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.

The Financial Report is presented in Australian currency.

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

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

The Financial Report was authorised for issue by the Directors on 27 August 2007. The Company has the power to amend and reissue the Financial Report.

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

For queries in relation to our reporting please call 02 9464 1000 or email 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 2007.

Directors

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

Anthony Shepherd (Chairman)
Guido Belgiorno-Nettis AM
Luca Belgiorno-Nettis
Professor Steve Burdon
Denis Cleary
Mel Ward AO
Peter Watson (Managing Director and CEO)
Bernard Wheelahan (Deputy Chairman)

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.

On 12 June 2007, Transfield Services Limited conducted an initial public offering of Transfield Services Infrastructure Fund, the owner of investments in five power stations and two water filtration plants. Transfield Services Limited retains a 49 per cent share in Transfield Services Infrastructure Fund, as well as providing services under the Management Services Agreement and the Operations and Maintenance Agreement.

During the year, the consolidated entity expanded the operations of these activities through:

(a) acquiring 100 per cent of the issued capital of USM Holdings Corporation, a company which provides operations and maintenance services across North America;

(b) acquisition of Hofincons Infotech Industrial Services Pte Limited in India;

(c) establishment of Flint Transfield Services Limited in Canada, a 50/50 joint venture company between Transfield Services Limited and Flint Energy Services Limited. Flint Transfield Services Limited was subsequently successful in securing a $1.1 billion contract over five years with Suncor Energy Inc for outsourced operations and maintenance services; and

(d) acquiring 100 per cent of the issued capital of TIMEC Holdings Inc., a leading provider of industrial services to 39 refineries in the United States.

Dividends

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

	2007 $'000	2006 $'000
Final ordinary dividend for the year ended 30 June 2006 paid on 9 October 2006	**21,068**	17,598
Interim ordinary dividend paid on 10 April 2007	**25,750**	17,771
	46,818	35,369
	CENTS	CENTS
Final ordinary dividend	**13**	11
Interim ordinary dividend	**13**	11

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 18 cents per fully paid share, being $35,651,439 to be paid on 8 October 2007 out of retained profits at 30 June 2007.

Review of operations

The detailed review of operations is set out on pages 22 to 29.

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

	SEGMENT REVENUE 2007 $'000	SEGMENT REVENUE 2006 $'000	SEGMENT RESULT 2007 $'000	SEGMENT RESULT 2006 $'000
Operations and maintenance outsourcing services (continuing operations)	**2,294,364**	1,785,317	**77,176**	42,477
Infrastructure ownership and management (discontinued operations)	**142,450**	138,734	**106,797**	30,003
Total segment revenue	**2,436,814**	1,924,051		
Profit before income tax expense			**183,973**	72,480
Income tax expense			**(69,645)**	(16,890)
Profit after income tax expense			**114,328**	55,590
(Profit)/loss attributable to minority interests			**(28)**	3
Profit attributable to members of Transfield Services Limited			**114,300**	55,593

EARNINGS PER SHARE	2007 CENTS	2006 CENTS
Basic earnings per share	**60.19**	33.90
Diluted earnings per share	**60.19**	33.90

Significant changes in the state of affairs

The Group raised $269,833,200 in equity through a successful rights offer. Proceeds were used to partially repay debt arising from the acquisition of US Maintenance in July 2006.

The Group made several significant acquisitions during the year including US Maintenance for US$270 million, TIMEC Holdings Inc for US$100 million (before working capital adjustments), acquisition of 14.04 per cent stake in Greater Energy Alliance Corporation Pty Limited which owns the Loy Yang A power station for $179.4 million and Hofincons Infotech Industrial Services Pte Ltd for $9.3 million.

During the year, the Group transferred its infrastructure assets into a separate vehicle and successfully floated these as the Transfield Services Infrastructure Fund (the Fund). Transfield Services retains a 49 per cent interest in the Fund. This transaction represents a loss of control of the infrastructure group and the adoption of equity accounting as Transfield Services now exerts only significant influence over the activities of the Fund. As a result, the infrastructure business has been reported as a discontinued operation effective from 1 July 2005 in the income statements.

Matters subsequent to the end of the financial year

The Group refinanced its existing debt facilities with ANZ and Westpac into a $750 million multi option facility with eight leading domestic and international banks. The facilities have tranches of one, three and five years.

Other than the above, there have been no matters or circumstances that have arisen since 30 June 2007 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

Because of the diversity of its operations in many regulatory frameworks, it is essential that Transfield Services has a systematic and adaptable approach to environmental management across 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).

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 2007, and the numbers of meetings attended by each Director were:

	FULL MONTHLY MEETING OF DIRECTORS AVAILABLE TO ATTEND	BOARD SUB-COMMITTEE	EXTRA ORDINARY BOARD MEETINGS HELD	MEETINGS OF COMMITTEES				
				RACC	DTRC	REMOD	HSSC	NOMC
No. of meetings held:	8	2	8*	4	2	8	5	0
No. of meetings attended by:								
Anthony Shepherd	8	2	7	2+	2	5■	1+	–
Guido Belgiorno-Nettis AM	7	1●	4	–	1	6	–	–
Luca Belgiorno-Nettis	8	–	8	2	–	–	5	–
Professor Steve Burdon	8	2	6	3	2	–	1+	–
Denis Cleary	7	1●	4	4	–	–	5	–
Mel Ward AO	8	2	7	3	1+	7	–	–
Peter Watson	8	2	7	3#	2	8	4	–
Bernard Wheelahan	7	2	5	–	2	1■	4	–

Notes:
* As Extraordinary Board 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 as non-core members.
● Directors excused themselves due to a conflict of interest.
■ Anthony Shepherd ceased membership in February 2007 and was replaced by Bernard Wheelahan.
RACC = Risk, Audit and Compliance Committee
DTRC = Development and Tender Review Committee
REMOD = Remuneration and Organisational Development Committee
HSSC = Health, Safety and Sustainability Committee
NOMC = Nomination Committee

Information on Directors

Details of the Directors' responsibilities and shareholdings are set out below.

DIRECTOR	SPECIAL RESPONSIBILITIES	PARTICULARS OF DIRECTORS' INTERESTS IN SHARES AND PERFORMANCE AWARDS OF TRANSFIELD SERVICES LIMITED		INDIRECT INTEREST IN TRANSFIELD SERVICES LIMITED THROUGH TRANSFIELD (TSL) PTY LTD
		ORDINARY SHARES	PERFORMANCE AWARDS	
Anthony Shepherd	Chairman of Board of Directors and the Development and Tender Review Committee. Member of the Remuneration and Organisational Development Committee (until February 2007) and the Nomination Committee.	1,684,222*	–	–
Guido Belgiorno-Nettis AM	Member of the Remuneration and Organisational Development Committee, the Development and Tender Review Committee and the Nomination Committee.	1,255,874	–	21,964,000
Luca Belgiorno-Nettis	Member of the Risk, Audit and Compliance Committee, the Health, Safety and Sustainability Committee and the Nomination Committee.	1,470,112*	–	21,964,000
Professor Steve Burdon	Member of the Risk, Audit and Compliance Committee, the Development and Tender Review Committee and the Nomination Committee.	52,107	–	–
Denis Cleary	Member of the Risk, Audit and Compliance Committee, the Health, Safety and Sustainability Committee and the Nomination Committee.	110,735*	–	–

*Includes shares that are held by a related party.

DIRECTOR	SPECIAL RESPONSIBILITIES	PARTICULARS OF DIRECTORS' INTERESTS IN SHARES AND PERFORMANCE AWARDS OF TRANSFIELD SERVICES LIMITED		INDIRECT INTEREST IN TRANSFIELD SERVICES LIMITED THROUGH TRANSFIELD (TSL) PTY LTD
		ORDINARY SHARES	PERFORMANCE AWARDS	
Mel Ward AO	Chairman of the Risk, Audit and Compliance Committee and the Remuneration and Organisational Development Committee and member of the Nomination Committee.	52,423	–	–
Peter Watson	Managing Director and CEO of Transfield Services Limited and member of the Remuneration and Organisational Development Committee, the Health, Safety and Sustainability Committee, the Risk, Audit and Compliance Committee (as an invitee), the Development and Tender Review Committee and the Nomination Committee.	1,606,789	899,000	–
Bernard Wheelahan	Deputy Chairman of Board of Directors and Chairman of the Health, Safety and Sustainability Committee and member of the Remuneration and Organisational Development Committee (from April 2007), the Development and Tender Review Committee and the Nomination Committee.	67,594*	–	–

*Includes shares that are held by a related party.

Details of each Director's qualifications and experience are included on pages 14 to 15 of the Annual Report.

General Counsel and Company Secretary

Kate Munnings (LLB and Bachelor of Health Science) was appointed General Counsel and Company Secretary to Transfield Services in January 2006. She is also Company Secretary and alternate Director on most subsidiary Boards. Prior to joining Transfield Services, Kate was a partner at the international law firm Baker & McKenzie Solicitors in Sydney specialising in engineering and construction law.

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 Service agreements

D Share-based compensation

E Additional information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the Financial Report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the Corporations Regulations 2001 which have not been audited.

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

The objective of the Company's executive remuneration framework is to ensure reward for performance is competitive in the markets where we compete to recruit executives and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic business objectives to create value for shareholders, and conforms with market best practice for delivery of reward.

Our executive reward framework is:

– market competitive and reasonable;
– acceptable to shareholders;
– performance linked; and
– transparent.

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that aligns executive performance with shareholders' interests.

Alignment to shareholders' interests is achieved through the following performance measures:

– economic profit (profit less a charge for the cost of capital);
– sustained growth in total shareholder return (TSR) (growth in share price plus dividends); and
– strategic and 'balanced scorecard' non-financial drivers of value.

Alignment to executives' interests to ensure we attract and retain high-calibre executives is achieved by ensuring that rewards:

– are commensurate with the contributions made;
– are sufficient to provide adequate recognition;
– are competitive in our respective executive employment markets; and
– are earned within a clear and well communicated structure.

The framework provides a mix of fixed and variable pay, including short-term and long-term incentives. Not all staff participate in the short-term and long-term incentives. Participation in both plans is selectively applied to people in positions more able to influence the business performance. The proportion of variable or 'at risk' remuneration is higher for the more senior executives.

Non-executive Directors
Fees and payments to non-executive Directors (NEDs) reflect the demands which are made on, and the responsibilities of, the Directors. NEDs' fees and payments are reviewed annually by the Board. The Board has also taken advice from independent remuneration consultants to ensure 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 share-based Performance Awards. NEDs receive a minimum 20 per cent of their remuneration in Transfield Services Limited shares, which are acquired on-market in January and July each year and held in the TranShare Deferred Share Plan. Shareholders approved this arrangement in May 2001.

Directors' fees
NEDs receive a Director's fee inclusive of superannuation. The fee was reviewed during the year and amended with effect from 1 July 2006. NEDs who chair or serve on a committee receive additional yearly fees.

NEDs' fees are determined within the aggregate Directors' fee pool limit of $1,700,000 approved by shareholders at the 2006 Annual General Meeting held on 30 October 2006. From 1 July 2006, the Directors' fee is $107,200 per Director, the Deputy Chairman's fee is $127,200 and the Chairman's fee is $219,000 per annum. Committee members each receive annually $10,000 per committee and Committee Chairmen each receive annually $15,000 per committee.

Retirement allowances for Directors
The Board resolved in 2004 to remove retirement allowances for non-executive Directors appointed after that date. In February 2006, the Board further resolved to cease accruing retirement benefits for existing Directors with effect from 1 July 2006. Directors' entitlements up to 30 June 2006 under the previous arrangements are preserved and the value maintained through indexation of amounts previously accrued. They will be paid on retirement of the Director.

Executive pay
The executive pay and reward framework has five components:

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

The combination of these elements comprises the executive's total remuneration. The Company intends to continue its practice of issuing long-term equity linked performance incentives to specified executives during the year ending 30 June 2008.

Fixed remuneration
The fixed remuneration component is 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 package that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure fixed base pay is set to reflect the market for comparable roles in peer companies. Fixed remuneration for senior executives is reviewed annually to ensure the executive's pay remains competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in senior executives' contracts.

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

Retirement benefits
Retirement benefits are delivered under the Transfield Services Superannuation Plan (or another complying plan of the executive's choice). These are defined contribution Funds.

Short-term incentives
If the Company achieves a predetermined profit target set by the Remuneration and Organisational Development Committee (REMOD), a short-term incentive (STI) is available to executives subject to their achievement of individual targets. Cash incentives (bonuses) are payable following audit clearance of the annual financial statements each year. Using an EBITA target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The target is leveraged for performance above a predetermined profit threshold to provide an incentive for executive outperformance.

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. For the Managing Director the target opportunity is 120 per cent and for other senior executives the target bonus opportunity is 25 per cent to 50 per cent of total fixed remuneration.

Each year, the REMOD approves the appropriate targets and key performance indicators (KPIs) for the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of financial performance required to trigger payment of STI.

For the year ended 30 June 2007, the STI plan KPIs were based on Company, business unit and personal objectives. The KPIs included reduction of operating costs and achieving specific targets in relation to earnings before interest, tax and amortisation expense (EBITA) and economic profit, as well as other key, strategic and balanced scorecard non-financial measures linked to drivers of performance in future reporting periods.

The REMOD is responsible for assessing performance against the KPIs. To help make this assessment, the committee receives detailed reports on performance from management.

The REMOD has discretion to adjust the short-term bonus payments up or down in line with under or over achievement against the target performance levels. The STI target opportunity is reviewed annually.

Deferred Retention Incentive (DRI)
On 8 September 2006 the Managing Director was provided the opportunity to participate in the deferred retention incentive scheme (DRI). This incentive provides for half of any remuneration outcome from the STI to be provided in the form of Company shares that will vest two years post the date of issue, subject to the Managing Director remaining in employment with the Company at the vesting date.

Long-term incentives
TranShare Executive Performance Awards Plan
Information on the TranShare Executive Performance Awards Plan is set out on page 43.

Transfield Services Executive Special Scheme
In May 2003, the Board introduced the Transfield Services Executive Special Scheme to secure the retention of specified senior executives. The scheme seeks to lock in the key executives for a minimum five year retention period by offering a cash bonus conditional on performing satisfactorily throughout the retention period. Should a participant borrow up to the amount of their anticipated cash bonus from a bank or lending institution, the Company will reimburse the annual costs associated with the loan subject to the executive providing a declaration that the loan has been used to produce assessable income. The interest component, if any, is included in fixed remuneration.

The bonus will be forfeited in its entirety if, prior to expiry of the retention period, the executive voluntarily resigns or is dismissed for unsatisfactory performance.

Employee Share Ownership Plan – The TranShare Plan
In July 2005, the Company launched a general share purchase plan, available to all employees in its Australian and New Zealand subsidiary companies and Australian joint ventures. Under the plan, employees may acquire up to $1,000 worth of Transfield Services shares annually, and the Company will subsidise 10 per cent of the total cost of purchase. The shares are restricted and may not be traded by employees for three years from the date of purchase. Employee shareholders participate in dividend distributions and have full voting rights equal with all other shareholders. Currently, 32 per cent of direct Australian employees, 9 per cent of New Zealand employees and 25 per cent of all eligible employees have elected to become shareholders under the TranShare Plan.

B. Details of remuneration (audited)
Amounts of remuneration
Details of the remuneration of the Directors and the key management personnel of the Company and of the Group are set out in the following tables.

The key management personnel of Transfield Services Limited includes the Directors and certain executive officers. The following list includes those individuals plus others who meet the Corporations Law requirements as being included by virtue of the Corporations Law requirements to include the top five remunerated officers:

Darce Corsie	Chief Executive Officer – Infrastructure Investments/Transitional Chief Financial Officer – Transfield Services Infrastructure Fund
David Gansky	Chief Executive Officer – US Maintenance
Matthew Irwin	Chief Financial Officer
Bruce James	Chief Executive Officer – Australia
Steve MacDonald	Chief Strategy Officer/Chief Executive Officer Transfield Services Infrastructure Fund
Kate Munnings	Company Secretary and General Counsel
Joseph Sadatmehr	Chief Executive Officer – International and Mining Process and Hydrocarbons
Graeme Sumner	Chief Executive Officer – New Zealand

The bonuses are dependent on the satisfaction of performance conditions as set out in the section headed ‘Short-term incentives’ and the Performance Awards do not vest unless performance conditions are met. No other elements of remuneration are directly related to Company performance.

DIRECTORS' REPORT

Directors of Transfield Services Limited Group and Company

	SHORT-TERM BENEFITS			POST EMPLOYMENT BENEFITS		LONG-TERM BENEFITS		SHARE-BASED PAYMENTS		
NAME	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	RETIREMENT BENEFITS $	EXECUTIVE SPECIAL SCHEME (INCENTIVE) $	LONG SERVICE LEAVE $	DEFERRED SHARE PURCHASE $	PERFORM-ANCE AWARDS $	TOTAL $
Non-executive Directors										
Anthony Shepherd+	174,832	–	105,000	12,686	3,982	–	–	43,800	–	340,300
2006	139,715	–	100,000	11,854	51,733	–	–	28,500	–	331,802
Dean Wills+	–	–	–	–	–	–	–	–	–	–
2006	23,964	–	–	2,037	28,000	–	–	18,502	–	72,503
Bernard Wheelahan	99,339	–	–	7,352	3,982	–	–	38,160	–	148,833
2006	76,047	–	–	4,954	38,400	–	–	30,000	–	149,401
Guido Belgiorno-Nettis AM^	117,203	–	–	–	–	–	–	10,000	–	127,203
2006	80,000	–	–	–	–	–	–	16,000	–	96,000
Luca Belgiorno-Nettis^	117,203	–	–	–	–	–	–	10,000	–	127,203
2006	72,000	–	–	–	–	–	–	16,000	–	88,000
Steve Burdon	92,802	–	–	7,200	3,982	–	–	20,000	–	123,984
2006	71,717	–	–	5,284	38,400	–	–	16,000	–	131,401
Denis Cleary	92,802	–	–	7,200	3,982	–	–	20,000	–	123,984
2006	66,717	–	–	5,284	38,400	–	–	16,000	–	126,401
Mel Ward AO	97,144	–	–	6,639	3,982	–	–	26,780	–	134,545
2006	90,605	–	–	6,354	38,400	–	–	20,000	–	155,359
Sub-total non-executive Directors	791,325	–	105,000	41,077	19,910	–	–	168,740	–	1,126,052
2006	620,765	–	100,000	35,767	233,333	–	–	161,002	–	1,150,867
Executive Director										
Peter Watson	1,121,377	745,800[1]	23,194	12,686	–	250,000	166,066	–	717,848	3,036,971
2006	800,262	390,375	50,599	12,139	–	250,000	–	–	160,923	1,664,298
Total Directors	1,912,702	745,800	128,194	53,763	19,910	250,000	166,066	168,740	717,848	4,163,023
2006	1,421,027	390,375	150,599	47,906	233,333	250,000	–	161,002	160,923	2,815,165
Total for each category	2,786,696			73,673		416,066		886,588		4,163,023
2006	1,962,001			281,239		250,000		321,925		2,815,165

\+ Dean Wills retired as Chairman on 26 August 2005 and the Deputy Chairman Anthony Shepherd was appointed as Chairman on the same date.

^ Guido Belgiorno-Nettis AM and Luca Belgiorno-Nettis as nominee directors for Transfield Holdings Pty Limited no longer participate in the deferred share purchase plan.

1 Peter Watson may elect to receive 50 per cent of the cash bonus in Transfield Services shares under the Deferred Retention Incentive Scheme.

Other key management personnel and five most highly remunerated officers of the Group and the Company

NAME	SHORT-TERM BENEFITS: CASH SALARY AND FEES $	SHORT-TERM BENEFITS: CASH BONUS $	SHORT-TERM BENEFITS: NON-MONETARY BENEFITS $	POST EMPLOYMENT BENEFITS: SUPER-ANNUATION $	POST EMPLOYMENT BENEFITS: RETIREMENT BENEFITS $	LONG-TERM BENEFITS: EXECUTIVE SPECIAL SCHEME (INCENTIVE) $	LONG-TERM BENEFITS: LONG SERVICE LEAVE $	SHARE-BASED PAYMENTS: OPTIONS $	SHARE-BASED PAYMENTS: PERFORM-ANCE AWARDS $	TOTAL $
Darce Corsie	**550,470**	**232,800**	**–**	**49,542**	**–**	**–**	**18,341**	**–**	**–**	**851,153**
2006	548,286	177,012	5,138	49,346	–	–	17,500	–	–	797,282
David Gansky	**594,395**	**202,065**	**7,864**	**545**	**–**	**–**	**–**	**–**	**29,698**	**834,567**
2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Matthew Irwin	**456,753**	**240,000**	**10,570**	**12,686**	**–**	**–**	**4,850**	**–**	**90,058**	**814,917**
2006	364,968	112,200	27,500	12,139	–	–	1,875	–	16,963	535,645
Bruce James	**700,015**	**324,900**	**–**	**–**	**–**	**–**	**4,382**	**–**	**93,444**	**1,122,741**
2006*	396,203	126,225	2,184	–	–	–	765	–	18,213	543,590
Steve MacDonald	**580,919**	**427,000^**	**–**	**12,686**	**–**	**150,000**	**25,391**	**109,980**	**247,515**	**1,553,491**
2006	532,281	163,910	4,252	12,139	–	150,000	27,925	109,980	50,803	1,051,290
Ross Mackiggan**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2006	297,695	97,200	4,372	26,793	–	100,000	5,446	–	16,900	548,406
Kate Munnings	**288,996**	**106,900**	**–**	**26,010**	**–**	**–**	**1,404**	**–**	**25,867**	**449,177**
2006*	127,192	25,590	–	11,447	–	–	243	–	3,085	167,557
Joseph Sadatmehr	**745,348**	**592,100•**	**–**	**12,686**	**–**	**200,000**	**27,430**	**–**	**234,939**	**1,812,503**
2006	709,834	196,350	4,711	12,139	–	200,000	38,064	–	118,278	1,279,376
Graeme Sumner	**366,412**	**168,700**	**–**	**–**	**–**	**–**	**1,554**	**–**	**44,496**	**581,162**
2006*	243,686	66,690	–	–	–	–	–	–	5,195	315,571
Totals for each component	**4,283,308**	**2,294,465**	**18,434**	**114,155**	**–**	**350,000**	**83,352**	**109,980**	**766,017**	**8,019,711**
	3,220,145	965,177	48,157	124,003	–	450,000	91,818	109,980	229,437	5,238,717
Total for each category		**6,596,207**		**114,155**		**433,352**		**875,997**		**8,019,711**
		4,233,479		124,003		541,818		339,417		5,238,717

* Bruce James commenced 15 August 2005. Kate Munnings commenced 16 January 2006. Graeme Sumner commenced 16 October 2005.

N/A David Gansky joined Transfield Services on 4 July 2006.

** Ross Mackiggan was included in the five most highly remunerated employees in 2006. He is not classified as key management personnel in 2007.

^ Steve MacDonald was appointed CEO of TSIF on 1 April 2007. This appointment resulted in an increase in his short-term incentive opportunity. In addition, the Board afforded Steve a discretionary bonus for the establishment of the Fund.

• The Board approved an above target short-term incentive for Joseph Sadatmehr's successful establishment of the North American businesses.

C. Service agreements (audited)
Remuneration and other terms of employment for the Managing Director and the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits including executive health management, householder insurance, salary continuance insurance and participation, when eligible, in the TranShare Executive Performance Awards Plan. Other major provisions of the agreements are:

NAME	POSITION	ROLLING THREE YEARS TERM OF AGREEMENT	% OF TOTAL REMUNERATION (INCLUDING 100% OF ALL SHARE-BASED REMUNERATION) THAT IS PERFORMANCE RELATED	NOTICE PERIOD REQUIRED FOR THE EMPLOYEE TO TERMINATE THE CONTRACT	TERMINATION BENEFIT (AMOUNT OF ANNUAL SALARY) ON EARLY TERMINATION BY THE COMPANY, OTHER THAN FOR GROSS MISCONDUCT	A RESTRICTIVE COVENANT APPLIES
Peter Watson	Managing Director and Chief Executive Officer	8 September 2006	48.2%	6 months	1 year	1 year
Darce Corsie	Chief Executive Officer Infrastructure Investments/Transitional Chief Financial Officer Transfield Services Infrastructure Fund	9 February 2005	27.4%	3 months	1 year	1 year
David Gansky	Chief Executive Officer – US Maintenance	4 July 2006	27.8%	30 days	1 year	1 – 2 years
Matthew Irwin	Chief Financial Officer	13 December 2004	40.5%	3 months	6 months	1 year
Bruce James	Chief Executive Officer Australia	15 August 2005	37.3%	3 months	6 months	6 months
Steve MacDonald	Chief Strategy Officer/ Chief Executive Officer Transfield Services Infrastructure Fund	1 April 2007	50.5%	12 months	1 year	1 year
Kate Munnings	General Counsel and Company Secretary	1 January 2006	29.6%	3 months	6 months	6 months
Joseph Sadatmehr	Chief Executive Officer – International and Mining, Process and Hydrocarbons	1 July 2007	45.6%	6 months	1 year	1 year
Graeme Sumner	Chief Executive Officer New Zealand	16 October 2005	36.7%	3 months	6 months	6 months

D. Share-based compensation (audited)

Performance Awards and Options

Performance Awards are granted under the TranShare Executive Performance Awards Plan which was approved by shareholders at the 2001 Annual General Meeting. Executives eligible to participate in the Plan are involved in the management of the Company. Awards are granted annually and generally vest no earlier than three years from the date of grant. The performance conditions of each grant of Awards are subject to Board review and assessed against the business plan and cycle. In April 2006, the hurdles were revised to introduce earnings per share as an additional vesting condition. The Board has determined that relative total shareholder return (TSR) combined with absolute earnings per share (EPS) growth are the most appropriate hurdles for the Company at this time. An additional vesting condition of share price growth has been introduced for the Managing Director for certain Performance Awards. These conditions were chosen to ensure that eligible executives are only rewarded when profit grows in real terms and the Company achieves superior shareholder growth relative to the performance of the S&P ASX 200 Industrials Index. In April 2007 the Board approved a Sub Plan for executives based in the United States of America to participate in the TranShare Executive Performance Awards Plan (The US Sub Plan). The US Sub Plan applies the same performance conditions as the Australian plan to deliver Restricted Share Units to executives based in the United States of America in order to satisfy American regulatory requirements.

TSR represents the change in the capital value of the Company's 10-day average share price over a period with dividends reinvested, expressed as a percentage of the base value. TSR performance will be compared to the S&P/ASX 200 Industrials Index, which is the ASX 200 Index after excluding the Energy and Materials sectors.

The Awards granted on 31 May 2007 to Steve MacDonald are divided into two equal tranches.

Tranche 1 will vest on the following EPS scale:

PERCENTAGE OF AWARDS THAT VEST	PERFORMANCE CONDITION
0%	Less than 10% per annum compound Basic EPS growth.
20% – 35% pro rata	Transfield Services achieving an average compound Basic EPS growth of 10% – 12.5% per annum for a minimum of three years from the 2007 base year EPS.
35% – 50% pro rata	Transfield Services achieving an average compound Basic EPS growth of 12.5% – 15% per annum for a minimum of three years from the 2007 base year EPS.
100%	Transfield Services achieving an average compound Basic EPS growth of 15% per annum for a minimum of three years from the 2007 base year EPS.
	Proportional vesting of Awards will apply for performance between 10% and 15% average compound Basic EPS growth.

Tranche 2 will vest on the following relative TSR scale:

PERCENTAGE OF AWARDS THAT VEST	PERFORMANCE CONDITION
0%	Transfield Services TSR achieving less than the 50th percentile ranking in the ASX 200 Industrials Index.
30%	Transfield Services TSR achieving the 50th percentile ranking in the ASX 200 Industrials Index.
100%	Transfield Services TSR achieving the 75th percentile ranking in the ASX 200 Industrials Index.
	Proportional vesting of Awards will apply for performance between the 51st and 75th percentile ranking.

To the extent that 100 per cent vesting is not achieved after the initial test, TSR performance is retested against the ASX 200 Industrials Index, the testing period is extended by three months and retested a further two times at three monthly intervals. If after the third retest 100 per cent vesting is not achieved, the remaining unvested portion will lapse. The TSR base value for these awards is $12.22.

The Awards granted on 28 February 2007 to David Gansky, Kate Munnings and Graeme Sumner are divided into two equal tranches.

Tranche 1 will vest on the following EPS scale:

PERCENTAGE OF AWARDS THAT VEST	PERFORMANCE CONDITION
0%	Less than 10% per annum compound Basic EPS growth.
40% – 70% pro rata	Transfield Services achieving an average compound Basic EPS growth of 10% – 12.5% per annum for a minimum of three years from the 2006 base year EPS.
70% – 100% pro rata	Transfield Services achieving an average compound Basic EPS growth of 12.5% – 15% per annum for a minimum of three years from the 2006 base year EPS.
100%	Transfield Services achieving an average compound Basic EPS growth of 15% per annum for a minimum of three years from the 2006 base year EPS.
	Proportional vesting of Awards will apply for performance between 10% and 15% average compound Basic EPS growth.

Tranche 2 will vest on the following relative TSR scale:

PERCENTAGE OF AWARDS THAT VEST	PERFORMANCE CONDITION
0%	Transfield Services TSR achieving less than the 50th percentile ranking in the ASX 200 Industrials Index.
30%	Transfield Services TSR achieving the 50th percentile ranking in the ASX 200 Industrials Index.
100%	Transfield Services TSR achieving the 75th percentile ranking in the ASX 200 Industrials Index.
	Proportional vesting of Awards will apply for performance between the 51st and 75th percentile ranking.

To the extent that 100 per cent vesting is not achieved after the initial test, TSR performance is retested against the ASX 200 Industrials Index, the testing period is extended by three months and retested a further two times at three monthly intervals. If after the third retest 100 per cent vesting is not achieved, the remaining unvested portion will lapse.

The Awards granted on 31 October 2006 to Peter Watson are divided into four tranches. Tranches 1 – 3 are each 23 per cent of the Performance Awards granted and tranche 4 is 31 per cent of the total Performance Awards granted.

TRANCHE	PROPORTION OF TOTAL AWARD EXERCISABLE	EXERCISE REQUIREMENT
1	23%	The closing share price of Transfield Services on any 10 days in 20 consecutive trading days during the period 14 September 2006 to 1 April 2009 equals or exceeds 150% of the average closing share price on the 10 trading days up to and including 1 April 2006.
2	23%	The closing share price of Transfield Services on any 10 days in 20 consecutive trading days during the period 14 September 2006 to 1 April 2010 equals or exceeds 175% of the average closing share price on the 10 trading days up to and including 1 April 2006.
3	23%	The closing share price of Transfield Services on any 10 days in 20 consecutive trading days during the period 14 September 2006 to 1 April 2011 equals or exceeds 200% of the average closing share price on the 10 trading days up to and including 1 April 2006.
4	31%	The EPS growth of Transfield Services on a cumulative basis over the period 1 July 2006 to 30 June 2011 is greater than or equal to 15% per annum.

The Awards granted on 31 August 2006 to Matthew Irwin, Bruce James, Steve MacDonald, and Joseph Sadatmehr are divided into two equal tranches.

Tranche 1 will vest on the following EPS scale:

PERCENTAGE OF AWARDS THAT VEST	PERFORMANCE CONDITION
0%	Less than 10% per annum compound Basic EPS growth.
40% – 70% pro rata	Transfield Services achieving an average compound Basic EPS growth of 10% – 12.5% per annum for a minimum of three years from the 2006 base year EPS.
70% – 100% pro rata	Transfield Services achieving an average compound Basic EPS growth of 12.5% – 15% per annum for a minimum of three years from the 2006 base year EPS.
100%	Transfield Services achieving an average compound Basic EPS growth of 15% per annum for a minimum of three years from the 2006 base year EPS.
	Proportional vesting of Awards will apply for performance between 10% and 15% average compound Basic EPS growth.

Tranche 2 will vest on the following relative TSR scale:

TSR will be measured initially at the end of a period three years from the date of grant, and if the hurdle is not fully met, TSR will be measured three times more at quarterly intervals. Awards that have not vested three years after the date of grant will lapse.

PERCENTAGE OF AWARDS THAT VEST	PERFORMANCE CONDITION
0%	Transfield Services TSR achieving less than the 50th percentile ranking in the ASX 200 Industrials Index.
30%	Transfield Services TSR achieving the 50th percentile ranking in the ASX 200 Industrials Index.
100%	Transfield Services TSR achieving the 75th percentile ranking in the ASX 200 Industrials Index.
	Proportional vesting of Awards will apply for performance between the 51st and 75th percentile ranking.

To the extent that 100 per cent vesting is not achieved after the initial test, TSR performance is retested against the ASX 200 Industrials Index, the testing period is extended by three months and retested a further two times at three monthly intervals. If after the third retest 100 per cent vesting is not achieved, the remaining unvested portion will lapse.

Proportional vesting of Awards will apply for performance between 15 per cent and 20 per cent average cumulative TSR.

The Awards granted on 19 April 2006 to Matthew Irwin, Kate Munnings and Graeme Sumner are divided into two equal tranches.

Tranche 1 will vest on the following EPS scale:

PERCENTAGE OF AWARDS THAT VEST	PERFORMANCE CONDITION
0%	Less than 10% per annum compound Basic EPS growth.
40% – 70% pro rata	Transfield Services achieving an average compound Basic EPS growth of 10% – 12.5% per annum for a minimum of three years from the 2005 base year EPS.
70% – 100% pro rata	Transfield Services achieving an average compound Basic EPS growth of 12.5% – 15% per annum for a minimum of three years from the 2005 base year EPS.
100%	Transfield Services achieving an average compound Basic EPS growth of 15% per annum for a minimum of three years from the 2005 base year EPS.
	Proportional vesting of Awards will apply for performance between 10% and 15% average compound Basic EPS growth.

Tranche 2 will vest on the following relative TSR scale:

TSR will be measured initially at the end of a period three years from the date of grant, and if the hurdle is not fully met, TSR will be measured three times more at quarterly intervals. Awards that have not vested four years after the date of grant will lapse.

PERCENTAGE OF AWARDS THAT VEST	PERFORMANCE CONDITION
0%	Transfield Services TSR achieving less than the 50th percentile ranking in the ASX 200 Industrials Index.
30%	Transfield Services TSR achieving the 50th percentile ranking in the ASX 200 Industrials Index.
100%	Transfield Services TSR achieving the 75th percentile ranking in the ASX 200 Industrials Index.
	Proportional vesting of Awards will apply for performance between the 51st and 75th percentile ranking.

To qualify, the performance hurdles and vesting conditions must be met at any one of four quarterly assessment times within a specified one year window commencing three years from the date of grant. The assessments are based on the average performance of the shares over the first 10 days of any of the four quarters.

Awards are granted under the plan for no consideration, carry no dividend or voting right. When exercised, each Award is converted into one ordinary share.

The Awards granted on 16 November 2005 to Peter Watson are divided into three tranches representing 75 per cent, 10 per cent and 15 per cent of the Performance Awards granted.

TRANCHE	PROPORTION OF TOTAL AWARD EXERCISABLE	EXERCISE REQUIREMENT
	0%	Average cumulative TSR of 15% per annum from Base Price.
1	75%	Average cumulative TSR of 17.5% per annum from Base Price.
2	Additional 10% over the 75% already exercisable	Average cumulative TSR of 20% per annum from Base Price.
3	Additional 15% over the 85% already exercisable	Average cumulative TSR of at least 20% per annum inclusive.

The Awards granted on 23 August 2005 to Bruce James, Steve MacDonald, Ross Mackiggan and Joseph Sadatmehr are divided into three tranches representing 75 per cent, 10 per cent and 15 per cent of the Performance Awards granted. These Performance Awards will vest if cumulative TSR over the 3 – 5 years of the performance period increases over the Base Price (the five day average closing price of Transfield Services shares one week prior to the date the Remuneration and Organisational Development Committee approved the offer) as follows:

	TRANCHE 1	TRANCHE 2	TRANCHE 3
Performance thresholds	15% per annum	17.5% per annum	20% per annum

The terms and conditions of each grant of Options or Awards affecting remuneration in the previous, this or future reporting periods are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION/ AWARD AT GRANT DATE	FIRST DATE EXERCISABLE (SUBJECT TO SATISFYING VESTING CONDITIONS)
Options				
3 March 2003	3 March 2010	$2.70	$0.61	3 March 2006
25 February 2004	25 February 2011	$Nil	$2.25	25 February 2007
30 August 2004	30 August 2011	$Nil	$2.67	30 August 2007
28 October 2004	28 October 2011	$Nil	$3.89	28 October 2007
Awards				
28 February 2005	28 February 2012	$Nil	$3.45	28 February 2008
30 August 2005				
– Tranche 1	30 August 2012	$Nil	$4.92	30 August 2008
– Tranche 2	30 August 2012	$Nil	$4.42	30 August 2008
– Tranche 3	30 August 2012	$Nil	$3.91	30 August 2008
16 November 2005				
– Tranche 1	16 November 2012	$Nil	$4.47	16 November 2008
– Tranche 2	16 November 2012	$Nil	$3.98	16 November 2008
– Tranche 3	16 November 2012	$Nil	$3.49	16 November 2008
19 April 2006				
– Tranche 1	19 April 2012	$Nil	$6.93	19 April 2009
– Tranche 2	19 April 2012	$Nil	$4.81	19 April 2009
31 August 2006				
– Tranche 1	31 August 2012	$Nil	$7.62	31 August 2010
– Tranche 2	31 August 2012	$Nil	$5.06	31 August 2009
31 October 2006				
– Tranche 1	1 April 2011	$Nil	$4.42	1 April 2009
– Tranche 2	1 April 2012	$Nil	$3.39	1 April 2010
– Tranche 3	31 December 2011	$Nil	$2.81	1 April 2011
– Tranche 4	31 December 2012	$Nil	$7.58	30 June 2011
28 February 2007				
– Tranche 1	28 February 2013	$Nil	$10.27	28 February 2010
– Tranche 2	28 February 2013	$Nil	$8.10	28 February 2010
31 May 2007				
– Tranche 1	31 May 2013	$Nil	$11.35	31 May 2010
– Tranche 2	31 May 2013	$Nil	$7.26	31 May 2010

Details of Awards over ordinary shares in the Company provided as remuneration to each Director of Transfield Services Limited and each of the key management personnel of the Company are set out below. When exercisable, each Award is convertible into one ordinary share of Transfield Services Limited.

NAME	NUMBER OF AWARDS GRANTED DURING THE YEAR		NUMBER OF AWARDS VESTED DURING THE YEAR	
	2007	2006	2007	2006
Director of Transfield Services Limited				
Peter Watson	**650,000**	59,000	**40,000**	–
Other key management and top five remunerated personnel of the Group				
Darce Corsie	**–**	–	**–**	–
David Gansky	**29,100**	–	**–**	–
Matthew Irwin	**27,900**	14,000	**–**	–
Bruce James	**40,700**	15,300	**–**	–
Steve MacDonald	**94,200**	26,800	**–**	–
Ross Mackiggan	**N/A**	8,300	**–**	–
Kate Munnings	**10,200**	7,900	**–**	–
Joseph Sadatmehr	**56,500**	39,800	**52,585**	–
Graeme Sumner	**18,100**	13,300	**–**	–
	926,700	184,400	**92,585**	–

The assessed fair value at grant date of Awards granted to the individuals is allocated on a straight line basis over the period from grant date to final vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined. Generally for a Performance Award with EPS hurdles values are determined using a binomial option pricing model and for Performance Awards with TSR hurdles, the Monte-Carlo simulation method is used. These valuation techniques take into account the exercise price, the term of the Performance Award, the vesting and performance criteria, the impact of dilution, the non-tradeable 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.

Details of Options over ordinary shares in the Company provided as remuneration to each Director of Transfield Services Limited and each of the key management personnel of the Company are listed below. When exercisable, each Option is convertible into one ordinary share of Transfield Services Limited.

	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2007	2006	2007	2006
Steve MacDonald	–	–	–	900,000

The model inputs for Awards granted during the year ended 30 June 2007 included:

GRANT DATE	31 AUGUST 2006		31 OCTOBER 2006				28 FEBRUARY 2007		31 MAY 2007	
	TRANCHE 1	TRANCHE 2	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 4	TRANCHE 1	TRANCHE 2	TRANCHE 1	TRANCHE 2
Exercise price	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Consideration	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Vesting conditions	EPS growth	TSR growth	Share price performance	Share price performance	Share price performance	EPS growth	EPS growth	TSR growth	EPS growth	TSR growth
Expiry date	31 Aug 2012	31 Aug 2012	1 Apr 2011	1 Apr 2012	31 Dec 2011	31 Dec 2012	28 Feb 2013	28 Feb 2013	31 May 2013	31 May 2013
Share price at grant date	$8.36	$8.36	$8.80	$8.80	$8.80	$8.80	$11.00	$11.00	$12.16	$12.16
Expected share price volatility	25%	25%	25%	25%	25%	25%	25%	25%	22%	22%
Expected dividend yield	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	2.3%	2.3%	2.3%	2.3%
Risk-free interest rate	5.70%	5.70%	5.80%	5.76%	5.72%	5.71%	5.84%	5.83%	6.16%	6.16%

The model inputs for Awards granted during the year ended 30 June 2006 included:

	30 AUGUST 2005 TRANCHES 1-3	16 NOVEMBER 2005 TRANCHES 1-3	19 APRIL 2006 TRANCHE 1	19 APRIL 2006 TRANCHE 2
Exercise Price	N/A	N/A	N/A	N/A
Consideration	$Nil	$Nil	$Nil	$Nil
Vesting conditions	Satisfaction of TSR performance conditions	Satisfaction of TSR performance conditions	Satisfaction of EPS performance conditions	Satisfaction of TSR performance conditions
Expiry Date	30 August 2012	16 November 2012	19 April 2012	19 April 2012
Share Price at Grant Date	$8.50	$8.00	$7.63	$7.63
Expected share price volatility	25%	25%	25%	25%
Expected dividend yield	2.6%	3.1%	3.2%	3.2%
Risk-free interest rate	4.94%	5.26%	5.56%	5.56%

Shares provided on exercise of Options

Details of ordinary shares in the Company provided as a result of the exercise of Options to key management and top five remunerated personnel of the Company are set out below.

NAME	DATE OF EXERCISE OF OPTIONS	NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR 2007	2006
Steve MacDonald	23 March 2006	–	900,000
Ross Mackiggan	25 August 2005	–	250,000
		–	1,150,000

The amounts paid per ordinary share by each Director and other key management and top five remunerated personnel on the exercise of Options at the date of exercise were as follows:

EXERCISE DATE	AMOUNT PAID PER SHARE
23 March 2006	$2.70
25 August 2005	$2.82

No amounts are unpaid on any shares issued on the exercise of Options.

E. Additional information – unaudited
Principles used to determine the nature and amount of remuneration: relationship between remuneration and Company performance.

The overall level of executive reward takes into account the performance of the Company over a number of years, with greater emphasis given to the current and immediately preceding year. Over the past five years, the Company's profit from ordinary activities after income tax (NPAT) has grown at an average rate of 45 per cent per annum, and shareholder wealth (including dividends) has grown at a cumulative average rate of 44.5 per cent per annum. During the same period, average executive remuneration has grown by approximately 11 per cent per annum.

Details of remuneration: cash bonuses and Awards
For each cash bonus and grant of Awards included in the tables on pages 40 to 41 and 46 to 47, 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 bonuses is payable in future years. The Awards vest over three to five years, provided the vesting conditions are met (see pages 46 to 47). No Awards will vest if the conditions are not satisfied, hence the minimum value of the Award yet to vest is nil. The maximum value of the Awards yet to vest has been determined based on the fair value at grant date.

DIRECTORS	CASH BONUS		AWARDS					
NAME	PAID %	FORFEITED %	YEAR GRANTED	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH AWARDS MAY VEST	MINIMUM TOTAL VALUE OF GRANT YET TO VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST $
Peter Watson	87	13	2007	–	–	2009 – 2011		3,216,270
	90	10	2006	–	–	2009 – 2011	–	252,166
			2005	–	–	2008	–	389,000
			2004	–	–	2007	–	202,500
								4,059,936
Other key management and top five remunerated personnel								
Darce Corsie	90	10	2007	–	–	–	–	–
	89	11	2006	–	–	–	–	–
								–
Matthew Irwin	96	4	2007	–	–	2011	–	176,886
	85	15	2006	–	–	2009 – 2010	–	82,180
			2005	–	–	2008	–	69,000
								328,066
Bruce James	89	11	2007	–	–	2011	–	258,038
	85	15	2006	–	–	2009	–	72,193
								330,231
David Gansky	53	47	2007	–	–	2010	–	267,284
	N/A	N/A	2006	N/A	N/A	N/A	N/A	–
								267,284
Steve MacDonald	100	0	2007	–	–	2010 – 2011	–	767,716
	90	10	2006	–	–	2009	–	126,456
			2005	–	–	2008	–	113,454
								1,007,626
Kate Munnings	87	13	2007			2010		93,687
	85	15	2006	–	–	2009 – 2010	–	46,373
								140,060
Joseph Sadatmehr	100	0	2007	–	–	2011		358,210
	85	15	2006	–	–	2009	–	187,796
			2005	–	–	2008	–	283,637
			2004	–	–	2007	–	118,314
								947,957
Graeme Sumner	89	11	2007	–	–	2010		166,249
	85	15	2006	–	–	2009 – 2010	–	78,071
								244,320
								3,265,544

Share-based compensation: Awards

Further details relating to Awards are set out below.

NAME	A REMUNERATION CONSISTING OF AWARDS %	B VALUE AT GRANT DATE $	C VALUE AT EXERCISE DATE $	D VALUE AT LAPSE DATE $	E TOTAL OF COLUMNS B-D $
Peter Watson	19.5%	562,772	–	–	562,772
Darce Corsie	–	–	–	–	–
David Gansky	3.6%	29,698	–	–	29,698
Matthew Irwin	6.3%	49,135	–	–	49,135
Bruce James	6.5%	71,677	–	–	71,677
Steve MacDonald	5.7%	79,495	–	–	79,495
Kate Munnings	2.4%	10,410	–	–	10,410
Joseph Sadatmehr	5.9%	99,503	–	–	99,503
Graeme Sumner	3.3%	18,472	–	–	18,472
		921,162	–	–	921,162

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

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payments* of Awards granted during the year as part of remuneration.

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

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

Shares under Award/Option

Unissued ordinary shares of Transfield Services Limited under Award at the date of this report are as follows:

DATE AWARDS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER AWARDS
31 May 2007	31 May 2013	$Nil	57,500
28 February 2007	28 February 2013	$Nil	274,700
31 October 2006	1 April 2011	$Nil	150,000
31 October 2006	1 April 2012	$Nil	150,000
31 October 2006	31 December 2011	$Nil	150,000
31 October 2006	31 December 2012	$Nil	200,000
31 August 2006	31 August 2012	$Nil	409,600
19 April 2006	19 April 2012	$Nil	207,000
16 November 2005	16 November 2012	$Nil	59,000
23 August 2005	23 August 2012	$Nil	217,900
28 February 2005	28 February 2012	$Nil	198,298
28 October 2004	28 October 2011	$Nil	100,000
30 August 2004	30 August 2011	$Nil	379,109
25 February 2004	25 February 2011	$Nil	329,545
			2,882,652

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTIONS
28 November 2002	28 November 2009	$2.62	152,000

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

Shares issued on the exercise of Options

The following ordinary shares of Transfield Services Limited were issued during the year ended 30 June 2007 on the exercise of Options granted under the TranShare Executive Performance Awards Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

DATE AWARDS GRANTED	ISSUE PRICE OF SHARES	NUMBER OF SHARES ISSUED
28 November 2002	$2.62	210,000

Insurance of Officers
During the financial year, Transfield Services Limited paid a premium of $213,300 to insure the Directors and Secretary of the Company and its controlled entities, and the general managers of each of the divisions of the consolidated entity.

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

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

Non-audit services
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. 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.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 43.

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 in Note 43, did not compromise the auditor independence requirements of the *Corporations 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.

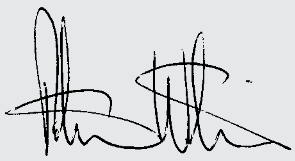
– none of the services undermine the general principles relating to auditor independence as set out in Professional Statements F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly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

Auditors' independence declaration
A copy of the auditor's independence declaration as required under section 307C of *Corporations Act 2001* is set out on page 51.

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.



Anthony Shepherd
Chairman

Peter Watson
Managing Director and Chief Executive Officer

at Sydney
27 August 2007

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

Auditor's Independence Declaration

As lead auditor for the audit of Transfield Services Limited for the year ended 30 June 2007, 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.

B K Hunter
Partner
PricewaterhouseCoopers

Sydney
27 August 2007

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000 (RESTATED)[1]	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Revenue from continuing operations	4	**2,294,364**	1,785,317	**42,874**	39,778
Other income	5	**35,992**	2,390	173,587	120
Share of net profits of associates and joint venture entities and partnerships accounted for using the equity method		**31,042**	26,976	–	–
Subcontractors, raw materials and consumables used		**(1,228,295)**	(877,765)	–	–
Employee benefits expense		**(836,199)**	(737,865)	**(1,629)**	(1,256)
Depreciation, amortisation and impairment	6	**(45,758)**	(27,175)	**–**	–
Finance costs	6	**(34,472)**	(17,883)	**(8,991)**	(9,849)
Other expenses		**(139,498)**	(111,518)	**(888)**	(583)
Profit before income tax		**77,176**	42,477	**204,953**	28,210
Income tax (expense)/benefit	7	**(13,550)**	(8,421)	**(45,352)**	5,575
Profit from continuing operations after income tax expense		**63,626**	34,056	**159,601**	33,785
Profit from discontinued operations after income tax	34	**50,702**	21,534	**–**	–
Net profit		**114,328**	55,590	**159,601**	33,785
(Profit)/loss attributable to minority interest	31	**(28)**	3	**–**	–
Profit attributable to members of Transfield Services Limited	30(b)	**114,300**	55,593	**159,601**	33,785
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company					
Basic earnings per share – cents	42	**33.49**	20.77		
Diluted earnings per share – cents	42	**33.49**	20.75		
Earnings per share for profit from discontinued operations attributable to the ordinary equity holders of the Company					
Basic earnings per share – cents	42	**26.70**	13.13		
Diluted earnings per share – cents	42	**26.70**	13.11		
Earnings per share for profit attributable to the ordinary equity holders of the Company (restated)					
Basic earnings per share – cents	42	**60.19**	33.90		
Diluted earnings per share – cents	42	**60.19**	33.86		
Dividends per share					
Dividends per share cents – final	32	**13.0**	11.0		
– interim	32	**13.0**	11.0		
Dividend payout ratio (excluding net profit on sale to TSIL)		**70.3%**	69.8%		

1 Consolidated comparative information has been restated to reflect the presentation requirements of AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations* in respect of the disposal of the infrastructure business.

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS
AS AT 30 JUNE 2007

	NOTE	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Current assets					
Cash and cash equivalents	8	**91,827**	138,210	**147**	121
Trade and other receivables	9	**455,915**	318,084	**511,030**	406,058
Inventories	10	**42,242**	50,662	**–**	–
Prepayments and other current assets	11	**8,336**	5,743	**75**	98
Derivative financial instruments	12	**–**	563	**–**	–
Total current assets		**598,320**	513,262	**511,252**	406,277
Non-current assets					
Receivables	13	**1,603**	–	**6,476**	5,872
Investments accounted for using the equity method	14	**247,915**	85,532	**247,917**	43,017
Other financial assets	15	**–**	–	**1,734**	39,072
Property, plant and equipment	16	**128,956**	72,332	**–**	–
Power generation assets	17	**–**	559,704	**–**	–
Deferred tax assets	18	**22,596**	2,890	**935**	759
Intangible assets	19	**715,211**	237,969	**–**	–
Derivative financial instruments	12	**–**	3,450	**–**	–
Total non-current assets		**1,116,281**	961,877	**257,062**	88,720
Total assets		**1,714,601**	1,475,139	**768,314**	494,997
Current liabilities					
Trade and other payables	20	**367,773**	320,062	**1,471**	82
Short-term borrowings	21	**389,615**	207,950	**41,254**	204,850
Current tax liabilities		**55,428**	8,341	**64,109**	7,415
Provision for employee benefits	22	**58,383**	47,568	**–**	–
Deferred purchase consideration	23	**28,645**	9,603	**–**	–
Derivative financial instruments	12	**–**	2,433	**–**	–
Total current liabilities		**899,844**	595,957	**106,834**	212,347
Non-current liabilities					
Long-term borrowings	24	**40,430**	464,479	**–**	–
Deferred tax liabilities	25	**35,504**	22,975	**–**	–
Provision for employee benefits	26	**20,000**	17,199	**–**	–
Other provisions	27	**3,403**	4,547	**–**	–
Deferred purchase consideration	28	**22,458**	9,350	**–**	–
Derivative financial instruments	12	**–**	10,901	**–**	–
Total non-current liabilities		**121,795**	529,451	**–**	–
Total liabilities		**1,021,639**	1,125,408	**106,834**	212,347
Net assets		**692,962**	349,731	**661,480**	282,650
Equity					
Contributed equity	29	**547,257**	283,560	**547,257**	283,560
Reserves	30(a)	**(6,257)**	(18,257)	**4,018**	1,668
Retained profits/(accumulated losses)	30(b)	**151,831**	84,349	**110,205**	(2,578)
Parent entity interest		**692,831**	349,652	**661,480**	282,650
Minority interest	31	**131**	79	**–**	–
Total equity		**692,962**	349,731	**661,480**	282,650

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Cash flows from operating activities					
Receipts from customers		**2,456,292**	1,903,978	**4,471**	1,322
Payments to suppliers, subcontractors and employees		**(2,298,789)**	(1,763,126)	**512**	(647)
		157,503	140,852	**4,983**	675
Dividends, distributions and net cash contributions from associates, joint venture entities and partnerships		**40,691**	30,271	**42,596**	39,528
Income taxes (paid)/refunded		**(21,207)**	(2,439)	**12,972**	25,114
Net cash inflow from operating activities	41	**176,987**	168,684	**60,551**	65,317
Cash flows from investing activities					
Proceeds from disposal of infrastructure assets net of cash disposed of and costs		**142,007**	–	**152,259**	–
Proceeds from facilitation fees on establishment of Transfield Services Infrastructure Fund		**21,000**	–	**–**	–
Interest received		**8,109**	5,153	**278**	704
Payments for power generation asset upgrades		**–**	(39,946)	**–**	–
Payments for property, plant and equipment and software		**(52,001)**	(31,881)	**–**	–
Proceeds from sale of property, plant and equipment and software		**6,706**	554	**–**	–
Payment for investment in controlled and other entities		**–**	–	**1,734**	–
Net payment for acquisitions in business combinations		**(568,370)**	342	**–**	–
Payment for acquisition of financial assets and loan notes held for trading		**(179,450)**	–	**–**	–
Payment for deferred consideration on prior period acquisitions		**(9,933)**	–	**–**	–
Payment for acquisition of interest/investment in joint venture		**(8,517)**	–	**–**	–
Capitalised costs for investment opportunities		**–**	(1,000)	**–**	–
Income from available-for-sale financial assets		**4,594**	–	**–**	–
Net cash (outflow)/inflow from investing activities		**(635,855)**	(66,778)	**154,271**	704
Cash flows from financing activities					
Borrowing costs		**(76,882)**	(43,237)	**(8,991)**	(9,849)
Proceeds from acquisition borrowings and bridging debt		**1,187,462**	–	**–**	–
Repayment of acquisition borrowings and bridging debt		**(830,182)**	–	**–**	–
Proceeds from share issue		**269,833**	7,535	**269,833**	7,535
Payment for share acquisition and share issue costs		**(8,956)**	(7,696)	**(8,956)**	(7,696)
Proceeds from borrowings – associates and joint ventures		**–**	–	**(15,502)**	13,262
Proceeds from borrowings – power generation		**521,004**	35,572	**–**	–
Repayment of borrowings – power generation		**(558,743)**	(63,268)	**–**	–
Loans to controlled entities		**–**	–	**(85,337)**	(175,364)
Proceeds from repayment of debt by Transfield Services Infrastructure Limited		**77,993**	–	**77,993**	–
Proceeds from other borrowings		**449,351**	207,052	**(397,018)**	141,581
Repayment of other borrowings		**(574,175)**	(155,018)	**–**	–
Dividends paid		**(46,818)**	(35,369)	**(46,818)**	(35,369)
Net cash inflow/(outflow) from financing activities		**409,887**	(54,429)	**(214,796)**	(65,900)
Net decrease/increase in cash held		**(48,981)**	47,477	**26**	121
Cash at the beginning of the financial year		**138,210**	89,617	**121**	–
Effect of exchange rate changes on opening cash		**2,598**	1,116	**–**	–
Cash at the end of the financial year	8	**91,827**	138,210	**147**	121

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Total equity at the beginning of the financial year	**349,731**	349,423	**282,650**	283,141
Adjustment on adoption of AASB 132 and AASB 139, net of tax to:				
Reserves	**–**	(16,905)	**–**	–
Restated total equity at the beginning of the financial year	**349,731**	332,518	**282,650**	283,141
Change in fair value of cash flow hedge – interest rate hedge (net of tax)	**20,939**	10,380	**–**	–
Realisation of hedging reserve of associate	**(7,351)**	–	**–**	–
Exchange differences on translation of foreign operations	**(4,017)**	(14,671)	**–**	–
Changes in other reserves	**79**	–	**–**	–
Net income/(loss) recognised directly in equity	**9,650**	(4,291)	**–**	–
Profit for the year	**114,328**	55,590	**159,601**	33,785
Total recognised income and expense for the year	**123,978**	51,299	**159,601**	33,785
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs	**265,848**	724	**267,623**	724
Payment for acquisition of shares on-market	**(3,924)**	–	**(3,924)**	–
Employee Share Options and Performance Awards	**4,123**	369	**2,348**	369
Dividends paid	**(46,818)**	(35,369)	**(46,818)**	(35,369)
Minority interest on acquisition of subsidiary	**24**	82	**–**	–
Change in post-acquisition reserves	**–**	108	**–**	–
	219,253	(34,086)	**219,229**	(34,276)
Total equity at the end of the financial year	**692,962**	349,731	**661,480**	282,650
Total recognised income and expense for the year is attributable to:				
Members of Transfield Services Limited	**123,950**	51,302	**159,601**	33,785
Minority interest	**28**	(3)	**–**	–
	123,978	51,299	**159,601**	33,785

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the general purpose Financial Report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Financial Report includes separate financial statements for Transfield Services Limited as an individual entity and the consolidated entity consisting of Transfield Services Limited and its controlled entities.

(a) Going concern

At 30 June 2007, the Group has reported net current liabilities of $301,524,000. This is due to the classification of bank overdrafts and bridging facilities as current liabilities on the basis that on 10 July 2007, the Group replaced its facilities that existed at 30 June 2007 with a new $750 million multi-currency Corporate Debt Facility with a suite of seven banks. These funds contain a combination of current and non-current amounts.

(b) Basis of preparation of the Financial Report

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

Compliance with International Financial Reporting Standards (IFRS)
Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Transfield Services Limited and its controlled entities comply with IFRS. The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

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

Early adoption of standards
The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006.

– revised AASB 101 *Presentation of Financial Statements* (issued October 2006)

This includes applying the pronouncement of the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

Historical cost convention
These financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments at fair value through equity.

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

(c) Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of Transfield Services Limited ("Company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended.

Transfield Services Limited and its subsidiaries together are referred to in this Financial Report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statements. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

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

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statements and balance sheets respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Transfield Services Limited.

Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill identified on acquisition (net of any accumulated impairment loss).

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(c) Principles of consolidation continued

Joint venture entities and partnerships

The interest in a joint venture entity or partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the joint venture entity or partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

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

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or a service that are subject to risk and returns that are different to those of the other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(e) Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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

Translation of differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

Group companies

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

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

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

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

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amount of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

Current tax assets and current tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(g) Tax consolidation legislation

Transfield Services Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

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

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

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

Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax-consolidated entities.

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

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance lease are depreciated over the asset's useful life or the lease term. Lease assets held at reporting date are being amortised over periods ranging from three to eight years.

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

(i) Acquisitions of assets/business combinations
The purchase method of accounting is used for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured at the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of the 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.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill (refer to Note 1(v)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The cost of non-current assets developed by the entity includes the cost of all material used in establishment and direct labour of 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 policies set out in Note 1(s) and Note 1(t).

(j) Impairment of assets
Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating-units).

Non-financial assets other than goodwill that have previously suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

Revenue
Operations and maintenance outsourcing service 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 revenue is recognised in accordance with the percentage of completion method.

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

Other revenue
Interest income
Interest income is recognised on a time proportion basis using the effective interest rate method.

Dividends
Dividends are recognised as revenue when the right to receive payment is established.

Other income
Management fees
Management fees are recognised as income when the services are provided or in accordance with individual agreements.

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(m) Inventories continued
Work in progress continued
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.

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

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

(p) Investments and other financial assets
Classification
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification if its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in the category are classified as current assets.

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

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

Impairment
The Group assesses at each balance date, whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

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

The Group designates certain derivatives as either:
hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or, hedges of highly probable forecast transactions (cash flow hedges).

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

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

The fair value of various derivative financial instruments used for hedging purposes is disclosed in Note 12. Movements in the hedging reserve in shareholders equity are shown in Note 30.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within other income or other expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

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

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

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

(r) Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

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

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

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

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

– buildings	25 to 40 years
– leasehold improvements	remaining lease term
– plant and equipment	three to 20 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

Development expenditure
Expenditure on development activities, being the application of research findings or other knowledge to a plan or design of the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation.

Amortisation is calculated using the straight line method to allocate the cost over the period of the expected benefit, which ranges from three to 10 years.

(t) Power generation assets – infrastructure
Power generation plant
Power generation assets comprise the plant, equipment, fixtures and fittings of the Townsville, Collinsville and Kemerton power stations together with the associated long-term contractual agreements. In the opinion of the Directors, these assets comprise a separate class of assets.

The Group's power generation assets were sold to a related party during the year and are not part of the Group as at 30 June 2007. Refer to Note 34.

In respect of the year ended 30 June 2006, power generation assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment as well as borrowing costs capitalised on qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

The power generation assets have been componentised in the following categories and were being depreciated over their estimated useful lives as follows:

– gas and steam turbine island	30 years
– electrical interface	30 years
– instrument and control systems	15 years
– ancillary systems	30 years
– civil works	45 years
– short-lived assets	4 to 12 years
– buildings	25 to 40 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(t) Power generation assets – infrastructure continued
Power generation plant continued
Power generation assets of the Group are 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 the component classifications above. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

Restoration, rehabilitation and environmental expenditure
The estimated costs of dismantling and removing an asset and restoring the site are included in the cost of the asset as at the date the obligation first arises and to the extent that it is first recognised as a provision.

The provision is reviewed at each balance sheet date and the liability is measured at the amount required to settle the present obligation at the reporting date, discounted to net present value where material.

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each subsidiary or business unit.

Brand names, trademarks and licences
Brand names, trademarks and licences acquired as part of business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of brand names, trademarks and licences over their estimated useful lives of 15 to 22 years.

Contract intangibles
Contract intangibles acquired as part of business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight line method to allocate the cost of contract intangibles over their estimated useful lives of between two to 12 years.

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

Supplier/contractor databases
Supplier/contractor databases acquired as part of business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of supplier/contractor databases over their estimated useful lives of 20 to 22 years.

Vendor network
Vendor networks acquired as part of business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of vendor networks over their estimated useful lives 20 to 22 years.

Computer software and licences
Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three years for application software and 10 years for licences and other items. Development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(w) Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of the expected future payments to be made in respect of services provided by

employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date of national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

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

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

Termination benefits
Liabilities for termination benefits, not in connection with the acquisition of any entity or operation, are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised in those employees affected that terminations will be carried out.

The liabilities for termination benefits are recognised in other 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 at the date of acquisition if, at or before the acquisition date, the main features of the terminations have been planned and a valid expectation has 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, which are 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 at 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 payment, where the effect of discounting is material.

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

(i) *Share Options and Performance Awards granted before 7 November 2002 and/or vested before 1 January 2005.*

No expense is recognised in respect of these Options or Performance Awards. The shares are recognised when the Options or Performance Awards are exercised and the proceeds received are allocated to share capital.

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

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

The fair value at grant date is independently determined using a binomial Option pricing model that takes into account the exercise price, the term of the Option or Performance Award, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the Option or 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 Option or Performance Award.

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

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

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

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

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

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

(aa) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(aa) Onerous contracts continued
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 of national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payment, where the effect of discounting is material.

(ab) 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(s)) and include:

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 7.05 per cent (2006: 7.25 per cent).

(ac) Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares, Options or Performance Awards are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares, Options or Performance Awards, or for the acquisition of a business are included either as a reduction of equity or in the cost of acquisition as part of the purchase consideration.

(ad) Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the year but not distributed at balance date.

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

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

(af) Financial instrument transaction costs
Transaction costs that are directly attributable to the acquisition or issue of a financial asset or liability are included in the value of the financial asset or liability on initial recognition.

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

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

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

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

(ai) New accounting standards and Urgent Issues Group (UIG) interpretations
Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 *Financial Instruments: Disclosures* and AASB 2005-10 *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and parent entity's financial instruments.

(ii) AASB-I 10 *Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

NOTE 2. FINANCIAL RISK MANAGEMENT

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

Financial risk is managed by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. Group Treasury provides written principles for overall risk management, endorsed by the Board, covering areas such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

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

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the world currencies, principally United States dollars.

Forward contracts, transacted with Group Treasury, are used to manage foreign exchange risk. Group Treasury is responsible for managing exposures in each foreign currency by using external forward currency contracts where economically viable.

For segment reporting purposes, each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis. The Group's risk management policy is to hedge between 90 per cent and 100 per cent of anticipated transactions. Approximately 90 per cent of projected purchases qualify as 'highly probable' forecast transactions for hedge accounting purposes.

(b) Credit risk
The Group has no significant concentrations of credit risk since its customers are generally large companies or government authorities. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available (refer Note 1(a)).

(d) Cash flow and fair value interest rate risk
The Group's interest rate risk arises from floating rate borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its long-term cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (annually or semi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. At 30 June 2007 the Group had no interest rate swaps in place.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Notes 19(a) and (b) for details of these assumptions and the potential impact of changes to the assumptions.

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

Were the actual final outcome on the judgement areas and uncertainties in relation to the tax liabilities of acquisitions and disposals made during the year to differ by 5 per cent from management's estimates, the Group would need to:

- increase the income tax liability by $2,770,000 and make a corresponding adjustment to the deferred tax balances and income tax expense, if unfavourable; and
- decrease the income tax liability by $2,770,000 and make a corresponding adjustment to the deferred tax balances and income tax expense, if favourable.

The Group does not anticipate any material adjustments to its net future income tax liabilities or deferred tax balances from either over or underestimation of current year income tax. The Group's acquisition of TIMEC may realise additional deferred tax balances in future years, however as at balance date uncertainty remained to quantify these amounts.

Rehabilitation and 'make-good' costs
The Group recognises future provisions for estimated resources required to rehabilitate and 'make-good' leasehold properties, in which it operates under contracts with third parties. The timeframe may vary between two and 30 years and the terminal liability requires management estimates of future costs based on current and future considerations, including environmental considerations. The Group records these provisions using discounted cash flows and reassesses them annually. Refer to Note 27 for further details of these provisions.

(b) Critical judgements in applying the entity's accounting policies
Revenue recognition
The Group engages in performance-related contracts with its customers. Under the terms of these contracts the Group is entitled to receive Key Performance Indicator (KPI) income. The Group's policy is to recognise KPI income on a pro rata basis to the extent that the Group is capable of achieving the desired outcomes under the terms of the contract and the value of the KPI revenue can be reliably estimated. Historically, KPI revenue has been found to be recognised accurately. The Directors consider that management's recognition of KPI revenue will continue to be accurate in the future and therefore, no quantifications are required.

Share-based payments
The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by an external service provider using binomial and Monte Carlo models, using assumptions detailed in Note 47.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
NOTE 4. REVENUE				
Revenue from continuing operations				
Operations and maintenance outsourcing services	**2,290,914**	1,782,696	**–**	–
Other revenue from continuing operations				
Interest	**3,450**	2,621	**278**	704
Dividends	**–**	–	**42,596**	39,074
	3,450	2,621	**42,874**	39,778
Total revenue from continuing operations	**2,294,364**	1,785,317	**42,874**	39,778
NOTE 5. OTHER INCOME				
From continuing operations:				
Profit on sale of investment in Transfield Services Infrastructure Fund (TSIF)	**–**	–	**167,367**	–
TSIF facilitation fee	**21,000**	–	**–**	–
Profit on sale of equipment and scrap	**1,470**	–	**–**	–
Profit on sale of joint venture investment	**90**	812	**–**	–
Management and other fees	**5,578**	745	**3,143**	120
Realised foreign exchange gain	**1,961**	–	**1,961**	–
Unrealised foreign exchange gain	**5,729**	–	**900**	–
Other	**164**	833	**216**	–
	35,992	2,390	**173,587**	120
NOTE 6. EXPENSES				
Profit from continuing operations before income tax includes the following specific expenses:				
Depreciation				
Plant and equipment/leasehold improvements	**24,346**	18,123	**–**	–
Amortisation and impairment				
Computer software	**4,428**	3,905	**–**	–
Goodwill and other intangible assets	**16,555**	4,971	**–**	–
Loan receivables and investments	**429**	176	**–**	–
Total amortisation and impairment	**21,412**	9,052	**–**	–
Total depreciation, amortisation and impairment	**45,758**	27,175	**–**	–
Other charges against assets				
Impairment of trade receivables	**471**	155	**–**	–
Net loss on disposal of plant and equipment	**484**	2,669	**–**	–
Superannuation contributions	**40,838**	31,302	**–**	–
Finance costs				
Interest and finance charges paid/payable	**34,472**	17,883	**8,991**	9,849
Finance cost expensed	**34,472**	17,883	**8,991**	9,849
Rental expense relating to operating leases				
Minimum lease payments	**33,446**	31,386	**–**	–

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000

NOTE 7. INCOME TAX

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
(a) Income tax expense attributable to continuing operations				
Current tax	**20,118**	14,567	**(2,238)**	(5,532)
Deferred tax	**(7,892)**	(902)	**(177)**	(43)
Adjustments for current tax of prior periods	**1,324**	(5,244)	**784**	–
	13,550	8,421	**(1,631)**	(5,575)
(b) Income tax expense attributable to discontinued operations				
Current tax	**52,874**	10,261	**–**	–
Deferred tax	**3,462**	(4,175)	**–**	–
Adjustments for current tax of prior periods	**(241)**	2,383	**–**	–
	56,095	8,469	**–**	–
(c) Consolidated income tax expense is attributable to:				
Profit from continuing operations	**13,550**	8,421	**(1,631)**	(5,575)
Profit from discontinued operations	**56,095**	8,469	**46,983**	–
Aggregate income tax expense	**69,645**	16,890	**45,352**	(5,575)
(d) Movements in deferred tax				
Deferred income tax (revenue) expense included in income tax expense comprises:				
(Increase) in deferred tax assets (Note 18)	**(2,777)**	(4,187)	**(447)**	(43)
(Decrease)/increase in deferred tax liabilities (Note 25)	**(1,653)**	(890)	**270**	–
	(4,430)	(5,077)	**(177)**	(43)
(e) Numerical reconciliation of income tax expense to prima facie tax				
Profit from continuing operations before income tax expense	**77,176**	42,477	**37,586**	28,210
Profit from discontinued operations before income tax expense	**106,797**	30,003	**167,368**	–
	183,973	72,480	**204,954**	28,210
Income tax calculated at 30% (2006: 30%)	**55,192**	21,744	**61,486**	8,463
Tax effect of amounts which are not deductible/taxable in calculating taxable income:				
Exempt income	**(2,307)**	–	**(588)**	–
Non-deductible interest	**4,259**	2,746	**–**	–
Share of net profits of associates and joint venture entities and partnerships	**(1,306)**	(3,535)	**–**	–
Rebatable dividends	**–**	–	**(12,778)**	(11,722)
Profit on sale of infrastructure assets	**22,542**	–	**–**	–
Sundry items	**1,460**	281	**(3,552)**	(2,316)
	79,840	21,236	**44,568**	(5,575)
Income tax expense adjusted for other non-taxable items:				
Effect of higher tax rate and treatment on overseas income and expenses	**(11,278)**	220	**–**	–
Under/(over) provision in previous year	**1,083**	(2,861)	**784**	–
Benefit of prior year tax losses recouped (New Zealand)	**–**	(1,705)	**–**	–
Income tax expense	**69,645**	16,890	**45,352**	(5,575)

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000

NOTE 7. INCOME TAX continued

(f) Amounts recognised directly in equity
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

Net deferred tax – (credited) directly to equity (Notes 18 and 25)	–	(2,796)	–	–

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

(h) Tax consolidation legislation
Transfield Services Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax-consolidated group entered into a tax sharing agreement, which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Transfield Services Limited.

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see Notes 9 and 21).

On 12 June 2007, the controlled entities comprising the infrastructure assets left the Transfield Services tax-consolidated group. Of the $55,428,103 tax payable to the Australian Taxation Office at 30 June 2007, $5,890,559 is recoverable from those entities for their share of the tax liability prior to leaving the tax-consolidated group. This amount is included in related party receivables in the balance sheet.

NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Cash at bank and on hand	**77,827**	100,210	**147**	121
Cash on deposit – at call	**14,000**	38,000	**–**	–
	91,827	138,210	**147**	121
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances per statement of cash flows	**91,827**	138,210	**147**	121

Deposits at call
The deposits bear floating interest rates between 5.70 per cent and 6.20 per cent (2006: 5.45 per cent and 5.70 per cent) per annum.

Cash at bank
Cash at bank bears floating interest rates between 5.31 per cent and 5.88 per cent (2006: 5.45 per cent and 5.70 per cent) per annum.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000

NOTE 9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade and other receivables	**451,650**	315,427	667	–
Less: Provision for impairment of receivables	**(3,456)**	(1,258)	–	–
	448,194	314,169	**667**	–
Loans to associates and joint ventures and sundry loans	**7,467**	3,909	**697**	2,729
Loans to controlled entities*	**–**	–	**509,666**	403,329
Loans to employees	**254**	6	**–**	–
	455,915	318,084	**511,030**	406,058

*The terms of these loans are set out in Note 35(i).

(a) Impaired trade receivables
The Group has recognised a loss of $471,000 (2006: $155,000) in respect of impaired trade receivables during the year ended 30 June 2007. The loss has been included in 'other expenses' in the income statement.

(b) Other receivables
These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the term of repayment exceeds six months. Collateral is not normally obtained. The Group has recognised a loss of $429,000 (2006: $176,000) in respect of impaired loan receivables during the year ended 30 June 2007. The loss has been included in 'depreciation, amortisation and impairment' expenses in the income statement.

(c) Effective interest rates and credit risk
Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non-derivative financial instruments note (Note 33) and financial risk management note (Note 2).

NOTE 10. CURRENT ASSETS – INVENTORIES

Raw materials and stores – at cost	**9,879**	17,199	**–**	–
Work in progress – at cost	**32,363**	33,463	**–**	–
	42,242	50,662	**–**	–

Inventories recognised as an expense during the year ended 30 June 2007 amounted to $343,289,000 (2006: $207,028,000).

NOTE 11. CURRENT ASSETS – PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments	**5,521**	3,387	**75**	98
Tender and security deposits	**1,306**	1,356	**–**	–
Capitalised investment costs	**1,509**	1,000	**–**	–
	8,336	5,743	**75**	98

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Current assets				
Interest rate swap contracts	–	563	–	–
Non-current assets				
Interest rate swap contracts	–	3,450	–	–
	–	4,013	–	–
Current liabilities				
Interest rate swap contracts	–	2,433	–	–
Non-current liabilities				
Interest rate swap contracts	–	10,901	–	–
	–	13,334	–	–

(a) Instruments used by the Group and fair values
Until the disposal of the infrastructure business, the Group was party to derivative financial instruments in the normal course of business in order to hedge exposure to interest rates and some foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 2). At 30 June 2007, the principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2007 $'000	2006 $'000
Less than one year	–	19,276
Later than one year but less than five years	–	113,016
Later than five years	–	248,376
	–	380,668

All derivative financial instruments that existed in the Group during the year related to the discontinued operations.

NOTE 13. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	NOTE	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Loan to controlled entity*		**–**	–	**6,476**	5,872
Other		**1,603**	–	**–**	–
		1,603	–	**6,476**	5,872

* The terms of these loans are set out in Note 35(i).

NOTE 14. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	NOTE	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Investments in associates	39	**221,889**	39,515	**247,917**	43,017
Equity interest in joint venture entities and partnerships	40	**25,995**	46,017	**–**	–
Other		**31**	–	**–**	–
		247,915	85,532	**247,917**	43,017

Shares in associates
Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost (net of impairment) by the parent entity (refer to Note 39).

Equity interest in joint venture entities and partnerships
Investments in joint venture entities and partnerships are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost (net of impairment) by the parent entity (refer to Note 40).

	NOTE	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000

NOTE 15. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	NOTE	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Investments in controlled entities – at cost	38	**–**	–	**1,734**	39,072
		–	–	**1,734**	39,072

NOTE 16. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	LAND AND LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	LEASED PLANT AND EQUIPMENT $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Consolidated					
At 1 July 2005					
Cost or fair value	4,591	85,188	18,741	3,567	112,087
Accumulated depreciation	(471)	(40,911)	(5,765)	–	(47,147)
Net book amount	4,120	44,277	12,976	3,567	64,940
Year ended 30 June 2006					
Opening net book amount	4,120	44,277	12,976	3,567	64,940
Exchange differences	(270)	(2,334)	(468)	–	(3,072)
Additions	127	19,981	–	8,400	28,508
Additions through acquisitions of subsidiary	–	1,220	–	–	1,220
Disposals, write offs and transfers	2,919	3,996	(6,511)	(1,508)	(1,104)
Depreciation	(659)	(16,730)	(771)	–	(18,160)
Closing net book amount	6,237	50,410	5,226	10,459	72,332
At 30 June 2006					
Cost or fair value	8,047	114,442	7,535	10,459	140,483
Accumulated depreciation	(1,810)	(64,032)	(2,309)	–	(68,151)
Net book amount	6,237	50,410	5,226	10,459	72,332
Year ended 30 June 2007					
Opening net book amount	**6,237**	**50,410**	**5,226**	**10,459**	**72,332**
Exchange differences	**301**	**3,907**	**–**	**–**	**4,208**
Additions	**2,453**	**28,093**	**–**	**17,344**	**47,890**
Additions through acquisition of subsidiary	**615**	**34,097**	**–**	**450**	**35,162**
Disposals, write offs and transfers	**(1,664)**	**(3,619)**	**(909)**	**–**	**(6,192)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**
Depreciation	**(468)**	**(22,489)**	**(595)**	**(892)**	**(24,444)**
Closing net book amount	**7,474**	**90,399**	**3,722**	**27,361**	**128,956**
At 30 June 2007					
Cost or fair value	**9,538**	**165,637**	**4,820**	**28,253**	**208,248**
Accumulated depreciation	**(2,064)**	**(75,238)**	**(1,098)**	**(892)**	**(79,292)**
Net book amount	**7,474**	**90,399**	**3,722**	**27,361**	**128,956**

At 30 June 2007, there are no secured items of property, plant and equipment.

No borrowing costs have been capitalised during the year (2006: $Nil).

NOTE 17. NON-CURRENT ASSETS – POWER GENERATION ASSETS (INFRASTRUCTURE)

	LAND AND BUILDINGS $'000	REHABILITATION PROVISION $'000	GAS AND STEAM TURBINE ISLAND $'000	CIVIL WORKS $'000	ELECTRICAL INTERFACE $'000	INSTRUMENT AND CONTROL SYSTEM $'000	ANCILLARY SYSTEMS $'000	SHORT-LIVED ASSETS $'000	TOTAL $'000
Consolidated									
Year ended 30 June 2007									
Opening net book amount	**1,361**	**948**	**392,648**	**33,493**	**58,044**	**18,041**	**30,887**	**24,282**	**559,704**
Additions and transfers from work in progress	**–**	**–**	**–**	**84**	**–**	**–**	**–**	**34**	**118**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(344)**	**(344)**
Depreciation charge	**–**	**(49)**	**(13,644)**	**(744)**	**(2,013)**	**(1,394)**	**(1,009)**	**(3,180)**	**(22,033)**
Disposal of subsidiary	**(1,361)**	**(899)**	**(379,004)**	**(32,833)**	**(56,031)**	**(16,647)**	**(29,878)**	**(20,792)**	**(537,445)**
Closing net book amount	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2007									
Cost	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Accumulated depreciation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net book amount	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Depreciation of $22,033,000 is included in profit from discontinued operations in the income statement.

Note: All power generation assets form part of the discontinued operations – refer Note 34 for further information.

	LAND AND BUILDINGS $'000	REHABILITATION PROVISION $'000	GAS AND STEAM TURBINE ISLAND $'000	CIVIL WORKS $'000	ELECTRICAL INTERFACE $'000	INSTRUMENT AND CONTROL SYSTEM $'000	ANCILLARY SYSTEMS $'000	SHORT-LIVED ASSETS $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
Consolidated										
Year ended 30 June 2006										
Opening net book amount	39	1,000	259,408	24,462	29,565	11,772	12,175	7,435	194,672	540,528
Additions and transfers from work in progress	1,322	–	146,443	9,743	30,268	7,576	19,560	19,706	(194,672)	39,946
Depreciation charge	–	(52)	(13,203)	(712)	(1,789)	(1,307)	(848)	(2,859)	–	(20,770)
Closing net book amount	1,361	948	392,648	33,493	58,044	18,041	30,887	24,282	–	559,704
At 30 June 2006										
Cost	1,367	1,000	454,019	37,183	65,973	21,852	32,727	30,144	–	644,265
Accumulated depreciation	(6)	(52)	(61,371)	(3,690)	(7,929)	(3,811)	(1,840)	(5,862)	–	(84,561)
Net book amount	1,361	948	392,648	33,493	58,044	18,041	30,887	24,282	–	559,704

Borrowing costs of $Nil (2006: $5,645,000) were capitalised during the year.

NOTE 18. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Gross deferred tax assets	**40,800**	39,035	**1,205**	759
Set off deferred tax liabilities within common jurisdictions	**(18,204)**	(36,145)	**(270)**	–
Net deferred tax assets	**22,596**	2,890	**935**	759
Gross deferred tax assets comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	**904**	508	**–**	–
Employee benefits	**25,040**	20,471	**–**	–
Rental obligations	**1,067**	1,058	**–**	–
Creditors and accruals	**6,193**	3,614	**–**	–
Power generation depreciation differences	**–**	1,898	**–**	–
Share-based payments	**1,714**	500	**1,205**	500
Capitalised development fees	**–**	2,700	**–**	–
Tax losses*	**500**	707	**–**	–
Receipts in advance/Deferred income	**4,522**	2,586	**–**	–
Other	**860**	993	**–**	259
	40,800	35,035	**1,205**	759
Amounts recognised directly in equity				
Cash flow hedges	**–**	4,000	**–**	–
	40,800	39,035	**1,205**	759
Gross deferred tax assets to be recovered after more than 12 months	**17,092**	23,855	**803**	589
Gross deferred tax assets to be recovered within 12 months	**23,708**	15,180	**402**	170
	40,800	39,035	**1,205**	759

* The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

NOTE 18. NON-CURRENT ASSETS – DEFERRED TAX ASSETS continued

	DOUBTFUL DEBTS $'000	EMPLOYEE BENEFITS $'000	RENTAL OBLIG-ATIONS $'000	CREDITORS/ DEFERRED INCOME $'000	DEPRE-CIATION DIFFERENCES $'000	DERIVATIVES $'000	SHARE-BASED PAYMENTS $'000	CAPITALISED FEES $'000	TAX LOSSES $'000	OTHER $'000	TOTAL $'000
Consolidated – Movements in gross deferred tax assets											
At 1 July 2005	217	17,348	1,067	5,093	2,122	–	390	1,200	185	2,409	30,031
Change on adoptions of AASB 132 and AASB 139 (Note 1(o))	–	–	–	–	–	4,000	–	–	–	–	4,000
Charged/(credited) to the income statement	156	2,684	(27)	882	(224)	–	110	1,500	522	(1,416)	4,187
Charged directly to equity	–	–	–	–	–	–	–	–	–	–	–
Acquisition of subsidiary	135	439	18	225	–	–	–	–	–	–	817
Closing balance at 30 June 2006	508	20,471	1,058	6,200	1,898	4,000	500	2,700	707	993	39,035
Charged/(credited) to the income statement	40	3,061	374	4,938	(176)	–	1,214	–	(194)	(6,480)	2,777
Charged directly to equity	–	–	–	–	–	–	–	–	–	–	–
Acquisition/(disposal) of subsidiary	356	745	(365)	(423)	(1,722)	(4,000)	–	(2,700)	–	5,873	(2,236)
Effect of changes in foreign exchange rates	–	763	–	–	–	–	–	–	(13)	474	1,224
Closing balance at 30 June 2007	**904**	**25,040**	**1,067**	**10,715**	**–**	**–**	**1,714**	**–**	**500**	**860**	**40,800**
Parent – Movements in gross deferred tax assets											
At 1 July 2005	–	–	–	–	–	–	390	–	–	326	716
Charged/(credited) to the income statement	–	–	–	–	–	–	110	–	–	(67)	43
Closing balance at 30 June 2006	–	–	–	–	–	–	500	–	–	259	759
Charged/(credited) to the income statement	–	–	–	–	–	–	705	–	–	(259)	446
Closing balance at 30 June 2007	**–**	**–**	**–**	**–**	**–**	**–**	**1,205**	**–**	**–**	**–**	**1,205**

NOTE 19. NON-CURRENT ASSETS – INTANGIBLE ASSETS

CONSOLIDATED	GOODWILL $'000	CONTRACT INTANGIBLES $'000	TRADEMARKS AND BRANDS $'000	CUSTOMER RELATION-SHIPS $'000	CUSTOMER/ SUPPLIER DATABASES $'000	SOFTWARE^ $'000	TOTAL $'000
As at 1 July 2005							
Cost	181,013	34,194	750	13,157	1,445	27,331	257,890
Accumulated amortisation and impairment	–	(1,368)	(14)	(231)	(27)	(12,841)	(14,481)
Net book amount	181,013	32,826	736	12,926	1,418	14,490	243,409
Year ended 30 June 2006							
Opening net book amount	181,013	32,826	736	12,926	1,418	14,490	243,409
Exchange differences	(12,896)	(2,899)	–	(867)	–	(81)	(16,743)
Additions	15,779	–	3,300	655	–	3,373	23,107
Disposals and transfers out	–	–	–	–	–	(2,119)	(2,119)
Fair value adjustments	(809)	–	–	–	–	–	(809)
Amortisation charge	–	(4,052)	(97)	(756)	(66)	(3,905)	(8,876)
Closing net book amount	183,087	25,875	3,939	11,958	1,352	11,758	237,969
At 30 June 2006							
Cost	183,087	30,993	4,050	12,897	1,445	25,011	257,483
Accumulated amortisation and impairment	–	(5,118)	(111)	(939)	(93)	(13,253)	(19,514)
Net book amount	183,087	25,875	3,939	11,958	1,352	11,758	237,969
Year ended 30 June 2007							
Opening net book amount	**183,087**	**25,875**	**3,939**	**11,958**	**1,352**	**11,758**	**237,969**
Exchange differences	**(27,568)**	**2,585**	**(1,734)**	**(11,037)**	**(3,699)**	**402**	**(41,051)**
Additions	**348,193**	**2,450**	**33,206**	**140,272**	**29,621**	**6,359**	**560,101**
Disposals and transfers	**(21,636)**	**–**	**–**	**–**	**–**	**(878)**	**(22,514)**
Fair value adjustments	**189**	**–**	**500**	**1,000**	**–**	**–**	**1,689**
Amortisation charge	**–**	**(4,616)**	**(1,349)**	**(7,986)**	**(2,604)**	**(4,428)**	**(20,983)**
Closing net amount	**482,265**	**26,294**	**34,562**	**134,207**	**24,670**	**13,213**	**715,211**
At 30 June 2007							
Cost	**482,265**	**36,505**	**35,971**	**142,782**	**27,167**	**30,626**	**755,316**
Accumulated amortisation and impairment	**–**	**(10,211)**	**(1,409)**	**(8,575)**	**(2,497)**	**(17,413)**	**(40,105)**
Net book amount	**482,265**	**26,294**	**34,562**	**134,207**	**24,670**	**13,213**	**715,211**

^ Software represents capitalised development costs and licence fees for the SAP system used in the business.

Amortisation and depreciation expenses of $20,983,455 over intangible assets and computer software are included in depreciation, amortisation and impairment expenses in the income statements.

NOTE 19. NON-CURRENT ASSETS – INTANGIBLE ASSETS continued

(a) Impairment tests for goodwill
Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment and country of operation. A segment-level summary of the goodwill and other intangible assets allocation is presented overleaf.

	AUSTRALIA $'000	NEW ZEALAND $'000	NORTH AMERICA $'000	OTHER COUNTRIES $'000	TOTAL $'000
2007					
Operations and maintenance	**96,536**	**144,861**	**463,450**	**10,364**	**715,211**
Infrastructure ownership	–	–	–	–	–
	96,536	**144,861**	**463,450**	**10,364**	**715,211**
2006					
Operations and maintenance	91,949	122,976	–	1,411	216,336
Infrastructure ownership	21,633	–	–	–	21,633
	113,582	122,976	–	1,411	237,969

The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by management, covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

(b) Key assumptions used for value-in-use calculations

	GROWTH RATE** 2007 %	GROWTH RATE** 2006 %	POST-TAX DISCOUNT RATE*** 2007 %	POST-TAX DISCOUNT RATE*** 2006 %
Operations and maintenance				
Australia	**3.4**	3.0	**9.15**	8.57
New Zealand	**5.0**	3.5	**9.15**	8.15
Other	**3.0**	n/a	**9.15**	n/a
Infrastructure				
Australia	**n/a**	2.5	**n/a**	7.52

** Weighted average growth rate used to extrapolate cash flows beyond the budget period.

*** In performing the value-in-use calculations for each CGU, the Company has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. These discount rates are consistent with independent market analysis of the Group. These assumptions have been used for the analysis of each CGU within the business segment.

Management determined budgeted earnings before interest, tax and amortisation (EBITA) based on past performance and its expectations of the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are post-tax and reflect specific risks relating to the relevant segments and the countries in which they operate.

(c) Impact of possible changes in key assumptions
Management does not consider that a change in any of its recently established key assumption criteria would materially impact the assessment of impairment for any CGU.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000

NOTE 20. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade payables	**220,083**	198,307	**–**	–
Other payables	**147,690**	121,755	**1,471**	82
	367,773	320,062	**1,471**	82

NOTE 21. CURRENT LIABILITIES – SHORT-TERM BORROWINGS

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Unsecured				
Loans from associates and joint venture entities and partnerships and sundry loans	**386**	17,542	**–**	16,973
Loans from controlled entities*	**–**	–	**23,970**	24,827
Bank overdraft and bridge facility	**381,284**	163,050	**17,284**	163,050
Mandatory convertible note	**6,835**	5,611	**–**	–
Secured				
Lease liabilities	**1,110**	1,087	**–**	–
Non-recourse project finance loans – power generation	**–**	20,660	**–**	–
Total current borrowings	**389,615**	207,950	**41,254**	204,850

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans as well as interest rate risk and fair values are set out in Note 33.

* The terms of these loans are set out in Note 35(i).

NOTE 22. CURRENT LIABILITIES – PROVISION FOR EMPLOYEE BENEFITS

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Annual leave	**39,781**	33,559	**–**	–
Long service leave	**14,151**	10,208	**–**	–
Other	**4,451**	3,801	**–**	–
	58,383	47,568	**–**	–

NOTE 23. CURRENT LIABILITIES – DEFERRED SETTLEMENT

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
APP	**9,991**	9,603	**–**	–
US Maintenance	**15,137**	–	**–**	–
TIMEC	**3,517**	–	**–**	–
	28,645	9,603	**–**	–

NOTE 24. NON-CURRENT LIABILITIES – LONG-TERM BORROWINGS

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Unsecured				
Mandatory convertible note	**36,616**	38,391	**–**	–
Secured				
Lease liabilities	**3,814**	4,148	**–**	–
Non-recourse project finance loans – power generation	**–**	421,940	**–**	–
Total non-current borrowings	**40,430**	464,479	**–**	–

Details of the security relating to each of the secured liabilities and of the interest rate risk and fair values are set out in Note 33.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
NOTE 25. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES				
Gross deferred tax liabilities	**53,708**	59,120	**270**	–
Set off deferred tax liabilities within common jurisdictions	**(18,204)**	(36,145)	**(270)**	–
Net deferred tax liabilities	**35,504**	22,975	**–**	–
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Inventories and work in progress	**10,980**	12,599	**–**	–
Depreciation differences on power generation assets, plant and equipment	**672**	28,782	**–**	–
Receivables	**758**	248	**–**	–
Intangible assets	**39,724**	13,796	**–**	–
Timing difference on partnership taxable income	**653**	1,868	**–**	–
Other	**921**	623	**270**	–
	53,708	57,916	**270**	–
Amounts recognised directly in equity				
Cash flow hedges	**–**	1,204	**–**	–
Gross deferred tax liabilities	**53,708**	59,120	**270**	–
Gross deferred tax liabilities to be settled after more than 12 months	**37,086**	40,332	**–**	–
Gross deferred tax liabilities to be settled within 12 months	**16,622**	18,788	**270**	–
	53,708	59,120	**270**	–

	INVENTORY AND WIP $'000	PLANT AND EQUIPMENT $'000	POWER GENERATION $'000	RECEIVABLES $'000	INTANGIBLE ASSETS $'000	PARTNERSHIP INCOME/ OTHER $'000	DERIVATIVES $'000	TOTAL $'000
Movements – Consolidated								
At July 2005	16,107	2,598	26,216	872	15,439	(2,426)	–	58,806
Change on adoption of AASB 132 and 139	–	–	–	–	–	–	1,204	1,204
Charged/(credited) to the income statement	(3,508)	(1,125)	1,093	(624)	(1,644)	4,918	–	(890)
Charged directly to equity								
At 30 June 2006	12,599	1,473	27,309	248	13,795	2,492	1,204	59,120
Charged/(credited) to the income statements	(745)	(801)	717	597	(3,136)	1,715	–	(1,653)
Charged directly to equity	–	–	–	–	–	–	–	–
Acquisition/(disposal) of subsidiary	(874)	–	(28,026)	(87)	30,328	(2,633)	(1,204)	(2,496)
Fair value adjustment	–	–	–	–	450	–	–	450
Effect of changes in foreign exchange rate	–	–	–	–	(1,713)	–	–	(1,713)
At 30 June 2007	**10,980**	**672**	**–**	**758**	**39,724**	**1,574**	**–**	**53,708**
Movements – Parent								
At 30 June 2006	–	–	–	–	–	–	–	–
Charged/(credited) to the income statements	–	–	–	–	–	270	–	270
At 30 June 2007	**–**	**–**	**–**	**–**	**–**	**270**	**–**	**270**

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000

NOTE 26. NON-CURRENT LIABILITIES – PROVISION FOR EMPLOYEE BENEFITS

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Annual leave	**8,403**	5,855	**–**	–
Long service leave	**9,871**	10,374	**–**	–
Other	**1,726**	970	**–**	–
	20,000	17,199	**–**	–

NOTE 27. NON-CURRENT LIABILITIES – OTHER PROVISIONS

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Rehabilitation of site	**–**	1,105	**–**	–
Lease 'make-good' provision	**3,403**	3,442	**–**	–
	3,403	4,547	**–**	–

Rehabilitation
Provision is made for the estimated rehabilitation of the leasehold property upon which the Group operates the Townsville Power Station. The lease expires at the completion of the plant's useful life at which time the lessee is required to perform works on the site under agreement with the lessor. Based on current environmental conditions, a provision for rehabilitation has been recognised using discounted cash flows. The Townsville Power Station was sold to Transfield Services Infrastructure Limited during the year.

'Make-good'
Provision is made for estimated 'make-good' expenses for the Group's operating leases, namely lease premises and motor vehicles. Reasonable estimates based on historical data have been used to calculate terminal value, which has been subjected to discounted cash flows. Management reassesses this provision semi-annually.

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

	REHABILITATION COSTS $'000	LEASE 'MAKE-GOOD' $'000	TOTAL $'000
Consolidated – 2007			
Non-current			
Carrying amount at start of year	**1,105**	**3,442**	**4,547**
Provision incurred	**–**	**492**	**492**
Finance cost	**110**	**303**	**413**
Unused amounts reversed	**–**	**(834)**	**(834)**
Provision disposed through sale of entity	**(1,215)**	**–**	**(1,215)**
Carrying amount at end of year	**–**	**3,403**	**3,403**

NOTE 28. NON-CURRENT LIABILITIES – DEFERRED CONSIDERATION

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
APP	**–**	9,350	**–**	–
US Maintenance	**22,458**	–	**–**	–
	22,458	9,350	**–**	–

	CONSOLIDATED		PARENT ENTITY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
NOTE 29. CONTRIBUTED EQUITY				
Ordinary shares – fully paid	**547,257**	283,560	**547,257**	283,560

Movements in ordinary share capital:

DATE	DETAILS	NUMBER OF SHARES ISSUED	NUMBER OF SHARES ACQUIRED ON-MARKET	EXERCISE PRICE $	$'000
1 July 2005	Opening balance	159,980,792	–	–	282,836
September 2005	Exercise of employee Options (50,000)	–	–	1.66	83
September 2005	Exercise of employee Options (750,000)	–	–	2.82	2,115
September 2005	Exercise of employee Options (135,000)	–	–	2.62	354
September 2005	Acquisition of shares on-market	–	935,000	–	(7,696)
March 2006	Shares issued from exercise of employee options and Awards	995,000	–	2.62	2,607
March 2006	Shares issued from exercise of employee options and Awards	900,000	–	2.70	2,430
June 2006	Adjustment for difference between fair value of Awards expensed and exercise price of Awards	–	–	–	886
	Transaction costs	–	–	–	(55)
30 June 2006	Balance	161,875,792	935,000	–	283,560
August 2006	TranShare Plan acquisition of shares on-market	–	4,500	8.22	(37)
October 2006	Proceeds from equity raising	35,977,760	–	7.50	269,833
September 2006	Direct cost of equity raising after tax effect	–	–	–	(3,985)
October 2006	Exercise of Awards issued under Transfield Services Executive Performance Awards Plan	210,000	–	–	–
October 2006	Proceeds from options issued under Transfield Services Executive Option Plan	–	–	–	760
December 2006	Transfield Services Executive Option Plan acquisition of shares on-market	–	–	–	(422)
March 2007	Acquisition of shares on-market	**–**	**317,254**	**10.92**	**(3,465)**
June 2007	Adjustment for difference between fair value of Awards expensed and exercise price of Awards	**–**	**–**	**–**	**1,013**
30 June 2007	Balance	**198,063,552**	**1,256,754**	**–**	**547,257**

(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) Equity raising
During September 2006, the Company invited its institutional and private shareholders to subscribe to a rights issue of 35,977,760 shares at an issue price of $7.50 per share on the basis of two shares for every nine fully paid ordinary shares held. The issue was fully subscribed.

(c) Employee share plans and schemes
Information relating to the company's employee share plans and schemes are set out in Note 47.

(d) Acquisition of shares on-market
It is the Company's intention to settle the vesting of employee Options and Performance Awards by way of on-market acquisition of the requisite number of shares. Consequently, at the date of granting of Performance Awards a corresponding deferred tax asset is recognised which represents the temporary difference, which will crystallise when the underlying shares are acquired on-market.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000

NOTE 30. RESERVES AND RETAINED PROFITS

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
(a) Reserves				
Share-based payments reserve	**4,018**	1,668	**4,018**	1,668
Foreign currency translation reserve	**(17,525)**	(13,508)	**–**	–
Hedging reserve – cash flow hedges	**7,063**	(6,525)	**–**	–
Share capital contribution reserve	**108**	108	**–**	–
Statutory reserve	**79**	–	**–**	–
	(6,257)	(18,257)	**4,018**	1,668
Movements:				
Share-based payments reserve				
Balance at 1 July	**1,668**	1,299	**1,668**	1,299
Valued Performance Awards granted	**3,363**	1,255	**3,363**	1,255
Transfer to share capital (Options exercised)	**(1,013)**	(886)	**(1,013)**	(886)
Balance at 30 June	**4,018**	1,668	**4,018**	1,668
Foreign currency translation reserve				
Balance at 1 July	**(13,508)**	1,163	**–**	–
Net exchange differences on translation of foreign controlled entities	**(4,017)**	(14,671)	**–**	–
Balance at 30 June	**(17,525)**	(13,508)	**–**	–
Hedging reserve – cash flow hedges				
Balance at 1 July	**(6,525)**	–	**–**	–
Change in fair value of cash flow hedge – interest rate hedge (net of tax)	**20,939**	–	**–**	–
Realisation of hedging reserve on disposal of infrastructure assets	**(7,351)**	–	**–**	–
Adjustment on adoption of AASB 132 and AASB 139 (net of tax) (Note 12)	**–**	(16,905)	**–**	–
Revaluation (gross)	**–**	14,829	**–**	–
Deferred tax at 30%	**–**	(4,449)	**–**	–
Balance at 30 June	**7,063**	(6,525)	**–**	–
Share capital contribution reserve				
Balance at 1 July	**108**	–	**–**	–
Movement for the year	**–**	108	**–**	–
Balance at 30 June	**108**	108	**–**	–
Statutory Reserve				
Balance at 1 July	**–**	–	**–**	–
Movement for the year	**79**	–	**–**	–
Balance at 30 June	**79**	–	**–**	–
(b) Retained profits/(accumulated losses)				
Retained profits/(accumulated losses) at the beginning of the financial year	**84,349**	64,125	**(2,578)**	(994)
Net profit/(loss) attributable to members of Transfield Services Limited	**114,300**	55,593	**159,601**	33,785
Less: Dividends paid	**(46,818)**	(35,369)	**(46,818)**	(35,369)
Retained profits/(accumulated losses) at the end of the financial year	**151,831**	84,349	**110,205**	(2,578)

NOTE 30. RESERVES AND RETAINED PROFITS continued

Nature and purpose of reserves

(i) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of Options and Performance Awards granted but not exercised. The share-based payments reserve is tax-effected as a result of the intention to acquire shares to fulfil vested Awards on market (refer to Note 47).

(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(e). The reserve is recognised in profit and loss when the net investment is disposed of.

(iii) Hedging reserve – cash flow hedges (interest rate swaps and forward exchange contracts)
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that is recognised directly in equity, as described in Note 1(q). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

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

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

NOTE 31. MINORITY INTEREST

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Balance at 1 July	**79**	–	**–**	–
Fair value adjustment on acquisitions	**24**	–	**–**	–
Arising on acquisition of subsidiary	**–**	82	**–**	–
Profit/(loss) attributable to minority shareholders	**28**	(3)	**–**	–
Balance at 30 June	**131**	79	**–**	–

NOTE 32. DIVIDENDS

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Ordinary shares – fully franked at 30%				
2006 final dividend of 13c per fully paid share (2005: 11c)	**21,068**	17,598	**21,068**	17,598
2007 interim, dividend of 13c per fully paid share (2006: 11c)	**25,750**	17,771	**25,750**	17,771
Total dividends provided for or paid	**46,818**	35,369	**46,818**	35,369

Since the end of the financial year the Directors have resolved to pay a final dividend of 18 cents per fully paid ordinary share, fully-franked based on tax paid at 30 per cent. The dividend will be paid on 8 October 2007. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 June 2007, but not recognised as a liability, is $35,651,439 (2006: $21,043,853).

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% (2006: 30%)	**63,538**	7,803	**63,538**	7,803

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 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. The impact on the franking account of the dividend recommended by the Directors since year-end, but not recognised as a liability at year-end, will be a reduction in the franking account of $15,279,188 (2006: $9,018,794).

NOTE 33. NON-DERIVATIVE FINANCIAL INSTRUMENTS

(a) Fair values and carrying values
Set out overleaf is a comparison, by category, of carrying amounts and fair values of all the Group's non-derivative financial instruments recognised in the financial statements. The fair value of the liability portion of the mandatory convertible note is estimated using an equivalent market interest rate for a similar convertible bond.

The fair values of borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair values of loan notes and other financial assets have been calculated using market interest rates.

CONSOLIDATED	2007 CARRYING AMOUNT $'000	2007 FAIR VALUE $'000	2006 CARRYING AMOUNT $'000	2006 FAIR VALUE $'000
Financial assets				
Cash and cash equivalents	**91,827**	**91,827**	138,210	138,210
Receivables	**457,918**	**457,918**	318,084	318,084
Security deposits	**1,306**	**1,306**	1,356	1,356
	551,051	**551,051**	457,650	457,650
Financial liabilities				
Trade and other payables	**367,773**	**367,773**	320,062	320,062
Current tax liabilities	**55,428**	**55,428**	8,341	8,341
Deferred purchase consideration	**51,103**	**49,624**	18,953	18,953
Mandatory convertible note	**43,451**	**39,593**	44,002	44,002
Non-recourse project finance loans – power generation	–	–	442,600	442,600
Bank overdraft and bridge facility	**381,284**	**381,284**	163,050	163,050
Finance lease liabilities	**4,924**	**4,924**	5,235	5,235
Loans from associates and joint venture entities and partnerships	**386**	**386**	17,542	17,542
	904,349	**899,012**	1,019,785	1,019,785

PARENT	2007 CARRYING AMOUNT $'000	2007 FAIR VALUE $'000	2006 CARRYING AMOUNT $'000	2006 FAIR VALUE $'000
Financial assets				
Cash and cash equivalents	**147**	**147**	121	121
Receivables	**517,506**	**517,506**	411,930	411,930
	517,653	**517,653**	412,051	412,051
Financial liabilities				
Other payables	**1,471**	**1,471**	82	82
Current tax liabilities	**64,109**	**64,109**	7,415	7,415
Bank overdraft and bridge facility	**17,284**	**17,284**	163,050	163,050
Loans from associates	–	–	16,973	16,973
Loans from controlled entities	**23,970**	**23,970**	24,827	24,827
	106,834	**106,834**	212,347	212,347

Where applicable, the fair values are based on cash flows discounted using a current lending rate of 7.05 per cent (2006: 7.25 per cent).

NOTE 33. NON-DERIVATIVE FINANCIAL INSTRUMENTS continued

(a) Interest rate risk
The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

CONSOLIDATED 2007	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING IN: 1 YEAR OR LESS $'000	1 YEAR TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST-BEARING $'000	TOTAL $'000
Financial assets						
Cash and cash equivalents	**91,827**	–	–	–	–	**91,827**
Receivables	–	–	–	–	**457,918**	**457,918**
Security deposits	–	–	–	–	**1,306**	**1,306**
	91,827	–	–	–	**459,224**	**551,051**
Weighted average interest rate	**5.95%**					
Financial liabilities						
Trade and other payables	–	–	–	–	**367,773**	**367,773**
Deferred purchase consideration	–	–	–	–	**51,103**	**51,103**
Current tax liabilities	–	–	–	–	**55,428**	**55,428**
Mandatory convertible note	–	**6,835**	**36,616**	–	–	**43,451**
Bank overdraft and bridge facility	**381,284**	–	–	–	–	**381,284**
Finance lease liabilities	–	**1,110**	**3,814**	–	–	**4,924**
Loans from associates and others	–	–	–	–	**386**	**386**
	381,284	**7,945**	**40,430**	–	**474,690**	**904,349**
Weighted average interest rate	**7.05%**	**6.97%**	**6.97%**	–		

CONSOLIDATED 2006	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING IN: 1 YEAR OR LESS $'000	1 YEAR TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST-BEARING $'000	TOTAL $'000
Financial assets						
Cash and cash equivalents	138,210	–	–	–	–	138,210
Receivables	–	–	–	–	318,084	318,084
Security deposits	–	–	–	–	1,356	1,356
	138,210	–	–	–	319,440	457,650
Weighted average interest rate	5.50%					
Financial liabilities						
Trade and other payables	–	–	–	–	320,062	320,062
Current tax liabilities	–	–	–	–	8,341	8,341
Deferred purchase consideration	–	–	–	–	18,953	18,953
Non-recourse project finance loans – power generation	442,600	–	–	–	–	442,600
Mandatory convertible note	–	5,611	38,391	–	–	44,002
Bank overdraft and bridge facility	163,050	–	–	–	–	163,050
Finance lease liabilities	–	1,087	4,148	–	–	5,235
Loans from associates	–	–	–	–	17,542	17,542
	605,650	6,698	42,539	–	364,898	1,019,785
Weighted average interest rate	6.75%	6.97%	6.97%	–		

NOTE 33. NON-DERIVATIVE FINANCIAL INSTRUMENTS continued

PARENT 2007	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING IN: 1 YEAR OR LESS $'000	1 YEAR TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST-BEARING $'000	TOTAL $'000
Financial assets						
Cash and cash equivalents	**147**	**–**	**–**	**–**	**–**	**147**
Receivables	**–**	**–**	**–**	**–**	**517,506**	**517,506**
	147	**–**	**–**	**–**	**517,506**	**517,653**
Weighted average interest rate	**5.95%**	**–**	**–**	**–**		
Financial liabilities						
Other payables	**–**	**–**	**–**	**–**	**1,471**	**1,471**
Current tax liabilities	**–**	**–**	**–**	**–**	**64,109**	**64,109**
Bank overdraft and bridge facility	**17,284**	**–**	**–**	**–**	**–**	**17,284**
Loans from controlled entities	**23,970**	**–**	**–**	**–**	**–**	**23,970**
	41,254	**–**	**–**	**–**	**65,580**	**106,834**
Weighted average interest rate	**7.05%**	**–**	**–**	**–**		

PARENT 2006	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING IN: 1 YEAR OR LESS $'000	1 YEAR TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST-BEARING $'000	TOTAL $'000
Financial assets						
Cash and cash equivalents	121	–	–	–	–	121
Receivables	–	–	–	–	411,930	411,930
	121	–	–	–	411,930	412,051
Weighted average interest rate	5.45%	–	–	–		
Financial liabilities						
Other payables	–	–	–	–	82	82
Current tax liabilities	–	–	–	–	7,415	7,415
Bank overdraft and bridge facility	163,050	–	–	–	–	163,050
Loans from associates	–	–	–	–	16,973	16,973
Loans from controlled entities	–	–	–	–	24,827	24,827
	163,050	–	–	–	49,297	212,347
Weighted average interest rate	7.00%	–	–	–		

NOTE 33. NON-DERIVATIVE FINANCIAL INSTRUMENTS continued

(b) Financing arrangements

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Unrestricted access was available at balance date to the following:				
Bank overdrafts				
Used	**–**	–	**–**	–
Unused	**5,000**	5,000	**5,000**	5,000
Total facility	**5,000**	5,000	**5,000**	5,000
Cash advances and guarantees				
Used	**517,155**	274,249	**517,155**	274,249
Unused	**200,243**	80,887	**200,243**	80,887
Total facility	**717,398**	355,136	**717,398**	355,136

Terms of the financing facilities are described below:

Bank overdrafts
As at 30 June 2007, the Group's banking relationships were with the ANZ Banking Group (ANZ) and Westpac Banking Corporation (Westpac). This included the bridge facilities for the acquisition of US Maintenance and TIMEC through ANZ. On 12 July 2007, the Group replaced these facilities with a new $750 million multi currency Corporate Debt facility with ANZ, Westpac, Bank of America, Calyon, Hong Kong and Shanghai Bank, Mizuho, Royal Bank of Scotland and WESTLB.

As a result, the corporate borrowings in place at 30 June 2007 have been classified as a current liability (refer Note 1(a)).

Cash advances and guarantees
Cash advances and bank guarantees include a Mandatory Convertible Note (MCN).

Transfield Services (New Zealand) Limited (TSNZ) issued a MCN to ANZ Bank New Zealand (ANZ) for NZ$160,000,000. The term of the MCN is seven years, commencing September 2005, with fixed-interest coupons of 6.97 per cent payable by TSNZ semi-annually in arrears.

At the same time, Transfield Services (International) Pty Limited (TSIPL) entered into a forward-purchase agreement for NZ$92,800,000 with ANZ under which TSIPL acquires the MCN. TSIPL will pay NZ$92,800,000 to ANZ immediately in consideration for ANZ agreeing to deliver the MCN to TSIPL shortly before the MCN is due to convert.

(c) Secured liabilities
Total secured liabilities (current and non-current) are:

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Non-recourse project finance loans – power generation	–	442,600	**–**	–
Lease liabilities	**4,923**	5,235	**–**	–
Total secured borrowings	**4,923**	447,835	**–**	–

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

(d) Assets pledged as security

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Fixed and floating charge				
Power generation plant and equipment	**–**	559,704	**–**	–
Total power generation assets pledged as security	**–**	559,704	**–**	–
The following current and non-current assets are also pledged as security under the floating charge:				
Cash assets	**–**	49,282	**–**	–
Receivables – current and non-current	**–**	24,389	**–**	–
Inventories	**–**	2,918	**–**	–
Other current assets	**–**	2,050	**–**	–
Total assets pledged as security	–	638,343	**–**	–

The Group disposed of its power generation assets as part of an internal restructure and Initial Public Offering (refer Note 34). As a result there are no secured assets at 30 June 2007.

NOTE 34. DISCONTINUED OPERATIONS

(a) Description

Over the course of the year the Group performed an internal reorganisation resulting in the restructuring of all its infrastructure owning companies and interest in associates and joint ventures under a single subsidiary company Transfield Services Infrastructure Limited (formerly known as Transfield Services Kemerton Holdings Pty Limited). The debt relating to the individual power station owning companies was also refinanced into a single corporate facility with Transfield Services Infrastructure Limited.

On 4 April 2007, the Group announced its intention to sell the infrastructure assets as Transfield Services Infrastructure Fund (the Fund) in an Initial Public Offering (IPO). The IPO was completed on 12 June 2007 and the assets disposed of are reported in this Financial Report as a discontinued operation. The IPO consisted of the sale of 42.4 per cent of Transfield Services shareholding to the public as well as the issue of new securities by the Fund to the public, resulting in subsequent dilution of Transfield Services shareholding to 49 per cent. Transfield Services lost control from this date and has therefore deconsolidated TSIL's net assets. Transfield Services retains significant influence over TSIL and adopts equity accounting measurement for its 49 per cent interest in the Fund.

Financial information relating to the period to the date of disposal is set out below. Further information is set out in Note 48 – segment information. The consolidated gain on disposal below includes a profit on disposal of shares as well as a deemed gain on subsequent dilution.

(b) Financial performance and cash-flow information

The financial performance and cash flow information presented are for the 11.5 months ended 11 June 2007 and the year ended 30 June 2006.

	CONSOLIDATED	
	2007 $'000	2006 $'000
Revenue (Note 4)	**142,450**	138,734
Share of profit net profits of associates and joint venture partnerships	**7,893**	7,955
Expenses and other income	**(125,273)**	(116,686)
Profit before income tax	**25,070**	30,003
Income tax expense	**(9,112)**	(8,469)
Profit after tax of discontinued operations	**15,958**	21,534
Gain on disposal of infrastructure assets before income tax	**81,727**	–
Income tax expense	**(46,983)**	–
Gain on disposal of infrastructure assets after income tax	**34,744**	–
Profit from discontinued operations	**50,702**	21,534
Net cash inflow from operating activities	**78,614**	51,771
Net cash inflow from investing activities	**(26,223)**	(40,216)
Net cash inflow from financing activities	**99,912**	6,823
Net increase in cash generated by infrastructure assets	**152,303**	18,378
Profit before income tax from discontinued operations includes the following items:		
Revenue from discontinued operations		
Infrastructure ownership and management	**135,939**	136,202
Other revenue from discontinued operations		
Interest	**6,511**	2,532
Total revenue from discontinued operations	**142,450**	138,734
Fair value gain on investment held for sale	**6,200**	–
Depreciation		
Power generation assets	**22,033**	20,770
Plant and equipment/leasehold improvements	**98**	37
Total depreciation	**22,131**	20,807
Finance costs		
Interest and finance charges paid/payable	**29,549**	30,999
Amount capitalised	**–**	(5,645)
Fair value loss on interest rate swaps transferred from equity	**11,010**	–
Effective interest rate adjustments	**1,850**	–
Finance cost expensed	**42,409**	25,354

NOTE 34. DISCONTINUED OPERATIONS continued

(c) Carrying amounts of assets and liabilities
The carrying amounts of assets and liabilities as at 11 June 2007 and 30 June 2006 are:

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000
Power generating assets	**537,445**	559,703
Intangible assets	**21,946**	24,404
Property, plant and equipment	**–**	17
Deferred tax assets	**4,816**	8,930
Investments in associates and joint venture partnerships and available-for-sale financial assets	**176,126**	32,598
Investment in controlled entities	**–**	–
Other investments	**–**	–
Non-current receivables	**44,827**	–
Derivative financial instruments	**20,591**	4,013
Inventory	**1,993**	2,918
Related party loans receivable	**–**	–
Trade and other current receivables	**18,120**	11,080
Prepayments and other current assets	**6,022**	2,050
Cash	**50,276**	49,332
Total assets	**882,162**	695,045
Borrowings	**404,861**	442,600
Related party loans payable	**96,661**	123,136
Trade and other payables	**24,400**	16,075
Provisions	**1,215**	1,105
Provision for income tax	**5,710**	–
Deferred tax liabilities	**37,982**	29,636
Derivative financial instruments	**–**	13,334
Total liabilities	**570,739**	625,886
Carrying value of the investment	**311,423**	69,159
Net assets sold – partial disposal equivalent to 42.4% of carrying value	**132,043**	–
(d) Details of the sale		
Cash consideration	**202,534**	–
Less: Costs to sell	**(10,252)**	–
	192,282	–
Net assets disposed	**(132,043)**	–
Gain on disposal of 42.4% shareholding	**60,239**	–
Deemed gain on dilution to 49% shareholding	**14,137**	–
Realisation of hedging reserve on disposal	**7,351**	–
Gain on sale before income tax	**81,727**	–
Income tax expense	**(46,983)**	–
Gain on sale after income tax	**34,744**	–

NOTE 35. RELATED PARTY TRANSACTIONS

(a) Parent entity
The parent entity within the Group is Transfield Services Limited.

(b) Controlled entities
Interests in controlled entities are set out in Note 38.

(c) Key management personnel
Disclosures relating to key management personnel are set out in Note 36.

(d) Remuneration and retirement benefits
Disclosures relating to remuneration and retirement benefits are set out in the Remuneration Report on pages 37 to 49.

(e) Directors and Director-related entities
The following were Directors and shareholders of Transfield Holdings Pty Limited and Transfield (TSL) Pty Limited, a related party and beneficial owners of the shareholding in Transfield Services Limited.

– Guido Belgiorno-Nettis AM; and

– Luca Belgiorno-Nettis.

Messrs Guido Belgiorno-Nettis AM and Luca Belgiorno-Nettis each beneficially hold 42.9 per cent (2006: 37.5 per cent) in Transfield (TSL) Pty Limited which itself owns 25.85 per cent (2006: 29.73 per cent) of the share capital of Transfield Services Limited. This means they each indirectly own 21,964,000 (2006: 18,046,875) shares in Transfield Services Limited.

The following were Directors and security holders of Transfield Services Infrastructure Fund, an equity accounted associate.

– Anthony Shepherd; and

– Peter Watson.

Messrs Anthony Shepherd and Peter Watson hold 0.85 per cent and 1.27 per cent respectively in Transfield Services Limited which itself owns 49 per cent of the securities of Transfield Services Infrastructure Fund (the Fund). This means in addition to their direct holdings of 95,120 and 47,500 securities respectively, they each indirectly own 1,110,616 and 1,652,376 units in Transfield Services Infrastructure Fund.

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

Aggregate amounts of each of the above types of other transactions with Directors and their Director-related entities are recognised as expenses:

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Management services provided to Transfield Services Infrastructure Fund	**586,555**	–	**–**	–
Operations and maintenance services provided to Transfield Services Infrastructure Fund	**1,644,515**	–	**–**	–

In addition, Transfield Services (Australia) Pty Limited provided services for the formation of the Fund and its listing on the Australian Securities Exchange. Transfield Services Infrastructure Limited paid $7,655,613 and Transfield Services Infrastructure Trust paid $13,344,387 excluding GST for these services. No amounts were charged to TSI International Limited. Prior to the IPO all maintenance spares of the infrastructure assets were held by Transfield Services (Australia) Pty Limited after the float each power station took ownership of its related maintenance spares for $8,066,000.

Prior to its IPO, the Fund was part of the Transfield Services Limited tax-consolidated group. A net amount of $5,890,559 is receivable by Transfield Services Limited as a tax leaving payment. This amount is reflected within related party receivables on the balance sheet.

Transfield Services (Australia) Pty Limited provided advisory and facilitation services to Transfield Services Infrastructure Limited relating to the acquisition of the investment in Loy Yang A Power Station. An amount of $2,869,377, which represents a success fee recorded by Transfield Services Limited, was paid by Transfield Services Infrastructure Limited.

NOTE 35. RELATED PARTY TRANSACTIONS continued

(e) Directors and Director-related entities continued
The following amounts are receivable from Director-related entities at 30 June 2007:

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
Transfield Services Infrastructure Limited	**10,072,439**	–	**5,890,559**	

Prior to the Initial Public Offering, Transfield Services Limited was the only security holder in the Fund.

Transfield Services pays Mr Shepherd $80,000 per annum to sit on the board of the Fund. Mr Watson is not paid for serving on the board of the Fund.

(f) Loans to executives and executive-related entities
There were no loans to executives of entities in the consolidated entity or their personally related entities during the year or outstanding at the end of the year.

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

	PARENT ENTITY AND CONSOLIDATED ENTITY 2007 NUMBER	PARENT ENTITY AND CONSOLIDATED ENTITY 2006 NUMBER
Acquisitions		
Ordinary shares	**10,911,388**	69,586
Performance Awards over ordinary shares	**650,000**	59,000
Aggregate acquisition of ordinary shares includes:		
Acquired as part of the Directors' remuneration arrangements	**63,764**	9,200
Acquired through two for nine capital raising	**3,013,374**	–
Acquired by normal on-market means	**–**	60,386
Acquired indirectly by Messrs Guido Belgiorno-Nettis AM and Luca Belgiorno-Nettis by way of Estate settlement	**7,834,250**	–
	10,911,388	69,586
Aggregate numbers of shares and Performance Awards of Transfield Services Limited held directly, indirectly or beneficially by Directors of the Company or the consolidated entity or their Director-related entities at balance date:		
Ordinary shares	**50,227,856**	39,316,468
Performance Awards over ordinary shares	**899,000**	249,000

(h) 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 2006 except:

– that a Director, Anthony Shepherd, received commercial benefits to the value of $105,000 (2006: $100,000) comprising car parking and secretarial support services. Mr Shepherd also received a consultancy fee of $14,685 for representing Transfield Services on the Board of Transfield Services Infrastructure Fund; and

– commercial rent of $66,252 (2006: $66,252) was paid to a relative of the Managing Director for the use of an apartment for accommodation whilst undertaking business-related activities in Sydney.

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

The following formal and informal agreements were in existence during the year:

– continuation of an agreement for Corporate and IT services dated 14 February 2001 on normal commercial terms and conditions whereby Transfield Holdings Pty Limited group companies, of which Messrs Guido Belgiorno-Nettis AM and Luca Belgiorno-Nettis are shareholders, acquires information technology services from Transfield Services (Australia) Pty Limited; and

– ongoing provision of contract operations and maintenance services to entities controlled or significantly influenced by Transfield Holdings Pty Limited on normal commercial terms. Ad hoc fees for consultancy provided between Transfield Services Limited and Transfield Holdings Pty Limited group companies and various cost sharing arrangements that occur from time to time.

Aggregate amounts of each of the above types of other transactions with Directors and their Director-related entities recognised as expenses:

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
Corporate services provided by Transfield Corporate Pty Limited	**(239,248)**	–	**–**	–
Information technology services provided to Transfield Corporate Pty Limited	**118,800**	–	**–**	–
Recharge of shared services provided to Transfield Corporate Pty Limited	**47,744**	205,475	**–**	–
Services received from Transfield Construction Pty Limited	**(69,960)**	(49,062)	**–**	–
Services received from Transfield Pty Limited	**–**	(41,058)	**–**	–
Services provided to Transfield Pty Limited	**–**	369,085	**–**	–
Services provided to Transfield Construction Pty Limited	**–**	4,098	**–**	–
Services provided to Transfield Project Development Pty Limited	**–**	93	**–**	–
Services provided to Transfield Transmission Systems Pty Limited	**–**	4,060	**–**	–
Services provided to Transfield Tulk Pty Limited	**–**	33,765	**–**	–
The unpaid amounts at 30 June 2007 owing by Director-related entities are:				
Transfield Pty Limited	**80,942**	50,932	**–**	–
Transfield Construction Pty Limited	**–**	150,533	**–**	–
	80,942	201,465	**–**	–
Other amounts paid to Directors and their Director-related entities during the year:				
Dividends	**11,642,178**	8,683,122	**11,642,178**	8,683,122

(i) Wholly-owned group

The wholly-owned group consists of Transfield Services Limited and its wholly-owned controlled entities which are set out in Note 38.

Transactions between Transfield Services Limited and other entities in the wholly-owned group during the years ended 30 June 2007 and 2006 consisted of:

(a) loans advanced by Transfield Services Limited;

(b) loans repaid to Transfield Services Limited;

(c) the sale of equity investments in infrastructure owning companies to Transfield Services Infrastructure Limited (refer Note 34); and

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

With the exception of the loan advanced to Transfield Services (New Zealand) Limited, which bears interest at 8.35 per cent per annum (2006: 7.98 per cent), loans advanced to and by Transfield Services Limited to its controlled entities are repayable within 12 months. Interest was not charged on these loans during the year.

	NOTE	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with entities in the wholly-owned group		**–**	–
Proceeds on disposal of infrastructure assets and assignment of shareholder loans with associates		**201,452**	–
Aggregate amounts receivable from entities in the wholly-owned group at balance date:			
Current receivables (loans)	9	**509,666**	403,329
Non-current receivables – (loans)	13	**6,476**	5,872
Aggregate amounts payable to entities in the wholly-owned group at balance date:			
Current payables (loans)	21	**23,970**	24,827
Tax consolidation legislation			
Current tax payable assumed from wholly-owned tax-consolidated entities (less amount assumed from disposal group)		**18,758**	13,438
Gross tax losses assumed from wholly-owned tax-consolidated entities		**(18,297)**	(7,568)

The terms of the tax sharing and tax funding agreements are set out in Note 7(h). Amounts owing to/from the parent entity to/from members of the tax-consolidated group are included in current loans receivable/payable respectively.

NOTE 35. RELATED PARTY TRANSACTIONS continued

(j) 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		PARENT ENTITY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Interest revenue	**183**	437	**183**	437
Dividend revenue and cash distributions	**40,691**	30,271	**42,596**	39,074

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 interest rate on the interest-bearing loan during the year was 11.55% (2006: 11.55%).

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Transfer of amount due from investment classification to loan classification for joint venture partnership.	**(2,379)**	–	**377**	–
Proceeds from/(repayments of) borrowings – associates and joint venture entities and partnerships	**(15,584)**	5,769	**(15,168)**	5,199
Loans (to)/from associates and joint venture entities and partnerships	**(150)**	500	**(150)**	500
Aggregate amounts receivable from, and payable to, each class of other related parties at balance date:				
Current receivables				
Associates and joint venture entities and partnerships (loans)	**4,632**	3,909	**697**	2,729
Current payables				
Associates and joint venture entities and partnerships (loans)	**152**	17,542	**–**	16,973

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

Reconciliation of loans to/from related parties

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Loans to subsidiaries/controlled entities				
Beginning of the year	**–**	–	**409,201**	233,837
Loans advanced (net)	**–**	–	**106,941**	175,364
End of year	**–**	–	**516,142**	409,201
Loans from subsidiaries/controlled entities				
Beginning of the year	**–**	–	**24,827**	15,593
Loans received/(repaid) (net)	**–**	–	**(857)**	9,234
End of year	**–**	–	**23,970**	24,827
Loans to associates				
Beginning of the year	**1,806**	2,106	**1,806**	2,106
Loans advanced	**150**	–	**150**	–
Loan (repayments) received	**(777)**	(300)	**(777)**	(300)
Interest charged	**278**	437	**278**	437
Interest (received)	**(278)**	(437)	**(278)**	(437)
Disposed	**(1,029)**	–	**(1,029)**	–
End of year	**150**	1,806	**150**	1,806
Loans from associates				
Beginning of the year	**17,542**	12,945	**16,973**	12,945
Loans received	**1,695**	4,027	**1,695**	4,028
Loan gained on acquisition of entity	**–**	570	**–**	–
Loan (repayments) made	**(417)**	–	**–**	–
Disposed	**(18,668)**	–	**(18,668)**	–
End of year	**152**	17,542	**–**	16,973

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Loans to joint ventures				
Beginning of the year	**2,103**	2,303	**923**	1,077
Loans advanced	**–**	500	**–**	546
Loan transferred	**2,379**	–	**(376)**	–
Loan (repayments) received	**–**	(700)	**–**	(700)
Interest charged	**–**	–	**–**	–
Interest received	**–**	–	**–**	–
End of year	**4,482**	2,103	**547**	923

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

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

(l) Ownership interests in related parties
Interest held in the following classes of related parties are set out in the following notes:

(a)	controlled entities	38
(b)	associates	39
(c)	joint venture entities and partnerships	40

NOTE 36. KEY MANAGEMENT AND TOP FIVE REMUNERATED PERSONNEL

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

Anthony Shepherd (Chairman)
Bernard Wheelahan (Deputy Chairman)
Peter Watson (Managing Director and Chief Executive Officer)
Guido Belgiorno-Nettis AM
Luca Belgiorno-Nettis
Professor Steve Burdon
Denis Cleary
Mel Ward AO

(b) Other key management and top five remunerated personnel

Darce Corsie	Chief Executive Officer – Infrastructure Investments/Transitional Chief Financial Officer – Transfield Services Infrastructure Fund
David Gansky	Chief Executive Officer – US Maintenance (from 4 July 2006)
Matthew Irwin	Chief Financial Officer
Bruce James	Chief Executive Officer – Australia
Steve MacDonald	Chief Strategy Officer/Chief Executive Officer Transfield Services Infrastructure Fund
Kate Munnings	Company Secretary and General Counsel
Joseph Sadatmehr	Chief Executive Officer – International and Mining Process and Hydrocarbons
Graeme Sumner	Chief Executive Officer – New Zealand

(c) Key management and top five remunerated personnel compensation

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Short-term employee benefits (cash salary and fees, cash bonuses and non-monetary benefits)	**9,383**	6,195	**–**	–
Long-term employee benefits	**849**	792	**–**	–
Post employment benefits	**188**	405	**–**	–
Share-based payments	**1,763**	661	**–**	–
	12,183	8,053	**–**	–

The Company has taken advantage of the exemption provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures in respect of its key management personnel to the Directors' Report. The relevant information can be found in sections A-C of the Remuneration Report on pages 37 to 42.

NOTE 36. KEY MANAGEMENT AND TOP FIVE REMUNERATED PERSONNEL continued

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

(i) Options and Performance Awards provided as remuneration and shares issued on exercise of such Options and Performance Awards.
Details of Options and Performance Awards provided as remuneration and shares issued on the exercise of such Options and Performance Awards, together with terms and conditions of the Options and Performance Awards, can be found in section D of the Remuneration Report on pages 43 to 47.

(ii) Options and Performance Awards holdings.
The number of Options and Performance Awards over ordinary shares in the Company held during the financial year by each Director of Transfield Services Limited and other key management and top five remunerated personnel of the Group, including their personally related parties, are set out below. No Options or Performance Awards are vested and unexercised at the end of the year.

2007

NAME	BALANCE AT THE START OF THE YEAR	GRANTED AS COMPEN-SATION	EXERCISED DURING THE YEAR	OTHER CHANGES	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR	UNVESTED
Directors							
Peter Watson	**249,000**	**650,000**	–	–	**899,000**	–	**899,000**
Other key management and top five remunerated personnel of the Group							
Darce Corsie	–	–	–	–	–	–	–
David Gansky	–	**29,100**	–	–	**29,100**		**29,100**
Matthew Irwin	**34,000**	**27,900**	–	–	**61,900**	–	**61,900**
Bruce James	**15,300**	**40,700**	–	–	**56,000**	–	**56,000**
Steve MacDonald	**69,292**	**36,700**	–	–	**105,992**	–	**105,992**
Joseph Sadatmehr	**198,615**	**56,500**	**(52,584)**	–	**202,531**	–	**202,531**
Kate Munnings	**7,900**	**10,200**	–	–	**18,100**	–	**18,100**
Graeme Sumner	**13,300**	**18,100**	–	**31,400**	–		**31,400**
	338,407	**219,200**	**(52,584)**	–	**505,023**	–	**505,023**

2006

NAME	BALANCE AT THE START OF THE YEAR	GRANTED AS COMPEN-SATION	EXERCISED DURING THE YEAR	OTHER CHANGES	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR	UNVESTED
Directors							
Peter Watson	190,000	59,000	–	–	249,000	–	249,000
Other key management and top five remunerated personnel of the Group							
Darce Corsie	–	–	–	–	–	–	–
Matthew Irwin	20,000	14,000	–	–	34,000	–	34,000
Bruce James	–	15,300	–	–	15,300	–	15,300
Steve MacDonald	942,492	26,800	(900,000)	–	69,292	–	69,292
Ross Mackiggan	265,783	16,900	–	–	282,683	–	282,683
Kate Munnings	–	7,900	–	–	7,900	–	7,900
Joseph Sadatmehr	158,815	39,800	–	–	198,615	–	198,615
Graeme Sumner	–	13,300	–	–	13,300	–	13,300
	1,387,090	134,000	(900,000)	–	621,090	–	621,090

(iii) Shareholdings
The number of shares in the Company held during the financial year by each Director of Transfield Services Limited and other key management personnel of the Group, including their personally related parties, are set out below. The Directors' compensation includes semi-annual on-market share acquisition in lieu of cash remuneration.

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS/AWARDS	OTHER CHANGES DURING THE YEAR ACQUISITIONS/ (DISPOSALS)	BALANCE AT THE END OF THE YEAR
2007				
Ordinary shares				
Directors				
Anthony Shepherd	**1,373,594**	**–**	**310,628**	**1,684,222**
Bernard Wheelahan	**51,466**	**–**	**16,128**	**67,594**
Peter Watson	**1,277,763**	**–**	**329,026**	**1,606,789**
Guido Belgiorno-Nettis AM*	**18,130,360**	**–**	**5,089,514**	**23,219,874**
Luca Belgiorno-Nettis*	**18,305,646**	**–**	**5,128,466**	**23,434,112**
Steve Burdon	**48,906**	**–**	**3,201**	**52,107**
Denis Cleary	**88,563**	**–**	**22,172**	**110,735**
Mel Ward AO	**40,170**	**–**	**12,253**	**52,423**
Other key management and top five remunerated personnel of the Group				
Darce Corsie	**197,500**	**–**	**–**	**197,500**
David Gansky	**–**	**–**	**–**	**–**
Matthew Irwin	**10,131**	**–**	**2,354**	**12,485**
Bruce James	**13,099**	**–**	**2,911**	**16,010**
Steve MacDonald	**919,063**	**–**	**54,760**	**973,823**
Joseph Sadatmehr	**930,000**	**52,584**	**(91,604)**	**890,980**
Kate Munnings	**–**	**–**	**–**	**–**
Graeme Sumner	**–**	**–**	**–**	**–**
	41,386,261	**52,584**	**10,879,809**	**52,318,654**
2006				
Ordinary shares				
Directors				
Anthony Shepherd	1,607,389	–	(233,795)	1,373,594
Bernard Wheelahan	49,638	–	1,828	51,466
Peter Watson	1,350,561	–	(72,798)	1,277,763
Guido Belgiorno-Nettis AM*	18,129,385	–	975	18,130,360
Luca Belgiorno-Nettis*	18,304,671	–	975	18,305,646
Steve Burdon	47,931	–	975	48,906
Denis Cleary	73,789	–	14,774	88,563
Mel Ward AO	38,952	–	1,218	40,170
Other key management and top five remunerated personnel of the Group				
Darce Corsie	197,500	–	–	197,500
Matthew Irwin	10,000	–	131	10,131
Bruce James	13,099	–	–	13,099
Steve MacDonald	10,000	900,000	9,063	919,063
Ross Mackiggan	–	–	131	131
Kate Munnings	–	–	–	–
Joseph Sadatmehr	1,180,000	–	(250,000)	930,000
Graeme Sumner	–	–	–	–
	41,012,915	900,000	(526,523)	41,386,392

* Refer to Note 35(e).

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

Dividends received by Directors and key management and top five remunerated personnel during the year ended 30 June 2007 amounted to $12,178,029 (2006: $9,036,566).

David Gansky is a former owner of 8.9 per cent of US Maintenance, which was acquired by Transfield Services on 4 July 2006. Mr Gansky received US$20,648,003 in cash for his shareholding and has the potential to receive approximately US$4,000,000 under an earn-out arrangement.

NOTE 37. BUSINESS COMBINATIONS

(a) Summary of acquisitions – 2007

(i) On 4 July 2006, the Group acquired 100 per cent of the issued share capital of USM Holdings Corporation (USM), a provider of facilities maintenance services across North America for consideration of $372.7 million plus a provisional earn-out component of $31.1 million.

USM Holdings Corporation group contributed revenues of $304.6 million and net profit of $11.8 million to the Group for the period from 6 July 2006 to 30 June 2007. If the acquisition has occurred on 1 July 2006, there would have been a negligible impact on consolidated revenue and consolidated profit for the period.

(ii) On 1 October 2006, the Group acquired 100 per cent of the issued share capital of Hofincons Infotech and Industrial Services, a provider of facilities maintenance and engineering services throughout India and the Middle East for a consideration of $9.3 million.

Hofincons Infotech and Industrial Services (Hofincons) contributed revenue of $16.1 million and a net profit of $1.2 million to the Group for the period from 1 October 2006 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the period would have increased by $21.4 million and $1.6 million respectively.

(iii) On 15 December 2006, the Group acquired the assets and infrastructure contracting business of N Forsyth Ltd (Forsyth's) in New Zealand for a consideration of $3.5 million. The business contributed revenues of $1.9 million and a net profit after tax and transition costs of $0.0 million to the Group for the period from 2 April 2007 to 30 June 2007. If the acquisition has occurred on 1 July 2006, consolidated revenue and consolidated profit for the period would have increased by $3.6 million and $0.1 million.

(iv) Effective 28 February 2007, the Group acquired 100 per cent of the issued share capital of the TIMEC group of companies (TIMEC), a provider of facilities maintenance services across North America for a consideration for $125.7 million, plus a working capital adjustment of $19.5 million and a provisional earn-out component of $3.8 million.

TIMEC contributed revenues of $123.7 million and net profit of $6.5 million to the Group for the period from 1 March 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the period would have increased by $370 million and $19 million respectively.

(v) Effective 1 March 2007, the Group acquired the business assets of a division of ABB Australia Pty Ltd for a consideration of $6.7 million.

The business contributed revenues of $8.4 million and a net profit after tax and transition costs of $0.23 million to the Group for the period from 1 March 2007 to 30 June 2007. As the acquisition comprised a portion of the broader ABB business, the Group does not have the capability of accurately determining the contribution to revenue and net profit on a proforma basis for the 12 month period to 30 June 2007.

(vi) Effective 1 April 2007, the Group acquired the business assets of a division of N.J. Construction (WA) Pty Ltd and N.J. Construction Pty Ltd for a consideration of $9.5 million.

The business contributed revenues of $0.5 million and a net profit after tax and transition costs of $0.0 million to the Group for the period from 1 March 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the period would have increased by $1.8 million and $0.0 million respectively.

(vii) Effective 1 April 2007, the Group acquired the business assets of Feeder Contract Field Services Pty Ltd for a consideration of $4.4 million.

The business contributed revenues of $0.7 million and a loss after tax and transition costs of $0.2 million to the Group for the period from 1 March 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the period would have increased by $2.7 million and $0.0 million respectively.

(viii) Effective 1 April 2007, the Group acquired the business assets of RDC Pty Limited for a consideration of $2.4 million payable over the ensuing two years.

The business contributed revenues of $2.2 million and a net profit after tax and transition costs of $0.1 million to the Group for the period from 1 April 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the period would have increased by $8.8 million and $0.4 million respectively.

(ix) On 1 April 2007, the Group acquired the business assets of A.C. Blackmore Limited for a consideration of $15.5 million. The business contributed revenues of $4.9 million and a net profit after tax and transition costs of $0.4 million to the Group for the period from 2 April 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the period would have increased by $22.3 million and $1.4 million respectively.

(x) Effective 1 April 2007, the Group acquired the business assets of Kapiti Roadmakers & Contractors in New Zealand for a consideration of $1.0 million. The business contributed revenues of $0.8 million and a net profit after tax and transition costs of $0.0 million to the Group for the period from 1 April 2007 to 30 June 2007.

If the acquisition has occurred on 1 July 2006, consolidated revenue and consolidated profit for the period would have increased by $2.7 million and $0.2 million.

	USM $'000	HOFIN-CONS $'000	FOR-SYTH'S $'000	TIMEC $'000	ABB $'000	NJC $'000	FEEDER $'000	RDC $'000	AC BLACK-MORE $'000	KRCL $'000	TOTAL $'000
Purchase consideration (refer to (b) below):											
Cash payable by end of earn-out period	31,142	–	–	3,770	–	–	–	450	–	–	35,362
Cash paid on initial settlement	372,721	9,210	3,547	145,222	6,707	9,518	4,389	1,965	15,517	999	569,795
Working capital and other price adjustments	7,172	–	–	–	–	–	–	–	–	–	7,172
Direct costs relating to the acquisition	8,423	66	89	1,511	–	–	–	14	198	12	10,313
Total purchase consideration	419,458	9,276	3,636	150,503	6,707	9,518	4,389	2,429	15,715	1,011	622,642
Fair value of net identifiable assets acquired (refer to (c) below):	(136,005)	(4,386)	(3,385)	(101,110)	(6,663)	(6,916)	(3,413)	(2,068)	(9,578)	(925)	(274,449)
Goodwill* (refer Note 19)	283,453	4,890	251	49,393	44	2,602	976	361	6,137	86	348,193
(b) Purchase consideration											
Present value of deferred settlement/ liability assumed – purchase price discounted over earn-out period**											
Current	14,574	–	–	–	–	–	–	225	–	–	14,799
Non-current	16,568	–	–	3,770	–	–	–	225	–	–	20,563
	31,142	–	–	3,770	–	–	–	450	–	–	35,362
Outflow of cash to acquire subsidiary	372,721	9,210	3,547	145,222	6,707	9,518	4,389	1,965	15,517	999	569,795
Less: Cash and cash equivalents acquired	(10,549)	(1,149)	–	(40)	–	–	–	–	–	–	(11,738)
Outflow of cash, net of cash acquired	362,172	8,061	3,547	145,182	6,707	9,518	4,389	1,965	15,517	999	558,057

* The estimated goodwill is attributable to the growth rate of the acquired businesses.

** The consideration for the acquisitions of USM and TIMEC is based on an earn-out formula. At the date of acquisition the estimated purchase price of USM was $404,000,000 and $149,000,000 for TIMEC. Consequently, the value of goodwill is yet to be absolutely determined. Pursuant to AASB 3 *Business Combinations*, the liability assumed at balance date represents the terminal value discounted at the Group's borrowing rate.

NOTE 37. BUSINESS COMBINATIONS continued

(c) Assets and liabilities acquired

	USM		HOFINCONS		FORSYTH'S		TIMEC		ABB	
	ACQUIREE'S CARRYING AMOUNT $'000	PRO-VISIONAL FAIR VALUE $'000	ACQUIREE'S CARRYING AMOUNT $'000	PRO-VISIONAL FAIR VALUE $'000	ACQUIREE'S CARRYING AMOUNT $'000	PRO-VISIONAL FAIR VALUE $'000	ACQUIREE'S CARRYING AMOUNT $'000	PRO-VISIONAL FAIR VALUE $'000	ACQUIREE'S CARRYING AMOUNT $'000	PRO-VISIONAL FAIR VALUE $'000
Cash	10,549	10,549	1,149	1,149	–	–	40	40	–	–
Trade and other receivables (net of provision)	33,289	33,289	5,401	5,401	–	–	66,773	66,773	3,549	3,549
Other assets	4,307	4,307	515	515	–	–	3,884	3,884	–	–
Plant and equipment	5,244	5,244	296	296	2,336	2,336	7,654	7,654	2,623	2,623
Deferred tax asset	6,718	6,718	123	123	–	–	–	–	–	446
Customer relationships/ contract intangibles	–	94,306	–	2,000	–	1,468	–	38,960	–	300
Vendor network	–	29,621	–	–	–	–	–	–	–	–
Developed software	–	2,366	–	–	–	–	–	–	–	–
Trade name	–	13,552	–	803	–	–	–	18,851	–	–
Inventory and WIP	–	–	–	–	51	51	–	–	1,753	1,753
Trade payables	(28,200)	(28,200)	(2,360)	(2,360)	–	–	(33,824)	(33,824)	(430)	(430)
Short-term borrowings	(6,750)	(6,750)	(461)	(461)	–	–	(38,294)	–	–	–
Lease liability	(904)	(904)	–	–	–	–	(168)	(168)	–	–
Deferred tax liability	–	(27,391)	–	(841)	–	(470)	–	–	–	(90)
Provision for leave	(702)	(702)	(102)	(102)	–	–	(1,060)	(1,060)	(1,488)	(1,488)
Provision for taxation	–	–	(2,137)	(2,137)	–	–	–	–	–	–
Net identifiable assets acquired	23,551	136,005	2,424	4,386	2,387	3,385	5,005	101,110	6,007	6,663

	NJC		FEEDER		RDC		AC BLACKMORE		KRCL	
	ACQUIREE'S CARRYING AMOUNT $'000	PRO-VISIONAL FAIR VALUE $'000	ACQUIREE'S CARRYING AMOUNT $'000	PRO-VISIONAL FAIR VALUE $'000	ACQUIREE'S CARRYING AMOUNT $'000	PRO-VISIONAL FAIR VALUE $'000	ACQUIREE'S CARRYING AMOUNT $'000	PRO-VISIONAL FAIR VALUE $'000	ACQUIREE'S CARRYING AMOUNT $'000	PRO-VISIONAL FAIR VALUE $'000
Cash	–	–	–	–	–	–	–	–	–	–
Trade and other receivables (net of provision)	–	–	–	–	–	–	–	–	219	219
Other assets	5	5	–	–	–	–	939	939	–	–
Plant and equipment	5,800	5,800	2,617	2,617	1,000	1,809	5,911	5,929	854	854
Deferred tax asset	–	4	–	19	–	–	–	–	–	–
Customer relationships/ contract intangibles	–	1,600	–	650	–	200	–	3,239	–	–
Developed software	–	–	–	–	–	–	–	–	–	–
Trade name	–	–	–	–	–	–	–	–	–	–
Inventory and WIP	–	–	385	385	119	119	486	486	–	–
Trade payables	–	–	–	–	–	–	–	–	(148)	(148)
Short-term borrowings	–	–	–	–	–	–	–	–	–	–
Lease liability	–	–	–	–	–	–	–	–	–	–
Deferred tax liability	–	(480)	–	(195)	–	(60)	–	(1,015)	–	–
Provision for leave	(13)	(13)	(63)	(63)	–	–	–	–	–	–
Provision for taxation	–	–	–	–	–	–	–	–	–	–
Net identifiable assets acquired	5,792	6,916	2,939	3,413	1,119	2,068	7,336	9,578	925	925

The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

(d) Changes to provisional fair values

	APP GROUP $'000	INTERGULF $'000	TOTAL $'000
Goodwill provisionally recognised at 30 June 2006	**14,222**	**1,557**	**15,779**
Additional purchase consideration – capitalised costs	**108**	–	**108**
Adjustment to fair values:			
Cash	–	**876**	**876**
Receivables	–	**723**	**723**
Prepayments and other assets	–	**(222)**	**(222)**
Contract intangibles	–	**(1,500)**	**(1,500)**
Work in progress	–	**(108)**	**(108)**
Property, plant and equipment	–	**(71)**	**(71)**
Trade and other creditors	–	**(1,045)**	**(1,045)**
Short-term borrowings	–	**(586)**	**(586)**
Provision for employee benefits	–	**1,431**	**1,431**
Deferred tax liability	–	**450**	**450**
Final goodwill balance	**14,330**	**1,505**	**15,835**

2006

(e) Summary of acquisitions – 2006

On 31 January 2006, the Group acquired 100 per cent of the issued share capital of APP Corporation and its subsidiaries and controlled entities (APP group):

- APP Corporation Pty Limited (parent entity);
- Aquas Holdings Pty Limited (66 per cent); and
- Australian Quality Assurance Superintendence Pty Limited (66 per cent).

The APP group contributed revenues of $15.4 million and net profit of $1.2 million to the Group for the period from 31 January 2006 to 30 June 2006. If the acquisition had occurred on 1 July 2005, consolidated revenue and consolidated profit for the year would have been $1,940.5 million and $56.8 million respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2005 together with the consequential tax effects.

On 11 June 2006, the Group acquired Intergulf General Contracting LLC (Intergulf). Intergulf's acquisition occurred immediately prior to the end of the financial year and no revenue or profit has been booked by the Group. In respect of the year ended 31 December 2005 the Company's accounts show consolidated revenue and consolidated profit for the year as $9.2 million and $0.4 million respectively. Completion accounts for the Company were not available at the date of signing the Financial Report. As a result, fair value adjustments and recognition of minority interests will be determined and reported in the 2007 year. Any such adjustments are likely to be immaterial to the affairs and results of the Group.

Details of the provisional fair value of the assets and liabilities acquired and goodwill are as follows:

	APP GROUP $'000	INTERGULF $'000	TOTAL $'000
Purchase consideration (refer to (b) below):			
Cash payable at end of earn-out period	19,935	–	19,935
Cash paid	–	4,512	4,512
Direct costs relating to the acquisition	99	185	284
Total purchase consideration	20,034	4,697	24,731
Provisional fair value of net identifiable assets acquired (refer to (c) below):	(5,812)	(3,140)	(8,952)
Goodwill (refer Note 19)	14,222	1,557	15,779

The estimated goodwill is attributable to the high profitability and growth rate of the acquired business.

NOTE 37. BUSINESS COMBINATIONS continued

(f) Assets and liabilities acquired

	APP GROUP		INTERGULF		TOTAL	
	ACQUIREE'S CARRYING AMOUNT $'000	FAIR VALUE $'000	ACQUIREE'S CARRYING AMOUNT $'000	FAIR VALUE $'000	ACQUIREE'S CARRYING AMOUNT $'000	FAIR VALUE $'000
Cash	2,754	2,754	2,100	2,100	4,854	4,854
Trade and other receivables (net of provision)	6,110	6,110	3,300	3,300	9,410	9,410
Inventories and work-in-progress	1,721	1,721	–	–	1,721	1,721
Plant and equipment	950	950	270	270	1,220	1,220
Deferred tax asset	817	817	–	–	817	817
Investments	150	–	–	–	150	–
Intangibles: brand name and customer relationships	–	3,955	–	–	–	3,955
Trade payables	(2,075)	(2,075)	(1,960)	(1,960)	(4,035)	(4,035)
Short-term borrowings	–	–	(570)	(570)	(570)	(570)
Moneys received in advance	(2,563)	(2,563)	–	–	(2,563)	(2,563)
Provision for employee benefits	(2,030)	(2,030)	–	–	(2,030)	(2,030)
Other provisions	(130)	(130)	–	–	(130)	(130)
Current tax liability	(715)	(715)	–	–	(715)	(715)
Provision for dividend	(2,900)	(2,900)	–	–	(2,900)	(2,900)
Net assets	2,089	5,894	3,140	3,140	5,229	9,034
Minority interests	(82)	(82)	–	–	(82)	(82)
Net identifiable assets acquired**	2,007	5,812	3,140	3,140	5,147	8,952

** The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

NOTE 38. INVESTMENTS IN CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	CLASS OF SHARES AS APPLICABLE	EQUITY HOLDING 2007 %	EQUITY HOLDING 2006 %	COST OF PARENT ENTITY'S INVESTMENT 2007 $'000	COST OF PARENT ENTITY'S INVESTMENT 2006 $'000
Transfield Services (Holdings) Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transfield Services (Australia) Pty Limited	Australia	Ordinary	**100**	100	**1,451+**	–
Transfield Services (International) Pty Limited	Australia	Ordinary	**100**	100	**–**	–
Transfield Services (New Zealand) Limited (now incorporates Transfield Services E&T (New Zealand Limited)	New Zealand	Ordinary	**100**	100	**103+**	–
Transfield Energy Fund (No.2) Pty Limited	Australia	Ordinary	**–***	100	**–**	30,213
Transfield Townsville Pty Limited	Australia	Ordinary	**–***	100	**–**	–
Transfield Collinsville Pty Limited	Australia	Ordinary	**–***	100	**–**	–
Transfield Services Collinsville BV	The Netherlands	Ordinary	**–***	100	**–**	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	**–**	–
Transfield Services (Malaysia) Sdn Bhd	Malaysia	Ordinary	**–^**	100	**–**	–
Transfield Services (Asia) Sdn Bhd	Malaysia	Ordinary	**100**	100	**–**	–
Transfield Services Infrastructure Limited (formerly Transfield Services Kemerton Holdings P/L)	Australia	Ordinary	**–***	100	**–**	–
Transfield Services Kemerton Pty Limited	Australia	Ordinary	**–***	100	**–**	–
Transfield Services (Brisbane Ferries) Pty Limited	Australia	Ordinary	**100**	100	**–**	–

	COUNTRY OF INCORPORATION	CLASS OF SHARES AS APPLICABLE	EQUITY HOLDING 2007 %	2006 %	COST OF PARENT ENTITY'S INVESTMENT 2007 $'000	2006 $'000
Transfield Services Kwinana Pty Limited	Australia	Ordinary	–*	100	–	–
Transfield Services Energy (Kwinana) Pte Limited	Singapore	Ordinary	–*	100	–	–
Broadspectrum Resources Pty Limited	Australia	Ordinary	**100**	100	–	–
Broadspectrum Australia Pty Limited	Australia	Ordinary	**100**	100	–	–
Broadspectrum Australia (WA) Pty Limited	Australia	Ordinary	**100**	100	–	–
Broadspectrum Australia (QLD) Pty Limited	Australia	Ordinary	**100**	100	–	–
Crimp – 1 Pty Limited	Australia	Ordinary	–^	100	–	–
Beshold Pty Limited	Australia	Ordinary	–^	100	–	–
Global Broadspectrum Sdn Bhd	Malaysia	Ordinary	**100**	100	–	–
Global Broadspectrum CCM Limited	Mauritius	Ordinary	**100**	100	–	–
Broadspectrum Pte Limited	Singapore	Ordinary	**100**	100	–	–
Global Broadspectrum Sdn Bhd	Malaysia	Ordinary	**100**	100	–	–
Broadspectrum Asia Pacific Limited	Hong Kong	Ordinary	**100**	100	–	–
Austoil & Gas Management Services Pte Limited	Singapore	Ordinary	**100**	100	–	–
APP Corporation Pty Limited	Australia	Ordinary	**100**	100	–	–
Transfield Services Canada (Holdings) Ltd	Canada	Ordinary	**100**	100	–	–
Transfield Services Canada Pty Ltd	Canada	Ordinary	**100**	100	**36+**	–
Transfield Services Holdings (Delaware) Pty Limited	Australia	Ordinary	**100**	100	–	–
Aquas Holdings Pty Limited	Australia	Ordinary	**66**	66	–	–
Australian Quality Assurance Superintendence Pty Limited	Australia	Ordinary	**66**	66	–	–
Infrastructure Fund Management Limited	Australia	Ordinary	–*	–	–	–
Tespec LLC**	Abu Dhabi	Ordinary	**49****	49**	–	–
Intergulf General Contracting LLC	Abu Dhabi	Ordinary	**49****	49**	–	–
Tower Cleaning Systems Inc (acquired 4 July 2006)	USA	Ordinary	**100**	–	–	–
Transfield Services Finance Pty Limited (incorporated 21 July 2006)	Australia	Ordinary	**100**	–	–	–
Transfield Services (Delaware) General Partnership	Australia	N/A	**100**	100	–	–
USM Holdings Corp (acquired 4 July 2006)	USA	Ordinary	**100**	–	**70+**	–
Transfield Services (USM) Holdings Pty Limited	Australia	Ordinary	**100**	100	–	–
TIMEC Holdings Inc. (acquired 15 March 2007)	USA	Ordinary	**100**	–	**74+**	–
TIMEC Company Inc. (acquired 15 March 2007)	USA	Ordinary	**100**	–	–	–
James TIMEC International (acquired 15 March 2007)	USA	Ordinary	**100**	–	–	–
Welltech National Training Systems Inc. (acquired 15 March 2007)	USA	Ordinary	**100**	–	–	–
Worldwide Welding Inc. (acquired 15 March 2007)	USA	Ordinary	**100**	–	–	–
Tianjian Broadspectrum Electrical and Mechanical Commissioning Services Ltd. (incorporated 17 August 2006)	China	Ordinary	**100**	–	–	–
Transfield Services (India) Pty Limited (incorporated 19 September 2006)	Australia	Ordinary	**100**	–	–	–
Hofincons Infotech Industrial Services Pte Limited (acquired 1 October 2006)	India	Ordinary	**100**	–	–	–
Transfield Services Training (New Zealand) Limited (incorporated)	New Zealand	Ordinary	**100**	–	–	–
					1,734	39,072

* Sold to Transfield Services Infrastructure Limited.

^ Wound up.

** Legal ownership is 49 per cent, however commercial ownership is 80 per cent. These entities are consolidated for group reporting purposes.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 39. INVESTMENTS IN ASSOCIATES

NAME OF COMPANY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2007 %	OWNERSHIP INTEREST 2006 %	CONSOLIDATED CARRYING AMOUNT 2007 $'000	CONSOLIDATED CARRYING AMOUNT 2006 $'000	PARENT ENTITY CARRYING AMOUNT 2007 $'000	PARENT ENTITY CARRYING AMOUNT 2006 $'000
Transfield Services Infrastructure Fund	Australia	Infrastructure ownership	**49**	–	**193,653**[1]	–	**235,810**	–
Yan Yean Water (Holdings) Pty Limited#	Australia	Water filtration plant	**–***	50	**–**	3,691	**–**	3,562
Macarthur Water (Holdings) Pty Limited#	Australia	Water filtration plant	**–***	50	**–**	15,044	**–**	27,348
Translink Investments Pty Limited	Australia	Electronic tolling equipment	**50**	50	**1,341**	1,797	**2,107**	2,107
Metrolink Victoria Pty Limited	Australia	Tram franchise operator	**50**	50	**10,000**	10,000	**10,000**	10,000
Transfield Worley Limited	New Zealand	Engineering, consulting and project managers	**50**	50	**7,529**	6,918	**–**	–
Five D Holdings Pty Limited	Australia	Operations and maintenance	**50**	50	**220**	10	**–**	–
Transfield Procurement Services Limited	New Zealand	Procurement Services	**–^**	50	**–**	329	**–**	–
Transfield Worley Power Services Pty Limited	Australia	Operations and maintenance	**50**	50	**962**	1,024	**–**	–
Transfield Services Qatar LLC	Qatar	Operations and maintenance	**49**	49	**–**	–	**–**	–
MMC – Transfield Services Sdn Bhd	Malaysia	Operations and maintenance	**–^**	50	**–**	–	**–**	–
Transfield Worley TRAGS	Qatar	Operations and maintenance	**27.5**	27.5	**696**	702	**–**	–
Australian Pacific Project Holdings	Australia	Project management	**25**	25	**250**	–	**–**	–
Transdev NSW Pty Limited	Australia	Public transport	**50**	–	**5,830**	–	**–**	–
Transdev – TSL Pty Limited	Australia	Public transport	**50**	–	**(72)**	–	**–**	–
TGE Energy Services (NZ) Ltd	New Zealand	Operations and maintenance	**50**	–	**–**	–	**–**	–
Transfield – Mannai Facilities Management Services WLL	Qatar	Operations and maintenance	**49**	–	**1,480**	–	**–**	–
					221,889	39,515	**247,917**	43,017

1 Fair value $303,397,839.
Reporting date 31 March.
* Sold to Transfield Services Infrastructure Limited.
^ Wound up.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**39,515**	33,433
Conversion of subsidiaries to associate on partial disposal (refer Note 34)	**193,653**	–
Effect of exchange rate changes	**358**	(577)
Additions	**6,847**	–
Share of operating profits after income tax	**8,126**	8,531
Dividends received/receivable	**(3,512)**	(1,786)
Associate transferred to controlled entity	**–**	(86)
Disposal to Transfield Services Infrastructure Limited	**(23,098)**	–
Carrying amount at the end of the financial year	**221,889**	39,515

	CONSOLIDATED 2007 $'000	2006 $'000
Share of profits of associates		
Operating profits before income tax	**11,622**	12,045
Income tax expense	**(3,496)**	(3,514)
Operating profits after income tax	**8,126**	8,531
Less: Dividends received/receivable	**(3,512)**	(1,786)
	4,614	6,745
Retained profits attributable to associates at the beginning of the financial year	**27,101**	20,356
Less: Adjustments to opening retained earnings	**(609)**	–
Less: Disposal to Transfield Services Infrastructure Limited	**(22,947)**	–
Retained profits attributable to associates at the end of the financial year	**8,159**	27,101
Share of associates' expenditure commitments		
Lease commitments	**2,670**	2,448
Other commitments	**–**	–
	2,670	2,448

Summarised financial information of associates

	GROUP'S SHARE OF: ASSETS $'000	LIABILITIES $'000	REVENUES $'000	PROFIT $'000
2007				
Operations and maintenance	**42,906**	**(18,953)**	**119,329**	**3,802**
Infrastructure ownership	**516,000**	**(271,276)**	**16,700**	**4,324**
	558,906	**(290,229)**	**136,029**	**8,126**
2006				
Operations and maintenance	22,891	(14,053)	85,457	4,273
Infrastructure ownership	72,363	(53,628)	13,545	4,258
	95,254	(67,681)	99,002	8,531

NOTE 40. INTERESTS IN JOINT VENTURE ENTITIES AND PARTNERSHIPS

NAME OF JOINT VENTURE ENTITY OR PARTNERSHIP	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST		CONSOLIDATED CARRYING AMOUNT		PARENT ENTITY CARRYING AMOUNT	
			2007 %	2006 %	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Transfield Worley (Woodside) Alliance	Australia	Operations and maintenance	**50**	50	**13,372**	13,598	**–**	–
TGE JV#	Australia	Operations and maintenance	**49**	49	**7,095**	10,963	**–**	–
Yarra Trams JV	Australia	Operations and maintenance	**50**	50	**1,953**	943	**–**	–
Transfield Worley Solutions JV	Australia	Operations and maintenance	**50**	50	**1,084**	933	**–**	–
Brisbane Ferries	Australia	Operations and maintenance	**50**	50	**303**	2,688	**–**	–
Transfield Worley Services	Australia	Operations and maintenance	**50**	50	**–**	667	**–**	–
Perth Power Partnership (Kwinana)#	Australia	Power station	**–***	30	**–**	16,213	**–**	–
Transfield Worley New Zealand	New Zealand	Operations and maintenance	**50**	50	**–**	12	**–**	–
Transfield – Silcar JV	Australia	Operations and maintenance	**50**	–	**–**	–	**–**	–
Flint – Transfield Services JV	Canada	Operations and maintenance	**50**	–	**1,679**	–	**–**	–
Sentinar	Australia	Operations and maintenance	**50**	–	**13**	–	**–**	–
TRAX	Australia	Operations and maintenance	**50**	–	**225**	–	**–**	–
PPS Partnership	Australia	Operations and maintenance	**50**	–	**271**	–	**–**	**–**
					25,995	46,017	**–**	–

\# Reporting date 31 December.
* Sold to Transfield Services Infrastructure Limited.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000
Retained profits attributable to the joint venture entities or partnerships		
At the beginning of the financial year	**15,737**	13,354
Effect of changes in foreign exchange rates	**310**	–
Current year profit before tax	**30,810**	26,401
Distributions	**(35,273)**	(24,018)
Transfer to loan account	**(2,828)**	–
Disposal to Transfield Services Infrastructure Limited	**(7,233)**	–
At the end of the financial year	**1,523**	15,737
Movements in carrying value of investment in joint venture entities or partnerships		
Carrying amount at the beginning of the financial year	**46,017**	41,216
Fair value adjustment	**(119)**	2,360
Transfer to loan account	**(2,828)**	–
Addition of equity	**1,679**	–
Advances to/(from) joint venture	**–**	(12,444)
Disposal to Transfield Services Infrastructure Limited	**(14,291)**	–
Distributions/dividends received	**(35,273)**	(11,516)
Share of operating profits before tax	**30,810**	26,401
Carrying amount at the end of the financial year	**25,995**	46,017

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Share of joint venture entities and partnerships' assets and liabilities				
Current assets	**125,127**	98,412	**–**	–
Non-current assets	**8,926**	44,807	**–**	–
Total assets	**134,053**	143,219	**–**	–
Current liabilities	**(87,251)**	(61,891)	**–**	–
Non-current liabilities	**(23,942)**	(41,389)	**–**	–
Total liabilities	**(111,193)**	(103,280)	**–**	–
Net assets	**22,860**	39,939	**–**	–
Share of joint venture entities and partnerships' revenues, expenses and results				
Revenues	**327,103**	231,844	**–**	–
Expenses	**(296,293)**	(205,443)	**–**	–
Operating profit before income tax	**30,810**	26,401	**–**	–
Share of joint venture entities and partnerships' commitments				
Lease commitments	**64,899**	41,185	**–**	–
Other commitments	**45,134**	–	**–**	–
Total expenditure commitments	**110,033**	41,185	**–**	–

NOTE 41. RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Operating profit from continuing operations after income tax	**63,626**	42,474	**39,217**	33,784
Operating profit from discontinued operations after income tax	**50,702**	13,116	**120,385**	–
Total operating profit after income tax	**114,328**	55,590	**159,602**	33,784
Finance costs (classified as financing activities)	**76,882**	43,237	**8,991**	9,849
Share-based payments	**3,362**	1,255	**1,629**	1,255
Depreciation and amortisation	**67,889**	47,982	**–**	–
Gain on disposal of investment	**(81,727)**	–	**(167,530)**	–
Unrealised foreign exchange loss/(gain)	**944**	(108)	**(900)**	–
Interest received (classified as investing activities)	**(8,109)**	(5,153)	**(278)**	(704)
Make-good and other expenses	**71**	(903)	**–**	–
(Profit)/loss on disposal of fixed assets and investment	**533**	1,681	**–**	–
Share of profits of associates and joint ventures not received as dividends or distributions	**(151)**	(4,660)	**–**	454
Facilitation fees (classified as part of the Fund disposal)	**(21,000)**	–	**–**	–
Bad debts written off	**398**	155	**–**	–
Provision for doubtful debts	**471**	(164)	**–**	–
Fair value adjustment and non-cash effective interest on available-for-sale financial assets and loan note receivables	**(8,052)**	–	**–**	–
Fair value adjustment on Broadspectrum acquisition	**–**	(34)	**–**	–
Lease repayments classified as operating activities	**(1,384)**	–	**–**	–
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
(Increase)/decrease in trade and other receivables	**(40,275)**	(43,813)	**(666)**	1,202
Decrease/(increase) in inventories	**9,221**	8,877	**–**	–
(Increase)/decrease in deferred tax assets	**(2,047)**	(4,188)	**(446)**	(43)
Decrease/(increase) in loans to associates and joint ventures	**1,906**			
Decrease/(increase) in other operating assets	**(2,849)**	(1,784)	**–**	(98)
Increase/(decrease) in trade and other payables	**7,148**	51,364	**1,389**	36
Increase/(decrease) in provision for income tax payable	**50,660**	19,531	**58,490**	19,582
(Decrease)/increase in provision for deferred tax liabilities	**(1,420)**	(891)	**270**	–
(Decrease)/increase in employee and other provisions	**10,188**	710	**–**	–
Net cash inflow from operating activities	**176,987**	168,684	**60,551**	65,317

NOTE 42. EARNINGS PER SHARE

	CONSOLIDATED 2007 CENTS	CONSOLIDATED 2006 CENTS
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company (restated as a result of two for nine rights issue)	**33.49**	20.77
Profit from discontinued operations attributable to the ordinary equity holders of the Company	**26.70**	13.13
Profit attributable to the ordinary equity holders of the Company	**60.19**	33.90
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company (restated as a result of two for nine rights issue)	**33.49**	20.75
Profit from discontinued operations attributable to the ordinary equity holders of the Company	**26.70**	13.11
Profit attributable to the ordinary equity holders of the Company	**60.19**	33.86

	2007 $'000	2006 $'000
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit from continuing operations	**63,626**	34,056
(Profit)/loss from continuing operations attributable to minority interests	**(28)**	3
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**63,598**	34,059
Profit from discontinued operations attributable to the ordinary equity holders of the Company	**50,702**	21,534
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**114,300**	55,593
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**63,598**	34,059
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**50,702**	21,534
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**114,300**	55,593

	NUMBER	NUMBER
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**189,902,882**	160,453,244
Adjustments for calculation of diluted earnings per share:		
Options and Performance Awards*	–	143,335
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**189,902,882**	160,596,579

* Only Options and Performance Awards which have vested but remain unexercised are used in the calculation of diluted earnings per share.

The Group's policy is to acquire vested Options and Performance Awards on-market rather than by issuing new shares.

NOTE 43. REMUNERATION OF AUDITORS

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
During the year the following amounts were paid to the auditor of the parent entity, its related practices and non-related audit firms.				
1. Audit services				
Fees paid to PricewaterhouseCoopers Australian firm				
Audit and review of Financial Reports and other work under the *Corporations Act 2001*	**1,005,803**	679,750	**–**	–
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**655,500**	313,263	**–**	–
Fees paid to non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	**102,567**	72,000	**–**	–
Total remuneration for audit services	**1,763,870**	1,065,013	**–**	–
2. Other assurance services				
Fees paid to PricewaterhouseCoopers Australian firm				
Due diligence services	**2,937,700**	678,519	**–**	–
External service charge reviews	**48,800**	48,800	**–**	–
Audit of regulatory returns	**–**	–	**–**	–
Accounting services, principally, AIFRS review	**32,960**	213,055	**–**	–
Fees paid to related practices of PricewaterhouseCoopers Australian firm for accounting services	**338,042**	101,945	**–**	–
Total remuneration for other assurance services	**3,357,502**	1,042,319	**–**	–
3. Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm				
Tax compliance and tax consolidation matters	**67,197**	127,583	**–**	–
Due diligence services	**196,394**	616,606	**–**	–
Advice in respect of GST audit	**32,000**	–	**–**	–
Advice regarding employee taxation	**20,295**	1,205	**–**	–
Other tax advisory services	**98,422**	356,100	**–**	–
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**115,865**	127,369	**–**	–
Total remuneration for taxation services	**530,173**	1,228,863	**–**	–
Total remuneration of auditors	**5,651,545**	3,336,195	**–**	–

NOTE 44. CONTINGENT LIABILITIES

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

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Bank guarantees in respect of contracts	**92,421**	66,063	**92,421**	66,063
Insurance bonds in respect of contracts	**43,931**	35,663	**43,931**	35,663
	136,352	101,726	**136,352**	101,726

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 entities and partnerships of their contractual and financial obligations. These guarantees and indemnities only give rise to a liability where the respective entity fails to perform its contractual obligations. The parent entity has a formal deed of guarantee to these entities. The Directors are not aware of any material claims on the parent entity or consolidated entity.

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

No contingent liabilities have been identified relating to associates and joint venture entities and partnerships.

NOTE 45. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT ENTITY 2007 $'000	PARENT ENTITY 2006 $'000
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**32,874**	22,040	**–**	–
Later than one year but not later than five years	**61,509**	40,019	**–**	–
Later than five years	**1,587**	1,448	**–**	–
Commitments not recognised in the financial statements	**95,970**	63,507	**–**	–
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	**1,436**	1,533	**–**	–
Later than one year but not later than five years	**3,232**	3,199	**–**	–
Later than five years	**1,370**	1,953	**–**	–
Minimum lease charges	**6,038**	6,685	**–**	–
Future finance charges	**(1,114)**	(1,450)	**–**	–
Total lease liabilities recognised as a liability	**4,924**	5,235	**–**	–
Representing lease liabilities:				
Current	**1,110**	1,087	**–**	–
Non-current	**3,814**	4,148	**–**	–
	4,924	5,235	**–**	–

The average interest rate implicit in the leases is 7.43 per cent (2006: 7.43 per cent).

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

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

NOTE 46. EVENTS OCCURRING AFTER BALANCE SHEET DATE

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

(a) On 27 August 2007, the Directors resolved to pay a fully-franked dividend of 18 cents per share on 8 October 2007.

(b) The Group refinanced its existing debt facilities with ANZ and Westpac into a $750 million multi option facility with eight leading domestic and international banks. The facilities have tranches of one, three and five years.

NOTE 47. SHARE-BASED PAYMENTS

(a) TranShare Executive Performance Awards Plan
A detailed analysis of the conditions of the TranShare Executive Performance Awards Plan are set out in the Remuneration Report on pages 37 to 49.

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	FORFEITED DURING THE YEAR NUMBER	BALANCE AT THE END OF THE YEAR NUMBER	EXERCISABLE AT THE END OF THE YEAR NUMBER
Consolidated and parent entity – 2007								
Options								
28 November 2002	28 November 2009	**$2.62**	**370,000**	**–**	**(228,000)**	**–**	**142,000**	**142,000**
Performance Awards								
25 February 2004	25 February 2011	$Nil	329,545	–	(273,612)	–	55,933	55,933
30 August 2004	30 August 2011	$Nil	379,109	–	–	(12,647)	366,462	–
28 October 2004	28 October 2011	$Nil	100,000	–	–	–	100,000	–
28 February 2005	28 February 2012	$Nil	176,870	–	–	–	176,870	–
30 August 2005	30 August 2012	$Nil	217,900	–	–	(7,600)	210,300	–
16 November 2005	16 November 2012	$Nil	59,000	–	–	–	59,000	–
19 April 2006	19 April 2012	$Nil	207,000	–	–	(3,800)	203,200	–
31 August 2006	31 August 2012	$Nil	–	418,800	–	–	418,800	–
31 October 2006	31 December 2012	$Nil	–	650,000	–	–	650,000	–
28 February 2007	28 February 2013	$Nil	–	424,900	–	(8,400)	416,500	–
31 May 2007	31 May 2013	$Nil	–	57,500	–	–	57,500	–
			1,839,424	1,551,200	(501,612)	(32,447)	2,856,565	197,933
Weighted average exercise price			$Nil	$Nil	–	$Nil	$Nil	$2.62

The weighted average range of the share price at the various dates of the Options exercised during the year was $8.36 to $12.16.

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

Fair value of Performance Awards granted
The assessed fair value at grant date of Performance Awards granted during the year ended 30 June 2007 is set out in the following table. The fair value at grant date is independently determined using a Binomial and Monte Carlo options pricing model that takes into account the exercise price, the term of the Performance Award, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the Performance Award.

The model inputs for Performance Awards granted during the year ended 30 June 2007 included:

GRANT DATE	31 AUGUST 2006	31 OCTOBER 2006	28 FEBRUARY 2007	31 MAY 2007
Grant consideration	$Nil	$Nil	$Nil	$Nil
Life of grant	3 years	2.4 – 4.7 years	3.0 – 3.1 years	3.0 – 3.1 years
Conditions of grant	refer to Remuneration Report on pages 37 to 49			
Exercise price	N/A	N/A	N/A	N/A
Expiry date	30 August 2012	31 December 2012	28 February 2013	31 May 2013
Share price at grant date	$8.36	$8.80	$11.00	$12.16
Expected volatility of the Company's shares	25%	22%	25%	22%
Expected dividend yield	3.1%	3.2%	2.3%	2.3%
Risk-free interest rate	5.7%	5.87%	5.84%	6.16%

The expected price volatility is based on the historic volatility (based on the remaining life of the Performance Awards), adjusted for any expected changes to future volatility due to publicly available information.

NOTE 47. SHARE-BASED PAYMENTS continued

(b) Employee share plan (TranShare Plan)
A scheme, for which shares are acquired on-market on behalf of employees, was approved by shareholders at the 2004 Annual General Meeting. All Australian and New Zealand permanent full-time and part-time employees (excluding executive Directors) are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Under the scheme, eligible employees may be granted up to $1,000 worth of fully paid ordinary shares in Transfield Services Limited annually, for consideration of $900. The market value of shares acquired under the scheme, measured as the market price on the day of acquisition of the shares, is recognised in the balance sheet as share capital. The net shortfall of $100 per employee is expensed as part of the employee benefit costs in the period the shares are acquired.

Shares acquired on-market under the scheme may not be sold until the earlier of three years after acquisition or cessation of employment from the respective Group company or joint venture. In all other respects the shares rank equally with other fully paid ordinary shares on issue.

The number of shares acquired on behalf of participants in the scheme is the offer amount of $1,000 divided by the market price at which the Company's shares are traded on the Australian Stock Exchange on the day of acquisition on market.

	CONSOLIDATED		PARENT ENTITY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Shares acquired under the Plan to participating employees	**317**	220	**317**	220

Other conditions applicable to the scheme are identified in the Remuneration Report on pages 37 to 49.

Each participant was issued with shares worth $1,000 based on the weighted average market price of between $10.71 and $11.81.

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

Performance Awards issued under TranShare Executive Performance Awards Plan	**3,362**	1,255	**3,362**	1,255
Shares under TranShare Plan acquired on-market	**344**	127	**344**	127
	3,706	1,382	**3,706**	1,382

NOTE 48. 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
Until 12 June 2007, when the Group disposed of its infrastructure assets to the Transfield Services Infrastructure Fund, the Company owned or part owned seven infrastructure investments which comprise interests in the Townsville, Kemerton, Collinsville, Kwinana and Loy Yang A power stations and the Macarthur and Yan Yean water filtration plants.

The segment result is recognised to that date. All balance sheet items have been disposed of to the Transfield Services Infrastructure Fund.

Intersegment pricing
Intersegment pricing is on an 'arm's length' basis and transactions are eliminated on consolidation.

Geographical segments
As a result of the consolidated entity's expansion overseas, New Zealand and North America are now considered as separate geographical segments. All other international locations are summarised under 'other countries'.

Primary Reporting – Business Segments

2007	CONTINUING OPERATIONS SERVICES $'000	DISCONTINUED OPERATIONS INFRASTRUCTURE $'000	CONSOLIDATED $'000
Sales to external customers	2,290,914	135,939	2,426,853
Total sales revenue	2,290,914	135,939	2,426,853
Other revenue	3,450	6,511	9,961
Segment revenue	2,294,364	142,450	2,436,814
Other income	35,992	6,200	42,192
Profit on disposal of infrastructure group	–	81,727	81,727
Share of net profits of associates and joint venture entities and partnerships	31,042	7,893	38,935
Total	2,361,398	238,270	2,599,668
Segment result	77,176	106,797	183,973
Unallocated revenue less unallocated expenses	–	–	–
Profit from ordinary activities before income tax expense	77,176	106,797	183,973
Income tax expense	(13,550)	(56,095)	(69,645)
Profit from ordinary activities after income tax expense	63,626	50,702	114,328
Segment assets	1,714,601	–	1,714,601
Unallocated assets	–	–	–
Total assets	1,714,601	–	1,714,601
Segment liabilities	1,021,639	–	1,021,639
Unallocated liabilities	–	–	–
Total liabilities	1,021,639	–	1,021,639
Investments in associates and joint venture entities and partnerships	247,915	–	247,915
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	657,617	–	657,617
Depreciation and amortisation expense	45,329	22,131	67,460
Impairment expense	429	–	429
Share-based payments	3,363	–	3,363
Other non-cash expense	471	–	471

NOTE 48. SEGMENT INFORMATION continued

2006	CONTINUING OPERATIONS SERVICES $'000	DISCONTINUED OPERATIONS INFRASTRUCTURE $'000	CONSOLIDATED $'000
Sales to external customers	1,782,696	136,202	1,918,898
Total sales revenue	1,782,696	136,202	1,918,898
Other revenue	2,621	2,532	5,153
Segment revenue	1,785,317	138,734	1,924,051
Other revenue	2,390	–	2,390
Shares of net profits of associates and joint venture entities and partnerships	26,977	7,955	34,932
Total	1,814,684	146,689	1,961,373
Segment result	42,477	30,003	72,480
Unallocated revenue less unallocated expenses	–	–	–
Profit from ordinary activities before income tax expense	42,477	30,003	72,480
Income tax expense	(8,421)	(8,469)	(16,890)
Profit from ordinary activities after income tax expense	34,056	21,534	55,590
Segment assets	816,239	658,900	1,475,139
Unallocated assets	–	–	–
Total assets	816,239	658,900	1,475,139
Segment liabilities	535,666	589,742	1,125,408
Unallocated liabilities	–	–	–
Total liabilities	535,666	589,742	1,125,408
Investments in associates and joint venture entities and partnerships	50,584	34,948	85,532
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	52,835	39,946	92,781
Depreciation and amortisation expense	26,999	20,807	47,806
Impairment of investment	176	–	176
Share-based payments	1,255	–	1,255
Other non-cash expense	155	–	155

Secondary Reporting – Geographical Segments

	SEGMENT REVENUES FROM SALES TO EXTERNAL CUSTOMERS		SEGMENT ASSETS		ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLES AND OTHER NON-CURRENT SEGMENT ASSETS	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Australia	**1,592,430**	1,547,637	**978,878**	1,221,657	**62,473**	84,843
New Zealand	**368,123**	366,322	**180,342**	242,377	**28,137**	6,029
North America	**428,295**	–	**529,972**	–	**559,387**	–
Other countries	**47,966**	10,092	**25,409**	11,105	**7,620**	1,909
	2,436,814	1,924,051	**1,714,601**	1,475,139	**657,617**	92,781

Notes to and forming part of the segment information

Accounting policies

Segment information is prepared in conformity with the accounting policies of the Group as disclosed in Note 1 and the Accounting Standard, AASB 114 *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, 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, employee entitlements and other provisions.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2007

In the Directors' opinion:

(a) the financial statements and notes set out on pages 52 to 112 and remuneration disclosures in the Directors' Report on pages 37 to 49 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 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date;

(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) the audited remuneration disclosures set out on pages 37 to 42 of the Directors' Report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

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

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

Anthony Shepherd
Chairman

Peter Watson
Managing Director and Chief Executive Officer

at Sydney
27 August 2007

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

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

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Transfield Services Limited (the company), which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Transfield Services Limited and the Transfield Services Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading 'Remuneration Report' on pages 7 to 21 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

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

Independence

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

Auditor's opinion on the financial report

In our opinion:

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

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained on pages 7 to 21 of the directors' report comply with Accounting Standard AASB 124.

PricewaterhouseCoopers

B K Hunter
Partner

Sydney
27 August 2007

SHAREHOLDER INFORMATION

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 30 AUGUST 2007

(a) Distribution of equity securities

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	5,861	3,619,026	1.83%
1,001 – 5,000	8,365	20,463,653	10.33%
5,001 – 10,000	1,465	10,389,552	5.25%
10,001 – 100,000	820	17,772,439	8.97%
100,001 and over	64	145,818,882	73.62%
Total	16,575	198,063,552	100.00%

(b) Equity security holders

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

NAME	UNITS AS AT 30/08/07	% OF ISSUED CAPITAL	RANK
Transfield (TSL) Pty Ltd	51,198,136	25.85%	1
HSBC Custody Nominees (Aust) Ltd	17,616,778	8.89%	2
Citicorp Nominees Pty Ltd (various funds)	15,917,101	8.04%	3
National Nominees Limited	15,408,962	7.78%	4
JP Morgan Nominees Australia Ltd	13,008,357	6.57%	5
Cogent Nominees Pty Limited	6,917,044	3.49%	6
ANZ Nominees Limited	3,788,102	1.91%	7
Queensland Investment Corporation Limited	3,389,614	1.71%	8
Frami Pty Limited	2,918,000	1.47%	9
AMP Life Limited	2,034,359	1.03%	10
Anthony Francis Shepherd	1,684,222	0.85%	11
Peter Lawrence Watson	1,606,789	0.81%	12
RBC Dexia Investor Services Aust Nominees	1,505,325	0.76%	13
Luca Belgiorno-Nettis AM	1,470,112	0.74%	14
Guido Belgiorno-Nettis AM	1,255,874	0.63%	15
Sandhurst Trustees Limited	994,848	0.50%	16
UBS Nominees Limited (various funds)	992,826	0.50%	17
Steven MacDonald	973,823	0.50%	18
Milton Corporation Ltd	905,026	0.46%	19
Joseph Hossein Sadatmehr	890,980	0.45%	20
TOTAL SHARES	144,476,278	72.94%	

(c) Substantial holders

Substantial shareholders in the Company are set out below:

NAME	UNITS AS AT 30/08/07	% OF ISSUED CAPITAL	RANK
Transfield (TSL) Pty Ltd	51,198,136	25.85%	1
HSBC Custody Nominees (Aust) Ltd	17,616,778	8.89%	2
Citicorp Nominees Pty Ltd (various funds)	15,917,101	8.04%	3
National Nominees Limited	15,408,962	7.78%	4
JP Morgan Nominees Australia Ltd	13,008,357	6.57%	5

(d) Voting rights

The voting rights attached to each class of share are as follows:

(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
Anthony Shepherd
Chairman

Bernard Wheelahan
Deputy Chairman

Peter Watson
Managing Director and Chief Executive Officer

Guido Belgiorno-Nettis AM

Luca Belgiorno-Nettis

Professor Steve Burdon

Denis Cleary

Mel Ward AO

Company Secretary and General Counsel
Kate Munnings

Key Management
Darce Corsie
Chief Executive Officer, Infrastructure Investments

Matthew Irwin
Chief Financial Officer

Bruce James
Chief Executive Officer, Australia

Steve MacDonald
Chief Strategy Officer and Chief Executive Officer, Transfield Services Infrastructure Fund

Joseph Sadatmehr
Chief Executive Officer and President, North America

Graeme Sumner
Chief Executive Officer, New Zealand

Executive Management
Angelo De Angelis
Group General Manager, Global Services

William Fazl
Group General Manager, Business Information Services

Elizabeth Jurman
Group General Manager, Corporate Affairs

Peter Parkinson
Group General Manager, Labour Relations Strategy and Development

Martin Van Hoek
Group Risk Officer

Notice of Annual General Meeting
The Annual General Meeting (AGM) of Transfield Services Limited will be held on Wednesday, 24 October 2007 at the AGL Theatre, Level 2, Museum of Sydney, 37 Phillip Street (Corner Bridge Street), Sydney, commencing at 10.00am.

A formal notice of meeting is enclosed.

Principal registered office in Australia
Level 10, 111 Pacific Highway
North Sydney NSW 2060

Share and debenture registers
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

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

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

Westpac Banking Corporation
275 Kent Street
Sydney NSW 2000

Stock exchange listing
Transfield Services Limited shares are listed on the Australian Stock Exchange.

Website address
www.transfieldservices.com

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fibre
FSC
www.fsc.org Cert no. SCS-COC-00787
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