

Appendix 4D

Half Year Ended 31 December 2019

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RESULTS FOR ANNOUNCEMENT TO THE MARKET¹

STATUTORY RESULT

	CONSOLIDATED			
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M	CHANGE \$'M	CHANGE %
Revenue and other income	6,901	2,646	4,255	161
Earnings before interest, tax and amortization (EBITA) ²	284	139	145	104
Profit before income tax expense	172	116	56	48
NPATA attributable to members of Worley Limited ³	154	87	67	77
Profit after income tax expense attributable to members of Worley Limited	115	82	33	40
EBITA margin on aggregated revenue	4.7%	5.4%	-	(0.7)pp
Basic earnings per share (cents)	22.1	23.8	(1.7)	(0.07)
Diluted earnings per share (cents)	21.9	23.7	(1.8)	(0.08)

UNDERLYING RESULT

All costs in relation to ECR acquisition, funding and transition activities and other one-off costs have been excluded from the underlying results to ensure the fair presentation of underlying business performance of the Group.

	CONSOLIDATED			
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M	CHANGE \$'M	CHANGE %
EBITA ⁴	366	162	204	126
EBITA margin on aggregated revenue ⁴	6.1%	6.3%	-	(0.2)pp
NPATA attributable to members of Worley Limited ³	216	103	113	110
Basic earnings per share (cents) ⁵	41.5	29.8	11.7	39

RECONCILIATION OF STATUTORY PROFIT AFTER INCOME TAX EXPENSE TO UNDERLYING PROFIT AFTER INCOME TAX AND BEFORE AMORTISATION⁶

	CONSOLIDATED	
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
Profit after income tax expense attributable to members of Worley Limited	115	82
Impact of acquisitions and transition activities comprised of:		
<i>Transition costs</i>	81	-
<i>Acquisition costs</i>	-	12
<i>Bridging facility fee</i>	-	4
<i>Interest income on term deposits</i>	-	(8)
<i>Foreign exchange gain on term deposits</i>	-	(3)
Impairment of investment in equity accounted associate	4	-
Impact of an arbitration award ⁷	(3)	9
Other restructuring costs	-	1
Net tax expense on items excluded from underlying results	(21)	1
Tax from changes in tax legislation	1	-
Underlying profit after income tax expense attributable to members of Worley Limited	177	98
Amortisation of intangible assets acquired through business combinations	53	6
Tax effect on amortisation of intangible assets acquired through business combinations	(14)	(1)
Underlying NPATA attributable to members of Worley Limited	216	103

¹ The International Financial Reporting Standards financial information contained within this Appendix 4D has been derived from the 31 December 2019 Interim Financial Report, which has been reviewed by Ernst & Young. However, this Appendix 4D has not been reviewed.

² EBITA is defined as earnings before interest, tax and amortisation on intangible assets acquired through business combinations.

³ NPATA is defined as profit after tax excluding the post tax impact of amortisation on intangible assets acquired through business combinations.

⁴ Per segment note. Refer to note 1.1 (G) of the Interim Financial Report.

⁵ Basic underlying earnings per share are calculated on NPATA basis.

⁶ The directors consider underlying profit information is important to understand the sustainable performance of the company by excluding selected significant items.

⁷ Increase/(reduction) in revenue from an arbitration award in relation to a dispute with a state owned enterprise.

AGGREGATED REVENUE RESULT

Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates, less procurement revenue at nil margin, pass-through revenue at nil margin and interest income and impact of arbitration award. The directors believe the disclosure of the revenue attributable to associates provides additional information in relation to the financial performance of the Group.

	CONSOLIDATED			
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M	CHANGE \$'M	CHANGE %
Revenue and other income	6,901	2,646	4,255	161
Less: procurement revenue at nil margin (including share of revenue from associates)	(1,075)	(137)	(938)	685
Add: share of revenue from associates	179	96	83	86
Less: pass-through revenue at nil margin ¹	-	(37)	NM*	NM*
Less: interest income	(4)	(11)	7	(64)
(Less)/Add: impact of an arbitration award ²	(3)	9	(12)	(133)
Aggregated revenue	5,998	2,566	3,432	134

*NM - not meaningful

DIVIDEND

	AMOUNT PER SHARE	FRANKED AMOUNT PER SHARE
Interim dividend (cents per share)	25	nil
Record date for determining entitlement to final dividend		28 February 2020
Date dividend is to be paid		25 March 2020

The directors have resolved to pay an interim dividend of 25 cents (unfranked) per fully paid ordinary share, including exchangeable shares (31 December 2018: 12.5 cents per share, unfranked).

NET ASSETS PER SHARE

	CONSOLIDATED	
	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Net assets per share	11.80	11.57
Net tangible assets/(liabilities) per share ³	0.06	(0.19)

Additional Appendix 4D disclosure requirements can be found in the Interim Financial Report for the half year ended 31 December 2019 issued 24 February 2020.

¹ Pass-through revenue at nil margin refers to subcontract packages for services or materials where the Group does not receive a margin.

² Increase/(reduction) in revenue from an arbitration award in relation to a dispute with a state owned enterprise.

³ Right of use assets and lease liabilities recognized and measured under AASB 16 *Leases* are included in the net tangible assets per share calculation as at 31 December 2019 (30 June 2019: not applicable).

Interim financial report

Half Year Ended 31 December 2019

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Directors' report

The directors present their report on the consolidated entity consisting of Worley Limited (Company or Parent Entity) and the entities it controlled (Group or Consolidated Entity) at the end of, and during, the half year ended 31 December 2019.

DIRECTORS

The following persons were directors of the Company from 1 July 2019 up to the date of this report:

John Grill (Chairman)
Christopher Haynes (Lead independent Director from 22 October 2019)
Thomas Gorman
Roger Higgins
Andrew Liveris
Catherine Livingstone (retired 21 October 2019)
Juan Suárez Coppel
Anne Templeman-Jones
Wang Xiao Bin
Sharon Warburton
Andrew Wood (Chief Executive Officer)

PRINCIPAL ACTIVITIES

During the half year, the principal activities of the Group consisted of providing engineering design and project delivery services, including providing maintenance, reliability support services and advisory services to the following sectors:

- Energy - the extraction and processing of oil and gas as well as projects related to all forms of power generation, transmission and distribution;
- Chemicals - the manufacture, processing and refining of chemicals (for example petrochemicals, polymers and speciality chemicals); and
- Resources - the extraction and processing of mining, mineral and metal resources, and resource projects related to water, the environment, transport, ports and site remediation and decommissioning.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

At the Company's Annual General Meeting on 21 October 2019, shareholders passed a special resolution to change the name of the Company to Worley Limited.

On 25 October 2019, the Company acquired 100% of the shares in the 3sun Group Ltd (3sun), a UK based offshore wind energy installation, inspection and maintenance business for a total consideration of \$40 million (GBP21 million). The acquisition of 3sun provides Worley with a leading position in the high growth offshore wind energy services sector in the UK and Europe.

REVIEW OF OPERATIONS

The profit after income tax expense attributable to members of the Company for the half year ended 31 December 2019 was \$115 million (an increase of \$33 million on the \$82 million net profit after tax reported in the corresponding period). The result was earned on aggregated revenue of \$5,998 million (an increase of 134% on the \$2,566 million reported in the corresponding period). The 31 December 2019 half year results includes 6 months contribution from the ECR business acquired in the second half of 2019 financial year (comparative period includes no contribution).

Transition costs of \$81m have been incurred in relation to the integration of the Energy Chemicals and Resources division acquired from Jacobs Engineering Group Inc in April 2019. Transition costs comprise of ECR integration costs, restructuring and redundancy payments and noncapital research, development and implementation costs of integrated finance, expense, sales and HR systems.

DIRECTORS' REPORT (continued)

The directors consider that underlying profit information presented below is important to understand the sustainable performance of the Company by excluding significant non-recurring items.

The reconciliation of statutory profit after income tax expense to underlying profit after income tax expense and before amortisation (NPATA¹) is as follows:

	CONSOLIDATED	
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
Profit after income tax expense attributable to members of Worley Limited	115	82
Impact of acquisitions and transition activities comprised of:		
<i>Transition costs</i>	81	-
<i>Acquisition costs</i>	-	12
<i>Bridging facility fee</i>	-	4
<i>Interest income on term deposits</i>	-	(8)
<i>Foreign exchange gain on term deposits</i>	-	(3)
Impairment of investment in equity accounted associate	4	-
Impact of an arbitration award ²	(3)	9
Other restructuring costs	-	1
Net tax expense on items excluded from underlying results	(21)	1
Tax from changes in tax legislation	1	-
Underlying profit after income tax expense attributable to members of Worley Limited	177	98
Amortisation of intangible assets acquired through business combinations	53	6
Tax effect on amortisation of intangible assets acquired through business combinations	(14)	(1)
Underlying NPATA attributable to members of Worley Limited	216	103

SUBSEQUENT EVENTS

On 3 February 2020, the Company announced the appointment of Chris Ashton as the Chief Executive Officer (CEO) and Managing Director of Worley effective 24 February 2020 following the retirement of Andrew Wood. Andrew will resign as Managing Director from the Worley Board after the Board Meeting approving the interim results effective 24 February 2020 but will remain with Worley to advise the Board and the CEO until the end of June 2020.

Since the end of the half year, the directors have resolved to pay an interim dividend of 25 cents (unfranked) per fully paid ordinary share, including exchangeable shares (31 December 2018: 12.5 cents per share, unfranked). In accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the aggregate amount of the proposed interim dividend of \$130 million is not recognized as a liability as at 31 December 2019.

No other material matter or circumstance has arisen since 31 December 2019 that has significantly affected or may significantly affect the Group's operations or state of affairs.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and financial statements. Unless otherwise expressly stated, amounts have been rounded off to the nearest one million dollars in accordance with that Instrument. Amounts shown as 0 represent amounts less than \$500,000 which have been rounded down. Prior period financial information has been rounded to the nearest million for comparative purposes.

¹ NPATA is defined as profit after tax excluding the post tax impact of amortisation on intangible assets acquired through business combinations.

² Increase/(reduction) in revenue from an arbitration award in relation to a dispute with a state owned enterprise.

DIRECTORS' REPORT (continued)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is as follows:



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Auditor's Independence Declaration to the Directors of Worley Limited

As lead auditor for the review of the interim financial report of Worley Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect Worley Limited and the entities it controlled during the financial period.

Ernst & Young

Scott Jarrett
Partner
Sydney
24 February 2020

This Directors' Report is made in accordance with a resolution of the directors.

John Grill, AO
Chairman

Sydney, 24 February 2020

Statement of financial performance and comprehensive income

For the half year ended 31 December 2019

CONSOLIDATED			
	NOTES	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
REVENUE AND OTHER INCOME			
Professional services revenue		3,873	1,943
Procurement revenue		1,513	319
Construction and fabrication revenue		1,506	371
Other income		5	2
Interest income		4	11
Total revenue and other income	1.1	6,901	2,646
EXPENSES			
Professional services costs		(3,617)	(1,788)
Procurement costs		(1,467)	(310)
Construction and fabrication costs		(1,383)	(334)
Global support costs	1.1	(124)	(58)
Transition and other costs	1.3	(81)	(17)
Finance costs		(63)	(28)
Total expenses		(6,735)	(2,535)
Share of net profit of associates accounted for using the equity method		6	5
Profit before income tax expense		172	116
Income tax expense	1.4	(46)	(29)
Profit after income tax expense		126	87
Profit after income tax expense attributable to:			
Members of Worley Limited		115	82
Non-controlling interests		11	5
Other comprehensive income			
Items that may be reclassified in future periods to the Statement of Financial Performance			
Net movement in foreign currency translation reserve		80	14
Net movement in hedge reserve		(1)	-
Total comprehensive income, net of tax		205	101
Total comprehensive income, net of tax, attributable to:			
Members of Worley Limited		195	98
Non-controlling interests		10	3
Basic earnings per share	1.10	22.1	23.8
Diluted earnings per share	1.10	21.9	23.7

The above Statement of Financial Performance and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 December 2019

		CONSOLIDATED	
		31 DECEMBER 2019	30 JUNE 2019
	NOTES	\$'M	\$'M
ASSETS			
Current assets			
Cash and cash equivalents	1.5	396	457
Trade receivables	1.6	2,819	2,672
Other current assets	1.6	239	219
Prepayments		156	161
Procurement assets	1.15	91	107
Income tax receivable		33	36
Derivatives		5	28
Total current assets		3,739	3,680
Non-current assets			
Trade receivables	1.6	183	192
Intangible assets	1.7	6,122	6,117
Property, plant and equipment and right of use assets		919	551
Deferred tax assets		221	241
Equity accounted associates		181	173
Derivatives		42	42
Other non-current assets		62	49
Total non-current assets		7,730	7,365
TOTAL ASSETS		11,469	11,045
LIABILITIES			
Current liabilities			
Trade and other payables		1,797	1,884
Procurement payables	1.15	73	72
Provisions		604	599
Interest bearing loans, borrowings and lease liabilities	1.8	306	165
Income tax payable		8	10
Derivatives		1	2
Total current liabilities		2,789	2,732
Non-current liabilities			
Trade and other payables		47	47
Interest bearing loans, borrowings and lease liabilities	1.8	2,217	1,973
Deferred tax liabilities		95	110
Provisions		122	124
Defined benefit obligations		44	42
Total non-current liabilities		2,525	2,296
TOTAL LIABILITIES		5,314	5,028
NET ASSETS		6,155	6,017
EQUITY			
Issued capital	1.9	5,300	5,283
Reserves		(189)	(269)
Retained profits		996	959
Members of Worley Limited		6,107	5,973
Non-controlling interests		48	44
TOTAL EQUITY		6,155	6,017

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the half year ended 31 December 2019

CONSOLIDATED										
	ISSUED CAPITAL \$'M	RETAINED PROFITS \$'M	FOREIGN CURRENCY TRANSLATION RESERVE \$'M	HEDGE RESERVE \$'M	PERFORMANCE RIGHTS RESERVE \$'M	DEFINED BENEFIT RESERVE \$'M	ACQUISITION RESERVE \$'M	MEMBERS OF WORLEY PARSONS LIMITED \$'M	NON- CONTROLLING INTERESTS \$'M	TOTAL \$'M
As at 1 July 2019	5,283	959	(261)	6	55	(5)	(64)	5,973	44	6,017
Profit after income tax expense	-	115	-	-	-	-	-	115	11	126
Other comprehensive income/(loss)	-	-	81	(1)	-	-	-	80	(1)	79
Total comprehensive income/(loss), net of tax	-	115	81	(1)	-	-	-	195	10	205
<i>Transactions with owners</i>										
Share based payments expense	-	-	-	-	20	-	-	20	-	20
Transfer to issued capital on issuance of shares to satisfy performance rights	17	-	-	-	(20)	-	-	(3)	-	(3)
Dividends paid	-	(78)	-	-	-	-	-	(78)	(6)	(84)
As at 31 December 2019	5,300	996	(180)	5	55	(5)	(64)	6,107	48	6,155
As at 1 July 2018	1,590	906	(263)	5	45	-	(63)	2,220	(11)	2,209
Profit after income tax expense	-	82	-	-	-	-	-	82	5	87
Other comprehensive income/(loss)	-	-	15	1	-	-	-	16	(2)	14
Total comprehensive income, net of tax	-	82	15	1	-	-	-	98	3	101
<i>Transactions with owners</i>										
Issue of share capital, net of transaction costs	2,846	-	-	-	-	-	-	2,846	-	2,846
Share based payments expense	-	-	-	-	7	-	-	7	-	7
Transfer to issued capital on issuance of shares to satisfy performance rights	5	-	-	-	(10)	-	-	(5)	-	(5)
Dividends paid	-	(41)	-	-	-	-	-	(41)	(6)	(47)
As at 31 December 2018	4,441	947	(248)	6	42	-	(63)	5,125	(14)	5,111

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the half year ended 31 December 2019

		CONSOLIDATED	
		31 DECEMBER 2019	31 DECEMBER 2018
	NOTES	\$'M	\$'M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6,975	2,635
Payments to suppliers and employees		(6,663)	(2,594)
		312	41
Dividends received from associates		3	4
Interest received		3	10
Financing costs paid ¹		(63)	(21)
Income taxes paid		(28)	(13)
Net cash inflow from operating activities	1.5	227	21
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of controlled entities and other investments, net of cash acquired		(45)	(7)
Payments for purchase of property, plant and equipment and computer software		(23)	(18)
Proceeds from sale of property, plant and equipment		1	-
Proceeds from disposals of investments		-	1
Net cash outflow from investing activities		(67)	(24)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of loans and borrowings	1.8	(2,481)	(1,527)
Proceeds from loans and borrowings	1.8	2,407	1,132
Costs of bank facilities		(5)	(6)
Lease liability payments ²		(84)	-
Proceeds from equity raising, net of equity raising costs		-	2,846
Dividends paid to members of WorleyParsons Limited		(78)	(41)
Net loans from/(to) related parties		6	(3)
Dividends paid to non-controlling interests		(6)	(6)
Net cash (outflow)/inflow from financing activities		(241)	2,395
Net (decrease)/increase in cash		(81)	2,392
Cash and cash equivalents at the beginning of the financial year		492	278
Effects of foreign exchange rate changes on cash		2	32
Cash and cash equivalents at the end of the financial year	1.5	413	2,702

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

¹ Current period includes interest paid on lease liability under AASB 16 *Leases*.

² Payments of principal of lease liability included as cash outflows from financing activities in accordance with AASB 16 *Leases*. In the prior period, these payments were included within cash flows from operating activities. Refer Note 1(C).

Notes to the financial statements

1. BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

The Interim Financial Report of the consolidated entity for the half year ended 31 December 2019 does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and investing and financing activities of the Group as a full financial report.

The Interim Financial Report should be read in conjunction with the Annual Financial Report of the Company for the year ended 30 June 2019, which was prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board. It is also recommended that the Interim Financial Report be considered together with any public announcements made by the Company and its controlled entities during the half year ended 31 December 2019 in accordance with continuous disclosure obligations arising under the *Corporations Act 2001* and *Guidance Note 8 – Continuous Disclosure: Listing Rules 3.1 - 3.1B* issued by the Australian Securities Exchange (ASX).

Except for the adoption of new and amended accounting standards as set out in note 1(C) and (D) below, the Interim Financial Report has been prepared using consistent accounting policies as used in the annual financial report for the year ended 30 June 2019, including:

(A) BASIS OF ACCOUNTING

(i) Basis of preparation

The Interim Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

The Group is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial / Directors' Report) issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and financial statements. Unless otherwise expressly stated, amounts have been rounded off to the nearest one million dollars in accordance with that Instrument. Amounts shown as 0 represent amounts less than \$500,000 which have been rounded down. Prior period financial information has been rounded to the nearest million for comparative purposes.

For the purposes of preparing the Interim Financial Report, the half year has been treated as a discrete reporting period.

(ii) Historical cost convention

The Interim Financial Report has been prepared on a historical cost basis, except for derivative financial instruments 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.

(iii) Critical accounting estimates

In the application of AAS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

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;
- credit loss allowance;
- goodwill and intangible assets with identifiable useful lives;
- project warranty and other provisions;
- recovery and valuation of deferred taxes;
- defined benefit obligations; and
- lease extension periods.

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.

(B) NEW ACCOUNTING STANDARDS NOT YET APPLICABLE

The Group has not early adopted any standards or interpretations that are issued but not yet effective. These standards and interpretations and potential impacts are consistent with those disclosed in the 30 June 2019 Annual Financial Report.

(C) ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

Effective 1 July 2019, the Group adopted AASB 16 *Leases* (AASB 16) that superseded AASB 117 *Leases* (AASB 117) and the related interpretations.

The other new and revised standards, amendments or AASB interpretations did not have any impact on the Group.

Impact of adoption

AASB 16 LEASES

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Previously, the Group determined at contract inception whether an arrangement was or contained a lease under AASB 117 and related interpretations. The Group now assesses under AASB 16 whether a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone price.

The Group's vast majority of leases are properties, with a small portion comprised of leases construction equipment, various types of vehicles and IT equipment. Previously, the Group classified property and asset leases mainly as operating leases under AASB 117 based on the assessment that these leases did not transfer substantially all of the risks and rewards of ownership. These leases typically have a two to five-year terms. Some leases include an option to renew the lease for an additional term after the end of the non-cancellable period, which when reasonably certain to be exercised, is included in the

lease term. Under AASB 16, the Group now recognizes the right of use asset (RoU) and lease liabilities for these leases. The Group has elected not to recognize RoU and lease liabilities for low value leases and short-term leases, instead the Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At transition, qualifying lease liabilities were measured at the present value of the remaining lease payments, discounted at the applicable incremental borrowing rate as at 1 July 2019. The weighted average rate applied is 3.7%. RoU is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and impairments.

The following accounting policy choices and practical expedients were applied on transition:

- Applied the exemption not to recognize RoU and lease liabilities for leases with less than 12 months lease term or leases for which the underlying asset is low value;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- Relied on the assessments of whether leases are onerous immediately before the date of initial application.

The Group presents the RoU within "Property, Plant and Equipment" as it presents underlying assets of the same nature that the Group owns. The Group presents lease liability within "Interest bearing loans, borrowings and lease liabilities" in the statement of financial position. Interest on lease liabilities is presented within "Borrowing and finance costs" in the statement of financial performance.

Under AASB 117, operating lease repayments formed part of operating cash flows. Effective 1 July 2019, under AASB 16 the Group classifies cash payments for lease liabilities as cash flows from financing activities (whilst interest portion of cash flows remains in operating activities). Short-term lease, low value lease or variable lease payments and interest on lease liabilities are classified within the operating cash flows of the Group.

The modified retrospective approach has been applied on adoption. Using this approach, AASB 16 is applied with the cumulative effect of initially applying the standard recognised at the date of initial application (1 July 2019). Accordingly, the financial information presented in the Annual Financial Report for the period ended 30 June 2019, has not been restated and is presented under AASB 117 *Leases* and related interpretations.

The accounting policies applicable to the Group as a lessor are not different from those under AASB 117, as such, the Group did not make any adjustments on transition to AASB 16 for leases in which it acts as a lessor other than in instances where the Group subleases some of its properties. Under AASB 117, the head lease and sub-lease contracts were classified as operating leases. On transition to AASB 16, the RoU recognized from the head leases are presented in "Property, Plant and Equipment", and measured in accordance with the transition rules of AASB 16. The sublease contracts where the Group acts as an intermediary (i.e. is a lessee and a lessor at the same time) are classified as finance leases if their lease term substantially correlates with the lease term of the head lease that is not a short-term lease. Other subleases are classified as operating leases. The Group's activities as a lessor are not considered significant. The effect of the adoption on 1 July 2019 on the statement of financial position is as follows:

	30 JUNE 2019 \$'M	AASB 16 ADOPTION IMPACT	POST ADOPTION 1 JULY 2019 \$'M
ASSETS			
<i>Current assets</i>			
Other receivables	219	6	225
Prepayments	161	(15)	146
Total current assets	3,680	(9)	3,671
<i>Non-current assets</i>			
Property, plant and equipment and right of use assets	551	407	958
Other non-current assets	49	11	60
Total non-current assets	7,365	418	7,783
TOTAL ASSETS	11,045	409	11,454
LIABILITIES			
<i>Current liabilities</i>			
Trade and other payables	1,884	(14)	1,870
Provisions	599	(15)	584
Interest bearing loans, borrowings and lease liabilities	165	138	303
Total current liabilities	2,732	109	2,841
<i>Non-current liabilities</i>			
Interest bearing loans, borrowings and lease liabilities	1,973	323	2,296
Provisions	124	(23)	101
Total non-current liabilities	2,296	300	2,596
TOTAL LIABILITIES	5,028	409	5,437
NET ASSETS	6,017	-	6,017

The following is a reconciliation of the operating lease commitments as disclosed in the 30 June 2019 annual financial report to the lease liability recognized at 1 July 2019 (adoption date):

	\$M
Operating lease commitments as at 30 June 2019	499
Impact of discounting using the incremental borrowing rate at 1 July 2019	(53)
Extension options reasonably certain to be exercised	4
Other	11
Lease liability recognized at 1 July 2019	461

(D) CHANGES IN ACCOUNTING POLICIES ON ADOPTION OF THE NEW ACCOUNTING STANDARDS

The Group defines a lease as a contract, or part of a contract, that conveys the right to control the use of an asset (the underlying asset) for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone price.

As a lessee, the Group uses a single model for all incoming rentals and, at lease commencement date, recognizes a RoU representing the Group's right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

At the lease commencement date, the lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that cannot be readily determined, the applicable incremental borrowing rate. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications. It is remeasured when there is a change in future lease payments arising from changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised, and under some other special circumstances. The Group applies judgement to determine the lease term for some leases in which it is a lessee that include renewal options.

At the lease commencement date, the RoU is measured as equal to the corresponding lease liability, adjusted for lease incentives, initial direct costs and other required items. The RoU is subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for certain remeasurement of the lease liability. RoU assets are depreciated over the lease term. RoU assets are assessed for impairment when impairment indicators exist. RoU assets are tested for impairment on a stand-alone basis if the RoU generates largely independent cash flows and at a cash generating unit level if the cash flows are not largely independent.

Non-lease components, low value lease, short term lease and variable lease payments are recognised in profit or loss on a straight-line basis over the lease term.

The Group classifies cash payments for lease liabilities as financing activities. Short-term lease, low value lease or variable lease payments are classified within the operating cash flows of the Group.

1.1 SEGMENT INFORMATION

(A) IDENTIFICATION OF REPORTABLE SEGMENTS

On 26 April 2019 the acquisition of the Jacobs Energy, Chemicals and Resources Division ("ECR") from Jacobs Engineering Group Inc ("Jacobs") was completed. Due to the significance of the acquisition, a new operating model was introduced and consists of the following four lines of business:

- Energy & Chemical Services;
- Mining, Minerals & Metal Services;
- Major Projects & Integrated Solutions; and
- Advisian.

Prior to the change, the Group's business model consisted of three business lines being Services, Major Projects & Integrated Solutions and Advisian. The change in operating structure represents a change to the operating segments reported in the previous corresponding period. The previous reported segment results for the half year ended 31 December 2018 have been restated for comparison purposes as required by AASB 8 *Operating Segments*. The Group has also included additional information segmented according to its customer sector groups, which were also changed from 31 December 2018 with the comparatives restated.

Segments remain in line with 30 June 2019.

(B) ACCOUNTING POLICIES AND INTER-SEGMENT TRANSACTIONS

Segment revenues and expenses 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 revenues, expenses and results do not include transactions between segments incurred in the ordinary course of business as they are eliminated on consolidation. These transactions are priced on an arm's length basis.

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

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:

- global support costs;
- interest and tax for associates;
- amortization of acquired intangible assets;
- transition and acquisition costs;
- other gains and losses as described in note 1.1(G);
- income tax expense as required on the above items; and
- tax from changes in tax legislation.

(C) MAJOR CUSTOMERS

The most significant customer accounts for 6.5% (31 December 2018: 9.3%) of aggregated revenue and is within Energy & Chemical Services, Major Projects & Integrated Solutions and Advisian lines of business (31 December 2019 and 31 December 2018) and is in the Energy, Chemicals and Resources customers sector groups (31 December 2018: Energy and Chemicals customer sector groups).

1.1 SEGMENT INFORMATION (continued)

(D) OPERATING SEGMENTS

As reported in the 30 June 2019 Annual Financial Report, on 26 April 2019 the acquisition of ECR from Jacobs was completed. Due to the significance of the acquisition, a new operating model was introduced resulting in a change in operating and reporting segments, as further described in note 1.1(A). Prior period information was restated for comparative purposes.

	ENERGY AND CHEMICAL SERVICES		MINING, MINERALS AND METAL SERVICES		MAJOR PROJECTS AND INTEGRATED SOLUTIONS		ADVISIAN		TOTAL	
	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018
	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
Professional services revenue	2,392	1,057	335	107	1,013	608	313	239	4,053	2,011
Construction and fabrication revenue	83	-	72	-	1,351	371	-	-	1,506	371
Procurement revenue at margin	129	98	229	1	68	64	12	19	438	182
Other income	1	2	-	-	-	-	-	-	1	2
Total segment revenue¹	2,605	1,157	636	108	2,432	1,043	325	258	5,998	2,566
Segment result ²	247	107	39	6	183	99	25	15	494	227
Segment margin	9.5%	9.2%	6.1%	5.6%	7.5%	9.5%	7.7%	5.8%	8.2%	8.8%

(E) CUSTOMER SECTOR GROUPS

	ENERGY		CHEMICALS		RESOURCES		TOTAL	
	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018	31 DEC 2019	31 DEC 2018
	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
Professional services revenue	1,779	1,500	1,659	285	615	226	4,053	2,011
Construction and fabrication revenue	855	371	496	-	155	-	1,506	371
Procurement revenue at margin	196	137	52	35	190	10	438	182
Other income	1	2	-	-	-	-	1	2
Total segment revenue¹	2,831	2,010	2,207	320	960	236	5,998	2,566
Segment result ²	247	184	169	24	78	19	494	227
Segment margin	8.7%	9.2%	7.7%	7.5%	8.1%	8.1%	8.2%	8.8%

(F) RECONCILIATION OF SEGMENT REVENUE TO TOTAL REVENUE AND OTHER INCOME PER THE STATEMENT OF FINANCIAL PERFORMANCE

	TOTAL	
	31 DECEMBER 2019	31 DECEMBER 2018
	\$'M	\$'M
Segment revenue	5,998	2,566
Impact of an arbitration award ³	3	(9)
Procurement revenue at nil margin (including share of revenue from associates)	1,075	137
Pass-through revenue at nil margin ⁴	-	37
Share of revenue from associates	(179)	(96)
Interest income	4	11
Total revenue and other income per the Statement of Financial Performance	6,901	2,646

¹ Segment revenue represents aggregated revenue, which is defined as statutory revenue and other income plus share of revenue from associates, less procurement revenue at nil margin, pass-through revenue at nil margin and interest income. The directors believe the disclosure of revenue attributable to associates provides additional information in relation to the financial performance of the Group.

² Segment result is segment revenue less segment expenses and excludes the items listed in note 1.1(G). It is the key financial measure that is presented to the chief operating decision makers.

³ Increase/(reduction) in revenue from an arbitration award in relation to a dispute with a state-owned enterprise.

⁴ Pass-through revenue at nil margin refers to sub-contract packages for services or materials where the Group does not receive a margin.

1.1 SEGMENT INFORMATION (continued)

(G) RECONCILIATION OF SEGMENT RESULT TO PROFIT AFTER INCOME TAX EXPENSE PER THE STATEMENT OF FINANCIAL PERFORMANCE

	TOTAL	
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
Segment result	494	227
Global support costs ¹	(124)	(61)
Interest and tax for associates	(4)	(4)
Total underlying earnings before interest expense and tax expense (underlying EBITA)	366	162
Total underlying EBITA margin on aggregated revenue for the Group	6.1%	6.3%
Impact of acquisitions and transition activities comprised of:		
<i>Transition costs</i>	(81)	-
<i>Acquisition costs</i>	-	(12)
<i>Bridging facility fee</i>	-	(4)
<i>Foreign exchange gain on term deposits</i>	-	3
Other restructuring costs	-	(1)
Impairment of investment in equity accounted associates	(4)	-
Impact of an arbitration award ²	3	(9)
Total EBITA	284	139
EBITA margin on aggregated revenue for the Group	4.7%	5.4%
Net finance costs	(59)	(17)
Amortization of acquired intangible assets	(53)	(6)
Income tax expense	(46)	(29)
Profit after income tax expense per the Statement of Financial Performance	126	87

(H) RECONCILIATION OF GLOBAL SUPPORT COSTS TO THE STATEMENT OF FINANCIAL PERFORMANCE

	TOTAL	
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
Global support costs per segment information ¹	124	61
Foreign exchange gain on term deposits	-	(3)
Global support costs per the Statement of Financial Performance	124	58

¹ Global costs include a \$40 million global performance plan incentives (31 December 2018: \$7 million).

² Increase/(reduction) in revenue from an arbitration award in relation to a dispute with a state-owned enterprise.

1.2 BUSINESS COMBINATIONS

On 25 October 2019, Worley acquired a 100% share in 3sun Group Ltd (3sun), a UK based offshore wind and energy installation, inspection and maintenance business. The total purchase price consideration amounts to \$40 million (GBP21 million) and comprises of \$34 million cash consideration paid and \$6 million contingent consideration. As at 31 December 2019, the purchase price allocation and acquisition accounting ("PPA") of 3sun remains provisional.

In April 2019, the Group acquired ECR from Jacobs for a total consideration of \$4.6 billion (net of cash acquired). PPA remains provisional as at 31 December 2019. There have been no material adjustments to the provisional PPA as disclosed in the 30 June 2019 Annual Financial Report.

1.3 TRANSITION AND OTHER COSTS

	CONSOLIDATED	
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
Transition costs	81	-
Acquisition costs	-	12
Bridge facility fee	-	4
Other restructuring costs	-	1
Transition and other costs	81	17

Transition costs comprise of ECR integration costs, restructuring and redundancy payments and noncapital research, development and implementation costs of integrated finance, expense, sales and HR systems.

1.4 INCOME TAX

(A) INCOME TAX EXPENSE

	CONSOLIDATED	
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
Current tax	39	20
Deferred tax	7	13
Under/(over) provision in previous financial periods	-	(4)
Income tax expense	46	29
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	25	2
(Decrease)/increase in deferred tax liabilities	(18)	11
Deferred tax	7	13

(B) RECONCILIATION OF PRIMA FACIE TAX PAYABLE TO INCOME TAX EXPENSE

	CONSOLIDATED	
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
Profit before income tax expense	172	116
Prima facie tax expense at Worley Limited's statutory income tax rate of 30% (2018: 30%)	52	35
Tax effect of amounts which are non-deductible in calculating taxable income:		
Non-deductible share based payments expense	6	2
Non-deductible impairment of an associate	1	-
Share of profits of associates accounted for using the equity method	(2)	(2)
Tax losses not previously recognized	(1)	(3)
Under/(over) provision in previous financial periods	-	(4)
Change in tax legislation	1	3
Non-deductible costs of acquisitions	-	4
Difference in overseas tax rates and other	(11)	(6)
Income tax expense	46	29

(C) AMOUNTS RECOGNIZED DIRECTLY IN EQUITY

	CONSOLIDATED	
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
Aggregate amount of tax arising in the reporting period and not recognized in profit after income tax expense but directly credited to equity:		
Deferred tax - credited/(debited) directly to equity	5	(5)

1.5 CASH AND CASH EQUIVALENTS

		CONSOLIDATED	
		31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
Cash and cash equivalents per Statement of Financial Position ¹		396	2,681
Procurement cash and cash equivalents	1.15	17	24
Cash at bank and on hand		413	2,705
Less: bank overdraft	1.8	-	(3)
Balance per the Statement of Cash Flows		413	2,702
Reconciliation of profit after income tax expense to net cash inflow from operating activities:			
Profit after income tax expense		126	87
<i>NON-CASH ITEMS</i>			
Amortization		156	21
Depreciation		32	11
Share based payments expense		20	7
Doubtful debts expense		11	5
Share of associates' profits in excess of dividends received		(7)	(1)
Impairment of investment in equity accounted associate		4	-
Other		1	1
Cash flow adjusted for non-cash items		343	131
<i>CHANGES IN ASSETS AND LIABILITIES ADJUSTED FOR EFFECTS OF PURCHASE OF CONTROLLED ENTITIES</i>			
Increase in trade and other receivables		(113)	(63)
Decrease/(increase) in prepayments and other current assets		5	(8)
Decrease in net income tax receivable		2	-
Decrease in deferred tax assets		20	1
Increase/(decrease) in trade and other payables		20	(16)
(Decrease)/increase in billings in advance		(36)	16
Increase in net income tax payable		2	4
(Decrease)/increase in deferred tax liabilities		(15)	3
Decrease in provisions		(1)	(47)
Net cash inflow from operating activities		227	21

1.6 TRADE AND OTHER ASSETS

	CONSOLIDATED	
	31 DECEMBER 2019 \$'M	30 JUNE 2019 \$'M
CURRENT TRADE RECEIVABLES		
Trade receivables	1,556	1,471
Unbilled contract revenue	1,347	1,325
Retentions	109	70
Allowance for impairment of trade receivables	(119)	(124)
Less: procurement trade and other receivables	1.15 (74)	(70)
	2,819	2,672
NON-CURRENT TRADE RECEIVABLES²		
Trade receivables	133	133
Unbilled contract revenue	74	74
Allowance for impairment of trade receivables	(24)	(15)
	183	192
OTHER CURRENT ASSETS		
Other current assets	197	171
Amounts receivable from associates and related parties	42	48
	239	219

¹ Cash and cash equivalents include restricted cash that is available for use under certain circumstances by the Group.

² Non-current trade receivables and unbilled contract revenue relate to projects where recovery is expected to take greater than twelve months. \$47 million of non-current payables as at 31 December 2019 relate to such trade receivables and unbilled contract revenue (30 June 2019: \$47m).

1.7 INTANGIBLE ASSETS

	CONSOLIDATED	
	31 DECEMBER 2019 \$'M	30 JUNE 2019 \$'M
<i>Goodwill</i>		
At cost	5,316	5,268
Accumulated impairment	(200)	(200)
	5,116	5,068
<i>Customer contracts and relationships</i>		
At cost	1,089	1,080
Accumulated amortization	(272)	(223)
	817	857
<i>Trade names</i>		
At cost	86	86
Accumulated amortization	(83)	(82)
	3	4
<i>Computer software</i>		
At cost	434	420
Accumulated amortization	(272)	(252)
	162	168
<i>Other</i>		
At cost	50	43
Accumulated amortization	(26)	(23)
	24	20
Total intangible assets	6,122	6,117

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	OTHER \$'M	TOTAL \$'M
Balance at 1 July 2019	5,068	857	4	168	20	6,117
Additions through business combinations	33	-	-	-	-	33
Additions	-	-	-	14	5	19
Amortization	-	(49)	(1)	(20)	(1)	(71)
Differences arising on translation of foreign operations	15	9	-	-	-	24
Balance at 31 December 2019	5,116	817	3	162	24	6,122
Balance at 1 July 2018	2,068	67	6	130	11	2,282
Additions through business combinations	2,905	814	-	55	-	3,774
Additions	-	-	-	17	10	27
Amortization	-	(25)	(2)	(34)	(1)	(62)
Differences arising on translation of foreign operations	95	1	-	-	-	96
Balance at 30 June 2019	5,068	857	4	168	20	6,117

1.8 INTEREST BEARING LOANS, BORROWINGS AND LEASE LIABILITIES

	CONSOLIDATED	
	31 DECEMBER 2019 \$'M	30 JUNE 2019 \$'M
<i>Current</i>		
Notes payable	-	107
Unsecured bank loans	159	57
Bank overdraft	-	2
Lease liability	148	-
Capitalized borrowing costs	(1)	(1)
	306	165
<i>Non-current</i>		
Notes payable	547	542
Unsecured bank loans	1,397	1,445
Lease liability	287	-
Capitalized borrowing costs	(14)	(14)
	2,217	1,973

Changes in assets and liabilities arising from financing activities

	AS AT 1 JULY \$'M	CASH FLOWS \$'M	RECLASSIFICATION \$'M	FOREIGN EXCHANGE MOVEMENTS \$'M	FAIR VALUE AND OTHER CHANGES \$'M	AS AT 31 DECEMBER \$'M
2019						
Current						
Interest bearing loans and borrowings	166	(39)	28	4	-	159
Lease liability	138	(97)	81	1	25	148
Non-current						
Interest bearing loans and borrowings	1,987	(34)	(28)	19	-	1,944
Lease liability	323	-	(81)	-	45	287
Liabilities	2,614	(170)	-	24	70	2,538
Derivative asset	66	(1)	-	(23)	-	42
Assets	66	(1)	-	(23)	-	42

1.9 ISSUED CAPITAL

	31 DECEMBER 2019 NUMBER OF SHARES	\$'M	30 JUNE 2019 NUMBER OF SHARES	\$'M
Ordinary shares, fully paid ¹	521,392,547	5,300	520,041,806	5,283
Special voting share	1	-	1	-
	521,392,548	5,300	520,041,807	5,283

MOVEMENTS IN SHARES

	31 DECEMBER 2019 NUMBER OF SHARES	\$'M
Balance at the beginning of the financial year	520,041,807	5,283
Transfer from performance rights reserve on issuance of shares	1,350,741	17
Balance at the end of the financial year	521,392,548	5,300

1.10 EARNINGS PER SHARE

	CONSOLIDATED	
	31 DECEMBER 2019	31 DECEMBER 2018
	\$'M	\$'M
<i>ATTRIBUTABLE TO MEMBERS OF WORLEY LIMITED</i>		
Basic earnings per share	22.1	23.8
Diluted earnings per share	21.9	23.7

The following reflects the income and security data used in the calculation of basic and diluted earnings per share and adjusted 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	115	82

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

	Number	Number
Weighted average number of ordinary securities used in calculating basic earnings per share	520,709,647	345,615,215
Performance rights which are considered dilutive	4,935,844	2,078,004
Weighted average number of ordinary securities used in calculating diluted earnings per share	525,645,491	347,693,219

¹ Included in ordinary shares are 1,036,193 (30 June 2019: 1,036,193) 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. Ordinary shares have no par value and the Company does not have a limited amount of authorized capital. The Worley Limited Plans Trust holds nil (30 June 2019: nil) shares in the Company, which have been consolidated and eliminated in accordance with the accounting standards.

1.11 DIVIDENDS

	CONSOLIDATED	
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
15.0 cents per share (unfranked) dividend paid in respect of the six months to 30 June 2019	78	n/a
12.5 cents per share (unfranked) dividend paid in respect of the six months to 31 December 2018	58	n/a
15.0 cents per share (unfranked) dividend paid in respect of the six months to 30 June 2018	n/a	41

1.12 FAIR VALUES

The fair values of financial assets and liabilities approximate their carrying values with the exception of interest bearing loans and borrowings which have a fair value of \$2,574 million (30 June 2019: \$2,198 million) and a carrying value of \$2,538 million (30 June 2019: \$2,153 million).

The Group uses the following hierarchy for determining the fair value of a financial asset or liability:

Level 1 – the fair value is calculated using quoted prices in active markets; and

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The Group's interest bearing loans and borrowings and derivative instruments including interest rate swaps and forward exchange contracts fall within Level 2 of the hierarchy.

Derivative instruments including interest rate swaps and forward exchange contracts are restated to fair values at each reporting date based on market observable inputs such as foreign exchange spot and forward rates, interest rate curves and forward rates curves.

Fair values of the Group's interest bearing loans, borrowings and lease liabilities are determined by discounting future cash flows using period-end borrowing rates on loans and borrowings with similar terms and maturity.

There were no transfers between Level 1 and 2, and no financial instruments were measured at Level 3 (where fair value is measured using unobservable inputs for the asset or liability) for the periods presented in this report.

1.13 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	
	31 DECEMBER 2019 \$'M	30 JUNE 2019 \$'M
Bank guarantees outstanding at balance date in respect of contractual performance	1,059	894
Commitments not recognized in the financial statements	1,059	894

(B) 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 Group's accounting policy.

(C) 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.

1.14 SUBSEQUENT EVENTS

On 3 February 2020, the Company announced the appointment of Chris Ashton as the Chief Executive Officer (CEO) and Managing Director of Worley effective 24 February 2020 following the retirement of Andrew Wood. Andrew will resign as Managing Director from the Worley Board after the Board Meeting approving the interim results effective 24 February 2020 but will remain with Worley to advise the Board and the CEO until the end of June 2020.

Since the end of the half year, the directors have resolved to pay an interim dividend of 25 cents (unfranked) per fully paid ordinary share, including exchangeable shares (31 December 2018: 12.5 cents per share, unfranked). In accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the aggregate amount of the proposed interim dividend of \$130 million is not recognized as a liability as at 31 December 2019.

No other material matter or circumstance has arisen since 31 December 2019 that has significantly affected or may significantly affect the Group's operations or state of affairs.

1.15 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 customers. 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 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	
	31 DECEMBER 2019 \$'M	31 DECEMBER 2018 \$'M
<i>REVENUE AND EXPENSES¹</i>		
Procurement revenue at margin	438	182
Procurement costs at margin	(392)	(173)
Procurement revenue at nil margin	1,075	137
Procurement costs at nil margin	(1,075)	(137)
<i>ASSETS AND LIABILITIES</i>		
Cash and cash equivalents	17	24
Trade and other receivables	74	52
Trade and other payables	73	60

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

Directors' declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of Worley Limited for the half year ended 31 December 2019 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 31 December 2019 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



JOHN GRILL, AO

Chairman

Sydney, 24 February 2020

Independent auditor's review report



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Independent Auditor's Review Report to the Members of Worley Limited Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Worley Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2019, the statement of financial performance and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, other information and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the interim financial report of the Group is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Ernst & Young

Scott Jarrett
Partner
Sydney
24 February 2020

Corporate information

Worley Limited
ACN 096 090 158

DIRECTORS

John Grill, AO (Chairman)
Christopher Haynes, OBE (Lead independent Director)
Thomas Gorman
Roger Higgins
Andrew Liveris, AO
Juan Suárez Coppel
Anne Templeman-Jones
Wang Xiao Bin
Sharon Warburton
Andrew Wood (Chief Executive Officer)

COMPANY SECRETARY

Nuala O'Leary

REGISTERED OFFICE

Level 15
141 Walker Street
North Sydney NSW 2060

AUDITORS

Ernst & Young

BANKERS

Arab Banking Corporation
Bank of America Merrill Lynch
Bank of China
Barclays Bank
BMO Harris Bank
BNP Paribas
China Merchants Bank
Commonwealth Bank of Australia
Credit Agricole Corporation and Investment Bank
First Abu Dhabi Bank
HSBC
ING Bank
Intesa Sanpaolo Bank
JPMorgan Chase
Mizuho Bank
Macquarie Bank
Royal Bank of Canada
Standard Chartered Bank
State Bank of India
UBS AG
U.S. Bank National
Wells Fargo
Westpac Banking Corporation

LAWYERS

Herbert Smith Freehills

SHARE REGISTRY

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Australia
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