FINANCIAL REPORT

This financial report covers both Transfield Services Limited as an individual entity and the consolidated entity consisting of Transfield Services Limited and its controlled entities.

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 12, Maritime Towers
201 Kent Street
Sydney NSW 2000.

A description of the nature of the consolidated entity's operations and its principal activities is included throughout the review of operations and activities and in the Directors' 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 Shareholders' Centre on our website www.transfieldservices.com.

For queries in relation to our reporting, please call +61 2 9475 5600 or e-mail corporateaffairs@transfieldservices.com.

DIRECTORS' 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 2005.

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:

Dean Wills AO
Tony Shepherd
Guido Belgiorno-Nettis
Luca Belgiorno-Nettis
Professor Steve Burdon
Denis Cleary
Mel Ward AO
Peter Watson
Bernard Wheelahan

Principal activities

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

(a) provision of operations and maintenance outsourcing services; and

(b) infrastructure ownership and management.

There were no significant changes in the nature of the activities of the consolidated entity during the year. The consolidated entity expanded the operations of these activities through:

(a) acquisition of AREVA's electrical and telecommunication businesses in Australia and New Zealand in March 2005;

(b) successful commissioning of the Townsville Power Station to a gas-fuelled base-load power station;

(c) continued construction of the Kemerton Power Station in Western Australia;

(d) acquisition of 30% of the Kwinana Power Station in Western Australia in February 2005;

(e) acquisition of the Broadspectrum group of companies in February 2005; and

(f) expansion and extension of operations and maintenance contracts.

Dividends

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

	2005 $'000	2004 $'000
Final ordinary dividend for the year ended 30 June 2004 of 9 cents per share paid on 15 October 2004 (2003: 7 cents)	**12,977**	9,660
Interim ordinary dividend of 9 cents per share paid on 15 April 2005 (2004: 7 cents)	**13,068**	9,660
	26,045	19,320

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of 11 cents per share to be paid on 10 October 2005 out of retained profits at 30 June 2005.

Review of operations

The detailed review of operations is set out on pages 12 to 27.

A summary of consolidated revenue and results by significant business segments is set out below:

	SEGMENT REVENUES		SEGMENT RESULTS	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Operations and maintenance outsourcing services	**1,443,624**	1,177,208	**39,573**	33,051
Infrastructure ownership and management	**69,899**	60,419	**19,836**	15,389
	1,513,523	1,237,627		
Profit from ordinary activities before related income tax expense			**59,409**	48,440
Income tax (expense)/benefit			**(18,285)**	19,789
Profit from ordinary activities after related income tax expense			**41,124**	68,229
Net profit attributable to members of Transfield Services Limited			**41,124**	68,229

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

(a) an increase in contributed equity of $111,407,280 (from $171,429,185 to $282,836,465) comprising:

	2005 $'000
(i) Issue of 14,500,000 fully paid ordinary shares to institutional and retail investors	**98,600**
(ii) Issue of 285,792 fully paid ordinary shares to previous owners of Broadspectrum group	**2,100**
(iii) Exercise of Director and executive options	**12,104**
Less: Transaction costs	**(1,397)**
Net increase in share capital	**111,407**

(b) The net cash received from the increase in share capital was used to pay down debt resulting from the acquisitions of the AREVA businesses in Australia and New Zealand, interest in the Kwinana power station joint venture and Broadspectrum group of companies.

Earnings per share	2005 CENTS	2004 CENTS
(i) Including tax consolidation		
Basic earnings per share	**27.73**	49.44
Diluted earnings per share	**27.73**	47.54
(ii) Excluding tax consolidation		
Basic earnings per share	**27.73**	24.37
Diluted earnings per share	**27.73**	23.44

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

There have been no matters or circumstances that have arisen since 30 June 2005 that have significantly affected, or may significantly affect:

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

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

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

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

As a result of diverse operations in many regulatory frameworks, Transfield Services has a systematic and adaptable approach to environmental management that encompasses all of its activities.

To manage risk and to ensure protection of the environment, Transfield Services has developed and implemented an environmental management system. This system is based on the International Standard, AS/NZS ISO 14001:1996 for Environmental Management Systems, and is integrated into the Transfield Services Operational Systems Manual (which is in turn certified against the AS/NZS ISO:9001: 2000 Quality Management Systems standard).

DIRECTORS' REPORT

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2005, and the numbers of meetings attended by each Director were:

	FULL MONTHLY MEETING OF DIRECTORS AVAILABLE TO ATTEND	SPECIAL BOARD MEETINGS HELD*	MEETINGS OF COMMITTEES RACC	BTRC	REMC	HSEC	NOMC
No. of meetings held:	12	2	5	4	6	4	–
No. of meetings attended by:							
Dean Wills AO	11	2	1+	4	5	–	–
Tony Shepherd	11	2	–	4	6	–	–
Guido Belgiorno-Nettis	10	2	–	3	4	4	–
Luca Belgiorno-Nettis	11	2	5	1^	–	–	–
Professor Steve Burdon	12	2	–	–	6	–	–
Denis Cleary	10	2	4	–	–	–	–
Mel Ward AO	10	1	5	–	–	–	–
Peter Watson	11	2	4#	3	6	4	–
Bernard Wheelahan	11	2	4	–	–	4	–

Notes:

* As Special Meetings were called at short notice, not all Directors were available to attend.

\# Peter Watson attended the RACC in his capacity as an executive only.

^ Directors are invited to attend the BTRC as a non-core member.

\+ Dean Wills was present at the RACC meeting as a non-core member.

RACC = Risk, Audit and Compliance Committee

BTRC = Board Tender Review Committee

REMC = Remuneration Committee

HSEC = Health, Safety and Environment Committee

NOMC = Nomination Committee

Information on Directors

Details of the Directors' qualifications, experience and special responsibilities are set out on pages 4 and 5.

DIRECTOR	SPECIAL RESPONSIBILITIES	PARTICULARS OF DIRECTORS' INTERESTS IN SHARES AND PERFORMANCE AWARDS OF TRANSFIELD SERVICES LIMITED ORDINARY SHARES	PERFORMANCE AWARDS	INDIRECT INTEREST IN TRANSFIELD SERVICES LIMITED THROUGH TRANSFIELD (TSL) PTY LTD ORDINARY SHARES
Dean Wills AO	Chairman of Board of Directors and Nomination Committee and member of the Remuneration Committee and Board Tender Review Committee	144,458*	–	–
Tony Shepherd	Deputy Chairman of Board of Directors and Chairman of the Board Tender Review Committee and member of the Nomination Committee and Remuneration Committee	1,607,389*	–	–
Guido Belgiorno-Nettis	Member of the Nomination Committee, Remuneration Committee, the Board Tender Review Committee and the HSE Committee	82,510	–	18,046,875
Luca Belgiorno-Nettis	Member of the Nomination Committee and the Risk, Audit and Compliance Committee	257,796*	–	18,046,875
Professor Steve Burdon	Chairman of the Remuneration Committee and member of the Nomination Committee	47,931	–	–
Denis Cleary	Member of the Nomination Committee and Risk, Audit and Compliance Committee	73,789*	–	–
Mel Ward AO	Chairman of the Risk, Audit and Compliance Committee and member of the Nomination Committee	38,952	–	–
Peter Watson	Managing Director and member of the Remuneration Committee, HSE Committee and the Nomination Committee	1,350,561	190,000	–
Bernard Wheelahan	Chairman of the HSE Committee and member of the Nomination Committee and the Risk, Audit and Compliance Committee	49,638*	–	–

* Includes shares that are held by a related party.

Company Secretary and General Counsel

Mr Fred Bidwell BA LLM was appointed Company Secretary on 6 March 2001. Fred has served as General Counsel to Transfield Services since mid-2000 and has been with the Transfield Group since 1987. During this time, he has been involved in most of Transfield's and then Transfield Services' major business initiatives and activities.

REMUNERATION REPORT

The Remuneration Report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration;

B. Details of remuneration;

C. Services agreements; and

D. Share-based compensation.

A. Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of annual and strategic objectives and the creation of value for shareholders and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation;
- transparency; and
- capital management.

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:
- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:
- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. As executives gain seniority within the consolidated entity, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current and prior year. Total shareholder returns over the past four years have grown at an average rate of 43% per annum (including dividends) and over the past three years, the consolidated entity's profit from ordinary activities after income tax has grown at an average rate of 36% per annum. During the same period of three years, average executive fixed remuneration has grown by approximately 14% per annum.

Non-executive Directors

Fees and payments to non-executive Directors (NEDs) reflect the demands that are made on, and the responsibilities of, the Directors. NEDs' fees and payments are reviewed annually by the Board. The Board also has agreed to the advice of independent remuneration consultants to ensure that NEDs fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of NEDs based on comparative roles in the external market.

The Chairman is not present at any discussions relating to determination of his own remuneration. NEDs do not receive performance awards. NEDs receive a minimum 20% of their remuneration in Transfield Services Limited shares, which are acquired on-market in January and July each year. Shareholders approved this arrangement in May 2001.

Non-executive Directors' fees

NEDs receive a base fee inclusive of superannuation, plus Committee fees. The annual base fee for NEDs currently stands at $80,000 per annum, the Deputy Chairman's fee stands at $100,000 per annum and the Chairman's fee at $185,000 per annum. A minimum 20% of each NED's base fee is taken in the form of ordinary shares and may be in the form of salary sacrifice to the deferred share plan. NEDs may also elect to sacrifice up to 100% of their fee to the deferred share plan. The current base remuneration was last reviewed with effect from 1 July 2005. NEDs who chair a sub-committee receive additional yearly fees and additional fees are also payable to non-executive Directors for their membership on sub-committees.

NEDs fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool currently stands at $1,250,000 approved by shareholders in May 2001.

Retirement allowances for non-executive Directors (NEDs)
The Chairman and NEDs are entitled to a Retirement Allowance after five years of service and pro rata after three years of service. The Chairman's Retirement Allowance is calculated at three times the final average of the NEDs base fee. The NEDs Retirement Allowance is calculated at the rate of three times the final average cash base Director's fee, excluding the mandatory 20% taken as shares. The Board resolved in 2004 to remove retirement allowances for future NED appointments in line with recent ASX guidance on non-executive Directors' remuneration.

Executive pay
The executive pay and reward framework can comprise four components:

– total fixed remuneration including superannuation;
– short-term performance incentives;
– long-term incentives through participation in the TranShare Executive Performance Awards Plan and/or the Transfield Services Executive Special or Scheme; and
– other benefits.

The combination of these elements comprises the executive's total remuneration. The Company intends to issue further long-term equity-linked performance incentives under the existing TranShare Executive Performance Awards Plan during the year ending 30 June 2006.

Total fixed remuneration
Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Any interest paid under the Transfield Services Executive Special Scheme is included in the base pay. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market and reflective of skills and performance. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any senior executives' service agreements.

Other benefits
Executives receive benefits including executive health management, salary continuance insurance and executive home insurance.

Retirement benefits
Retirement benefits are delivered under the Transfield Services Superannuation Plan (or other plan of the executive's choice). This fund provides accumulation of defined contributions.

Short-term incentives
Should the Company achieve a pre-determined profit target set by the Remuneration Committee, then a short-term incentive (STI) is available for executives subject to achievement of individual targets. The target represents significant growth over the prior year profit and includes a threshold below which no incentive is earned. Incentives earned are payable in cash following audit clearance of annual accounts. The profit growth target ensures a variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The target incentive opportunity is leveraged for performance above the threshold to provide an incentive for executive outperformance.

Each executive has a target STI opportunity depending on the accountability of the role and impact on organisation or business unit performance. The Managing Director's target bonus opportunity is 40% of total fixed remuneration and for other senior executives the target bonus opportunity is 25% to 33⅓% of total fixed remuneration, increasing for outperformance of the financial targets. Each year, the Remuneration Committee considers the appropriate targets and key performance indicators (KPIs) taking account of the business cycle. This includes setting payout rates for performance under the STI plan, and minimum levels of performance to trigger a threshold payment.

For the year ended 30 June 2005, the KPIs linked to short-term incentive plans were based on consolidated entity, individual business and personal objectives with a strong weighting to line-of-sight financial targets. The KPIs required performance in achieving specific targets in relation to EBITA growth and elements of Economic Value Added (EVA*), as well as other key, strategic non-financial measures linked to drivers of future performance. Most of these KPIs are generic across the senior executive team. For the 2006 year EBITA and EVA will be the primary performance hurdles for executives, and earnings per share will be included for the Managing Director, Chief Financial Officer and Group General Manager – Strategy and Development.

The Remuneration Committee is responsible for reviewing the level of achievement of KPIs. To help make this assessment, the Committee receives detailed reports on performance from management and external consultants. The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Remuneration Committee. The STI target annual payment is reviewed annually to ensure that it continues to meet the objectives of all stakeholders.

* EVA. Economic Value Added
Economic Value Added (EVA) is a financial performance method to calculate the true economic profit of a corporation. EVA can be calculated as net operating profit after tax minus a charge for the opportunity cost of the capital invested. It measures the ability of the business to generate returns above those available elsewhere at similar risk.

TranShare Executive Performance Awards Plan
Performance awards are granted to executive Directors and other executives under the TranShare Executive Performance Awards Plan, details of which are set out herein.

Transfield Services Executive Special Scheme

To secure the retention of specified senior executives the Board introduced the Transfield Services Executive Special Scheme. The objective of the scheme is to lock in the services of key senior executives for a minimum five-year retention term by offering a cash bonus conditional on performing satisfactorily throughout a specified time-based performance hurdle. Should a participant borrow up to the amount of their cash bonus from a bank or other lending institution, the Company will reimburse a participant for the annual costs associated with the loan subject to the executive providing in writing a declaration that the loan has been used to produce assessable income. During the five-year retention term, the interest component of the Transfield Services Executive Special Scheme is shown as part of the base remuneration.

The bonus will be forfeited in entirety if, prior to expiry of the specified time-based performance hurdle the executive resigns voluntarily or is dismissed for unsatisfactory performance.

TranShare Plan

The Company has made available from July 2005 a general share purchase plan to all permanent employees in its Australian and New Zealand subsidiary companies and Australian joint ventures' be "joint venture partnerships and entities", partnerships and entities. Employees may acquire up to $1,000 worth of the Company's shares annually and the Company will subsidise 10% of the total cost of purchase. Shares acquired under the plan are held in a restricted employee class and may not be traded for three years from the date of purchase. More than 27% of direct Australian employees and over 18% of all eligible employees have elected to become shareholders under the TranShare Plan.

B. Details of remuneration

Details of the remuneration of each Director of Transfield Services Limited and each of the specified executive officers of the Company and the consolidated entity receiving the highest remuneration for the year ended 30 June 2005 are set out in the following tables. The cash bonuses to executives are dependent on the satisfaction of the performance conditions set out in the section headed "Short-term incentives" above, the Transfield Services Executive Special Scheme is described above and the performance awards are subject to the performance hurdles set out above. All other elements of remuneration are not directly related to performance hurdles.

2005	PRIMARY				POST-EMPLOYMENT		EQUITY		TOTAL
NAME	CASH $	REMC $	RACC $	HSEC $	SUPER-ANNUATION $	RETIREMENT ALLOWANCE ANNUAL ACCRUAL $	OPTIONS $	DEFERRED SHARE PURCHASE $	$
D Wills AO	135,800	8,000	–	–	12,200	48,000	–	37,000	241,000
A Shepherd^	73,400	8,000	–	–	6,600	38,400	–	20,000	146,400
G Belgiorno-Nettis*	64,000	8,000	–	8,000	–	–	–	16,000	96,000
L Belgiorno-Nettis*	64,000	–	8,000	–	–	–	–	16,000	88,000
Professor S Burdon	58,700	13,000	–	–	5,300	38,400	–	16,000	131,400
D Cleary	58,700	–	8,000	–	5,300	38,400	–	16,000	126,400
M Ward AO	55,000	–	20,000	–	5,000	38,400	–	20,000	138,400
B Wheelahan	33,000	–	8,000	13,000	3,000	38,400	–	44,000	139,400
Total	**542,600**	**37,000**	**44,000**	**21,000**	**37,400**	**240,000**	**–**	**185,000**	**1,107,000**

Total remuneration of non-executive Directors of Transfield Services Limited for the year ended 30 June 2004 is set out below:

2004	PRIMARY				POST-EMPLOYMENT		EQUITY		TOTAL
NAME	CASH $	REMC $	RACC $	HSEC $	SUPER-ANNUATION $	RETIREMENT ALLOWANCE ANNUAL ACCRUAL $	OPTIONS $	DEFERRED SHARE PURCHASE $	$
Total	524,100	34,000	44,000	18,000	35,900	240,000	151,890	118,000	1,165,890

DIRECTORS' REPORT

Executive Director of Transfield Services Limited

2005 NAME	PRIMARY CASH SALARY $	CASH SHORT-TERM INCENTIVE $	OTHER BENEFITS $	POST-EMPLOYMENT SUPER-ANNUATION $	EXECUTIVE SPECIAL SCHEME $	EQUITY OPTIONS# $	PERFORMANCE AWARDS# $	TOTAL $
P Watson	**758,047**	**315,000**	**63,502**	**11,585**	**250,000**	–	**83,956**	**1,482,090**
2004								
Total	596,430	335,160	84,924	10,970	250,000	179,690	13,966	1,471,140

Notes:
Chairman of Risk, Audit and Compliance Committee (RACC) receives $20,000 per annum.
Chairman of the Remuneration Committee (REMC) receives $13,000 per annum.
Chairman of the Health, Safety and Environment Committee (HSEC) receives $13,000 per annum.
Each member on the REMC, RACC and HSEC receives $8,000 per annum.
No fees are paid to attendees of the Board TRC and Nominations Committee.

* Transfield Corporate Pty Limited receives management fees equal to the Directors' fees that Guido Belgiorno-Nettis and Luca Belgiorno-Nettis would otherwise be entitled to receive.

\# Fair value of share-based payments granted using the binomial option pricing model.

^ In a capacity other than as a Director, a Company related to Tony Shepherd received fees of $135,633 from the consolidated entity, for consultancy services provided during the year. In addition, commercial benefits to the value of $120,000 comprising office spare, car parking and secretarial services have been provided.

Superannuation equates to the amount of contribution paid into an approved fund.

Five most highly remunerated officers and those with the greatest authority for strategic direction and operational management within Transfield Services

2005 NAME	PRIMARY CASH SALARY $	CASH SHORT-TERM INCENTIVE $	OTHER BENEFITS $	POST-EMPLOYMENT SUPER-ANNUATION $	EXECUTIVE SPECIAL SCHEME $	EQUITY OPTIONS# $	PERFORMANCE AWARDS# $	TOTAL $
J Sadatmehr	**660,375**	**205,000**	**17,400**	**11,585**	**200,000**	–	**62,991**	**1,157,351**
S MacDonald	**517,631**	**163,000**	**4,071**	**11,585**	**150,000**	**109,980**	**15,742**	**972,009**
R MacKiggan	**315,820**	**133,000**	**4,604**	**25,435**	**100,000**	**79,913**	**5,847**	**664,619**
P McCarthy	**290,165**	**168,000**	**2,917**	**26,835**	–	–	**9,317**	**497,234**
F Bidwell	**345,000**	**109,000**	**2,107**	–	–	–	**7,064**	**463,171**
D Corsie (to December 2004)	**199,333**	**84,000**	**23,448**	**22,243**	–	–	–	**329,024**
M Irwin (from 13 December 2004)	**202,745**	**55,000**	**9,314**	**6,758**	–	–	**3,842**	**277,659**
Total	**2,531,069**	**917,000**	**63,861**	**104,441**	**450,000**	**189,893**	**104,803**	**4,361,067**

\# Fair value of share-based payments granted using the binomial option-pricing model.

"Other executives" in this context are officers who are directly involved in, concerned in, or take part in the management of the affairs of Transfield Services Limited and/or related bodies corporate. All executives are employed by Transfield Services (Australia) Pty Limited.

Total remuneration of specified executives for the year ended 30 June 2004 is set out below. Information for individual specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 *Director and Executive Disclosures by Disclosing Entities*. In some cases, different individuals are included than those specified for the year ended 30 June 2005.

2004								
Total	1,906,972	880,540	101,298	290,308	449,400	492,975	18,687	4,140,180

Cash bonuses and options
For each cash bonus and grant of options included in the above tables, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria, is set out below. No part of the bonus or grants of options are payable in future years.

NAME	CASH BONUS PAID %	CASH BONUS FORFEITED %	OPTIONS VESTED %	OPTIONS FORFEITED %
P Watson	91	9	100	–
J Sadatmehr	89	11	100	–
S MacDonald	90	10	–	–
R MacKiggan	100	–	–	–
P McCarthy	85	15	100	–
F Bidwell	94	6	100	–
D Corsie	92	8	100	–
M Irwin	97	3	–	–

C. Service agreements
Remuneration and other terms of employment for the Managing Director and the specified executives are formalised in service agreements. Each of these agreements provides for the provision of performance-related short-term incentives, other benefits (including health management, salary continuance insurance and executive home insurance), performance-related long-term incentives and participation, and, if eligible, in the Transfield Services Executive Special Scheme. Other major provisions of the agreements relating to remuneration are set out below:

P Watson – Managing Director
Term of agreement – rolling three years commencing 1 April 2003.

Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to one times' annual fixed remuneration. A one year restrictive covenant applies.

J Sadatmehr – Chief Operating Officer
Term of agreement – rolling three years commencing 30 June 2003.

Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to one times' annual fixed remuneration. A one year restrictive covenant applies.

D Corsie – Chief Financial Officer to Dec 2004 and Chief Executive Officer – Infrastructure Investments from July 2005
Term of agreement – rolling three years commencing 9 February 2005.

Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to one times' annual fixed remuneration. A one year restrictive covenant applies.

S MacDonald – Group General Manager – Strategy and Development
Term of agreement – rolling three years commencing 1 March 2003.

Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to one times' annual fixed remuneration. A one year restrictive covenant applies.

F Bidwell – General Counsel and Company Secretary
Term of agreement – rolling three years commencing 1 May 2003.

Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to one times' annual fixed remuneration. A one year restrictive covenant applies.

R MacKiggan – Chief Financial Officer Yarra Trams
Term of agreement – rolling three years commencing 1 July 2003.

Payment of termination benefit on termination by the employer, other than for gross misconduct, equal to one times' annual fixed remuneration. A one year restrictive covenant applies.

P McCarthy – Executive General Manager – Mining, Process and Hydrocarbons
Term of agreement – rolling three years commencing 1 July 2003.

Payment of termination benefit on termination by the employer, other than for gross misconduct, equal to nine months' annual fixed remuneration. A nine month restrictive covenant applies.

M Irwin – Chief Financial Officer
Term of agreement – rolling three years commencing 13 December 2004.

Payment of termination benefit on termination by the employer, other than for gross misconduct, equal to six months' annual fixed remuneration. A six month restrictive covenant applies.

D. Share-based compensation
The terms and conditions of each grant of options and performance awards affecting remuneration in this or future reporting periods are as follows:

GRANT DATE	EXPIRY DATE	NUMBER GRANTED	LAPSED	EXERCISED	EXERCISE PRICE	VALUE PER OPTION/ PERFORMANCE AWARD AT GRANT DATE	FIRST DATE EXERCISABLE
22 August 2002	26 August 2009	950,000	200,000	–	$2.82	$0.92	26 June 2005 subject to satisfying vesting conditions
28 November 2002	28 November 2009	1,701,000	69,000	–	$2.62	$0.73	28 November 2005 subject to satisfying vesting conditions
3 March 2003	3 March 2010	900,000	–	–	$2.70	$0.61	3 March 2006 subject to satisfying vesting conditions
25 February 2004	25 February 2011	339,661	5,663	–	$nil	$2.25	25 February 2007 subject to satisfying vesting conditions
30 August 2004	30 August 2011	379,109	–	–	$nil	$2.67	30 August 2007 subject to satisfying vesting conditions
28 October 2004	28 October 2011	100,000	–	–	$nil	$3.89	28 October 2007 subject to satisfying vesting conditions
28 February 2005	28 February 2012	198,298	–	–	$nil	$3.45	28 February 2008 subject to satisfying vesting conditions

Performance awards are granted under the plan for no consideration, and carry no dividend or voting rights.

When exercisable, each option or performance award is converted by new issue or transfer into one ordinary share during specified open trading periods.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the ASX during the five trading days immediately before the options are granted.

TranShare Executive Performance Awards Plan
Performance awards were granted under the TranShare Executive Performance Awards Plan, approved by shareholders at the AGM on 27 October 2004. Executives eligible to participate in the plan are involved in the management of the affairs of the Company.

A performance hurdle is attached to each performance award granted, and there is a window in which it can be met. The performance awards will only vest once the performance hurdle has been met within the window. The Remuneration Committee has determined that Transfield Services Limited must achieve certain cumulative total shareholder returns (TSR) at any time within the performance window, which will commence three years from the date of grant and end five years from the date of grant. The TSR percentage reached during the performance period will determine the proportion of performance awards that will become exercisable, a 15% TSR per annum equals 75% of performance awards to be exercised, 17.5% TSR per annum equals 85% of performance awards to be exercised, and 20% TSR per annum equals all performance awards to be exercised.

Performance awards are granted under the plan for no consideration and with an exercise price of zero and carry no dividend or voting rights.

The amounts disclosed for emoluments relating to options and performance awards above are the assessed fair value at grant date of options and performance awards granted to executive Directors and other executives, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a binomial option pricing model that takes into account the exercise price, the term of the 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.

Model inputs used for the performance award grant are as follows:

Volatility:	27% to 38% per annum;
Risk-free rate:	4.65% to 5.55% per annum;
Dividend yield:	3.1% to 4.5% per annum;
Expected time to vesting:	five years; and
Probability of vesting:	100% per annum.

Further details relating to performance awards are set out below:

NAME	A REMUNERATION CONSISTING OF PERFORMANCE AWARDS	B VALUE AT GRANT DATE $	C VALUE AT EXERCISE DATE $	D VALUE AT LAPSE DATE $
P Watson	5.7%	389,000	4,480,000	–
J Sadatmehr	5.6%	283,637	4,130,000	–
S MacDonald	13.1%	113,454	–	–
R MacKiggan	13.5%	42,141	–	–
P McCarthy	1.9%	50,691	875,000	–
F Bidwell	1.6%	–	1,977,500	–
D Corsie	–	–	3,360,000	–
M Irwin	1.4%	69,000	–	–

A = The percentage of the value of remuneration consisting of options and performance awards, based on the value at grant date set out in column B.

B = The value at grant date calculated in accordance with AASB 1046 *Director and Executive Disclosure by Disclosing Entities* of options and performance awards granted during the year as part of remuneration.

C = The value at exercise date of options and performance awards that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options and performance awards that were granted as part remuneration and that lapsed during the year.

Performance awards granted to Directors and the executive officers

Performance awards over unissued ordinary shares of Transfield Services Limited granted during or since the end of the financial year to any of the Directors or the executive officers of the Company as part of their remuneration were as follows:

NAME	GRANTED	EXPIRY DATE	PERFORMANCE AWARDS
P Watson	28 October 2004	28 October 2011	100,000
Specified executives			
J Sadatmehr	30 August 2004	30 August 2011	106,231
S MacDonald	30 August 2004	30 August 2011	42,492
R MacKiggan	30 August 2004	30 August 2011	15,783
P McCarthy	28 February 2005	28 February 2012	14,693
M Irwin	28 February 2005	28 February 2012	20,000

The performance awards were granted under the TranShare Executive Performance Award Plan.

Equity instrument disclosures relating to Directors and executives

Performance awards provided as remuneration:

The assessed fair value at grant date of performance awards granted to Directors and specified executives is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are valued using the binomial option pricing model that takes into account the exercise price, the term of the 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 the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the award.

Shares provided on exercise of remuneration options or performance awards

The number of ordinary shares provided on exercise of options previously granted for each specified executive officer of the consolidated entity including their personally related entities are set out in the table below.

Option holdings:
The number of options over ordinary shares in the Company held during the year by each Director of Transfield Services Limited and each specified executive of the consolidated entity, including their personally related entities, are set out below:

NAME	BALANCE AT 1 JULY 2004	GRANTED DURING THE YEAR AS REMUNERATION	EXERCISED DURING THE YEAR	ISSUES PRICE OF SHARES $	EXPIRY DATE	BALANCE AT 30 JUNE 2005
Directors						
A Shepherd	1,000,000	–	1,000,000	1.82	–	–
P Watson	1,280,000	–	1,280,000	1.66	–	–
Specified executives						
J Sadatmehr	1,180,000	–	1,180,000	1.66	–	–
D Corsie	960,000	–	960,000	1.66	–	–
S MacDonald	900,000	–	–	2.70	3 March 2009	900,000
F Bidwell	565,000	–	565,000	1.66	–	–
R MacKiggan	250,000	–	–	2.82	22 August 2008	250,000
P McCarthy	100,000	–	100,000	1.66	–	–
M Irwin	–	–	–	–	–	–

No options are vested and unexercised at the end of the year.

Performance awards holdings:
The number of performance awards over ordinary shares in the Company held by each Director of Transfield Services Limited and each specified executive of the consolidated entity, including their personally related entities, are set out below:

NAME	BALANCE AT 1 JULY 2004	GRANTED DURING THE YEAR AS REMUNERATION	BALANCE AT 30 JUNE 2005
Director			
P Watson	90,000	100,000	190,000
Specified executives			
J Sadatmehr	52,584	106,231	158,815
S MacDonald	–	42,492	42,492
F Bidwell	19,069	–	19,069
R MacKiggan		15,783	15,783
P McCarthy	14,446	14,693	29,139
M Irwin	–	20,000	20,000

No performance awards are vested and unexercised at the end of the year.

Shareholdings
The number of ordinary shares in the Company held during the financial year by each Director of Transfield Services Limited and each of the specified executives of the consolidated entity, including their personally related entities, are set out below:

NAME	BALANCE AT 1 JULY 2004	RECEIVED ON EXERCISE OF OPTIONS	ACQUISITIONS/ (DISPOSED) DURING THE YEAR	BALANCE AT 30 JUNE 2005
Directors				
D Wills AO	135,946	–	8,512	144,458
G Belgiorno-Nettis*	18,126,049	–	3,336	18,129,385
L Belgiorno-Nettis*	18,261,049	–	43,622	18,304,671
Professor S Burdon	44,171	–	3,760	47,931
D Cleary	29,171	–	44,618	73,789
A Shepherd	602,402	1,000,000	4,987	1,607,389
P Watson	70,275	1,280,000	286	1,350,561
M Ward AO	33,964	–	4,988	38,952
B Wheelahan	42,671	–	6,967	49,638
Specified executives				
J Sadatmehr	46,625	1,180,000	(46,625)	1,180,000
S MacDonald	10,000	–	–	10,000
R MacKiggan	–	–	–	–
P McCarthy	–	100,000	(100,000)	–
F Bidwell	50,000	565,000	(364,714)	250,286
D Corsie	37,500	960,000	(800,000)	197,500
M Irwin	10,000	–	–	10,000

* Messrs Guido Belgiorno-Nettis and Luca Belgiorno-Nettis each hold 37.5% in Transfield (TSL) Pty Limited which itself owns 30.08% of the share capital of Transfield Services Limited. This means that they each indirectly own 18,046,875 shares in Transfield Services Limited.

Other transactions with Directors
In a capacity other than as a Director, a Company related to Tony Shepherd received fees of $135,633 from the consolidated entity for consulting services provided during the year. In addition, commercial benefits to the value of $120,000 comprising office space, car parking and secretarial services have been provided.

Commercial rent of $66,316 was paid to a relative of the Managing Director for the Company's use of an apartment for executive accommodation whilst undertaking business related activity in Sydney.

Insurance of officers
During the financial year, Transfield Services Limited paid a premium of $153,750 to insure the Directors and secretary of the Company and its Australian-based controlled entities, and the general managers of each of the divisions of the consolidated entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of 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
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 25 to and forming part of the Financial Statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Risk, Audit and Compliance Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporation Act 2001* for the following reasons:

– all non-audit services have been reviewed by the Risk, Audit and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and

– none of the services undermines the general principles relating to auditor independence as set out in Professional Statements F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

DIRECTORS' REPORT

A copy of the auditor's independence declaration as required under section 307C of *Corporations Act 2001* is set out on page 45.

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

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

PricewaterhouseCoopers 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.

Dean Wills AO
Director

Peter Watson
Managing Director

Sydney
24 August 2005

AUDITOR'S INDEPENDENCE DECLARATION

PricewaterhouseCoopers
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As lead auditor for the audit of Transfield Services Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Transfield Services Limited and the entities it controlled during the period.

PricewaterhouseCoopers

R L Gavin
Partner

Sydney
24 August 2005

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Revenue from ordinary activities	2	**1,513,523**	1,237,627	**9,083**	6,788
Raw materials and consumables used		**(150,131)**	(118,076)	**–**	–
Subcontractors		**(798,017)**	(659,699)	**–**	–
Employee benefits expense		**(389,161)**	(315,371)	**–**	–
Depreciation and amortisation expense	3	**(30,727)**	(20,658)	**–**	–
Borrowing costs expense	3	**(16,929)**	(12,337)	**(1,202)**	(1,459)
Other expenses		**(88,042)**	(76,472)	**(93)**	(502)
Shares of net profits of associates and joint venture partnerships and entities accounted for using the equity method		**18,893**	13,426	**–**	–
Profit from ordinary activities before related income tax expense		**59,409**	48,440	**7,788**	4,827
Income tax (expense)/benefit	4	**(18,285)**	19,789	**(15,661)**	38,393
Profit from ordinary activities after related income tax expense	20(b)	**41,124**	68,229	**(7,873)**	43,220
Net profit attributable to members of Transfield Services Limited	20(b)	**41,124**	68,229	**(7,873)**	43,220
Net exchange differences on translation of financial report of foreign controlled entity	20(a)	**439**	943	**–**	–
Net decrease in asset revaluation reserve on implementation of the tax consolidation regime	20(a)	**–**	(3,837)	**–**	–
Total changes in equity other than those resulting from transactions with owners as owners		**41,563**	65,335	**(7,873)**	43,220
Basic earnings per share – cents (excluding tax consolidation)	34	**27.73**	24.37		
Diluted earnings per share – cents (excluding tax consolidation)	34	**27.73**	23.44		
Dividends per share – cents – interim		**9.0**	7.0		
– final		**11.0**	9.0		
Dividend payout ratio (excluding tax consolidation)		**74.6%**	65.6%		

The above Statements of Financial Performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
CURRENT ASSETS					
Cash assets	5	**89,617**	57,054	**–**	–
Receivables	6	**261,967**	205,709	**1,202**	233
Income tax refundable		**11,904**	–	**12,167**	–
Inventories	7	**57,818**	17,396	**–**	–
Prepayments		**2,632**	712	**–**	–
Total current assets		**423,938**	280,871	**13,369**	233
NON-CURRENT ASSETS					
Receivables	8	**4,694**	8,530	**237,019**	158,967
Investments accounted for using the equity method	9	**76,953**	56,348	**49,323**	49,323
Other financial assets	10	**–**	–	**39,072**	39,072
Property, plant and equipment	11	**71,162**	40,159	**–**	–
Power generation assets	12	**548,528**	420,741	**–**	–
Deferred tax assets	13	**32,411**	34,627	**43**	21,940
Intangible assets	14	**212,093**	37,446	**–**	–
Total non-current assets		**945,841**	597,851	**325,457**	269,302
Total assets		**1,369,779**	878,722	**338,826**	269,535
CURRENT LIABILITIES					
Payables	15	**260,573**	183,181	**46**	56
Interest-bearing liabilities	16	**179,251**	13,444	**21,469**	8,490
Current tax liabilities		**–**	8,287	**–**	8,413
Provision for employee benefits	28	**43,977**	29,221	**–**	–
Total current liabilities		**483,801**	234,133	**21,515**	16,959
NON-CURRENT LIABILITIES					
Non-interest-bearing liabilities	17	**12,945**	9,967	**28,538**	29,476
Interest-bearing liabilities	18	**454,561**	361,145	**–**	–
Deferred tax liabilities		**31,124**	15,755	**–**	11,816
Provision for employee benefits	28	**17,417**	14,716	**–**	–
Total non-current liabilities		**516,047**	401,583	**28,538**	41,292
Total liabilities		**999,848**	635,716	**50,053**	58,251
Net assets		**369,931**	243,006	**288,773**	211,284
EQUITY					
Contributed equity	19	**282,836**	171,429	**282,836**	171,429
Reserves	20(a)	**10,894**	10,455	**–**	–
Retained profits	20(b)	**76,201**	61,122	**5,937**	39,855
Total equity	21	**369,931**	243,006	**288,773**	211,284

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**1,632,696**	1,307,702	**120**	105
Payments to suppliers, subcontractors and employees		**(1,522,609)**	(1,231,430)	**(1,071)**	(1,276)
		110,087	76,272	**(951)**	(1,171)
Dividends received		**500**	700	**500**	700
Interest received		**4,086**	3,810	**519**	2,452
Borrowing costs		**(16,929)**	(12,337)	**(1,202)**	(1,459)
Distributions received		**7,944**	5,958	**7,944**	3,370
Income taxes paid		**(22,698)**	(10,601)	**(2,446)**	(2,094)
Net cash inflow from operating activities	33	**82,990**	63,802	**4,364**	1,798
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for purchase of controlled entities	30	**(247,563)**	(10,133)	**–**	–
Payments for purchase of equity and other investments		**(500)**	(5,376)	**–**	(5,000)
Advances to joint venture partnership and entities		**(336)**	–	**–**	–
Payments for property, plant and equipment		**(18,940)**	(6,939)	**–**	–
Proceeds from disposal of plant and equipment		**2,409**	505	**–**	–
Payments for power generation upgrade		**(138,472)**	(154,573)	**–**	–
Net cash (outflow) from investing activities		**(403,402)**	(176,516)	**–**	(5,000)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of shares		**109,307**	–	**111,407**	–
Proceeds from borrowings – related party		**–**	–	**–**	22,144
Proceeds from power generation loans		**137,519**	154,573	**–**	–
Proceeds from unsecured borrowings		**155,018**	–	**–**	–
Proceeds from borrowings – associates and joint ventures		**10,441**	4,062	**5,472**	3,845
Loans to related parties		**–**	–	**(108,177)**	–
Loans to associates		**–**	(1,044)	**–**	(783)
Repayment of borrowings – power generation		**(33,265)**	(2,811)	**–**	–
Dividends paid		**(26,045)**	(19,320)	**(26,045)**	(19,320)
Net cash inflow/(outflow) from financing activities		**352,975**	135,460	**(17,343)**	(5,886)
Net increase/(decrease) in cash held		**32,563**	22,746	**(12,979)**	2,684
Cash at the beginning of the financial year		**57,054**	34,308	**(8,490)**	(11,174)
Cash at the end of the financial year	5	**89,617**	57,054	**(21,469)**	(8,490)

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The Australian Accounting Standards Boards (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's Financial Statements for the half year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out later in this note.

(a) Principles of consolidation

The consolidated Financial Statements incorporate the assets and liabilities of all entities controlled by Transfield Services Limited ("Company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Transfield Services Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Statements of Financial Performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Investments in associates and joint venture partnerships and entities are accounted for in the consolidated Financial Statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of associates and joint venture partnerships and entities, is recognised as revenue in the consolidated Statements of Financial Performance, and its share of movements in reserves is recognised in consolidated reserves. Associates and joint venture partnerships and entities are those entities over which the consolidated entity exercises significant influence, but not control. Investments in associates and joint venture partnerships and entities are carried at cost in the parent entity.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the Statements of Financial Performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of foreign controlled entities were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

(c) Tax consolidation legislation

Transfield Services Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this decision.

As a consequence, Transfield Services Limited, as the head entity in the tax consolidated group, recognises current tax amounts relating to transactions, events and balances as if they were its own. In addition to the current tax amounts arising in relation to its own transactions, events and balances amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

(d) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts receivable and payable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

(ii) Foreign controlled entities

As the foreign controlled entities are self-sustaining, their assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

(iii) Specific commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or losses arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions, are deferred in the Statements of Financial Position from the inception of the hedging transaction up to the date of purchase or sale and included in the measurement of the purchase or sale. The net amounts receivable or payable under the hedging transaction are also recorded in the Statements of Financial Position. Any gains or losses arising on the hedging transaction after the recognition of the hedged purchase or sale are included in the Statements of Financial Performance.

(e) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the term in which the Directors consider that the economic benefits associated with that expenditure will contribute to the income-earning capacity of the consolidated entity, up to a maximum of 20 years. The carrying value of goodwill is regularly reviewed and adjusted where it is considered necessary.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as revenue in the Statements of Financial Performance.

The cost of non-current assets developed by the entity includes the cost of all materials used in establishment and direct labour on the project, borrowing costs incurred during construction and an appropriate portion of variable and fixed overhead. 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 policy set out in note 1(l).

(f) Revenue recognition
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:

(i) Operations and maintenance outsourcing services revenue
Contract revenue is 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 the revenue is recognised in accordance with the percentage of completion method or variations thereof.

(ii) Infrastructure ownership and management revenue
Infrastructure revenue is recognised when the services are completed or in accordance with individual contracts as appropriate.

(g) Receivables
All trade debtors are recognised at the amounts receivable as they become due for settlement.

Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(h) Inventories
(i) Consumables and stores
Consumables and stores are stated at the lower of cost and net realisable value and charged to specific contracts when used.

(ii) 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 consolidated entity's maintenance activities in general.

Costs incurred at the commencement of long term contracts are capitalised. Deferred costs are amortised from the commencement of commercial production. Such costs are written off immediately in the event that they become irrecoverable.

(i) Recoverable amount of non-current assets
The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. The expected net cash flows have been discounted to their present values using a market-determined, risk-adjusted discount rate. The discount rate used ranged from 6% to 10% (2004: 6% to 10%) per annum depending on the nature of the assets.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

(j) Investments
Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated Financial Statements, are brought to account at cost and dividend income is recognised in the Statements of Financial Performance when receivable.

Controlled entities and associates are accounted for in the consolidated Financial Statements as set out in note 1(a). Interests in joint venture partnerships and entities are accounted for as set out in note 1(t).

(k) Power generation assets
Power generation assets comprise the plant, equipment, fixtures and fittings of the Townsville and Collinsville power stations together with the associated long term contractual agreements. The carrying value includes capital work in progress in the redevelopment of the Townsville Power Station to a gas-fuelled base-load plant and the Kemerton Power Station. In the opinion of the Directors, these assets comprise a separate class of assets.

Depreciation is calculated on a straight line basis to write off the net cost of each item over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all classes of assets, with annual reassessments for major items.

The expected useful lives are in the range of 30 to 40 years.

(l) Depreciation of plant and equipment
Depreciation is calculated on a straight line basis to write off the net cost of each item of plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Leasehold improvements	remaining lease term
Plant and equipment	three to 20 years.

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

(m) 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 improvement to the consolidated entity, whichever is the shorter.

(n) Leased non-current assets
A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging from three to eight years.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

Other operating lease payments are charged to the Statements of Financial Performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(o) Intangible assets and expenditure carried forward

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise, which is 20 years for the carrying amounts of goodwill relating to acquisitions to date.

(p) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid in accordance with normal trading terms agreed with customers.

(q) Interest-bearing liabilities

Loans are carried at their principal amounts outstanding at balance date. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(r) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

(s) Derivative financial instruments

The consolidated entity enters into foreign exchange and interest rate swap agreements.

The accounting for foreign exchange contracts is in accordance with note 1 (d)(iii).

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

When an interest rate swap is terminated early and the underlying hedged transactions are still expected to occur, the gains or losses arising on the swap upon its early termination continue to be deferred and are progressively brought to account over the period during which the hedged transactions are recognised.

When an interest rate swap is terminated early and the underlying hedged transactions are no longer expected to occur, the gains or losses arising on the swap upon its early termination are recognised in the Statements of Financial Performance as at the date of the termination.

(t) Joint venture partnerships and entities

Interests in joint venture partnerships and entities are accounted for using the equity method. Under this method, the share of the profits or losses of the joint venture partnership or entity are recognised as revenue in the Statements of Financial Performance, and the share of movements in reserves in the Statements of Financial Position.

(u) Maintenance and repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(l). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(v) Employee entitlements

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in other creditors in respect of employees' 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.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of 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 on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors 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 profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Superannuation

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

(v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vi) Termination benefits

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

Liabilities for termination benefits relating to an acquired entity or operation that arise as a consequence of acquisitions are recognised as the date of acquisition if, at or before the acquisition date, the main features of the terminations were planned and a valid expectation had been raised in those employees affected that the terminations would be carried out and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier. These liabilities are disclosed in aggregate with other restructuring costs as a consequence of the acquisition.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

(vii) Equity-based compensation benefits

Equity-based compensation benefits are provided to employees via the TranShare Executive Performance Awards Plan and the Transfield Services Executive Option Scheme.

No accounting entries are made in relation to the Transfield Services Performance Awards Plan and the Transfield Services Executive Option Scheme until options and performance awards are exercised, at which time the amounts receivable from employees are recognised in the Statements of Financial Position as share capital. The amounts disclosed for remuneration of Directors and executives include the assessed fair value of options and performance awards at the date they were granted.

The market value of shares issued to employees for no cash consideration under employee share schemes is recognised as a liability and as part of employee benefit costs when the employees become entitled to the shares. When the shares are issued, their market value is recognised in the Statements of Financial Position as share capital.

(w) 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 balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

(x) Borrowing costs

Borrowing 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 (e) and include:

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

(y) Cash

For purposes of the Statements of Cash Flows, cash includes deposits at call with financial institutions which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(z) Restructuring costs

Liabilities for the cost of restructuring entities or operations acquired are recognised as at the date of acquisition of an entity, if the main features of the restructuring were planned and there was a demonstrable commitment to the restructuring at the acquisition date and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier.

Reversals of part or all of a provision for restructuring relating to an acquisition, because the costs are no longer expected to be incurred as planned, are adjusted against the goodwill. The adjusted carrying amounts of goodwill or non-monetary assets are amortised from the date of reversal.

(aa) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after-tax effect of interest and other finance 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 (refer to notes 19 and 34 for further explanation).

Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidation entity's Financial Statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative Financial Statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained profits as at 1 July 2004.

The consolidated entity has established a project team with assistance from external consultants to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer and reports quarterly to the Risk, Audit and Compliance Committee. The project team has assessed the significance of expected changes and is preparing for their implementation.
A detailed timetable for managing the transition has been prepared and is currently on schedule.

In some cases, choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out later on in this note. No material impacts are expected in relation to the Statements of Cash Flows. Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. In addition, the project team has not yet fully analysed the impacts of all standards and interpretations. Therefore, until the Company prepares its first full AIFRS Financial Statements, the possibility cannot be excluded that the accompanying disclosure may have to be adjusted.

Any taxation effects for the adjustments quantified below have not been taken into account as the consolidated entity is still in the process of quantifying the impacts of AASB 112 and is not currently in a position to reliably measure the impacts.

Notes explaining the impacts on the Statements of Financial Performance and Statements of Financial Position are set out as follows:

A. Income tax
Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss, and current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005 it is likely that a net increase in deferred tax liabilities will arise resulting from the restatement of historical permanent differences which are no longer recognised under AIFRS, to temporary differences.

These adjustments will have no effect on profit and will be recognised directly against retained earnings. There would be no impact on the parent entity's Financial Statements.

In accordance with UIG1052 *Tax consolidation accounting*, the deferred tax assets of $21.940 million and deferred tax liabilities of $11.816 million were transferred from the head entity back to subsidiaries within the tax consolidated group on 1 July 2004.

B. Intangible assets – goodwill
(i) Under AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

If the policy required by AASB 3 had been applied during the year ended 30 June 2005, and ignoring the impact of the change in policy set out in note (ii) below, consolidated goodwill at 30 June 2005 would have been approximately $5,926,000 higher and consolidated amortisation expense would have been approximately $5,926,000 lower. There would have been no impact on the parent entity's Financial Statements.

(ii) As a result of acquisitions undertaken during the year, the consolidated entity will be required to recognise the value of intangible assets substantially in the form of contracts as part of the acquisition price. Under the previous accounting standards, these items would have been classified as goodwill and amortised over 20 years. The AIFRS project team is presently in the process of valuing these intangible assets, which will be amortised over the expected contract periods to which their components apply.

Until the assessment has been completed, it is not possible to quantify the impact of this accounting policy change.

C. Impairments of assets
Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset may be determined as the higher of fair value, less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk-free adjusted pre-tax discount rate and impairment is assessed for the individual asset or cash generating unit. The current policy is to determine the recoverable amount of an asset on the basis of discounted net cash flows that will be recovered from the asset's use but without identifying the cash generating unit. It is likely that this change in policy will lead to future impairments being recognised.

D. Equity-based compensation benefits
Under AASB 2 *Share-based Payments*, from 1 July 2004 the consolidated entity is required to recognise an expense for those options and performance awards that were issued to employees under the TranShare Executive Performance Awards Plan after 7 November 2002 but that had not vested by 1 January 2005.

This will result in a change to the current accounting policy under which no expense is recognised for equity-based compensation.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, consolidated and parent entity retained profits at 30 June 2005 would have been $1,299,000 lower, with a corresponding increase in the share based payment reserve. For the year ended 30 June 2005, the consolidated and parent entity employee benefits expense would have been $722,000 higher, with a corresponding increase in the net movement in the share based payment reserve.

The consolidated entity anticipates that an annual expense of approximately $1,000,000 will result from the adoption of AASB 2 based on the current equity-based compensation plans.

E. Financial instruments
The consolidated entity will be taking advantage of the exemption available under AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* to apply these standards only from 1 July 2005. This allows the consolidated entity to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 year financial report.

Under AASB 132, the current classification of financial year instruments issued by entities in the consolidated entity would not change.

AASB 139 is likely to have the following impacts:

(i) Classification of measurement of financial assets and liabilities

Under AASB 139, financial assets held by entities in the consolidated entity will be classified as at fair value through profit or loss, held-to-maturity, available for the sale, or loans and receivables and, depending upon classification, measured at fair value or amortised costs.

Under AASB 139, it is anticipated that:

– non-traded securities will be measured at fair-value, with fair value recognised in equity;

– for effective hedging arrangements, fair value adjustments will be recorded in equity. Fair value adjustments on ineffective hedging arrangements will be charged directly to the profit and loss statement; and

– loans and receivables and financial liabilities classification will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

This will result in a change to the current accounting policy, under which financial assets are carried at the lower of cost and recoverable amount, with changes recognised in profit and loss.

As a result of the application of the exemption referred to above, there would have been no adjustment to the classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005.

(ii) Cash flow hedges

Under AASB 139, foreign exchange contracts held for hedging purposes are likely to be accounted for as cash flow hedges. Changes in the fair value of those contracts are likely to be recognised directly in equity until the hedge transaction occurs, in which case the amounts recognised will be included in the initial cost of the assets acquired.

As a result of the application of the exemption referred to above, there would have been no adjustment to the classification or measurement of cash flow hedges from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005 as a result of the exemption.

F. Business combination
Under AASB 3 *Business Combinations*, provisions for restructuring costs can only be recognised as part of the acquisition accounting if the acquiree had, at the acquisition date, recognised an existing liability for restructuring. This is different to the current accounting policy under which a provision is recognised provided the acquirer had developed the main features of the restructuring plan at the date of the acquisition and developed a detailed plan within three months after the date of the acquisition.

Had the policy required by AASB 3 applied to the consolidated entity's acquisitions of the AREVA and Broadspectrum groups during the year, no provisions for restructuring would have been recognised in the consolidated Statements of Financial Position at the date of acquisition. By not recognising these provisions for restructuring at the date of acquisition, an expense of $2,471,000 would otherwise have been applied to the Statements of the Financial Performance for the year ended 30 June 2005.

G. Investments in joint venture partnerships
The consolidated entity holds a number of investments in both incorporated and unincorporated joint venture partnerships and entities. These investments have all been equity accounted by the consolidated entity.

As a result of the adoption of AIFRS by each of these joint venture partnerships and entities, the consolidated entity is required to restate the carrying values of the investment with a corresponding adjustment to opening retained profits.

Each joint venture partnership or entity has engaged a project team to analyse the impact of AIFRS on their respective operations.

H. Push-down of goodwill to foreign subsidiaries
Under AASB 121 *Effects of Changes in Foreign Exchange Rates*, entities are required to "push down" any goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition of a foreign operation. It does this by stating that these items shall be treated as assets and liabilities of the foreign operation, expressed in the functional currency of the foreign operation and accordingly translated at the closing rate in accordance with the standard.

AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* allows these requirements to be applied prospectively from the date of transition. Since the date of transition, the consolidated entity has acquired AREVA Group in New Zealand. At each balance date, the value of goodwill in foreign currency, derived on acquisition of AREVA will need to be translated into Australian dollars at the balance date rate. The resulting gain or loss will be posted to the foreign currency translation reserve.

This will result in a change to the current accounting policy under which the goodwill balance is held at its initially translated amount.

If the policy required by AASB 121 had been applied during the year ended 30 June 2005, consolidated goodwill at 30 June 2005 would have been $724,000 higher, with a corresponding decrease in the foreign currency translation reserve, ignoring the impact of the change in policy set out in note I.

I. Foreign currency translation reserve: cumulative translation differences
On the initial application of AIFRS, the consolidated entity will elect to apply the exemption in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve will be deemed to be zero at the date of transition to AIFRS.

As a result of this exemption, the balance of the foreign currency translation reserve of the consolidated entity at 30 June 2005 will decrease by $1,939,000. Retained profits will increase by this amount. There is no effect on the parent entity.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
NOTE 2 REVENUE				
Revenue from operating activities				
Operations and maintenance outsourcing services	**1,436,265**	1,172,135	**–**	–
Infrastructure ownership and management	**68,089**	58,201	**–**	–
	1,504,354	1,230,336	**–**	–
Revenue from outside the operating activities				
Interest	**4,086**	3,810	**519**	2,452
Dividends	**–**	–	**8,444**	4,070
Proceeds from disposal of non-current assets	**2,779**	505	**–**	–
Other	**2,304**	2,976	**120**	266
	9,169	7,291	**9,083**	6,788
Revenue from ordinary activities	**1,513,523**	1,237,627	**9,083**	6,788
NOTE 3 PROFIT FROM ORDINARY ACTIVITIES				
Net gains and expenses				
Profit from ordinary activities before related income tax expense includes the following specific net gains and expenses:				
Gains				
Write-back of provision for doubtful debts	**2,491**	–	**–**	–
Net gain on disposal of plant and equipment	**103**	–	**–**	–
Expenses				
Depreciation				
Power generation assets	**10,685**	8,906	**–**	–
Plant and equipment/leasehold improvements	**13,495**	8,501	**–**	–
Total depreciation	**24,180**	17,407	**–**	–
Amortisation				
Plant and equipment under finance leases	**1,461**	1,415	**–**	–
Goodwill and intellectual property	**5,086**	1,836	**–**	–
Total amortisation	**6,547**	3,251	**–**	–
Other charges against assets				
Write off of bad debts	**687**	930	**–**	–
Write down of inventories	**–**	1,602	**–**	–
Borrowing costs				
Interest and finance charges paid/payable	**16,929**	12,337	**1,202**	1,459
Net loss on disposal of plant and equipment	**–**	604	**–**	–
Other provisions				
Employee benefits	**9,380**	5,880	**–**	–
Rental expense relating to operating leases				
Minimum lease payments	**25,152**	22,322	**–**	–

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
NOTE 4 INCOME TAX				
(a) The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	**59,409**	48,440	**7,789**	4,826
Income tax calculated at 30% (2004: 30%)	**17,823**	14,532	**2,337**	1,448
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	**1,711**	474	–	–
Non-deductible interest	**2,527**	2,325	–	–
Share of net profits of associates, joint venture partnerships and entities	**(3,284)**	(2,996)	–	–
Write down of future income tax benefit	**152**	152	–	–
Rebateable dividends	**–**	–	**(2,533)**	(1,221)
Sundry items	**1,043**	104	**(19)**	–
Income tax adjusted for permanent differences	**19,972**	14,591	**(215)**	227
Effect of higher tax rate on overseas income	**80**	106	–	–
(Over)/under provision in previous year	**(1,767)**	108	**(1,963)**	–
Income tax expense/(benefit) attributable to profit from ordinary activities before impact of tax consolidation	**18,285**	14,805	**(2,178)**	227
Profit from ordinary activities before income tax expense – tax consolidated group (excluding parent entity)	**–**	–	**50,419**	37,727
Income tax calculated at 30% (2004: 30%)	**–**	–	**15,126**	11,318
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	**–**	–	**737**	474
Non-deductible interest	**–**	–	**2,527**	2,325
Infrastructure tax depreciation allowance	**–**	–	**(653)**	(1,050)
Sundry items	**–**	–	**739**	483
Income tax adjusted for permanent differences	**–**	–	**18,476**	13,550
Income tax expense – tax consolidated group (excluding parent entity)	**–**	–	**18,476**	13,550
Net deferred tax liabilities of tax consolidated group entities assumed on implementation of tax consolidation	**–**	–	**–**	(13,323)
Adjustments to deferred tax balances on implementation of tax consolidation	**–**	(34,594)	**–**	(35,468)
Compensation received from tax consolidated entities	**–**	–	**(2,815)**	(3,152)
Income tax expense/(benefit) attributable to profit from ordinary activities	**18,285**	(19,789)	**15,661**	(38,393)
(b) Included with the future income tax benefit shown in note 13 are tax losses carried forward as an asset at 30%	**–**	284	**–**	–

This benefit for tax losses will only be obtained if:

- the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or
- the losses are transferred to an eligible entity in the consolidated entity; and
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000

NOTE 5 CURRENT ASSETS – CASH ASSETS

		2005	2004	2005	2004
Cash at bank and on hand		**45,617**	31,474	**–**	–
Cash on deposit – at call		**44,000**	25,580	**–**	–
		89,617	57,054	**–**	–
The above figures are reconciled to cash at the end of the financial year:					
Balances as above		**89,617**	57,054	**–**	–
Balances per statements of cash flows		**89,617**	57,054	**(21,469)**	(8,490)

The parent entity's overdraft has been netted against deposit accounts held across the consolidated entity for cash balance reporting purposes. The cash flow reconciliation recognises the parent entity overdraft for cash flow purposes only.

Deposits at call
The deposits bear floating interest rates between 5.20% and 5.45% (2004: 4.75% and 5.25%) per annum.

Cash at bank
Cash balances of $6,658,642 (2004: $9,135,484) in Transfield Collinsville Pty Limited and Transfield Services Collinsville BV are not available for general use by the consolidated entity as at 30 June 2005. These funds can be used for payment of operating costs incurred on the Collinsville Power Station Project but can only be used for other purposes if certain conditions contained in the Collinsville Power Project Credit Facility Agreement are met.

Cash balances of $24,245,072 (2004: $9,428,996) in Transfield Townsville Pty Limited are not available for general use by the consolidated entity as at 30 June 2005. These funds can only be used for purposes prescribed in the Townsville Power Project Syndicated Facilities Agreement.

NOTE 6 CURRENT ASSETS – RECEIVABLES

		2005	2004	2005	2004
Trade and other debtors		**262,093**	206,921	**1,202**	233
Less: Provision for doubtful debts		**(972)**	(3,108)	**–**	–
		261,121	203,813	**1,202**	233
Loans to associates and joint venture partnerships and entities		**–**	1,006	**–**	–
Loans to employees		**3**	8	**–**	–
Other		**843**	882	**–**	–
		261,967	205,709	**1,202**	233

NOTE 7 CURRENT ASSETS – INVENTORIES

		2005	2004	2005	2004
Raw materials and stores – at cost		**13,068**	10,504	**–**	–
Work in progress – at cost		**44,750**	6,892	**–**	–
		57,818	17,396	**–**	–

NOTE 8 NON-CURRENT ASSETS – RECEIVABLES

		2005	2004	2005	2004
Loans to associates and joint venture partnerships and entities		**4,409**	8,400	**3,183**	5,460
Loans to controlled entities		**–**	–	**233,836**	153,507
Other debtors		**285**	130	**–**	–
		4,694	8,530	237,019	158,967

NOTE 9 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		2005	2004	2005	2004
Shares in associates	31	**33,560**	27,563	**49,323**	49,323
Equity interest in joint venture partnerships and entities	32	**43,393**	28,785	**–**	–
		76,953	56,348	**49,323**	49,323

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
NOTE 10 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS					
Shares in controlled entities – at cost	30	–	–	**39,072**	39,072
		–	–	**39,072**	39,072
NOTE 11 NON-CURRENT ASSETS – PROPERTY PLANT AND EQUIPMENT					
Land and leasehold improvements					
At cost		**4,591**	2,431	–	–
Less: Accumulated amortisation		**(471)**	(283)	–	–
		4,120	2,148	–	–
Plant and equipment					
At cost		**85,188**	47,694	–	–
Less: Accumulated depreciation		**(35,556)**	(22,249)	–	–
		49,632	25,445	–	–
Plant and equipment under finance lease		**18,741**	13,861	–	–
Less: Accumulated amortisation		**(5,765)**	(4,304)	–	–
		12,976	9,557	–	–
Deferred expenditure/capital work in progress – at cost		**4,434**	3,009	–	–
Total property plant and equipment		**71,162**	40,159	–	–

Reconciliations

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

	NOTES	LAND AND LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	LEASED PLANT AND EQUIPMENT $'000	DEFERRED EXPENDITURE/ CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Consolidated – 2005						
Carrying amount at 1 July 2004		2,148	25,445	9,557	3,009	40,159
Additions		303	9,323	4,880	4,434	18,940
Additions through acquisition of entity		109	29,216	–	–	29,325
Disposals, write-offs and transfers		1,748	(1,045)	–	(3,009)	(2,306)
Depreciation/amortisation expense	3	(188)	(13,307)	(1,461)	–	(14,956)
Carrying amount at 30 June 2005		4,120	49,632	12,976	4,434	71,162

	NOTES	LAND AND LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	LEASED PLANT AND EQUIPMENT $'000	DEFERRED EXPENDITURE/ CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Consolidated – 2004						
Carrying amount at 1 July 2003		1,436	24,920	7,273	1,742	35,371
Additions		456	3,463	319	2,701	6,939
Additions through acquisition of entity		398	4,838	3,638	–	8,874
Disposals, write-offs and transfers		(23)	606	(258)	(1,434)	(1,109)
Depreciation/amortisation expense	3	(119)	(8,382)	(1,415)	–	(9,916)
Carrying amount at 30 June 2004		2,148	25,445	9,557	3,009	40,159

NOTE 12 NON-CURRENT ASSETS – POWER GENERATION

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Power generation assets				
At cost	**400,553**	249,752	**–**	–
Less: Accumulated depreciation	**(46,697)**	(36,012)	**–**	–
	353,856	213,740	**–**	–
Capital work in progress	**194,672**	207,001	**–**	–
Total power generation assets	**548,528**	420,741	**–**	–

During the year an amount of $9,595,629 (2004: $20,871,309) comprising facility establishment costs and interest charges was included in the carrying balance of capital work in progress for the Kemerton Power Station.

Reconciliations of the carrying amounts of each class of the power generation assets at the beginning and end of the current and previous financial year are set out below:

	NOTES	POWER GENERATION ASSETS $'000
Consolidated – 2005		
Carrying amount at 1 July 2004		**420,741**
Additions and transfers from capital work in progress		**21,297**
Capital work in progress		**117,175**
Depreciation		**(10,685)**
Carrying amount at 30 June 2005	3	**548,528**
Consolidated – 2004		
Carrying amount at 1 July 2003		275,074
Additions and acquisitions		–
Capital work in progress		154,573
Depreciation	3	(8,906)
Carrying amount at 30 June 2004		420,741

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000

NOTE 13 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Future income tax benefit		**32,411**	34,627	**43**	21,940

NOTE 14 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Goodwill and intellectual property		**221,686**	41,953	**–**	–
Less: Accumulated amortisation		**(9,593)**	(4,507)	**–**	–
		212,093	37,446	**–**	–

NOTE 15 CURRENT LIABILITIES – PAYABLES

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Trade creditors		**186,881**	136,578	**–**	–
Other creditors		**73,692**	46,603	**46**	56
		260,573	183,181	**46**	56

NOTE 16 CURRENT LIABILITIES – INTEREST-BEARING LIABILITIES

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Unsecured					
Bridge facility and bank overdraft		**155,018**	–	**21,469**	8,490
Secured					
Lease liabilities	27	**3,061**	4,812	**–**	–
Non-recourse project finance loans – power generation		**21,172**	8,632	**–**	–
Total current interest-bearing liabilities		**179,251**	13,444	**21,469**	8,490

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 18.

NOTE 17 NON-CURRENT LIABILITIES – NON-INTEREST-BEARING LIABILITIES

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Unsecured					
Loans from associates		**12,945**	9,967	**12,945**	9,750
Loans from controlled entities		**–**	–	**15,593**	19,726
Total unsecured non-current liabilities		**12,945**	9,967	**28,538**	29,476

NOTE 18 NON-CURRENT LIABILITIES – INTEREST-BEARING LIABILITIES

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Secured					
Lease liabilities	27	**5,437**	3,735	**–**	–
Non-recourse project finance loans – power generation		**449,124**	357,410	**–**	–
Total secured non-current interest-bearing liabilities		**454,561**	361,145	**–**	–

Further information relating to loans from related parties is set out in note 29.

Total secured liabilities

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Total secured liabilities (current and non-current) are:					
Lease liabilities	27	**8,498**	8,547	**–**	–
Non-recourse project finance loans – power generation		**470,296**	366,042	**–**	–
Total secured liabilities		**478,794**	374,589	**–**	–

Non-recourse project finance loans – power generation
An amount of $95,931,704 (2004: $102,654,680) is secured by charge limited to the investment in and the assets of the controlled entities, Transfield Collinsville Pty Limited and Transfield Services Collinsville BV, in their role as joint venturers in the Collinsville consortium.

An amount of $165,202,996 (2004: $168,507,385) is secured by charge limited to the investment in and the assets of a controlled entity, Transfield Townsville Pty Limited.

An amount of $209,161,571 (2004: $94,879,603) is secured by charge limited to the investment in and the assets of a controlled entity, Transfield Services Kemerton Holdings Pty Limited, as trustee for the Transfield Services Kemerton Trust.

Assets pledged as security
The only assets pledged as security over the non-recourse debt for the year ended 30 June 2005 are those assets owned by the consolidated entity's power station companies.

The carrying amounts of non-current assets pledged as security are:

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Fixed and floating charge				
Receivables – non-current	**280**	280	**–**	–
Power generation plant and equipment	**538,901**	410,474	**–**	–
Total non-current assets pledged as security	**539,181**	410,754	**–**	–
The following current assets are also pledged as security under the floating charge:				
Cash assets	**30,904**	18,564	**–**	–
Receivables – current	**19,194**	23,875	**–**	–
Inventories	**2,622**	1,177	**–**	–
Other current assets	**1,329**	182	**–**	–
Total assets pledged as security	**593,230**	454,552	**–**	–

Financing arrangements
Unrestricted access was available at balance date to the following lines of credit:

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Credit standby arrangements				
Total facilities				
Bank overdrafts	**5,000**	5,000	**5,000**	5,000
Cash advance/ bank guarantees	**365,000**	215,000	**365,000**	215,000
	370,000	220,000	**370,000**	220,000
Used at balance date				
Bank overdrafts	**–**	–	**–**	–
Cash advance/bank guarantees	**267,614**	103,240	**267,614**	103,240
	267,614	103,240	**267,614**	103,240
Unused at balance date				
Bank overdrafts	**5,000**	5,000	**5,000**	5,000
Cash advance/bank guarantees	**97,386**	111,760	**97,386**	111,760
	102,386	116,760	**102,386**	116,760

These facilities were renewed by the consolidated entity in May 2004 for a period of three years at which time the consolidated entity expects to review the arrangements.

On 23 February 2005 a bridge facility for 12 months in the amount of $150 million was established. Negotiations to replace this bridge facility are currently in progress.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000

NOTE 19 CONTRIBUTED EQUITY

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Share capital				
Ordinary shares – fully paid	**282,836**	171,429	**282,836**	171,429

Movements in ordinary share capital

2005

DATE	DETAILS	NUMBER OF SHARES	$'000
1 July 2004	Opening balance	**138,000,000**	**171,429**
September 2004	Shares issued to Directors and executives from exercise of options	**7,195,000**	**12,104**
March 2005	Shares issued to the institutional and retail investors	**14,500,000**	**98,600**
March 2005	Shares issued to previous owners of the Broadspectrum Group	**285,792**	**2,100**
Less:	Transaction costs		**(1,397)**
30 June 2005	Balance	**159,980,792**	**282,836**

2004

DATE	DETAILS	NUMBER OF SHARES	$'000
1 July 2003	Opening balance	138,000,000	171,429
	Shares issued	–	–
30 June 2004	Balance	138,000,000	171,429

(a) 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 and amounts paid on the 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.

(b) Options and performance awards – please refer to Remuneration Report on pages 35 to 43.

NOTE 20 RESERVES AND RETAINED PROFITS

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
(a) Reserves					
Asset revaluation reserve		**8,955**	8,955	**–**	–
Foreign currency translation reserve		**1,939**	1,500	**–**	–
		10,894	10,455	**–**	–
Movements					
Asset revaluation reserve					
Balance 1 July 2004		**8,955**	12,792	**–**	–
Less: Tax consolidation adjustment		**–**	(3,837)	**–**	–
Balance 30 June 2005		**8,955**	8,955	**–**	–
Foreign currency translation reserve					
Balance 1 July 2004		**1,500**	557	**–**	–
Net exchange differences on translation of foreign controlled entity		**439**	943	**–**	–
Balance 30 June 2005		**1,939**	1,500	**–**	–
(b) Retained profits					
Retained profits at the beginning of the financial year		**61,122**	12,213	**39,855**	15,955
Net profit/(loss) attributable to members of Transfield Services Limited		**41,124**	68,229	**(7,873)**	43,220
Less: Dividends paid		**(26,045)**	(19,320)	**(26,045)**	(19,320)
Retained profits at the end of the financial year		**76,201**	61,122	**5,937**	39,855

Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) 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)(ii).

NOTE 21 EQUITY

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Total equity at the beginning of the financial year		**243,006**	196,991	**211,284**	187,384
Total changes in equity recognised in the Statements of Financial Performance		**41,124**	68,229	**(7,873)**	43,220
Transactions with owners as owners:					
Contributions of equity, net of transaction costs	19	**111,407**	–	**111,407**	–
Transfer to/(from) reserves	20(a)	**439**	(2,894)	**–**	–
Dividends paid	22	**(26,045)**	(19,320)	**(26,045)**	(19,320)
Total equity at the end of the financial year		**369,931**	243,006	**288,773**	211,284

	CONSOLIDATED		PARENT ENTITY	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
NOTE 22 DIVIDENDS				
Ordinary shares – fully franked at 30%				
2004 final dividend of 9 cents per fully paid share (2003: 7 cents)	**12,977**	9,660	**12,977**	9,660
2005 interim dividend of 9 cents per fully paid share (2004: 7 cents)	**13,068**	9,660	**13,068**	9,660
Total dividends provided for or paid	**26,045**	19,320	**26,045**	19,320

Since the end of the financial year, the Directors have resolved to pay a final dividend of 11 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The dividend will be paid on 10 October 2005 out of the profit for the year ended 30 June 2005.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30%	**3,804**	11,270	**3,804**	11,270

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

(a) franking credits that will arise from the payment of current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

(d) 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.

NOTE 23 FINANCIAL INSTRUMENTS

(a) Off-balance sheet derivative instruments
Certain controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange rates.

Interest rate swap contracts
It is policy to protect part of the consolidated entity's loans from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

The contracts require settlement of net interest receivable or payable every three, six or 12 months depending on the contract. The settlement dates generally coincide with the dates on which interest is payable on the underlying debt.

Swaps currently in place hedge the outstanding loan principal and are timed to expire as each loan repayment falls due. The fixed interest rates range between 5.75% and 9.60% per annum (2004: 5.75% and 9.60% per annum) and the variable rates are floating rates based on 180 day rollovers. As at balance date, the rate was 5.75% (2004: 5.26%) per annum.

At 30 June 2005, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2005 $'000	2004 $'000
Less than one year	**15,830**	13,834
Later than one year but less than five years	**99,148**	94,673
Later than five years	**284,357**	257,535
	399,335	366,042

Forward exchange contracts

The construction of the Kemerton Power Station is partly funded through the use of euros, and US dollars. It is policy to protect part of the foreign exchange exposure to changing exchange rates. Accordingly, the consolidated entity has entered into forward exchange contracts under which it purchases foreign currency at fixed rates. to purchase euros, and US dollars.

The contracts are timed to mature when major deliveries of works are scheduled to be invoiced by the constructor. The settlement dates generally coincide with the date when foreign currency payments are due pursuant to the underlying contractual commitment.

At balance date, the details of outstanding contracts are:

BUY EUROS	SELL AUSTRALIAN DOLLARS		EXCHANGE RATE	
	2005 $'000	2004 $'000	2005	2004
Maturity				
0-6 months	**20,086**	24,346	**0.6298**	0.5708
6-12 months	–	37,295		0.5708

BUY US DOLLARS	SELL AUSTRALIAN DOLLARS		EXCHANGE RATE	
	2005 $'000	2004 $'000	2005	2004
Maturity				
0-6 months	**2,148**	2,256	**0.7619**	0.6892
6-12 months	–	3,681		0.6892

(b) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the Statements of Financial Position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The total credit risk exposure of the consolidated entity could also be considered to include the difference between the carrying amount and the realisable amount.

The recognised financial assets of the consolidated entity include amounts receivable arising from unrealised gains on derivative financial instruments. For off-balance sheet financial instruments, including derivatives, which are deliverable, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

(c) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods are set out in the following table. For interest rates applicable to each class of asset or liability, refer to individual notes to the Financial Statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

The Australian dollar bank loans had an average variable interest rate of 6.11% per annum.

The New Zealand dollar bank loans had an average variable interest rate of 7.21% per annum.

2005			FIXED INTEREST RATE MATURING IN:				
	NOTES	FLOATING INTEREST RATE $'000	1 YEAR OR LESS $'000	OVER 1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST-BEARING $'000	TOTAL $'000
Financial assets							
Cash and deposits	5	**89,617**	–	–	–	–	**89,617**
Receivables and prepayments	6, 8	–	–	**2,106**	–	**267,187**	**269,293**
Other financial assets – investments	9	–	–	–	–	**76,953**	**76,953**
		89,617	–	**2,106**	–	**344,140**	**435,863**
Weighted average interest rate per annum		**5.25%**		**11.5%**			

NOTE 23 FINANCIAL INSTRUMENTS continued

2005	NOTES	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING IN: 1 YEAR OR LESS $'000	OVER 1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST-BEARING $'000	TOTAL $'000
Financial liabilities							
Bank overdraft, facilities and loans	16, 18	**625,314**	**–**	**–**	**–**	**–**	**625,314**
Trade and other creditors – current	15	**–**	**–**	**–**	**–**	**260,573**	**260,573**
Other creditors and loans – non-current	17	**–**	**–**	**–**	**–**	**12,945**	**12,945**
Lease liabilities	16, 18	**8,498**	**–**	**–**	**–**	**–**	**8,498**
Interest rate swaps*		**(399,335)**	**15,830**	**99,148**	**284,357**	**–**	**–**
		234,477	**15,830**	**99,148**	**284,357**	**273,518**	**907,330**
Weighted average interest rate per annum		**6.00%**	**9.10%**	**9.10%**	**9.10%**	**–**	**–**
Net financial (liabilities)/assets		**(144,860)**	**(15,830)**	**(97,042)**	**(284,357)**	**70,622**	**(471,467)**

* Notional principal amounts.

2004	NOTES	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING IN: 1 YEAR OR LESS $'000	OVER 1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST-BEARING $'000	TOTAL $'000
Financial assets							
Cash and deposits	5	57,054	–	–	–	–	57,054
Receivables and prepayments	6, 8	–	–	3,733	–	211,218	214,951
Other financial assets – investments	9	–	–	–	–	56,348	56,348
		57,054	–	3,733	–	267,566	328,353
Weighted average interest rate per annum		5.1%		11.5%			
Financial liabilities							
Bank overdrafts and loans	16, 18	366,042	–	–	–	–	366,042
Trade and other creditors – current	15	–	–	–	–	183,181	183,181
Other creditors and loans – non-current	17	–	–	–	–	9,967	9,967
Lease liabilities	16, 18	8,547	–	–	–	–	8,547
Interest rate swaps*		(366,042)	13,834	94,673	257,535	–	–
		8,547	13,834	94,673	257,535	193,148	567,737
Weighted average interest rate per annum		5.26%	9.1%	9.1%	9.1%	–	–
Net financial assets/(liabilities)		48,507	(13,834)	(90,940)	(257,535)	74,418	(239,384)

* Notional principal amounts.

(d) Net fair value of financial assets and liabilities

(i) On-balance sheet

The net fair value of cash and cash equivalents and non-interest-bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

For non-traded equity investments, the net fair value is an assessment by the Directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

(ii) Off-balance sheet

The net fair value of financial assets or financial liabilities arising from interest rate swap contracts has been determined as the carrying amount, which represents the amount currently receivable or payable at the reporting date, and the present value of the estimated future cash flows which have not been recognised as an asset or liability.

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 26.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2005		2004	
	CARRYING AMOUNT $'000	NET FAIR VALUE $'000	CARRYING AMOUNT $'000	NET FAIR VALUE $'000
On-balance sheet financial instruments				
Financial assets				
Cash	**89,617**	**89,617**	57,054	57,054
Trade debtors	**261,121**	**261,121**	203,813	203,813
Other debtors and prepayments	**3,760**	**3,760**	2,730	2,730
Loans to associates and joint venture partnerships and entities	**4,412**	**4,412**	8,408	8,408
Shares in associates and equity interests in joint venture partnerships and entities	**76,953**	**76,953**	56,348	56,348
Non-traded financial assets	**435,863**	**435,863**	328,353	328,353
Financial liabilities				
Trade creditors	**186,881**	**186,881**	136,578	136,578
Other creditors	**73,692**	**73,692**	46,603	46,603
Bank loans	**625,314**	**625,314**	366,042	366,042
Loans from associates	**12,945**	**12,945**	9,967	9,967
Lease liabilities	**8,498**	**8,498**	8,547	8,547
Non-traded financial liabilities	**907,330**	**907,330**	567,737	567,737
Off-balance sheet financial instruments				
Financial liabilities				
Forward exchange contracts	**–**	**(1,892)**	–	(1,197)
Interest rate swaps	**–**	**(27,804)**	–	26,929
	–	**(29,696)**	–	25,732

NOTE 24 REMUNERATION OF DIRECTORS AND EXECUTIVES

For details in relation to remuneration of Directors and executives, please refer to the Remuneration Report on pages 35 to 43.

NOTE 25 REMUNERATION OF AUDITORS

During the year, the following amounts were paid to the auditor of the parent entity, its related practices and non-related audit firms:

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other work under the *Corporations Act 2001*	**534,500**	417,000	**–**	–
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**241,214**	81,524	**–**	–
Total remuneration for audit services	**775,714**	498,524	**–**	–
2. Other assurance services				
Fees paid to PricewaterhouseCoopers Australian firm				
Due diligence services	**261,201**	–	**–**	–
External service charges reviews pockets etc.	**49,426**	67,560	**–**	–
Audit of regulatory returns	**2,000**	4,000	**–**	–
Accounting services, principally, AIFRS review	**106,280**	–	**–**	–
Fees paid to related practices of PricewaterhouseCoopers Australian firm for accounting services	**30,000**	20,098	**–**	–
Fees paid to related practices of PricewaterhouseCoopers Australian firm for due diligence services	**47,646**	–	**–**	–
Total remuneration for other assurance services	**496,553**	91,658	**–**	–
3. Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm				
Review of implementation of tax consolidation	**122,181**	160,134	**–**	–
Due diligence services	**244,931**	–	**–**	–
Advice on FBT	**–**	10,880	**–**	
Advice on GST	**21,300**	30,050	**–**	–
Advice on employee taxation	**9,050**	50,105	**–**	–
Other tax advisory services	**33,840**	51,025	**–**	–
Fees paid to related practices of PricewaterhouseCoopers Australian audit firms	**–**	86,882	**–**	–
Total remuneration for taxation services	**431,302**	389,076	**–**	–

NOTE 26 CONTINGENT LIABILITIES

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Details and estimates of maximum amounts of contingent liabilities are as follows:				
Bank guarantees in respect of contracts	**82,411**	103,240	**82,411**	103,240
Insurance bonds in respect of contracts	**31,295**	13,810	**31,295**	13,810
	113,706	117,050	**113,706**	117,050

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

The consolidated 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 partnerships and entities, of their contractual and financial obligations. These guarantees and indemnities only give rise to a liability where the consolidated entity fails to perform its contractual obligations. The parent company has a formal deed of guarantee to subsidiary companies.

An amount of $95,931,704 (2004: $102,654,680) is secured by charges limited to the investment in and the assets of the controlled entities, Transfield Collinsville Pty Limited and Transfield Services Collinsville BV.

An amount of $165,202,996 (2004: $168,507,385) is secured by charge limited to the investment in and the assets of a controlled entity, Transfield Townsville Pty Limited.

An amount of $209,161,571 (2004: $94,879,603) is secured by charge limited to the investment in and the assets of a controlled entity, Transfield Services Kemerton Holdings Pty Limited, as trustee for the Transfield Services Kemerton Trust.

No material losses are anticipated in respect of any of the above contingent liabilities.

For contingent liabilities relating to associates and joint venture partnerships and entities, refer to notes 31 and 32.

NOTE 27 COMMITMENTS FOR EXPENDITURE

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Operating leases					
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:					
Within one year		**22,207**	18,048	**–**	–
Later than one year but not later than five years		**36,491**	26,384	**–**	–
Later than five years		**1,067**	1,321	**–**	–
Commitments not recognised in the Financial Statements		**59,765**	45,753	**–**	–

At the completion of each operating lease term the consolidated entity has the option to renew the lease contract.

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Finance leases					
Commitments in relation to finance leases are payable as follows:					
Within one year		**3,393**	5,176	**–**	–
Later than one year but not later than five years		**4,045**	3,651	**–**	–
Later than five years		**2,499**	609	**–**	–
Minimum lease payments		**9,937**	9,436	–	–
Less: Future finance charges		**(1,439)**	(889)	**–**	–
Total lease liabilities recognised as a liability		**8,498**	8,547	**–**	–
Representing lease liabilities:					
Current	16	**3,061**	4,812	**–**	–
Non-current	18	**5,437**	3,735	**–**	–
		8,498	8,547	**–**	–

The average interest rate implicit in the leases is 7.43% (2004: 7.43%) per annum.

At the completion of each finance lease term the consolidated entity has an option to acquire the leased asset at its agreed fair value.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000

NOTE 27 COMMITMENTS FOR EXPENDITURE continued

Capital commitments

Commitments for the acquisition of power generation equipment contracted for at reporting date but not recognised as liabilities, payable:

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Within one year	**40,669**	100,238	–	–
Later than one year but not later than five years	–	40,669	–	–
	40,669	140,907	–	–

In addition to contracted commitments to complete construction, the Company is required to contribute equity of $44.05 million for the Kemerton Power Station Project on completion.

NOTE 28 EMPLOYEE BENEFITS

Employee benefit and related on-cost liabilities

Provision for employee benefits

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Current	**43,977**	29,221	–	–
Non-current	**17,417**	14,716	–	–
Aggregate employee benefit and related on-cost liability	**61,394**	43,937	–	–

As explained in note 1(u)(ii), the amounts for long service leave are measured at present value of estimated future commitments. The following assumptions were adopted in measuring present values:

	CONSOLIDATED 2005	CONSOLIDATED 2004	PARENT ENTITY 2005	PARENT ENTITY 2004
Weighted average rates of increase in annual entitlements to settlement of the liabilities per annum	**4.5%**	4.0%	–	–
Weighted average discount rates per annum	**5.05%**	5.05%	–	–
Employee numbers				
Number of employees at the end of the financial year	**9,138**	5,274	–	–

TranShare Executive Option Scheme

TranShare Executive Performance Award Plan

Transfield Services Executive Special Scheme

TranShare Plan

Details of the options and performance awards granted are set out in the Remuneration Report section of the Directors' Report on pages 35 to 43.

NOTE 29 RELATED PARTIES

Directors and specified executives

Disclosures relating to Directors and specified executives are set out in the Remuneration Report on pages 35 to 43.

Remuneration and retirement benefits

Disclosures relating to remuneration and retirement benefits are set out in the Remuneration Report on pages 35 to 43.

Directors and director-related entities

The following were Directors and shareholders of Transfield Holdings Pty Limited, a related party, and beneficial owners of the shareholding in Transfield Services Limited:

Guido Belgiorno-Nettis
Luca Belgiorno-Nettis.

Loans to Directors and director-related entities

There were no loans to Directors of entities in the consolidated entity or their director-related entities during the year or outstanding at the end of the year.

Loans to executives and executive-related entities

There were no loans to executives of entities in the consolidated entity or their executive related entities during the year or outstanding at the end of the year.

Transactions of Directors and director-related entities concerning shares or share options

Aggregated numbers of shares, share options and performance awards of Transfield Services Limited acquired or disposed of by the Directors of the Company and the consolidated entity or their director-related entities from the Company:

	PARENT ENTITY AND CONSOLIDATED	
	2005 NUMBER	2004 NUMBER
Acquisitions		
Ordinary shares	**2,401,076**	31,153
Options over ordinary shares	**–**	–
Performance awards over ordinary shares	**100,000**	–
Aggregate acquisition of ordinary shares includes:		
Acquired as part of the non-executive Directors' remuneration in July 2004, January 2005 and May 2005	**40,504**	31,153
Acquired by A F Shepherd, a non-executive Director, upon the exercise of options granted on 3 May 2001	**1,000,000**	–
Acquired by P Watson, Managing Director upon the exercise of options granted on 9 May 2001	**1,280,000**	–
Acquired by normal on-market means	**80,572**	–
	2,401,076	31,153

Aggregate numbers of shares and share options of Transfield Services Limited held directly, indirectly or beneficially by Directors of the Company or the consolidated entity or their director-related entities at balance date:

Ordinary shares	**39,746,774**	37,345,698
Options over ordinary shares	**–**	2,280,000
Performance awards over ordinary shares	**190,000**	90,000

Other transactions with Directors and director-related entities

There have been no other transactions entered into between the consolidated entity and Directors and/or director-related entities since 1 July 2004 except:

(a) (i) a director-related entity received consultancy fees totalling $135,633 during the year;

(ii) a Director received commercial benefits to the value of $120,000 comprising office space, car parking and secretarial support services; and

(iii) commercial rent of $66,316 was paid to a relative of the Managing Director for the use of an apartment for accommodation whilst undertaking business-related activities in Sydney;

(b) Continuation of an agreement for corporate and IT Services dated 14 February 2001 on normal commercial terms and conditions whereby:

(i) acquisition of IT assets at book value from Transfield Corporate Pty Limited by Transfield Services (Australia) Pty Limited at the commencement of the Agreement; and

(ii) Transfield Holdings Pty Limited acquires information technology services from Transfield Services (Australia) Pty Limited;

(c) Mutual Indemnity Agreement to provide for indemnities to:

(i) Transfield Services (Australia) Pty Limited for any tax liability arising from the disallowance of tax loss transfers; and

(ii) Transfield Holdings Pty Limited arising from the corporate and financial guarantees provided in support of Transfield Services Limited;

(d) ongoing provision of contract operations and maintenance services to entities controlled or significantly influenced by Transfield Holdings Pty Limited on normal commercial terms;

(e) ad hoc fees for consultancy provided between Transfield Services Limited and Transfield Corporate Pty Limited and/or Transfield Holdings Pty Limited; and

(f) various cost sharing arrangements that occur from time to time.

NOTE 29 RELATED PARTIES continued

Aggregate amounts of each of the above types of other transactions with Directors and their director-related entities:

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Corporate services provided by Transfield Corporate Pty Limited	**38,239**	41,542	**–**	–
Information technology services provided to Transfield Corporate Pty Limited	**341,638**	878,900	**–**	–
Provision of contract operations and maintenance services by Transfield Corporate Pty Limited	**–**	40,758	**–**	–
Recharge of shared services provided to Transfield Corporate Pty Limited	**207,263**	172,601	**–**	–
Other fees paid to Transfield Corporate Pty Limited for the provision of services	**–**	185,574	**–**	–

Other amounts paid to Directors and their director-related entities during the year:

Dividends	**6,941,863**	5,227,508	**6,941,863**	5,227,508

Wholly-owned group

The wholly-owned group consists of Transfield Services Limited and its wholly-owned controlled entities which are set out in note 30.

Transactions between Transfield Services Limited and other entities in the wholly-owned group during the years ended 30 June 2005 and 2004 consisted of:

(a) loans advanced by Transfield Services Limited;

(b) loans repaid to Transfield Services Limited;

(c) the payment of interest on the above loans; and

(d) transactions between Transfield Services Limited and its wholly-owned Australian controlled entities under the accounting tax sharing agreement.

There are no fixed terms for the repayment of principal on loans advanced by Transfield Services Limited. Interest was not charged on the loans during the year (2004: 2.0% per annum).

	NOTES	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with entities in the wholly-owned group:			
Interest revenue		**–**	1,782
Aggregate amounts receivable from entities in the wholly-owned group at balance date:			
Non-current receivables (loans)	8	**233,836**	153,507
Aggregate amounts payable to entities in the wholly-owned group at balance date:			
Non-current payables (loans)	17	**15,593**	19,726

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:

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Interest revenue – associates	**530**	728	**431**	593
Dividend revenue and cash distributions	**–**	–	**8,444**	4,070

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders. Other transactions 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. The average interest rate on loans during the year was 11.55% (2004: 11.55%) per annum.

Aggregate amounts brought to account in relation to transactions with other related parties:

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Proceeds from borrowings – associates and joint venture partnerships and entities	**10,441**	4,062	**5,472**	3,845
Loans to associates and joint venture partnerships and entities	–	1,044	–	1,727

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

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Current receivables				
Associates and joint venture partnerships and entities (loans)	–	1,006	–	–
Non-current receivables				
Associates and joint venture partnerships and entities (loans)	**4,409**	8,400	**3,183**	5,460
Non-interest-bearing liabilities				
Associates and joint venture partnerships and entities (loans)	**12,945**	9,967	**12,945**	9,750

Controlling entities
The ultimate parent entity in the wholly-owned group is Transfield Services Limited.

Ownership interests in related parties
Interests held in the following classes of related parties are set out in the following notes:

(a) controlled entities 30

(b) associates 31

(c) joint venture partnerships and entities 32.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 30 INVESTMENTS IN CONTROLLED ENTITIES

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES AS APPLICABLE	EQUITY HOLDING 2005 %	EQUITY HOLDING 2004 %	COST OF PARENT ENTITY'S INVESTMENT 2005 $'000	COST OF PARENT ENTITY'S INVESTMENT 2004 $'000
Transfield Services (Holdings) Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transfield Services (Australia) Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transfield Services (International) Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transfield Services (New Zealand) Limited	New Zealand	Ordinary	**100**	100	**–**	–
Transfield Services Infrastructure (New Zealand) Limited	New Zealand	Ordinary	**100**	100	**–**	–
Transfield Services (Fiji) Limited	Fiji	Ordinary	**100**	100	**–**	–
Transfield Energy Fund (No. 2) Pty Limited	Australia	Ordinary	**100**	100	**30,213**	30,213
Transfield Townsville Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transfield Collinsville Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transfield Services Collinsville BV	The Netherlands	Ordinary	**100**	100	**8,859**	8,859
Transfield Metrolink Pty Limited	Australia	Ordinary	**100**	100	**–**	–
REB Engineering Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Collinsville Operations Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transhare Plan Company Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transfield Retirement Fund Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transfield Services (Malaysia) Sdn Bhd	Malaysia	Ordinary	**100**	100	**–**	–
Transfield Services (Asia) Sdn Bhd	Malaysia	Ordinary	**100**	100	**–**	–
Transfield Services Kemerton Holdings Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transfield Services (Brisbane Ferries) Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Serco Group New Zealand Limited	New Zealand	Ordinary	**100**	100	**–**	–
Transfield Services Kwinana Pty Limited	Australia	Ordinary	**100**	–	**–**	–
Transfield Services Energy (Kwinana) Pte Limited (acq. 31 Jan 2005)	Singapore	Ordinary	**100**	–	**–**	–
Broadspectrum Australia Pty Limited (acq. 31 Jan 2005)	Australia	Ordinary	**100**	–	**–**	–
Broadspectrum Resources Pty Limited (acq. 31 Jan 2005)	Australia	Ordinary	**100**	–	**–**	–
Broadspectrum Australia (WA) Pty Limited (acq. 31 Jan 2005)	Australia	Ordinary	**100**	–	**–**	–
Broadspectrum Australia (QLD) Pty Limited (acq. 31 Jan 2005)	Australia	Ordinary	**100**	–	**–**	–
Crimp-1 Pty Limited (acq. 31 Jan 2005)	Australia	Ordinary	**100**	–	**–**	–
Beshold Pty Limited (acq. 31 Jan 2005)	Australia	Ordinary	**100**	–	**–**	–
AREVA T&D (New Zealand) Limited (acq. 28 Feb 2005)	New Zealand	Ordinary	**100**	–	**–**	–
Global Broadspectrum CCM Limited (acq. 31 Jan 2005)	Mauritius	Ordinary	**100**	–	**–**	–
Broadspectrum Pte Limited (acq. 31 Jan 2005)	Singapore	Ordinary	**100**	–	**–**	–
Global Broadspectrum Sdn Bhd (acq. 31 Jan 2005)	Malaysia	Ordinary	**100**	–	**–**	–
Broadspectrum Asia Pacific Ltd (acq. 31 Jan 2005)	Hong Kong	Ordinary	**100**	–	**–**	–
Austoil & Gas Management Services Pty Limited (acq. 31 Jan 2005)	Singapore	Ordinary	**100**	–	**–**	–
					39,072	39,072

Acquisition of controlled entities

The following entities were acquired during the year. The operating results of these entities have been included in the consolidated Financial Statements since the respective dates of acquisition.

NAME	% ACQUIRED	DATE
AREVA T&D (New Zealand) Limited	100	28 February 2005
Transfield Services Energy (Kwinana) Pte Limited	100	31 January 2005
Broadspectrum Australia Pty Limited	100	31 January 2005
Broadspectrum Resources Pty Limited	100	31 January 2005
Broadspectrum Australia (WA) Pty Limited	100	31 January 2005
Broadspectrum Australia (QLD) Pty Limited	100	31 January 2005
Crimp-1 Pty Limited	100	31 January 2005
Beshold Pty Limited	100	31 January 2005
Global Broadspectrum CCM Limited	100	31 January 2005
Broadspectrum Pte Limited	100	31 January 2005
Global Broadspectrum Sdn Bhd	100	31 January 2005
Broadspectrum Asia Pacific Ltd	100	31 January 2005
Austoil & Gas Management Services Pty Limited	100	31 January 2005

	AREVA GROUP OF COMPANIES $'000	TRANSFIELD SERVICES ENERGY (KWINANA) PTE LIMITED $'000	BROADSPECTRUM GROUP OF COMPANIES $'000
Cash	9,682	–	692
Investment	–	12,281	–
Debtors and prepayments	32,788	–	11,181
Inventories and work in progress	40,707	–	166
Fixed assets	27,053	–	2,272
Intangible assets	16,609	–	–
Deferred tax assets	–	–	203
Trade and other creditors	(33,751)	–	(9,682)
Interest-bearing liabilities	–	–	–
Deferred tax liabilities	(2,011)	–	–
Employee benefits	(8,763)	–	(514)
	82,314	12,281	4,318
Goodwill	134,564	12,969	13,591
	216,878	25,250	17,909
Consideration satisfied by:			
Shares issued	–	–	2,100
Cash	216,878	25,250	15,809
	216,878	25,250	17,909

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Outflow of cash to acquire controlled entities, net of cash acquired				
Cash consideration	257,937	10,859	–	–
Less: Balances acquired				
Cash	(10,374)	(726)	–	–
Outflow of cash	247,563	10,133	–	–

NOTE 31 INVESTMENTS IN ASSOCIATES

NAME OF COMPANY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2005 %	OWNERSHIP INTEREST 2004 %	CONSOLIDATED CARRYING AMOUNT 2005 $'000	CONSOLIDATED CARRYING AMOUNT 2004 $'000	PARENT ENTITY CARRYING AMOUNT 2005 $'000	PARENT ENTITY CARRYING AMOUNT 2004 $'000
Yan Yean Water (Holdings) Pty Limited#	Water filtration plant	**50**	50	**3,737**	3,131	**3,562**	3,562
Macarthur Water (Holdings) Pty Limited#	Water filtration plant	**50**	50	**10,741**	7,478	**27,348**	27,348
Translink Investments Pty Limited	Electronic tolling equipment	**50**	50	**2,366**	2,056	**8,413**	8,413
Metrolink Victoria Pty Limited	Tram franchise operator	**50**	50	**10,000**	10,000	**10,000**	10,000
Transfield Worley Limited	Engineering, consulting and project managers	**50**	50	**6,036**	4,705	**–**	–
Five D Holdings Pty Limited	Operations and maintenance	**50**	50	**33**	24	**–**	–
Transfield Procurement Services Pty Limited	Procurement services	**50**	50	**255**	169	**–**	–
Transfield BRW Services Pty Limited	Operations and maintenance	**50**	–	**306**	–	**–**	–
Transfield Services Qatar LLC	Operations and maintenance	**49**	–	**–**	–	**–**	–
Tspec LLC	Investment company	**49**	–	**86**	–	**–**	–
				33,560	27,563	**49,323**	49,323

Reporting date 31 March.

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**27,563**	18,751
Net additions to equity	**131**	4,948
Share of operating profits after income tax	**6,512**	4,724
Dividend received/receivable	**(500)**	(700)
Amortisation of goodwill	**(146)**	(160)
Carrying amount at the end of the financial year	**33,560**	27,563
Results attributable to associates		
Operating profits before income tax	**7,145**	6,806
Income tax expense	**(633)**	(2,082)
Operating profits after income tax	**6,512**	4,724
Less: Dividends received/receivable	**(500)**	(700)
	6,012	4,024
Retained profits attributable to associates at the beginning of the financial year	**14,225**	10,201
Retained profits attributable to associates at the end of the financial year	**20,237**	14,225
Share of associates' expenditure commitments		
Lease commitments	**1,613**	967
Other commitments	**–**	–
	1,613	967

NOTE 32 INTERESTS IN JOINT VENTURE PARTNERSHIPS AND ENTITIES

NAME OF JOINT VENTURE	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2005 %	OWNERSHIP INTEREST 2004 %	CONSOLIDATED CARRYING AMOUNT 2005 $'000	CONSOLIDATED CARRYING AMOUNT 2004 $'000	PARENT ENTITY CARRYING AMOUNT 2005 $'000	PARENT ENTITY CARRYING AMOUNT 2004 $'000
Joint venture partnerships and entities							
Transfield Worley (Woodside) Alliance	Operations and maintenance	**50**	50	**14,178**	15,273	**–**	–
Transfield RIC JV	Operations and maintenance	**50**	50	**864**	810	**–**	–
TGE JV#	Operations and maintenance	**49**	49	**10,373**	10,023	**–**	–
Yarra Trams JV	Operations and maintenance	**50**	50	**2,563**	2,203	**–**	–
Transfield Worley Solutions JV	Operations and maintenance	**50**	50	**1,054**	(210)	**–**	–
Brisbane Ferries	Operations and maintenance	**50**	50	**1,292**	704	**–**	–
Resolve Change Services	Intellectual property services	**–**	50	**–**	(18)	**–**	–
Transfield Worley Services	Operations and maintenance	**50**	–	**–**	–	**–**	–
Perth Power Partnership (Kwinana)#	Power station	**30**	–	**12,950**	–	**–**	–
Transfield Worley TRAGS	Operations and maintenance	**27.5**	–	**119**	–	**–**	–
				43,393	28,785	**–**	–

Reporting date 31 December.

CONSOLIDATED – 2005

	2005 $'000	2004 $'000
Retained profits attributable to the joint venture partnerships and entities		
At the beginning of the financial year	**8,198**	4,599
Current year profits before tax	**13,219**	9,559
Distributions	**(7,944)**	(5,960)
At the end of the financial year	**13,473**	8,198
Movement in carrying value of investment in joint venture partnerships and entities		
Carrying amount at the beginning of the financial year	**28,785**	25,628
Addition of equity	**13,391**	252
Share of operating profits before income tax	**13,219**	9,559
Advance from/(to) joint venture	**(3,364)**	–
Distributions/dividends received	**(7,944)**	(5,960)
Amortisation of goodwill	**(694)**	(694)
Carrying amount at the end of the financial year	**43,393**	28,785

NOTE 32 INTERESTS IN JOINT VENTURE PARTNERSHIPS AND ENTITIES continued

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Share of joint venture partnerships and entities' assets and liabilities				
Current assets	**90,396**	79,951	**–**	–
Non-current assets	**46,324**	11,876	**–**	–
Total assets	**136,720**	91,827	**–**	–
Current liabilities	**(48,110)**	(42,613)	**–**	–
Non-current liabilities	**(48,961)**	(21,742)	**–**	–
Total liabilities	**(97,071)**	(64,355)	**–**	–
Net assets	**39,649**	27,472	**–**	–
Share of joint venture partnerships and entities' revenues, expenses and results				
Revenues	**227,177**	155,835	**–**	–
Expenses	**(213,958)**	(146,276)	**–**	–
Operating profits before income tax	**13,219**	9,559	**–**	–
Share of joint venture partnerships and entities' commitments				
Lease commitments	**59,653**	102,467	**–**	–
Other commitments	**19,743**	15,362	**–**	–
Total expenditure commitments	**79,396**	117,829	**–**	–

NOTE 33 RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	PARENT ENTITY 2005 $'000	PARENT ENTITY 2004 $'000
Operating profit/(loss) after income tax	**41,124**	68,229	**(7,873)**	43,220
Depreciation and amortisation	**30,727**	20,658	**–**	–
Non-cash tax consolidation adjustments	**–**	(34,594)	**–**	(38,620)
(Profit)/loss on disposal of plant and equipment	**(103)**	604	**–**	–
Share of profits of associates and joint ventures not received as dividends or distributions	**(10,449)**	(6,768)	**–**	–
Bad debts written off	**687**	–	**–**	–
Write back of provision for doubtful debts	**(2,491)**	–	**–**	–
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
(Increase) in trade and other debtors	**(13,571)**	(21,626)	**–**	(161)
Decrease in inventories	**451**	21,665	**–**	–
Decrease/(increase) in future income tax benefit	**2,419**	(3,871)	**21,897**	–
Decrease/(increase) in other operating assets	**–**	4,369	**(969)**	–
Decrease/(increase) in trade and other creditors	**32,849**	7,731	**(10)**	(774)
(Decrease)/increase in provision for income taxes payable	**(20,191)**	8,287	**3,135**	(1,867)
Increase/(decrease) in provision for deferred income tax	**13,358**	(212)	**(11,816)**	–
Increase/(decrease) in other provisions	**8,180**	(670)	**–**	–
Net cash inflow from operating activities	**82,990**	63,802	**4,364**	1,798

NOTE 34 EARNINGS PER SHARE

	CONSOLIDATED 2005 NUMBER	CONSOLIDATED 2004 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating the basic earnings per share	**148,284,161**	138,000,000
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**148,320,328**	143,507,660

For the purposes of the calculation of diluted earnings per share, only those options and performance awards which have vested in the individual have been included.

	2005 CENTS	2004 CENTS
(i) Including tax consolidation		
Basic earnings per share	**27.73**	49.44
Diluted earnings per share	**27.73**	47.54

	2005 $'000	2004 $'000
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Net profit after income tax	**41,124**	68,229
Earnings used in basic and diluted earnings per share	**41,124**	68,229

	2005 CENTS	2004 CENTS
(ii) Excluding tax consolidation		
Basic earnings per share	**27.73**	24.37
Diluted earnings per share	**27.73**	23.44

	2005 $'000	2004 $'000
Reconciliation of earnings used in calculating earning per share		
Net profit after income tax	**41,124**	68,229
Less: impact of tax consolidation adjustment	–	(34,594)
	41,124	33,635

NOTE 35 SEGMENT INFORMATION

Business segments

(i) Operations and maintenance outsourcing services

These services involve the provision of structural, mechanical, civil, instrumentation and electrical maintenance, as well as the management of facilities and systems.

(ii) Infrastructure ownership and management

The Company owns or part owns six infrastructure investments which comprise interests in the Townsville, Kemerton, Collinsville and Kwinana power stations and the Macarthur and Yan Yean water filtration plants.

Intersegment pricing

Intersegment pricing is on an "arms-length" basis and transactions are eliminated on consolidation.

Geographical segments

As a result of the consolidated entity's expansion, New Zealand is now considered as a separate geographical segment.

Primary reporting – business segments

2005	INFRASTRUCTURE $'000	SERVICES $'000	CONSOLIDATED $'000
Sales to external customers	68,089	1,436,265	1,504,354
Total sales revenue	68,089	1,436,265	1,504,354
Other revenue	1,810	7,359	9,169
Segment revenue	69,899	1,443,624	1,513,523
Shares of net profits of associates and joint venture partnerships and entities	4,539	14,354	18,893
Total	74,438	1,457,978	1,532,416
Segment result	19,836	39,573	59,409
Unallocated revenue less unallocated expenses	–	–	–
Profit from ordinary activities before income tax expense	19,836	39,573	59,409
Income tax expense	8,633	9,652	18,285
Profit from ordinary activities after income tax expense	11,203	29,921	41,124
Segment assets	647,307	722,472	1,369,779
Unallocated assets	–	–	–
Total assets	647,307	722,472	1,369,779
Segment liabilities	497,174	502,674	999,848
Unallocated liabilities	–	–	–
Total liabilities	497,174	502,674	999,848
Investments in associates and joint venture partnerships and entities	27,428	49,525	76,953
Acquisitions of property, plant and equipment, intangibles and non-current segment assets	163,722	253,727	417,449
Depreciation and amortisation expense	11,287	19,440	30,727
Other non-cash expenses	–	687	687

2004	INFRASTRUCTURE $'000	SERVICES $'000	CONSOLIDATED $'000
Sales to external customers	58,201	1,172,135	1,230,336
Total sales revenue	58,201	1,172,135	1,230,336
Other revenue	2,218	5,073	7,291
Segment revenue	60,419	1,177,208	1,237,627
Shares of net profits of associates and joint venture partnerships and entities	3,046	10,380	13,426
Total	63,465	1,187,588	1,251,053

2004 CONTINUED	INFRASTRUCTURE $'000	SERVICES $'000	CONSOLIDATED $'000
Segment result	15,389	33,051	48,440
Unallocated revenue less unallocated expenses	–	–	–
Profit from ordinary activities before income tax expense	15,389	33,051	48,440
Income tax benefit/(expense)	29,179	(9,390)	19,789
Profit from ordinary activities after income tax expense	44,568	23,661	68,229
Segment assets	475,343	403,379	878,722
Unallocated assets	–	–	–
Total assets	475,343	403,379	878,722
Segment liabilities	377,429	258,287	635,716
Unallocated liabilities	–	–	–
Total liabilities	377,429	258,287	635,716
Investments in associates and joint venture partnerships and entities	10,609	45,739	56,348
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	154,573	20,944	175,517
Depreciation and amortisation expense	9,088	11,570	20,658
Other non-cash expenses	347	2,185	2,532

Secondary reporting – geographical segments

	SEGMENT REVENUES		SEGMENT ASSETS		ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLES AND OTHER NON-CURRENT SEGMENT ASSETS	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Australia	**1,239,102**	1,140,377	**1,108,198**	813,204	**251,270**	162,642
New Zealand	**267,234**	92,275	**258,130**	63,217	**166,108**	12,875
Other countries	**7,187**	4,975	**3,451**	2,301	**71**	–
Total	**1,513,523**	1,237,627	**1,369,779**	878,722	**417,449**	175,517

Notes to and forming part of the segment information

Accounting policies

Segment information is prepared in conformity with the accounting policies of the consolidated entity as disclosed in note 1 and the segment reporting accounting standard, AASB 1005 *Segment Reporting*.

Segment revenues, expenses assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors and employee benefits. Segment assets and liabilities include income taxes.

NOTE 36 EVENTS OCCURRING AFTER REPORTING DATE

On 23 August 2005, the Directors resolved to pay a fully-franked dividend of 11 cents per share on 10 October 2005.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the Financial Statements and notes set out on pages 46 to 81 and remuneration disclosures on pages 35 to 43 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 Company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of parent guarantee described in note 26.

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.

Dean Wills AO
Director

Peter Watson
Managing Director

Sydney
24 August 2005

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TRANSFIELD SERVICES LIMITED

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Audit opinion

In our opinion, the financial report of Transfield Services Limited:

– gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Transfield Services Limited and the Transfield Services Group as at 30 June 2005, and of their performance for the year ended on that date; and

– is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and Directors' responsibility

The financial report comprises the Statements of Financial Position, Statements of Financial Performance, Statements of Cash Flows, accompanying notes to the Financial Statements, and the Directors' declaration for both Transfield Services Limited (the Company) and the Transfield Services Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the Company and the entities it controlled during that year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further information on an audit, visit our website: http//www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

– examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

– assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by Directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

R L Gavin
Partner

Sydney
24 August 2005

Liability limited by a scheme approved under Professional Standards Legislation

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 August 2005.

A. Distribution of equity securities

Analysis of numbers of security holders by size of holding:

RANGE	TOTAL HOLDERS	UNITS	% ISSUED CAPITAL
1 – 1,000	1,521	1,047,255	0.7%
1,001 – 5,000	4,178	10,409,466	6.5%
5,001 – 10,000	833	5,899,944	3.7%
10,001 – 100,000	485	10,534,080	6.5%
100,001 and over	53	132,090,047	82.6%
Total	7,070	159,980,792	100.00%

B. Equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

NAME	UNITS AS AT 26/08/05	% ISSUED CAPITAL	RANK
Transfield (TSL) Pty Ltd	48,125,000	30.08	1
Citicorp Nominees Pty Ltd (various funds)	17,460,248	10.91	2
JP Morgan Nominees Australia Ltd	15,118,260	9.45	3
Westpac Custodian Nominees Ltd (various funds)	11,919,261	7.45	4
National Nominees Ltd	10,453,879	6.53	5
Cogent Nominees Pty Ltd	5,631,460	3.52	6
Queensland Investment Corporation	3,405,501	2.13	7
ANZ Nominees Ltd	2,498,621	1.56	8
AMP Life Ltd	2,066,336	1.29	9
Anthony Francis Shepherd	1,607,389	1.00	10
Frami Pty Ltd	1,521,911	0.95	11
UBS Private Clients Australia Nominees Pty Ltd and UBS Nominees Ltd	1,461,677	0.92	12
Peter Lawrence Watson	1,350,561	0.84	13
Joseph Hossein Sadatmehr	1,180,000	0.74	14
HSBC Custody Nominees (Australia) Ltd	872,754	0.55	15
Government Superannuation Office	663,213	0.41	16
Bond Street Custodians Ltd	549,301	0.34	17
Milton Corporation Ltd	506,826	0.32	18
Coolidge Holdings Pty Ltd	500,000	0.31	19
Victorian WorkCover Authority	431,567	0.27	20
	127,323,765		

C. Substantial holders

Substantial holders in the Company are set out below:

	NUMBER HELD	PERCENTAGE
Ordinary shares		
Transfield (TSL) Pty Ltd	48,125,000	30.08
Citicorp Nominees Pty Ltd (various funds)	17,460,248	10.91
JP Morgan Nominees Australia Ltd	15,118,260	9.45
Westpac Custodian Nominees Ltd	11,919,261	7.45
National Nominees Ltd	10,453,879	6.53

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote, and upon a poll each share shall have one vote.

(b) Options and performance awards

No voting rights.

CORPORATE DIRECTORY

Directors
Tony Shepherd
Chairman

Bernard Wheelahan
Deputy Chairman

Peter Watson
Managing Director

Guido Belgiorno-Nettis

Luca Belgiorno-Nettis

Professor Steve Burdon

Denis Cleary

Mel Ward AO

Company Secretary and General Counsel
Fred Bidwell

Executive Managers
Darce Corsie
Chief Executive Officer
Infrastructure Investments

William Fazl
General Manager
Business Information Services

Matthew Irwin
Chief Financial Officer

Bruce James
Group General Manager

Steven MacDonald
Group General Manager
Strategy and Development

Joseph Sadatmehr
Chief Executive Officer International and
Chief Operating Officer Australia

Martin Van Hoek
Group Risk Officer

Stephen Woodhill
General Manager
Corporate Affairs

Notice of annual general meeting
The annual general meeting of
Transfield Services Limited **will be held at**
the Australian Stock Exchange Auditorium,
18 Bridge Street, Sydney NSW 2000
Time 10.00 am
Date 27 October 2005.
A formal notice of meeting is enclosed.

Principal registered office in Australia
Level 12, Maritime Towers
201 Kent Street
Sydney NSW 2000

Share registry
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Auditor
PricewaterhouseCoopers
Chartered Accountants
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Solicitors
Minter Ellison
Aurora Place
88 Phillip Street
Sydney NSW 2000

Bankers
Australia and New Zealand
Banking Group Limited
20 Martin Place
Sydney NSW 2000

Westpac Banking Corporation
255 Elizabeth Street
Sydney NSW 2000

Stock exchange quotation
Transfield Services Limited shares are
quoted on the Australian Stock Exchange.

Website address
www.transfieldservices.com

Transfield Services Limited
ABN 69 000 484 417

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