

# Group's financial activities and performance



The 2006 financial year produced mostly good quality results for the company. As the volume of Worley's income were consequential of the extended term contracts and alliances, profits streams were forecasted more than roughly and consequences were as anticipated and budgeted by the Worley parson management committee. Moreover the after tax profit also increased by 65%, EBIT by 66% and the profit on the average equity also grew by 28.

77% which was 6% higher than the previous financial year of 2005. The company also faces a continuous challenge of managing its profitability ratios as recently there has been a lot of man power intake across all its global units which has increased the costs as expected. Worley's success in the year 2005, in winning an impressive number of long term contracts, particularly in the oil & gas and pipelines & terminals arenas, coupled with a low Australian dollar and stronger oil price, means that Worley has never been better positioned. In the financial year of 2005, the company was involved in a number of outstanding projects across the globe.

The company acquired three oil and gas projects across Asia and Middle East. A three year alliance was also signed with BP's Kwinana Refinery for the limited services in chemicals and minerals. The company - Worley Parsons also entered into another joint venture with MAMIC for Oil exploration in Middle East. The company also signed a three year alliance agreement with WMC fertilizers, South Africa for better opportunities in petrochemicals.

The energy unit of the company which is operating under the name of Worley Energy Commerce created a " Total fuel management" with the help of Electronic Fuel Commerce, Fuel Facility Management and Fuel Facility Asset Management. This set up was formed with the Worley's international management unit, which attracted a lot of worldwide attention, and also helped the company to expand its web based knowledge management system worldwide. Also, recently, the Global US Navy sought the services of the Worley expert group over the pipeline integrity study, and the company was presented with a performance award by the US Navy in 2002. Apart from this, the Worley expert professionals also carried out an extensive study of the Chinese aluminium industry, screening of the New Zealand Pohokura development for Fletcher Challenge Energy project. Like every other company, Worley parson is also facing challenges with the role of pricing at its management levels. Pricing research is directly related to the finance progress of the company and there exists a hierarchy when it comes to price determination of products.

The management board is confronted by many audiences like government, HMOs - insurance companies, formulary committees and clients who play an important role in pricing issues. There are some challenges that are faced by the company when assessing the pricing role of their products. It takes around 3 to 5 years to develop a new facility in any part of the world and in order to assess the investment done on the facility unit, which can be anywhere around \$4 to \$5 m, the management needs to possess a good idea of the relative value of the new product, and hence approximations of price are crucial to provide for forecast models all through the product

development process. Reaching a global pricing decision for a new manufactured good is a complex process for the management. The management needs to understand that there is a price sensitivity for every audience level and also the pricing can differ amongst countries as well.

Since the company operates around the world, it is necessary for the management to understand that price, in turn, is an important factor in that forecast and essential in predicting profitability. The management undertakes the responsibility to determine the prices in relation to the market dynamics, competitor activity, treatment costs, and social/political/economic environment. In result, the task of pricing research in the development process is to continuously narrow the price ranges considered by management for input into forecast models until a single launch price (or set of prices in the case in which multiple dosages or formulations are launched) is established. One of the main issues before the company for pricing research analysis at these milestones is to discuss the issue with the experts who can provide information in relation to product performance and within the context of future prices or pricing environment.