

# ON LINE TRANSMISSION

**TO:** Australian Stock Exchange  
**ATT:** Company Announcements Office  
**FROM:** W S Rowley  
Company Secretary  
Abigroup Limited

**DATE:** September 1, 2003

**PAGE 1 OF 19**

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Please find attached Preliminary Final Report for release to the market.

Regards,

**W S ROWLEY**

Attach

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# Appendix 4E

## Preliminary Final Report

Name of entity

**ABIGROUP LIMITED**

ABN

**63 000 358 467**

### Results for announcement to the market for the year ended 30 June 2003

\$A'000

Revenue from ordinary activities	up	28.3 %	to	749,889
Profit from ordinary activities after tax attributable to members	down	10.6 %	to	6,426
Net profit for the period attributable to members	down	10.6 %	to	6,426
Dividends	Amount per security		Franked amount per security	
Final dividend	4.0 cents		4.0 cents	
Interim dividend	4.0 cents		4.0 cents	

Record date for determining entitlements to the Dividend

**OCTOBER 31, 2003 – 5.00 P.M.**

#### Other Information

- Unless otherwise states, all amounts are reported in Australian Dollars
- Comments by Directors refer Attachment "A"
- Management Discussion & Analysis refer Attachment "B"

### ANNUAL MEETING

The annual meeting will be held as follows:

Place

**THE CLUB ROOMS  
SYDNEY SUPERDOME,  
CNR EDWIN FLACK DRIVE &  
OLYMPIC BOULEVARDE,  
HOMEBUSH BAY**

Date

**NOVEMBER 7, 2003**

Time

**11.00 AM**

Approximate date the Annual Report will be available

**SEPTEMBER 26,2003**

## STATEMENT OF FINANCIAL PERFORMANCE

### year ended 30 June 2003

	Current Period \$'000	Previous Corresponding Period \$'000
Revenues from ordinary activities	749,889	584,595
Expenses from ordinary activities		
Construction and maintenance	(701,577)	(532,324)
Entertainment operations	(12,295)	(13,947)
Entertainment investment	(4,085)	(4,083)
Property and other investments	(10,805)	(12,610)
Other expenses	(4,726)	(3,303)
Borrowing costs expense	(6,309)	(6,864)
Share of net losses of associates accounted for using equity accounting	(434)	(506)
Profit from ordinary activities before income tax	9,658	10,958
Income tax expense	(3,233)	(3,611)
Net profit	6,425	7,347
Net loss / (profit) attributable to outside equity interest	1	(159)
Net profit attributable to members of Abigroup Limited	6,426	7,188
Net increase in asset revaluation reserve	5,880	2,325
Net (decrease) / increase in foreign currency translation reserve	(11)	16
Total revenues, expenses and valuation adjustments attributable to members of Abigroup Limited and recognised directly in equity	5,869	2,341
Total changes in equity other than those resulting from transactions with owners as owners	12,295	9,529

## STATEMENT OF FINANCIAL POSITION as at 30 June 2003

	Current Period \$'000	Previous Corresponding Period \$'000
<b>CURRENT ASSETS</b>		
Cash assets	59,765	22,870
Receivables	123,373	91,378
Inventories	11,529	25,178
<b>TOTAL CURRENT ASSETS</b>	<b>194,667</b>	<b>139,426</b>
<b>NON CURRENT ASSETS</b>		
Receivables	500	2,379
Inventories	11,962	-
Investments accounted for using the equity method	1	1
Other financial assets	79,813	69,898
Deferred tax assets	237	-
Property, plant and equipment	107,503	104,627
Intangible assets	-	2,312
<b>TOTAL NON CURRENT ASSETS</b>	<b>200,016</b>	<b>179,217</b>
<b>TOTAL ASSETS</b>	<b>394,683</b>	<b>318,643</b>
<b>CURRENT LIABILITIES</b>		
Payables	167,176	114,608
Interest-bearing liabilities	17,286	10,264
Current tax liabilities	2,881	371
Provisions	15,050	14,036
<b>TOTAL CURRENT LIABILITIES</b>	<b>202,393</b>	<b>139,279</b>
<b>NON CURRENT LIABILITIES</b>		
Interest-bearing liabilities	56,174	52,075
Deferred tax liabilities	13,172	12,825
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>69,346</b>	<b>64,900</b>
<b>TOTAL LIABILITIES</b>	<b>271,739</b>	<b>204,179</b>
<b>NET ASSETS</b>	<b>122,944</b>	<b>114,464</b>
<b>EQUITY</b>		
Parent entity interest		
Contributed equity	17,119	17,119
Reserves	48,026	42,157
Retained profits	56,975	54,363
Total parent entity interest in equity	122,120	113,639
Total outside equity interest	824	825
<b>TOTAL EQUITY</b>	<b>122,944</b>	<b>114,464</b>

## STATEMENT OF CASHFLOWS

year ended 30 June 2003

	Current Period \$'000	Previous Corresponding Period \$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	784,866	664,394
Payments to suppliers and employees	(732,717)	(648,419)
Interest received	1,998	1,390
Dividends received	3,076	2,551
Borrowing costs paid	(6,309)	(6,864)
Income tax (paid) / refunded	(3,660)	372
<b>Net Cash Flows from Operating Activities</b>	<b>47,254</b>	<b>13,424</b>
<b>Cash Flows used in Investing Activities</b>		
Payments for acquisition of property, plant and equipment	(4,120)	(993)
Proceeds from sale of property, plant and equipment	647	492
Purchase of investments in associates	(2,785)	(110)
Proceeds from sale of investments	20	425
Loans to associates	(59)	(5,982)
<b>Net Cash Flows used in Investing Activities</b>	<b>(6,297)</b>	<b>(6,168)</b>
<b>Cash Flows used in Financing Activities</b>		
Dividends paid	(3,814)	(4,290)
Finance lease principal	(7,345)	(8,586)
Proceeds from borrowings	8,410	-
Reduction of borrowings	(1,313)	(794)
<b>Net Cash Flows used in Financing Activities</b>	<b>(4,062)</b>	<b>(13,670)</b>
Net increase / (decrease) in cash	36,895	(6,414)
Cash at beginning of financial year	22,870	29,284
Cash at end of financial year	59,765	22,870

## NOTES TO THE PRELIMINARY FINAL REPORT

year ended 30 June 2003

	Current Period \$'000	Previous Corresponding Period \$'000
<b>REVENUE FROM ORDINARY ACTIVITIES</b>		
<b>Revenue from operating activities</b>		
Construction and maintenance	724,312	556,465
Entertainment division	8,818	10,982
Property and other investments	10,898	11,915
Total revenue from operating activities	744,028	579,362
<b>Revenues from outside the operating activities</b>		
Interest – other persons and corporations	1,998	1,390
Proceeds on sale of property, plant and equipment	647	492
Proceeds on sale of investments	20	425
Dividends and distributions		
Other persons and corporations	1	1
Hills Motorway Trust	3,195	2,925
Total dividends and distributions	3,196	2,926
Total revenues from outside the operating activities	5,861	5,233
<b>Total revenues from ordinary activities</b>	<b>749,889</b>	<b>584,595</b>
Profit on sale of property, plant and equipment	119	186
Profit on sale of investments	-	-
<b>EXPENSES</b>		
Depreciation of non current assets	7,385	7,150
Amortisation of non current assets	7,012	5,663
Borrowing costs expensed		
Interest expense	3,747	3,816
Finance leases	2,562	3,048
Bad and doubtful debts – trade debtors	15	-
Operating lease rental	1,779	2,039
Provision for diminution in associates	816	915
Provision for non recovery of loan to associate	1,500	-
Provision for vacant leasehold	600	-
Lane Cove Tunnel bid costs	4,512	-

## NOTES TO THE PRELIMINARY FINAL REPORT

year ended 30 June 2003

	Current Period \$'000	Previous Corresponding Period \$'000
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### INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associates	(a) 1	1
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#### (a) Interest in associates

NAME	INTEREST HELD	
	Current Period %	Previous Corresponding Period %

Enterra Pty Limited Principal activity – Site remediation	50	50
Aquatower Pty Limited Principal activity – Water treatment	50	50
924 Pacific Highway Unit Trust Principal activity – Property development	33.3	33.3

	Current Period \$'000	Previous Corresponding Period \$'000
Aggregate share of associates' loss		
Operating loss before income tax	(434)	(506)
Income tax expense attributable to operating loss	-	-
Aggregate share of operating loss after income tax	(434)	(506)

### RETAINED PROFITS

Balance at beginning of financial year	54,363	49,082
Net profit attributable to members of Abigroup Limited	6,426	7,188
Adjustment arising from early adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	2,383
Total available for appropriation	60,789	58,653
Dividends paid	(3,814)	(4,290)
Balance at end of financial year	56,975	54,363

	Current Period \$'000	Previous Corresponding Period \$'000
<b>Statements of Cash Flows</b>		
(a) Reconciliation of net profit from ordinary activities after tax to the net cash flows from operations		
Net profit from ordinary activities after tax	6,425	7,347
Non cash items:		
Depreciation of		
- Property, plant & equipment	7,385	7,150
Amortisation of -		
- Property, plant & equipment	4,700	5,323
- Goodwill	2,312	340
Proceeds from the sale of non current assets	(667)	(917)
Book value of non current assets sold / scrapped	548	731
Provision for non recovery on loan to associate	1,500	643
Provision for doubtful debts	15	(4)
Share of associates net losses	434	506
Provision for diminution in associates	816	965
Changes in assets and liabilities		
Trade receivables	(15,274)	21,679
Other debtors and prepayments	(16,298)	1,943
Inventories	17,166	(24,476)
Trade creditors	39,408	(15,872)
Other creditors	(1,321)	1,880
Provision for employee entitlements	414	852
Other provisions	600	-
Tax provision	2,510	1,709
Deferred income tax liability	(2,410)	2,016
Goods and services tax	(998)	1,593
Foreign currency translation reserve	(11)	16
Net cash flows from operating activities	47,254	13,424
(b) Reconciliation of cash		
Cash balance comprises:		
Cash on hand	59,765	22,870
(c) Non-cash Financing & Investing Activities		
During the year the consolidated entity refinanced and acquired new plant and equipment with an aggregate fair value of \$11,369,000 (2002: \$3,103,000) by means of finance leases.		



## BUSINESS SEGMENTS

BUSINESS SEGMENTS	CONSTRUCTION & MAINTENANCE		ENTERTAINMENT OPERATIONS		ENTERTAINMENT INVESTMENT		PROPERTY & OTHER INVESTMENTS		CONSOLIDATED	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Revenue</b>										
Sales to customers outside the consolidated entity	724,955	556,957	8,818	10,982	-	-	14,118	15,266	747,891	583,205
Interest	890	874	260	377	-	-	848	139	1,998	1,390
Revenues from ordinary activities	<b>725,845</b>	<b>557,831</b>	<b>9,078</b>	<b>11,359</b>	<b>-</b>	<b>-</b>	<b>14,966</b>	<b>15,405</b>	<b>749,889</b>	<b>584,595</b>
<b>Results</b>										
Segment result	23,227	24,412	(3,477)	(2,965)	(4,085)	(4,083)	3,031	2,212	18,696	19,576
Net interest	(2,205)	(2,566)	260	377	(3,214)	(3,278)	848	(7)	(4,311)	(5,474)
Outside equity interest in operating results	-	-	-	-	-	-	(1)	159	(1)	159
	<b>21,022</b>	<b>21,846</b>	<b>(3,217)</b>	<b>(2,588)</b>	<b>(7,299)</b>	<b>(7,361)</b>	<b>3,878</b>	<b>2,364</b>	<b>14,384</b>	<b>14,261</b>
Unallocated expenses									(4,726)	(3,303)
Profit from ordinary activities before income tax									<b>9,658</b>	<b>10,958</b>
<b>Assets</b>										
Segment assets	231,020	160,845	2,890	6,042	45,637	49,706	114,899	102,050	394,446	318,643
Unallocated assets	-	-	-	-	-	-	-	-	237	-
	<b>231,020</b>	<b>160,845</b>	<b>2,890</b>	<b>6,042</b>	<b>45,637</b>	<b>49,706</b>	<b>114,899</b>	<b>102,050</b>	<b>394,683</b>	<b>318,643</b>
<b>Liabilities</b>										
Segment liabilities	(169,239)	(135,558)	(4,198)	(6,742)	(33,203)	(34,706)	(49,046)	(13,977)	(255,686)	(190,983)
Unallocated liabilities	-	-	-	-	-	-	-	-	(16,053)	(13,196)
	<b>(169,239)</b>	<b>(135,558)</b>	<b>(4,198)</b>	<b>(6,742)</b>	<b>(33,203)</b>	<b>(34,706)</b>	<b>(49,046)</b>	<b>(13,977)</b>	<b>(271,739)</b>	<b>(204,179)</b>
<b>Net Assets / (Liabilities)</b>	<b>61,781</b>	<b>25,287</b>	<b>(1,308)</b>	<b>(700)</b>	<b>12,434</b>	<b>15,000</b>	<b>65,853</b>	<b>88,073</b>	<b>122,944</b>	<b>114,464</b>
<b>Other segment Information</b>										
Equity accounted investments included in segment assets	-	-	-	-	-	-	1	1	1	1
Acquisition of property, plant and equipment	13,797	3,869	76	23	-	-	1,616	204	15,489	4,096
Depreciation	2,613	2,519	23	13	4,085	4,083	664	535	7,385	7,150
Amortisation	7,012	5,663	-	-	-	-	-	-	7,012	5,663

The consolidated entity operates predominantly within Australia.

The consolidated entity's operations in New Zealand do not form a significant segment.

Construction and maintenance incorporates civil engineering, building, project and construction management services and long term maintenance activities.

Entertainment operations incorporates the operating activities of the Sydney SuperDome.

Entertainment investment represents the Sydney SuperDome plant and equipment.

Property and other investments incorporates property ownership and investments held.

## EARNINGS PER SECURITY (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings Per Share* are as follows:

	Current Period \$'000	Previous Corresponding Period \$'000
a) Net Profit	6,425	7,347
Adjustments		
Net profit attributable to outside equity interest	1	(159)
Earnings used in calculating basic and diluted earnings per share	6,426	7,188
b) Basic EPS	13.5	15.1
b) Diluted EPS (if materially different from (a))	13.5	15.1
c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	47,666,544	47,666,544

## NTA backing

	Current Period \$	Previous Corresponding Period \$
Net tangible asset backing per ordinary security	2.58	2.35

## FINAL DIVIDEND PAYABLE

Date the dividend is payable

NOVEMBER 14, 2003

Record date to determine entitlements to the dividend

OCTOBER 31, 2003

If it is a final dividend, has it been declared?

YES

## DIVIDENDS PAID

	Current Period \$'000	Previous Corresponding Period \$'000
A fully franked interim dividend of 4 cents per share (2003: 4 cents) was paid on 16 April 2003 (2002: 16 April 2002)	1,907	1,907
A fully franked final dividend of 4 cents per share (2002: 5 cents) was paid on 14 November 2002 (2002: 15 November 2001)	1,907	2,383
Total dividends paid	3,814	4,290

**Compliance Statement**

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Groups Consensus Views or other standards applicable to ASX.
2. This report is based on accounts which are in the process of being audited.
3. The entity has a formally constituted Audit Committee.

Sign here: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: **WILLIAM SHANE ROWLEY**  
**COMPANY SECRETARY**

## **ATTACHMENT “A” TO APPENDIX 4E**

### **COMMENTS BY DIRECTORS**

Abigroup's turnover for the 2003 year increased by 28% to \$750 million, reflecting a more buoyant construction market than the previous corresponding period.

Despite the solid increase in turnover, Abigroup's 2003 after tax profit of \$6.4 million was 10.6% lower than that achieved in 2002. Unfortunately the current year result was significantly impacted by the expensing of \$4.5 million of costs associated with the Company's bid for the \$850 million Lane Cove Tunnel BOOT project, a pre tax loss of \$10.5 million arising from the operation and ownership of the Sydney SuperDome and a non recurring \$2.3 million write off of goodwill.

It is pleasing to report Abigroup's core construction activities, which account for 84% of Group turnover, performed strongly during the year maintaining operating margins in line with the previous corresponding period.

#### ***Construction***

Construction turnover increased by 32.2% to \$628 million including \$75 million turnover from the Western Sydney Orbital (recently renamed WestLink M7).

The \$1.5 billion WestLink M7 project is being constructed in a 50/50 joint venture with Leighton. The project was awarded in February 2003 and involves the construction of a 40 kilometre dual carriageway, 157 structures and associated road works. The contract has a 42 month duration and is the largest project ever awarded to the Company.

Physical construction of the WestLink M7 commenced in earnest in July 2003 and the Company expects this project to make a positive contribution to the Company's results in 2004 and beyond. However, Abigroup did not report any margin from the turnover generated by the WestLink M7 project, in line with the Company's accounting policy of not recognising construction margin unless the project achieves twenty percent completion by the end of the financial year. Results from this project should be booked in the next financial year.

Good building and civil engineering opportunities were secured across the eastern seaboard during the 2003 financial year and the Company commences the 2004 financial year with a record order book of \$1.7 billion.

Contract margins remained stable due to the robust construction market, particularly in the non-residential building and civil engineering sectors.

Overall, the Company's construction division has set a solid platform for further growth in 2004 underpinned by the WestLink M7 and a good order book of civil engineering and building projects.

### **Asset Services**

Turnover from the asset services division increased by 18.3% to \$97 million principally reflecting additional services provided to existing clients.

During the year the Company was successful in securing the renewal of the contract with Energex in Queensland, and additional construction works with Multinet in Victoria. The award of these projects demonstrated Abigroup's ability to maintain its client relationships in a competitive tender environment.

Although Asset Services made a positive contribution to the Group's results, we need to achieve further significant growth in its operations.

In this regard Asset Services is looking to grow its business and expand its opportunities outside its core water, gas and road maintenance activities that it currently undertakes.

A strategy has been put in place to identify long term maintenance contracts in other business sectors and these opportunities will be pursued in 2004.

### **Infrastructure**

The Company has achieved a high success rate in bidding for major infrastructure projects, with a success rate over the past six years of 75%.

However, despite the Company being successful in the award of the \$1.5 billion WestLink M7 project, it was not shortlisted for the construction of the \$850 million Lane Cove Tunnel Project (LCT).

Given the significant costs associated with major bids as demonstrated by the \$4.5million write off of the LCT bid costs this year, the Board is very cognisant of pursuing only those projects where it believes it has a very good chance of winning.

The major infrastructure project currently being pursued is the \$2 billion Mitcham-Frankston Motorway which is being jointly sponsored by Abigroup, Leighton and Transurban.

Our consortium is one of two shortlisted with tenders due to be lodged in early, 2004. This project is expected to commence construction in late 2004, early 2005.

The Company is also on the shortlist or is tendering for major design and construct road packages with the Roads and Traffic Authority in New South Wales valued in the order of \$700 million, and has identified other major civil and building projects valued in the order of \$2.1 billion.

## **Entertainment**

The results of the Sydney SuperDome were again disappointing, reflecting a reduced number of major acts touring the country compared to previous years and competition between the SuperDome and the Government owned Sydney Entertainment Centre.

The entertainment industry has recently suffered from external influences including September 11, the SARS outbreak and wars in Afghanistan and Iraq. These events resulted in the cancellation of a number of acts previously scheduled to tour Australia.

For the 2003 financial year the SuperDome incurred an operating loss before interest and depreciation of \$3.5m compared to \$3.0m in 2002. In addition, interest and depreciation charges for the SuperDome remain constant at \$7.0 million.

The Company is proceeding with the establishment of a licenced club within the venue, and a social impact assessment was lodged with the Liquor Administration Board in January, 2003.

It has discussed its proposals for the development of the club with the Sydney Olympic Park Authority (SOPA) and received broad approval for the proposal.

Subject to the timely receipt of all necessary approvals, the establishment of the club will assist in improving the SuperDome's operating results. However under the New South Wales Government's privatisation policy it will need Government intervention to ensure a level playing field with Government owned venues in order to achieve profitability.

The Board is still satisfied that the asset is recoverable, however it remains concerned with the SuperDome's impact on the Company's results and the lack of any clear signs that the SuperDome's performance will significantly improve in the short term. Accordingly, actions are being taken on a number of fronts to reduce the impact of this asset on the financial performance of the Company.

## **Year Ahead**

Abigroup commences the 2004 financial year with a record order book of \$1.7 billion underpinned by the WestLink M7 project.

Based on the Group's work in hand, the Company expects turnover to grow by at least seventeen percent in 2004 to \$880 million.

Apart from the SuperDome, the markets in which the Company operates appear to be robust and it will be important to build on the current level of work in hand in order to produce a sustained increase in turnover for the following years.

Given the positive outlook for the Company and notwithstanding the lower result achieved this year, the Board has declared a final fully franked dividend of 4 cents per share.

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## **ATTACHMENT “B” TO APPENDIX 4E**

### **MANAGEMENT DISCUSSION AND ANALYSIS YEAR ENDED 30 JUNE, 2003**

#### ***Statement of Financial Performance***

- The consolidated net profit before tax and outside equity interests of \$9.7 million was 11.9% lower than the previous financial year. The consolidated net profit after tax and outside equity interests was 10.6% lower than the previous period.
- The consolidated net profit before tax and outside equity interests was impacted by the \$4.5 million write off of the bid costs associated with the unsuccessful Lane Cove Tunnel tender and a non recurring goodwill write off of \$2.3 million (2002: \$340,000).
- The consolidated net profit before tax and outside equity interest was again impacted by the results of the entertainment division. The Sydney SuperDome incurred an operating loss for the 2003 financial year of \$3.5 million (2002: \$3.0 million). After depreciation and interest the Sydney SuperDome incurred a loss of \$10.5 million compared to a loss of \$9.9 million in the 2002 financial year. The operating loss reflected a lower level of major acts touring Australia in 2003 as a consequence of world events including the SARS outbreak and the war in Iraq.
- Consolidated revenue from ordinary activities of \$749.9 million was 28.3% higher than the previous financial year reflecting the higher level of construction activity.
- The consolidated revenue this year includes revenue of \$74.8 million from the Abigroup Leighton Joint Venture to design and construct the WestLink M7. In accordance with the Group's construction profit recognition policy no profit has been recognised on this project in the 2003 financial year results.
- Revenue from outside the operating activities includes distributions of \$3.2 million (2002: \$2.9 million) from the Company's investment in the Hills Motorway Group.
- The consolidated net interest expense decreased by \$1.2 million to \$4.3 million (2002: \$5.5 million) due to a decrease in finance lease interest expense and an increase in the level of cash.



## ***Statement of Financial Position***

- The net tangible asset backing per share has increased from \$2.35 to \$2.58 at 30 June, 2003.
- The consolidated entity's total assets increased by \$76.0 million reflecting the increased level of construction activity and the inclusion of Abigroup's fifty percent interest in the assets of the Abigroup Leighton Western Sydney Orbital (M7) Joint Venture construction contract.
- Current liabilities exceed current assets by \$7.7 million due to the Company reclassifying a contractual claim of \$12.0 million to a non current asset due to the time constraints of the legal system.
- Consistent with the treatment adopted in 2002, the Company's investment in the Hills Motorway Group was revalued on a fair value basis at \$5.21 per stapled security (2002: \$4.65 per stapled security).

The resulting revaluation increment of \$0.56 (2002: \$0.03) per stapled security of \$8.4 million (2002: \$450,000) has been credited to the asset revaluation reserve. The quoted market price per stapled security of the Hills Motorway Group at 30 June, 2003 was \$5.80 (2002: \$4.65 per stapled security).

- Investments at cost-unlisted includes the Company's investment in WestLink Motorway Limited (WML) of \$1.5 million. WML is the owner of the M7 motorway for the concession period (30 years).
- Property, plant and equipment includes assets forming part of the Sydney SuperDome built as a BOOT scheme for the NSW Government with a written down value of \$45.6 million (2002: \$49.7 million). This asset will be owned for the concession period which expires 31 January, 2031.
- During the year the consolidated entity purchased new and replacement plant and equipment principally for its construction and asset maintenance businesses totalling \$15.5 million (2002: \$4.1 million).

- Work in progress includes a contractual claim of \$12.0 million (2002: \$10.3 million) which is subject to a recent adverse Referees report which has been subsequently adopted by the Court. The Company will be appealing this case to the Court of Appeal. After consulting the Company's legal advisers who consider that it is more likely than not that the Court of Appeal will reject the Referees report, the Directors are of the opinion that the claim will ultimately be awarded in the Company's favour. Should the Company not be successful with its appeal, an amount of \$3.2 million plus interest will be awarded against the Company.
- The balance of the goodwill resulting from the acquisition of the Cathodic Protection Systems business in 2000 has been written off in the 2003 financial year resulting in a non recurring expense of \$2.3 million (2002: \$0.3 million).
- The consolidated entity's borrowings increased by \$11.2 million (2002: a reduction of \$6.3 million) to \$73.5 million (2002: \$62.3 million) comprising a net increase in lease liabilities of \$4.1 million, a reduction in the SuperDome bank loan of \$1.3 million and the inclusion of Abigroup's fifty percent interest in the borrowings of the Abigroup Leighton Western Sydney Orbital (M7) Joint Venture construction contract.
- The increase in borrowings has notwithstanding the improvement in net assets increased the debt to equity ratio to 59.8% (2002: 54.4%)
- The consolidated entity's deferred tax liabilities includes \$21.8 million for the potential capital gains tax on the sale of the Company's investment in the Hills Motorway Group. Abigroup has capital losses of \$9.9 million which have reduced the deferred tax liabilities.
- A provision has been taken up for \$0.6 million in respect of the balance of the rent payable at the Company's previous head office in Pymble. This amount is required to be provided under UIG1 Abstract "Accounting for Surplus Lease Space Under a Non Cancellable Operating Lease".
- In accordance with AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" a final dividend has not been provided for as it was not declared prior to 30 June, 2003.

- Progress claims in advance includes a contractual claim of \$11.2 million (2002: \$10.7 million) which is subject to a recent adverse Referee's report which has been subsequently adopted by the Court. The Company will be appealing the decision to the Court of Appeal. After consulting the Company's legal advisers who consider that it is more likely than not that the Court of Appeal will reject the Referees report. The Directors are of the opinion that the appeal will be successful and the claim will ultimately be awarded in the Company's favour.

### ***Statement of Cash Flows***

- The net cash inflows from operating activities totalled \$47.3 million compared to \$13.4 million in the previous financial year. This increase reflected the Group's higher level of construction activity and the commencement of construction of the M7 Motorway in Joint Venture with Leighton.
- The net cash outflows from investing activities remained relatively static at \$6.3 million (2002: \$6.2 million).
- The net cash outflows from financing activities reflects a reduction in the Sydney SuperDome bank loan facility of \$1.3 million, principal repayments under finance leases of \$7.3 million and a loan facility established by the Abigroup Leighton Western Sydney Orbital (M7) Joint Venture to fund expenditure for the M7 Motorway.