Transfield Services Limited ABN 69 000 484 417

Preliminary final report – 30 June 2011

TRANSFIELD
SERVICES

Contents

Corporate Directory

Directors	Anthony Shepherd	Chairman
	Jagjeet Bindra	Deputy Chairman
	Dr Peter Goode	Managing Director and Chief Executive Officer
	Guido Belgiorno-Nettis AM	
	Luca Belgiorno-Nettis AM	
	Steven Crane	
	Diane Smith-Gander (Appointed 22 October 2010)	
	Douglas Snedden	
Chief Risk and Legal Officer / Company Secretary	Kate Munnings	
Key management personnel	Larry Ames	Chief Executive / President, Americas
	Elizabeth Hunter	Chief Executive, Human Resources
	Bruce James	Chief Executive, Resources and Energy ANZ
	Steven MacDonald	Chief Executive, Strategic Marketing and Investments
	Tiernan O'Rourke	Chief Financial Officer
	Phillip Wratt	Chief Executive, Middle East and Asia
	Nicholas Yates	Chief Executive, Infrastructure Services ANZ

Notice of annual general meeting

The annual general meeting of Transfield Services Limited

will be held at	Museum of Sydney 37 Philip Street (Corner Bridge Street) Sydney, NSW 2000
time	10.00 am
date	Wednesday, 19 October 2011

Principal registered office in Australia	Level 10, 111 Pacific Highway NORTH SYDNEY, NSW 2060
Share and debenture registers	Computershare Investor Services Pty Limited Level 3, 60 Carrington St SYDNEY NSW 2000
Auditors	KPMG 10 Shelley Street SYDNEY, NSW 2000
Securities exchange listing	Transfield Services Limited shares are listed on the Australian Securities Exchange under the code "TSE".
Website address	www.transfieldservices.com

Directors' Report (including Remuneration Report)

Your Directors present their report on the consolidated entity consisting of Transfield Services Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011 (the Group or the Company).

Directors

The following persons were Directors of Transfield Services Limited during the whole of the financial year and up to the date of this report:

Anthony Shepherd (Chairman)
Jagjeet Bindra (Deputy Chairman)
Dr Peter Goode (Managing Director and Chief Executive Officer)
Guido Belgiorno-Nettis AM
Luca Belgiorno-Nettis AM
Steven Crane
Douglas Snedden

Professor Stephen Burdon retired as a Director on 14 July 2010. Mel Ward AO ceased to be a Director on 1 October 2010. Diane Smith-Gander was appointed as a Director on 22 October 2010.

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of:

(a) provision of operations and maintenance, asset management, project and capital management outsourcing and infrastructure development services; and

(b) investment in and management of Transfield Services Infrastructure Fund (TSI Fund) renamed RATCH - Australia Corporation Limited (RAC).

Transfield Services operates in Australia and New Zealand, the Americas and the Middle East and Asia (comprising the United Arab Emirates, Qatar, New Caledonia, Malaysia, the Philippines and India) and its business units include resources and industrial, infrastructure services and property and facilities management sectors.

Dividends

Dividends paid to members during the financial year were as follows:

	2011 $'000	2010 $'000
Final ordinary dividend for the previous financial year paid on 20 October 2010 (2010: 12 October 2009)	37,282	29,965
Interim ordinary dividend paid on 20 April 2011 (2010: 14 April 2010)	27,485	20,689
	64,767	50,654

	Cents	Cents
Final ordinary dividend (for the previous financial period)	9.00	7.25
Interim ordinary dividend	5.00	5.00

Since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of 9.0 cents per fully paid share, being $49,474,000 to be paid on 26 October 2011. The Directors resolved on 19 August 2010 to suspend the dividend reinvestment plan.

Review of operations

A summary of consolidated revenues and results by significant segment is set out below:

2011 $'000s	ANZ	Americas	ME&A	Unallocated	TSI Fund (RAC)	Group
Proportionately Consolidated Revenue	2,628,697	1,229,354	115,974	-	-	3,974,025
Less: Share of joint venture revenue	(325,907)	(391,860)	(47,874)	-	-	(765,641)
Revenue	2,302,790	837,494	68,100	-	-	3,208,384
Share of associate and joint venture results	25,020	18,424	4,929	-	16,915	65,288
Profit/(loss) from wholly owned operations	147,655	29,822	(394)	(9,080)	(959)	167,044
EBITDA	172,675	48,246	4,535	(9,080)	15,956	232,332
Depreciation						(53,190)
Amortisation						(28,053)
Net operating finance costs						(39,130)
Tax on operating items						(11,377)
Non-controlling interest						(459)
Operating net profit after tax						100,123
Non-recurring items – restructuring and transaction costs, net of tax (see below)						(119,857)
Net loss after tax (attributable to owners of the Company)						(19,734)

Non-recurring items – restructuring and transaction costs (net of tax):	
Six months ended 31 December 2010:	
Restructuring costs	7,342
Easternwell acquisition costs	6,344
	13,686
Six months ended 30 June 2011:	
Loss on disposal of USM	19,345
Cumulative foreign currency losses relating to USM (previously recognised in reserves)	50,301
Net share of losses associated with impairment of investment in Loy Yang A power station by TSI Fund (RAC) and gains on recognition of convertible notes on sell-down in investment in TSI Fund (RAC)	28,907
Transaction costs relating to TSI Fund (RAC) transaction	7,618
Total in the year ended 30 June 2011	119,857

Refer page 62 for a reconciliation of segment revenue, segment result and segment share of associate and joint venture results to statutory revenue, statutory net profit after taxation and statutory share of net profits from associates and joint ventures accounted for using the equity method.

Earnings / (loss) per share	2011 Cents	2010 Cents (Restated)
Basic and diluted earnings / (loss) per share from continuing operations	8.8	14.2
Basic and diluted earnings / (loss) per share from discontinued operations	(12.8)	2.9
Basic and diluted earnings / (loss) per share	(4.0)	17.1

Review of operations (continued)

Significant changes in the state of affairs

Easternwell

On 13 December 2010 Transfield Services entered into an agreement to acquire Easternwell for $575,000,000 comprising $540,000,000 in cash and $35,000,000 in Transfield Services shares issued to management who were shareholders in Easternwell and other vendors. Queensland-based Easternwell is a leading Australian well services and well construction business, focused on the mining, oil & gas and infrastructure sectors. It provides mainly production-focused, high margin services both earlier in the asset lifecycle and throughout the production phase. Key services include well servicing and maintenance activities, coal seam gas ("CSG") drilling, production-related iron ore mine dewatering, backfill drilling, near-shore geotechnical drilling and dam remediation services. Easternwell employs over 800 people across Australia and operates 75 rigs, with blue chip customers such as BHP Billiton, Cameco, Chevron, Rio Tinto, Santos and Woodside. This acquisition is consistent with the Group's stated strategic objective of expanding its services and capabilities into adjacent sectors and to pursue higher value work.

The acquisition of Easternwell was funded through a combination of debt and equity, comprising $271,000,000 in drawn debt under new facilities, $35,000,000 in Transfield Services shares issued to management who were shareholders in Easternwell and other vendors and a 2 for 9 accelerated non-renounceable entitlement offer which raised $294,000,000 before transactions costs.

USM

On 19 May 2011, Transfield Services announced that it had entered into an agreement to sell its North American Facilities Maintenance business USM to United States based mechanical, electrical and construction services company, EMCOR Group, Inc. The total cash value of the transaction was US$255,000,000.

The USM business was outside of the Group's strategy of focussing on the fast growing and higher margin businesses of Resources and Energy and Infrastructure.

The transaction was completed on 30 June 2011 and the proceeds were used to pay down debt pending an assessment of reinvestment opportunities.

TSI Fund

On 31 March 2011 Transfield Services Infrastructure Fund (TSI Fund) announced that it had received a non-binding, indicative approach from Thailand based Ratchaburi Electricity Generating Holding PCL (RATCH).

On 2 May 2011 RATCH entered into a Scheme Implementation Agreement with TSI Fund to acquire the stapled securities not owned by Transfield Services for a price of $0.85 per security. On 24 June 2011 the scheme of arrangement was approved by TSI Fund security-holders and the court, with final implementation on 5 July 2011 when the TSI Fund was de-listed from the Australian Stock Exchange. TSI Fund has now been renamed the Ratch – Australia Corporation Limited (RAC).

Separately RATCH and Transfield Services entered into a Transaction Framework Agreement to convert 23.8 per cent of ordinary equity in TSI Fund at $0.85 per security into convertible notes, effectively reducing the Company's holding in TSI Fund from 43.8 per cent to 20 per cent. Transfield Services will progressively receive the transaction proceeds of $92,700,000 during the 2012 financial year and will use the proceeds to initially repay debt pending a reinvestment.

The proposal also included the sale of Transfield Services' development business including its portfolio of windfarm and other development opportunities. Under these arrangements, as the owners of the TSI Fund, RATCH and Transfield Services (through TSI Fund) will work together to jointly develop these opportunities. Transfield Services is the preferred provider of operations and maintenance services.

Matters subsequent to the end of the financial year

Except as set out in Note 34 to the financial statements, no significant matters have arisen between statement of financial position date and the date of this report that have significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years; or
- the results of those operations in future financial years; or
- the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

With the strategic alignment of the business significantly progressed the Company is now able to focus on long term growth. In the short term, growth aspirations will be challenging given the current economic and business environment.

The Company is responding to these challenges with a streamlined business, higher value service offerings and an increased exposure to sectors with a strong growth outlook. With contracted revenue momentum from an enhanced business development function, Transfield Services expects long term earnings growth. This is underpinned by a portfolio of contracts with quality clients and an appropriate level of risk.

Following the sale of USM and the sell down of TSI Fund, an earnings gap will exist while opportunities are pursued to reinvest the proceeds from these transactions. The Company plans to reinvest the proceeds during the second half of FY12.

The Company is targeting an absolute growth rate of up to 5% in operational NPAT (pre-amortisation) in FY12. However, excluding the USM and TSI Fund (RAC) contributions from FY11, the year on year operational NPAT (pre-amortisation) growth rate is expected to be 25%. These growth targets are based on USD/AUD parity and are subject to no deterioration in economic conditions.

Environmental regulation and greenhouse gas and energy data reporting requirements

The Group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*, which requires the Group to report its annual greenhouse gas emissions, energy production and energy use. Transfield Services has registered with the Greenhouse and Energy Data Officer ('GEDO') and has submitted reports for the 2008-9 and 2009-10 measurement periods. The Group has implemented systems and processes for the collection and calculation of the data to enable it to continue to prepare and submit reports annually.

In 2011 the Group registered for participation in the Energy Efficiency Opportunities Program under the requirements of the *Energy Efficiency Opportunities Act 2006* based on energy use in the 2009-10 trigger year. The Group is implementing systems and processes to ensure compliance with the next steps in the *Energy Efficiency Opportunities Act 2006* reporting cycle.

The Group is not aware of any material breaches of environmental legislation.

Carbon pricing mechanism in Australia

In late July 2011, the Federal Government introduced the *Clean Energy Bill 2011*. The Bill proposes the introduction of a fixed charge applicable to direct emissions of greenhouse gas (defined as Scope 1) to commence from 1st July, 2012. This will transition to a 'cap and trade' Emissions Trading Scheme ('Scheme') after three years (1st July 2015).

The *National Greenhouse & Energy Reporting Act 2007* requires Transfield Services to report carbon emissions to the Federal Government on assets over which there is operational control. Importantly, under the proposed Scheme the financial liability is able to be passed onto the asset owner pursuant to a liability transfer certificate application.

Of the total greenhouse gas footprint reported by Transfield Services for 2010, over 98% of Scope 1 emissions are attributable to assets which the Group does not own but which it does have operational control over.

In summary, Transfield Services believes its exposure to the proposed carbon pricing mechanism will not have a material effect on the competitiveness of the business over the long term.

Meetings of Directors

	Board meetings	Extraordinary Board Meetings	Board Sub-committee Meetings	RACC	HSEQC	HRC	NOMC*
No of meetings held	6	11	4	4	4	6	0
No of meetings attended by							
Anthony Shepherd	6	11	4	2	1 ~	-	-
Dr Peter Goode	6	10	3	3	4	5 #	-
Jagjeet Bindra	6	8	1	-	4	-	-
Guido Belgiorno-Nettis	4	9	-	-	2	4	-
Luca Belgiorno-Nettis	6	10	-	4	2 ~	-	-
Professor Steven Burdon (retired 14 July 2010)	-	-	-	-	-	-	-
Steven Crane	6	9	3	4	1 ~	4	-
Diane Smith-Gander	5 ^	11	-	-	3	4	-
Doug Snedden	6	10	2	4	1 ~	6	-
Mel Ward (ceased to be a Director 1 October 2010)	-	-	-	-	-	2	-

RACC: Risk, Audit and Compliance Committee
HSEQC: Health, Safety, Environment and Quality Committee
HR Com: Human Resources Committee
NOMC: Nomination Committee

~ Attended as guest as this Director is not a member of this committee
# Dr Goode attended these meetings by invitation in his capacity as Chief Executive Officer
^ Includes attendance at one board meeting as invitee prior to being appointed a Director
* The activities of the Nominations Committee have been undertaken by the full Board

Information on Directors

Details of the Directors' responsibilities and shareholding as at 30 June 2011 are set out below:

Director	Special Responsibilities	Particulars of Directors' Interests in shares and Performance Awards of Transfield Services Limited		Indirect Interest in Transfield Services Limited through Transfield (TSL) Pty Ltd
		Ordinary Shares includes shares that are held by a related party	Performance Awards	
Anthony Shepherd	Chairman of the Board of Directors and Chair of the Nomination Committee.	129,483	-	-
Dr Peter Goode	Member of the Health, Safety, Environment and Quality Committee and attends the Risk, Audit and Compliance Committee, Human Resources Committee and Nomination Committee by invitation.	611,111	364,456	-
Jagjeet Bindra	Deputy Chairman of the Board of Directors, Chair of the Health, Safety, Environment and Quality Committee and has North American advisory responsibilities to the Board.	56,541	-	-
Guido Belgiorno-Nettis AM	Member of the Health, Safety, Environment and Quality Committee, member of the Human Resources Committee and Nomination Committee.	498,992	-	57,849,887 shares held by Transfield (TSL) Pty Ltd
Luca Belgiorno-Nettis AM	Member of the Risk, Audit and Compliance Committee.	2,170,585	-	57,849,887 shares held by Transfield (TSL) Pty Ltd
Steven Crane	Chair of the Risk, Audit and Compliance Committee, member of the Human Resources Committee and the Nomination Committee.	141,778	-	-
Diane Smith-Gander	Member of the Health, Safety, Environment and Quality Committee, member of the Human Resources Committee, and the Nomination Committee	14,668		
Douglas Snedden	Chair of the Human Resources Committee and member of the Risk, Audit and Compliance Committee, and the Nomination Committee	64,525	-	-

Directorships of other listed companies held in the last three years

Anthony Shepherd

- ConnectEast Group (ASX) - appointed 28 September 2004
- Transfield Services Infrastructure Fund (ASX) - 12 June 2007 - 15 February 2010

Dr Peter Goode

- Transfield Services Infrastructure Fund (ASX) - 1 April 2009 – 5 July 2011
- Ocean Rig (Oslo Stock Exchange) - July 2006 - March 2008

Jagjeet Bindra

- Transocean Limited (New York Stock Exchange; SIX Swiss Exchange) - appointed 13 May 2011
- Edison International (NYSE) - appointed 22 April 2010
- Larsen & Toubro Limited (Bombay Stock Exchange) - appointed 31 December 2008
- LyondellBasell Industries NV (NYSE) – appointed 5 May 2011

Steven Crane

- APA Group (ASX) - appointed 1 January 2011
- Bank of Queensland Limited (ASX) - appointed 11 December 2008
- APA Ethane Limited (ASX) as responsible entity for Ethane Pipeline Income Fund (EPX) - 10 July 2008 - 24 June 2011
- Adelaide Bank Limited (ASX) - 28 April 2005 - 16 November 2007
- Investa Property Group (ASX) - 10 August 2006 – 6 September 2007
- NIB Holdings Limited (ASX) – appointed 14 September 2010

Diane Smith-Gander

- Wesfarmers Limited – appointed 1 January 2011

Chief Risk and Legal Officer / Company Secretary

Kate Munnings (LLB and Bachelor of Health Science) was appointed Chief Counsel and Company Secretary to Transfield Services in January 2006. Kate leads the group responsible for Transfield Services' legal, company secretarial, risk management, global insurance and internal audit functions. Kate has approximately 20 years experience working with and advising companies in the engineering, construction and services sectors in relation to their corporate, contractual and other commercial requirements.

The Remuneration Report is presented as part of the Directors' Report on pages 10-29.

Transfield Services Limited and controlled entities
Directors' Report - Remuneration Report
Executive Summary

This Executive Summary outlines the Company's remuneration principles, the key remuneration initiatives undertaken by the Company during the year, and discloses the actual value of remuneration earned by the Company's Senior Executives in the 2010/2011 financial year (FY 2010/11).

It should be read together with the full Remuneration Report on pages 12 to 29, which provides disclosure of the remuneration structure of the Company in accordance with statutory obligations and accounting standards.

The Company's remuneration objectives	The Company's remuneration objective is to attract, retain and motivate executives to focus on the business objectives of short and long-term success of the Company. This objective is achieved by aligning remuneration with annual operating performance and longer term shareholder returns. Consequently, we have structured our executive remuneration so that there is a significant proportion of remuneration which is only earned if Board established targets for annual operating performance and longer term shareholder return are achieved.
Integrity of the remuneration structure	Overall, the Company's remuneration structure operates as intended in that incentive remuneration outcomes directly reflect Company performance. The Company's historical and current short-term incentives (STI) and long-term incentives (LTI) outcomes are tied directly to the results delivered by the Company, thus assuring proper alignment of the interests of shareholders and executives.
Remuneration initiatives and future developments	The integrity of the Company's remuneration structure means wholesale changes have not been required during this period but we continue to refine aspects of the Company's remuneration framework to meet our stated objectives. These include reviewing the Company's STI and LTI plans for alignment with shareholder expectations and ability to attract, retain and motivate and where appropriate making adjustments to these. The Board's Human Resources Committee periodically assesses the Company's remuneration structure against regulatory changes and best practice market developments on remuneration matters. The Company's remuneration policies are consistent with recently introduced legislation on executive remuneration eg prohibition on hedging of incentive remuneration and recommendations from the Corporations and Markets Advisory Committee (CAMAC) eg disclosure of "actual" remuneration. As discussed in last year's report, the Company has also introduced STI deferral for both additional performance and service conditions in FY 2009/10 which puts at risk the deferred STI in the event the Company's financial performance is not maintained in the subsequent two years. This is in line with practices being implemented in the APRA-regulated sector. The Company is confident that the remuneration structure is robust and sufficiently flexible to comply with future regulatory changes (if any) and remain consistent with remuneration principles and market conditions to meet our objective of attracting, retaining and motivating our employee base.
Changes in Organisational Structure and Senior Executives	During FY 2010/11, the Managing Director and Chief Executive Officer (MD/CEO) continued to execute on the Company's strategic direction, including acquisition of Easternwell, divestment of the USM business in the Americas and executing an agreement to sell-down the shareholding in Transfield Services Infrastructure Fund. The business in Australia and New Zealand was restructured to form two businesses - Resources & Energy and Infrastructure - to provide clients with increased specialisation of knowledge and service in these respective sectors. This has culminated in the establishment of two Senior Executive positions, Chief Executive Resources & Energy – ANZ and Chief Executive Infrastructure – ANZ, reporting directly to the MD/CEO. The previous Chief Executive - Marketing and Business Development role (now Chief Executive – Marketing and Investments) now encompass oversight of merger and acquisition activities, including divestment activities in line with the business strategy.
Remuneration outcomes	Table 13 on page 26 of the Remuneration Report provides a breakdown of the Company's Senior Executive remuneration in accordance with statutory obligations and accounting standards (this information sets out the cost to the Company).

The following table sets out the realised value Senior Executives derived from the various components of their remuneration in FY 2010/11, from an individual perspective. The value of remuneration includes the FY 2010/11 STI payable in September 2011 and prior year LTI grants where the executive physically received shares from these in FY 2010/11:

	Fixed remuneration (including superannuation)	STI (1)	LTI (2) (Unaudited)	Non-monetary benefits	Total
Dr Peter Goode	1,786,495	508,230	-	7,199	2,301,924
Larry Ames (3)	624,027	151,487	-	31,082	806,596
Elizabeth Hunter	510,427	102,715	-	9,152	622,294
Bruce James	918,019	117,430	36,897	18,222	1,090,568
Steve MacDonald	634,025	273,431	64,631	19,387	991,474
Kate Munnings	562,287	100,000	-	9,126	671,413
Tiernan O'Rourke	800,016	336,000	-	10,458	1,146,474
Philip Wratt	550,011	171,336	-	134,577	855,924
Nicholas Yates	478,141	102,694	-	7,000	587,835
Total current Senior Executives	6,863,448	1,863,323	101,528	246,203	9,074,502

(1) This figure includes the value of STI earned by the executive in FY 2010/11, excluding the value of the deferred component, which is subject to performance hurdles for a further one to two years before the executive receives any actual shares. For further details of the Company's STI plan, please see pages 18 to 19 of the Remuneration Report. In determining FY 2011 STI outcomes, the Board exercised its discretion and took into account transactions that occurred during the year.

(2) This figure represents the value of LTI awards which vested during the year, calculated using the closing price of the Company's shares on the vesting date. The value realised by the executive (if the vested LTI awards were exercised and sold) may be a different to this value. LTI awards that were granted during FY 2010/11 are NOT included in this table, as they are not eligible for vesting until after the release of the Company's full year results for FY 2013/14. For further details of the Company's LTI plan, please see pages 21 to 22 of the Remuneration Report.

(3) USD amounts translated into AUD at the average annual AUD:USD exchange rate of 0.9886.

Terminology

In this report, the term "Senior Executives" refers to:

- all executives who meet the definition of key management personnel of the Group (being those persons with authority and responsibility for planning, directing and controlling the activities of the Group) including the Managing Director and Chief Executive Officer ("MD/CEO"); and
- the five most highly remunerated Company/Group executives.

The term "Non-Executive Directors" is used to refer to the non-executive Directors of the Company.

"STI" refers to short-term incentives.

"MTI" refers to medium-term incentives.

"LTI" refers to long-term incentives.

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entity for the year ended 30 June 2011.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Report.

The Remuneration Report sets out the remuneration information pertaining to the Company's Directors and Senior Executives who are the key management personnel (KMP) of the consolidated entity for the purposes of the *Corporations Act 2001* and *AASB124: Related Party Disclosures*. They include the five highest remunerated executives of the Company and the Group for the year, and are listed in Table 1 below.

Table 1 – Directors and Senior Executives

Non-Executive Directors		
Anthony Shepherd	Chair	
Jagjeet Bindra	Deputy Chair	Since 22 October 2010 (previously Director)
Guido Belgiorno-Nettis AM	Director	
Luca Belgiorno-Nettis AM	Director	
Professor Stephen Burdon	Director	Retired 14 July 2010
Steven Crane	Director	
Diane Smith-Gander	Director	Since 22 October 2010
Douglas Snedden	Director	
Mel Ward AO	Director	Retired (deceased) 1October 2010
Senior Executives		
Dr Peter Goode	Managing Director and Chief Executive Officer	
Larry Ames	Chief Executive - Americas	
Elizabeth Hunter	Chief Executive - Human Resources	
Bruce James	Chief Executive Resources & Energy - ANZ	Since 7 April 2011 (previously Chief Executive – ANZ)
Steve MacDonald	Chief Executive - Marketing & Investments	Since 7 April 2011 (previously Chief Executive Officer – Transfield Services Infrastructure Fund)
Kate Munnings	Chief Risk and Legal Officer and Company Secretary	
Tiernan O'Rourke	Chief Financial Officer	
Philip Wratt	Chief Executive - Middle East and Asia	
Nicholas Yates	Chief Executive Infrastructure - ANZ	Since 7 April 2011 (previously Chief Executive – Marketing & Business Development)

Details on the Non-Executive Directors' remuneration are set out on pages 13 to 15. Details on the remuneration structure and outcomes for Senior Executives are set out on pages 16 to 29.

A. Human Resources (HR) Committee

The Board's key responsibilities can be summarised around overseeing financial integrity, business strategy, the management of business risks, legal compliance and governance and human resources and remuneration strategy. The purpose of the Board's HR Committee is to:

- ensure that Transfield Services' HR policies comply with HR laws, reflect current governance and mitigate against operational, financial and reputation risk;
- assist the Board to consider remuneration issues more efficiently and fully and to provide recommendations on remuneration policies, practices and decisions to the Board for approval; and
- assist the Board to ensure key talent and critical workforces are managed to support and further corporate objectives and to provide recommendations to the Board for approval.

The Board has authorised the HR Committee to perform activities within the scope of its responsibilities including engaging independent advisors as it deems necessary, requiring the attendance of company officers at meetings and having unrestricted access to management, employees and information it considers relevant. The HR Committee may make any recommendations to the Board in respect of remuneration policies, practices and decisions as well as management of key talent and critical workforces. The HR Committee does not have delegated power to make binding decisions on behalf of the Board.

The members of the Committee during the year were:
- Douglas Snedden (Independent Chair since 22 October 2010, previously Committee member)
- Mel Ward AO (Independent Chair until 30 September 2010)
- Guido Belgiorno-Nettis AM (Non-Executive Director)
- Steven Crane (Independent Non-Executive Director)
- Diane Smith-Gander (Independent Non-Executive Director since 22 October 2010)

The HR Committee met six times during the financial year. Further details regarding attendances are set out on page 7.

B. Non-Executive Directors' Remuneration

Table 2 – Key principles underpinning the remuneration policy for Non-Executive Director

Principle	Outcomes
Aggregate Board and Committee fees are approved by shareholders	The current aggregate fee pool for Non-Executive Directors of $2,000,000 was approved by shareholders at the Annual General Meeting held on 21 October 2010.
Remuneration is structured to preserve independence whilst creating alignment	To preserve independence and impartiality, no element of Non-Executive Director remuneration is "at risk". Non-Executive Directors are remunerated by way of fixed fees in the form of cash and superannuation in accordance with Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. Please refer to Table 3 below for the remuneration components for Non-Executive Directors.
Fees are set by reference to key considerations	Board and Committee fees are set by reference to a number of relevant considerations including: • the responsibilities and risks attached to the role of Non-Executive Director; • the time commitment expected of Non-Executive Directors; • the fees paid by peer companies to Non-Executive Directors; and • independent advice received from external advisers, as required. The Chairman's fees are determined independently of other Non-Executive Directors based on comparative

Principle	Outcomes
	roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.
No retirement benefits	No additional benefits are paid to Non-Executive Directors upon their retirement from office (ie in addition to their existing superannuation entitlements).[1]
Reviews of remuneration	The Board periodically reviews its approach to Non-Executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of corporate governance and relies on independent expert advice, as required. Board and Committee fees were reviewed during the year and except for changes in relation to the committee fees for Risk, Audit and Compliance (RAC) Committee members, there were no changes to other Board and Committee fees. The RAC Committee Chair fees increased from $15,600 to $20,000 and the RAC Committee member fees increased from $10,400 to $13,000 to recognise the additional workload and demands of that Committee. Please refer to Table 3 below for current levels of Board and Committee fees.

1. Non-Executive Directors appointed prior to 30 June 2004 have accrued retirement benefits which were frozen as at this date, but are indexed against CPI until being paid out upon their retirement.

Table 3 – Components of Non-Executive Director Remuneration

Elements	Details
Board fees/ Committee fees	Current fees are as follows: **Board fees per annum:** • $372,320 for Chair[1] • $182,000 for Deputy Chair • $140,400 for Board member **Committee fees per annum:** Human Resources Committee and Health, Safety, Environment and Quality Committee: • $15,600 for the Chairs of the Committees • $10,400 for the members of the Committees Risk, Audit & Compliance Committee: • $20,000 for the Chair of the Committee • $13,000 for the members of the Committee 1. The Chair of the Board does not receive additional fees for service on Board Committee. The above fees are inclusive of superannuation contributions made on behalf of Australian-based Non-Executive Directors and satisfy the Company's statutory superannuation obligations. Board fees are not paid to the executive Director (Dr Peter Goode) as the responsibilities of Board membership are considered in determining the remuneration provided as part of his normal employment conditions. The total Board and Committee fees paid to Directors during the year was $1,380,460 which is $619,540 below the current aggregate fee pool of $2,000,000.
Other fees/benefits	Until 22 October 2010, Jagjeet Bindra received additional fees of $10,400 per annum as the North American representative of the Board and for providing support to the North American operations. Upon his appointment as Deputy Chair of the Board from 22 October 2010, Mr Bindra's remuneration comprises Board fees as Deputy Chair and committee fees for the Health, Safety, Environment and Quality Committee. Non-Executive Directors are also entitled to be reimbursed for all business related expenses, including travel, as may be incurred in the discharge of their duties.
Retirement benefits	The Board resolved in 2004 to remove retirement allowances for Non-Executive Directors appointed after that date. In February 2006, the Board further resolved to cease accruing retirement benefits for existing Directors with effect from 1 July 2006. Directors' entitlements up to 30 June 2006 under the previous arrangements are

Elements	Details
	preserved and the value maintained through indexation of amounts previously accrued. The accrued entitlement is paid on retirement of the Director.
Equity arrangements	The Non-Executive Directors do not participate in any equity arrangements (eg share acquisition via fee sacrifice) since the suspension of the Non-Executive Directors in the TranShare Deferred Share Plan in May 2009 following changes to employee share scheme taxation legislation which impacted the efficiency of this share acquisition mechanism. With the suspension of the Plan, the Board adopted a policy under which all Non-Executive Directors are expected to acquire and hold shares in the Company with a value (based on cost) equal to one year's Directors base fees in order to align their interests with shareholders generally. Directors have a period of up to five years from the later of the adoption of the policy and their appointment date to achieve the minimum shareholding target. The Non-Executive Directors' current shareholding are set out on page 8. Under the Company's shareholding policy, Non-Executive Directors are prohibited from using the Company's securities as collateral in any financial transaction, including margin loan arrangements. This is consistent with the policy for Senior Executives (see page 23) and other select employees.

Table 4 – Non-Executive Director Remuneration for FY 2009/10 and FY 2010/11

		Short term benefits		Post employment benefits		
Name		Cash salary and fees $	Non-monetary benefits[1]	Superannuation $	Retirement benefits $	Total $
Anthony Shepherd	2011	357,128	5,713	15,199	6,920	384,960
	2010	349,524	4,695	13,984	13,835	382,038
Jagjeet Bindra[2]	2011	179,217	-	-	-	179,217
	2010	141,329	-	-	-	141,329
Guido Belgiorno-Nettis AM	2011	163,251	-	-	-	163,251
	2010	163,453	-	-	-	163,453
Luca Belgiornio-Nettis AM	2011	152,103	-	-	-	152,103
	2010	148,805	-	-	-	148,805
Professor Stephen Burdon (until 14 July 2010)	2011	6,469	-	582	1,261	8,312
	2010	146,736	-	11,130	(984)	156,882
Steven Crane	2011	155,166	-	13,921	-	169,087
	2010	151,621	-	11,345	-	162,966
Diane Smith-Gander (from 22 October 2010)	2011	102,873		9,259	-	112,132
Douglas Snedden	2011	152,379	-	13,714	-	166,093
	2010	79,529	-	7,158	-	86,687
Mel Ward AO (until 1 October 2010)	2011	39,630	-	3,435	2,240	45,305
	2010	150,921	-	11,065	(984)	161,002
Total Non-Executive Directors	2011	1,308,216	5,713	56,110	10,421	1,380,460
	2010	1,331,918	4,695	54,682	11,867	1,403,162
Total for each category	2011	1,313,929		66,531		1,380,460
	2010	1,336,613		66,549		1,403,162

1 Provision of car-parking.

2 USD amounts translated into AUD at the average annual AUD:USD exchange rate of 0.9886.

C. Senior Executive Remuneration Policy and Structure

An overview of the structure of Senior Executive remuneration is set out in the table below, together with details of where each of those elements is discussed in more detail within the Remuneration Report.

Table 5 – Senior Executive remuneration overview

Item	Summary	Detail in Report
1. MD/CEO snapshot	Dr Peter Goode's remuneration structure comprises a fixed remuneration (inclusive of superannuation) and an "at risk" incentive structure that delivers cash and equity if performance hurdles are met.	Page 17
2. Fixed remuneration	Fixed remuneration is set having regard to the market for comparable roles, targeted at market median (for local market) using external benchmark data.	Page 18
3. Short-term incentive (variable 'at risk' component)	Participation in the Company's Short-Term Incentive (STI) Plan gives Senior Executives the opportunity to earn variable income via an STI outcome, dependent upon performance over a one-year period against a combination of financial and strategic objectives. A portion of this variable amount is subject to further deferral (see Item 4 below) and the balance is payable in cash.	Page 18
4. Medium-term incentive (variable 'at risk' component)	Senior Executives are required to defer up to 20 per cent of their earned STI outcome (where their STI outcome exceeds the threshold of $100,000 for FY 2010/11) into performance rights in the Company. These performance rights vests over one and two years subject to the Company maintaining or improving on FY 2010/11 earnings adjusted for acquisition and divestments.	Page 20
5. Long-term incentive (variable 'at risk' component)	Participation in the Company's Long-Term Incentive (LTI) Plan gives Senior Executives the opportunity to acquire shares in the Company where they succeed in achieving outcomes linked to the creation of long term sustainable growth for shareholders. The LTI performance rights vest and become exercisable based on the performance of the Company over a three to four year period relative to its peer group of companies (based on total shareholder return) and internal financial measures of earnings per share and return on funds employed for LTI awards granted from September 2009 onwards.	Page 21
6. Shareholding policy	Senior Executives are prohibited from hedging unvested MTI and LTI awards granted to them as part of their remuneration. They are also prohibited from using the Company's securities as collateral in any financial transaction, including margin loan arrangements. To further align with shareholders, Senior Executives are encouraged to acquire and hold shares in the Company in addition to any at-risk MTI and LTI participation.	Page 23
7. Service agreements	The remuneration and other terms of employment for Senior Executives are formalised in service agreements. These service agreements deal with termination rights, notice periods and entitlements upon termination for Senior Executives.	Page 23
8. Remuneration outcomes	The remuneration outcomes for Senior Executives for FY 2010/11 reflect the Company's performance. Refer to Charts 1 and 2 on page 24.	Page 24
9. Statutory tables	Full details of Senior Executives' remuneration in accordance with statutory requirements for FY 2010/11 can be found on page 25 onwards.	Page 25

C1. MD/CEO's remuneration structure and components

The MD/CEO's remuneration structure is specified in his service agreement and is summarised in Table 6 below. The structure is biased towards variable 'at risk' remuneration with two-thirds of the target total remuneration being subject to performance against financial and strategic objectives which are set annually.

Table 6 – MD/CEO Remuneration Components

<table>
<tr><th>Remuneration components</th><th>Remuneration outcomes</th><th>As % of MD/CEO's Total Remuneration (at target)</th></tr>
<tr><td>Fixed remuneration

Total Fixed Remuneration (TFR)</td><td>Comprises base salary and superannuation.</td><td>33.3</td></tr>
<tr><td>Variable 'at risk' performance-based remuneration

Total Incentive (based on target outcome) equal to 200 per cent of TFR*

*If the MD/CEO out-performs on the Total Incentive target objectives, he will be eligible for an additional Total Incentive equal to 30 per cent of his TFR such that his Total Incentive is equal to 230 per cent of TFR.</td><td>The Total Incentive outcome for each financial year is to be determined based on performance against:

- financial objectives (eg earnings and business growth); and

- strategic objectives including safety, strategy development and implementation.

For financial year 2010/11, the earned Total Incentive outcome is delivered as follows:
<table>
<tr><th>Proportion of earned Total Incentive</th><th>Delivery form</th></tr>
<tr><td>One-third (1/3)</td><td>Cash</td></tr>
<tr><td>Two-thirds (2/3)</td><td>MD/CEO medium-term incentive – these are subject to further performance hurdles (see below for details). The MTI contains LTI elements and is in place for the MD/CEO's first two full financial years. See below for the incentive arrangements post FY 2010/11.</td></tr>
</table>
In determining the Total Incentive outcome for the MD/CEO, the Board exercised its discretion and took into account transactions that occurred during the year</td><td>66.7</td></tr>
<tr><td>Total Remuneration (at target)</td><td>Total Remuneration (at target) reflects the remuneration outcome assuming that the target financial and strategic objectives are met.</td><td>100</td></tr>
</table>

MD/CEO Medium-term Incentive

Two-thirds of the MD/CEO's earned Total Incentive outcome are delivered to him in the form of medium-term incentives (MTI). The MD/CEO MTIs are performance rights, being rights to acquire shares for nil consideration under the terms of the Transhare Executive Performance Award Plan (TEPAP). The TEPAP is the overall plan that delivers the Company's LTI plan.

The MD/CEO's MTI are allocated from his earned incentive and are further tested against hurdles prior to the MD/CEO deriving any actual shares. Subject to achieving performance measures, these MD/CEO MTI performance rights will be available for vesting after two years in respect of half of the MTI's granted and after three years for the other half. The performance measures which apply to these MTIs are:

- 25 per cent based on earnings per share growth;
- 25 per cent based on relative total shareholder return;
- 25 per cent based on return on funds employed; and
- 25 per cent based on margin improvement on earnings before interest, tax and amortisation (EBITA).

Full details of the MD/CEO's remuneration for FY 2010/11 can be found on page 26.

C1. MD/CEO's remuneration structure and components (continued)

Incentive arrangements post FY 2010/11

In accordance with the MD/CEO's services agreement, the MD/CEO's earned Total Incentive outcome post FY 2010/11 will be delivered to him in the following form:

- One-third (1/3) in cash;
- One-third (1/3) in the form of MTI with 50% vesting after two years and 50% vesting after three years; and
- One third (1/3) will be delivered or provided in the form of equity delivered through participation in the LTI Plan.

C2. Fixed remuneration

Table 7 – Summary of fixed remuneration

What is fixed remuneration?	The terms of employment of all Senior Executives contain a fixed remuneration component expressed as a dollar amount. This amount is not 'at risk'. Depending on the country in which the executive is employed, the fixed remuneration component is structured as a total employment cost package (which includes company superannuation contributions and benefits, including fringe benefits tax) or as a salary plus benefits package.
How is fixed remuneration set?	Fixed remuneration for Senior Executives is set by the HR Committee to reflect the market for comparable roles, targeted at market median (for local market) using external benchmark data. The Company also uses a job evaluation methodology to manage internal pay relativities.
Did the Company review fixed remuneration during the year?	The Company reviewed fixed remuneration on 1 September 2010. While some Senior Executives received increases in their fixed remuneration, these increases were in line with the Company's average increase or were intended to keep the Company's base salary rates in line with market movements. The MD/CEO received an increase of 2.5%, being the first increase since his appointment in March 2009.

C3. Short-term incentive (STI)

Table 8 – Summary of STI Plan

What is the STI Plan and what is its purpose?	The STI Plan is a variable 'at risk' remuneration component linked to achieving specific annual objectives. It is designed to put a significant proportion of Senior Executive remuneration at-risk against meeting: ▪ targets linked to annual financial objectives; and ▪ targets linked to strategic objectives that support the business strategy and drive long-term sustainability.
Who participates in the STI Plan?	Executives and selected individuals who can materially impact the financial and operational performance of the Company, a region or a business unit.
Are both target and stretch performance conditions imposed?	Yes, if financial performance exceeds targets, the STI Plan will deliver higher rewards to executives.
What percentage of fixed remuneration does the STI Plan represent?	Senior Executives have target reward of 40 – 75 per cent of total fixed remuneration.
What are the performance measures?	The payment of any STIs is subject to the Group and relevant region meeting threshold earnings performance. Threshold performance is set at 90% of target earnings required for full target STI payments, as set by the Board. In addition, individuals are set specific performance measures to determine STI outcomes. These performance measures vary depending on the individual executive's position, and include both financial and strategic objectives:

	Financial measures include: • earnings before interest, taxation and amortisation (EBITA) at group, regional and business unit levels • EBITA margins • capital management • leveraging ratios and • cost reduction. Measures for strategic objectives include: • Safety performance • Project deliverables • Succession planning and • Strategy development. Senior Executives' objectives are weighted 70 per cent towards financial measures and 30 per cent towards measures for strategic objectives.
Why were these measures chosen?	These STI performance measures have been selected because they are directly linked to the short-term financial performance and strategic direction of the Company and promote continued profitability that is sustainable over the long-term.
How are the performance conditions measured?	Performance against these measures is determined after the end of the financial year. STI amounts are payable following audit clearance of the annual financial statements each year.
Who assesses the performance of Senior Executives and why were those methods chosen?	The HR Committee has oversight of the outcomes against performance measures and confers with the MD/CEO in assessing the performance of Senior Executives at the end of each financial year.
In what form is the STI delivered?	STI is paid in cash and if the STI exceeds a threshold of $100,000, up to 20 per cent is delivered in the form of medium-term incentives (see section C4 below).
What if a Senior Executive ceases employment?	Where a Senior Executive ceases employment with the Company (other than due to redundancy) before STI measures are assessable, then the Senior Executive is generally not entitled to receive any STI outcome. Where a Senior Executive ceases employment due to redundancy, the STI entitlement is tested in the ordinary course at the end of the performance year. In such circumstances, the Board may determine that the Senior Executive is entitled to a pro-rata proportion of their STI entitlement.

C4. Medium-term incentive

Table 9 – Summary of MTI Plan

What is the purpose of the MTI Plan?	The purpose of the MTI Plan is to encourage executives to focus on medium term impact of their short-term decisions by placing at-risk a proportion of earned STI outcome.
Who participates in the MTI Plan?	STI participants who achieve a minimum STI outcome of A$100,000 (MTI threshold).
How is reward delivered under the MTI Plan?	Senior Executives and other eligible executives are granted performance rights under the TranShare Executive Performance Award Plan (TEPAP). The number of performance rights granted from the MTI allocation is calculated based on the market value of the Company's shares around the time the MTI grants are approved by the HR Committee. Each performance right is an entitlement to receive a fully-paid ordinary share in the Company on terms and conditions determined by the Board, including vesting conditions linked to continued service and performance. If these are satisfied, the performance rights vest and shares will be delivered to the Senior Executive. Subject to achieving the vesting conditions,: ▪ 50 per cent of MTI rights granted (Tranche 1) will vest one year from grant; and ▪ The other 50 per cent of MTI rights granted (Tranche 2) will vest two years from the grant.
Do participants pay for the Performance Rights?	The performance rights are offered at no cost to the Senior Executive.
What rights are attached to the Performance Rights?	The performance rights do not carry voting or dividend rights, however shares delivered upon vesting of performance rights will carry the same rights as other ordinary shares. Senior Executives are prohibited from hedging their unvested MTI awards (further discussed at page 23).
What are the performance hurdles and how are they measured?	Participants in the MTI Plan will not derive any value from their MTI awards unless Company earnings is maintained or improved in the next one to two years and the participants remained employed with the Group at the time of vesting.
What if a Senior Executive ceases employment?	Unvested MTI awards Where a Senior Executive ceases employment (other than due to redundancy or retirement), those rights will immediately lapse on exit. Where redundancy or retirement applies, a pro-rata (based on service period) of the unvested rights may be retained and vest in the ordinary course. Vested MTI awards Following cessation of employment, Senior Executives will have a period of two months from exit to exercise prior to the awards lapsing.
What happens in the event of a change of control?	In the event of a change of control, unvested MTI awards will vest.

C5. Long- term incentive

Table 10 - Summary of LTI Plan

What is the purpose of the LTI Plan?	The purpose of the LTI Plan is to align Senior Executive reward with shareholder value, by tying this component of Senior Executive remuneration to the achievement of performance conditions which underpin sustainable long-term growth.
Who participates in the LTI Plan?	Participation is restricted to executives who are employed to make decisions which materially impact organisational performance of the Company (the proxy being position seniority). Individuals are nominated by operational Chief Executives with the support of the MD/CEO within the framework approved by the HR Committee.
What is the value of the LTI opportunity?	The size of grants under the LTI plan is set as a percentage of total fixed remuneration; it ranges from 30 to 80 per cent of total fixed remuneration for Senior Executives. Participants in the LTI plan will not derive any shares from their LTI grants unless performance hurdles are achieved and they complete a minimum service period.
How is reward delivered under the LTI Plan?	Senior Executives and other eligible executives are granted performance rights under the TranShare Executive Performance Award Plan (TEPAP). The number of performance rights granted from the LTI allocation is calculated based on the market value of the Company's shares around the time the LTI grants are approved by the HR Committee. Each performance right is an entitlement to receive a fully-paid ordinary share in the Company on terms and conditions determined by the Board, including vesting conditions linked to service and performance over a three to four year period. If these conditions are satisfied, the performance rights vest and shares will be delivered to the Senior Executive upon exercise. For LTI grants in FY 2010/11 and onwards, the performance right is automatically exercised upon the performance hurdles and service conditions being met. For prior grants prior to FY 2010/11, the performance right may generally be exercised between three and six years after the date they are granted as long as the performance hurdles and service conditions are met. For executives based in the United States, the LTI is delivered under a sub-plan to TEPAP to satisfy United States regulatory requirements. There are no substantive differences between this LTI arrangement and those that apply to non-US based executives.
Do participants pay for the Performance Rights?	The performance rights are offered at no cost to the Senior Executive.
What rights are attached to the Performance Rights?	The performance rights do not carry voting or dividend rights, however shares delivered upon vesting of performance rights will carry the same rights as other ordinary shares. Senior Executives are prohibited from hedging their unvested performance rights (further discussed at page 23).
What are the performance hurdles and how are they measured?	The performance hurdles applicable to each grant of LTI awards are subject to Board review and assessed against the business plan and cycle. These hurdles are subject to a minimum three year performance period, which reflects the business cycle for the Company based on the average contract duration. A minimum three year LTI performance period also provides a balance between setting a sufficient performance period to assess and measure performance against hurdles set in the LTI and recognising that the longer the period, the harder it is to set appropriate hurdles. In FY 2010/11, performance rights were granted with three sets of independent performance hurdles, being earnings per share (EPS), relative total shareholder return ("relative TSR") and return on funds employed (ROFE). Prior to that and since April 2006, performance rights were granted with two sets of independent hurdles, being EPS and relative TSR performance hurdles.
i. Earnings per share (EPS)	EPS is calculated by dividing the Company's net profit by the weighted average number of ordinary shares on issue and is expressed in cents per share. The EPS hurdle relates to the Company achieving a minimum average compound basic EPS growth per

<table>
<tr><td></td><td>annum over a minimum three-year financial period, with opportunity for further assessment over a four year financial period.

For future grants of LTI awards, the EPS hurdle will only be assessed over the three-year financial period only.</td></tr>
<tr><td>ii. Relative total shareholder return (TSR)</td><td>TSR represents the change in the capital value of the Company's share price over a period, plus reinvested dividends, expressed as a percentage of the base value. The compound growth in the Company's TSR over the performance measurement period is compared with the TSR performance of all other companies in the S&P / ASX 200 Industrials Index which is the S&P / ASX 200 Index after excluding the Energy and Materials sectors.

Performance rights will vest in accordance with the following table:

<table>
<tr><th>Company's TSR ranking in the comparator group</th><th>% of TSR related performance rights that vest</th></tr>
<tr><td>TSR below 50th percentile</td><td>Nil</td></tr>
<tr><td>TSR equal to 50th percentile*</td><td>30%</td></tr>
<tr><td>TSR equal to or above 75th percentile*</td><td>100%</td></tr>
</table>
*Proportional vesting of awards will apply for performance between 51st and 75th percentile.

TSR performance is initially measured three years after the grant date. If the hurdles are not fully met, TSR will be measured twice more at six monthly interval. Any unvested awards will lapse after that.

For future grants of LTI awards, the assessment of the TSR performance will be limited to the three years after the grant date.</td></tr>
<tr><td>iii. Return on funds employed (ROFE)</td><td>ROFE is calculated by dividing the Company's earnings before interest, tax, depreciation and amortisation (EBITDA) by funds employed, calculated on an average basis over the performance period.

The ROFE hurdle relates to the Company achieving a minimum return over a three-year financial period.</td></tr>
<tr><td>Why were the hurdles chosen?</td><td>The Board determined that these hurdles are appropriate as they, on balance, seek to reward:
when profit grows in real terms – EPS hurdle
when the Company achieves above average total shareholder returns relative to the performance of an appropriate peer group of companies – relative TSR and
when the business achieves returns from pursuing profitable projects and managing new and existing customers efficiently and effectively – ROFE hurdle.</td></tr>
<tr><td>What if a Senior Executive ceases employment?</td><td>Where a Senior Executive ceases employment without cause (other than due to redundancy or retirement), those awards will lapse on exit.

Where redundancy or retirement applies, a pro-rata (based on service period) of the unvested awards may be retained and vest in the ordinary course.

Performance rights will lapse immediately where a participant's employment has been terminated by the Company with cause.</td></tr>
<tr><td>What happens in the event of a change of control?</td><td>Prior to a takeover or change of control of the Company, the Board may exercise its discretion (having regard to relevant executive and Company performance) and determine that part or all unvested awards vest.</td></tr>
</table>

C6. Shareholding policies

Minimum shareholding guideline

On 19 August 2010 the Company adopted a minimum shareholding guideline for Senior Executives. Under this guideline, Senior Executives are encouraged to acquire and maintain a shareholding in the Company equal in value (based on share acquisition cost) to 50 per cent (for the MD/CEO) and 30 per cent (for other Senior Executives) of their individual total fixed remuneration. The timeframe to achieve this is over a five year period from the later of the date of adoption of this policy and the appointment of the Senior Executive. The shareholding includes all the Company shares the Senior Executive and/or close members of the family of the Senior Executive holds; or has control over or has a benefit in (eg superannuation, beneficiary of a trust). This is a guideline with which Senior Executives are encouraged to comply.

Hedging and Margin Lending Policies

The Company also has a policy on the use of financial products by employees, including Senior Executives, to limit the risk attaching to equity instruments (commonly referred to as "hedging") where those instruments are granted to them as part of their remuneration. Under this policy, Company securities must not be hedged prior to vesting (ie prior to the relevant performance and/or service conditions being met).In addition, the Company has a policy that prohibits Non-Executive Directors and Senior Executives from using the Company's securities as collateral in any financial transaction, including margin loan arrangements. The Company treats compliance with these policies as a serious issue, and takes appropriate measures to ensure the policy is adhered to. Any employees found to have breached this policy will be subject to appropriate sanctions.

C7. Service agreements

The remuneration and other terms of employment for the MD/CEO and Senior Executives are formalised in Service Agreements. Each of these agreements provide for the provision of STIs, other benefits including executive health management, householder insurance, salary continuance insurance and participation, when eligible, in the Company's LTI Plan (as discussed above).The material terms of the Service Agreements with Senior Executives are set out below.

Table 11 – Summary of Service Agreements

Name	Position	Continuous agreement commencing	Notice period required for the employee to terminate the contract	Termination benefit (amount of annual salary) on early termination by the Company, other than for gross misconduct	A restrictive covenant applies of:
Dr Peter Goode	Managing Director and Chief Executive Officer	30 March 2009	6 months	1 year	1 year
Larry Ames	Chief Executive – Americas	4 January 2010	90 days	1 year	2 years
Elizabeth Hunter	Chief Executive - Human Resources	20 August 2007	3 months	1 year	6 months
Bruce James	Chief Executive - ANZ Resources & Energy	1 January 2008	3 months	1 year	6 months
Steve MacDonald	Chief Executive - Marketing & Investments	1 April 2007	6 months	1 year	1 year
Kate Munnings	Chief Risk and Legal Officer / Company Secretary	1 January 2006	3 months	1 year	6 months
Tiernan O'Rourke	Chief Financial Officer	11 January 2010	6 months	1 year	6 months
Philip Wratt	Chief Executive - Middle East and Asia	11 January 2010	6 months	1 year	6 months
Nicholas Yates	Chief Executive - ANZ Infrastructure	14 September 2009	3 months	6 months	6 months

C8. Remuneration Outcomes

Incentives aligned to shareholder value

The Company's incentive arrangements operate as intended in that they directly reflect the Company performance. Chart 1 illustrates the STI per cent of target paid has tracked EBITA trend from 2007 to 2011. In determining FY2011 STI outcomes the Board exercised its discretion and took into account transactions that occurred during the year. Chart 2 illustrates the close alignment of the percentage of LTI performance rights vested, earnings per share and share price. Both STI and LTI are tied directly to the results delivered by the Company.

Chart 1

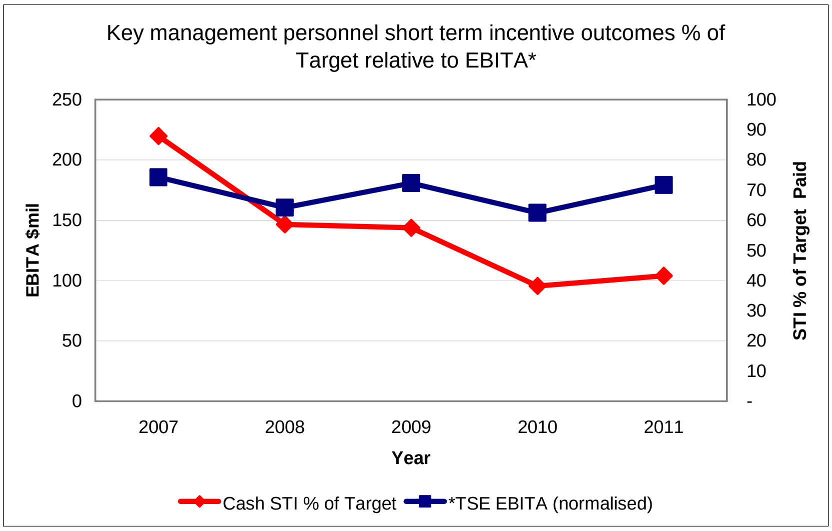
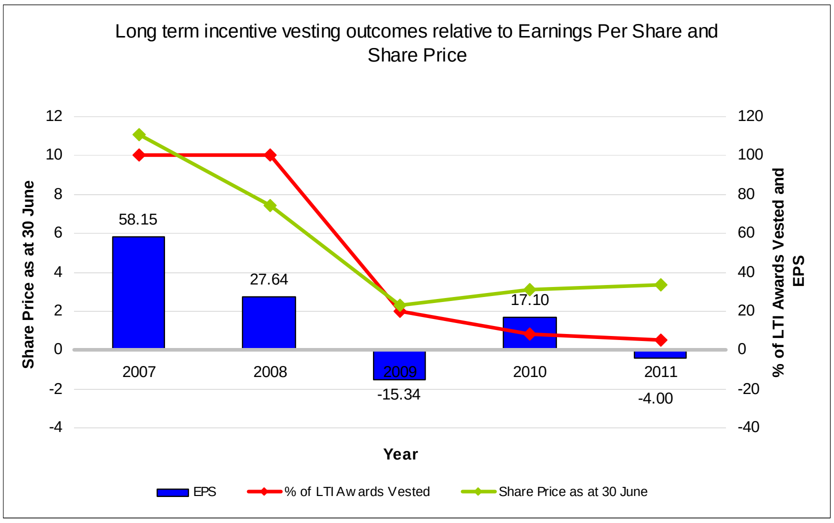


Chart 2



Performance Snapshot

The table below summarises details of the Company's earnings (net profit after tax and earnings per share) and the consequences of that performance on shareholder value for the financial year and previous four financial years in the form of dividends, changes in share price, and any returns of capital and return on equity (in accordance with the requirements of the *Corporations Act 2001*).

Table 12 – Five- year Company performance

	2007	*2008*	*2009*[1]	2010[2]	2011[3]
Net profit/(loss) after tax $'000	110,447	82,376	(54,490)	73,556	(19,275)
Earnings per share (cents)	58.15	27.64	(15.34)	17.10[4]	(4.0)
Dividends per share paid (cents)	26.00	36.00	22.75	12.25	14.00
Change in share price	$2.50	($3.68)	($5.13)	$0.82	$0.24
ROE	11.5%	12.1%	(7.6%)	9.3%	(0.2%)
Capital returns (per share)	-	-	-	-	-

1. Includes an impairment loss $148,443, 000 post tax.
2. Includes $22,900,000 equity accounted share of losses associated with TSI Fund (RAC) capital structure review.
3. Includes $119,857,000 (net of tax) of non-recurring items. Refer to Note 4 of the Financial Report for further details of these items
4. Restated due to capital raising in FY 2010/ 11.

C9. Statutory Tables

The table set out on page 26 include remuneration associated with LTI performance rights granted as part of the Senior Executives' LTI payments. The value reflected is an accounting value and reflects the expense to the Company of the executives' incentive arrangements. This value is not necessarily the same as the value to be realised by the executive.

Table 13 which follows on page 26 sets out details of remuneration provided to Senior Executives (calculated in accordance with applicable Accounting Standards).

Table 13 – Details of Remuneration

Name		Short term benefits			Post employment benefits	Long term benefits	Share based payments		
		Cash salary and fees $	Cash-based STI $	Non-monetary benefits $	Superannuation $	Long service leave $	Options and other securities $	Performance Rights $	TOTAL $
Dr Peter Goode	2011	1,771,296	508,230	7,199	15,199	14,145	-	569,259	2,885,328
	2010	1,735,575	641,666	5,982	14,461	7,036	-	335,024	2,739,744
Larry Ames	2011 [1]	606,919	151,487	31,082	17,108	-	-	84,306	890,902
(from 4 January 2010)	2010	287,912	540,319	3,635	9,159	-	-	-	841,025
Elizabeth Hunter	2011	495,228	102,715	9,152	15,199	6,708	-	104,014	733,016
	2010	465,549	108,000	6,949	14,461	4,521	-	26,589	626,069
Bruce James	2011	918,019	117,430	18,222	-	19,160	-	510,383	1,583,214
	2010	909,019	266,367	10,295	-	13,638	-	161,616	1,360,935
Steve MacDonald	2011 [2]	618,826	273,431	19,387	15,199	14,427	-	53,935	995,205
	2010	537,010	410,450	15,820	14,461	7,955	(11,667)	(19,945)	954,084
Kate Munnings	2011	537,287	100,000	9,126	25,000	11,885	-	169,829	853,127
	2010	500,377	117,466	7,528	45,034	9,080	-	63,203	742,688
Tiernan O'Rourke	2011	775,016	336,000	10,458	25,000	3,556	-	135,885	1,285,915
(from 11 January 2010)	2010	369,055	731,017	5,239	12,500	667	-	7,223	1,125,701
Philip Wratt	2011	550,011	171,336	134,577 [3]	-	2,258	-	52,088	910,270
(from 11 January 2010)	2010	261,910	59,213	66,469	-	458	-	-	388,050
Nicholas Yates	2011	442,006	102,694	7,000	36,135	15,609	-	88,942	692,386
(from 14 September 2010)	2010	313,705	86,850	4,617	28,233	8,297	-	19,209	460,911
	2011	6,714,608	1,863,323	246,203	148,840	87,748	-	1,768,641	10,829,363
Total for each component	2010	5,380,112	2,961,348	126,534	138,309	51,652	(11,667)	592,919	9,239,207
	2011		8,824,134		148,840	87,748		1,768,641	10,829,363
Total for each category	2010		8,467,994		138,309	51,652		581,252	9,239,207

1 USD amounts translated into AUD at the average annual AUD:USD exchange rate of 0.9886.

2 Includes remuneration received as CEO of the Transfield Services Infrastructure Fund for the period 1 July 2010 to 31 October 2010.

3 Includes expatriate benefits.

Table 14 – Details of remuneration: fixed and at-risk remuneration as a percentage of actual remuneration

Name	Fixed Remuneration %	Performance related remuneration: Cash-based STI %	Performance related remuneration: Performance Rights %	Performance related remuneration: Total %	Total (100%)
Dr Peter Goode	62%	18%	20%	38%	100%
Larry Ames	74%	17%	9%	26%	100%
Elizabeth Hunter	72%	14%	14%	28%	100%
Bruce James	60%	7%	33%	40%	100%
Steve MacDonald	67%	27%	6%	33%	100%
Kate Munnings	68%	12%	20%	32%	100%
Tiernan O'Rourke	63%	26%	11%	37%	100%
Philip Wratt	75%	19%	6%	25%	100%
Nicholas Yates	72%	15%	13%	28%	100%

Table 15 – Percentage of performance-based remuneration paid, forfeited and deferred for Senior Executives

Name	Performance-based remuneration - STI and MTI: STI paid in cash $	% of maximum STI paid in cash	STI deferred into MTI $[1]	% of maximum STI deferred into MTI	% of maximum STI forfeited
Dr Peter Goode	508,230	14.2%	1,016,458	28.3%	57.5%
Larry Ames	151,487	38.4%	37,872	9.6%	52.0%
Elizabeth Hunter	102,715	50.1%	-	0.0%	49.9%
Bruce James	117,430	19.7%	29,358	4.9%	75.4%
Steve MacDonald	273,431	61.9%	11,906 [2]	2.7%	35.4%
Kate Munnings	100,000	44.3%	24,883	11.0%	44.7%
Tiernan O'Rourke	336,000	56.0%	84,000	14.0%	30.0%
Philip Wratt	171,336	51.9%	42,834	13.0%	35.1%
Nicholas Yates	102,694	38.0%	25,673	9.5%	52.5%

1 The grant of the MTI performance rights in respect of FY 2010/11 is expected to occur in September 2011.

2 A proportion of Steve MacDonald's FY 2011 related to his role as CEO for the Transfield Services Infrastructure Fund, which is not subject to deferral into MTIs. The proportion relating to his current role as Chief Executive - Marketing and Investments is subject to deferral into MTI performance rights.

Table 16 – Remuneration subject to vesting

Name	Remuneration subject to vesting - MTI & LTI[1]: FY 2011/2012	FY 2012/13	FY 2013/14
Dr Peter Goode	593,106	398,125	134,606
Larry Ames	109,714	99,989	24,895
Elizabeth Hunter	102,493	67,961	15,455
Bruce James	452,528	255,939	53,136
Steve MacDonald	72,094	68,934	17,792
Kate Munnings	143,458	79,848	16,041
Tiernan O'Rourke	149,458	122,557	28,849
Philip Wratt	64,784	53,947	12,439
Nicholas Yates	79,816	46,417	9,160

1 Remuneration amounts disclosed in the above table refer to the maximum value of MTI and LTI performance rights, where relevant. These amounts have been determined at grant date using an appropriate pricing model and amortised in accordance with AASB 2 "Share Based Payment". The value of MTI performance rights (arising from deferral of earned FY 2010/11 Total Incentive (in respect of the MD/CEO) and STI (for Senior Executives)) are estimates only as the formal grant to the applicable participants is expected to occur in September 2011. The minimum value that may vest is $nil. No remuneration currently granted vests after 30 June 2014.

Table 17 – Details of performance rights granted as compensation during the year

Name	Series	Grant Date	Number Granted	Fair value per right at grant date	First Date exercisable	Expiry Date
Dr Peter Goode	2010 MD MTI	06-Oct-10	29,609	$1.66	06-Oct-13	06-Oct-16
	2010 MD MTI	06-Oct-10	61,506	$2.18	06-Oct-12	06-Oct-16
	2010 MD MTI	06-Oct-10	91,115	$3.09	06-Oct-13	06-Oct-16
	2010 MD MTI	06-Oct-10	182,226	$3.21	06-Oct-12	06-Oct-16
Larry Ames	2010 LTI	06-Oct-10	29,929	$2.18	06-Oct-13	06-Oct-14
	2010 LTI	06-Oct-10	69,834	$3.09	06-Oct-13	06-Oct-14
Elizabeth Hunter	2010 LTI	06-Oct-10	18,580	$2.18	06-Oct-13	06-Oct-14
	2010 LTI	06-Oct-10	43,354	$3.09	06-Oct-13	06-Oct-14
Bruce James	2010 LTI	06-Oct-10	63,880	$2.18	06-Oct-13	06-Oct-14
	2010 LTI	06-Oct-10	149,052	$3.09	06-Oct-13	06-Oct-14
	2010 MTI	06-Oct-10	8,941	$3.21	06-Oct-12	06-Oct-12
	2010 MTI	06-Oct-10	8,942	$3.34	06-Oct-11	06-Oct-12
Steve MacDonald	2010 LTI	06-Oct-10	21,390	$2.18	06-Oct-13	06-Oct-14
	2010 LTI	06-Oct-10	49,909	$3.09	06-Oct-13	06-Oct-14
Kate Munnings	2010 LTI	06-Oct-10	19,285	$2.18	06-Oct-13	06-Oct-14
	2010 LTI	06-Oct-10	44,998	$3.09	06-Oct-13	06-Oct-14
	2010 MTI	06-Oct-10	3,943	$3.21	06-Oct-12	06-Oct-12
	2010 MTI	06-Oct-10	3,943	$3.34	06-Oct-11	06-Oct-12
Tiernan O'Rourke	2010 LTI	06-Oct-10	34,683	$2.18	06-Oct-13	06-Oct-14
	2010 LTI	06-Oct-10	80,926	$3.09	06-Oct-13	06-Oct-14
	2010 MTI	06-Oct-10	5,237	$3.21	06-Oct-12	06-Oct-12
	2010 MTI	06-Oct-10	5,237	$3.34	06-Oct-11	06-Oct-12
Philip Wratt	2010 LTI	06-Oct-10	14,955	$2.18	06-Oct-13	06-Oct-14
	2010 LTI	06-Oct-10	34,894	$3.09	06-Oct-13	06-Oct-14
Nicholas Yates	2010 LTI	06-Oct-10	11,012	$2.18	06-Oct-13	06-Oct-14
	2010 LTI	06-Oct-10	25,695	$3.09	06-Oct-13	06-Oct-14

The assessed fair value at grant date of performance rights granted to the individuals is allocated on a straight line basis over the period from grant date to final vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined. For performance rights with margin, EBITA, EPS or ROFE hurdles, values are determined using a binomial option pricing model and for performance rights with TSR hurdles, the Monte-Carlo simulation method is used. These valuation techniques take into account the exercise price, the term of the performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the performance right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right.

Table 18 – Analysis of movements in performance rights

Name	Granted in year $[1]	Value of rights exercised in year $[2]	Lapsed /forfeited in year $[3]
Dr Peter Goode	$2,099,450	-	-
Larry Ames	$281,032	-	-
Elizabeth Hunter	$174,468	-	$70,119
Bruce James	$658,396	$36,687	$378,584
Steve MacDonald	$200,849	$62,611	$268,994
Kate Munnings	$206,912	-	$114,418
Tiernan O'Rourke	$359,973	-	-
Philip Wratt	$140,424	-	-
Nicholas Yates	$103,404	-	$37,855

1. Refer to Table 18 for details on performance rights granted as remuneration during and commentary on the assessed fair value.

2. Value based on closing share price on exercise date.

3. Value based on closing share price on lapse/forfeit date.

Table 19 –Analysis of performance rights granted as compensation

Name	Grant Date	Number granted	% vested in year	% forfeited in year[1]	First Date exercisable
Dr Peter Goode	06-Oct-10	243,732	0%	0%	06-Oct-12
	06-Oct-10	120,724	0%	0%	06-Oct-13
Larry Ames	06-Oct-10	99,763	0%	0%	06-Oct-13
Elizabeth Hunter	31-Aug-07	11,600	0%	100%	31-Aug-10
	31-Aug-08	17,900	0%	50%	31-Aug-11
	26-Sep-09	34,900	0%	0%	26-Sep-12
	06-Oct-10	61,934	0%	0%	06-Oct-13
Bruce James	31-Aug-05	15,300	69%	31%	30-Aug-08
	31-Aug-06	20,350	0%	100%	31-Aug-09
	31-Aug-06	20,350	0%	0%	31-Aug-10
	31-Aug-07	41,400	0%	100%	31-Aug-10
	31-Aug-08	93,200	0%	50%	31-Aug-11
	26-Sep-09	181,900	0%	0%	26-Sep-12
	06-Oct-10	212,932	0%	0%	06-Oct-13
	06-Oct-10	8,942	0%	0%	06-Oct-11
	06-Oct-10	8,941	0%	0%	06-Oct-12
Steve MacDonald	31-Aug-05	26,800	69%	31%	30-Aug-08
	31-Aug-06	18,350	0%	100%	31-Aug-09
	31-Aug-06	18,350	0%	0%	31-Aug-10
	31-May-07	57,500	0%	100%	31-May-10
	06-Oct-10	71,299	0%	0%	06-Oct-13
Kate Munnings	19-Apr-06	7,900	0%	58%	19-Apr-09
	28-Feb-07	10,200	0%	100%	28-Feb-10
	28-Feb-08	14,400	0%	50%	28-Feb-11
	31-Aug-08	23,300	0%	50%	31-Aug-11
	26-Sep-09	54,600	0%	0%	26-Sep-12
	06-Oct-10	64,283	0%	0%	06-Oct-13
	06-Oct-10	3,943	0%	0%	06-Oct-11
	06-Oct-10	3,943	0%	0%	06-Oct-12
Tiernan O'Rourke	06-Oct-10	115,609	0%	0%	06-Oct-13
	06-Oct-10	5,237	0%	0%	06-Oct-11
	06-Oct-10	5,237	0%	0%	06-Oct-12
Philip Wratt	06-Oct-10	49,849	0%	0%	06-Oct-13
Nicholas Yates	28-Feb-08	8,600	0%	0%	28-Feb-11
	31-Aug-08	14,000	0%	0%	31-Aug-11
	26-Sep-09	27,300	0%	0%	26-Sep-12
	06-Oct-10	36,707	0%	0%	06-Oct-13

1. The % forfeited in the year represents the reduction form the maximum number of performance rights available to vest due to performance criteria not being achieved.

No terms of equity-settled share-based payment transactions (including performance rights granted as compensation to a key management personnel) have been altered or modified by the Company during the reporting period or the prior period.

The Remuneration Report ends here. The Directors' Report continues on page 30.

Insurance of officers

During the financial year, Transfield Services Limited paid a premium for Directors' and Officers' Liability insurance. The policy covers the Directors and Secretary of the Company and its controlled entities, and the general managers of each of the divisions of the consolidated entity. The Directors have not included details of the nature of the liabilities covered and the amount of the premium paid in respect of the Directors' and Officers' Liability insurance policy as such disclosure is prohibited under the terms of the contract.

Proceedings on behalf of the Company

No person has applied to a court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of a court under section 237 of the *Corporations Act 2001*.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. Details of the amounts paid or payable to the auditor for audit and non-audit services (comprising other assurance services and taxation services) provided during the year are set out in Note 33.

The Board of Directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Risk, Audit and Compliance Committee is satisfied that the provision of those non-audit services, as set out in Note 33, during the year by the auditor is compatible with, and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Risk, Audit and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditors' independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 31.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

KPMG continues in office in accordance with Section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the Directors.

Anthony Shepherd	Dr Peter Goode
Chairman	Managing Director and Chief Executive Officer

at Sydney
25 August 2011

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: The Directors of Transfield Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

S J Marshall
Partner

Sydney
25 August 2011

Transfield Services Limited ABN 69 000 484 417
Financial Report – 30 June 2011

Contents

This financial report covers Transfield Services as a consolidated entity consisting of Transfield Services Limited and its controlled entities, additional information about Transfield Services Limited as an individual entity is included in Note 41 to the financial statements.

The financial report is presented in Australian currency.

Transfield Services Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Transfield Services Limited
Level 10, 111 Pacific Highway
NORTH SYDNEY, NSW 2060

The financial report was authorised for issue by the Directors on 25 August 2011. The Company has the power to amend and reissue the financial report.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities and in the Director's Report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available at our News and Investor Centres on our website www.transfieldservices.com.

For enquiries in relation to our reporting please contact David Slack-Smith (General Manager, Investor Relations) on 02 9464 1019 or e-mail slacksmithd@transfieldservices.com.

Transfield Services Limited and controlled entities
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000 (Restated[1])
Continuing operations			
Revenue from ordinary activities	5	2,760,755	2,618,091
Share of net profits of associates and joint ventures accounted for using the equity method		23,990	49,353
Subcontractors, raw materials and consumables		(1,165,153)	(1,136,449)
Employee benefits expense		(1,268,100)	(1,196,381)
Depreciation and amortisation	6	(64,430)	(54,511)
Other expenses		(195,764)	(188,383)
Net finance costs		(40,448)	(26,020)
Finance costs	6	(44,463)	(27,709)
Finance income		4,015	1,689
Profit before income tax		50,850	65,700
Income tax expense	7(a)	(6,901)	(4,534)
Profit from continuing operations after income tax		43,949	61,166
(Loss) / profit from discontinued operation (net of income tax)	40 (b)	(63,224)	12,390
(Loss) / profit for the year		(19,275)	73,556
Other comprehensive income			
Cumulative reserve amounts reclassified to the income statement in the period:			
- Foreign currency translation reserve on sale of USM		50,301	-
- Interest rate swap hedge reserve on reclassification of investment in TSI Fund (RAC) as an asset held for sale		4,968	-
		35,994	73,556
Other comprehensive income items:			
- Exchange differences on translation of foreign operations		(60,206)	(2,470)
- Changes in fair value of cash flow hedge (interest rate hedge)		(478)	1,302
- Share of changes in fair value of cash flow hedge (equity accounted investment)		3,806	(256)
- Income tax (expense) / benefit on other comprehensive income		250	(298)
Total comprehensive (loss) / income for the year		(20,634)	71,834
(Loss) / profit attributable to:			
Owners of the Company		(19,734)	73,045
Non-controlling interest		459	511
(Loss) / profit for the year		(19,275)	73,556
Total comprehensive (loss) / income attributable to:			
Owners of the Company		(21,093)	71,323
Non-controlling interest		459	511
Total comprehensive (loss) / income for the year		(20,634)	71,834
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted earnings / (loss) per share from continuing operations – cents	32	8.8	14.2
Basic and diluted (loss) / earnings per share from discontinued operations – cents	32	(12.8)	2.9
Basic and diluted (loss) / earnings per share – cents	32	(4.0)	17.1

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

[1] On 30 June 2011, Transfield Services completed the sale of USM. In accordance with the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* the results of USM for the year ended 30 June 2010 have been aggregated and are disclosed as discontinued operations.

Transfield Services Limited and controlled entities
Consolidated Statement of Financial Position
As at 30 June 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Current assets			
Cash and cash equivalents	8	265,717	112,716
Trade and other receivables	9	510,932	486,557
Income tax receivable		6,983	479
Inventories	10	82,677	58,529
Prepayments and other current assets	11	23,405	21,746
		889,714	680,027
Assets classified as held for sale	38	92,698	-
Total current assets		982,412	680,027
Non-current assets			
Investments accounted for using the equity method	12	187,811	268,508
Property, plant and equipment	13	309,424	174,065
Deferred tax assets	14	22,076	47,349
Intangible assets	15	744,457	674,625
Prepayments and other non-current assets	11	21,564	6,101
Total non-current assets		1,285,332	1,170,648
Total assets		2,267,744	1,850,675
Current liabilities			
Trade and other payables	16	506,559	507,702
Loans and borrowings	17	65,004	27,129
Current tax liabilities		-	25,852
Provision for employee benefits	18	75,485	70,700
Derivatives	19	85	826
Other provisions	20	3,348	3,631
Total current liabilities		650,481	635,840
Non-current liabilities			
Loans and borrowings	17	450,727	360,333
Deferred tax liabilities	21	6,902	19,553
Provision for employee benefits	18	20,533	26,830
Derivatives	19	942	-
Other provisions	20	13,346	4,077
Total non-current liabilities		492,450	410,793
Total liabilities		1,142,931	1,046,633
Net assets		1,124,813	804,042
Equity			
Contributed equity	22	1,210,848	808,048
Reserves	23(a)	(73,595)	(76,155)
Accumulated losses /(retained profits)	23(b)	(13,610)	70,891
Total equity attributable to equity holders of the Company		1,123,643	802,784
Non-controlling interest	24	1,170	1,258
Total equity		1,124,813	804,042

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

Transfield Services Limited and controlled entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		3,295,526	3,324,818
Payments to suppliers, subcontractors and employees (inclusive of goods and services tax)		(3,206,868)	(3,167,027)
		88,658	157,791
Dividends, distributions and net cash contributions from associates and joint ventures		51,833	80,427
Finance income		4,015	1,690
Finance costs		(33,998)	(25,514)
Income taxes (paid) / refunded		(28,302)	10,641
Net cash inflow from operating activities	31	82,206	225,035
Cash flows from investing activities			
Payments for property, plant and equipment		(73,142)	(36,677)
Proceeds from sale of property, plant and equipment		6,654	5,253
Proceeds from sale of USM, net of cash disposed		257,140	-
Payments for acquisition of subsidiaries, net of cash acquired	28	(553,059)	(15,677)
Investment in TSI Fund (RAC)		-	(43,226)
Net cash outflow from investing activities		(362,407)	(90,327)
Cash flows from financing activities			
Proceeds from borrowings (net of financing costs)		1,554,160	365,449
Repayment of borrowings		(1,412,020)	(437,129)
Proceeds from shares issued in the period (net of issue costs)		363,418	(998)
Dividends paid (inclusive of payments to non-controlling interest holders)		(65,125)	(46,540)
Net cash outflow from financing activities		440,433	(119,218)
Net increase in cash held		160,232	15,490
Cash at the beginning of the financial year		112,716	97,979
Net foreign exchange differences in opening cash		(7,231)	(753)
Cash and cash equivalents at the end of the reporting period	8	265,717	112,716

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

Transfield Services Limited and controlled entities
Consolidated Statement of Changes in Equity
For the year ended 30 June 2011

($'000)	Contributed equity	Foreign currency translation reserve	Hedging reserve (interest rates)	Hedging reserve (foreign exchange)	Share based payments reserve	Other reserves	Retained earnings	Total attributable to ordinary equity holders	Non-controlling interest	Total equity
Balance at 1 July 2010	808,048	(73,664)	(13,584)	-	10,832	261	70,891	802,784	1,258	804,042
(Loss) / profit for the year	-	-	-	-	-	-	(19,734)	(19,734)	459	(19,275)
Exchange differences on translation of foreign operations	-	(60,206)	-	-	-	-	-	(60,206)	-	(60,206)
Reclassification of reserves to the income statement	-	50,301	4,968	-	-	-	-	55,269	-	55,269
Changes in fair value of cash flows hedge, net of tax	-	-	3,636	(58)	-	-	-	3,578	-	3,578
Total comprehensive income for the period	-	(9,905)	8,604	(58)	-	-	(19,734)	(21,093)	459	(20,634)
Contributions of equity, net of transaction costs and taxes	402,965	-	-	-	-	-	-	402,965	-	402,965
Dividends paid (Note 25)	-	-	-	-	-	-	(64,767)	(64,767)	-	(64,767)
Other transactions with non-controlling interest	-	-	-	-	-	-	-	-	(547)	(547)
Employee share scheme transactions	(165)	-	-	-	3,919	-	-	3,754	-	3,754
Total contributions by and distributions to owners	402,800	-	-	-	3,919	-	(64,767)	341,952	(547)	341,405
Balance at 30 June 2011	1,210,848	(83,569)	(4,980)	(58)	14,751	261	(13,610)	1,123,643	1,170	1,124,813
Balance at 1 July 2009	802,491	(71,194)	(14,332)	-	10,823	261	48,500	776,549	747	777,296
Profit for the year	-	-	-	-	-	-	73,045	73,045	511	73,556
Exchange differences on translation of foreign operations	-	(2,470)	-	-	-	-	-	(2,470)	-	(2,470)
Changes in fair value of cash flows hedge, net of tax	-	-	748	-	-	-	-	748	-	748
Total comprehensive income for the period	-	(2,470)	748	-	-	-	73,045	71,323	511	71,834
Contributions of equity, net of transaction costs and taxes	4,114	-	-	-	-	-	-	4,114	-	4,114
Dividends paid (Note 25)	-	-	-	-	-	-	(50,654)	(50,654)	-	(50,654)
Employee share scheme transactions	1,443	-	-	-	9	-	-	1,452	-	1,452
Total contributions by and distributions to owners	5,557	-	-	-	9	-	(50,654)	(45,088)	-	(45,088)
Balance at 30 June 2010	808,048	(73,664)	(13,584)	-	10,832	261	70,891	802,784	1,258	804,042

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

Note 1.Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this general purpose financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes financial statements for the consolidated entity consisting of Transfield Services Limited and its controlled entities (Transfield Services or the Group).

Presentation of financial statements
The Group presents in the consolidated statement of changes in equity all owner related changes in equity and all non-owner related changes in equity are presented in the consolidated statement of comprehensive income.

The Group has also applied the revisions in the *Corporations Act 2001* effective for financial years ending on or after 30 June 2010 and has removed full parent entity financial statements in respect of Transfield Services Limited as an individual entity. Additional financial information relating to Transfield Services Limited as an individual entity is set out in Note 41.

Comparative financial information
The comparative figures in respect of the consolidated statement of comprehensive income, notes to the consolidated financial statements have been restated where necessary to reflect disclosure requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.*

(a) Basis of preparation of the financial report

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

Compliance with International Financial Reporting Standards (IFRS)
The financial report of Transfield Services also complies with IFRS as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities such as derivative instruments and cash settled share based payment arrangements which are recorded at fair value.

Critical accounting estimates
The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of Transfield Services Limited ('Company' or 'Parent entity') as at 30 June 2011 and the results of all subsidiaries for the year then ended. Transfield Services Limited and its controlled entities together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer Note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Principles of consolidation (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and the statement of financial position respectively. The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the statement of comprehensive income. Purchases from non-controlling interests result in goodwill; being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Investments in subsidiaries are accounted for at cost in the summarised statement of financial position of Transfield Services Limited.

Associates
Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for in the Parent entity's summarised statement of financial position using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of post-acquisition profits or losses from its associates are recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends and distributions receivable from associates are recognised in the Parent entity's statement of comprehensive income, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint venture entities and partnerships
The interest in a joint venture entity or partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the Parent entity. Under the equity method, the share of the profits or losses of the joint venture entity or partnership are recognised in the statement of comprehensive income, and the share of movements in reserves are recognised in reserves in the statement of financial position.

Profits or losses on transactions establishing the joint venture entity or partnership and transactions with the joint venture entity or partnership are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture entity or partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

Joint venture operations
Where the Group conducts business through alliance contracts with other service providers, the Group's assets, liabilities, income and expenses relating to the activity are recorded in the records of the trading subsidiary company and no further consolidation procedures are performed.

Note 1.Summary of significant accounting policies (continued)

(c) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director and Chief Executive Officer Dr Peter Goode, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments are regularly reviewed by the Group's Managing Director and Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the Managing Director and Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(d) Foreign currency transactions

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Transfield Services Limited's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the approximate dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through comprehensive income are recognised in comprehensive income as part of the fair value gain or loss.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the approximate dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholder's equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences is recognised in the statement of comprehensive income as part of the gain or loss on sale or repayment.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Note 1.Summary of significant accounting policies (continued)

(e) Income tax

The income tax expense or benefit for the period is the tax payable or refundable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Tax consolidation legislation

The head entity, Transfield Services Limited, and the controlled entities in the Australian tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Transfield Services Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 7(e).

A similar regime operates in the United States. The Group's wholly-owned subsidiaries have adopted the equivalent arrangement in that jurisdiction.

(g) Leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in loans and borrowings.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life or the lease term where there is no certainty that ownership of the asset will transfer. Lease assets held at reporting date are being depreciated over periods ranging from three to eight years.

Note 1. Summary of significant accounting policies (continued)

(g) Leases (continued)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(h) Business combinations

Business combinations are accounted for using the acquisition method. For every business combination the Group identifies the acquirer, which is the combining entity that obtains control of the combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill arising in a business combination is measured at the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of previously existing relationships between the Group and the acquiree, then the lower of the termination amount as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

When share based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as a post-combination compensation cost.

A contingent liability of the acquiree is only assumed in a business combination if such a liability represents a present obligation and arises from a past event and its fair value can be measured reliably.

The Group measures any non-monetary interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with the business combination are expensed as incurred.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Note 1. Summary of significant accounting policies (continued)

(i) Impairment of assets (continued)

For the purposes of goodwill impairment testing, cash generating units to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Non-financial assets other than goodwill that have previously suffered impairment are reviewed for possible reversal of the impairment at each reporting date. The investments of the Group include investments in entities with assets whose inputs and outputs are sensitive to proposed Government legislation pertaining to the proposed Carbon Tax, Emissions Trading Scheme (ETS) and Renewable Energy Targets (RET). As there is uncertainty as to the application of the proposed legislation management has not at this time incorporated into its valuation models an estimate of the impact of Carbon, ETS or RET on its future cash flows or asset values. The Directors believe that this approach is consistent with industry practice.

Impairment policies in respect of financial assets are set out in Note 1(k) and Note 1(o).

(j) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all material contingencies relating to the sale or service have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

The Group has the following categories of operating revenue:

Maintenance services revenue and management fees
Maintenance service revenue and management fees are recognised when the service is completed in accordance with the terms of the maintenance contract, unless the contract is long-term or where service activity within a contract period is expected to vary significantly year on year in which case revenue is recognised in accordance with the percentage of completion method or when a significant act is executed;

Drilling and related services revenue
Drilling and related services revenue is recognised when the service is completed in accordance with the terms of the drilling contract, unless the contract is long-term or where service activity within a contract period is expected to vary significantly year on year in which case revenue is recognised in accordance with the percentage of completion method or when a significant act is executed;

Infrastructure management revenue
Infrastructure management revenue is recognised when the services are rendered and in accordance with individual contracts as appropriate;

Key performance indicator (KPI) revenue
KPI revenue is revenue derived when contract performance hurdles are met and typically relate to safety performance on the contract. KPI revenue is only recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The Group's policy is to recognise KPI income on a pro-rata basis to the extent that the Group is capable of achieving the desired outcomes under the terms of the contract and the value of the KPI revenue can be reliably estimated. When an uncertainty arises about the collectibility of an amount already recognised as revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an adjustment to the amount of revenue originally recognised; and

Infrastructure development revenue
Infrastructure development revenue relates to a range of activities from sale of infrastructure development equity opportunities to sale of completed infrastructure assets and also includes revenues from the contracted development of infrastructure assets on behalf of third parties. Infrastructure development revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, there is no continuing equity involvement with the assets and the amount of revenue can be measured reliably.

Note 1. Summary of significant accounting policies (continued)

(k) Trade Receivables

All trade debtors are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less provision for impairment.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for impairment is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the statement of comprehensive income.

Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(l) Inventories

Consumables and stores
Consumables and stores are stated at the lower of cost (assigned on the first-in-first-out basis) and net realisable value and charged to specific contracts when used. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Work in progress
Work in progress in respect of standard maintenance contracts represents unbilled contract expenditure on maintenance projects at the period end and is stated at the lower of cost and net realisable value.

Work in progress in respect of long-term maintenance contracts is stated at the aggregate of contract costs incurred to date plus recognised profit less recognised losses and progress billings.

Where progress billings exceed the aggregate costs incurred plus profits less losses, the resulting work in progress is included in liabilities.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the client under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's maintenance activities in general.

(m) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

(n) Discontinued operations and non-current assets held for sale

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

Non-current assets that are expected to be recovered primarily through sale rather than continuing use, are classified as held for sale. Immediately before classification as held for sale the assets are re-measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying value and fair value less cost to sell.

Note 1. Summary of significant accounting policies (continued)

(o) Investments and other financial assets

Classification
The Group classifies its financial assets as loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement
Loans and receivables are carried at amortised cost using the effective interest rate method.

Impairment
The Group assesses at each statement of financial position date, whether there is objective evidence that a financial asset or group of financial assets is impaired and if evidence of impairment exists recognises an impairment loss in the statement of comprehensive income.

Available for sale financial assets
Available for sale financial assets, principally comprising equity securities, are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date. These financial assets are measured at fair value with gains and losses recognised in reserves.

Where there is no traded market value, the fair value of the financial assets is based on the present value of expected net cash inflows.

(p) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of highly probable forecast transactions (cash flow hedges), other derivatives are not designated as hedges.

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Gains and losses arising on derivative financial instruments that are not designated as hedges are recognised in the statement of comprehensive income.

Note 1. Summary of significant accounting policies (continued)

(p) Derivatives (continued)

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within other income or other expense.

Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging transactions is recognised in the statement of comprehensive income within 'revenue'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement in the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

(q) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the statement of financial position date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Fair values of financial assets and liabilities carried at fair value are analysed by valuation, defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted process included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

(r) Property, plant and equipment

Land and buildings are shown at cost, less depreciation for buildings.
All other property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment as well as finance costs capitalised on qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repair and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(r) Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- buildings	25 - 40 years
- leasehold improvements	remaining lease term
- plant and equipment	3 - 20 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – (refer Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Capital work in progress
Expenditure on development activities or other knowledge to a plan or design of the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour, finance costs incurred and an appropriate proportion of overheads. Such assets are included in capital work in progress until completed at which time they are transferred into plant and equipment and depreciated in accordance with the policies set out above.

Capital work in progress includes only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred.

Computer software
Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three years for application software to 10 years for licences and other items.

(s) Leasehold improvements

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

Note 1. Summary of significant accounting policies (continued)

(t) Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGU's) for the purpose of impairment testing. Each of those CGU's represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Brand names, trademarks and licences
Brand names, trademarks and licences acquired as part of business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of brand names, trademarks and licences over their estimated useful lives of 10-22 years.

Contract intangibles
Contract intangibles acquired as part of business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of contract intangibles over their estimated useful lives of 2-12 years.

Customer relationships
Customer relationships acquired as part of business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 6-22 years.

Supplier/contractor databases
Supplier/contractor databases acquired as part of business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of supplier/contractor databases over their estimated useful lives of 15-22 years.

Vendor network
Vendor networks acquired as part of business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of vendor networks over their estimated useful lives of 15-22 years.

Acquired technology and software
Technology and developed software acquired in business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of developed software and technology over their estimated useful lives of 3-5 years.

(u) Bid costs

Bid costs are capitalised when there is a reasonable expectation that the cost will be recovered. Bid costs are recognised over the shorter of three years and the life of the contract. Where a bid is subsequently unsuccessful the previously capitalised costs are immediately expensed.

(v) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition.

Note 1. Summary of significant accounting policies (continued)

(w) Short-term and long-term loans and borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Loans and borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as capitalised costs and amortised on a straight line basis over the term of the facility.

Loans and borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(x) Employee benefits

Annual leave, sick leave and Directors' retirement benefits
Liabilities for annual leave, accumulating sick leave expected to be settled within 12 months and, in accordance with the Group's remuneration policy, Directors' retirement benefits (including non-monetary benefits) are recognised in provision for employee benefits in respect of employees' or Directors' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date of national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Short-term incentive plans
A liability for employee benefits in the form of short-term incentives is recognised in other payables when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit,
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for short-term incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Superannuation
Contributions to defined contribution superannuation funds are charged as an expense as the contributions are paid or become payable.

Employee benefit on-costs
Employee benefit on-costs, including payroll tax are recognised and included in provision for employee benefits and are measured at amounts expected to be paid when the liabilities are settled, discounted to net present value.

Termination benefits
Liabilities for termination benefits, not in connection with the acquisition of any entity or operation, are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised in those employees affected that terminations will be carried out. The liabilities for termination benefits are recognised in other payables unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Note 1. Summary of significant accounting policies (continued)

(x) Employee benefits (continued)

Equity-based compensation benefits
Equity-based compensation benefits are provided to employees through the TranShare Executive Performance Awards Plan, the Transfield Services Executive Options Scheme and the Deferred Retention Incentive Scheme.

(i) *Performance Awards granted after 7 November 2002 and vested after 1 January 2005.*

The fair value of Performance Awards granted under the Transfield Services Executive Options Scheme or the TranShare Executive Performance Awards Plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the Performance Awards.

(ii) *Shares under the Deferred Retention Incentive Scheme*

Shares acquired under the Deferred Retention Incentive Scheme are held by the TranShare PlanTrust and included in treasury shares as a reduction in equity until they are allocated to individual employees. The expense is recognised and liability accrued over the vesting period.

The fair value at grant date of Performance Awards is independently determined using a binomial and Monte Carlo model that takes into account the exercise price, the term of Performance Award, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the Performance Award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the Performance Award.

The fair value of the Performance Awards granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of Performance Awards that are expected to become exercisable. At each statement of financial position date, the entity revises its estimate of the number of Performance Awards that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of Performance Awards, the balance of the share-based payments reserve relating to those Performance Awards is transferred to share capital.

The difference between the market value of shares issued to employees and the employee's consideration under the employee share scheme is recognised as an employee benefit expense with a corresponding increase in equity when the employee becomes entitled to the shares.

(y) Provisions

Provisions for legal claims, lease 'make good' and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required on settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Note 1. Summary of significant accounting policies (continued)

(z) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under that contract, and only after any impairment losses to assets dedicated to that contract have been recognised.

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract. The net estimated cash flows are discounted using market yields at statement of financial position date of national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payment, where the effect of discounting is material.

(aa) Finance costs

Finance costs are recognised as an expense in the period in which they are incurred (except where they are incurred in the cost of qualifying assets – refer Note 1(r)) and include:

- interest on bank overdraft and short-term and long-term borrowings
- amortisation of discounts or premium relating to borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings and
- finance lease charges.

Finance costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The capitalisation rate used to determine the amount of finance costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year.

(ab) Government Grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached. Grants that compensate the Group for expenses are recognised in the statement of comprehensive income as other income in the same period as the expense that they compensate is recognised. Grants that compensate the Group for the cost of an asset are recognised in the statement of comprehensive income on a systematic basis over the useful life of the asset.

(ac) Contributed equity

Ordinary shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares, Options or Performance Awards are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Any amounts of unvested shares held by the TranShare Plan Trust are controlled by the Group until they vest and are recorded as a reduction in equity.

(ad) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the year but not distributed at statement of financial position date.

Note 1. Summary of significant accounting policies (continued)

(ae) Earnings / (loss) per share

Basic earnings / (loss) per share
Basic earnings / (loss) per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings / (loss) per share
Diluted earnings / (loss) per share adjusts the figures used in the determination of basic earnings / (loss) per share to take into account the after income tax effect of interest and financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(af) Financial instrument transaction costs

Transaction costs that are directly attributable to the acquisition or issue of a financial asset or liability are included in the value of the financial asset or liability on initial recognition.

(ag) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority on the date of the statement of financial position is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(ah) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100 issued by the Australian Securities and Investments Commission, relating to the ‘rounding off’ of amounts in the financial report. Amounts in the financial report have been rounded in accordance with that Class Order to the nearest thousand dollars or, in certain cases, the nearest dollar.

(ai) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. The Group’s assessment of the impact of these new standards and interpretations is set out below.

AASB 9 *Financial Instruments*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* (amendments effective from December 2009 and December 2010)

The amendments add requirements for the classification and measurement of financial liabilities that are generally consistent with the requirements of AASB 139 as well as requirements in relation to the derecognition of financial assets and liabilities consistent with AASB 139. The changes to AASB 9 also simplify the measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. These changes are not expected to have a material impact on the Group.

IFRS 10 *Consolidated Financial Statements* (effective 1 January 2013)

IFRS 10 provides new criteria for determining when an investee entity needs to be consolidated. Control is determined based on whether the investor is exposed to variable returns from the investee and has the ability to affect those returns through exercising its power. The Group has numerous joint venture arrangements from which it derives variable returns. These will be considered in due course however no material changes are expected as a result of application of the revised IFRS 10.

Note 1. Summary of significant accounting policies (continued)

(ai) New accounting standards and interpretations (continued)

IFRS 11 *Joint Arrangements* (effective 1January 2013)

Under IFRS 11 a joint arrangement is accounted for under the equity accounting method unless the parties have rights to and obligations for the underlying assets and liabilities in which case the arrangement is considered a joint operation and partial consolidation is applied. It is current Group policy to apply equity accounting to its joint ventures and while an extensive review will take place as part of the transition to the new standard no material changes to the Group's financial statements are anticipated.

IAS 28 *Investment in Associates and Joint Ventures (2011)* (Effective 1 January 2013)

Limited amendments have been made to IAS28 including the application of IFRS 5 *Non-current assets held for sale and discontinued operations* to interests in associates and joint ventures and how to account for changes in interests in joint ventures and associates. Whilst the Group has material investments in associates and joint ventures changing the interests in these is infrequent and no material changes to the Group's financial statements as a result of these changes are anticipated.

IFRS 13 *Fair value measurement* (Effective 1 January 2013)

IFRS 13 explains how to measure fair value when required to by other accounting standards. It does not introduce new fair value measurements or eliminate the practicability exceptions to fair value that currently exist in certain standards. No material changes to the Group's financial statements are anticipated as a result of this standard.

Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

This amendment makes a number of changes to the presentation of other comprehensive income including presenting separately those items that would be reclassified to profit and loss in the future and those that would never be reclassified to profit and loss and the impact of tax on those items. This change will impact the presentation of the Group's Consolidated Statement of Financial Position but will have no impact on earnings per share.

(aj) Presentation of comparative information

Where applicable, comparative information has been restated or repositioned to align with current year presentation including the classification of the USM business as a discontinued operation and the identification of a portion of the Group's investment in TSI Fund (RAC) as a non-current asset held for sale.

Note 2. Financial, capital and other risk management

The Board of Directors is responsible for the establishment and supervision of the Group's financial and capital risk management structure. This includes approving the level of risk which the Group is prepared to accept in conducting its business and approving all material policies for the management of business risks and overseeing the management of these risks. The ultimate objective of financial and capital risk management within Transfield Services is to contribute to the creation of shareholder value. In order to achieve this objective, the Group applies the following principles in managing its capital resources and position as well as in managing its risks.

Financial risk management

The Group's activities expose it to a variety of financial risks; foreign currency risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management program focuses on the volatility of financial markets and seeks to minimise potential adverse effects of market volatility on the financial performance of the Group. From time to time the Group uses derivative financial instruments such as foreign exchange contracts and interest rates swaps to hedge certain risk exposures.

Financial risk is managed by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Group Treasury provides written principles for overall risk management, endorsed by the Board, covering areas such as mitigating foreign currency, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.
It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

Note 2. Financial, capital and other risk management (continued)

(a) Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the local entity's functional currency.

The Group operates in global markets and hence a proportion of the Group's revenues, expenditures and cash flows are generated, and assets and liabilities are located in foreign markets and currencies. Therefore the Group is exposed to foreign currency risk.

Forward foreign exchange rate contracts, transacted by Group Treasury, are used to manage the Group's foreign currency risk. In addition, where economically viable, the Group attempts to match revenues and expenditures, as well as assets and liabilities in each foreign currency to reduce foreign currency risk.

The Group's exposure to foreign currency risk in respect of cash at bank or on deposit at 30 June was limited to:

	2011 $'000	2010 $'000
United States dollars	1,818	6,158
Chinese Yen	4	-
United Arab Emirates dirham	1,558	-
Canadian dollars	29	34
New Zealand dollars	119	-
	3,528	6,192

The Group's exposure to foreign currency risk in respect of trade and other receivables at 30 June was:

	2011 $'000	2010 $'000
United States dollars	1,307	440

The Group's exposure to foreign currency risk in respect of loans and borrowings at 30 June was $Nil (2010: $Nil).

The Group had no material exposure to foreign currency risk in respective of trade and other payables at 30 June 2011.

(b) Credit risk

Credit risk arises from cash and deposits, derivative financial instruments and committed debt funding and bonding facilities with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Counterparties to cash and deposits, derivative financial instruments and committed debt funding and bonding facilities are limited to high credit quality financial institutions, predominantly banks with a minimum independent rating of 'A'. The Group limits the amount of credit exposure to any one financial institution through its use of a consortium of banks.

The Group's maximum exposure to credit risk in respect of financial assets at 30 June was:

	2011 $'000	2010 $'000
Cash and cash equivalents	265,717	112,716
Trade and other receivables (current and non-current before provision for impairment of receivables)	515,266	490,984
Income tax receivable	6,983	479
	787,966	604,179

Note 2. Financial, capital and other risk management (continued)

(b) Credit risk (continued)

The Group aims to develop long-term relationships with its customers and has no significant concentrations of credit risk within the wholly-owned group. Most significant customers are government bodies, multinational corporations and large domestic businesses with established credit histories and thus are perceived as low credit risk. The Group conducts checks for credit worthiness on new customers using independent agencies and industry references. The Group also operates through a significant number of joint ventures globally most of which have either a single or a dominant customer. The credit management policies of Transfield Services and the respective joint venture partner are applied to those customers.

The majority of the Group's receivables are in the form of contracted agreements with customers. In general, the terms and conditions of these contracts require settlement of invoices between 14 and 60 days from invoice date. On occasion, the terms and conditions may differ as a result of the varied nature and timing of some of our operations and maintenance services. Impairment losses are mainly attributed to dispute resolutions as opposed to default of payments.

The Group's maximum exposure to credit risk for trade and other receivables by geographic region at 30 June was:

	2011 $'000	2010 $'000
Australia and New Zealand	416,079	326,069
Americas	80,625	142,964
Middle East and Asia	18,562	21,951
	515,266	490,984

The Group's maximum exposure to credit risk for trade and other receivables by type of counterparty at 30 June was:

	2011 $'000	2010 $'000
Trade debtors	499,821	465,673
Other debtors	15,445	25,311
	515,266	490,984

The ageing of the Group's trade and other receivables was:

	2011				2010			
	Not due $'000	Impaired /provided $'000	Past due but not impaired $'000	Total (before provision for impairment) $'000	Not due $'000	Impaired /provided $'000	Past due but not impaired $'000	Total (before provision for impairment) $'000
Not due	399,648	-	-	399,648	369,756	-	-	369,756
1-30 days overdue	-	102	39,082	39,184	-	-	77,998	77,998
31-60 days overdue	-	288	13,140	13,428	-	615	15,513	16,128
61-90 days overdue	-	1,331	5,344	6,675	-	693	4,664	5,357
91-120 days overdue	-	580	3,988	4,568	-	397	4,480	4,877
> 121 days overdue	-	2,033	49,730	51,763	-	2,722	14,146	16,868
Total trade and other receivables	399,648	4,334	111,284	515,266	369,756	4,427	116,801	490,984

Trade receivables have been aged according to their original due date in the above ageing analysis, including where certain long outstanding trade receivables have been renegotiated as a result of the extended nature of some of the Group's service provision. No collateral has been obtained for any amounts that have been identified as impaired or overdue but not impaired.

Note 2. Financial, capital and other risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk of not being able to meet current or future financial obligations as when they become due and payable. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed debt facilities. Group Treasury aims to maintain funding flexibility by keeping committed debt facilities and credit lines available for the business. At statement of financial position date the Group had sufficient headroom from its debt facilities to meet its financial obligations.

Liquidity risk, maturities, weighted average interest rate, contractual cash flows and fair values

	Interest rate	1 year or less	1 year to 5 years	More than 5 years	Total contractual cash flow*	Fair value (Level 2)
	%	$'000	$'000	$'000	$'000	$'000
Consolidated 2011						
Trade and other payables		506,559	-	-	506,559	506,559
Derivatives – interest rate swap		11,003	8,188	-	19,191	942
Derivatives - forward exchange contracts		85	-	-	85	85
		517,647	8,188	-	525,835	507,586
Loans and borrowings						
Cash advances**		-	323,374	-	323,374	323,374
Mandatory Convertible Note	8.38	7,706	4,190	-	11,896	12,692
United States Private Placement	5.99	61,709	46,720	118,872	227,301	188,406
Finance lease liabilities		6,548	16,430	2,789	25,767	21,241
Total loans and borrowings		75,963	390,714	121,661	588,338	545,713
Total financial liabilities		593,610	398,902	121,661	1,114,173	1,053,299
Consolidated 2010						
Trade and other payables	-	507,702	-	-	507,702	507,702
Current tax liabilities	-	25,852	-	-	25,852	25,852
Derivatives – interest rate swap	-	933	-	-	933	821
Derivatives - forward exchange contracts	-	5	-	-	5	5
		534,492	-	-	534,492	534,380
Loans and borrowings						
Cash advances**	2.93	15,697	133,802	-	149,499	149,499
Mandatory Convertible Note	8.38	9,112	13,780	-	22,892	21,779
United States Private Placement	5.99	12,015	71,092	215,674	298,781	236,523
Finance lease liabilities	8.13	5,023	14,425	986	20,434	17,156
Total loans and borrowings		41,847	233,099	216,660	491,606	424,957
Total financial liabilities		576,339	233,099	216,660	1,026,098	959,337

* Total contractual cash flows are undiscounted and include contractual interest payments. Carrying values exclude interest obligations
**Where interest rates are variable and /or there are no fixed repayments contractual cash flows and fair values are the same as the carrying value.

Note 2. Financial, capital and other risk management (continued)

(d) Cash flow and fair value interest rate risk

The Group's interest-rate risk primarily arises from its floating interest rate debt obligations

The Group manages its long-term cash flow interest-rate risk by using floating-to-fixed interest rate swaps. For interest rate swaps, the Group agrees with banks or financial institutions to convert borrowings from floating rates to fixed rates at specified intervals (quarterly or semi-annually) calculated by reference to an agreed notional principal amounts. The Group evaluates a variety of factors before entering into interest rate swaps that include (but are not limited to) market conditions and forecast borrowing requirements.

To the extent possible, the Group attempts to hedge its interest rate risks with fully effective cash flow hedges. The effect of this is that the change in fair value relating to effective interest rate swaps are recognised in equity through the hedge reserve, whilst the change in fair value relating to ineffective interest rate swaps are recognised through the statement of comprehensive income.

As at 30 June 2011 the Group had a combination of United States dollar and Australian dollar interest rate swaps in place (refer Note 19).

Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Capital is managed in order to maintain a strong financial position and ensure that the Group's funding needs can be optimised at all times in a cost-efficient means to support the goal of maximising shareholder wealth.

The Group has chosen not to acquire a credit rating from an internationally accredited agency there being no immediate benefit from doing so. In order to ensure good credit quality and an appropriate capital structure, the Group monitors and estimates its financial position with measurements such as debt and equity ratios and gearing.

	Note	Consolidated	
		2011 $'000	2010 $'000
Cash advances and bridge facility	17	323,374	149,499
United States Private Placement	17	159,220	200,755
Mandatory Convertible Note	17	11,896	20,052
Finance leases	17	21,241	17,156
Total financial institution borrowings		515,731	387,462
Less: cash and cash equivalents	8	(265,717)	(112,716)
Net debt		250,014	274,746
Total equity		1,137,089	804,042
Total capital		1,387,103	1,078,788
Gearing ratio – net debt to total capital		18%	25%
Gearing ratio – net debt to equity		22%	34%
Net debt to EBITDA* ratio		1.08x	1.52x

* Earnings Before Interest (net finance cost), Taxation, Depreciation and Amortisation)

Note 2. Financial, capital and other risk management (continued)

Other risks

(a) Translation risk

The financial statements of each of the Group's foreign subsidiaries are prepared in local currency. For the purposes of preparing the Group's consolidated financial information, each foreign subsidiary's financial statements are translated into Australian dollars using the applicable foreign exchange rates as at and for the period ended on the statement of financial position date. A translation risk therefore exists on translating the financial results and position of the foreign subsidiaries into Australian dollars for the purposes of presenting consolidated Group financial information. Volatility in foreign exchange rates can therefore impact the Group's net profit, net assets and the foreign currency translation reserve.

The Group's investments in its United States and New Zealand domiciled subsidiaries are hedged by United States dollar and New Zealand dollar bank loans, which mitigate the translation risk arising from the subsidiaries net assets. The Group's investments in other subsidiaries are not hedged.

(b) Country risk

The Group is exposed to country risk by the very nature of running a global business. Country risk is the risk that political, legal, security or economic developments in a single country could adversely impact performance. The country risk exposure is defined as the sum of the equity of all subsidiaries and associates and joint ventures in cross-jurisdictional transactions such as loans, guarantees and trading accounts. Country risk is continually monitored by the 'Risk Group' under the Chief Risk and Legal Officer / Company Secretary.

Sensitivity analysis

The sensitivity analysis has been prepared on the assumption that the Group's significant risk exposures are limited to foreign currency risk on the external debt arrangements attached to overseas acquisitions as well as the impact of interest rate movements.

Foreign exchange sensitivity
At 30 June 2011 the Group had no borrowings drawn in a currency that is not the functional currency of the borrower.

Interest rate sensitivity
The table below shows the Group's sensitivity to interest rates on its floating rate Australian dollar, United States dollar and New Zealand dollar borrowings, being the currencies from which the Group has historically issued debt and held investments. The Group has considered volatility in interest rates during the 2011 financial year and the historic low interest rates prevailing in the United States at 30 June 2011 and consider a one per cent upward and downward movement is a reasonable benchmark for interest rate sensitivity over the next 12 months given the portion of Group debt that is drawn in the United States.

		2011 Consolidated	
	Basis points	Net profit (after tax) $'000	Equity $'000
Bank borrowings	+100	(1,949)	(1,949)
Bank borrowings	-100	1,949	1,949

		2010 Consolidated	
	Basis points	Net profit (after tax) $'000	Equity $'000
Bank borrowings	+100	(1,058)	(1,058)
Bank borrowings	-100	1,058	1,058

An applicable tax rate of 38 per cent (2010:37 percent) has been adopted which approximates the weighted average marginal tax rate across all jurisdictions.

Note 2. Financial, capital and other risk management (continued)

The table below shows the Group's sensitivity to changes in the yield curve used in the valuation of its interest rate swaps.

		Consolidated 2011	
		Net profit (after tax) $'000	Equity $'000
Interest rate hedge	+100	-	2,062
Interest rate hedge	-100	-	(4,822)

		Consolidated 2010	
		Net profit (after tax) $'000	Equity $'000
Interest rate hedge	+25	-	179
Interest rate hedge	-25	-	(179)

An applicable tax rate of 38 per cent (2010: 38 per cent) has been adopted which approximates the weighted average effective marginal tax.

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill, other intangible assets and equity accounted investments

The recoverable amounts of cash-generating units and equity accounted investments have been determined based on the higher of fair value and value-in-use. These calculations require the use of assumptions relating to future cashflows, discount rates and growth rates. Refer to Note 15 for details of these assumptions in relation to goodwill and the potential impact of changes to the assumptions.

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the consolidated entity provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain and on which professional judgement, based on relevant tax law, is exercised. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Rehabilitation and 'make-good' costs

The Group recognises provisions for estimated resources required to rehabilitate and 'make-good' leasehold properties, in which it operates under contracts with third parties. The timeframe may vary between 2-30 years and the terminal liability requires management estimates of future costs based on current and future considerations, including environmental considerations. The Group records these provisions using discounted cash flows and reassesses them annually. Refer to Note 20 for further details of these provisions.

Note 3. Critical accounting estimates and judgements

(a) Critical accounting estimates and assumptions (continued)

RATCH Australia Corporation Ltd (formerly TSI Fund) valuation
The Group has entered into a sale agreement for 23.8% of the ordinary securities of RATCH Australia Corporation Ltd ('RAC'). At 30 June 2011, the Group has classified this amount as an asset held for sale and the residual 20% it holds of the ordinary securities of RAC has been classified as an equity accounted investment.

The portion classified as held for sale has been measured at fair value. Fair value has been determined based on the discounted cashflows expected to be received in respect of each asset.

The portion retained is carried at book value after recognition of the Group's share of an impairment loss in relation to TSI Fund's (RAC's) investment in Loy Yang A power station, calculated using the Group's impairment testing methodology.

Workers' compensation provisions
The Group is self-insured for workers' compensation in certain states in Australia and manages the risks associated with this through the use of actuarial techniques and engaging external experts, however these estimates by their nature are complex and are revised annually.

(b) Critical judgements in applying the entity's accounting polices

Classification of United States Private Placement (USPP) debt
The disposal of a portion of the Group's business in the Americas during the year ending 30 June 2011 has triggered an option for the USPP Noteholders to request up to A$52,047,000 of the USPP notes to be repaid if the proceeds from this disposal are not reinvested within the Group by 30 June 2012. As a result A$ 52,047,000 of the USPP notes are classified as current borrowings until either the disposal proceeds are reinvested or the USPP Noteholders advise that the option to repay will not be taken up. The Group's intention is to utilise these proceeds to reinvest in income generating assets before the expiry of the option period.

Revenue recognition
The Group engages in performance-related contracts with its customers. Under the terms of these contracts the Group is entitled to receive Key Performance Indicator (KPI) income. The Group's policy is to recognise KPI income on a pro-rata basis to the extent that the Group is capable of achieving the desired outcomes under the terms of the contract and the value of the KPI revenue can be reliably estimated.

Infrastructure development revenue recognition
The Group has recognised revenue in relation to the sale of its infrastructure development business to TSI Fund (RAC). Receipt of a portion of the revenue recognised is contingent upon certain commercial milestones being met by TSI Fund (RAC). In the opinion of the Directors, these matters are virtually certain to occur and no provisions have been recognised in relation to these amounts.

Note 4. Operating segments

(a) Accounting policies and identification of segments

Segment information is prepared in conformity with the accounting polices of the Group as disclosed in Note 1 and the accounting standard, AASB 8 *Operating Segments.* Effective from 8 December 2008, the Group is managed on a geographic regional basis. The five primary segments are:-

- Australia and New Zealand ('ANZ')
- Americas
- Middle East and Asia ('ME&A');
- Unallocated corporate costs; and
- an equity accounted investment in RATCH Australia Corporation Limited (RAC) formerly known as Transfield Services Infrastructure Fund (TSI Fund).

Note 4. Operating segments (continued)

(a) Accounting policies and identification of segments (continued)

Each geographical region derives revenue from its principal activities in the:
- Resources and Industrials
- Infrastructure Services; and
- Property and Facilities Management sectors.

Information regarding the results of each reportable segment is included below. Performance (Segment result) is measured based on segment earnings before interest, tax, depreciation and amortisation (EBITDA) as included in the internal management reports that are reviewed by the Group's Managing Director and Chief Executive Officer on a monthly basis, these reports do not include a statement of financial position on a segmented basis.

(b) Operating segment results

2011 $'000s	ANZ	Americas	ME&A	Unallocated	TSI Fund (RAC)	Group
Proportionately Consolidated Revenue	2,628,697	1,229,354	115,974	-	-	3,974,025
Less: Share of joint venture revenue	(325,907)	(391,860)	(47,874)	-	-	(765,641)
Revenue	2,302,790	837,494	68,100	-	-	3,208,384
Share of associate and joint venture results	25,020	18,424	4,929	-	16,915	65,288
Profit/(loss) from wholly owned operations	147,655	29,822	(394)	(9,080)	(959)	167,044
EBITDA	172,675	48,246	4,535	(9,080)	15,956	232,332
Depreciation						(53,190)
Amortisation						(28,053)
Net operating finance costs						(39,130)
Tax on operating items						(11,377)
Non-controlling interest						(459)
Operating net profit after tax						100,123
Non-recurring items – restructuring and transaction costs, net of tax (see below)						(119,857)
Net loss after tax (attributable to owners of the Company)						(19,734)

Non-recurring items – restructuring and transaction costs (net of tax):	
Six months ended 31 December 2010:	
Restructuring costs	7,342
Easternwell acquisition costs	6,344
	13,686
Six months ended 30 June 2011:	
Loss on disposal of USM	19,345
Cumulative foreign exchange losses relating to USM (previously recognised in reserves)	50,301
Net share of losses associated with impairment of investment in Loy Yang A power station by TSI Fund (RAC) and gains on recognition of convertible notes on sell-down in investment in TSI Fund (RAC)	28,907
Transaction costs relating to TSI Fund (RAC) transaction	7,618
Total in the year ended 30 June 2011	119,857

Note 4. Operating segments (continued)

(b) Operating segment results (continued)

2010 $'000s	ANZ	Americas	ME&A	Unallocated	TSI Fund (RAC)	Group
Proportionately Consolidated Revenue	2,544,642	1,378,568	129,143	-	-	4,052,353
Less: Share of joint venture revenue	(427,467)	(417,315)	(56,615)	-	-	(901,397)
Revenue	2,117,175	961,253	72,528	-	-	3,150,956
Share of associate and joint venture results	34,004	22,277	6,709	-	9,269	72,259
Profit/(loss) from wholly owned operations	104,781	35,441	(1,103)	(9,263)	-	129,856
EBITDA	138,785	57,718	5,606	(9,263)	9,269	202,115
Depreciation						(46,127)
Amortisation						(27,694)
Net operating finance costs						(26,133)
Tax on operating items						(5,699)
Non-controlling interest						(511)
Operating net profit after tax						95,951
Non-recurring items (see below)						(22,906)
Net profit after tax (attributable to owners of the Company)						73,045
Non-recurring items (net of tax):						
Normalisation adjustment to TSI Fund (RAC) share of profits						22,906
Total						22,906

(c) Reconciliations to primary financial statements

	2011 $'000	2010 $'000
(i) Revenue		
Segment revenue (Note 4(b))	3,208,384	3,150,956
Less: revenue from discontinued operations (Note 40)	(450,306)	(532,865)
Add: Net gain from reclassification of investment in TSI Fund (RAC)	2,677	-
Revenue from continuing operations (Note 5)	2,760,755	2,618,091
(ii) Share of net profits of associates and joint ventures accounted for using the equity method		
Segment share of associates and joint venture results (Note 4(b))	65,288	72,259
Less: share of TSI Fund (RAC) transaction costs	(2,718)	-
Less: share of Loy Yang A fair value assessment recognised in TSI Fund (RAC)	(38,580)	-
Less: Normalisation adjustment for TSI Fund (RAC) share of profit (Note 29)	-	(22,906)
Share of net profits of associates and joint ventures accounted for using the equity method	23,990	49,353
(iii) Depreciation		
Segment depreciation (Note 4(b))	53,190	46,127
Less: depreciation relating to discontinued operations (Note 40)	(3,058)	(3,859)
Depreciation relating to continuing operations (Note 6)	50,132	42,268
(iv) Amortisation		
Segment amortisation (Note 4(b))	28,053	27,694
Less: amortisation relating to discontinued operations (Note 40)	(13,755)	(15,451)
Amortisation relating to continuing operations (Note 6)	14,298	12,243

Note 4. Operating segments (continued)

(c) Reconciliations to primary financial statements (continued)

(v) Finance costs	2011 $'000	2010 $'000
Net operating finance costs (Note 4(b))	39,130	26,133
Less: finance costs relating to discontinued operations (Note 40)	(327)	(113)
Add: non-recurring finance costs	1,645	-
Net Finance costs	40,448	26,020

(vi) Income tax	2011 $'000	2010 $'000
Tax expense relating to operating activities (Note 4(b))	11,377	5,699
Add: tax credit/(expense) relating to discontinued operations (Note 40)	1,267	(1,165)
Less: tax on non-recurring items	(5,743)	-
Income tax expense from continuing operations	6,901	4,534

(d) Information about geographical areas

2011	Australia $000	New Zealand $000	Americas $000	Middle East and Asia $000	TSI Fund (RAC) $000	Total $000
Revenue from external customers	1,889,665	413,133	837,494	68,100	-	3,208,392
Revenue from foreign countries	-	-	-	-	-	-
Depreciation	36,155	10,855	5,604	576	-	53,190
Non-current assets:-						
Investments accounted for using the equity method	30,318	10,492	72,927	8,591	65,483	187,811
Property, plant and equipment	254,830	35,286	16,836	2,472	-	309,424
Intangible assets	519,324	111,292	106,299	7,542	-	744,457
Prepayments and other non-current assets	18,762	557	1,942	303	-	21,564

2010	Australia $000	New Zealand $000	Americas $000	Middle East and Asia $000	TSI Fund (RAC) $000	Total $000
Revenue from external customers	1,705,987	411,188	961,253	72,528	-	3,150,956
Revenue from foreign countries	-	-	-	-	-	-
Depreciation	25,686	12,235	7,586	549	-	46,056
Non-current assets:-						
Investments accounted for using the equity method	35,458	9,437	33,913	10,500	179,200	268,508
Property, plant and equipment	100,071	45,112	25,934	2,948	-	174,065
Intangible assets	92,349	120,183	454,106	7,987	-	674,625
Prepayments and other non-current assets	2,318	424	2,562	853	-	6,157

Note 4. Operating segments (continued)

(e) Information about products and services	2011 $'000	2010 $'000
Revenues from sales to external customers		
Resources and industrials	854,236	792,455
Infrastructure services	1,208,925	1,053,958
Property and facilities management	1,145,231	1,304,541
	3,208,392	3,150,954

(f) Information about major customers

The Group aims to develop long-term relationships with its customers and has no significant concentrations of credit risk within the wholly-owned group. The Group's customers are generally large companies or government authorities with established credit histories. The Group conducts checks for credit worthiness on new customers using independent agencies and industry references. The Group also operates through a significant number of joint ventures globally most of which have either a single or a dominant customer. The credit management policies of Transfield Services and the respective joint venture partner are applied to those customers.

Note 5. Revenue

	2011 $'000	2010 $'000 (Restated)
Operating revenue		
Operations and maintenance outsourcing services	2,746,032	2,603,988
Other income		
Advisory and other fees	6,318	5,361
Profit on sale of equipment and scrap	680	815
Commercial settlement and sundry gains	1,876	1,001
Net gain on recognition of 23.8 per cent of total securities in TSI Fund (RAC) as a financial asset	2,677	-
Gain on partial disposal of investment in TSI Fund (RAC)	441	2,027
Rental income	-	378
Realised foreign exchange gain	-	2,418
Other	2,731	2,103
	14,723	14,103
	2,760,755	2,618,091

Note 6. Expenses

	2011 $'000	2010 $'000 (Restated)
Profit from continuing operations before income tax includes the following specific expenses:		
Depreciation:		
- Property, plant and equipment	49,336	42,196
- Pre-contract costs	796	72
	50,132	42,268
Amortisation:		
- Intangible assets	14,298	12,243
Total depreciation and amortisation	64,430	54,511

Note 6. Expenses (continued)

Profit from continuing operations before income tax includes the following specific expenses:

	2011 $'000	2010 $'000 (Restated)
Finance costs:		
- Interest paid / payable	38,758	24,475
- Amortisation of establishment fees[1]	5,705	3,234
	44,463	27,709
Other charges against assets:		
- Impairment of trade receivables	1,907	4,471
Net loss on disposal of plant and equipment	440	822
Restructure and redundancy costs[2]	10,489	-
Easternwell acquisition costs	5,195	-
Superannuation contributions	53,029	51,632
Foreign exchange losses	386	3,578
Rental expense relating to operating leases:		
- Minimum lease payments	30,908	67,389

[1] includes establishment costs written off of $1,645,000 in 2011 relating to the Easternwell acquisition.
[2] primarily relating to non-recurring costs associated with the restructure of the global head office function

Note 7. Income taxes

(a) Income tax expense / (benefit)

- attributable to continuing operations	6,901	4,534
- attributable to discontinued operations (Note 40)	(53)	1,165
Total income tax expense	6,848	5,699
Current tax	(14,958)	36,158
Deferred tax	20,975	(27,697)
Adjustments for current tax of prior periods	831	(2,762)
	6,848	5,699

(b) Movements in deferred tax

Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (Note 14)	13,557	(18,770)
(Decrease)/increase in deferred tax liabilities (Note 21)	7,418	(8,927)
	20,975	(27,697)

Note 7. Income taxes (continued)

	2011 $'000	2010 $'000
(c) Numerical reconciliation of income tax expense to prima facie tax		
Profit /(loss) from continuing operations before income tax expense	50,850	65,700
Profit /(loss) from discontinued operations before income tax expense (Note 40)	(63,277)	13,555
Profit /(loss) before income tax expense	(12,427)	79,255
Income tax calculated at 30% (2010: 30%)	(3,728)	23,777
Tax effects of amounts which are not taxable /deductible in calculating taxable income		
Non-taxable income	-	(799)
Fair value gain on convertible notes	(4,391)	-
Non-deductible capital loss	1,955	-
Dividends received	(595)	-
Tax losses not recognised/written off	8,472	-
Share of net profits of associates and joint venture entities and partnerships	3,001	(10,803)
Taxable trust distributions net of tax deferrals	1,645	2,330
Share based payments and equity related costs	-	2,116
Research and development expenditure	(1,500)	(1,923)
Deferred taxes on investments in joint venture entities and partnerships and associates	-	668
Non-deductible expenses	1,350	1,132
	6,209	16,498
Income tax expense adjusted for other non taxable items:		
Effect of higher tax rate and treatment on overseas income and expenses	(2,503)	(7,528)
Withholding and other taxes	2,311	-
Effect of changes in tax rates	-	(509)
Adjustments for current tax of prior periods	831	(2,762)
Income tax expense / (benefit)	6,848	5,699

(d) Unrecognised temporary differences

A deferred tax liability has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the consolidated entity's subsidiaries. The deferred tax liability will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

(e) Tax consolidation legislation

Transfield Services Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1(f).
On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement, which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Transfield Services Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Transfield Services Limited for any current tax payable assumed and are compensated by Transfield Services Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Transfield Services Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

A similar regime operates in the United States. The Group's United States domiciled wholly-owned subsidiaries have adopted the equivalent arrangement in that jurisdiction.

Note 8. Current assets – Cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank and on hand	252,333	109,985
Cash on deposit – at call	2,144	2,731
	254,477	112,716
Restricted cash*	11,240	-
Balance per statement of cash flows	265,717	112,716

Fair value
The fair value is considered to be the same as the carrying value.

Deposits at call
Floating interest rates on deposits were from 0.05 per cent to 4.67 per cent (2010: 0.05 per cent to 4.45 per cent) per annum.

Cash at bank
Floating interest rates on cash at bank were from 0.0 per cent to 4.42 per cent (2010: 0.00 per cent to 4.15 per cent) per annum.

* Cash held in escrow relating to the sale of USM

Note 9. Current assets – Trade and other receivables

	2011 $'000	2010 $'000
Trade and other receivables	512,923	481,898
Less: Provision for impairment of receivables	(4,334)	(4,427)
	508,589	477,471
Loans to associates and joint ventures	2,343	8,900
Loans to employees	-	186
	510,932	486,557

Risk management
Information on financial risk management policies is included in Note 2.

Fair value
Due to the short-term nature of current trade and other receivables, the fair value is considered to be the same as the carrying value.

Impaired trade and other receivables
The Group has recognised a loss of $1,907,000 (2010: $4,471,000) in respect of impaired trade receivables during the year ended 30 June 2011. The loss has been included in 'other expenses' in the statement of comprehensive income.

All credit and recovery risk associated with trade receivables has been provided for in the statement of financial position. Management analyses each debt on a case by case basis in assessing impairment of the receivable.

Note 9. Current assets – Trade and other receivables (continued)

Movements in the provision for impaired receivables are as follows:-

	2011 $'000	2010 $'000
At 1 July	4,427	4,747
Increase in provision*	1,544	2,199
Acquired through business combination	1,547	(226)
Provision utilised to write-off debts	(1,539)	(2,527)
Provision disposed on sale of subsidiary	(1,095)	(345)
Foreign currency exchange differences	(550)	579
At 30 June	4,334	4,427

* These items are included in "other expenses" in the statement of comprehensive income.

Note 10. Current assets – Inventories

	2011 $'000	2010 $'000
Raw materials	6,927	4,798
Work in progress	75,750	53,731
	82,677	58,529

Inventories recognised as an expense during the year ended 30 June 2011 amounted to $229,115,000 (2010: $281,552,000).

Note 11. Current and non-current assets - Prepayments and other assets

	2011		2010	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Insurance and other prepayments	12,078	7,422	17,696	2,090
Establishment fees	5,801	8,325	935	2,530
Tender and security deposits	3,007	775	1,699	477
Unamortised formation expenses and bid costs	2,519	5,042	1,416	1,004
	23,405	21,564	21,746	6,101

Note 12. Non-current assets – Investments accounted for using the equity method

		2011 $'000	2010 $'000
Investments in associate	29	65,483	179,200
Equity interest in joint ventures and partnerships	30	122,328	89,308
		187,811	268,508

Note 13. Non-current assets – Property, plant and equipment

	Land and leasehold improvements $'000	Plant and equipment $'000	Leased plant & equipment $'000	Capital work in progress $'000	Total $'000
At 30 June 2009					
Cost	26,519	273,178	24,391	25,943	350,031
Accumulated depreciation	(7,027)	(152,704)	(3,090)	-	(162,821)
	19,492	120,474	21,301	25,943	187,210
Year ended 30 June 2010					
At 1 July 2009	19,492	120,474	21,301	25,943	187,210
Exchange differences	7	(1,551)	75	(1,747)	(3,216)
Additions	1,104	17,493	6,023	16,427	41,047
Transfers /reclassifications in/(out)	(5,751)	19,906	(368)	(13,787)	-
Additions through business combinations	242	505	-	-	747
Disposals and write-offs	(417)	(3,945)	-	(1,305)	(5,667)
Depreciation	(2,195)	(39,808)	(4,053)	-	(46,056)
At 30 June 2010	12,482	113,074	22,978	25,531	174,065
At 30 June 2010					
Cost	21,075	296,472	30,537	25,531	373,615
Accumulated depreciation	(8,593)	(183,398)	(7,559)	-	(199,550)
	12,482	113,074	22,978	25,531	174,065

Note 13. Non-current assets – Property, plant and equipment (continued)

	Land and leasehold improvements $'000	Plant and equipment $'000	Leased plant & equipment $'000	Capital work in progress $'000	Total $'000
Year ended 30 June 2011					
At 1 July 2010	12,482	113,074	22,978	25,531	174,065
Exchange differences	(807)	(4,205)	(514)	(1,319)	(6,845)
Additions	1,706	45,552	10,718	15,166	73,142
Transfers /reclassifications in/(out)	-	17,299	(8,625)	(8,674)	-
Additions through business combinations	7,686	122,812	-	11,480	141,978
Disposals and write-offs	(1,438)	(7,947)	(8,957)	(1,384)	(19,726)
Depreciation	(2,545)	(44,624)	(6,021)	-	(53,190)
At 30 June 2011	17,084	241,961	9,579	40,800	309,424
At 30 June 2011					
Cost	26,403	463,232	17,241	40,800	547,676
Accumulated depreciation	(9,319)	(221,271)	(7,662)	-	(238,252)
	17,084	241,961	9,579	40,800	309,424

At 30 June 2011, there are no secured items of property, plant and equipment other than items under finance lease and $1,484,000 in finance costs had been capitalised (2010: $Nil).

Note 14. Non-current assets – Deferred tax assets

	2011 $'000	2010 $'000
Gross deferred tax assets	82,083	101,469
Set off deferred tax liabilities within common jurisdictions	(60,007)	(54,120)
Net deferred tax assets	22,076	47,349
Gross deferred tax assets comprises temporary differences attributable to:		
Doubtful debts	1,258	1,275
Employee benefits	28,411	33,931
Rental obligations	1,273	1,394
Creditors and accruals	19,037	16,491
Share-based payments	3,557	2,974
Partnership Income	1,651	-
Tax losses	13,350	21,619
Other	7,733	20,848
Amounts recognised directly in equity		
Capital raising costs	6,091	2,625
Revaluation of cash flow hedges	(278)	312
	82,083	101,469
Gross deferred tax assets to be recovered after more than 12 months	48,706	34,049
Gross deferred tax assets to be recovered within 12 months	33,377	67,420
	82,083	101,469

Note 14. Non-current assets – Deferred tax assets (continued)

Movements in gross deferred tax assets	Doubtful debts	Employee benefits	Rental obligations	Creditors/ deferred income	Capital raising costs	Derivatives	Share based payments	Tax losses	Other	Partnership income	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2009	1,588	31,988	1,288	13,506	3,710	973	5,089	17,929	8,231	-	84,302
(Charged)/credited to the statement of comprehensive income	(276)	2,017	100	3,011	(1,085)	(591)	(2,041)	4,215	13,420	-	18,770
Effect of changes in foreign exchange rates	(37)	(74)	6	(26)	-	(70)	(74)	(525)	(803)	-	(1,603)
At 30 June 2010	1,275	33,931	1,394	16,491	2,625	312	2,974	21,619	20,848	-	101,469
At 1 July 2010	1,275	33,931	1,394	16,491	2,625	312	2,974	21,619	20,848	-	101,469
Reclassification	239	(2,179)	-	(1,006)	-	-	-	373	427	1,076	(1,070)
Revised 1 July 2010	1,514	31,752	1,394	15,485	2,625	312	2,974	21,992	21,275	1,076	100,399
(Charged)/credited to the statement of comprehensive income	(217)	(2,783)	(71)	4,034	(869)	(526)	826	(2,680)	(11,846)	575	(13,557)
Capital raising costs	-	-	-	-	4,343	-	-	-	-	-	4,343
Acquisition of subsidiary	206	1,027	-	256	-	-	-	-	62	-	1,551
Disposal of subsidiary	(82)	(530)	-	(168)	(8)	-	(61)	-	(235)	-	(1,084)
Effect of changes in foreign exchange rates	(163)	(1,055)	(50)	(570)	-	(64)	(182)	(5,962)	(1,523)	-	(9,569)
At 30 June 2011	1,258	28,411	1,273	19,037	6,091	(278)	3,557	13,350	7,733	1,651	82,083

Note 15. Non-current assets – Intangible assets

	Goodwill	Contract intangibles	Trademarks and brands	Customer relationships	Customer/ supplier databases	Developed technology^ and development rights	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010							
Cost	607,073	44,903	35,588	204,637	40,972	5,424	938,597
Accumulated amortisation and impairment	(163,612)	(25,242)	(6,487)	(52,069)	(12,328)	(4,234)	(263,972)
At 30 June 2010	443,461	19,661	29,101	152,568	28,644	1,190	674,625
Year ended 30 June 2010							
At 1 July 2009	449,317	21,802	32,149	173,441	33,505	1,591	711,805
Exchange differences	(10,659)	(136)	(1,361)	(7,954)	(1,652)	1,137	(20,625)
Additions	4,803	3,429	-	2,907	-	-	11,139
Amortisation charge	-	(5,434)	(1,687)	(15,826)	(3,209)	(1,538)	(27,694)
At 30 June 2010	443,461	19,661	29,101	152,568	28,644	1,190	674,625
2011							
Cost	566,264	55,041	26,231	153,786	1,568	590	803,480
Accumulated amortisation and impairment	-	(25,158)	(4,675)	(28,208)	(427)	(555)	(59,023)
At 30 June 2011	566,264	29,883	21,556	125,578	1,141	35	744,457
Year ended 30 June 2011							
At 1 July 2010	443,461	19,661	29,101	152,568	28,644	1,190	674,625
Exchange differences	(44,410)	(1,255)	(4,488)	(27,325)	(3,961)	(38)	(81,477)
Additions	310,733	18,100	6,300	96,100	-	-	431,233
Disposal (net accumulated amortisation and impairment)	(143,520)	(1,530)	(7,615)	(79,325)	(20,669)	(958)	(253,617)
Amortisation charge	-	(5,093)	(1,742)	(16,440)	(2,873)	(159)	(26,307)
At 30 June 2011	566,264	29,883	21,556	125,578	1,141	35	744,457

^ Developed technology represents the fair value of acquired technology through business combinations.
Amortisation expenses of $26,307,000 (2010: $27,694,000) are included in depreciation, amortisation and impairment expenses in the statement of comprehensive income.

Note 15. Non-current assets – Intangible assets (continued)

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating business units and geographic location which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.
The aggregate carrying amounts of goodwill allocated to each unit(s) are as follows:

	2011 $'000	2010 $'000
Australia		
Easternwell	310,733	-
Australia other[1]	81,643	79,568
	392,376	79,568
North America		
United States facilities management	-	332,656
United States other[2]	70,626	86,685
	70,626	419,341
New Zealand	97,908	102,810
Middle East and Asia[3]	5,354	5,354
Gross carrying value	566,264	607,073
Accumulated impairment write-down	-	(163,612)[4]
Net carrying value	566,264	443,461

[1] Australian CGUs consisting of resources and energy, infrastructure, project management, consultancy and facilities management (services) have been aggregated as goodwill is individually insignificant in proportion to the Group's total goodwill
[2] Consists of United States resources and industrial (TIMEC) and transportation infrastructure services whose goodwill is individually insignificant in proportion to the Group's total goodwill
[3] Consists of Hofincons Infotech and Industrial Services Pvt Ltd, Transfield Emdad Services LLC and Intergulf General Contracting LLC whose goodwill is individually insignificant in proportion to the Group's total goodwill.
[4] At 30 June 2009, the carrying amount of the United States facilities management (USM) CGU was determined to be higher than its recoverable amount and an impairment loss of $171,692,000 (post-tax $148,443,000) was recognised. The impairment loss was recorded as a result of the USM business not achieving the growth and cash flow targets anticipated in the acquisition pricing models.

The recoverable amounts of all the cash generating units (CGUs) were based on value in use and were determined with the assistance of independent valuers.

Note 15. Non-current assets – Intangible assets (continued)

Key assumptions used for value in use calculations

Cash flows were projected based on actual operating results, the Board approved budget and five-year business plan. Cash flows for a further five-year period were extrapolated using a declining growth rate such that the long term terminal growth rate was determined at three per cent, which does not exceed the long-term average growth rate for the industry and economy. A ten year forecast period correctly reflects the growth structure to maturity.The assumptions below have been used for the analysis of each CGU within the business. Management determined budgeted gross margin based on past performance and its expectations for the future. The discount rates used reflect specific risks relating to the relevant CGUs and countries in which they operate these have been evaluated using input from independent experts. Value in use was determined by discounting the future cash flows generated from the continuing use of the units and was based on the following key assumptions:

Cash Generating Unit	Growth rate[1]		Discount rate[2] Pre-tax		Discount rate Post-tax	
	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
Australia other	2.0-4.2	2.0-4.2	11.4-14.9	11.4-14.9	11.2	11.2
Easternwell	4.2	-	17.9	-	13.5	-
United States facilities management	-	4.0	-	17.5	-	11.9
United States other	4.3-4.6	3.6-4.0	15.7-17.3	17.0-17.2	11.7	11.7
New Zealand	3.0	3.6	14.5	14.3	11.2	11.2
Other	4.0	4.0	14.2-22.9	14.2-22.9	14.2	14.2

[1] The average growth rate represents the average rate used to extrapolate cash flows beyond the one-year budget period and the five-year business plan that were approved by the Board.

[2] In calculating the value in use for each CGU, the Group has applied post- tax discount rates to discount the forecast future attributable post-tax cash flows. The movements in discount rates are in line with the general economic environments in which Transfield Services operates.

Where impairment testing has identified a low level of headroom before an impairment charge would be recorded further sensitivity analysis has been performed and the results are noted below.

- If the pre-tax discount rate applied to the cash flow projections of Easternwell is increased to 18.1 per cent, headroom decreases by $9,359,000 resulting in headroom of $36,397,000. If revenue in Easternwell is decreased by one per cent (with no other underlying changes), headroom decreases by $32,672,000 resulting in headroom of $13,084,000. The decrease in revenue results in lower effective margins as direct costs are held constant. Should the pre-tax discount rate increase to 18.9 per cent, the carrying value of the CGU would equal its recoverable amount. Management believes that the budgeted cash flows in Easternwell will be achieved and that no impairment is required to be recognised. Management does not consider a change in any of the other key assumptions to be reasonably possible.
- If the pre-tax discount rate applied to the cash flow projections of TIMEC is increased to 15.9 percent, headroom decreases by $2,014,000 resulting in headroom of $20,128,000. If revenue in TIMEC is decreased by one per cent (with no other underlying changes), headroom decreases by $12,255,000 resulting in headroom of $18,885,000. The decrease in revenue results in lower effective margins as direct costs are held constant. Should the pre-tax discount rate increase to 18. 7 percent, the carrying value of the CGU would equal its recoverable amount. Management believes that the budgeted cash flows in TIMEC will be achieved and that no impairment is required to be recognised. Management does not consider a change in any of the other key assumptions to be reasonably possible.

Note 16. Current liabilities – Trade and other payables

	2011	2010
	$'000	$'000
Trade payables	351,385	272,475
Other payables	155,174	235,227
	506,559	507,702

Risk management
Information on financial risk management policies is included in Note 2.

Fair value
Due to the short term nature of current trade and other payables, the fair value is considered to be the same as the carrying value.

Note 17. Current and non-current liabilities - Loans and borrowings

	2011		2010	
	Current $'000	Non-current $'000	Current $'000	Non-current $'000
Unsecured				
Cash advances and bridge facility	-	323,374	15,697	133,802
United States Private Placement	52,047	107,173	-	200,755
Mandatory Convertible Note	7,706	4,190	7,476	12,576
Secured				
Lease liabilities	5,251	15,990	3,956	13,200
	65,004	450,727	27,129	360,333

Risk management and fair values
Information on financial risk management policies and fair values is included in Note 2.

Terms of the facilities	2011 $'000	2010 $'000
Unrestricted access was available at statement of financial position date to the following:		
Bank and loan facilities		
Used	494,491	370,306
Unused	407,877	393,971
Total facility	902,368	764,277

Cash advances
Syndicated debt facility
As at 30 June 2011, the Group has an unsecured multi-currency debt facility totalling $731,251,000 with a syndication of 13 banks. This facility was finalised during the year ended 30 June 2011 and is comprised of a number of tranches:
- A$150,000,000 and US$100,000,000 maturing in December 2012;
- A$84,000,000, US$100,000,000, NZ$63,000,000 and CLP5,634,000,000 maturing in December 2013; and
- A$250,000,000 maturing in December 2014.

Bank overdraft and money market lines
As at 30 June 2011, these facilities total A$22,056,000 across the Group, are uncommitted and are used for the day-to-day working capital requirements of the business.

United States Private Placement (USPP)
As at 30 June 2011, the Group had US$170,000,000 of long-term senior unsecured notes (Senior Notes) to institutional investors in the US private placement (USPP) debt market. The Issue was completed on 29 December 2009 at a weighted average coupon rate of 5.99 per cent. US$20,000,000 at an all-in rate of 5.00 per cent was issued for 5 years, US$50,000,000 at an all-in rate of 5.77 per cent was issued for 7 years and US$100,000,000 at an all-in interest rate of 6.29 per cent was issued for 10 years.

Note 17. Current and non-current liabilities - Loans and borrowings (continued)

United States Private Placement (USPP) (continued)

The disposal of a portion of the Group's business in the Americas during the year ending 30 June 2011 has triggered an option for the USPP Noteholders to request up to A$52,047,000 of the USPP notes to be repaid if the proceeds from this disposal are not reinvested within the Group by 30 June 2012. As a result A$ 52,047,000 of the USPP notes are classified as current borrowings until either the disposal proceeds are reinvested or the USPP Noteholders advise that the option to repay will not be taken up. The Group's intention is to utilise these proceeds to reinvest in income generating assets before the expiry of the option period.

Mandatory Convertible Note (MCN)

In September 2005, Transfield Services (New Zealand) Limited (TSNZ) issued a MCN to ANZ National Bank (ANZ) for NZ$160,000,000. The term of the MCN is seven years with fixed-interest coupons of 6.97 per cent payable by TSNZ semi-annually in arrears. The funds raised by TSNZ from the issue of the MCN were applied to repay the short-term bridging facility taken out at the time of the AREVA acquisition. At the same time, Transfield Services (International) Pty Limited (TSIPL) entered into (and paid for) a forward-purchase agreement for NZ$101,800,000 with ANZ under which TSIPL will acquire the MCN from ANZ shortly before the MCN is due to convert to equity.

Security

	Consolidated	
	2011	2010
	$'000	$'000
Total secured liabilities (current and non-current) are:		
Lease liabilities	21,241	17,156

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Note 18. Current and non-current liabilities – Provision for employee benefits

	2011		2010	
	Current	Non-current	Current	Non-current
	$'000	$'000	$'000	$'000
Annual leave	48,207	6,023	42,596	7,910
Long service leave	18,928	14,278	16,325	16,001
Other employee related provisions	8,350	232	11,779	2,919
	75,485	20,533	70,700	26,830

Risk Management

Information on financial risk management policies is included in Note 2.

Note 19. Current and non-current liabilities – Derivatives

	2011		2010	
	Current	Non-current	Current	Non-current
	$'000	$'000	$'000	$'000
Interest rate swap contracts	-	942	821	-
Forward exchange contracts	85	-	5*	-
	85	942	826	-

* Hedge accounting is not applied to these derivatives.

Note 19. Current and non-current liabilities – Derivatives (continued)

Instruments used by the Group and fair values

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to interest rates in accordance with the Group's financial risk management policies (refer to Note 2).

(i) *Interest rate swap contracts – cash flow hedges*

It is policy to protect the Group's loans from exposure to increasing interest rates. Accordingly, the Group has entered into an interest rate swap contract under which it receives interest at variable rates to pay interest at fixed rates. The contract is settled on a net basis and the net amount receivable or payable at the reporting date is separately disclosed on the face of the statement of financial position.

The contract requires settlement of net interest receivable or payable every three months. The settlement dates coincide with the dates on which interest is payable on the underlying debt. As at 30 June 2011, there was one interest rate swap in place with a face value of US$50,000,000 (2010: US$100,000,000) at 0.695% per cent (net settled) maturing in December 2012 and AUD interest rate swaps in place over $AUD 200,000,000 (2010: AUD$0) at an average net settled rate of 5.34% maturing in December 2012 and December 2013. The variable rate is US$ LIBOR and AUD$ BBSY based on 90 day rollovers.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date for both the USD and AUD interest rate swaps:

USD Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount	
	2011	2010	2011	2010
	%	%	$'000	$'000
Less than 1 year	-	2.15	-	118,091
1 to 5 years	0.695	-	46,830	-

AUD Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount	
	2011	2010	2011	2010
	%	%	$'000	$'000
Less than 1 year	-	-	-	-
1 to 5 years	5.34	-	200,000	-

The gain or loss from re-measuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedging interest expense or income is recognised. Any ineffective portion is recognised in the statement of comprehensive income immediately. In the year ended 30 June 2011 there was no impact to comprehensive income (2010: $Nil).

Note 20. Current and non-current liabilities – Other provisions

	2011		2010	
	Current	Non-current	Current	Non-current
	$'000	$'000	$'000	$'000
Lease "make-good" provision	1,189	3,230	570	4,077
Provision for onerous contracts	59	340	1,113	-
Warranty provision	2,100	-	1,323	-
Other	-	9,776	625	-
	3,348	13,346	3,631	4,077

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2011	Lease 'make-good' $'000	Onerous contracts $'000	Warranty $'000	Other $'000	Total $'000
At 1 July 2010	4,647	1,113	1,323	625	7,708
Effects of changes in exchange rates	-	-	-	-	-
Provision created and finance costs	1,165	-	2,100	17,000	20,265
Provision utilised	(1,393)	(714)	(1,323)	(7,849)	(11,279)
At 30 June 2011	4,419	399	2,100	9,776	16,694

2010	Lease 'make-good' $'000	Onerous contracts $'000	Warranty $'000	Other $'000	Total $'000
At 1 July 2009	3,919	1,926	1,309	3,662	10,816
Effects of changes in exchange rates	312	(490)	(993)	-	(1,171)
Provision incurred and finance costs	416	759	1,007	-	2,182
Provision utilised	-	(1,082)	-	(3,037)	(4,119)
At 30 June 2010	4,647	1,113	1,323	625	7,708

Make-good
Provision is made for estimated 'make-good' expenses for the Group's operating leases, namely lease premises. Reasonable estimates based on historical data have been used to calculate terminal value, which has been subjected to discounted cash flows. Management reassesses this provision semi-annually. Payments are expected to be made at the end of the remaining lease term typically between one and 10 years.

Warranty
Provision is made for estimated warranty claims against the Group for claims incurred but not received principally for insurance and workers' compensation. Management estimates the provision based on historical claims and recent trends.

Onerous contracts
Provision is made for onerous contracts where the expected benefits to be derived from the contract are less than the unavoidable costs of meeting the obligations under that contract. The above provision relates to:

- a loss making contract that was identified at acquisition of VMS, Inc (trading as Transfield Services North America Transportation Infrastructure) this provision is released as services continue to be performed under the contract and
- two loss making contracts in the Resources and Energy and Infrastructure businesses within the Australian and New Zealand operating segment.

Other
Provision is made for any contingent consideration payable to the vendors of businesses acquired by Transfield Services. These amounts are initially recognised at fair value at acquisition date.

Note 21. Non-current liabilities – Deferred tax liabilities

	2011 $'000	2010 $'000
Gross deferred tax liabilities	66,909	73,673
Set off deferred tax assets within common jurisdictions	(60,007)	(54,120)
Net deferred tax liabilities	6,902	19,553
Gross deferred tax liabilities comprise temporary differences attributable to:		
Inventories and work in progress	23,902	13,862
Depreciation differences on plant and equipment	8,111	5,321
Receivables	4,681	1,155
Intangible assets	30,215	51,123
Timing difference on partnership taxable income	-	1,377
Other	-	835
Gross deferred tax liabilities	66,909	73,673
Gross deferred tax liabilities to be settled after more than 12 months	38,326	46,752
Gross deferred tax liabilities to be settled within 12 months	28,583	26,921
	66,909	73,673

Movements	Inventory and work in progress $'000	Plant and equipment $'000	Receivables $'000	Intangible assets $'000	Partnership income / other $'000	Total $'000
At 30 June 2009	20,492	4,771	1,167	54,765	1,578	82,773
Charged/(credited) to the statement of comprehensive income	(6,682)	682	(14)	(3,491)	578	(8,927)
Increase due to business combination	-	-	-	1,901	-	1,901
Effect of changes in foreign exchange rates	52	(132)	2	(2,052)	56	(2,074)
At 30 June 2010	13,862	5,321	1,155	51,123	2,212	73,673
At 1 July 2010	13,862	5,321	1,155	51,123	2,212	73,673
Reclassification	102	(655)	1,912	(217)	(2,212)	(1,070)
Revised 1 July 2010	13,964	4,666	3,067	50,906	-	72,603
Charged/(credited) to the statement of comprehensive income	10,975	(609)	1,401	(4,349)	-	7,418
Acquisition of subsidiary	-	5,626	580	8,255	-	14,461
Disposal of subsidiary	-	(931)	-	(15,499)	-	(16,430)
Effect of changes in foreign exchange rates	(1,037)	(641)	(367)	(9,098)	-	(11,143)
At 30 June 2011	23,902	8,111	4,681	30,215	-	66,909

Note 22. Contributed equity

	2011 $'000	2010 $'000
Ordinary shares – fully paid	1,211,013	808,048
Shares held by equity compensation plans (Treasury shares)	(165)	-
	1,210,848	808,048

Movements in ordinary share capital:

Date	Details	Number of shares issued	Number of shares acquired on market	Price $	$'000
At 1 July 2009		413,281,383	1,955,328	-	803,095
14 October 2009	Shares issued on dividend reinvestment plan	445,848	-	4.23	1,886
14 April 2010	Shares issued on dividend reinvestment plan	551,673	-	4.04	2,228
Various dates	Proceeds from exercise of options (Nov 2002)	-	67,600	2.62	177
Various dates	Adjustment for difference between fair value of Awards expensed and exercise price of Awards	-	-	-	662
At 30 June 2010		414,278,904	2,022,928		808,048
1 October 2010	Share purchase plan	27,071,325		3.13	84,733
22 December 2010	Shares issued to vendors of the Easternwell group	10,263,947		3.35	34,384
23 December 2010	Institutional entitlement offer	65,327,271		3.00	195,982
22 December 2010	Transaction costs (net of taxes)	-		-	(10,120)
21 January 2011	Retail entitlement offer	32,774,510		3.00	98,324
	Transaction costs (net of taxes)				(338)
At 30 June 2011		549,715,957	2,022,928		1,211,013

Share Purchase Plan (SPP)

During the year, the Board approved a Share Purchase Plan which was announced to shareholders on 26 August 2010. Under the SPP, eligible shareholders had an opportunity to purchase shares in Transfield Services to a value of A$1,000, A$5,000, A$10,000 or A$15,000 at a discount and free from brokerage and transaction costs. The new shares issued under the SPP were at a 5 per cent discount to the average of the daily volume weighed average price of Transfield Services shares over the five trading days immediately preceding the announcement of the SPP, namely 19 August 2010 to 25 August 2010 inclusive. Funds raised through the SPP were used initially to repay debt. On 1 October 2010 the Group issued 27,071,325 new shares following the successful completion of the SPP.

Shares issued to vendors of Easternwell

On 22 December 2010 the Group issued shares as part consideration to Easternwell management and others in exchange for their Easternwell shares.

Entitlement Offer

On 13 December 2010 the Group invited institutional investors to participate in a fully underwritten 2:9 accelerated non-renounceable entitlement offer at $3.00 per share. The institutional offer closed on 14 December 2010. On 20 December 2010 the Group invited retail investors to participate on the same basis. The retail offer closed on 12 January 2011.

Note 22. Contributed equity (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.
On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Employee share plans and schemes

Information relating to the Company's employee share plans and schemes are set out in Note 37.

Acquisition of shares on market

It is the Company's intention to settle the vesting of employee Options and Performance Awards by way of on-market acquisition of the requisite number of shares. Consequently, at the date of granting of Performance Awards a corresponding deferred tax asset is recognised which represents the temporary difference, which will crystallise when the underlying shares are acquired on market. Following the introduction of the TranShare Plan Trust, the Company has the ability to purchase shares in advance of vesting.

Dividend Reinvestment Plan (DRP) – suspended

Transfield Services Limited introduced a DRP effective from the interim dividend for the year ending 30 June 2009. The DRP shares are issued at the Average Market Price which is the average of the daily volume weighted average sale price per share of shares sold on the ASX during the 10 day trading period that commences on the second trading day after the record date for the relevant dividend, minus any discount the Board may declare.

The DRP has a potential dilutive effect on the weighted average number of shares used for calculating the diluted earnings per share as disclosed in Note 32. No adjustment has been made to the diluted earnings per share for the impact of the DRP as the number of shares resulting from the DRP is dependant on the participation rate which is at the discretion of shareholders and the number of shares resulting from the DRP is also dependant on future market prices of shares.

On 19 August 2010 the Board resolved to suspend the DRP for the 2010 final dividend and it remains suspended.

Shares held by equity compensation plans (Treasury shares)

Treasury shares are shares in Transfield Services Limited held by TranShare Plan Trust for the purpose of awarding shares under the TranShare deferred retention incentive scheme, TEPAP and to facilitate the employee share plan (TranShare Plan) (refer Note 37).

Movements in Treasury Shares:

Date	Details	Number of shares acquired	$'000
At 1 July 2009		189,733	604
18 September 2009	Acquisition of shares on market	50,000	211
5 November 2009	Acquisition of shares on market	150,000	617
9 March 2010	Acquisition of shares on market	40,000	170
21 April 2010	Acquisition of shares on market	50,000	199
20 May 2010	Acquisition of shares on market	15,000	63
Various dates	Shares transferred to employees	(504,385)	(1,864)
Various dates	Shares recovered from employees on resignation	14,661	-
At 30 June 2010		5,009	-
5 October 2010	Acquisition of shares on market	20,000	73
17 November 2010	Acquisition of shares on market	145,150	503
30 November 2010	Acquisition of shares on market	30,400	106
Various dates	Shares transferred to employees	(162,037)	(517)
Various dates	Shares recovered from employees on resignation	8,613	-
At 30 June 2011		47,135	165

Note 23. Reserves and retained profits

	2011 $'000	2010 $'000
(a) Reserves		
Share based payments reserve	14,751	10,832
Foreign currency translation reserve	(83,569)	(73,664)
Hedging reserve – cash flow hedges	(4,980)	(13,584)
Share capital contribution reserve	108	108
Statutory reserve	153	153
Foreign exchange currency reserve	(58)	-
	(73,595)	(76,155)
Movements:		
Share-based payments reserve		
At 1 July	10,832	10,823
Value of Performance Awards granted	4,607	1,845
Acquisitions of shares on market / Options exercised	(688)	(1,836)
At 30 June	14,751	10,832
Foreign currency translation reserve		
At 1 July	(73,664)	(71,194)
Net exchange differences on translation of foreign controlled entities	(60,206)	(2,470)
Reclassification of cumulative foreign currency translation reserve on sale of USM	50,301	-
At 30 June	(83,569)	(73,664)
Hedging reserve - cash flow hedges		
At 1 July	(13,584)	(14,332)
Revaluation (gross)	3,386	1,046
Deferred tax at 30%	250	(298)
Reclassification of hedge reserve on write-down of investment in TSI Fund (RAC)	4,968	
At 30 June	(4,980)	(13,584)
Share capital contribution reserve		
At 1 July	108	108
Movement for the year	-	-
At 30 June	108	108
Statutory reserve		
At 1 July	153	153
Transfer from retained income	-	-
At 30 June	153	153
Hedging reserve – foreign exchange currency		
At 1 July	-	-
Gain on hedge (gross)	(83)	-
Deferred tax at 30%	25	-
At 30 June	(58)	-

Note 23. Reserves and retained profits (continued)

	2011 $'000	2010 $'000
(b) Retained profits		
Retained profits at the beginning of the financial year	70,891	48,500
Net (loss) /profit attributable to members of Transfield Services Limited	(19,734)	73,045
Less: Dividends paid	(64,767)	(50,654)
(Accumulated loss) / retained profits at the end of the financial year	(13,610)	70,891

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of Options and Performance Awards granted but not exercised. The share-based payments reserve is tax-effected as a result of the intention to acquire shares to fulfil vested Awards on market (refer to Note 37).

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

Hedging reserve – cash flow hedges (interest rate swaps)

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(p). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Share capital contribution reserve

The share capital contribution reserve is used to recognise the post-acquisition capital contributions by the vendors to equity of subsidiaries.

Statutory reserve

The statutory reserve is a requirement of Abu Dhabi law to maintain a percentage of profits in reserves.

Deferred retention incentive reserve

This reserve was for the fair value of benefits (shares to be awarded) under the short-term incentive deferred retention incentive plan (refer Note 37).

Note 24. Non-controlling interest

	2011 $'000	2010 $'000
At 1 July	1,258	747
Profit attributable to non-controlling interest holders	459	511
Other transactions with non-controlling interests	(358)	-
Acquisition of subsidiary	(189)	-
At 30 June	1,170	1,258

Note 25. Dividends

	2011 $'000	2010 $'000
Ordinary shares – fully franked at 30%		
2010 final dividend of 9.0 cents per fully paid share (2009: 7.25 cents)	37,282	29,965
2011 interim, dividend of 5.0 cents per fully paid share (2010: 5.0 cents)	27,485	20,689
Total dividends provided for or paid	64,767	50,654

Since the end of the financial year the Directors have resolved to pay a final dividend of 9.0 cents per fully paid ordinary share, franked to 25% based on tax paid at 30 per cent. The dividend will be paid on 26 October 2011. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 June 2011, but not recognised as a liability is $49,474,000 (2010: $37,285,000).

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30 per cent (2010: 30 per cent)	11,995	11,930

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits/debits that will arise from the payment/refund of current tax liabilities
- franking debits that will arise from payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the Parent entity if distributable profits of controlled entities were paid as dividends. The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $5,301,000 (2010: $15,979,000). The 2011 final dividend declared on 25 August 2011 will be franked out of existing franking credits and out of franking credits arising from the payment of income tax prior to the dividend payment date.
The historic full franking of dividends has caused the franking credit balance to deplete over time such that the Group expects to pay dividends in future periods at less than a fully franked level.

Note 26. Related party transactions

(a) Parent entity

The Parent entity within the Group is Transfield Services Limited.

(b) Controlled entities

Interests in controlled entities are set out in Note 41.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 27.

(d) Remuneration and retirement benefits

Disclosures relating to remuneration and retirement benefits are set out in the Remuneration Report on pages 10-29.

Note 26. Related party transactions (continued)

(e) Directors and Director related entities

The following were Directors and shareholders of Transfield Holdings Pty Limited and Transfield (TSL) Pty Limited, related parties and beneficial owners of the shareholding in Transfield Services Limited.

- Guido Belgiorno-Nettis AM, and
- Luca Belgiorno-Nettis AM

Guido Belgiorno-Nettis AM and Luca Belgiorno-Nettis AM each beneficially hold 42.9 per cent (2009: 42.9 per cent) in Transfield (TSL) Pty Limited which itself owns 10.52 per cent (2009: 13.96 per cent) of the share capital of Transfield Services Limited. They are also joint Managing Directors of Transfield Holdings Pty Limited. This means they each indirectly control 57,849,887 (2010: 57,845,095) shares in Transfield Services Limited.

The following agreements were in existence during the year:

- Trademark licence between Transfield Pty Limited (a related company of Transfield Holdings Pty Limited) dated 29 September 2008 and various consequential sub-licence arrangements.
- Art Rental Agreement dated 18 June 2009 between Transfield Corporate Pty Limited and Transfield Services (Australia) Pty Limited

Dr Peter Goode was a Director of Transfield Services Infrastructure Fund (TSI Fund (RAC)), an equity accounted associate of Transfield Services Limited until 5 July 2011. Kate Munnings and Tiernan O'Rourke acted as alternate Directors to Dr Peter Goode until 5 July 2011

Dr Peter Goode was not paid for serving on the Board of TSI Fund (RAC). Anthony Shepherd served on the Board of TSI Fund (RAC) until 15 February 2010 and was paid $55,000 in the year ended 30 June 2010.

TSI Fund (RAC) is managed under a Management Services Agreement (MSA) with Transfield Services (Australia) Pty Limited, a subsidiary of Transfield Services Limited. The wholly owned power stations within TSI Fund (RAC) are also operated and maintained by Transfield Services (Australia) Pty Limited under a separate agreement on normal commercial terms.

(f) Loans to executives and executive-related entities

There were no loans to executives during the year ended 30 June 2011.

Note 26. Related party transactions (continued)

(g) Transactions of Directors and Director-related entities concerning shares or Performance Awards

Aggregate numbers of shares, share Options and Performance Awards of Transfield Services Limited acquired or disposed of by the Directors or their Director-related entities from the Company:

	2011 Number	2010 Number
Acquisitions		
Ordinary shares	615,853	816,156
Aggregate acquisition of ordinary shares includes:		
Acquired by normal on-market means and participation in 2:9 accelerated non-renounceable entitlement offer	615,853	816,156
Disposals		
Ordinary shares	-	-

Aggregate numbers of shares and Performance Awards of Transfield Services Limited held directly, indirectly or beneficially by Directors of the Company or the consolidated entity or their Director-related entities at statement of financial position date:

	2011	2010
Ordinary shares	119,387,457	119,178,379
Performance Awards over ordinary shares	364,456	118,434*

* Estimated based on provisional determination of MTI performance awards

(h) Transactions with Directors and Director-related entities

Aggregate amounts of transactions with Directors and their Director-related entities recognised as income or (expenses):

	2011 $	2010 $
Director related entities of Anthony Shepherd, Dr Peter Goode (TSI Fund (RAC))		
Management services fee	7,102,454	9,191,120
Operations and maintenance services fee	31,279,268	25,709,749
Success, advisory, development and major works fees	20,000,000	3,600,000
Cash distribution received	15,581,187	16,979,008

Note 26. Related party transactions (continued)

(h) Transactions with Directors and Director-related entities (continued)

	2011 $	2010 $
Director related entities of Guido and Luca Belgiorno-Nettis		
Corporate services provided by Transfield Corporate Pty Limited*	(330,974)	(358,232)
Information technology services provided to Transfield Corporate Pty Limited	-	192
Transactions with Anthony Shepherd		
Consulting fee for representing Transfield Services Limited on the Board of Transfield Services Infrastructure Fund	-	(55,000)
The unpaid amounts at 30 June owing by / (to) Director related entities are:		
Transfield Services Infrastructure Fund	22,156,693	1,760,000
Transfield Services Infrastructure Fund	-	(107,778)
Transfield Corporate Pty Limited	(4,050)	212
	22,152,643	1,652,434

* Inclusive of Director's fees Guido and Luca Belgiorno-Nettis, trademark registration fee reimbursements and other corporate costs.

Directors and director related entities that are shareholders have received dividends and had the right to participate in the rights offer on the same terms and conditions that apply to other shareholders.

	2011 $	2010 $
Dividends	8,574,375	7,401,483

In addition the Group provides car parking and secretarial facilities and services to Anthony Shepherd as required to perform his duties. The estimated value of these benefits is $150,000 (2010: $135,000).

(i) Other related parties

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with each class of other related parties.

Transactions with joint venture entities and partnerships and associates were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

	2011 $'000	2010 $'000
Conversion of loan to joint ventures and partnerships from equity investment.	(1,145)	(3,600)
(Repayments of) / proceeds from borrowings – joint ventures and partnerships	(7,378)	6,103
Loans (to) / from associates and joint ventures and partnerships	2,276	(3,660)

Note 26. Related party transactions (continued)

(i) Other related parties (continued)

Aggregate amounts receivable from, and payable to, each class of other related parties at statement of financial position date:

	Note	2011 $'000	2010 $'000
Current receivables (loans)			
Associates and joint venture entities and partnerships	9	2,343	8,900

No provision for impaired receivables has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Reconciliation of loans to/from related parties

	2011	2010
Loans from joint ventures		
At 1 July	-	-
Loans received	2,400	3,600
Loan transferred to equity investment	(2,400)	(3,600)
At 30 June	-	-
Loans to joint ventures		
At 1 July	8,900	11,343
Loan transferred (to) equity investment	(1,255)	-
Effect of changes in exchange rates	(200)	
Loan repayments received	(7,378)	(6,103)
Loans advanced	2,276	3,660
At 30 June (Note 9)	2,343	8,900

No provisions for impairment losses have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(j) Guarantees

The Parent entity provides performance guarantees from time to time on behalf of wholly owned subsidiaries, associates, related parties and joint venture entities and partnerships. These guarantees will only crystallise if the respective parties fail to meet their performance obligations.

There are also cross guarantees given by Transfield Services Limited, Transfield Services (Holdings) Pty Limited, Transfield Services (Australia) Pty Limited, APP Corporation Pty Limited, Broadspectrum Australia Pty Limited, Broadspectrum (WA) Australia Pty Limited, Broadspectrum (Qld) Australia Pty Limited and Transfield Services Engineering Group Pty Limited, ICD Asia Pacific Pty Limited, Transfield Services (Oil & Gas) Pty Limited, Easternwell Group Pty Limited, Piver Pty Limited, Easternwell WA Pty Limited, Gorey & Cole Holdings Pty Limited, Gorey & Cole Drillers Pty Limited, Australian Drilling Solutions Pty Limited, Sides Drilling Pty Limited, Sides Drilling Contractors Pty Limited (trading in its own right), Sides Drilling Contractors Pty Limited ATF the Sides Drilling Contractors Trust, Easternwell Group Investments Pty Limited, Easternwell Group Operations Pty Limited, OGC Services Pty Limited and Easternwell Drilling Holdings Pty Limited, as described in Note 39. No deficiencies of assets exist in any of these companies. No liability has been recognised by the Parent entity or the Group in relation to these guarantees, as the fair value of the guarantee is immaterial.

(k) Ownership interests in related parties

Interest held in the following classes of related parties are set out in the follow Notes:

	Note
(a) Investment in associate	29
(b) Interests in joint ventures and partnerships	30

Note 27. Key management and top five remunerated personnel

Key management personnel and top five remunerated personnel

	2011 $'000	2010 $'000
Short-term employee benefits (cash salary & fees, cash bonuses and non-monetary benefits)	10,138	12,366
Long-term employee benefits	88	126
Post-employment benefits	215	273
Share-based payments	1,769	740
Termination benefits	-	626
	12,210	14,131

Detailed remuneration disclosures in respect of key management personnel can be found in the Remuneration Report on pages 10-29.

Equity instrument disclosures relating to key management and top five remunerated personnel and Performance Awards

Performance Awards provided as remuneration and shares issued on exercise of such Performance Awards.
Details of Performance Awards provided as remuneration and shares issued on the exercise of such Performance Awards, together with terms and conditions of the Performance Awards, can be found in the Remuneration Report on pages 10-29.

The number of Performance Awards over ordinary shares in the Company held during the financial year by each Director of Transfield Services Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2011 Name	Balance at the start of the year	Granted as compensation	Exercised during the year	Forfeited[2]	Balance at the end of the year	Vested and exercisable	Unvested
Directors							
Dr Peter Goode	118,434	246,022	-	-	364,456	-	364,456[3]
Other key management and top five remunerated personnel of the Group							
Larry Ames	-	99,763	-	-	99,763	-	99,763[4]
Elizabeth Hunter	64,400	61,934	-	(20,550)	105,784	-	105,784
Bruce James	352,150	230,815	(10,482)	(113,168)	459,315	-	459,315
Steve MacDonald	102,650	71,299	(18,361)	(84,289)	71,299	-	71,299
Kate Munnings	107,068	72,169	-	(33,618)	145,619	-	145,619
Tiernan O'Rourke	-	126,083	-	-	126,083	-	126,083[5]
Philip Wratt	-	49,849	-	-	49,849	-	49,849[6]
Nicholas Yates	49,900	36,707	-	(11,300)	75,307	-	75,307[7]
	676,168	748,619	(28,843)	(262,925)	1,133,019	-	1,133,019
	794,602	994,641	(28,843)	(262,925)	1,497,475	-	1,497,475

[2] Performance awards reflected as forfeited in these tables are those that have failed to meet vesting conditions, and are not subject to any further retesting or those awards that are unlikely to meet vesting conditions under the terms of the grant. Legal forfeiture of the performance award is in accordance with the Plan Rules and grant terms.
[3] 118,434 shares were granted provisionally in 2010. The amount granted as compensation in 2011 includes the balance of awards granted in October 2010.
[4] Larry Ames commenced employment on 4 January 2010. Awards were granted on 6 October 2010.
[5] Tiernan O'Rourke commenced employment on 11 January 2010. Awards were granted on 6 October 2010.
[6] Philip Wratt commenced employment on 11 January 2010. Awards were granted on 6 October 2010.
[7] Nicholas Yates commenced employment on 14 September 2009. He became a Key Management Person on 7 April 2011 upon promotion to Chief Executive – ANZ Infrastructure.

Note 27. Key management and top five remunerated personnel (continued)

Equity instrument disclosures relating to key management and top five remunerated personnel and Performance Awards (continued)

2010 Name	Balance at the start of the year	Granted as compensation	Exercised during the year	Forfeited[1]	Balance at the end of the year**	Vested and exercisable	Unvested
Directors							
Dr Peter Goode	-	118,434*	-	-	118,434	-	118,434[3]
Other key management and top five remunerated personnel of the Group							
Lee de Vryer	59,600	-	-	(59,600)	-	-	-
Elizabeth Hunter	29,500	34,900	-	-	64,400	-	64,400
Matthew Irwin	126,573	100,000	(10,469)	(19,428)	196,676	-	196,676
Bruce James	190,600	181,900	-	(20,350)	352,150	-	352,150
Steve MacDonald	121,000	-	-	(18,350)	102,650	-	102,650
Paul McCarthy***	92,837	75,800	(5,832)	(12,756)	150,049	-	150,049
Kate Munnings	55,559	54,600	-	(3,091)	107,068	(7,552)	99,516
Joseph Sadatmehr	346,300	40,000	(80,000)	(266,300)	40,000	-	40,000
	1,021,969	487,200	(96,301)	(399,875)	1,012,993	(7,552)	1,005,441
	1,021,969	605,634	(96,301)	(399,875)	1,131,427	(7,552)	1,123,875

* Estimate based on provisional determination of MTI performance awards, legal granting of awards will occur in September 2010.
** Total number of Performance Awards, not modified for estimates of vesting probability.
*** Resigned 19 July 2010.
[1] Performance awards reflected as forfeited in these tables are those that have failed to meet vesting conditions under the terms of the grant and are not subject to any further retesting. Legal forfeiture of the performance award under the Plan rules takes place at the expiry date of the grant or on resignation.

Shareholdings
The number of shares in the Company held during the financial year by each Director of Transfield Services Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2011	Balance at the start of the year	Received during the year on the exercise of Options / Awards	Other changes during the year acquisitions/ (disposals)	Balance at the end of the year
Directors				
Anthony Shepherd	124,691	-	4,792	129,483
Dr Peter Goode	500,000	-	111,111	611,111
Jagjeet Bindra	5,000	-	51,541	56,541
Guido Belgiorno-Nettis AM	58,255,347	-	93,532	58,348,879
Luca Belgiorno-Nettis AM	59,797,869	-	222,603	60,020,472
Steven Crane	111,207	-	30,571	141,778
Douglas Snedden	48,000	-	16,525	64,525
Diane Smith-Gander	-	-	14,668	14,668
Other key management and top five remunerated personnel of the Group				
Larry Ames	-	-	-	-
Elizabeth Hunter	-	-	-	-
Bruce James	32,020	-	19,927	51,947
Steve MacDonald	139	-	26,488	26,627
Kate Munnings	-	-	-	-
Tiernan O'Rourke	-	-	-	-
Philip Wratt	-	-	-	-
Nicholas Yates	55,712	-	24,095	79,807
	118,929,985	-	615,853	119,545,838

Note 27. Key management and top five remunerated personnel (continued)

Equity instrument disclosures relating to key management and top five remunerated personnel and Performance Awards (continued)

Shareholdings (continued)

2010	Balance at the start of the year	Received during the year on the exercise of Options / Awards	Other changes during the year acquisitions/ (disposals)	Balance at the end of the year
Directors				
Anthony Shepherd	100,000	-	24,691	124,691
Dr Peter Goode	-	-	500,000	500,000
Jagjeet Bindra	-	-	5,000	5,000
Guido Belgiorno-Nettis AM	58,158,547	-	96,800	58,255,347
Luca Belgiorno-Nettis AM	59,680,469	-	117,400	59,797,869
Professor Stephen Burdon	188,509	-	-	188,509
Steven Crane	91,207	-	20,000	111,207
Douglas Snedden	-	-	48,000	48,000
David Sutherland –resigned 24 July 2009	25,000	-	-	25,000
Mel Ward AO	143,491	-	4,265	147,756
Other key management and top five remunerated personnel of the Group				
Larry Ames	-	-	-	-
Elizabeth Hunter	-	-	-	-
Matthew Irwin	74,811	10,469	(10,000)	75,280
Bruce James	32,020	-	-	32,020
Steve MacDonald	267,931	-	(267,792)	139
Paul McCarthy	29,139	5,924	(29,139)	5,924
Kate Munnings	-	-	-	-
Tiernan O'Rourke	-	-	-	-
Joseph Sadatmehr	1,129,638	80,000	(386,231)	823,407
Phillip Wratt	-	-	-	-
Nicholas Yates	25,712	-	30,000	55,712
	119,946,474	96,393	152,994	120,195,861

Other transactions with Directors and key management and the top five remunerated personnel

Dividends received by Directors and key management and top five remunerated personnel during the year ended 30 June 2011 amounted to $8,574,375 (2010: $7,401,483).

Note 28. Business combinations

Acquisitions – 2011

On 22 December 2010, the Group acquired 100 per cent of the issued share capital of Easternwell Group Pty Limited (Easternwell) in order to expand market share and broaden the Group's service capability and deliver on the Group's strategy to pursue higher value work. Easternwell delivers specialist drilling services to the oil and gas industries. Transaction costs of $6,840,000 relating to the acquisition were expensed during the period.

The carrying amounts and fair values of the assets and liabilities acquired were:

	Carrying value $'000	Provisional Fair value $'000
Cash and cash equivalents	13,961	13,961
Trade and other receivables (net of provision for doubtful debts)	31,116	29,569
Inventory and work in progress (net of provision for obsolete stock)	5,354	4,628
Other assets	3,300	1,983
Property, plant and equipment	135,744	135,744
Deferred tax asset	2,392	19,078
Equity accounted investments	11,208	43,900
Trade and other payables	(18,049)	(23,435)
Finance lease liability	(858)	(858)
Employee benefits provisions	(2,799)	(2,799)
Income tax payable and deferred tax liability	(16,200)	(36,689)
Net carrying value	165,169	185,082
Consideration		598,215
Goodwill and intangible assets recognised		413,133
Comprising:-		
- Customer relationships		96,100
- Brands		6,300
- Goodwill		310,733
		413,133

Goodwill is attributable to growth opportunities available to Easternwell and the expansion of markets for Transfield Services' Resources and Industrials sector.

Additional disclosure requirements of AASB 3 *Business Combinations*:

- The results for the post-acquisition period from 22 December 2010 to 31 December 2010 were not material; and
- Had the results of Easternwell been included from the beginning of the financial year a further $27,800,000 of statutory EBITDA would have been recognised;

(a) Purchase consideration

	$'000
Purchase consideration	
Cash paid on initial settlement	545,587
Contingent consideration and working capital adjustment	18,244
Scrip issued to vendors	34,384
Total purchase consideration	598,215

Initial outflow of cash to acquire subsidiary	545,587
Working capital adjustment	1,244
Non-controlling interest	189
Less: Cash and cash equivalents acquired	(13,961)
Outflow of cash, net of cash acquired	533,059

Note 28. Business combinations (continued)

In addition to the acquisition of Easternwell, the Group also acquired the assets (property, plant and equipment), business and associated contracts of Silver City Drilling for $20,000,000 on 14 February 2011. The carrying value and fair value of the equipment acquired was $6,234,000 and the contracts were valued at $18,100,000 (included in contract intangibles). A net deferred tax liability of $1,100,000 was also recognised on acquisition.

Acquisitions – 2010

On 11 November 2009, the Group acquired 100 per cent of the issued share capital of Industrial Contract Designers (Asia Pacific) Pty Limited (ICD). ICD delivers engineering and design of maintenance and brownfields capital projects to the hydrocarbons, processing and related industries. The cash consideration was $16,504,581.

The carrying amounts and fair values of the assets and liabilities acquired were:

	Carrying Value $'000	Fair Value $'000
Cash and cash equivalents	3,626	3,626
Trade and other receivables	5,462	5,462
Contract intangibles	-	3,429
Customer relationships	-	2,907
Property, plant and equipment	747	747
Trade and other payables	(1,834)	(1,834)
Employee benefits provisions	(688)	(688)
Provision for income tax	(46)	(46)
Deferred tax liability	-	(1,901)
Net carrying value	7,267	11,702
Cash consideration		16,505
Goodwill recognised		4,803

Goodwill is attributable to the technical skill and engineering capability of the workforce and key management of ICD. ICD contributed $15,787,000 to revenue and $1,254,000 to net profit for the Group for the period 11 November 2009 to 30 June 2010. Had the acquisition taken place on 1 July 2009 the contribution to consolidated revenue and net profit would have increased by $9,123,000 and $828,000 respectively.

Changes to provisional fair values of previous acquisitions

	The Planning Group (TPG) $'000
Goodwill provisionally recognised at 30 June 2009	1,685
Increase in purchase price- working capital adjustment	47
Adjustment to fair values:	
Property, plant and equipment	(3)
Inventory and work in progress	(45)
Final goodwill balance at 30 June 2010	1,684

Note 29. Investment in associate

Name	Country of incorporation	Principal activity	Ownership interest 2011 %	Ownership interest 2010 %	Carrying amount[1] 2011 $'000	Carrying amount[1] 2010 $'000
RATCH Australia Corporation Limited (RAC)*	Australia	Infrastructure ownership	20.0	44.51	65,483	179,200

* formerly Transfield Services Infrastructure Fund

(a) Movements in carrying amounts of investment in associate

	2011	2010
Carrying amount at the beginning of the financial year	179,200	164,819
Share of operating (losses)/ profits after income tax	(24,383)	(13,637)
Normalised share of profits after income tax	16,915	9,269
Share of one-off losses associated with the TSI Fund impairment of its investment in Loy Yang A power station and privatisation process (2010: capital structure review)	(41,298)	(22,906)
Additional capital contribution	-	43,227
Share of hedging reserve (Note 23 (a))	3,865	(256)
Gain on partial dilution through dividend reinvestment plan	441	2,026
Distribution received	(15,583)	(16,979)
	143,540	179,200
Cost of investment reclassified as held for sale[2]	(78,057)	-
Carrying amount at the end of the financial year	65,483	179,200

(b) Share of (losses) / profits of associate

	2011	2010
Operating (losses) / profits before income tax [3]	(25,048)	(19,911)
Income tax benefit /(expense)	665	6,274
Operating (losses) / profits after income tax	(24,383)	(13,637)
Less: distributions received	(15,583)	(16,979)
	(39,966)	(30,616)
Retained profits attributable to associates at the beginning of the financial year	(40,042)	(9,426)
Retained profits attributable to associates at the end of the financial year	(80,008)	(40,042)

(c) Share of associates' expenditure commitments

	2011	2010
Lease commitments	159	370
Other commitments	-	1,758
Total expenditure commitments	159	2,128

(d) Summarised financial information of associate

	Group's share of: Assets[4] $'000	Liabilities $'000	Revenues $'000	Profit[2] $'000
2011	181,148	115,665	61,172	14,197
2010	452,462	273,262	77,032	(13,637)

[1]TSI Fund (RAC) ceased trading on the Australian Securities Exchange on 23 June 2011 therefore there is no applicable market price at 30 June 2011 (2010:$119,263,000). The recoverable amount on a value-in-use basis on the underlying cash flows of TSI Fund (RAC) exceeds the carrying value.

[2] On 2 May 2011 the Group announced it had entered into an agreement to dispose of 23.8% of the total securities of TSI Fund (RAC) with a carrying value of $78,057,000 for consideration of $92,698,000 in convertible notes (Note 38). The convertible notes were required to be initially recognised at fair value as an available for sale financial asset ,prior to being reclassified to assets classified as held for sale resulting in a gain on recognition of $14,637,000. This gain is recognised in other income net of transaction costs in relation to the TSI Fund (RAC) privatisation and recycling of hedging reserves.

[3] After elimination of certain related party transactions and accounting policy differences

[4] Group's share of assets reflects exclusion of fair value uplifts in TSI Fund (RAC), reflecting the initial recognition of TSI Fund (RAC) as an associate at historic cost and the elimination of unrealised profits on the disposal of TSI Fund (RAC) as well as certain subsequent related party transactions and application of Transfield Services' accounting policies where they differ from those of TSI Fund (RAC).

Note 30. Interests in joint ventures and partnerships

Name of joint venture or partnership	Country of incorporation	Principal Activity	Ownership 2011 %	Ownership 2010 %	Carrying amount 2011 $'000	Carrying amount 2010 $'000
Incorporated joint ventures						
Translink Investments Pty Limited	Australia	Electronic tolling equipment	50	50	1,248	1,239
Metrolink Victoria Pty Limited	Australia	Tram franchise operator	50	50	-	-
Transfield Worley Power Services Pty Limited	Australia	Operations and maintenance	50	50	3,169	2,255
Transdev NSW Pty Limited	Australia	Public transport	-	50	23	4,905
Transdev – TSL Pty Limited	Australia	Public transport	-	50	-	-
Flint Transfield Services Limited	Canada	Operations and Maintenance	50	50	16,300	16,316
Transfield Dexter Gateway Services Limited	Canada	Operations and Maintenance	50	-	1,243	-
Inser – Transfield Services SA	Chile	Operations and Maintenance	50	50	17,255	17,597
TGE Energy Services (NZ) Ltd	New Zealand	Operations and Maintenance	50	50	-	-
Transfield Worley Limited	New Zealand	Operations and maintenance	50	50	10,492	9,438
Transfield Services – Worley Parsons JV (M) Sdn Bhd	Malaysia	Operations and Maintenance	50	50	81	443
Transfield - Mannai Facilities Management Services WLL	Qatar	Operations and Maintenance	49	49	4,349	3,813
Transfield WorleyParsons Nouvelle Caledonie	New Caledonia	Operations and maintenance	50	50	3,249	4,376
Transfield Worley TRAGS JV	Qatar	Operations and maintenance	27.5	27.5	1,419	1,478
Easternwell Drilling Services Holdings Pty Limited	Australia	Operations and maintenance	50	-	45,379	-
Unincorporated joint ventures						
Transfield Worley Services	Australia	Operations and maintenance	50	50	145	48
Transfield Worley (Woodside) Alliance	Australia	Operations and maintenance	50	50	14,839	13,649
TGE Energy Services JV	Australia	Operations and maintenance	-	49	-	8,526
Yarra Trams JV	Australia	Operations and maintenance	50	50	101	101
Transfield Worley Solutions JV	Australia	Operations and maintenance	50	50	777	957
Sentinar JV	Australia	Operations and maintenance	50	50	263	13
TRAX (MVM)	Australia	Operations and maintenance	-	50	-	(58)
Transfield Services Worley Parsons Malaysia	Malaysia	Operations and Maintenance	50	50	101	489
Linkwater JV	Australia	Operations and maintenance	50	50	1,720	1,541
BT JV	Australia	Operations and Maintenance	50	50	-	880
MTS JV	Australia	Operations and maintenance	50	-	-	-
Allwater	Australia	Operations and maintenance	50	-	-	-
TWH Ahuroa JV	Australia	Operations and maintenance	50	-	-	-
CERT-TRAM JV	Australia	Operations and maintenance	50	-	-	-

Note 30. Interests in joint ventures and partnerships (continued)

Name of joint venture or partnership	Country of incorporation	Principal Activity	Ownership interest 2011 %	Ownership interest 2010 %	Carrying amount 2011 $'000	Carrying amount 2010 $'000
Partnerships						
Metrolink Queensland Partnership – trading as Brisbane Ferries	Australia	Operations and maintenance	-	50	-	422
PPS Partnership	Australia	Operations and maintenance	50	50	175	880
					122,328	89,308

On 6 December 2010 the Group dissolved its interest in Transdev – TSL Pty Limited, Transdev NSW Pty Limited and Metrolink Queensland Partnership.

The TRAX (MVM) joint venture, Sentinar JV and Yarra Trams JV ceased trading at the end of the respective contracts.

Retained profits attributable to the joint venture entities and partnerships	2011	2010
Balance at 1 July	39,816	27,545
Current year profit before tax	59,259	76,343
Income tax expense	(10,886)	(13,353)
Distributions / dividends received	(36,685)	(50,719)
Balance at 30 June	51,504	39,816

Movements in carrying value of investment in joint venture entities and partnerships	2011	2010
Balance at 1 July	89,308	86,498
Effect of changes in foreign exchange rates	(5,871)	(377)
Transfer from / (to) loan account	(1,145)	(3,600)
Additions	43,900	969
Return of capital	-	(10,000)
Disposals	(15,552)	3,547
Distributions/dividends received	(36,685)	(50,719)
Share of operating profits after tax	48,373	62,990
Balance at 30 June	122,328	89,308

Note 30. Interests in joint ventures and partnerships (continued)

	Incorporated joint ventures		Unincorporated joint ventures		Partnerships		Total	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Share of joint venture entities and partnerships' revenues, expenses and results								
Revenues	605,835	587,973	157,379	274,869	24,617	38,556	787,831	901,398
Operating expenses	(555,609)	(540,693)	(142,392)	(245,547)	(23,562)	(35,354)	(721,563)	(821,594)
Earnings before interest, taxation, depreciation and amortisation	50,226	47,280	14,987	29,322	1,055	3,202	66,268	79,804
Depreciation	(3,477)	(2,161)	-	(341)	-	(97)	(3,477)	(2,599)
Earnings before interest, taxation and amortisation	46,749	45,119	14,987	28,981	1,055	3,105	62,791	77,205
Amortisation	(19)	-	-	-	-	(72)	(19)	(72)
Earnings before interest and taxation	46,730	45,119	14,987	28,981	1,055	3,033	62,772	77,133
Net finance income / (expense)	(3,594)	(1,052)	81	538	-	(276)	(3,513)	(790)
Net profit before income tax	43,136	44,067	15,068	29,519	1,055	2,757	59,259	76,343
Taxation	(10,864)	(13,353)	(22)	-	-	-	(10,886)	(13,353)
Net profit after tax	32,272	30,714	15,046	29,519	1,055	2,757	48,373	62,990

Note 30. Interests in joint ventures and partnerships (continued)

	2011 $'000	2010 $'000
Share of joint ventures partnerships' assets and liabilities		
Cash	22,000	26,154
Other current assets	143,898	172,254
Non-current assets	95,969	30,927
Total assets	261,867	229,335
Current borrowings	43,332	21,631
Other current liabilities	82,016	131,988
Non-current borrowings	10,999	12,247
Other non-current liabilities	5,191	6,891
Total liabilities	141,538	172,757
Net assets	120,329	56,578
Share of joint ventures and partnerships' commitments		
Lease commitments	13,557	9,406
Other commitments	-	-
Total expenditure commitments	13,557	9,406

Note 31. Reconciliation of operating profit after income tax to net cash inflow from operating activities

	2011 $'000	2010 $'000
Total operating profit / (loss) after income tax	(19,275)	73,556
Add: Deficit / (excess) of net cash finance costs over accounting cost	5,705	2,309
Add: Share based payments	4,607	1,845
Add: Depreciation	53,190	46,056
Add: Amortisation	28,053	27,765
Add: Loss on sale of USM (non-cash items)	18,131	(3,082)
Add: Cumulative USM foreign exchange reserve reclassified to the income statement	50,301	-
Less: Net gain from reclassification of investment in TSI Fund (RAC) to asset held for sale	(2,677)	-
Unrealised foreign exchange loss	(9,442)	(7,170)
Difference between share of associate and joint ventures' results and distributions/dividends received	40,340	31,074
Other non-cash items	(13,490)	(483)
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
Decrease / (increase) in trade and other receivables	(53,626)	19,242
Decrease / (increase) in inventories	(19,520)	12,449
Decrease / (increase) in deferred tax assets	44,351	6,635
Increase in other operating assets	1,627	(582)
Increase in trade and other payables	40,072	5,899
Increase / (decrease) in provision for income tax payable	(69,045)	43,744
(Decrease) / increase in provision for deferred tax liabilities	1,129	(34,314)
Increase in employee and other provisions	(18,225)	92
Net cash inflow from operating activities	82,206	225,035

Note 32. Earnings / (loss) per share

	2011 cents	2010 cents (Restated)
(a) Basic earnings / (loss) per share		
From continuing operations attributable to the ordinary equity holders of the company	8.8	14.2
From discontinued operations	(12.8)	2.9
Total basic earnings (loss) per share attributable to the ordinary equity holders of the Company	(4.0)	17.1
(b) Diluted earnings / (loss) per share		
From continuing operations attributable to the ordinary equity holders of the company	8.8	14.2
From discontinued operations	(12.8)	2.9
Profit / (loss) per share attributable to the ordinary equity holders of the Company	(4.0)	17.1

(c) Reconciliations of earnings used in calculating earnings per share	2011 $'000	2010 $'000
Basic earnings/ (loss) per share		
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	43,949	61,166
From discontinued operations	(63,224)	12,390
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(19,275)	73,556
Diluted earnings / (loss) per share		
From continuing operations	43,949	61,166
From discontinued operations	(63,224)	12,390
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	(19,275)	73,556

(d) Weighted average number of shares used as the denominator	Number	Number
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share[1]	492,400,617	427,764,844
Weighted average number of shares:		
Weighted average number of shares (2010: as previously stated)	492,400,617	413,716,575
Restatement for impact of current year capital movements	-	14,048,269
	492,400,617	427,764,844

[1] Only Options and Performance Awards which have vested but remain unexercised are used in the calculation of diluted earnings per share. The Group's current policy is to acquire vested Options and Performance Awards on-market rather than by issuing new shares and the inclusion of options and performance rights would be antidilutive.

Note 33. Remuneration of auditors

	2011 $	2010 $
During the year the following amounts were paid to the auditor of the Parent entity, its related practices and non-related audit firms.		
1. Audit services		
Fees paid to KPMG Australian firm:		
Audit and review of financial reports and other work under the *Corporations Act 2001*	1,816,500	1,318,467
Fees paid to related practices of KPMG Australian firm	-	40,725
	1,816,500	1,359,192
Fees paid to non KPMG audit firms for the audit or review of financial reports of any entity in the Group	-	107,424
Total remuneration for audit services	1,816,500	1,466,616
2. Other assurance services		
Fees paid to KPMG Australian firm:		
Other services	279,100	54,100
Fees paid to related practices of KPMG Australian firm for accounting and due diligence services	-	-
Total remuneration for other assurance services	279,100	54,100
3. Taxation services		
Fees paid to KPMG Australian firm:		
Advice on research and development	500,000	500,000
Advice on national payroll tax project work	95,600	125,888
Fees paid to related practices of KPMG Australian firm for taxation services	-	-
Total remuneration for taxation services	595,600	625,888
Total remuneration of auditors	2,691,200	2,146,604

KPMG were appointed as auditor on 4 November 2009 at the Company's Annual General Meeting. During the year ended 30 June 2010 an amount of $3,219,599 was paid / payable to the KPMG Australian firm relating to taxation services in relation to advice on research and development provided prior to 30 June 2009 and KPMG's appointment as auditor.

Note 34. Events occurring after statement of financial position date

The following significant events have occurred since statement of financial position date and prior to signing the financial statements.

Dividend declaration

On 25 August 2011, the Directors resolved to pay a dividend of 9.0 cents per share on 26 October 2011. The dividend reinvestment plan remains suspended for the 2011 final dividend.

Transfield Services Infrastructure Fund (TSI Fund)

Between 5 July 2011 and 14 July 2011 Transfield Services Infrastructure Fund was destapled and delisted following the approval by members of the Scheme of Arrangement. Transfield Services retains its residual interest in Transfield Services Infrastructure Limited which has been renamed RATCH - Australia Corporation Limited.

Note 35. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

	2011 $'000	2010 $'000
Bank guarantees in respect of contracts of wholly owned companies	158,665	118,902
Insurance bonds in respect of contracts of wholly owned companies	110,692	146,281
	269,357	265,183
Transfield Services' share of bank guarantees in respect of contracts of joint ventures	28,157	29,351
	297,514	294,534

The Group has entered into an unsecured Multi Option Bilateral Facility agreement under which bank guarantees and letters of credit are provided.

Bank guarantees and insurance bonds (excluding joint ventures and non-wholly owned companies)		
Used	269,357	265,183
Unused	165,353	165,950
Total facility	434,710	431,133

The Directors are not aware of any material claims on the consolidated entity except as follows:

- Legal dispute:

A controlled entity in the Group is party to a dispute in relation to pre-acquisition road maintenance. Should the outcome of this action be unfavourable the cost for remediation may be borne by the entity. The information usually required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the legal dispute process. The Group is defending its position and the Directors continue to review the situation as it unfolds. The Directors are of the opinion that the dispute can be successfully resolved by the Group. No material loss is anticipated in respect of this matter.

- NZ Inland Revenue Department (IRD) audit of the Group's MCN Arrangement:

The Group operates in a number of tax and legal jurisdictions. From time to time legal entities such as Transfield Services are subject to compliance and other specific audit reviews by Federal and/or State tax authorities in the jurisdictions in which they operate. The IRD in New Zealand is conducting a review of a range of financial instruments used by companies in New Zealand during recent years covering many different industries and companies and centering on the deductibility of interest expense in New Zealand. As part of this review the IRD is currently investigating the tax treatment of the Mandatory Convertible Note (MCN) entered into by the Group. The Group has received notification from the IRD that they are considering challenging the tax treatment of the Group's MCN arrangement. The IRD has outlined a process that may include issuing the Group with a Notice of Proposed Adjustment (NOPA) in accordance with NZ Tax Administration Act. A NOPA has not been received by the Group as at the date of signing this financial report. Accordingly it is not practicable to determine the financial effect, if any, that may arise from this matter, which is anticipated to be subject to a formal review process and is expected to take at least a year. The Company believes it has no liability in respect of this matter. In the meantime, the matter will continue to be reported as a contingent liability.

Note 36. Commitments for expenditure

	2011 $'000	2010 $'000
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	53,442	41,196
Later than one year but not later than five years	97,778	87,903
Later than five years	8,795	10,694
Commitments not recognised in the financial statements	160,015	139,793
Finance leases		
Commitments in relation to finance leases are payable as follows:		
Within one year	6,548	5,023
Later than one year but not later than five years	16,430	14,425
Later than five years	2,789	986
Minimum lease charges	25,767	20,434
Future finance charges	(4,526)	(3,278)
Total lease liabilities recognised as a liability	21,241	17,156

The average interest rate implicit in the leases is 8.12 per cent (2010: 8.13 per cent).

Note 36. Commitments for expenditure (continued)

Capital commitments

	2011 $'000	2010 $'000
Commitments in relation to non-contracted capital expenditure is as follows:		
Within one year	13,684	210
One to five years	1,634	-
One to five years	411	-
	15,729	210

Note 37. Share-based payments

(a) TranShare Executive Performance Awards Plan

A detailed analysis of the conditions of the TranShare Executive Performance Awards Plan is set out in the Remuneration Report on pages 10-29.

Set out below are summaries of Performance Awards granted under the Plan:

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
Performance Awards – Long Term Incentive								
28 February 2005	28 February 2012	$Nil	13,977	-	(11,833)	-	2,144	2,144
30 August 2005	30 August 2012	$Nil	200,000	-	(86,753)	(24,656)	88,591	88,591
19 April 2006	19 April 2012	$Nil	83,751	-	(18,999)	(10,569)	54,183	-
31 August 2006	31 August 2012	$Nil	170,700	-	-	(130,400)	40,300	-
28 February 2007	28 February 2013	$Nil	124,727	-	(11,040)	(31,203)	82,484	-
31 May 2007	31 May 2013	$Nil	28,750	-	-	-	28,750	-
31 August 2007	31 August 2013	$Nil	144,650	-	-	(47,500)	97,150	-
28 February 2008	28 February 2013	$Nil	182,550	-	-	(43,100)	139,450	-
31 August 2008	31 August 2014	$Nil	547,384	-	-	(159,333)	388,051	-
26 September 2009	26 September2015	$Nil	2,309,300	-	-	(468,002)	1,841,298	-
6 October 2010	6 October 2014	$Nil	-	2,867,764	-	-	2,867,764	-
			3,805,789	2,867,764	(128,625)	(914,763)	5,630,165	90,735
Performance Awards – Medium Term Incentive - MD								
6 October 2010	6 October 2014	$Nil	118,434	246,022	-	-	364,456	-
Performance Awards – General MTI								
6 October 2010	6 October 2014	$Nil	-	213,021	-	(12,100)	200,921	-
			118,434	459,043	-	(12,100)	565,377	-
Total Performance Awards			3,924,223	3,326,807	(128,625)	(926,863)	6,195,542	90,735

Note 37. Share-based payments (continued)

The weighted average remaining contractual life of the Performance Awards outstanding at the end of the period was between two-three years.

Fair value of Performance Awards granted

The assessed fair values at grant date of Performance Awards granted during the year ended 30 June 2011 are set out in the following tables. The fair value at grant date is independently determined using a Binomial and Monte Carlo options pricing model that takes into account the exercise price, the term of the Performance Award, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the Performance Award. The expected price volatility is based on the historic volatility (based on the remaining life of the Performance Awards), adjusted for any expected changes to future volatility due to publicly available information.

The model inputs for Performance Awards granted during the year ended 30 June 2011 included:

	6 October 2010							
Award type	MD MTI FY 2009 Baseline				MD MTI FY 2010 Baseline			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Exercise price	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Consideration	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Vesting conditions	EBITA margin growth	ROFE growth	EPS growth	Relative TSR growth	EBITA margin growth	ROFE growth	EPS growth	Relative TSR growth
Expiry date	6 October 2012	6 October 2012	6 October 2014	6 October 2013	6 October 2012	6 October 2012	6 October 2014	6 October 2013
Share price at grant date	$3.48	$3.48	$3.48	$3.48	$3.48	$3.48	$3.48	$3.48
Expected company share price volatility	35%	35%	35%	35%	35%	35%	35%	35%
Expected dividend yield	4%	4%	4%	4%	4%	4%	4%	4%
Risk free interest rate	4.83%	4.83%	4.87%	4.87%	4.83%	4.83%	4.87%	4.88%
Fair value at grant date	$3.21	$3.21	$3.09	$1.66	$3.21	$3.21	$3.09	$2.18

	6 October 2010				
	LTI Performance Awards and Restricted Share Units			MTI Awards	
	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2
Exercise price	$Nil	$Nil	$Nil	$Nil	$Nil
Consideration	$Nil	$Nil	$Nil	$Nil	$Nil
Vesting conditions	EPS growth	Relative TSR growth	ROFE growth	EBITA maintained	EBITA maintained
Expiry date	6 October 2014	6 October 2014	6 October 2013	6 October 2012	6 October 2012
Share price at grant date	$3.48	$3.48	$3.48	$3.48	$3.48
Expected company share price volatility	35%	35%	35%	35%	35%
Expected dividend yield	4%	4%	4%	4%	4%
Risk free interest rate	4.87%	4.88%	4.87%	4.74%	4.83%
Fair value at grant date	$3.09	$2.18	$3.09	$3.34	$3.21

Note 37. Share-based payments (continued)

(b) Deferred Retention Incentive Plans

Short-term deferred retention incentive (ST-DRI)

The Company delivers the ST-DRI component of its remuneration structure to Australian participants by providing a maximum opportunity equivalent in value to the STI target in the form of Company equity. The TranShare Deferred Plan (TDP) is used for this purpose.

Participation in the ST-DRI is made available to selected high-performing managers who participate in the STI program but are not eligible to participate in the Company's LTI program based on the eligibility criteria used for that component of remuneration. Individuals are nominated by the operational Chief Executives with the support of the Managing Director and Chief Executive Officer within the framework approved by the HR Committee.

The number of shares to be offered to the participant under the ST-DRI is calculated by dividing the ST-DRI amount by the ten-day average closing price of Transfield Services shares on the date the ST-DRI amount is approved.

Shares are subject to forfeiture in the event that employment with the Group is terminated within three years from the date the ST-DRI payment which gave rise to the allocation of shares was approved.

This scheme ended on 30 June 2010, eligible employees retain their entitlements under the scheme however new awards are granted under the General Medium-term Incentive described below.

Short-term deferred incentive (ST-DI)

The Company delivers the ST-DI component of its remuneration structure for North American participants by providing a specific value of their STI outcome in the form of deferred cash. Participation in the ST-DI is available in North America to the senior managers and selected high-performing managers who participate in the STI Plan but are not eligible to participate in the Company's LTI Plan based on the eligibility criteria used for that component of remuneration. Individuals are nominated by Operational Chief Executive Officers for consideration by the Managing Director and Chief Executive Officer.

The deferred payment under the ST-DI is subject to achieving the earnings targets and is subject to forfeiture in the event that employment within the Group is terminated within three years from the date the ST-DI payment determination date, or as per the contracted term.

General Medium-term Incentive (General MTI)

This scheme is available to employees who previously would have been eligible for the ST-DRI. Under the General MTI, eligible employees receive a performance awards equivalent to the value of the cash STI. These performance awards are subject to vesting conditions based on the Company maintaining its EBITA performance for 12 and 24 months from the base year.

The number of Performance Awards to be offered to the participant under the general MTI is calculated by dividing the general MTI amount by the ten-day average closing price of Transfield Services shares on the date the general MTI amount is approved.

Shares are subject to forfeiture in the event that employment with the Group is terminated within two years from the date the general MTI payment which gave rise to the allocation of Performance Awards was approved.

Note 37. Share-based payments (continued)

(b) Deferred Retention Incentive Plans (continued)

MD/CEO Medium-term Incentive

Two-thirds of the MD/CEO's earned Total Incentive outcome will be delivered to him in the form of medium-term incentives (MTI). The MD/CEO MTI will take the form of performance rights, being rights to acquire shares for nil consideration under the terms of the Transhare Executive Performance Award Plan (TEPAP). The TEPAP is the overall plan that delivers the Company's LTI plan.

The MD/CEO's MTI are allocated from his earned incentive and are further tested against hurdles prior to the MD/CEO deriving any actual shares. Subject to achieving performance measures, these MD/CEO MTI performance rights will be available for vesting after two years in respect of half of the MTI's granted and after three years for the other half. The performance measures which apply to these MTIs are:

- 25 per cent based on earnings per share growth
- 25 per cent based on relative total shareholder return
- 25 per cent based on return on funds employed and
- 25 per cent based on margin improvement on earnings before interest, tax and amortisation (EBITA).

(c) Employee share plan (TranShare Plan)

A scheme, for which shares are acquired on-market on behalf of employees, was approved by shareholders at the 2004 annual general meeting. All Australian and New Zealand permanent full time and part time employees (excluding executive Directors) are eligible to participate in the scheme. Employees may elect not to participate in the scheme. The acquisition of shares under the TranShare Plan was suspended on 19 May 2009 following changes to the equity plan taxation legislation.

(d) TSIF Notional Securities

The TSIF Notional Securities Scheme aims to provide a suitable long term incentive to executive employees who are fully seconded to TSI Fund (RAC) by linking 50 per cent of their long term incentive to the outcomes of TSI Fund (RAC). The incentive provided under the TSIF Notional Securities Scheme can be delivered either in cash or in TSI Fund (RAC) Securities – to be purchased by Transfield Services should the vesting conditions be met. This arrangement ended on 30 June 2010.

(e) Expenses arising from share-based payment transactions

Total expenses before tax arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2011 $'000	2010 $'000
Performance Awards expensed under TranShare Executive Performance Awards Plan (LTI & MTI)	4,607	1,845
Short-term DRI's expensed	78	98
TSIF Notional Securites awarded	-	(12)
	4,685	1,931

Note 37. Share-based payments (continued)

(f) Shares under Award / Option

Unissued ordinary shares of Transfield Services Limited under Award at 30 June 2011 are as follows:

Date Awards granted	Expiry date	Issue price of shares	Number under Awards
6 October 2010	6 October 2014	$Nil	3,433,141
26 September 2009	26 September 2015	$Nil	1,841,298
31 August 2008	31 August 2010	$Nil	388,051
28 February 2008	28 February 2013	$Nil	139,450
31 August 2007	31 August 2013	$Nil	97,150
31 May 2007	31 May 2013	$Nil	28,750
28 February 2007	28 February 2013	$Nil	82,484
31 August 2006	31 August 2012	$Nil	40,300
19 April 2006	19 April 2012	$Nil	54,183
30 August 2005	30 August 2012	$Nil	88,591
28 February 2005	28 February 2012	$Nil	2,144
			6,195,542

No Award holder has any right under the Awards Plan rules to participate in any other share issue of the Company or any other entity.

Note 38. Assets classified as held for sale

	2011 $'000	2010 $'000
Securities in TSI Fund (RAC) classified as held for sale[1]	92,698	-

[1] On 2 May 2011 the Group announced it had entered into an agreement to dispose of 23.8% of the total securities of TSI Fund (RAC) with a carrying value of $78,057,000 for consideration of $92,698,000 in convertible notes . The convertible notes were required to be initially recognised at fair value as an available for sale financial asset ,prior to being reclassified to assets classified as held for sale resulting in a gain on recognition of $14,637,000. This gain is recognised in other income net of transaction costs in relation to the TSI Fund (RAC) privatisation and recycling of hedging reserves.

Note 39. Deed of cross guarantee

Transfield Services Limited and its wholly owned subsidiaries Transfield Services (Holdings) Pty Limited, Transfield Services (Australia) Pty Limited, APP Corporation Pty Limited, Broadspectrum Australia Pty Limited, Broadspectrum Australia (WA) Pty Limited, Broadspectrum Australia (Qld) Pty Limited, Transfield Services Engineering Group Pty Limited, ICD Asia Pacific Pty Limited, Transfield Services (Oil & Gas) Pty Limited, Easternwell Group Pty Limited, Piver Pty Limited, Easternwell WA Pty Limited, Gorey & Cole Holdings Pty Limited, Gorey & Cole Drillers Pty Limited, Australian Drilling Solutions Pty Limited, Sides Drilling Pty Limited, Sides Drilling Contractors Pty Limited (trading in its own right), Sides Drilling Contractors Pty Limited ATF the Sides Drilling Contractors Trust, Easternwell Group Investments Pty Limited, Easternwell Group Operations Pty Limited, OGC Services Pty Limited and Easternwell Drilling Holdings Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare and lodge a financial report and a director's report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investment Commission.

(a) Consolidated statement of comprehensive income and summary of movements in consolidated retained profits

The above companies represent a 'Closed Group' for the purposes of the Class Order. As there are no other parties to the Deed of Cross Guarantee that are controlled by Transfield Services Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of comprehensive income and summary of movements in consolidated retained profits for the year ended 30 June 2011 and the Closed Group consisting of Transfield Services Limited and its subsidiaries named above.

Note 39. Deed of cross guarantee

(a) Consolidated statement of comprehensive income and summary of movements in consolidated retained profits (continued)

	2011 $'000	2010 $'000
Revenue from continuing operations	1,865,207	1,774,540
Other income	9,989	7,227
Share of net profits of associates and joint venture entities and partnerships accounted for using the equity method	20,307	25,702
Subcontractors, raw materials and consumables used	(823,465)	(786,505)
Employee benefits expense	(526,490)	(750,808)
Depreciation, amortisation and impairment	(36,987)	(30,087)
Finance costs	(40,151)	(8,009)
Other expenses	(552,622)	(119,956)
(Loss) / profit before income tax	(84,212)	112,104
Income tax benefit / (expense)	11,376	(30,516)
(Loss) / profit from continuing operations after income tax expense	(72,836)	81,588
Net (loss) / profit	(72,836)	81,588

	2011 $'000	2010 $'000
Retained profits		
Retained profits at the beginning of the financial year	147,158	97,939
Net (loss)/ profit for the year	(72,836)	81,588
Correction of 2009 TSI Fund (RAC) distribution deducted in error	-	18,285
Less: Dividends paid	(64,767)	(50,654)
(Accumulated losses)/ retained profits at the end of the financial year	9,555	147,158

Note 39. Deed of cross guarantee (continued)

(b) Statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2011 of the Closed Group.

	2011 $'000	2010 $'000
Current assets		
Cash and cash equivalents	45,546	72,107
Trade and other receivables	878,161	835,494
Inventories	43,323	22,398
Prepayments and other current assets	3,661	4,621
Current tax receivable	13,319	-
	984,010	934,620
Asset held for sale	92,698	-
Total current assets	1,076,708	934,620
Non-current assets		
Investments accounted for using the equity method	150,313	314,581
Other financial assets	45,322	88,829
Property, plant and equipment	176,173	97,705
Deferred tax assets	57,639	49,449
Intangible assets	482,981	81,150
Other	26,347	2,264
Total non-current assets	938,775	633,978
Total assets	2,015,483	1,568,598
Current liabilities		
Trade and other payables	378,496	307,815
Short-term borrowings	66,670	171,219
Provision for employee benefits	74,487	52,222
Other provisions	3,031	512
Current tax liabilities	-	11,568
Deferred consideration	-	625
Derivative financial instruments	85	6
Total current liabilities	522,769	543,967
Non-current liabilities		
Long-term borrowings	208,546	12,826
Deferred tax liabilities	32,782	18,941
Provision for employee benefits	4,843	23,518
Other provisions	11,896	3,208
Derivative financial instruments	942	-
Total non-current liabilities	259,009	58,493
Total liabilities	781,778	602,460
Net assets	1,233,705	966,138
Equity		
Contributed equity	1,210,848	808,048
Reserves	13,623	10,932
Retained profits	9,555	147,158
Parent entity interest	1,234,026	966,138
Minority interest	(321)	-
Total equity	1,233,705	966,138

Note 40. Discontinued operations

a) Details of operations held for sale

On 30 June 2011, the Group completed a sale agreement for the disposal of USM, a company that provides janitorial maintenance services in the United States.

b) Financial performance of discontinued operations

The results of the discontinued operations for the year until disposal are presented below:

	2011 $'000	2010 $'000
Revenue	450,306	532,865
Expenses	(445,151)	(519,310)
Results from operating activities	5,155	13,555
Income tax credit/(expense)	1,267	(1,165)
Profit after tax from operations - USM	6,422	12,390
Loss on disposal before taxation	(18,131)	-
Tax expense	(1,214)	-
	(19,345)	-
Reclassification of cumulative foreign currency translation reserve (previously recognised in reserves)	(50,301)	-
Total loss on disposal of USM (after tax)	(69,646)	-
Profit after tax from operations - USM	6,422	12,390
Total loss on disposal of USM (after tax)	(69,646)	-
Profit/(loss) from discontinued operations	(63,224)	12,390
Basic and diluted (loss) per share from discontinued operations	(12.8)	2.9

c) Assets and liabilities — discontinued operations

The major classes of assets and liabilities of USM are as follows:

	2011 $'000	2010 $'000
Assets		
Cash and cash equivalents	801	5,857
Trade and other receivables	58,820	77,369
Property, plant and equipment	13,072	8,315
Intangible assets	252,707	317,255
Other assets	319	-
	325,719	408,796
Liabilities		
Trade and other payables	46,267	74,533
Loans and borrowings	1,624	544
Other liabilities	18,645	32,510
	66,536	107,587
Net assets attributable to discontinued operations	259,183	301,209

Note 40. Discontinued operations (continued)

d) Cash flow information — USM operations

The net cashflows of USM are as follows:

	2011 $'000	2010 $'000
Net operating cashflows	12,261	21,789
Net investing cashflows	(5,334)	(1,961)
Net financing cashflows	(5,533)	(24,048)
Net cashflows for the year	1,394	(4,220)

e) Loss on disposal of USM

	2011 $'000
Consideration received or receivable:	
Cash	257,941
Carrying value of net assets sold	(259,183)
Loss on sale of investment	(1,242)
Less: Transaction costs	(16,889)
Loss on disposal before income tax	(18,131)
Income tax expense	(1,214)
Recycling of foreign currency translation reserve	(50,301)
Loss on disposal after income tax	(69,646)

Note 41. Parent entity financial information

a) Summarised statement of financial position

	Parent entity	
	2011 $'000	2010 $'000
Current assets	1,266,876	628,508
Assets classified as held for sale	92,698	92,698
Non current assets	172,520	265,846
Total assets	1,532,094	987,052
Current liabilities	2,897	43,636
Non current liabilities	256,109	17,081
Total liabilities	259,006	60,717
Net assets	1,273,088	926,335
Equity		
Contributed equity	1,211,013	808,048
Reserves	13,967	10,830
Retained profits	48,108	107,457
Total equity attributable to equity holders of the Company	1,273,088	926,335

Note 41. Parent entity financial information (continued)

b) Summarised statement of comprehensive income

	Parent entity 2011 $'000	Parent entity 2010 $'000
Revenue from ordinary activities	113,543	143,441
Depreciation, amortisation and impairment	-	-
Net Finance costs	(1,215)	(4,750)
Interest paid/payable	(17,553)	(3,903)
Amortisation of establishment fees	(3,685)	(1,135)
Finance income	20,023	288
Other expenses	(870)	(627)
Net loss on impairment of investment in TSI Fund (RAC)	(135,492)	-
Profit before income tax	(24,034)	138,064
Income tax benefit / (expense)	29,452	(16,479)
Profit from continuing operations after income tax	5,418	121,585
Other comprehensive income	(784)	-
Total comprehensive income for the period	4,634	121,585
Profit and total comprehensive income attributable to:		
Owners of the Company	4,634	121,585

c) Guarantees and contingent liabilities

The Parent entity provides performance guarantees from time to time on behalf of wholly owned subsidiaries, associates, related parties and joint venture entities and partnerships. These guarantees will only crystallise if the respective parties fail to meet their performance obligations.

There are also cross guarantees given by Transfield Services Limited, Transfield Services (Holdings) Pty Limited, Transfield Services (Australia) Pty Limited, APP Corporation Pty Limited, Broadspectrum Australia Pty Limited, Broadspectrum (WA) Australia Pty Limited, Broadspectrum (Qld) Australia Pty Limited and Transfield Services Engineering Group Pty Limited, ICD Asia Pacific Pty Limited, Transfield Services (Oil & Gas) Pty Limited, Easternwell Group Pty Limited, Piver Pty Limited, Easternwell WA Pty Limited, Gorey & Cole Holdings Pty Limited, Gorey & Cole Drillers Pty Limited, Australian Drilling Solutions Pty Limited, Sides Drilling Pty Limited, Sides Drilling Contractors Pty Limited (trading in its own right), Sides Drilling Contractors Pty Limited ATF the Sides Drilling Contractors Trust, Easternwell Group Investments Pty Limited, Easternwell Group Operations Pty Limited, OGC Services Pty Limited and Easternwell Drilling Holdings Pty Limited as described in Note 39. No deficiencies of assets exist in any of these companies. No liability has been recognised by the Parent entity or the Group in relation to these guarantees, as the fair value of the guarantee is immaterial.

Note 41. Parent entity financial information (continued)

c) Guarantees and contingent liabilities (continued)

Details and estimates of maximum amounts of contingent liabilities are as follows:

	Parent entity 2011 $'000	Parent entity 2010 $'000
Bank guarantees in respect of contracts of wholly owned companies	158,665	118,902
Insurance bonds in respect of contracts of wholly owned companies	110,692	146,281
	269,357	265,183
Transfield Services' share of bank guarantees in respect of contracts of joint ventures	28,157	29,351
	297,514	294,534

The Parent entity has entered into an unsecured Multi Option Bilateral Facility agreement under which bank guarantees and letters of credit are provided.

Bank guarantees and insurance bonds (excluding joint ventures and non-wholly owned companies)

	2011	2010
Used	269,357	265,183
Unused	165,343	165,950
Total facility	434,700	431,133

The Parent entity is, in the normal course of business, called upon to give guarantees and indemnities in respect of the performance by controlled entities, associates, related parties and joint venture entities and partnerships of their contractual and financial obligations. These guarantees and indemnities only give rise to a liability where the respective entity fails to perform its contractual obligations and the guarantee is called upon. The Parent entity has a formal deed of guarantee to these entities. The Directors are not aware of any material claims on the Parent entity.

d) Capital commitments

The Parent entity has no capital commitments at 30 June 2011.

e) Investments in controlled entities

	Country of incorporation	Class of shares as applicable	Ultimate Equity Holding 2011 %	Ultimate Equity Holding 2010 %	Cost of Parent entity's investment 2011 $'000	Cost of Parent entity's investment 2010 $'000
Transfield Services (Holdings) Pty Limited	Australia	Ordinary	100	100	81,013	63,175
Transfield Services (Australia) Pty Limited	Australia	Ordinary	100	100	12,420+	9,002+
Transfield Services (International) Pty Limited	Australia	Ordinary	100	100		
Transfield Services (New Zealand) Limited	New Zealand	Ordinary	100	100	655+	442+
Transfield Metrolink Pty Limited	Australia	Ordinary	100	100	-	-
Transfield Services Engineering Group Pty Limited	Australia	Ordinary	100	100	-	-
Collinsville Operations Pty Limited	Australia	Ordinary	100	100	-	-
Transhare Plan Company Pty Limited	Australia	Ordinary	100	100	-	-
Transfield Services (Asia) Sdn Bhd	Malaysia	Ordinary	100	100	-	-

Note 41. Parent entity financial information (continued)

e) Investments in controlled entities (continued)

	Country of incorporation	Class of shares as applicable	Ultimate Equity Holding		Cost of Parent entity's investment	
			2011 %	2010 %	2011 $'000	2010 $'000
Transfield Services (Malaysia) Sdn Bhd (In Members Voluntary Liquidation)	Malaysia	Ordinary	100	100	-	-
Transfield Services (Brisbane Ferries) Pty Limited	Australia	Ordinary	100	100	-	-
Broadspectrum Resources Pty Limited (In Liquidation)	Australia	Ordinary	100	100	-	-
Broadspectrum Australia Pty Limited	Australia	Ordinary	100	100	-	-
Broadspectrum Australia (WA) Pty Limited	Australia	Ordinary	100	100	-	-
Broadspectrum Australia (QLD) Pty Limited	Australia	Ordinary	100	100	-	-
Global Broadspectrum Sdn Bhd	Malaysia	Ordinary	100	100	-	-
Transfield Services Mauritius Limited	Mauritius	Ordinary	100	100	-	-
Broadspectrum Pte Limited	Singapore	Ordinary	100	100	-	-
APP Corporation Pty Limited	Australia	Ordinary	100	100	-	-
APP Corporation (NZ) Limited	New Zealand	Ordinary	100	100	-	-
Transfield Services Americas Inc, formerly known as (APP Corporation (North America) Inc.)	USA	Ordinary	100	100	2,107+	1,764+
VMS, Inc. (trading as Transfield Services North America Transportation Infrastructure)	USA	Ordinary	100	100	337+	227+
Transfield Services Canada (Holdings) Ltd	Canada	Ordinary	100	100	-	-
Transfield Services Canada Ltd	Canada	Ordinary	100	100	794+	532+
Canadian Services & Maintenance Ltd (deregistered 2 April 2011)	Canada	Ordinary	-	100	-	-
Transfield Services Holdings (Delaware) Pty Limited LLC	Australia	Ordinary	100	100	-	-
Aquas Holdings Pty Limited	Australia	Ordinary	100	100	-	-
Australian Quality Assurance Superintendence Pty Limited	Australia	Ordinary	100	100	-	-
Transfield Emdad Services LLC**	UAE	Ordinary	49**	49**	-	-
Intergulf General Contracting LLC	UAE	Ordinary	49**	49**	-	-
USM Inc (formerly US Maintenance Inc) (sold 30 June 2011)	USA	Ordinary	-	100	-	738+
Transfield Services (Chile) Pty Limited	Australia	Ordinary	100	100	-	-
Transfield Services (Delaware) General Partnership	Australia	N/A	100	100	952+	-
Transfield Services (USM) Holdings Pty Limited (sold 30 June 2011)	Australia	Ordinary	-	100	-	-
TIMEC Company Inc.	USA	Ordinary	100	100	1,348+	874+
TIMEC Operating Company, Inc	USA	Ordinary	100	100	-	-
TIMEC Specialty Services, Inc	USA	Ordinary	100	-	-	-
HRI, Inc	USA	Ordinary	100	100	-	-

Note 41. Parent entity financial information (continued)

e) Investments in controlled entities (continued)

	Country of incorporation	Class of shares as applicable	Ultimate Equity Holding		Cost of Parent entity's investment	
			2011 %	2010 %	2011 $'000	2010 $'000
Tianjin Broadspectrum Electrical and Mechanical Commissioning Services Ltd (in liquidation)	China	Ordinary	100	100	-	-
Transfield Services (India) Pty Limited	Australia	Ordinary	100	100	-	-
Hofincons Infotech Industrial Services Pvt Limited	India	Ordinary	100	100	-	-
TSNZ Pulp and Paper Maintenance Services Limited	New Zealand	Ordinary	100	100	-	-
Inversiones Transfield Services (Chile) Holdings Limitada	Chile	Ordinary	100	100	-	-
Inversiones Transfield Services (Chile) Limitada	Chile	Ordinary	100	100	-	-
Transfield Services Wind Developments Pty Limited (sold 1 May 2011)	Australia	Ordinary	-	100	-	-
Wind Project Developments Pty Ltd (sold 1 May 2011)	Australia	Ordinary	-	100	-	-
Transfield Services Mannai Oil and Gas Services WLL	Qatar	Ordinary	49**	49**	-	-
Transfield Services Qatar LLC	Qatar	Ordinary	49**	49**	-	-
ICD (Asia Pacific Pty Limited (formerly known as Industrial Contract Designers (Asia Pacific) Pty Limited)	Australia	Ordinary	100	100	-	-
High Road Wind Farm Pty Limited (sold 1 May 2011)	Australia	Ordinary	-	100	-	-
Transfield Emdad Services LLC	UAE	Ordinary	49**	-	-	-
Transfield Services (Ontario) Ltd	Canada	Ordinary	100	-	-	-
Transfield Services (Alberta) Ltd	Canada	Ordinary	100	-	-	-
Transfield Services (Oil & Gas) Pty Ltd	Australia	Ordinary	100	-	-	-
Easternwell Group Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Piver Pty Ltd acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Porcelain Holdings Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Colby Corporation Pty Limited (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Colby Unit Trust (acquired 22 December 2010)	Australia	Ordinary	100			
Easternwell WA Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Gorey & Cole Holdings Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Gorey & Cole Drillers Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Australian Drilling Solutions Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Sides Drilling Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-

Note 41. Parent entity financial information (continued)

e) Investments in controlled entities (continued)

	Country of incorporation	Class of shares as applicable	Ultimate Equity Holding		Cost of Parent entity's investment	
			2011 %	2010 %	2011 $'000	2010 $'000
SDC Plant & Equipment Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
SDC Plant & Equipment Trust (acquired 22 December 2010)	Australia	Ordinary	100			
Sides Drilling Contractors Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Sides Drilling Contractors Trust (acquired 22 December 2010)	Australia	Ordinary	100			
Peak Drilling Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell Group Investments Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell Engineering Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell Group Assets Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
EWS Aircraft Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
EWG Aircraft Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell Group Operations Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell Training Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell Service No2 Pty Ltd acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
O.G.C Services Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell Drilling Holdings Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell Drilling Assets Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell Drilling Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell Drilling Labour Hire Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
ETSH Pty Ltd acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Eastern Pressure Control Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	51	-	-	-
Silver City Drilling (QLD) Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
Easternwell TS Pty Ltd (acquired 22 December 2010)	Australia	Ordinary	100	-	-	-
					99,626	76,754

** Legal ownership is 49 per cent however commercial ownership is 75 per cent-100 per cent. These entities are consolidated for Group reporting purposes

\+ Represents impact of share based payment expenses borne by subsidiaries, eliminated on consolidation

Transfield Services Limited and controlled entities
Directors' declaration
For the year ended 30 June 2011

In the Directors' opinion:

(a) the financial statements and notes set out on pages 32 to 115 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 39 will be able to meet any obligations or liabilities which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 39.

The Directors draw attention to Note 1(a) to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

The Directors have been given the declaration by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Anthony Shepherd
Chairman

Dr Peter Goode
Managing Director and Chief Executive Officer

at Sydney
25 August 2011

KPMG

Independent auditor's report to the members of Transfield Services Limited

Report on the financial report

We have audited the accompanying financial report of Transfield Services Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Remuneration Report

We have audited the Remuneration Report included in pages 12 to 29 of the directors report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Transfield Services Limited for the year ended 30 June 2011, complies with section 300A of the *Australian Corporations Act 2001*.

KPMG

KPMG

S J Marshall
Partner

Sydney
25 August 2011