amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(O) INTEREST BEARING LOANS AND BORROWINGS

Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of financial performance over the period of the loan using the effective interest rate method.

(P) PROVISIONS AND DEFERRED REVENUE

Provisions are recognized when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(i) Deferred revenue

The Group at times receives payment for services prior to revenue being recognized in the financial statements. Revenue is classified as deferred due to the criteria required for its recognition not being met as at the reporting date, in line with the accounting policy set out in note 2(G) above.

(ii) Expected losses on contracts
Where the outcome for a services contract is expected to result in an overall loss over the life of the contract, this loss is provided for when it first becomes known that a loss will be incurred.

(iii) Insurance
Provision for insurance liabilities is recognized in line with actuarial calculations of unsettled insurance claims, net of insurance recoveries. The provision is based on the aggregate amount of individual claims incurred but not reported that are lower in value than the insurance deductible of the consolidated entity. It is based on the estimated cost of settling claims and consideration is given to the ultimate claim size, future inflation as well as the levels of compensation awarded through the courts.

(iv) Warranties
Provision is made for the estimated liability on all products and services still under warranty at balance date. This provision is estimated having regard to prior service warranty experience. In calculating the liability at balance date, amounts were not discounted to their present value as the effect of discounting was not material.

In determining the level of provision required for warranties, the Group has made judgments in respect of the expected performance and the costs of fulfilling the warranty. Historical experience and current knowledge have been used in determining this provision.

(v) Deferred consideration
Deferred consideration acquired in a business combination is initially measured at fair value at the date of acquisition. Subsequently, it is measured in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

(vi) Dividends payable
Provision is made for the amount of any dividends declared, determined or publicly recommended by the directors before or at the end of the financial year but not distributed at balance date.

(vii) Restructurings
Provisions for restructurings are recognized when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

(Q) REPAIRS AND MAINTENANCE
Repairs, minor renewals and improvements, and the purchase of minor items of tools and equipment are charged to expense as incurred. Major renewals and improvements are capitalized to the respective asset and depreciated.

(R) BORROWING COSTS
Borrowing costs are recognized as expenses in the period in which they are incurred, except when they are included in the costs of qualifying assets. Borrowing costs include:

(i) interest on bank overdrafts, and short term and long term borrowings;

(ii) amortization of discounts or premiums relating to borrowings; and

(iii) finance lease charges.

(S) CASH AND CASH EQUIVALENTS
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity 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.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the statement of financial position.

Where cash and cash equivalents held by the Group are subject to external restrictions, the nature of the restrictions and value of cash subject to these restrictions are disclosed in note 7.

(T) ISSUED CAPITAL
Issued and paid up capital is recognized at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognized directly in equity as a reduction of the share proceeds received.

(U) EARNINGS PER SHARE
(i) Basic earnings per share
Basic earnings per share is determined by dividing the profit attributable to members of WorleyParsons Limited by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share
Diluted earnings per share is calculated as profit attributable to members of WorleyParsons Limited adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(V) SEGMENT REPORTING
(i) Identification of reportable segments
The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Group Managing Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments identified by management are based on the customer sector groups: Hydrocarbons, Power, Minerals, Metals & Chemicals and Infrastructure & Environment.

Discrete pre-tax financial information about each of these customer sector groups is reported to the chief operating decision makers on a monthly basis.

The Group's operations are organized and managed separately according to the nature of the services they provide, with each segment serving different markets. The Group provides engineering design, project services, and maintenance and reliability support services to a number of markets. The consolidated entity's activities also include infrastructure developments within the Power sector.

(ii) Accounting policies and inter-segment transactions
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.

The accounting policies used by the Group in reporting segments internally are the same as those contained in these financial statements and are consistent with those used in the prior period.

Segment result includes the allocation of overhead that can be directly attributed to an individual business segment. The following items and associated assets and liabilities are not allocated to segments as they are not considered part of the core operations of any segment:

- income tax expense;
- interest and tax for associates;
- amortization of intangible assets;
- gains and losses on the sale or revaluation of investments;
- certain general and administration expenditure (performance rights and corporate expenses); and
- net borrowing costs.

(W) ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying value and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortized. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

The assets and liabilities are presented separately on the face of the statement of financial position.

(X) DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions used in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognized as the result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction of proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of plant, equipment, fixtures and fittings is based on quoted market prices for similar items.

(ii) Investments in equity and debt securities

The fair value of held-to-maturity investments, financial assets at fair value through profit and loss, and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(iii) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps and cross currency swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the measurement date.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

3. FINANCIAL RISK MANAGEMENT

(A) OVERVIEW

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases, cash and short term deposits and derivatives. The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Quantitative disclosures are included throughout this financial report.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Audit and Risk Committee assists the Board in overseeing the integrity of the Group's financial reporting risk management framework and internal controls.

Risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

(B) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The profiles of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. Geographically and on a customer basis, there is no concentration of credit risk.

The Group has a credit policy under which each new customer is analyzed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance comprises only those components that are individually significant.

(ii) Guarantees

Details of outstanding guarantees are provided in note 30A.
The Group 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.

(C) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

3. FINANCIAL RISK MANAGEMENT (continued)

(D) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risk. Generally, the Group seeks to apply hedge accounting in order to reduce volatility in profit and loss.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

The Group uses forward exchange contracts, foreign currency options and foreign currency swaps to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations for the Group resulting in an economic hedge. Interest is primarily AUD, CAD and USD.

(ii) Interest rate risk

The Group enters into interest rate swaps to manage interest rate risk. The Group adopts a policy of ensuring that the majority of its exposure to interest rates on borrowings is on a fixed rate basis.

(E) CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board also determines the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board monitors this through the gearing ratio (net debt/net debt plus total equity), the size of available banking facilities and the assessment of the outlook for the Group operations. The target for the Group's gearing ratio is between 25% and 35%. The gearing ratio at 30 June 2012 and 2011 was as follows:

	CONSOLIDATED	
	2012 $'M	2011 $'M
Total interest bearing loans and borrowings[1]	739.8	679.8
Less: cash and cash equivalents	247.3	171.2
Net debt	492.5	508.6
Total equity	1,979.9	1,856.8
Gearing	**19.9%**	**21.5%**

1 Excluding capitalized borrowing costs.

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

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

4. EXPENSES AND LOSSES/(GAINS)

Profit before income tax expense includes the following specific expenses and losses/(gains):

	CONSOLIDATED	
	2012 $'M	2011 $'M
EXPENSES AND LOSSES		
Operating lease rentals – minimum lease payments	172.2	165.6
Superannuation and other retirement benefits	129.0	111.0
Performance rights expense	17.1	12.5
MOVEMENTS IN PROVISIONS		
Employee benefits	247.8	170.0
Warranties	2.8	0.7
Insurance	0.2	(3.1)
Deferred consideration	–	(0.1)
Other	36.9	57.2

5. OTHER INCOME

	CONSOLIDATED	
	2012 $'M	2011 $'M
Net gain on revaluation of investments previously accounted for as equity accounted associates	7.6	65.7
Other	4.3	6.3
Other income	**11.9**	**72.0**

The Group has acquired additional interests in an entity which had previously been accounted for as an equity accounted associate.

This acquisition resulted in a change in the nature of the investment from equity accounted associate to subsidiary of the Company. As part of the accounting for the acquisition, the original investment held in this entity was remeasured to fair value and a fair value gain of $7.6 million was recognized in the statement of financial performance.

During the year ended 30 June 2011, the Group acquired additional interests in a number of entities which had previously been accounted for as equity accounted associates. A net fair value gain of $65.7 million was recognized in the statement of financial performance.

Refer note 23(D) for details of these acquisitions.

6. INCOME TAX

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
(A) INCOME TAX EXPENSE		
Current tax	117.7	136.3
Deferred tax	12.5	(16.5)
Over provision in previous financial periods	(12.9)	(3.8)
Income tax expense	**117.3**	**116.0**
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	4.2	(26.5)
Increase in deferred tax liabilities	8.3	10.0
Deferred tax	**12.5**	**(16.5)**
(B) RECONCILIATION OF PRIMA FACIE TAX PAYABLE TO INCOME TAX EXPENSE		
Profit before income tax expense	493.8	498.4
At the Group's statutory income tax rate of 30% (2011: 30%)	148.1	149.5
Tax effect of amounts which are non-deductible/(non-taxable) in calculating taxable income:		
Non-deductible performance rights	5.3	3.9
Non-taxable gain on acquisitions	(2.3)	(19.7)
Share of net profits of associates accounted for using the equity method	(8.2)	(9.5)
Tax losses not previously recognized	(0.4)	(1.2)
Over provision in previous financial periods	(12.9)	(3.8)
Difference in overseas tax rate*	(14.3)	(8.5)
Other	2.0	5.3
Income tax expense	**117.3**	**116.0**

* Represents income tax expense for foreign tax rate differential and international withholding taxes.

(C) AMOUNTS RECOGNIZED DIRECTLY IN EQUITY

Aggregate amount of tax arising in the reporting period and not recognized in profit after income tax expense but directly credited to equity:

	2012	2011
Deferred tax – credited directly to equity	2.5	2.5

(D) TAX LOSSES

The Group has tax losses for which no deferred tax asset is recognized on the statement of financial position:

	2012	2011
Unused tax losses for which no deferred tax asset has been recognized	28.3	33.6
Potential tax benefit at 30%	8.5	10.1

The benefit for tax losses will only be recognized if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realized; or

(ii) the losses are transferred to an eligible entity in the consolidated entity; and

(iii) the consolidated entity continues to comply with conditions for deductibility imposed by tax legislation; and

(iv) no changes in legislation adversely affect the consolidated entity in realizing the benefit from the deductions for the losses.

7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	NOTES	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
Cash and cash equivalents		247.3	171.2

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	NOTES	2012	2011
Cash at bank and on hand		247.3	171.2
Cash and cash equivalents		247.3	171.2
Bank overdraft	13	–	(5.1)
Balance per statement of cash flows		**247.3**	**166.1**

PROCUREMENT AND RESTRICTED CASH AND CASH EQUIVALENTS

Included within cash and cash equivalents is $51.4 million (2011: $10.1 million) which has been identified as for procurement services or restricted, but available for use under certain circumstances by the Group.

Procurement cash is held in relation to procurement activities undertaken by the Group on behalf of its customers (refer note 28). Restricted cash is held in relation to guarantees (refer note 30(A)) and financing activities.

8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	NOTES	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
TRADE RECEIVABLES			
Trade receivables		941.5	798.5
Unbilled contract revenue		782.2	573.2
Retentions		27.1	15.7
Allowance for doubtful debts		(24.9)	(25.7)
		1,725.9	**1,361.7**
Allowance for doubtful debts			
Balance at the beginning of the financial year		25.7	42.2
Net charge/(credit) to the statement of financial performance		4.3	(11.8)
Provision from entities acquired		–	3.1
Amounts written off against the opening provision balance		(3.1)	(2.8)
Differences arising on translation of foreign operations		(2.0)	(5.0)
Balance at the end of the financial year		**24.9**	**25.7**

The Group's exposure to credit, currency and interest rate risk for trade receivables and unbilled contract revenue is disclosed respectively in notes 35, 37 and 38.

	NOTES	2012	2011
OTHER RECEIVABLES			
Other receivables		111.5	118.4
Amounts owing by associates and related parties	32(B)	71.9	31.4
		183.4	**149.8**

	CONSOLIDATED	
	2012 $'M	2011 $'M
9. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
At cost	1.6	1.8
Accumulated depreciation	(0.1)	(0.2)
	1.5	**1.6**
Leasehold improvements		
At cost	144.2	110.2
Accumulated amortization	(65.3)	(49.2)
	78.9	**61.0**
Plant and equipment		
At cost	140.8	106.4
Accumulated depreciation	(94.0)	(70.9)
	46.8	**35.5**
Computer equipment		
At cost	63.2	56.9
Accumulated depreciation	(54.7)	(46.9)
	8.5	**10.0**
Total property, plant and equipment	**135.7**	**108.1**

RECONCILIATIONS

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

	CONSOLIDATED				
	LAND AND BUILDINGS $'M	LEASEHOLD IMPROVEMENTS $'M	PLANT AND EQUIPMENT $'M	COMPUTER EQUIPMENT $'M	TOTAL $'M
Balance at 1 July 2011	1.6	61.0	35.5	10.0	108.1
Additions due to the acquisition of entities	–	0.1	2.3	–	2.4
Additions	0.0	37.7	23.8	4.0	65.5
Disposals	(0.1)	(0.2)	(0.6)	(0.4)	(1.3)
Depreciation	(0.0)	–	(14.1)	(5.0)	(19.1)
Amortization	–	(20.8)	–	–	(20.8)
Differences arising on translation of foreign operations	0.0	1.1	(0.1)	(0.1)	0.9
Balance at 30 June 2012	**1.5**	**78.9**	**46.8**	**8.5**	**135.7**
Balance at 1 July 2010	1.9	64.9	39.2	10.0	116.0
Additions due to the acquisition of entities	–	0.8	4.6	3.4	8.8
Additions	–	24.7	7.0	3.2	34.9
Disposals	–	(3.0)	(3.2)	(0.2)	(6.4)
Depreciation	(0.0)	–	(9.2)	(5.0)	(14.2)
Amortization	–	(19.3)	–	–	(19.3)
Differences arising on translation of foreign operations	(0.3)	(7.1)	(2.9)	(1.4)	(11.7)
Balance at 30 June 2011	**1.6**	**61.0**	**35.5**	**10.0**	**108.1**

	CONSOLIDATED	
	2012 $'M	2011 $'M

10. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	2012 $'M	2011 $'M
Goodwill		
At cost	1,570.3	1,530.8
Accumulated impairment	(1.6)	(1.6)
	1,568.7	**1,529.2**
Customer contracts and relationships		
At cost	127.2	129.0
Accumulated amortization	(91.3)	(67.1)
	35.9	**61.9**
Trade names		
At cost	69.9	70.1
Accumulated amortization	(51.9)	(45.1)
	18.0	**25.0**
Computer software		
At cost	191.1	159.5
Accumulated amortization	(109.7)	(81.3)
	81.4	**78.2**
Favorable property leases		
At cost	9.1	9.1
Accumulated amortization	(9.1)	(7.8)
	-	**1.3**
Other		
At cost	3.2	3.3
Accumulated amortization	(2.4)	(2.1)
	0.8	**1.2**
Total intangible assets	**1,704.8**	**1,696.8**

RECONCILIATIONS

Reconciliations of intangible assets at the beginning and end of the current and previous financial years are set out below:

	CONSOLIDATED						
	GOODWILL $'M	CUSTOMER CONTRACTS AND RELATIONSHIPS $'M	TRADE NAMES $'M	COMPUTER SOFTWARE $'M	FAVORABLE PROPERTY LEASES $'M	OTHER $'M	TOTAL $'M
Balance at 1 July 2011	1,529.2	61.9	25.0	78.2	1.3	1.2	1,696.8
Additions due to the acquisition of entities	37.0	–	–	0.0	–	–	37.0
Additions	–	–	–	34.8	–	–	34.8
Amortization	–	(22.8)	(7.1)	(31.6)	(1.3)	(0.3)	(63.1)
Differences arising on translation of foreign operations	2.5	(3.2)	0.1	–	0.0	(0.1)	(0.7)
Balance at 30 June 2012	**1,568.7**	**35.9**	**18.0**	**81.4**	**-**	**0.8**	**1,704.8**
Balance at 1 July 2010	1,586.7	69.7	35.6	84.0	3.5	1.7	1,781.2
Additions due to the acquisition of entities	140.2	17.1	–	–	–	–	157.3
Additions	–	–	–	24.7	–	–	24.7
Amortization	–	(20.0)	(9.3)	(30.5)	(1.9)	(0.5)	(62.2)
Differences arising on translation of foreign operations	(197.7)	(4.9)	(1.3)	–	(0.3)	0.0	(204.2)
Balance at 30 June 2011	**1,529.2**	**61.9**	**25.0**	**78.2**	**1.3**	**1.2**	**1,696.8**

Impairment testing

Identifiable intangible assets with finite lives are carried at cost less accumulated amortization and adjusted for any accumulated impairment loss. The assets are assessed at each reporting date as to whether there is any indication that the asset may be impaired. Goodwill is an intangible asset with an indefinite life which is tested at least twice a year for impairment. The recoverable amount test is based on the higher of value in use and fair value less costs to sell. These calculations use cash flow projections based on financial forecasts of how the business is expected to operate based on current performance and the business environment but taking into account expected future changes.

The groups of cash generating units to which goodwill is allocated are the operating segments determined in accordance with AASB 8 Operating Segments.

10. NON-CURRENT ASSETS – INTANGIBLE ASSETS (continued)

The goodwill allocated to the groups of cash generating units (CGUs) and the key assumptions used for impairment testing are as follows:

2012	GOODWILL $'M	PRE-TAX DISCOUNT % PA
Hydrocarbons	1,186.7	12.8
Power	150.1	13.0
Minerals, Metals & Chemicals	74.8	14.5
Infrastructure & Environment	157.1	15.4
	1,568.7	

2011	GOODWILL $'M	PRE-TAX DISCOUNT % PA
Hydrocarbons	1,177.2	12.8
Power	131.5	13.4
Minerals, Metals & Chemicals	50.3	13.5
Infrastructure & Environment	170.2	16.1
	1,529.2	

The first five years forecast cash flows are based on management's estimates of the short and long term prospects for the industry and previous experience. The growth rate beyond five years is assumed to be 3% per annum.

The calculation of value in use for the CGUs is most sensitive to the following assumptions:

- growth rates used in years 1 to 5;
- change in discount rates; and
- long term growth rate.

Goodwill is not impaired at reporting date and there are no known probable changes in estimates that would lead to an impairment. The business segments form the basis of the CGUs.

11. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
The balance comprises differences attributable to:		
Allowance for doubtful debts	5.9	2.8
Employee benefits provisions	56.1	48.1
Warranty provisions	0.7	2.0
Project provisions	5.0	0.6
Other provisions	18.2	7.1
Fixed assets	9.8	9.1
Sundry accruals	14.3	10.0
Recognized tax losses	2.2	1.8
Unused foreign tax credits	4.4	20.0
Unrealized foreign exchange losses	4.4	18.4
Lease incentives	5.0	-
Other	6.6	4.0
Deferred tax assets	**132.6**	**123.9**
Balance at the beginning of the financial year	123.9	108.9
Acquisition of controlled entities	1.2	-
(Charged)/credited to the statement of financial performance	(4.2)	26.5
Credited to equity	6.7	2.6
Differences arising on translation of foreign operations	5.0	(14.1)
Balance at the end of the financial year	**132.6**	**123.9**

12. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	NOTES	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
Trade payables		346.7	219.6
Accruals		372.0	308.0
Payables to associates and related parties	32(B)	10.2	7.5
Billings in advance		73.6	59.4
Accrued staff costs		173.9	146.1
		976.4	**740.6**

The Group's exposure to currency and interest rate risk for trade and other payables is disclosed in notes 37 and 38.

13. CURRENT LIABILITIES – INTEREST BEARING LOANS AND BORROWINGS

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
Bank overdraft	-	5.1
Notes payable	-	37.3
Secured bank loan	1.4	1.3
Unsecured bank loans	2.3	-
	3.7	**43.7**

BANK OVERDRAFT

The bank overdraft facilities can be drawn at any time subject to the terms and conditions set out in the facility agreement.

NOTES PAYABLE

Unsecured notes payable were issued in the United States private debt capital market in May 2007, April 2008 and March 2011 (refer note 15).

SECURED BANK LOAN

Refer note 15 for terms and conditions.

UNSECURED BANK LOANS

Refer note 15 for terms and conditions.

14. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
Employee benefits	289.5	215.8
Deferred revenue and projects	163.7	89.3
Insurance	19.2	20.7
Warranties	13.8	15.0
Deferred consideration	-	10.7
Other	13.4	7.8
	499.6	**359.3**

Refer note 17 for accounting policies.

RECONCILIATIONS

Reconciliations of the carrying amounts of each class of current provision at the beginning and end of the current and previous financial years are set out below:

	CONSOLIDATED					
	EMPLOYEE BENEFITS $'M	DEFERRED REVENUE AND PROJECT PROVISIONS $'M	INSURANCE $'M	WARRANTIES $'M	DEFERRED CONSIDERATION $'M	OTHER $'M
Carrying amount at 1 July 2011	215.8	89.3	20.7	15.0	10.7	7.8
Provision from entities acquired	7.7	0.0	0.0	-	0.0	-
Additional provisions	238.8	149.6	3.1	8.2	-	8.6
Release of unused provision	(3.0)	(2.6)	(2.9)	(5.4)	0.0	-
Amounts utilized	(173.3)	(70.1)	(2.8)	(4.4)	(10.7)	(2.7)
Differences arising from translation of foreign operations	3.5	(2.5)	1.1	0.4	-	(0.3)
Carrying amount at 30 June 2012	**289.5**	**163.7**	**19.2**	**13.8**	**-**	**13.4**
Carrying amount at 1 July 2010	174.8	76.1	28.6	16.2	10.7	9.6
Provision from entities acquired	15.3	1.2	-	-	-	1.9
Additional provisions	163.7	53.0	0.7	8.2	1.6	4.5
Release of unused provision	(0.3)	-	(3.3)	(6.3)	(0.1)	(0.3)
Amounts utilized	(118.3)	(31.6)	(0.5)	(1.2)	(0.9)	(6.4)
Differences arising from translation of foreign operations	(19.4)	(9.4)	(4.8)	(1.9)	(0.6)	(1.5)
Carrying amount at 30 June 2011	**215.8**	**89.3**	**20.7**	**15.0**	**10.7**	**7.8**

	CONSOLIDATED	
	2012 $'M	2011 $'M

15. NON-CURRENT LIABILITIES – INTEREST BEARING LOANS AND BORROWINGS

Notes payable	658.9	617.2
Secured bank loan	17.4	18.9
Unsecured bank loans	59.8	-
Capitalized borrowing costs	(3.0)	(4.3)
	733.1	**631.8**

NOTES PAYABLE

Unsecured notes payable were issued in the United States private debt capital market in May 2007, April 2008 and March 2011.

The issue in March 2011 comprised US$175.0 million maturing in March 2021 with a fixed coupon of 5.56% per annum, US$22.0 million maturing in March 2018 with a fixed coupon of 4.86% per annum and US$10.0 million maturing in 2016 with a fixed coupon of 4.16% per annum.

The issue in April 2008 comprised US$144.5 million maturing in April 2018 with a fixed coupon of 6.5% per annum.

The issue in May 2007 comprised US$140.5 million maturing in May 2014 with a fixed coupon of 5.61% per annum and US$169.5 million maturing in May 2017 with a fixed coupon of 5.75% per annum. US$40.0 million matured in May 2012.

In accordance with the Group's financial risk management policy, cross currency swaps have been entered into, swapping US$296.5 million of notes payable into C$294.4 million. This represents 84.4% of the notes issued in 2008 and 2011.

SECURED BANK LOAN

The secured bank loan of $18.8 million (current: $1.4 million; non-current: $17.4 million) is a floating facility with an Interest Rate Swap. This bank loan is secured by the assets of Exmouth Power Station Pty Limited which have a carrying value of $33.7 million. The terms of the loan facility preclude the assets from being used as a security for other debt within the Group. The loan facility requires the assets to be insured.

UNSECURED BANK LOANS

Unsecured bank loans are floating interest rate debt facilities. These facilities, denominated in various currencies, are subject to negative pledge arrangements which require the Group to comply with certain minimum financial requirements.

	CONSOLIDATED	
	2012 $'M	2011 $'M

16. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Amounts recognized in the statement of financial performance:		
Identifiable intangible assets and goodwill	42.9	47.1
Unbilled contract revenue	53.3	31.1
Fixed assets	7.2	7.0
Unrealized foreign exchange gains	3.7	6.4
Prepayments	0.6	0.7
Other	0.5	6.7
	108.2	99.0
Amounts recognized directly in equity:		
Other	4.4	0.1
Deferred tax liabilities	**112.6**	**99.1**
Balance at the beginning of the financial year	99.1	95.8
Acquisition of controlled entities	0.0	3.9
Charged to the statement of financial performance	8.3	10.0
Charged to equity	4.4	0.1
Differences arising on translation of foreign operations	0.8	(10.7)
Balance at the end of the financial year	**112.6**	**99.1**

	CONSOLIDATED 2012 $'M	2011 $'M
17. NON-CURRENT LIABILITIES – PROVISIONS		
Employee benefits	37.9	28.4
Warranties	0.7	-
Deferred consideration	12.2	12.2
Other	15.5	16.5
	66.3	**57.1**

NATURE AND TIMING OF PROVISIONS

Employee benefits: Refer note 2(C) for the relevant accounting policy and a discussion of the significant estimation and assumptions applied in the measurement of this provision.

Deferred revenue and project provisions: The Group at times recovers payment for services prior to revenue being recognized in the financial statements. It is expected that this revenue will be earned within two years of the balance date.

Warranties: Provision is made for the estimated liability on all products and services under warranty at balance date. It is expected that these costs will be incurred within two years of the balance date.

Deferred consideration: Where settlement of any part of the consideration for a business combination 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 Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

RECONCILIATIONS

Reconciliations of the carrying amounts of each class of non-current provision at the beginning and end of the current and previous financial years are set out below:

	CONSOLIDATED EMPLOYEE BENEFITS $'M	WARRANTIES $'M	DEFERRED CONSIDERATION $'M	OTHER $'M
Carrying amount at 1 July 2011	28.4	-	12.2	16.5
Provision from entities acquired	-	-	-	-
Additional provisions	15.8	0.7	-	4.6
Release of unused provision	(3.8)	-	-	(5.0)
Amounts utilized	(3.4)	-	-	-
Differences arising from translation of foreign operations	0.9	0.0	-	(0.6)
Carrying amount at 30 June 2012	**37.9**	**0.7**	**12.2**	**15.5**
Carrying amount at 1 July 2010	9.6	-	-	3.8
Provision from entities acquired	14.7	-	-	-
Additional provisions	6.6	-	12.2	14.2
Release of unused provision	-	-	-	-
Amounts utilized	(2.4)	-	-	(0.7)
Differences arising from translation of foreign operations	(0.1)	-	-	(0.8)
Carrying amount at 30 June 2011	**28.4**	**-**	**12.2**	**16.5**

	CONSOLIDATED 2012 NUMBER OF SHARES	2012 $'M	2011 NUMBER OF SHARES	2011 $'M
18. ISSUED CAPITAL				
Ordinary shares, fully paid[1,2]	245,735,305	1,221.3	245,699,306	1,219.6
Special voting share	1	-	1	-
	245,735,306	**1,221.3**	**245,699,307**	**1,219.6**

1 Included in ordinary shares are 3,847,859 (2011: 4,295,003) exchangeable shares. The issuance of the exchangeable shares and the attached special voting share replicate the economic effect of issuing ordinary shares in the Company. Accordingly, for accounting purposes, exchangeable shares are treated in the same single class of issued capital as ordinary shares. In addition, the Australian Securities Exchange (ASX) treats these exchangeable shares to have been converted into ordinary shares of the Company at the time of their issue for the purposes of the ASX Listing Rules.

2 The WorleyParsons Limited Plans Trust holds 267,173 (2011: 267,173) shares in the Company, which has been consolidated and eliminated in accordance with the accounting standards.

(A) MOVEMENTS IN SHARES

	2012 NUMBER OF SHARES	2012 $'M	2011 NUMBER OF SHARES	2011 $'M
Balance at the beginning of the financial year	245,699,307	1,219.6	245,425,980	1,208.3
Ordinary shares issued on redemption of exchangeable shares	447,144	12.0	1,866,366	50.0
Exchangeable shares exchanged for ordinary shares	(447,144)	(12.0)	(1,866,366)	(50.0)
Issuance of shares upon exercise of performance rights	35,999	1.7	273,327	11.3
	245,735,306	**1,221.3**	**245,699,307**	**1,219.6**

(B) TERMS AND CONDITIONS OF ISSUED CAPITAL

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, 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.

Exchangeable shares

The exchangeable shares were issued by WorleyParsons Canada SPV Limited as part of the consideration for the acquisition of the Colt Group. Exchangeable shares may be exchanged into ordinary shares of the Company on a one-for-one basis (subject to adjustments) at any time by the exchangeable shareholders.

Exchangeable shares have the right to receive the same cash dividends or cash distributions as declared on the ordinary shares into which they are convertible. In the event of the winding up of the Company, the exchangeable shares would convert to ordinary shares, which would participate in the proceeds from the sale of all surplus assets pro-rata with other ordinary shares.

The exchangeable shares, through a voting trust which holds a special voting share in the Company, entitle their holders to vote at the Company's general meetings as though they hold ordinary shares. During the financial year ended 30 June 2012, 447,144 (2011: 1,866,366) exchangeable shares were exchanged.

Special voting share

The special voting share was issued to Computershare Trust Company of Canada Limited (Trustee) as part of the consideration for the acquisition of the Colt Group. The special voting share does not have the right to receive dividends as declared, and in the event of the winding up of the Company is unable to participate in the proceeds from the sale of all surplus assets. The special voting share has a right to vote together as one class of share with the holders of ordinary shares in the circumstances in which shareholders have a right to vote, subject to the Company's Constitution and applicable law. The Trustee must vote in the manner instructed by an exchangeable shareholder in respect of the number of votes that would attach to the ordinary shares to be received by that exchangeable shareholder on exchange of its exchangeable shares. The special voting share has an aggregate number of votes equal to the number of votes attached to ordinary shares into which the exchangeable shares are retracted or redeemed.

(C) PERFORMANCE RIGHTS

The policy in respect of performance rights is outlined in note 2(C).

	NUMBER OF PERFORMANCE RIGHTS	
	2012	2011
Balance at the beginning of the financial year	3,298,344	2,676,556
Rights granted	993,730	1,446,979
Rights exercised	(35,999)	(273,327)
Rights lapsed or expired	(634,616)	(551,864)
Balance at the end of the financial year	**3,621,459**	**3,298,344**
Exercisable at the end of the financial year	3,106	5,347
Weighted average exercise price	$nil	$nil

The outstanding balance as at 30 June 2012 is represented by:

- 961,361 performance rights, vesting on 30 September 2014 and expiring on 17 October 2018;
- 1,315,196 performance rights, vesting on 30 September 2013 and expiring on 15 October 2017;
- 852,940 performance rights, vesting on 30 September 2012 and expiring on 30 September 2016;
- 488,856 performance rights, vesting on 30 September 2012 and expiring on 30 September 2015;
- 2,255 performance rights, vested on 30 September 2011 and expiring on 2 October 2014; and
- 851 performance rights, vested on 30 September 2009 and expiring on 1 February 2014.

The performance rights are exercisable upon meeting the conditions set out in note 33(B).

	CONSOLIDATED	
	2012 $'M	2011 $'M

19. RESERVES

	2012 $'M	2011 $'M
Foreign currency translation reserve	(295.5)	(261.0)
Hedge reserve	(1.9)	(3.1)
Performance rights reserve	39.3	23.9
Acquisition reserve	(9.6)	(9.6)
	(267.7)	**(249.8)**

(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 foreign controlled entities and associates, and the net investments hedged in their entities.

	2012 $'M	2011 $'M
Balance at the beginning of the financial year	(261.0)	(93.4)
Foreign exchange movement on translation of foreign controlled entities and associates	(24.9)	(159.3)
Net investments hedged	(13.7)	(11.8)
Income tax on net investments hedged	4.1	3.5
Balance at the end of the financial year	**(295.5)**	**(261.0)**

	CONSOLIDATED	
	2012 $'M	2011 $'M

(B) HEDGE RESERVE

The hedge reserve is used to record gains or losses on hedging instruments used in the cash flow hedges that are recognized directly in equity, as described in note 2(E)(iii). Amounts are recognized in the statement of financial performance when the associated hedged transaction affects the profit and loss.

	2012 $'M	2011 $'M
Balance at the beginning of the financial year	(3.1)	(1.6)
Net (loss)/gain on foreign exchange hedges	(0.9)	0.5
Income tax on net (loss)/gain on foreign exchange hedges	0.2	(0.1)
Fair value gain/(loss) on mark to market of cross currency hedge	11.6	(6.1)
Income tax on fair value (loss)/gain on mark to market of cross currency hedge	(8.5)	4.0
(Loss)/gain on interest rate hedges net of tax	(1.2)	0.2
Balance at the end of the financial year	**(1.9)**	**(3.1)**

The total amount recognized in the statement of financial performance was a loss of $0.6 million (2011: $0.4 million). This amount is included in other expenses.

(C) PERFORMANCE RIGHTS RESERVE

The performance rights reserve is used to recognize the fair value of performance rights issued but not vested.

	2012 $'M	2011 $'M
Balance at the beginning of the financial year	23.9	22.7
Performance rights expense	17.1	14.5
Reversal of performance rights expense associated with rights which did not vest based on the earnings per share hurdles	-	(2.0)
Transfer to issued capital on purchase and issuance of shares to satisfy performance rights	(1.7)	(11.3)
Balance at the end of the financial year	**39.3**	**23.9**

(D) ACQUISITION RESERVE

The acquisition reserve is used to record differences between the carrying value of non-controlling interests before acquisition and the consideration paid upon acquisition of an additional shareholding, where the transaction does not result in a loss of control. The reserve is attributable to the equity of the Parent Entity.

	2012 $'M	2011 $'M
Balance at the beginning of the financial year	(9.6)	-
Consideration paid in excess of carrying value of non-controlling interests	-	(9.6)
Balance at the end of the financial year	**(9.6)**	**(9.6)**

		CONSOLIDATED	
	NOTES	2012 $'M	2011 $'M

20. RETAINED PROFITS

	NOTES	2012 $'M	2011 $'M
Balance at the beginning of the financial year		871.7	694.1
Profit attributable to members of WorleyParsons Limited		353.2	364.2
Dividends paid	22(B)	(221.1)	(186.6)
Balance at the end of the financial year		**1,003.8**	**871.7**

	CONSOLIDATED 2012	CONSOLIDATED 2011

21. EARNINGS PER SHARE

ATTRIBUTABLE TO MEMBERS

	2012	2011
Basic earnings per share (cents)	143.7	148.3
Basic earnings per share (cents) excluding net acquisition gains	140.6	121.5
Diluted earnings per share (cents)	142.5	147.2
Diluted earnings per share (cents) excluding net acquisition gains	139.5	120.6

The following reflects the income and security data used in the calculation of basic and diluted earnings per share:

(A) RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	$'M	$'M
Earnings used in calculating basic and diluted earnings per share	353.2	364.2
Less: net gain on revaluation of investments previously accounted for as equity accounted associates (refer note 5)	(7.6)	(65.7)
Earnings used in calculating basic and diluted earnings per share excluding net acquisition gains	345.6	298.5

(B) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

Weighted average number of ordinary securities used in calculating basic earnings per share	245,725,630	245,622,982
Element of performance rights which are considered dilutive	2,096,599	1,848,051
Adjusted weighted average number of ordinary securities used in calculating diluted earnings per share	247,822,229	247,471,033

The weighted average number of converted, lapsed or cancelled potential ordinary shares used in calculating diluted earnings per share was 180,029 (2011: 202,871).

22. DIVIDENDS

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
(A) FINAL DIVIDEND PROPOSED		
Dividend in respect of the six months to 30 June 2012:		
51.0 cents per share (31.3 cents franked)	125.3	-
Dividend in respect of the six months to 30 June 2011:		
50.0 cents per share (12.9 cents franked)	-	122.8

The directors have resolved to pay a final dividend of 51.0 cents per share; partially franked at 61.3% (2011: 50.0 cents per share, partially franked at 25.7%). Combined with the half year (interim) dividend, the Company will make total dividend payments of 91.0 cents per share for the financial year (2011: 86.0 cents per share). The dividend will be paid on 28 September 2012 for shareholders on the register at the record date of 7 September 2012.

In accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets, the aggregate amount of the proposed final dividend of $125.3 million is not recognized as a liability as at 30 June 2012.

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
(B) DIVIDENDS PAID DURING THE FINANCIAL YEAR		
Dividend in respect of the six months to 31 December 2011: 40.0 cents per share (31.7 cents franked)	98.3	-
Dividend in respect of the six months to 30 June 2011: 50.0 cents per share (12.9 cents franked)	122.8	-
Dividend in respect of the six months to 31 December 2010: 36.0 cents per share (36.0 cents franked)	-	88.6
Dividend in respect of the six months to 30 June 2010: 40.0 cents per share (18.8 cents franked)	-	98.0
	221.1	**186.6**
(C) IMPUTATION CREDIT BALANCE OF THE PARENT ENTITY		
The amount of imputation credits available for future tax distributions is:		
Imputation credits balance as at the end of the financial year at the corporate tax rate of 30% (2011: 30%)	34.6	26.1
Imputation credits arising from the payment of income tax provided in this financial report	(1.7)	(12.6)
Imputation credits available for distribution	32.9	13.5
Imputation debits that will arise from the payment of the final dividend	(32.9)	(13.5)
Imputation credits available for future dividends	**-**	**-**

23. INVESTMENTS IN CONTROLLED ENTITIES

In accordance with the accounting standards, the Group discloses only significant entities identified on the basis of materiality:

(A) WORLEYPARSONS LIMITED GROUP ACCOUNTS INCLUDE A CONSOLIDATION OF THE FOLLOWING ENTITIES:

ENTITY	COUNTRY OF INCORPORATION	BENEFICIAL INTEREST HELD BY CONSOLIDATED ENTITY 2012 %	BENEFICIAL INTEREST HELD BY CONSOLIDATED ENTITY 2011 %
Significant entities			
Worley No 2 Pty Limited[1]	Australia	100	100
WorleyParsons Canada Services Ltd[2]	Canada	100	100
WorleyParsons Engineering Pty Limited[1]	Australia	100	100
WorleyParsons Europe Limited	United Kingdom	100	100
WorleyParsons Financial Services Pty Limited[1]	Australia	100	100
WorleyParsons Group Inc	USA	100	100
WorleyParsons International Inc	USA	100	100
WorleyParsons Oman Engineering LLC	Oman	51	51
WorleyParsons Services Pty Limited[1]	Australia	100	100
Acquired during the year			
ARA WorleyParsons SA[3]	Chile	94	-

1 Entities subject to Australian Securities and Investments Commission Class Order 98/1418 relief.
2 Previously named WorleyParsons Canada Ltd.
3 Previously an equity accounted associate.

(B) PARENT ENTITY

WorleyParsons Limited Parent Entity financial statements include investments in the following entities:

ENTITY	COUNTRY OF INCORPORATION	2012 $'M	2011 $'M
Engineering Securities Pty Limited atf The Worley Limited Trust	Australia	94.7	94.7
WorleyParsons Canada Callco Ltd.	Canada	220.8	220.8
WorleyParsons Canada Holdings Pty Limited	Australia	197.9	197.9
WorleyParsons Financial Services Pty Limited	Australia	440.1	440.1
		953.5	**953.5**

The Parent Entity's summary financial information as required by the *Corporations Act 2001* is as follows:

	2012 $'M	2011 $'M
STATEMENT OF FINANCIAL PERFORMANCE		
Profit before income tax expense	208.8	304.0
Income tax expense	(2.1)	(0.5)
Profit after income tax expense	206.7	303.5
Profit attributable to members of WorleyParsons Limited	206.7	303.5
Retained profits at the beginning of the financial year	202.6	85.7
Dividends paid	(221.1)	(186.6)
Retained profits at the end of the financial year	188.2	202.6
STATEMENT OF COMPREHENSIVE INCOME		
Profit after income tax expense	206.7	303.5
Total comprehensive income, net of tax	206.7	303.5
STATEMENT OF FINANCIAL POSITION		
Current assets	510.4	492.8
Total assets	1,464.0	1,446.3
Current liabilities	15.1	0.2
Total liabilities	15.1	0.2
Net assets	1,448.9	1,446.1
Issued capital	1,221.3	1,219.6
Performance rights reserve	39.4	23.9
Retained profits	188.2	202.6
Total equity	1,448.9	1,446.1

Details in relation to parent company guarantees are disclosed in note 30.

(C) CLOSED GROUP

Pursuant to Australian Securities and Investments Commission Class Order 98/1418, relief has been granted to Worley No 2 Pty Limited, WorleyParsons Engineering Pty Limited, WorleyParsons Financial Services Pty Limited and WorleyParsons Services Pty Limited, from the *Corporations Act 2001* requirements for preparation, audit and lodgment of their financial reports. As a condition of the Class Order, WorleyParsons Limited together with the parties noted entered into a Deed of Cross Guarantee on 26 May 2003. The effect of the deed is that WorleyParsons Limited has guaranteed to pay any deficiency in the event of the winding up of the abovementioned controlled entities. The controlled entities have also given a similar guarantee in the event that WorleyParsons Limited is wound up. The statement of financial performance and statement of financial position of the entities which are parties to the Deed of Cross Guarantee and The Worley Limited Trust (Closed Group) are as follows:

	CLOSED GROUP	
	2012 $'M	2011 $'M
STATEMENT OF FINANCIAL PERFORMANCE		
Profit before income tax expense	277.8	354.1
Income tax expense	(57.9)	(46.6)
Profit after income tax expense	219.9	307.5
Profit attributable to members of WorleyParsons Limited	219.9	307.5
Retained profits at the beginning of the financial year	309.2	184.1
Dividends paid	(217.2)	(182.4)
Retained profits at the end of the financial year	311.9	309.2
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets		
Cash and cash equivalents	23.8	6.1
Trade and other receivables	1,262.2	1,152.2
Other current assets	10.3	0.3
Total current assets	1,296.3	1,158.6
Non-current assets		
Property, plant and equipment	0.3	0.3
Intangible assets	64.9	64.9
Deferred tax assets	45.5	33.4
Other non-current assets	895.6	875.7
Total non-current assets	1,006.3	974.3
TOTAL ASSETS	2,302.6	2,132.9
LIABILITIES		
Current liabilities		
Trade and other payables	595.3	513.2
Provisions	14.2	2.4
Total current liabilities	609.5	515.6
Non-current liabilities		
Interest bearing loans and borrowings	57.8	-
Deferred tax liabilities	21.5	20.4
Provisions	24.4	24.4
Total non-current liabilities	103.7	44.8
TOTAL LIABILITIES	713.2	560.4
NET ASSETS	1,589.4	1,572.5
EQUITY		
Issued capital	1,221.3	1,219.6
Reserves	56.2	43.7
Retained profits	311.9	309.2
TOTAL EQUITY	1,589.4	1,572.5

23. INVESTMENTS IN CONTROLLED ENTITIES (continued)

(D) ACQUISITION OF CONTROLLED ENTITIES

Effective 16 May 2012, WorleyParsons Limitada (Chile), a subsidiary of the Company, acquired an additional 44% share in ARA WorleyParsons SA and affiliated businesses. Total cash consideration paid for this acquisition was $17.7 million.

The above acquisition's contribution to the Group's reported after-tax profit attributable to members of the Parent Entity was $0.7 million, and the reported contribution to revenue was $10.3 million. Had this acquisition taken place at 1 July 2011, the contribution to the Group's profit after income tax expense would have been $2.2 million and revenue would have been $64.3 million.

	ARA WORLEYPARSONS SA ACQUISITION
ASSETS	
Cash and cash equivalents	2.7
Trade receivables	15.3
Other receivables	4.6
Property, plant and equipment	2.4
Deferred tax assets	1.2
Other assets	1.2
Total assets	27.4
LIABILITIES	
Trade and other payables	12.5
Interest bearing loans and borrowings	1.0
Income tax payable	0.6
Provisions	7.7
Deferred tax liabilities	0.0
Total liabilities	21.8
Net assets acquired	5.6
Goodwill arising on acquisition	34.5
Adjustments to non-controlling interests	(3.2)
Total consideration, excluding acquisition costs expensed	36.9
Consideration:	
Cash consideration	17.7
Fair value of previously held equity accounted associate	19.2
Total consideration	36.9
Net cash effect:	
Cash consideration paid	17.7
Cash included in net assets acquired	(2.7)
Net cash outflow	15.0

Goodwill represents the value of the assembled workforce and any premium from synergies and future growth opportunities that cannot be recognized separately. Except as indicated, the carrying value equals the fair value of the net assets acquired.

The fair values of the acquisition balances are provisional due to the complexity and timing of the acquisitions. The review of the assets and liabilities will continue for 12 months from acquisition date.

In the prior year, Beijing MaisonWorleyParsons Engineering & Technology Co Limited and Beijing MaisonParsons Engineering & Technology Co Limited were acquired for $18.9 million. In the same period, the Group also acquired WorleyParsons SA (Proprietary) Limited and Kwezi V3 Engineers (Pty) Limited for $2.4 million and $49.8 million respectively.

The Group paid $11.2 million during the year in respect of acquisitions made in previous financial years.

The Group also acquired an additional 25% share in the following joint venture entities in Saudi Arabia in the prior year:

- Petrocon Arabia Co Limited;
- WorleyParsons Arabia Limited Company; and
- WorleyParsons Engineering Consultancies Company.

As part of this acquisition the remaining 50% share was acquired in WorleyParsons Bahrain WLL.

24. EQUITY ACCOUNTED INVESTMENTS

(A) DETAILS OF EQUITY ACCOUNTED INVESTMENTS ARE AS FOLLOWS:

In accordance with the accounting standards, the Group discloses only significant investments identified on the basis of materiality:

		OWNERSHIP INTEREST CONSOLIDATED		CARRYING AMOUNT CONSOLIDATED	
ENTITY	PRINCIPAL ACTIVITY	2012 %	2011 %	2012 $'M	2011 $'M
Significant investments					
ARA WorleyParsons SA[1]	Minerals, Metals & Chemicals	-	50	-	15.1
DeltaAfrik Engineering Limited	Hydrocarbons	49	49	19.2	16.0
NANA WorleyParsons LLC	Hydrocarbons	50	50	7.9	6.7
Ranhill WorleyParsons Sdn Bhd	Hydrocarbons	49	49	28.6	24.6
Sakhneftegaz Engineering[2]	Hydrocarbons	49	49	2.8	2.8
Transfield Worley Limited	Hydrocarbons	50	50	8.1	7.7
Transfield Worley Power Services Pty Ltd	Power	50	50	12.1	2.6
Other investments				13.0	10.8
Acquired during the year					
Cegertec WorleyParsons Inc[3]	Minerals, Metals & Chemicals	50	-	12.4	-
				104.1	**86.3**

1 Acquired control during the financial year. Refer note 23.
2 Balance date is 31 December, which was the balance date when the interest/entity was acquired.
3 Acquired interest during the financial year.

(B) CARRYING AMOUNT OF EQUITY ACCOUNTED INVESTMENTS

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
Carrying amount at the beginning of the financial year	86.3	135.6
Share of net profits of investments accounted for using the equity method	27.6	31.5
Dividends declared by equity accounted investments	(18.5)	(31.5)
Change in nature of investment and investment acquired	7.1	(33.0)
Movement in foreign currency translation reserve of equity accounted investments	1.6	(16.3)
Carrying amount at the end of the financial year	**104.1**	**86.3**

	CONSOLIDATED 2012 $'M	2011 $'M
(C) NET PROFITS ATTRIBUTABLE TO EQUITY ACCOUNTED INVESTMENTS		
Profits before income tax expense	40.7	43.8
Income tax expense	(13.1)	(12.3)
Net profits of equity accounted investments	**27.6**	**31.5**
(D) REVENUE ATTRIBUTABLE TO EQUITY ACCOUNTED INVESTMENTS		
Share of revenue from equity accounted investments	665.0	718.9
(E) RESERVES ATTRIBUTABLE TO EQUITY ACCOUNTED INVESTMENTS		
FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at the beginning of the financial year	(24.9)	(8.6)
Effect of decrease in reserve	1.6	(16.3)
Balance at the end of the financial year	**(23.3)**	**(24.9)**
(F) RETAINED PROFITS ATTRIBUTABLE TO EQUITY ACCOUNTED INVESTMENTS		
Balance at the beginning of the financial year	106.3	106.3
Share of net profits of investments accounted for using the equity method	27.6	31.5
Dividends declared	(18.5)	(31.5)
Balance at the end of the financial year	**115.4**	**106.3**
(G) SHARE OF EQUITY ACCOUNTED INVESTMENTS' CONTINGENT LIABILITIES		
Performance related guarantees issued	12.4	18.4
(H) SHARE OF EQUITY ACCOUNTED INVESTMENTS' EXPENDITURE COMMITMENTS		
Operating lease commitments	6.7	12.4

(I) SUMMARY OF FINANCIAL POSITION OF EQUITY ACCOUNTED INVESTMENTS

The consolidated entity's share of aggregate assets and liabilities of equity accounted investments is:

	2012 $'M	2011 $'M
Current assets	189.7	152.8
Non-current assets	38.1	22.4
Current liabilities	(109.7)	(82.7)
Non-current liabilities	(21.5)	(12.3)
Net assets	96.6	80.2
Goodwill	7.5	6.1
Carrying amount at the end of the financial year	**104.1**	**86.3**

25. INTERESTS IN JOINTLY CONTROLLED OPERATIONS AND ASSETS

In accordance with the accounting standards, the Group discloses only significant jointly controlled operations and assets identified on the basis of materiality:

JOINTLY CONTROLLED OPERATIONS AND ASSETS	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST CONSOLIDATED 2012 %	2011 %
WORLEYPARSONS LIMITED GROUP ACCOUNTS INCLUDE A PROPORTIONATE CONSOLIDATION OF THE FOLLOWING ENTITIES:			
Significant jointly controlled operation and asset			
Transfield Worley Services Joint Venture	Hydrocarbons	50	50
Jointly controlled operations and assets established during the year			
Consortium PT Rekayasa Industri – PT WorleyParsons Indonesia	Hydrocarbons	50	–

The consolidated entity's interests in the assets and liabilities employed in the jointly controlled operations and assets are included in the statement of financial position under the following classifications:

	CONSOLIDATED 2012 $'M	2011 $'M
ASSETS		
Current assets		
Cash and cash equivalents	17.9	23.4
Trade and other receivables	102.3	73.2
Other financial assets	2.5	–
Total current assets	**122.7**	**96.6**
Non-current assets		
Property, plant and equipment	0.4	0.1
Total non-current assets	**0.4**	**0.1**
TOTAL ASSETS	**123.1**	**96.7**
LIABILITIES		
Current liabilities		
Trade and other payables	90.4	60.6
Provisions	19.1	16.1
Total current liabilities	**109.5**	**76.7**
Non-current liabilities		
Other non-current liabilities	1.2	1.4
Total non-current liabilities	**1.2**	**1.4**
TOTAL LIABILITIES	**110.7**	**78.1**
NET ASSETS	**12.4**	**18.6**

26. NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
Reconciliation of profit after income tax expense to net cash inflow from operating activities:		
Profit after income tax expense	376.5	382.4
NON-CASH ITEMS		
Depreciation	19.1	14.2
Amortization	83.9	81.5
Performance rights expense	17.1	12.5
Doubtful debts expense/(credit)	4.3	(11.8)
Share of associates' net profits in excess of dividends received	(4.7)	(2.1)
Net gain on revaluation of investments previously accounted for as equity accounted associates	(7.6)	(65.7)
Net loss on foreign exchange	5.6	4.8
Other	(0.3)	1.2
Cash flow adjusted for non-cash items	493.9	417.0
CHANGES IN ASSETS AND LIABILITIES ADJUSTED FOR EFFECTS OF PURCHASE OF CONTROLLED ENTITIES		
Increase in trade and other receivables	(401.4)	(314.0)
Increase in inventories	(0.1)	(0.4)
Increase in prepayments	(42.2)	(24.2)
Increase in deferred tax assets	(2.8)	(14.9)
Increase in trade and other payables	234.3	84.5
Increase in billings in advance	14.2	23.1
(Decrease)/increase in income tax payable	(1.6)	28.4
Increase in deferred tax liabilities	7.6	3.0
Increase in other provisions	135.6	91.3
Net cash inflow from operating activities	**437.5**	**293.8**

27. FINANCE LEASE RECEIVABLE

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
Current finance lease receivable	1.5	1.4
Non-current finance lease receivable	28.5	30.0
Gross investment in lease receivable	**30.0**	**31.4**
Present value of minimum lease payments:		
Within one year	1.5	1.4
Later than one year and not later than five years	7.1	6.7
More than five years	21.4	23.3
Present value of minimum lease payments	30.0	31.4
Gross investment in lease receivable	**30.0**	**31.4**

The finance lease receivable relates to the power supply contract held by the Company's 100% subsidiary, Exmouth Power Station Pty Limited, which is an arrangement that contains a lease.

28. PROCUREMENT

In certain situations, the Group will enter into contracts with its customers which require the Group to procure goods and services on behalf of the customer.

Where the risks and rewards associated with the procurement activities are assumed by the Group, the revenues and expenses, and assets and liabilities are recognized on a gross basis in the statement of financial performance and statement of financial position.

The following procurement services revenues and expenses, and assets and liabilities have been recognized on a gross basis in the statement of financial performance and statement of financial position:

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
REVENUES AND EXPENSES[1]		
Procurement services revenue at margin	216.3	204.7
Procurement cost at margin	(198.4)	(166.8)
Procurement services revenue at nil margin	696.2	426.8
Procurement cost at nil margin	(696.2)	(426.8)
ASSETS AND LIABILITIES		
Cash and cash equivalents	42.9	7.6
Trade and other receivables	26.2	4.0
Trade and other payables	(15.2)	(6.8)

1 Revenue and expenses exclude procurement services revenue and expenses from associates.

29. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED 2012 $'M	CONSOLIDATED 2011 $'M
(A) OPERATING LEASES		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	179.3	165.5
Later than one year and not later than five years	458.2	441.1
Later than five years	62.6	96.2
Commitments not recognized in the financial statements	**700.1**	**702.8**
(B) OPERATING EXPENDITURE COMMITMENTS		
Estimated commitments for operating expenditure in relation to software and other items are payable as follows:		
Within one year	20.1	39.1
Later than one year and not later than five years	22.3	29.5
Commitments not recognized in the financial statements	**42.4**	**68.6**

The Parent Entity has no commitments for expenditure.

30. CONTINGENT LIABILITIES

(A) GUARANTEES

The Company 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.

These guarantees and letters of credit only give rise to a liability where the entity concerned fails to perform its contractual obligation.

	CONSOLIDATED		PARENT ENTITY	
	2012 $'M	2011 $'M	2012 $'M	2011 $'M
Bank guarantees outstanding at balance date in respect of contractual performance	522.3	413.2	346.2	258.7
Commitments not recognized in the financial statements	**522.3**	**413.2**	**346.2**	**258.7**

(B) ASBESTOS

Certain subsidiaries acquired as part of the Parsons acquisition (Parsons E&C), have been, and continue to be, the subject of litigation relating to the handling of, or exposure to, asbestos. Due to the continuation and extension of the existing indemnity and asbestos claims administration arrangements between Parsons Corporation and Parsons E&C Corporation, the Group is not aware of any circumstance that is likely to lead to a residual contingent exposure for the Group in respect of asbestos liabilities.

(C) ACTUAL AND PENDING CLAIMS

The Company is subject to various actual and pending claims arising in the normal course of business. The Company has regular claims reviews, including updates from corporate and outside counsel, to assess the need for accounting recognition or disclosure of these contingencies. The directors are currently of the view that the consolidated entity is adequately provided in respect of these claims in accordance with the accounting policy set out in note 2(P).

31. REMUNERATION OF AUDITORS

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
Remuneration for audit or review of the financial reports of the Parent Entity or any other entity in the Group:		
Auditor of the Parent Entity – Ernst & Young	2,539,297	2,619,406
Other auditors of controlled entities	189,713	177,700
	2,729,010	2,797,106
Amounts received for other services from Ernst & Young:		
Tax related services	211,967	237,659
Acquisition related assurance services	116,000	–
Other non-audit services	298,034	317,773
	626,001	555,432
	3,355,011	3,352,538

32. RELATED PARTIES

(A) DIRECTORS

The names of persons who were directors of the Company at any time during the financial year were as follows:

Ron McNeilly (Chairman)

Larry Benke

Erich Fraunschiel

John M Green

John Grill (Chief Executive Officer)

Eric Gwee – retired as a director on 25 October 2011

William Hall (alternate director) – retired as an alternate director on 25 October 2011

Christopher Haynes, OBE – appointed as a director on 1 January 2012.

Catherine Livingstone, AO

JB McNeil

Wang Xiao Bin – appointed as a director on 1 December 2011

(B) OTHER RELATED PARTIES

	CONSOLIDATED	
	2012 $'M	2011 $'M
Aggregate amounts included in the determination of profit before income tax expense that resulted from transactions with each class of other related parties were as follows:		
Dividend revenue from associates	18.5	31.5
Aggregate amounts brought to account in relation to other transactions with each class of other related parties:		
Loans advanced to:		
Associates and related parties	4.4	9.0
Loan repayments from:		
Associates and related parties	3.4	1.7
Aggregate amounts, receivable from, and payable to, each class of other related parties at balance date were as follows:		
Current receivables		
Associates and related parties	71.9	31.4
Current payables		
Associates and related parties	10.2	7.5

Related entities provide specific advisory services to controlled entities in the normal course of business. These transactions are made on normal terms and conditions and at market rates.

(C) CONTROLLING ENTITIES

WorleyParsons Limited is the ultimate Australian parent company.

33. KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) PARTICULARS OF KEY MANAGEMENT PERSONNEL (KMP) INTERESTS IN SHARES

Particulars of KMP's beneficial interest in shares of the Company as at 30 June 2012 are as follows:

	NUMBER OF SHARES HELD IN WORLEYPARSONS LIMITED			
	BALANCE AT 1 JULY 2011	CHANGE IN STATUS[2]	OTHER TRANSACTIONS	BALANCE AT 30 JUNE 2012
NON-EXECUTIVE DIRECTORS				
Ron McNeilly	401,064	–	–	401,064
Larry Benke[1]	1,180,195	–	(50,000)	1,130,195
Erich Fraunschiel	168,755	–	–	168,755
John M Green	891,869	–	–	891,869
Eric Gwee[2]	36,802	(36,802)	–	–
Christopher Haynes, OBE	–	–	–	–
Catherine Livingstone, AO	13,000	–	–	13,000
JB McNeil	6,500	–	3,800	10,300
Wang Xiao Bin	–	–	4,000	4,000
Sub-total	**2,698,185**	(36,802)	(42,200)	**2,619,183**
EXECUTIVE DIRECTORS				
John Grill	25,329,759	–	–	25,329,759
William Hall[2]	49,800	(49,800)	–	–
Sub-total	**25,379,559**	(49,800)	–	**25,329,759**
OTHER				
Barry Bloch	–	–	–	–
Stuart Bradie	50,977	–	–	50,977
Iain Ross	490,397	–	–	490,397
David Steele	107,379	–	–	107,379
Andrew Wood	804,583	–	–	804,583
Sub-total	**1,453,336**	–	–	**1,453,336**
Grand total	**29,531,080**	(86,602)	(42,200)	**29,402,278**

1 Mr Benke received exchangeable shares as part of the Colt Group consideration upon acquisition in 2007.

2 Messrs Gwee and Hall retired as directors on 25 October 2011.

(B) PARTICULARS OF KMP PERFORMANCE RIGHTS

Particulars of KMP's equity settled performance rights granted as at 30 June 2012 are as follows:

	NUMBER OF PERFORMANCE RIGHTS OVER SHARES IN WORLEYPARSONS LIMITED					
	BALANCE AT 1 JULY 2011	GRANTED	EXERCISED	CHANGE IN STATUS[1]	LAPSED	BALANCE AT 30 JUNE 2012
EXECUTIVE AND NON-EXECUTIVE DIRECTORS						
John Grill[2]	158,060	67,639	-	-	(17,326)	208,373
William Hall	60,468	-	-	(53,897)	(6,571)	-
Larry Benke[3]	10,527	-	-	-	(2,715)	7,812
Sub-total	**229,055**	67,639	-	(53,897)	(26,612)	**216,185**
GROUP MANAGING DIRECTORS						
Barry Bloch	-	10,231	-	-	-	10,231
Stuart Bradie	63,427	21,495	-	-	(6,276)	78,646
Iain Ross	61,474	19,922	-	-	(6,333)	75,063
David Steele	35,604	21,315	-	-	(3,523)	53,396
Andrew Wood	59,325	23,702	-	-	(6,115)	76,912
Sub-total	**219,830**	96,665	-	-	(22,247)	**294,248**
Grand total	**448,885**	164,304	-	(53,897)	(48,859)	**510,433**

1 Mr Hall retired as an alternate director on 25 October 2011.
2 Cash settled performance rights are granted to Mr Grill as at 30 June 2012. No equity settled performance rights are granted to Mr Grill as at 30 June 2012.
3 Mr Benke was appointed as a non-executive director effective 1 July 2010. Prior to this appointment, he received allocations of performance rights under the LTI plan. Upon his retirement as an executive, the Board exercised discretion to allow a pro-rata proportion of his outstanding performance rights to remain in the plan.

All performance rights vested during the financial year were exercised in full.

Long term incentive (LTI) grants are delivered to executive directors, other KMP and other executives as performance rights (rights). During the year, two different offers were made to KMP who are also Executives and to other executive employees. The rights are issued under the WorleyParsons Performance Rights Plan and are settled in shares when vested (except rights granted to John Grill as noted above which are settled in cash).

Each right entitles the holder to one fully paid ordinary share in the Company at a nil exercise price (i.e. a zero exercise price option). The number of rights issued is based on the target LTI with reference to the underlying share price when issued. Rights vest and are automatically exercised after a three year period, subject to minimum performance hurdles being satisfied.

The measurement of performance is based on the following:

- Total shareholder return (TSR) relative to peer group (which applies to 60% of potential long term incentive for FY2012); and
- Earnings per share (EPS) growth (which applies to 40% of potential long term incentive for FY2012).

For LTI grants made in FY2012, the peer comparison group comprises AECOM, Aker Solutions, AMEC, Fluor Corporation, Foster Wheeler, Jacobs Engineering Group, KBR, SNC-Lavalin, URS Corporation and Wood Group.

The vesting schedule of the rights subject to the relative TSR hurdle is outlined below:

RELATIVE TSR PERCENTILE RANKING	PERCENTAGE OF RIGHTS THAT MAY BE EXERCISED IF THE RELATIVE TSR HURDLE IS MET
Less than 50th percentile	0%
At 50th percentile	30%
Greater than the 50th percentile but less than the 75th percentile	Pro-rated vesting between more than 30% and less than 60%
At 75th percentile or greater	60% (i.e. maximum available under the plan)

The initial test date of the rights subject to the relative TSR hurdle is at the end of year three. At the end of year three, participants can either accept the vesting outcome achieved or elect to have their rights retested at the end of year four (in which case the same vesting schedule applies but the retest period covers the entire four year period from the date the rights were granted).

Executives will only derive value from the EPS component of the grants made in FY2012 if the Company achieves average compound growth in EPS of at least 4% per annum above the increase in customer pricing index (CPI) over the three year performance period.

The vesting schedule of the rights subject to the EPS hurdle is as follows:

AVERAGE COMPOUND GROWTH IN EPS OVER THE PERFORMANCE PERIOD	PERCENTAGE OF RIGHTS THAT MAY BE EXERCISED IF THE EPS HURDLE IS MET
Less than 4% pa above the increase in CPI	0%
4% pa above the increase in CPI	20%
More than 4% pa above the increase in CPI but less than 8% pa above the increase in CPI	An additional 5% of rights will vest for each additional 1% pa plus CPI increase
8% pa or greater above the increase in CPI	40% (i.e. maximum available under the plan)

Other executive employees were granted the rights vesting upon achievement of continuing employment conditions and achievement of a "meeting expectations performance" rating between 1 July 2011 and 30 June 2014.

Where a participant leaves the Group, the Board may exercise its discretion and allow a proportion of any unvested rights to remain in the plan, and subsequently vest and be exercised in the ordinary course, having regard to such factors as it determines relevant.

Weighted average remaining contractual life

The weighted average remaining contractual life for the rights outstanding as at 30 June 2012 is 1.3 years (2011: 1.4 years).

Weighted average fair value

The weighted average fair value of rights granted during the year was $17.69 (2011: $16.93).

Pricing model

The following table lists the inputs to the models used for the years ended 30 June 2012 and 30 June 2011:

	PERFORMANCE RIGHTS PLAN 2012 - TSR & EPS	PERFORMANCE RIGHTS PLAN 2011 - TSR & EPS
Dividend yield (%)	3.49	2.90
Expected volatility (%)	35	35
Risk-free interest rate (%)	3.23	5.22
Expected life of rights (years)	3	3
Rights exercise price ($)	-	-
Weighted average share price at measurement date ($)	27.46	26.85

The expected volatility was determined based on the historical share price volatility of the Company. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

(C) SUMMARY OF KMP REMUNERATION

	CONSOLIDATED	
	2012 $	2011 $
Short term employee benefits	11,017,826	9,907,371
Post-employment benefits	195,883	288,213
Other long term benefits	59,826	56,178
Share based payments	2,668,309	1,705,660
Total compensation	**13,941,844**	**11,957,422**

34. SEGMENT INFORMATION

(A) IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Group Managing Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments identified by management are based on the customer sector groups: Hydrocarbons; Power; Minerals, Metals & Chemicals; and Infrastructure & Environment.

Discrete pre-tax financial information about each of these customer sector groups is reported to the chief operating decision makers on a monthly basis.

The Group's operations are organized and managed separately according to the nature of the services they provide, with each segment serving different markets. The Group provides engineering design, project services, and maintenance and reliability support services to a number of markets. The consolidated entity's activities also include infrastructure developments within the Power sector.

(B) ACCOUNTING POLICIES AND INTER-SEGMENT TRANSACTIONS

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.

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2.

The segment result includes the allocation of overhead that can be directly attributed to an individual business segment.

The following items and associated assets and liabilities are not allocated to segments as they are not considered part of the core operations of any segment:

- income tax expense;
- interest and tax for associates;
- amortization of intangible assets;
- gains and losses on the sale or revaluation of investments;
- certain general and administration expenditure (performance rights and corporate expenses); and
- net borrowing costs.

(C) MAJOR CUSTOMERS

The Group has a number of customers to which it provides services. The most significant customer accounts for 11.3% (2011: 10.2%) of external revenue within the Hydrocarbons customer sector group. The next most significant customer accounts for less than 10% of external revenue.

(D) OPERATING SEGMENTS

	HYDROCARBONS		POWER		MINERALS, METALS & CHEMICALS		INFRASTRUCTURE & ENVIRONMENT		TOTAL	
	2012 $'M	2011 $'M	2012 $'M	2011 $'M	2012 $'M	2011 $'M	2012 $'M	2011 $'M	2012 $'M	2011 $'M
Revenue										
Sales to external customers	4,728.7	3,784.1	524.1	483.3	892.5	606.2	840.3	679.5	6,985.6	5,553.1
Procurement services revenue at margin	285.8	258.3	55.2	27.8	1.2	37.0	30.5	21.0	372.7	344.1
Other income	0.6	1.5	2.0	2.6	1.7	0.6	0.0	1.6	4.3	6.3
Total segment revenue[1]	**5,015.1**	**4,043.9**	**581.3**	**513.7**	**895.4**	**643.8**	**870.8**	**702.1**	**7,362.6**	**5,903.5**
Reconciliation of segment revenue to total revenue and other income per the statement of financial performance:										
Segment revenue									7,362.6	5,903.5
Procurement services revenue at nil margin									696.2	426.8
Share of revenue from associates									(665.0)	(718.9)
Net gain on revaluation of investments previously accounted for as equity accounted associates									7.6	65.7
Interest income									7.0	6.1
Total revenue and other income per the statement of financial performance									**7,408.4**	**5,683.2**
Segment result[2,3]	586.5	554.3	59.9	65.3	131.4	102.7	115.3	101.0	893.1	823.3
Segment margin	11.7%	13.7%	10.3%	12.7%	14.7%	16.0%	13.2%	14.4%	12.1%	13.9%
Reconciliation of segment result to profit after income tax expense per the statement of financial performance:										
Segment result									893.1	823.3
Global support costs[3]									(317.5)	(299.6)
Interest and tax for associates									(13.8)	(17.0)
Amortization of acquired intangible assets									(31.5)	(32.5)
EBIT excluding the net gain on revaluation of investments previously accounted for as equity accounted associates									530.3	474.2
EBIT margin on aggregated revenue for the Group, excluding the net gain on revaluation of investments previously accounted for as equity accounted associates									7.2%	8.0%
Net gain on revaluation of investments previously accounted for as equity accounted associates									7.6	65.7
Net borrowing costs									(44.1)	(41.5)
Income tax expense									(117.3)	(116.0)
Profit after income tax expense per the statement of financial performance									**376.5**	**382.4**
Other segment information										
Depreciation and amortization expense	59.0	57.9	3.9	7.9	22.6	16.7	17.5	13.2	103.0	95.7
Share of net profits of associates accounted for using the equity method	22.6	23.3	0.9	(0.2)	3.0	8.0	1.1	0.4	27.6	31.5
Equity accounted associates	75.2	66.4	13.6	(1.1)	10.1	16.2	5.2	4.8	104.1	86.3
Purchase of non-current assets	49.6	36.1	4.8	4.6	28.0	10.7	17.9	8.2	100.3	59.6

1 Segment revenue represents aggregated revenue, which is defined as statutory revenue and other income plus share of revenue from associates less procurement services revenue at nil margin, interest income and net gain on revaluation of investments previously accounted for as equity accounted associates.

2 Segment result represents earnings before interest and income tax expense (EBIT) which is the key financial measure that is presented to the chief operating decision makers.

3 Due to a change in presentation of Global support costs in the internal reports presented to the chief operating decision makers, the prior year Segment result and Global support costs have been restated to be comparable with the current year's disclosure, as required by AASB 8 Operating Segments. The impact of this change is an increase in Global support costs from $70.8 million to $299.6 million for the financial year ended 30 June 2011.

(E) GEOGRAPHIC SEGMENTS

	2012 $'M	2011 $'M
Services revenue from external customers:[1]		
Asia and China	542.2	606.7
Australia East, Pacific and New Zealand	787.8	549.6
Australia West	921.2	612.9
Canada	1,832.1	1,273.0
Europe	635.1	485.1
Latin America	207.8	134.9
Middle East, North Africa and India	812.0	803.2
Sub Saharan Africa	162.9	88.5
United States of America and Caribbean	1,488.4	1,051.2
Total revenue from external customers	**7,389.5**	**5,605.1**
Non-current assets by geographical location:[2]		
Asia and China	96.3	56.1
Australia East, Pacific and New Zealand	186.9	170.6
Australia West	85.1	82.6
Canada	969.3	992.8
Europe	87.3	85.6
Latin America	197.7	171.5
Middle East, North Africa and India	6.6	13.5
Sub Saharan Africa	70.3	77.7
United States of America and Caribbean	293.6	278.3
Total non-current assets	**1,993.1**	**1,928.7**

1 Revenue is attributed to the geographic location based on the location of the entity providing the services.
2 Excludes derivative financial instruments and deferred tax assets.

35. CREDIT RISK

The financial assets of the Group comprise cash and cash equivalents, trade and other receivables, and derivative financial instruments and off statement of financial position guarantees and letters of credit. 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. Exposure at balance date is addressed in each applicable note. Credit exposure of derivatives is considered to be any positive market value.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	CARRYING AMOUNT CONSOLIDATED	
	2012 $'M	2011 $'M
Cash and cash equivalents	247.3	171.2
Trade receivables, unbilled contract revenue and retentions	1,725.9	1,361.7
Amounts owing by associates and related parties	73.9	31.4
Derivatives	16.6	0.6
	2,063.7	**1,564.9**

The ageing of the Group's trade receivables, unbilled contract revenue and retentions at the reporting date was:

	GROSS 2012 $'M	IMPAIRMENT 2012 $'M	GROSS 2011 $'M	IMPAIRMENT 2011 $'M
Unbilled contract revenue	782.2	-	573.2	-
0-30 days	649.1	(7.3)	534.8	(2.7)
Past due 31-60 days	115.5	(3.3)	113.9	(0.6)
Past due 61-90 days	56.5	(0.4)	46.2	(2.0)
Past due 91-120 days	29.5	(0.8)	34.3	(1.5)
More than 121 days	118.0	(13.1)	85.0	(18.9)
	1,750.8	**(24.9)**	**1,387.4**	**(25.7)**

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 30 days other than for specifically identified accounts. The Group's typical payment terms are 30 days from date of invoice.

The allowance amounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amount is considered irrecoverable and is written off against the financial asset directly.

Counterparties with receivables neither past due nor impaired are assessed as creditworthy.

36. LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they will fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has unrestricted access at balance date to the following lines of credit:

	CONSOLIDATED	
	2012 $'M	2011 $'M
SECURED FACILITIES		
Total facilities available:		
Loan facilities	18.8	20.2
	18.8	**20.2**
Facilities utilized at balance date:		
Loan facilities	18.8	20.2
	18.8	**20.2**
Facilities available at balance date:		
Loan facilities	–	–
	–	–
The maturity profile in respect of the Group's secured loan facilities is set out below:		
Due within one year	1.4	1.3
Due between one and four year(s)	5.0	4.7
Due after four years	12.4	14.2
	18.8	**20.2**

	CONSOLIDATED	
	2012 $'M	2011 $'M
UNSECURED FACILITIES		
Total facilities available:		
Loan facilities	1,336.2	1,185.5
Overdraft facilities	89.6	71.6
Bank guarantees and letters of credit	787.3	681.7
	2,213.1	**1,938.8**
Facilities utilized at balance date:		
Loan facilities	721.0	654.5
Overdraft facilities	–	5.1
Bank guarantees and letters of credit	522.3	413.2
	1,243.3	**1,072.8**
Facilities available at balance date:		
Loan facilities	615.2	531.0
Overdraft facilities	89.6	66.5
Bank guarantees and letters of credit	265.0	268.5
	969.8	**866.0**
The maturity profile in respect of the Group's available unsecured loan and overdraft facilities is set out below:		
Due within one year	137.5	152.8
Due between one and four year(s)	731.1	394.3
Due after four years	557.2	710.0
	1,425.8	**1,257.1**

The table below analyzes 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 statement of financial position.

	CONSOLIDATED					
	TRADE PAYABLES $'M	PAYABLES TO ASSOCIATES AND RELATED PARTIES $'M	INTEREST BEARING LOANS AND BORROWINGS $'M	EXPECTED FUTURE INTEREST PAYMENTS $'M	DERIVATIVES $'M	TOTAL FINANCIAL LIABILITIES $'M
AS AT 30 JUNE 2012						
Due within one year	346.7	10.2	3.7	0.6	4.0	365.2
Due between one and four year(s)	–	–	214.6	20.2	0.0	234.8
Due after four years	–	–	521.5	194.9	–	716.4
	346.7	**10.2**	**739.8**	**215.7**	**4.0**	**1,316.4**
AS AT 30 JUNE 2011						
Due within one year	219.6	7.5	43.7	1.5	0.9	273.2
Due between one and four year(s)	–	–	135.7	24.3	–	160.0
Due after four years	–	–	500.4	213.0	15.1	728.5
	219.6	**7.5**	**679.8**	**238.8**	**16.0**	**1,161.7**

37. CURRENCY RISK

The Group operates internationally and is therefore subject to foreign currency risk. In the ordinary course of business, the Group structures its contracts to be in the functional currency of the country where the work is performed and cost is incurred. If Group entities enter into transactions in currencies other than their respective functional currencies, in order to hedge the resulting foreign currency transaction risk, the Group utilizes derivative financial instruments (e.g. forward exchange contracts and foreign currency options).

A number of the Group controlled entities have a functional currency other than AUD. The exchange gains or losses on the net equity investment of foreign operations are reflected in the foreign currency translation reserve within Parent Entity's equity. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

(A) FORWARD EXCHANGE CONTRACTS

The Group is exposed to exchange rate transaction risk on foreign currency sales, purchases, and loans to and from related entities. The most significant exchange risk is US dollar receipts by Australian and non-US entities. When required, hedging is undertaken through transactions entered into in the foreign exchange markets. Forward exchange contracts have been used for hedging purposes. Forward exchange contracts are generally accounted for as cash flow hedges.

At balance date, the details of outstanding contracts were:

	WEIGHTED AVERAGE EXCHANGE RATE		AMOUNT RECEIVABLE/(PAYABLE)		AMOUNT RECEIVABLE/(PAYABLE)	
	2012	2011	2012 $'M	2012 $'M	2011 $'M	2011 $'M
Maturing in the next six months to 31 December 2012:						
Buy AUD and Sell USD	0.99	-	AUD 44.9	USD (45.4)	-	-
Buy BRL and Sell USD	1.94	-	BRL 1.5	USD (0.8)	-	-
Buy CAD and Sell EUR	1.39	-	CAD 0.9	EUR (0.6)	-	-
Buy CAD and Sell KWD	3.61	-	CAD 19.0	KWD (5.3)	-	-
Buy CAD and Sell USD	1.02	-	CAD 1.6	USD (1.5)	-	-
Buy CNY and Sell USD	6.33	-	CNY 46.8	USD (7.4)	-	-
Buy GBP and Sell AUD	0.64	-	GBP 10.0	AUD (15.5)	-	-
Buy GBP and Sell SGD	0.51	-	GBP 0.2	SGD (0.4)	-	-
Buy GBP and Sell USD	0.64	1.49	GBP 2.1	USD (3.4)	GBP 0.2	USD (0.2)
Buy HKD and Sell SGD	6.10	-	HKD 20.8	SGD (3.4)	-	-
Buy IDR and Sell USD	9,287.23	-	IDR 69,600	USD (7.5)	-	-
Buy INR and Sell USD	50.73	-	INR 149.7	USD (3.0)	-	-
Buy JPY and Sell AUD	83.88	-	JPY 7.7	AUD (0.1)	-	-
Buy QAR and Sell ZAR	0.45	-	QAR 1.6	ZAR (3.6)	-	-
Buy SGD and Sell AUD	1.26	-	SGD 14.4	AUD (11.4)	-	-
Buy SGD and Sell USD	1.27	-	SGD 8.9	USD (7.0)	-	-
Buy USD and Sell EUR	1.29	-	USD 5.8	EUR (4.5)	-	-
Buy USD and Sell ZAR	0.12	-	USD 0.1	ZAR (1.1)	-	-
Maturing in the next 6-12 months to 30 June 2013:						
Buy BRL and Sell USD	1.96	-	BRL 2.4	USD (1.2)	-	-
Buy CAD and Sell USD	1.03	-	CAD 0.5	USD (0.5)	-	-
Buy CNY and Sell USD	6.34	-	CNY 16.5	USD (2.6)	-	-
Buy GBP and Sell USD	0.64	1.48	GBP 1.5	USD (2.4)	GBP 0.1	USD (0.2)
Buy HKD and Sell SGD	6.11	-	HKD 5.6	SGD (0.9)	-	-
Buy SGD and Sell USD	1.27	-	SGD 2.5	USD (2.0)	-	-
Buy USD and Sell EUR	1.3	-	USD 1.3	EUR (1.0)	-	-
Maturing in the next 12-18 months to 31 December 2013:						
Buy BRL and Sell USD	1.98	-	BRL 0.2	USD (0.1)	-	-
Buy GBP and Sell USD	0.64	-	GBP 0.7	USD (1.2)	-	-

As these contracts are hedging anticipated future receipts and sales to the extent that they satisfy hedge accounting criteria, any unrealized gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognized in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated. Included in the amounts deferred are any gains and losses on hedging contracts terminated prior to maturity where the related hedged transaction is still expected to occur as designated.

The gains and losses deferred in the statement of financial position were:

	CONSOLIDATED	
	2012 $'M	2011 $'M
Effective hedge – unrealized gains	0.6	0.5
Effective hedge – unrealized losses	(1.6)	(0.6)
Net unrealized gains/(losses), pre-tax	(1.0)	(0.1)

37. CURRENCY RISK (continued)

(B) CROSS CURRENCY SWAPS

The Group uses cross currency swaps to hedge its foreign currency interest rate risk, most with a maturity of greater than one year from the reporting date.

At balance date, the details of cross currency swaps were:

	WEIGHTED AVERAGE EXCHANGE RATE		AMOUNT RECEIVABLE/(PAYABLE)		AMOUNT RECEIVABLE/(PAYABLE)	
	2012	2011	2012 $'M	2012 $'M	2011 $'M	2011 $'M
Contracts to buy USD and sell CAD:						
Maturing 24 March 2016	0.99	0.99	USD 10.0	CAD (9.9)	USD 10.0	CAD (9.9)
Maturing 24 March 2018	0.99	0.99	USD 22.0	CAD (21.7)	USD 22.0	CAD (21.7)
Maturing 30 April 2018	1.00	1.00	USD 144.5	CAD (144.5)	USD 144.5	CAD (144.5)
Maturing 24 March 2021	0.99	0.99	USD 120.0	CAD (118.3)	USD 120.0	CAD (118.3)

The following gains and losses have been deferred at balance date:

	CONSOLIDATED	
	2012 $'M	2011 $'M
Fair value gain/(loss) on cross currency hedge	16.0	(15.2)
Foreign exchange (loss)/gain on hedge relationship	(11.6)	8.2
Net unrealized gain/(loss) pre-tax in hedge reserve	4.4	(7.0)

(C) CONSOLIDATED FOREIGN CURRENCY RISK EXPOSURE

The Group's year-end statement of financial position exposure to foreign currency risk was as follows, based on notional amounts. The following are financial assets and liabilities (unhedged amounts) in currencies other than the functional currencies of the entity in which they are recorded.

AS AT 30 JUNE 2012	CAD[1]	GBP[1]	USD[1]	OTHER[1]
Cash and cash equivalents	0.2	1.0	15.3	5.0
Trade receivables and unbilled contract revenue	0.3	1.9	52.7	51.5
Derivative assets	16.6	0.1	0.0	0.0
Trade payables	(0.6)	(0.5)	(21.4)	(14.6)
Gross statement of financial position exposure	16.5	2.5	46.6	41.9

AS AT 30 JUNE 2011	CAD[1]	GBP[1]	USD[1]	OTHER[1]
Cash and cash equivalents	1.1	1.3	26.7	6.1
Trade receivables and unbilled contract revenue	4.1	4.7	94.2	28.9
Derivative assets	-	-	0.1	-
Trade payables	(1.3)	(2.1)	(34.1)	(8.1)
Gross statement of financial position exposure	3.9	3.9	86.9	26.9

1 Represents in currency millions as indicated.

(D) CURRENCY SENSITIVITY ANALYSIS

A 10% weakening of the Australian dollar against the following currencies at 30 June 2012 would have increased/(decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed and shown on the same basis for 2011.

	CONSOLIDATED			
	2012		2011	
EFFECTS IN MILLIONS OF AUD	EQUITY	PROFIT	EQUITY	PROFIT
CAD	-	0.0	-	0.3
GBP	-	0.3	-	0.5
USD	-	3.6	-	6.3
Other	-	2.9	-	1.9

A 10% strengthening of the Australian dollar against the above currencies at 30 June 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The following significant exchange rates against AUD applied during the financial year:

	AVERAGE EXCHANGE RATE		REPORTING DATE SPOT EXCHANGE RATE	
	2012	2011	2012	2011
CAD	1.0349	0.9883	1.0374	1.0333
GBP	0.6513	0.6206	0.6469	0.6679
USD	1.0324	0.9878	1.0039	1.0717

38. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of its holdings of financial instruments.

(A) INTEREST RATE RISK EXPOSURE

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods are set out in the following table:

			FIXED INTEREST MATURING IN:							
	WEIGHTED AVERAGE INTEREST RATE % PA	FLOATING INTEREST RATE $'M	1 YEAR OR LESS $'M	1 TO 2 YEAR(S) $'M	2 TO 3 YEARS $'M	3 TO 4 YEARS $'M	4 TO 5 YEARS $'M	MORE THAN 5 YEARS $'M	NON-INTEREST BEARING $'M	TOTAL $'M
AS AT 30 JUNE 2012										
FINANCIAL ASSETS										
Cash and cash equivalents	2.9	247.3	–	–	–	–	–	–	–	247.3
Trade receivables, unbilled contract revenue and retentions	–	–	–	–	–	–	–	–	1,725.9	1,725.9
Amounts owing by associates and related parties	–	–	–	–	–	–	–	–	71.9	71.9
Derivatives	–	–	–	–	–	–	–	–	16.6	16.6
Total financial assets		247.3	–	–	–	–	–	–	1,814.4	2,061.7
FINANCIAL LIABILITIES										
Bank loans	3.0	62.1	1.4	1.5	1.7	1.8	1.9	10.5	–	80.9
Notes payable	6.0	–	–	139.9	–	9.9	168.9	340.2	–	658.9
Trade payables	–	–	–	–	–	–	–	–	346.7	346.7
Payables to associates and related parties	–	–	–	–	–	–	–	–	10.2	10.2
Derivatives	–	–	–	–	–	–	–	–	4.0	4.0
Interest rate swaps	–	(18.4)	1.4	1.5	1.6	1.7	1.9	10.3	–	–
Total financial liabilities		43.7	2.8	142.9	3.3	13.4	172.7	361.0	360.9	1,100.7
Net financial assets										961.0
AS AT 30 JUNE 2011										
FINANCIAL ASSETS										
Cash and cash equivalents	2.4	171.2	–	–	–	–	–	–	–	171.2
Trade receivables, unbilled contract revenue and retentions	–	–	–	–	–	–	–	–	1,361.7	1,361.7
Amounts owing by associates and related parties	–	–	–	–	–	–	–	–	31.4	31.4
Derivatives	–	–	–	–	–	–	–	–	0.6	0.6
Total financial assets		171.2	–	–	–	–	–	–	1,393.7	1,564.9
FINANCIAL LIABILITIES										
Bank loans	5.0	5.1	1.3	1.4	1.6	1.7	1.8	12.4	–	25.3
Notes payable	5.7	37.3	–	–	131.1	–	9.3	476.8	–	654.5
Trade payables	–	–	–	–	–	–	–	–	219.6	219.6
Payables to associates and related parties	–	–	–	–	–	–	–	–	7.5	7.5
Derivatives	–	–	–	–	–	–	–	–	16.0	16.0
Interest rate swaps	–	(19.6)	1.3	1.4	1.5	1.6	1.7	12.1	–	–
Total financial liabilities		22.8	2.6	2.8	134.2	3.3	12.8	501.3	243.1	922.9
Net financial assets										642.0

38. INTEREST RATE RISK (continued)

(B) INTEREST RATE SWAP CONTRACTS

Exmouth Power Station Pty Limited, 100% owned by a wholly owned subsidiary of WorleyParsons Limited, built and operates the Exmouth power station and has drawn down on a loan facility which currently has a floating interest rate. It is policy to protect part of the loan from exposure to increasing interest rates. Accordingly, the entity has entered into an interest rate swap contract under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contract is settled on a net basis and the net amount receivable or payable at the reporting date is included in other receivables or payables.

The contract requires settlement of net interest receivable or payable six monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Swaps currently in place cover approximately 97.5% (2011: 97.5%) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rate is 5.89% per annum (2011: 5.89%).

At 30 June 2012, the notional principal amounts and periods of expiry of the interest rate swap contracts were as follows:

	CONSOLIDATED	
	2012 $'M	2011 $'M
Less than one year	1.4	1.3
Later than one year but not later than five years	6.7	6.2
Later than five years	10.3	12.1
	18.4	19.6

As these contracts are hedging anticipated future receipts and sales, any unrealized gains and losses on the contract, together with the cost of the contract, are deferred and will be recognized in the measurement of the underlying transactions provided the underlying transactions are still expected to occur as originally designated. Included in the amounts deferred are any gains and losses on hedging contracts terminated prior to maturity where the related hedging transaction is still expected to occur as designated. This contract has been accounted for as a cash flow hedge.

(C) CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE INTEREST BEARING FINANCIAL ASSETS AND LIABILITIES

A change of 100 basis points (BP) per annum in interest rates at the reporting date would have increased/(decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	EQUITY		PROFIT	
EFFECT IN MILLIONS OF AUD	100BP INCREASE	100BP DECREASE	100BP INCREASE	100BP DECREASE
2012				
Variable rate instruments	-	-	0.4	(0.4)
Interest rate swaps	0.1	(0.1)	-	-
Cash and overdraft	-	-	1.6	(1.6)
Cash flow sensitivity (net)	0.1	(0.1)	2.0	(2.0)
2011				
Variable rate instruments	-	-	0.1	(0.1)
Interest rate swaps	0.1	(0.1)	-	-
Cash and overdraft	-	-	1.1	(1.1)
Cash flow sensitivity (net)	0.1	(0.1)	1.2	(1.2)

39. FAIR VALUES

FAIR VALUES COMPARED TO CARRYING AMOUNTS

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2012		2011	
	CARRYING AMOUNT $'M	FAIR VALUE $'M	CARRYING AMOUNT $'M	FAIR VALUE $'M
Assets:				
Cash and cash equivalents	247.3	247.3	171.2	171.2
Trade receivables, unbilled contract revenue and retentions	1,725.9	1,725.9	1,361.7	1,361.7
Amounts owing by associates and related parties	71.9	71.9	31.4	31.4
Derivatives	16.6	16.6	0.6	0.6
Liabilities:				
Interest bearing loans and borrowings	739.8	825.1	679.8	801.2
Trade payables	346.7	346.7	219.6	219.6
Payables to associates and related parties	10.2	10.2	7.5	7.5
Derivatives	4.0	4.0	16.0	16.0
	961.0	875.7	642.0	520.6

The Group classifies fair value measurement using the hierarchy that reflects the significance of the inputs used in making the measurements. Derivatives held by the Group are fair valued using Level 2 measurements within the hierarchy. The fair value of the derivatives held by the Group are estimated using inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), such as forward interest and foreign currency rates. The Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable inputs exist and other relevant models used by market participants.

The basis for determining fair values is disclosed in note 2(X).

40. SUBSEQUENT EVENTS

In July 2012, unsecured notes payable were offered by WorleyParsons Financial Services Pty Limited, WorleyParsons Canadian Finance Sub Limited and WorleyParsons US Finance Sub Limited in the United States private debt capital market. Financial close and funding are expected to occur in September 2012 of US$300 million fixed coupon notes payable that will mature in five to ten years from date of financial close.

Since the end of the financial year, the directors have resolved to pay a dividend of 51.0 cents per fully paid ordinary share, including exchangeable shares, partially franked at 61.3% (2011: 50.0 cents per share, partially franked at 25.7%). In accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets, the aggregate amount of the proposed final dividend of $125.3 million is not recognized as a liability as at 30 June 2012.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years;

(b) the results of those operations in future financial years; or

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

Directors' Declaration

In accordance with a resolution of the directors of WorleyParsons Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(A);

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable;

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2012; and

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 23 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

RON McNEILLY
Chairman
Sydney, 29 August 2012

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Independent auditor's report to the members of WorleyParsons Limited

To the members of WorleyParsons Limited,

We have audited the accompanying financial report of WorleyParsons Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of financial performance, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Ernst & Young

Opinion

In our opinion:

a. the financial report of WorleyParsons Limited is in accor*dance with the Corporations Act 2001*, including:

   i giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 37 to 51 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of WorleyParsons Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Bruce Meehan
Partner
Sydney
29 August 2012