FINANCIAL REPORT
30 JUNE 2008
TRANSFIELD SERVICES LIMITED ACN 000 484 417

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 25 August 2008. 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 ASX/media releases, financial reports and other information are available at our Media Centre and Investor Centre on our website www.transfieldservices.com.

For queries in relation to our reporting please call +612 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 (the Group) at the end of, or during, the year ended 30 June 2008.

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)

Mel Ward AO

Guido Belgiorno-Nettis AM

Luca Belgiorno-Nettis

Professor Steve Burdon

Peter Watson (Managing Director and CEO)

Denis Cleary and Bernard Wheelahan were Directors until their retirements on 24 October 2007 and 18 April 2008 respectively.

Steven Crane and David Sutherland were appointed as Directors on 12 February 2008 and 11 April 2008 respectively and continue in office at the date of the report.

Principal activities

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

(a) provision of operations, asset management and maintenance outsourcing services; and

(b) continued investment in and management of the Transfield Services Infrastructure Fund.

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

(a) acquiring 100% of roads maintenance company VMS Inc.;

(b) acquiring 100% of the share capital of Whelan's International Co Inc, a company which provides operations and maintenance services across North America;

(c) acquiring the business and assets of Horizon National Contract Services LLC;

(d) acquiring 100% of the share capital of McBreen and Jenkins Construction Ltd and its subsidiaries, which provide operations and maintenance services across New Zealand; and

(e) acquiring a portfolio of wind farm projects for future development.

Dividends

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

	2008 $'000	2007 $'000
Final ordinary dividend for the year ended 30 June 2007 paid on 8 October 2007	**35,631**	21,068
Interim ordinary dividend paid on 18 April 2008	**35,646**	25,750
	71,277	46,818

	CENTS	CENTS
Final ordinary dividend	**18**	13
Interim ordinary dividend	**18**	13

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 13 October 2008 out of retained profits at 30 June 2008.

Review of operations

The detailed review of operations is set out on pages 22-29 of the annual report.

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

	SEGMENT REVENUE		SEGMENT RESULT	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Operations and maintenance outsourcing services (continuing operations)				
Australia	**1,598,666**	1,449,536	**81,145**	63,570
North America	**848,021**	428,295	**9,383**	7,962
New Zealand	**487,865**	368,567	**3,157**	4,403
Other regions	**61,962**	47,966	**3,304**	200
Australia (discontinued operations)	-	142,450	**-**	106,797
Total segment revenue	**2,996,514**	2,436,814		
Profit before income tax expense			**96,989**	182,932
Income tax expense			**(14,613)**	(72,485)
Profit after income tax expense			**82,376**	110,447
(Profit)/loss attributable to minority interests			**(203)**	(28)
Profit attributable to members of Transfield Services Limited			**82,173**	110,419

EARNINGS PER SHARE	2008 CENTS	2007 CENTS
Basic earnings per share	**41.49**	58.15
Diluted earnings per share	**41.49**	58.15

Significant changes in the state of affairs

During the year, the Group continued with the expansion of its business in North America. This has included:

- the growth of the Flint Transfield Services joint venture providing asset management services to the oil sands industry in Canada;
- the acquisition of the business of Horizon National Contract Services LLC (Horizon) and 100% of the share capital of Whelan's International Co. Inc. (Whelan) which provide facilities management services primarily in the retail sector of the United States;
- the acquisition of VMS Inc. which provides operations and maintenance services to the road sector in the United States.

This growth has led to a significant increase in foreign currency earnings, assets, liabilities and cashflows. While this means that movements in exchange rates creates increased volatility in the consolidated earnings of the Group, the Group looks to match its offshore assets with corresponding liabilities.

Matters subsequent to the end of the financial year

No significant matters have arisen between balance sheet date and the date of this report.

Other than the above, there have been no matters or circumstances that have arisen since 30 June 2008 that have significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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 and greenhouse gas and energy data reporting requirements

The Group is subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*. However, it does not currently trigger the requirements of the *Energy Efficiency Opportunities Act 2006. The National Greenhouse and Energy Reporting Act 2007* requires the Group to report its annual greenhouse gas emissions and energy use. The first measurement period for this Act runs from 1 July 2008 until 30 June 2009. The Group has implemented systems and processes for the collection and calculation of the data required to enable it to prepare and submit its initial report to the Greenhouse and Energy Data Officer ('GEDO') by 31 October 2009. The Group will register with the GEDO before the deadline of 31 August 2009.

In addition, to manage risk and to ensure protection of the environment, Transfield Services has developed and implemented an Environmental Management System based on the International Standard: AS/NZS ISO 14001:1996 for environmental management systems.

Meetings of Directors

	FULL MONTHLY MEETING OF DIRECTORS AVAILABLE TO ATTEND	BOARD SUB-COMMITTEE	EXTRA-ORDINARY BOARD MEETINGS HELD	RACC	HRC	HSSC	NOMC
No. of meetings held:	**9**	**1**	**19***	**4**	**5**	**5**	**3**
Anthony Shepherd	9	-	18	1+	-	-	3
Guido Belgiorno-Nettis AM	8	-	11	-	5	-	3
Luca Belgiorno-Nettis	9	-	15	4	-	4	-
Professor Steve Burdon	9	-	15	3	-	2	-
Denis Cleary	4**	-	2**	1**	-	1**	-
Mel Ward AO	7	1	19	3	5	1+	2
Peter Watson	9	1	18	3+	5	3	2
Bernard Wheelahan	7**	1	15**	-	3**	4	1**
Steven Crane	4**	-	1**	2**	2**	-	1+
David Sutherland	2**	-	1**	-	-	-	-

Notes:

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

** Due to Director's retirement/appointment attendance was only during the period of their Directorship.

+ Directors are invited to attend as non-core members.

RACC = Risk, Audit and Compliance Committee

HRC = Human Resources Committee (formerly Remuneration and Organisational Development Committee)

HSSC = Health, Safety and Sustainability Committee

NOMC = Nomination Committee

Information on Directors

Details of the Directors' responsibilities and shareholdings as at 30 June 2008 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. Chairman of the Nomination Committee.	1,546,959*	-	-
Guido Belgiorno-Nettis AM	Member of the Human Resources Committee and Member of the the Nomination Committee.	141,448	-	21,964,000
Luca Belgiorno-Nettis	Member of the Risk, Audit and Compliance Committee, the Health, Safety and Sustainability Committee and the Nomination Committee.	317,686*	-	21,964,000
Professor Steve Burdon	Member of the Risk, Audit and Compliance Committee, and the Health, Safety and Sustainability Committee.	63,651	-	-
Steven Crane	Member of the Risk, Audit and Compliance Committee, and the Human Resources Committee. (Appointed 12 February 2008).	40,000	-	-
David Sutherland	Mr Sutherland is not a member of any committee.	25,000	-	-
Mel Ward AO	Chairman of the Risk, Audit and Compliance Committee and the Human Resources Committee and member of the Nomination Committee.	64,603	-	-
Peter Watson	Managing Director and CEO of Transfield Services Limited and member of the Human Resources Committee, the Health, Safety and Sustainability Committee, and the Nomination Committee. Mr Watson attends the Risk, Audit and Compliance Committee by invitation.	1,862,843	709,000	-

* Includes shares that are held by a related party.

Directorships of other listed companies

Steven Crane

- Adelaide Bank Ltd – 28 April 2005 to 16 November 2007
- Foodland Associated Ltd – 7 October 2003 to 24 November 2005
- Investa Property Group – 10 August 2006 to 6 September 2007

Anthony Shepherd

- ConnectEast Group (ASX) – appointed 28 September 2004
- Transfield Services Infrastructure Fund (ASX) – appointed 12 June 2007 (ASX listing date)

David Sutherland

- ZCL Composites Inc (TSX) – appointed 14 May 2008
- GATX Corporation (NYSE) – appointed 30 July 2007
- United States Steel Corporation (NYSE) – appointed 29 July 2008

Mel Ward AO

- Coca-Cola Amatil Limited (ASX) – appointed 11 February 1999 and retired 19 August 2008
- Pro Medicus Limited (ASX) – appointed 4 April 2000
- Macquarie Communications Infrastructure Group (ASX) – appointed 7 April 2003
- West Australian Newspapers Holdings Limited (ASX) – appointed 6 September 2002

Peter Watson

- Transfield Services Infrastructure Fund (ASX) – appointed 12 June 2007 (ASX listing date)

Details of each Director's qualifications and experience are included on pages 14-15 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. Human Resources Committee

B. Non-executive Directors' remuneration

C. Executive remuneration policy and structure

D. Chief Executive Officer and Managing Director's remuneration

E. Nominated executives

F. Remuneration tables

G. Other information

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

A. Human Resources Committee

The Board's key responsibilities can be summarised around strategic direction, prudential oversight, corporate risk management and monitoring performance. The purpose of the Human Resources (HR) Committee is to:

- assist the Board to consider remuneration issues more efficiently and fully and to provide recommendations on remuneration policies, practices and decisions to the Board for approval;
- assist the Board to ensure key talent and critical workforces are managed to support and further corporate objectives and to provide recommendations to the Board for approval;
- provide advice and support to the Board in fulfilling its responsibilities to shareholders by ensuring the Board has the necessary range of skills, expertise and experience;
- ensure that Transfield Services' policies comply with laws, reflect appropriate current governance practices and mitigate against operational, financial and reputation risk.

Formerly the Remuneration and Organisational Development Committee (REMOD), the Board reviewed the REMOD Charter during the financial year to ensure that it continues to meet the Board and the Company's business objectives and reflects best governance practices. As part of this initiative, the Board's view was that the name of REMOD be changed to that of the HR Committee. A copy of the updated Charter is available on the Company's website www.transfieldservices.com.

The Board has authorised the HR Committee to perform activities within the scope of its responsibilities including engaging independent counsel as it deems necessary, requiring the attendance of company officers at meetings and having unrestricted access to management, employees and information it considers relevant. The HR Committee does not have delegated power to make binding decisions on behalf of the Board.

The composition of this Committee is set out below. The HR Committee met five times during the financial year. Further details regarding attendances are set out on page 38.

Mr Mel Ward AO (Chairman)

Mr Guido Belgiorno-Nettis AM

Mr Steven Crane

Mr Peter Watson

The Board's view is that the Company's interests are better served by the Managing Director and CEO, Mr Peter Watson being a formal member of the HR Committee rather than attending in an ex-officio capacity (i.e. by invitation). The Managing Director and CEO cannot chair this Committee and is excused when matters relating to his remuneration and/or performance are discussed.

B. Non-executive Directors' remuneration

Fees and payments to Non-executive Directors (NEDs) reflect the responsibilities of and the demands made on the Directors. NEDs' fees are determined within the aggregate NEDs' fee pool limit of $1,700,000 approved by shareholders at the 2006 Annual General Meeting held on 30 October 2006.

The Chairman's fees are determined independently of other NEDs based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Other NEDs fees and payments are reviewed annually by the Board which takes advice from independent remuneration consultants to ensure NEDs' fees and payments are appropriate and market competitive.

NEDs are remunerated by way of fixed fees in the form of cash, superannuation and equity in accordance with Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations.

In relation to the equity component, Australian based NEDs may elect to receive a minimum 20 per cent of their fees in Transfield Services 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. NEDs do not receive any performance based share payments.

NED's fees inclusive of superannuation and equity were reviewed during the year and amended with effect from 1 January 2008. NEDs who chair or serve on a committee receive additional yearly fees. The following fee structure has applied to NEDs from 1 January 2008:

BOARD		CHAIRMAN	DEPUTY CHAIRMAN	MEMBER[1]
		$358,000	$175,000	$135,500
COMMITTEES	Risk, Audit and Compliance Committee	$15,000	-	$10,000
	Development and Tender Review Committee (note - this committee was discontinued from 1 January 2008)	$15,000	-	$10,000
	Health, Safety and Sustainability Committee	$15,000	-	$10,000
	Human Resources Committee	$15,000	-	$10,000

1. Board fees are not paid to the executive Director (Peter Watson) as the responsibilities of Board membership are considered in determining the remuneration provided as part of his normal employment conditions.

The Board resolved in 2004 to remove retirement allowances for NEDs 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. The accrued entitlement is paid on retirement of the Director.

C. Executive remuneration policy and structure

Remuneration Policy

Transfield Services' objective is to have a reward and performance structure that enables the Company to attract and retain high quality and talented staff at all levels of the organisation and to motivate them to contribute the full extent of their talent and expertise to the benefit of the Company and shareholders.

In meeting this objective, the Company aims to deliver remuneration that is competitive in the local and international markets in which it operates, and further, is also equitable from an organisational perspective facilitating the deployment of employees across the Company.

The Company aims to ensure that all of its remuneration arrangements are transparent and appropriate from a remuneration governance perspective. In the case of performance pay, the remuneration is commensurate with the contribution made and is sufficient to provide adequate recognition.

Remuneration is biased towards reward for business outcomes by linking sufficient pay to performance against key indicators of financial results. With seniority, remuneration is increasingly linked to the creation of shareholder value.

To foster a sense of ownership and align employees with shareholder interests, all executive employees are encouraged to, or receive, remuneration in equity.

Remuneration Structure

The executive remuneration structure has five components:

- fixed remuneration including superannuation;
- short-term performance incentives;
- short-term deferred retention incentive;
- long-term incentives; and
- other benefits.

The combination of these elements comprises an executive's total remuneration. Information regarding each of the components of remuneration is outlined below.

The Company's approach to assessing market relativity of remuneration is to benchmark Total Annualised Remuneration (TAR) which assumes the achievement of target performance.

In determining an appropriate remuneration mix, Transfield Services places emphasis on the variable reward elements for "at target" performance.

Fixed remuneration relative to variable reward elements range from 46:54 for the Managing Director and CEO to 59:41 for senior executives.

Fixed remuneration

Executives are offered a competitive remuneration package that comprises the fixed component of pay and rewards. Depending on the country in which the executive is employed, the fixed remuneration component is structured as a total employment cost package or as a salary plus benefits package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Fixed remuneration is reviewed annually and on promotion to ensure the executive's pay remains competitive relative to the respective market.

External remuneration consultants provide analysis and advice to ensure fixed remuneration is set to reflect the market for comparable roles in international companies of similar complexity and size, targeted at industry averages. The Company also uses a job evaluation or work value methodology to manage internal pay relativities.

Retirement benefits are delivered under defined contribution plans.

Short-term performance incentives (STI)

The Company delivers the short-term performance incentive (STI) component of its remuneration structure through the use of an annual cash bonus. Participation is restricted to executives and selected individuals who can materially impact the Company's financial performance measures of earnings before interest, tax and amortisation (EBITA), earnings per share (EPS) and net profit after tax (NPAT).

Under the STI, each executive has a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. Target STI opportunities range from 10%-40% for selected managers and up to 60% of fixed remuneration for the Managing Director. The STI opportunities are leveraged by 41% to provide an incentive for executive out-performance. Currently, the Managing Director's maximum STI opportunity is therefore 85% of fixed remuneration.

Each year, the HR Committee oversees the appropriate targets and key performance indicators (KPIs) for the STI plan including minimum levels of financial performance required to trigger payment of STI. Additionally, the HR Committee annually review the target STI opportunities as well as maximums in respect of out-performance.

For the year ended 30 June 2008, 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 EBITA and EPS, as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods.

The HR Committee has oversight of outcomes against the KPIs and receives detailed reports on performance from management. STI amounts are payable following audit clearance of the annual financial statements each year.

Short-term deferred retention incentive (ST-DRI)

The Company delivers the ST-DRI component of its remuneration structure by providing a maximum opportunity equivalent value to the STI target in the form of Company equity. The TranShare Deferred Plan (TDP) explained later in this report is used for this purpose. A similar plan for North America is explained later in this report.

Participation in the ST-DRI is available to the Chief Executive Officer and Managing Director (refer section D) and selected high-performing managers who participate in the STI program but are not eligible to participate in the Company's LTI program based on the eligibility criteria used for that component of remuneration. Individuals are nominated by the Managing Director or by operational CEOs with the support of the Managing Director for consideration by the HR Committee.

The number of shares to be offered to the participant under the ST-DRI is calculated by dividing the ST-DRI amount by the ten-day average closing price of Transfield Services shares on the date the ST-DRI amount is approved. Shares will be allocated to the participant during the first Open Trading Period as declared by Transfield Services' General Counsel / Company Secretary following approval of the ST-DRI payment.

Shares are subject to forfeiture in the event that employment with the Group is terminated within 2 years from the date the ST-DRI payment which gave rise to the allocation of shares was approved.

Short-term deferred incentive (ST-DI)

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

The deferred payment under the ST-DI is subject to annual adjustment in accordance with a nominated United States or, where relevant, Canadian long term bond rate, and is subject to forfeiture in the event that employment within the Group is terminated within two years of the ST-DI payment determination date, or as per the contracted term.

Long-term incentives (LTI)

The Company delivers the LTI component of its remuneration structure using equity. The TranShare Executive Performance Awards Plan (TEPAP) implemented in April 2001 was used during the financial year for this purpose. The Board believes that this Plan promotes executive retention and encourages performance by providing opportunities for reward linked to the long term performance and success of the Company.

TranShare Executive Performance Awards Plan (TEPAP)

TEPAP provides eligible executives of Transfield Services with the opportunity to acquire shares in the Company subject to satisfying various performance and/or vesting conditions. Under the plan, Performance Awards may be granted. No consideration is payable by participants on the grant of the Award. Each Award entitles the holder to receive one share in the Company.

Broadly, participation is restricted to executives who can materially impact the performance of the Group (the proxy being position seniority), high-potential executives and employees with specialist skills. Individuals are nominated by the Managing Director or by operational CEOs with the support of the Managing Director for consideration by the Plan Committee.

Prior to 30 June 2008, Awards were granted semi-annually. From the commencement of the 2009 financial year Performance Awards will be granted annually and generally vest no earlier than three years from the date of grant. The performance conditions applicable to each grant of Awards are subject to Board review and assessed against the business plan and cycle.

At inception, the Board determined that a total shareholder return (TSR) target was an appropriate performance condition. In April 2006, the performance conditions were revised to introduce earnings per share as an additional vesting condition. The Board has determined that relative TSR combined with absolute earnings per share (EPS) growth are the most appropriate hurdles for the Company at this time. TSR and EPS 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 an appropriate peer group of companies.

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 S&P / ASX 200 Index after excluding the Energy and Materials sectors.

EPS is calculated by dividing the Company's net profit by the weighted average number of ordinary shares on issue and is expressed in cents per share.

The EPS hurdle relates to the Company achieving a minimum average compound basic EPS growth per annum over a three year financial period.

Currently, every grant (except those granted under the United States Sub Plan described below) comprises of two tranches with each tranche having TSR or EPS performance conditions respectively. The precise vesting conditions are detailed in the tables located in section F.

Awards may generally be exercised between three and five years after the date they are granted as long as any applicable exercise conditions which may include vesting and the performance criteria are met.

Awards may be exercised outside the exercise period, if the participant dies, becomes totally and permanently disabled, or if any other special circumstances determined by the Plan Committee occur. In the case of retirement or redundancy, Awards may vest proportionally subject to the period they have been held by the participant. Awards will, except in special circumstances, lapse immediately where a participant's employment has been terminated by the Company with cause. A two month lapsing period applies for cessation of employment without cause. Awards will generally not be transferable.

Prior to October 2003, the TEPAP also provided Options. Each Option required payment of an exercise price to acquire the subject share. The formula for determining the exercise price for each Option was decided by the Plan Committee at the time of the offer.

The Plan limits the unexercised Awards issued under the Plan in the previous three years to 10% of the total number of issued shares in the Company. The Company intends to continue its practice of granting long-term equity-linked performance incentives to specified executives during the year ending 30 June 2009.

In April 2007 the Board approved a Sub Plan to TEPAP to satisfy American regulatory requirements. This Sub Plan enables executives based in the United States of America to participate in the Plan. The key features including performance conditions are the same as described above save for some executives who have additional performance conditions. The most significant difference is the absence of an Exercise Period. Upon vesting, shares are automatically delivered to the participant.

In addition to the TEPAP the Chief Executive Officer of the Transfield Services Infrastructure Fund (TSI Fund) also participates in the TSIF Notional Securities Scheme. The performance requirements for his 2007/2008 Award under this scheme include TSI Fund return and growth in market capitalisation of TSI Fund over a three year period to 2010.

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.

This scheme has been discontinued effective from 13 June 2008.

Employee Share Ownership Plan – The TranShare Plan (TranShare)

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 TranShare, employees may acquire up to $1,000 worth of Transfield Services shares annually, and the Company will subsidise 10% 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, 25% of direct Australian employees, 9% of New Zealand employees and 19% of all eligible employees have elected to become shareholders under TranShare.

The TranShare Deferred Plan

The TranShare Deferred Plan (TDP) is a plan which enables the delivery of shares in a tax efficient manner. The Plan is typically used to facilitate salary sacrifice arrangements. Currently, the TDP is used to deliver that proportion of NED fees delivered in shares and for the short-term deferred retention incentive program.

Other benefits

In addition to fixed remuneration, executives may be entitled to receive benefits including executive health management, home insurance and salary continuance insurance. Executives along with other employees may also be entitled to benefits in accordance with the Company's corporate benefit arrangements (e.g housing assistance for relocations).

D. Chief Executive Officer and Managing Director's Remuneration

The remuneration arrangements of the Managing Director and CEO, Peter Watson are summarised below. Contractual terms, including termination benefits are outlined in section E. The nature and amount of each element of remuneration are outlined in the tables contained in section F.

Mr Watson's fixed remuneration comprises of a combination of cash and prescribed non-financial benefits at his discretion, as well as superannuation.

Mr Watson participates in the same short-term incentive plan as the other executives and has KPIs that are based on Company financial and strategic objectives. The KPIs include achieving specific targets in relation to EBITA, as well as other key, strategic and non-financial measures linked to drivers of performance in future reporting periods.

On 8 September 2006, Mr Watson was provided the opportunity to participate in the short term deferred retention incentive scheme (ST-DRI).

Mr Watson is the only Director of the Company entitled to participate in the plan. In line with the ASX Corporate Governance Principles and Recommendations, Non-executive Directors are ineligible to participate in the ST-DRI.

Mr Watson also participates in the TranShare Executive Performance Award Plan, which gives him the opportunity to acquire shares within the Company providing the vesting and performance conditions are met. An additional vesting condition of share price growth has been introduced for Mr Watson for certain Performance Awards.

Mr Watson also participated in the Transfield Services Executive Special Scheme described in section C.

E. Nominated executives

The key management personnel of Transfield Services Limited include the Directors and certain executive officers. The following list includes those executives plus others who are included by virtue of the corporations legislation requirements to include the 5 most highly remunerated officers:

Darce Corsie	Transitional Chief Financial Officer – Transfield Services Infrastructure Fund (resigned 9 February 2008)
Lee de Vryer	Chief Strategy Officer (appointed 5 February 2008)
Matthew Irwin	Chief Financial Officer
Elizabeth Hunter	Chief Human Resources Officer (appointed 20 August 2007)
Bruce James	Chief Executive Officer – Australia
Steve MacDonald	Chief Executive Officer - Transfield Services Infrastructure Fund
Paul McCarthy	Chief Executive Officer – Major Projects and Programs and Chief Executive Officer – Asia, India and Gulf (Acting)
Kate Munnings	Company Secretary and General Counsel
Joseph Sadatmehr	Chief Executive Officer – North America
Graeme Sumner	Chief Executive Officer - New Zealand

Contract terms

Remuneration and other terms of employment for the Managing Director and CEO and the other key management personnel are formalised in service agreements. Each of these agreements provides 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	TERM OF AGREEMENT-ROLLING THREE YEAR TERM OF AGREEMENT	NOTICE PERIOD REQUIRED FOR THE EMPLOYEE TO TERMINATE THE CONTRACT	TERMINATION BENEFIT (AMOUNT OF ANNUAL SALARY) ON EARLY TERMINATION BY THE COMPANY, OTHER THAN FOR GROSS MISCONDUCT	A RESTRICTIVE COVENANT APPLIES OF:
Peter Watson	Managing Director and Chief Executive Officer	1 April 2006 (continuous)	6 months	1 year	1 year
Darce Corsie	Transitional Chief Financial Officer - Transfield Services Infrastructure Fund	9 February 2005 (resigned effective 9 February 2008)	3 months	1 year	1 year
Lee de Vryer	Chief Strategy Officer	5 February 2008	6 months	1 year	6 months
Matthew Irwin	Chief Financial Officer	13 December 2004	3 months	6 months	1 year
Elizabeth Hunter	Chief Human Resources Officer	20 August 2007	3 months	6 months	6 months
Bruce James	Chief Executive Officer - Australia	1 January 2008	3 months	6 months	6 months
Steve MacDonald	Chief Executive Officer - Transfield Services Infrastructure Fund	1 April 2007	1 year	1 year	1 year
Kate Munnings	General Counsel & Company Secretary	1 January 2006	3 months	6 months	6 months
Paul McCarthy	Chief Executive Officer - Major Projects and Programs and Chief Executive Officer - Asia, India and Gulf (Acting)	1 January 2008	3 months	6 months	6 months
Joseph Sadatmehr	Chief Executive Officer - North America	1 July 2007	6 months	1 year	1 year
Graeme Sumner	Chief Executive Officer - New Zealand	16 October 2005	3 months	6 months	6 months

F. Remuneration Tables

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.

	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		LONG TERM BENEFITS		SHARE BASED PAYMENTS		
NAME	CASH SALARY AND FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	RETIRE-MENT BENEFITS $	EXECUTIVE SPECIAL SCHEME (INCENTIVE) $	LONG SERVICE LEAVE $	DEFERRED SHARE PURCHASE $	PER-FORMANCE AWARDS $	TOTAL $
Non-executive Directors										
Anthony Shepherd	**232,000**	**-**	**115,000**	**9,515**	**9,172**	**-**	**-**	**144,767**	**-**	**510,454**
2007	174,832	-	105,000	12,686	3,982	-	-	43,800	-	340,300
Bernard Wheelahan +	**91,022**	**-**	**-**	**6,817**	**6,911**	**-**	**-**	**52,482**	**-**	**157,232**
2007	99,339	-	-	7,352	3,982	-	-	38,160	-	148,833
Guido Belgiorno-Nettis AM^	**136,353**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**136,353**
2007	117,203	-	-	-	-	-	-	10,000	-	127,203
Luca Belgiorno-Nettis^	**141,352**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**141,352**
2007	117,203	-	-	-	-	-	-	10,000	-	127,203
Steve Burdon	**151,726**	**-**	**-**	**8,075**	**9,172**	**-**	**-**	**20,103**	**-**	**189,076**
2007	92,802	-	-	7,200	3,982	-	-	20,000	-	123,984
Denis Cleary++	**33,334**	**-**	**-**	**4,200**	**711**	**-**	**-**	**10,052**	**-**	**48,297**
2007	92,802	-	-	7,200	3,982	-	-	20,000	-	123,984
Steven Crane #	**46,256**	**-**	**-**	**3,729**	**-**	**-**	**-**	**-**	**-**	**49,985**
2007	-	-	-	-	-	-	-	-	-	-
David Sutherland ##	**30,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,000**
2007	-	-	-	-	-	-	-	-	-	-
Mel Ward AO	**113,500**	**-**	**-**	**7,515**	**9,172**	**-**	**-**	**25,128**	**-**	**155,315**
2007	97,144	-	-	6,639	3,982	-	-	26,780	-	134,545
Sub-total	**975,543**	**-**	**115,000**	**39,851**	**35,138**	**-**	**-**	**252,532**	**-**	**1,418,064**
non-executive Directors	791,325	-	105,000	41,077	19,910	-	-	168,740	-	1,126,052
Executive Director										
Peter Watson	**1,146,503**	**361,800**	**22,542**	**13,129**	**-**	**250,000**	**21,507**	**361,800**	**1,038,940**	**3,216,221**
2007	1,121,377	745,800	23,194	12,686	-	250,000	166,066	660,000	717,848	3,696,971
Total Directors										
2008	**2,122,046**	**361,800**	**137,542**	**52,980**	**35,138**	**250,000**	**21,507**	**614,332**	**1,038,940**	**4,634,285**
2007	1,912,702	745,800	128,194	53,763	19,910	250,000	166,066	828,740	717,848	4,823,023
Total for each category										
2008	**2,621,388**			**88,118**		**271,507**		**1,653,272**		**4,634,285**
2007	2,786,696			73,673		416,066		1,546,588		4,823,023

\+ Bernard Wheelahan retired as a Director on 18 April 2008.

++ Denis Cleary resigned as a Director on 24 October 2007.

\# Steven Crane was appointed as a Director on 12 February 2008.

\## David Sutherland was appointed as a Director on 11 April 2008.

^ Guido Belgiorno-Nettis AM and Luca Belgiorno-Nettis have elected not to participate in the deferred share purchase plan.

F. Remuneration Tables (continued)

Other key management personnel and five most highly remunerated officers of the Group and the 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 $	RESTRAINT OF TRADE $	EXECUTIVE SPECIAL SCHEME (INCENTIVE) $	LONG SERVICE LEAVE $	CASH SETTLED SHARE BASED PAYMENTS $	OPTIONS AND OTHER SECURITIES $	PERFOR-MANCE AWARDS $	TOTAL $
Darce Corsie #	**386,612**	**-**	**-**	**36,370**	**125,000**	**-**	**-**	**86,584**	**-**	**-**	**634,566**
2007	550,470	232,800	-	49,542	-	-	18,341	173,168	-	-	1,024,321
Lee de Vryer *	**206,245**	**44,963**	**2,728**	**18,562**	**-**	**-**	**393**	**-**	**-**	**24,173**	**297,064**
2007	-	-	-	-	-		-	-	-	-	-
David Gansky 2007***	594,395	202,065	7,864	545	-	-	-	-	-	29,698	834,567
Elizabeth Hunter*	**343,610**	**68,800**	**37,628**	**30,925**	**-**	**-**	**670**	**-**	**-**	**35,090**	**516,723**
2007	-	-	-	-	-	-	-	-	-	-	-
Matthew Irwin	**612,984**	**200,260**	**18,130**	**13,129**	**-**	**-**	**10,165**	**-**	**-**	**202,130**	**1,056,798**
2007	456,753	240,000	10,570	12,686	-	-	4,850	-		90,058	814,917
Bruce James	**830,017**	**360,945**	**16,870**	**-**	**-**	**-**	**10,236**	**-**	**-**	**233,087**	**1,451,155**
2007	700,015	324,900	-	-	-	-	4,382	-	-	93,444	1,122,741
Steve MacDonald	**511,882**	**390,075**	**15,657**	**13,129**	**-**	**150,000**	**34,288**	**-**	**139,197**	**316,453**	**1,570,681**
2007	580,919	427,000	-	12,686	-	150,000	25,391	-	109,980	137,535	1,443,511
Paul McCarthy**	**518,359**	**186,600**	**12,987**	**46,652**	**-**	**-**	**61,796**	**-**	**-**	**115,585**	**941,979**
2007	-	-	-	-	-	-	-	-	-	-	-
Kate Munnings	**376,155**	**67,650**	**12,254**	**33,853**	**-**	**-**	**3,842**	**-**	**-**	**61,191**	**554,945**
2007^	288,996	106,900	-	26,010	-	-	1,404	-	-	25,867	449,177
Joseph Sadatmehr	**950,918**	**200,353**	**112,441**^^	**3,282**	**-**	**200,000**	**37,563**	**-**	**-**	**1,100,861**	**2,605,418**
2007	745,348	592,100	-	12,686	-	200,000	27,430	-	-	234,939	1,812,503
Graeme Sumner	**471,917**	**145,464**	**-**	**1,183**	**-**	**-**	**4,000**	**-**	**-**	**105,613**	**728,177**
2007^	366,412	168,700	-	-	-	-	1,554	-	-	44,496	581,162
Totals for each component	**5,208,699**	**1,665,110**	**228,695**	**197,085**	**125,000**	**350,000**	**162,953**	**86,584**	**139,197**	**2,194,183**	**10,357,506**
	4,283,308	2,294,465	18,434	114,155	-	350,000	83,352	173,168	109,980	656,037	8,082,899
Total for each category		**7,102,504**		**322,085**		**512,953**			**2,419,964**		**10,357,506**
		6,596,207		114,155		433,352			939,185		8,082,899

\# Darce Corsie resigned on 9 February 2008.

* Elizabeth Hunter commenced on 20 August 2007, Lee de Vryer commenced 5 February 2008.

** Paul McCarthy was not key management personnel in 2007.

*** David Gansky was included in the five most highly remunerated employees in 2007. He resigned effective 30 June 2008 and is not classified as key management personnel in 2008.

^ Not employed full year in 2007.

^^ includes relocation benefits on transition of North American office.

F. Remuneration Tables (continued)

Details of remuneration: fixed and at-risk remuneration

For the nominated executives, the table below illustrates the proportion of fixed and at-risk remuneration for the year ended 30 June 2008, shown as a percentage of actual remuneration. All amounts are in Australian dollars.

2008

NAME	FIXED REMUNERATION (NOT LINKED TO COMPANY PERFORMANCE) %	CASH BASED STI %	PERFORMANCE RELATED REMUNERATION EQUITY BASED				
			PERFORMANCE AWARDS	DEFERRED SHARE PURCHASE	PERFORMANCE OPTIONS	TOTAL %	TOTAL (100%)
Peter Watson	46	11	32	11	-	43	100
Darce Corsie	86	-	14	-	-	14	100
Lee de Vryer	77	15	8	-	-	8	100
Matthew Irwin	62	19	19	-	-	19	100
Bruce James	59	25	16	-	-	16	100
Steve MacDonald	46	25	20	-	9	29	100
Paul McCarthy	68	20	12	-	-	12	100
Elizabeth Hunter	80	13	7	-	-	7	100
Kate Munnings	77	12	11	-	-	11	100
Joseph Sadatmehr	50	8	42	-	-	42	100
Graeme Sumner	63	23	14	-	-	14	100

Aggregate Option / Award holdings

Aggregate Award and Option opportunities and movements during the year are summarised below:

2008

NAME	BALANCE AT THE START OF THE YEAR	GRANTED AS COMPENSATION	EXERCISED DURING THE YEAR	FORFEITED	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE	UNVESTED
Directors							
Peter Watson	809,000	-	(100,000)	-	709,000	-	709,000
Other key management and top 5 remunerated personnel of the Group							
Darce Corsie	-	-	-	-	-	-	-
Lee de Vryer	-	24,000	-	-	24,000	-	24,000
Elizabeth Hunter	-	11,600	-	-	11,600	-	11,600
Matthew Irwin	61,900	33,800	(20,000)	-	75,700	-	75,700
Bruce James	56,000	41,400	-	-	97,400	-	97,400
Steve MacDonald	163,492	-	(42,492)	-	121,000	-	121,000
Paul McCarthy	42,793	26,200	(14,693)	-	54,300	-	54,300
Kate Munnings	18,100	14,400		-	32,500	-	32,500
Joseph Sadatmehr	202,531	250,000	(106,231)	-	346,300	-	346,300
Graeme Sumner	31,400	24,000		-	55,400	-	55,400
	576,216	425,400	(183,416)	-	818,200	-	818,200

F. Remuneration Tables (continued)

Performance Awards provided as remuneration

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

NAME	SERIES	EXPIRY DATE	FIRST DATE EXERCISABLE	EXERCISE PRICE A$	VALUE* PER OPTION / AWARD AT GRANT DATE	NUMBER GRANTED
Managing Director and Chief Executive Officer						
Peter Watson	2005D	16 Nov 2012	16 Nov 2008	Nil	$4.47	44,250
	2005E	16 Nov 2012	16 Nov 2008	Nil	$3.98	5,900
	2005F	16 Nov 2012	16 Nov 2008	Nil	$3.49	8,850
	2006E	1 Apr 2011	1 Apr 2009	Nil	$4.42	150,000
	2006F	1 Apr 2012	1 Apr 2010	Nil	$3.39	150,000
	2006G	31 Dec 2011	31 Dec 2009	Nil	$2.81	150,000
	2006H	31 Dec 2012	31 Dec 2010	Nil	$7.58	200,000
Key Management Personnel						
David Gansky	2007A	28 Feb 2013	28 Feb 2010	Nil	$10.27	14,550 (lapsed)
	2007B	28 Feb 2013	28 Feb 2010	Nil	$8.10	14,550 (lapsed)
Lee de Vryer	2008A	28 Feb 2014	28 Feb 2011	Nil	$10.42	12,000
	2008B	28 Feb 2014	28 Feb 2011	Nil	$7.71	12,000
Elizabeth Hunter	2007E	31 Aug 2013	31 Aug 2010	Nil	$12.18	5,800
	2007F	31 Aug 2013	31 Aug 2010	Nil	$9.60	5,800
Matthew Irwin	2006A	19 Apr 2012	19 Apr 2009	Nil	$6.93	7,000
	2006B	19 Apr 2012	19 Apr 2009	Nil	$4.81	7,000
	2006C	31 Aug 2012	31 Aug 2009	Nil	$7.62	13,950
	2006D	31 Aug 2012	31 Aug 2009	Nil	$5.06	13,950
	2007E	31 Aug 2013	31 Aug 2010	Nil	$12.18	16,900
	2007F	31 Aug 2013	31 Aug 2010	Nil	$9.60	16,900
Bruce James	2005A	30 Aug 2012	30 Aug 2008	Nil	$4.92	11,322
	2005B	30 Aug 2012	30 Aug 2008	Nil	$4.42	1,652
	2005C	30 Aug 2012	30 Aug 2008	Nil	$3.91	2,326
	2006C	31 Aug 2012	31 Aug 2010	Nil	$7.62	20,350
	2006D	31 Aug 2012	31 Aug 2009	Nil	$5.06	20,350
	2007E	31 Aug 2013	31 Aug 2010	Nil	$12.18	20,700
	2007F	31 Aug 2013	31 Aug 2010	Nil	$9.60	20,700
Steve MacDonald	2005A	30 Aug 2012	30 Aug 2008	Nil	$4.92	19,832
	2005B	30 Aug 2012	30 Aug 2008	Nil	$4.42	2,894
	2005C	30 Aug 2012	30 Aug 2008	Nil	$3.91	4,074
	2006C	31 Aug 2012	31 Aug 2010	Nil	$7.62	18,350
	2006D	31 Aug 2012	31 Aug 2009	Nil	$5.06	18,350
	2007C	31 May 2013	31 May 2010	Nil	$11.35	28,750
	2007D	31 May 2013	31 May 2010	Nil	$7.26	28,750
Paul McCarthy	2006A	19 Apr 2012	19 Apr 2009	Nil	$6.93	5,950
	2006B	19 Apr 2012	19 Apr 2009	Nil	$4.81	5,950
	2007A	28 Feb 2013	28 Feb 2010	Nil	$10.27	8,100
	2007B	28 Feb 2013	28 Feb 2010	Nil	$8.10	8,100
	2008A	28 Feb 2014	28 Feb 2011	Nil	$10.42	13,100
	2008B	28 Feb 2014	28 Feb 2011	Nil	$7.71	13,100
Kate Munnings	2006A	19 Apr 2012	19 Apr 2009	Nil	$6.93	3,950
	2006B	19 Apr 2012	19 Apr 2009	Nil	$4.81	3,950
	2007A	28 Feb 2013	28 Feb 2010	Nil	$10.27	5,100
	2007B	28 Feb 2013	28 Feb 2010	Nil	$8.10	5,100
	2008A	28 Feb 2014	28 Feb 2011	Nil	$10.42	7,200
	2008B	28 Feb 2014	28 Feb 2011	Nil	$7.71	7,200

F. Remuneration Tables (continued)

Performance Awards provided as remuneration (continued)

NAME	SERIES	EXPIRY DATE	FIRST DATE EXERCISABLE	EXERCISE PRICE A$	VALUE* PER OPTION / AWARD AT GRANT DATE	NUMBER GRANTED
Joseph Sadatmehr	2005A	30 Aug 2012	30 Aug 2008	Nil	$4.92	29,452
	2005B	30 Aug 2012	30 Aug 2008	Nil	$4.42	4,298
	2005C	30 Aug 2012	30 Aug 2008	Nil	$3.91	6,050
	2006C	31 Aug 2012	31 Aug 2010	Nil	$7.62	28,250
	2006D	31 Aug 2012	31 Aug 2009	Nil	$5.06	28,250
	2007H	31 May 2013	31 May 2010	Nil	$12.18	250,000
Graeme Sumner	2006A	19 Apr 2012	19 Apr 2009	Nil	$6.93	6,650
	2006B	19 Apr 2012	19 Apr 2009	Nil	$4.81	6,650
	2007A	28 Feb 2013	28 Feb 2010	Nil	$10.27	9,050
	2007B	28 Feb 2013	28 Feb 2010	Nil	$8.10	9,050
	2008A	28 Feb 2014	28 Feb 2011	Nil	$10.42	12,000
	2008B	28 Feb 2014	28 Feb 2011	Nil	$7.71	12,000

* Model inputs used to determine the accounting value of each Option / Award are provided later in this report.

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.

The table below lists model inputs for Performance Awards granted under TranShare Executive Performance Awards Plan during the year ended 30 June 2008.

	31 AUGUST 2007				29 FEBRUARY 2008			
AWARD TYPE	PERFORMANCE RIGHTS		RESTRICTED SHARE UNITS	DRI SCHEME SHARES	PERFORMANCE RIGHTS		RESTRICTED SHARE UNITS	
	TRANCHE 1	TRANCHE 2	TRANCHE 1	TRANCHE 1	TRANCHE 1	TRANCHE 2	TRANCHE 1	TRANCHE 1
Exercise price	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
Vesting conditions	EPS growth	TSR growth	Service condition	Service condition	EPS growth	TSR growth	EPS growth	TSR growth
Expiry date	31 August 2013	31 August 2013	31 August 2013	N/A	28 February 2014	28 February 2014	28 February 2014	28 February 2014
Share price at grant date	$13.13	$13.13	$13.13	$11.11	$11.55	$11.55	$11.55	$11.55
Expected company share price volatility	25%	25%	25%	N/A	29%	29%	29%	29%
Expected dividend yield	2.5%	2.5%	2.5%	N/A	3.1%	3.1%	3.1%	3.1%
Risk free interest rate	6.11%	6.11%	6.11%	N/A	6.51%	6.53%	6.51%	6.53%
Fair value at grant date	$12.18	$9.6	$12.18	$11.11	$10.42	$7.71	$10.42	$7.71

F. Remuneration Tables (continued)

Share-based compensation

The table below lists vesting schedules and performance hurdles for Performance Awards granted under TranShare Executive Performance Awards Plan at different dates:

GRANT DATE	TRANCHE	SERIES	VESTING SCHEDULE ALLOCATION PERCENTAGE	PERFORMANCE HURDLES	VESTING OF AWARDS	PERFORMANCE CONDITIONS
23 August 2005	1	2005A	75%	TSR	100%	Average cumulative TSR of 15% per annum over 3-5 years from Base Price*
	2	2005B	Additional 10%	TSR	100%	Average cumulative TSR of 17.5% per annum over 3-5 years from Base Price*
	3	2005C	Additional 15%	TSR	100%	Average cumulative TSR of 20% per annum over 3-5 years from Base Price*
16 November 2005	1	2005D	75%	TSR	100%	Average cumulative TSR of 15% per annum from Base Price
	2	2005E	Additional 10%	TSR	100%	Average cumulative TSR of 17.5% per annum from Base Price
	3	2005F	Additional 15%	TSR	100%	Average cumulative TSR of 20% per annum from Base Price
19 April 2006	1	2006A	50%	EPS	0%	If BEPSG** < 10%
					40% - 70%	If average compound BEPSG is between 10% - 12.50% for 3 years from 2005 base year EPS
					70% - 100%	If average compound BEPSG is between 12.50% - 15% for 3 years from 2005 base year EPS
					100%	If average compound BEPSG is >15% for 3 years from 2005 base year EPS
	2	2006B	50%	TSR	0%	If TSR < 50th percentile in the ASX 200 Industrials Index
					30%	If TSR = 50th percentile in the ASX 200 Industrials Index
					100%^^	If TSR = 75th percentile in the ASX 200 Industrials Index
						Proportional vesting of awards will apply for performance between 51st and 75th percentile
31 August 2006	1	2006C	50%	EPS	0%	If BEPSG** < 10%
					40% - 70%	If average compound BEPSG is between 10% - 12.50% for 3 years from 2006 base year EPS
					70% - 100%	If average compound BEPSG is between 12.50% - 15% for 3 years from 2006 base year EPS
					100%	If average compound BEPSG is >15% for 3 years from 2006 base year EPS
	2	2006D	50%	TSR	0%	If TSR < 50th percentile in the ASX 200 Industrials Index
					30%	If TSR = 50th percentile in the ASX 200 Industrials Index
					100%^^	If TSR = 75th percentile in the ASX 200 Industrials Index
						Proportional vesting of awards will apply for performance between 51st and 75th percentile

Share-based compensation (continued)

GRANT DATE	TRANCHE	SERIES	VESTING SCHEDULE ALLOCATION PERCENTAGE	PERFORMANCE HURDLES	VESTING OF AWARDS	PERFORMANCE CONDITIONS
31 October 2006	1	2006E	23%	Share price	100%	If closing share price^ equals or exceeds 150% of the average closing share price on the 10 trading days up to and including 1 April 2006, on any 10 days in any 20 consecutive trading days during the period 1 January 2009 and 1 April 2010
	2	2006F	23%	Share price	100%	If closing share price^ equals or exceeds 175% of the average closing share price on the 10 trading days up to and including 1 April 2006, on any 10 days in any 20 consecutive trading days during the period 1 January 2009 and 1 April 2011
	3	2006G	23%	Share price	100%	If closing share price^ equals or exceeds 200% of the average closing share price on the 10 trading days up to and including 1 April 2006, on any 10 days in any 20 consecutive trading days during the period 1 January 2010 and 31 December 2011
	4	2006H	31%	EPS	100%	EPS growth on a cumulative basis over the period 30 June 2007 to 30 June 2011 is greater than or equal to 15% p.a. ***
28 February 2007	1	2007A	50%	EPS	0%	If BEPSG** < 10%
					40% - 70%	If average compound BEPSG is between 10% - 12.50% for 3 years from 2006 base year EPS
					70% - 100%	If average compound BEPSG is between 12.50% - 15% for 3 years from 2006 base year EPS
					100%	If average compound BEPSG is >15% for 3 years from 2006 base year EPS
	2	2007B	50%	TSR	0%	If TSR < 50th percentile in the ASX 200 Industrials Index
					30%	If TSR = 50th percentile in the ASX 200 Industrials Index
					100%^^^	If TSR = 75th percentile in the ASX 200 Industrials Index
						Proportional vesting of awards will apply for performance between 51st and 75th percentile

Share-based compensation (continued)

GRANT DATE	TRANCHE	SERIES	VESTING SCHEDULE ALLOCATION PERCENTAGE	VESTING SCHEDULE PERFORMANCE HURDLES	VESTING OF AWARDS	PERFORMANCE CONDITIONS
31 May 2007	1	2007C	50%	EPS	0%	If BEPSG** < 10%
					20% - 35%	If average compound BEPSG is between 10% - 12.50% for 3 years from 2007 base year EPS
					35% - 50%	If average compound BEPSG is between 12.50% - 15% for 3 years from 2007 base year EPS
					100%	If average compound BEPSG is >15% for 3 years from 2007 base year EPS
	2	2007D	50%	TSR	0%	If TSR < 50th percentile in the ASX 200 Industrials Index
					30%	If TSR = 50th percentile in the ASX 200 Industrials Index
					100%^^^	If TSR = 75th percentile in the ASX 200 Industrials Index
						Proportional vesting of awards will apply for performance between 51st and 75th percentile
31 August 2007	1	2007E	50%	EPS	0%	If BEPSG** < 10%
					20% - 35%	If average compound BEPSG is between 10% - 12.50% for 3 years from 2008 base year EPS
					35% - 50%	If average compound BEPSG is between 12.50% - 15% for 3 years from 2008 base year EPS
					100%	If average compound BEPSG is >15% for 3 years from 2008 base year EPS
	2	2007F	50%	TSR	0%	If TSR < 50th percentile in the ASX 200 Industrials Index
					30%	If TSR = 50th percentile in the ASX 200 Industrials Index
					100%^^^	If TSR = 75th percentile in the ASX 200 Industrials Index
						Proportional vesting of awards will apply for performance between 51st and 75th percentile
31 August 2007	1	2007G	100%	PBT	0%	If aggregate PBT is < $US113.8 mn at the end of the 2010 fiscal year
					50%	If aggregate PBT is between $US113.8 mn and $US136.6 mn at the end of the 2010 fiscal year
					90%	If aggregate PBT is between $US136.6 mn and $US149.6 mn at the end of the 2010 fiscal year
					100%	If aggregate PBT is $US149.6 mn or higher at the end of the 2010 fiscal year

Share-based compensation (continued)

GRANT DATE	TRANCHE	SERIES	VESTING SCHEDULE ALLOCATION PERCENTAGE	VESTING SCHEDULE PERFORMANCE HURDLES	VESTING OF AWARDS	PERFORMANCE CONDITIONS
29 February 2008	1	2008A	50%	EPS	0%	If BEPSG** < 10%
					40% - 70%	If average compound BEPSG is between 10% - 12.50% for 3 years from 2007 base year EPS
					70% - 100%	If average compound BEPSG is between 12.50% - 15% for 3 years from 2007 base year EPS
					100%	If average compound BEPSG is 15% for 3 years from 2007 base year EPS
	2	2008B	50%	TSR	0%	If TSR < 50th percentile in the ASX 200 Industrials Index
					30%	If TSR = 50th percentile in the ASX 200 Industrials Index
					100%^^^	If TSR = 75th percentile in the ASX 200 Industrials Index
						Proportional vesting of awards will apply for performance between 51st and 75th percentile
29 February 2008	1	2008C	50%	EPS	0%	If TSR < 50th percentile in the ASX 200 Industrials Index
					30%	If TSR = 50th percentile in the ASX 200 Industrials Index
					100%^^^	If TSR = 75th percentile in the ASX 200 Industrials Index
						Proportional vesting of awards will apply for performance between 51st and 75th percentile
	2	2008D	50%	TSR	0%	If TSR < 50th percentile in the ASX 200 Industrials Index
					30%	If TSR = 50th percentile in the ASX 200 Industrials Index
					100%^^^	If TSR = 75th percentile in the ASX 200 Industrials Index
						Proportional vesting of awards will apply for performance between 51st and 75th percentile

* Base Price is the 5 day average closing price of shares one week prior to the date the REMOD/HR Committee approved the offer.
** Basic EPS growth.
^ The time frame for closing share price is any 10 days in 20 consecutive trading days during the period.
*** If performance hurdle is not met by the final date of the performance period the Awards will lapse.
^^ TSR will initially be measured 3 years after the grant date, if hurdles are not met, TSR will be measured 3 times more at a quarterly intervals. To qualify, the performance hurdles and vesting conditions must be met at any of four quarterly assessment times within a specified one year window commencing three years from the grant date. The remaining unvested awards will lapse after that.
^^^ If 100% vesting is not achieved after the initial test, the testing period is extended by 3 months and retested a further 2 times at three monthly intervals. The remaining unvested awards will lapse after that.

TSIF Notional Securities Scheme

Steve MacDonald is the only key management person of Transfield Services to participate in the TSIF Notional Securities Scheme. Steve MacDonald is Chief Executive Officer of Transfield Services Infrastructure Fund (TSI Fund) and is seconded to TSI Fund by Transfield Services. 100% of his remuneration is paid by Transfield Services.

The TSIF Notional Securities Scheme aims to provide a suitable long term incentive to Steve MacDonald by linking 50% of his long term incentive from the date of establishment of TSI Fund to the outcomes of TSI Fund.

The incentive provided under the TSIF Notional Securities Scheme can be delivered either in cash or in TSI Fund Securities – to be purchased by Transfield Services should the vesting conditions be met.

Steve MacDonald has been granted a long term incentive equivalent to 333,334 notional securities in TSI Fund. The vesting date for these Awards is 30 June 2010. At 30 June 2008 the fair value of Steve MacDonald's notional securities was $56,667.

The table below lists vesting schedules and performance hurdles for Performance Awards granted under TSIF Notional Securities Scheme:

			VESTING SCHEDULE		
GRANT DATE	TRANCHE	ALLOCATION PERCENTAGE	PERFORMANCE HURDLES	VESTING OF AWARDS	PERFORMANCE CONDITIONS
15 November 2007	A	50%	TSI Fund return	20%#	TSI Fund Return* > Benchmark Return by $350,000;
				Additional 80%	TSI Fund Return** > Benchmark Return by > $1,750,000;
	B	50%	TSI Fund Market capitalisation	100%	TSI Fund Market Capitalisation doubles from listing to 30 June 2010

Pro- rata vesting will apply once the primary performance hurdle for Tranche A has been achieved.
* TSIF Fund Return is the cumulative return of the Fund for financial years ending 2008, 2009 and 2010.
** Benchmark return is the cumulative financial returns for the financial years ending 2008, 2009 and 2010

The terms and conditions of each grant of TSIF Notional Securities affecting remuneration in the previous, this or future reporting periods are set out below:

NAME	TRANCHE	EXPIRY DATE	FIRST DATE EXERCISABLE	EXERCISE PRICE A$	VALUE PER NOTIONAL SECURITY AT 30 JUNE 2008	NUMBER GRANTED
Steve MacDonald	A	n/a	30 June 2010	Nil	$ 0.33	166,667
	B	n/a	30 June 2010	Nil	$0.01	166,667

Shares provided on exercise of Performance Awards and Options

NAME	DATE OPTIONS & PERFORMANCE AWARDS GRANTED	SERIES	NUMBER OF SHARES	PAID $ PER SHARE	UNPAID $ PER SHARE
Peter Watson	October 2004	2004	100,000	$nil	N/A
Matthew Irwin	February 2005	2005	20,000	$nil	N/A
Steve MacDonald	August 2004	2004	42,492	$nil	N/A
Paul McCarthy	February 2005	2005	14,693	$nil	N/A
Joseph Sadatmehr	August 2004	2004	106,231	$nil	N/A

G. Other Information

Details of remuneration: at-risk remuneration

For each cash bonus and grant of Awards, 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. 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.

	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 $
Directors								
Peter Watson	47	53	2008	-	-	-		
	87	13	2007	-	-	2009-2011	-	3,216,270
			2006	-	-	2009-2011	-	252,166
			2005	100%	-	2008	-	-
			2004	100%	-	2007	-	-
								3,468,436
Other key management personnel								
Darce Corsie	-	-	2008	-	-	-	-	-
	90	10	2007	-	-	-	-	-
Lee de Vryer	55	45	2008	-	-	2011	-	217,560
Elizabeth Hunter	65	35	2008	-	-	2011	-	126,324
Matthew Irwin	65	35	2008	-	-	2011	-	368,082
	96	4	2007	-	-	2010	-	176,886
			2006	-	-	2009-2010	-	82,180
			2005	100%	-	2008	-	-
								627,148
Bruce James	63	37	2008	-	-	2012	-	450,846
	89	11	2007	-	-	2011	-	258,038
			2006	-	-	2009	-	72,101
								780,985
David Gansky	-	-	2008	-	-	-	-	-
	53	47	2007	-	100%	2010	-	-
Steve MacDonald	74	26	2008	-	-	-	-	-
	100	-	2007	-	-	2010-2011	-	767,716
			2006	-	-	2009	-	126,294
			2005	100%	-	2008	-	-
			2004	100%	-	2007	-	-
			2003	100%	-	2006	-	-
								894,010

G. Other Information (continued)

Details of remuneration: at-risk remuneration (continued)

	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 $
Paul McCarthy	63	37	2008	-	-	2011	-	237,503
	Not KMP	Not KMP	2007	-	-	2010	-	148,797
			2006	-	-	2009	-	69,854
			2005	100%	-	2008	-	-
			2004	100%	-	2007	-	-
								456,154
Kate Munnings	55	45	2008	-	-	2011	-	130,536
	87	13	2007	-	-	2010	-	93,687
			2006	-	-	2009-2010	-	46,373
								270,596
Joseph Sadatmehr	37	63	2008	-	-	2011	-	3,045,000
	100	-	2007	-	-	2010	-	358,210
			2006	-	-	2009	-	187,557
			2005	100%	-	2008	-	-
			2004	100%	-	2007	-	-
								3,590,767
Graeme Sumner	62	38	2008	-	-	2011	-	217,560
	89	11	2007	-	-	2010	-	166,249
			2006	-	-	2009-2010	-	78,071
								461,880

G. Other Information (continued)

Performance of Transfield Services over five years

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 by a cumulative average of 51% per annum. During the same period, average executive remuneration has grown by approximately 11% per annum. Short term incentive bonus as a percentage of total annual reward for Key Management Personnel (KMP) is presented in the following table for each year.

	2004	2005	2006	2007[1]	2008
NPAT $'000	68,229	55,593	40,980	110,447	82,376
STI as % of KMP Total Annual Reward	21.7	21.1	19.6	25.8	14.6

1. The 2007 results included one-off profit after tax of $34.744 million relating to the disposal of the infrastructure assets to Transfield Services Infrastructure Limited.

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 $
Peter Watson	32%	-	1,520,000	-
Darce Corsie	14%	-	-	-
Lee de Vryer	8%	24,173	-	-
Elizabeth Hunter	7%	35,090	-	-
Matthew Irwin	19%	102,245	230,000	-
Bruce James	16%	125,235	-	-
Steve MacDonald	21%	-	548,147	-
Paul McCarthy	12%	26,389	168,970	-
Kate Munnings	11%	14,504	-	-
Joseph Sadatmehr	42%	845,833	1,370,380	-
Graeme Sumner	14%	24,173	-	-
		1,197,642	3,837,497	-

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. This amount represents the pro rata value expensed during the year and applied in the KMP tables.

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.

G. Other Information (continued)

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
28 February 2008	28 February 2014	$Nil	485,200
31 August 2007	31 August 2013	$Nil	637,700
31 May 2007	31 May 2013	$Nil	57,500
28 February 2007	28 February 2013	$Nil	375,400
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	394,900
19 April 2006	19 April 2012	$Nil	196,900
16 November 2005	16 November 2012	$Nil	59,000
23 August 2005	23 August 2012	$Nil	200,000
28 February 2005	28 February 2012	$Nil	46,594
30 August 2004	30 August 2011	$Nil	25,293
25 February 2004	25 February 2011	$Nil	23,222
			3,151,709

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTIONS
28 November 2002	28 November 2009	$2.62	82,600

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 acquired on-market during the year ended 30 June 2008 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 ACQUIRED
28 November 2002	$2.62	59,400

Insurance of officers

During the financial year, Transfield Services Limited paid a premium of $259,602 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 (PricewaterhouseCoopers) 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 for audit and non-audit services provided during the year are set out in note 38.

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 38, 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; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of *Corporations Act 2001* is set out on page 61.

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 CEO

at Sydney
25 August 2008

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Transfield Services Limited for the year ended 30 June 2008, 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.

Brian Hunter
PricewaterhouseCoopers

Sydney
25 August 2008

Liability limited by a scheme approved under Professional Standards Legislation

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000 (restated)	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Revenue from continuing operations	5	**2,996,514**	2,294,364	**25,948**	42,874
Other income	6	**17,287**	35,992	**171**	173,587
Share of net profits of associates and joint venture entities and partnerships accounted for using the equity method		**57,129**	31,042	**-**	-
Subcontractors, raw materials and consumables used		**(1,395,935)**	(1,229,336)	**-**	-
Employee benefits expense		**(1,249,743)**	(836,199)	**-**	(1,629)
Depreciation, amortisation and impairment	7	**(62,347)**	(45,758)	**-**	-
Finance costs	7	**(42,808)**	(34,472)	**(8,926)**	(8,991)
Other expenses		**(223,108)**	(139,498)	**(2,062)**	(888)
Profit before income tax		**96,989**	76,135	**15,131**	204,953
Income tax (expense)/benefit	8(a)	**(14,613)**	(16,390)	**7,979**	(45,352)
Profit from continuing operations after income tax expense		**82,376**	59,745	**23,110**	159,601
Profit from discontinued operations after income tax	45	**-**	50,702	**-**	-
Net profit		**82,376**	110,447	**23,110**	159,601
Profit attributable to minority interest	28	**(203)**	(28)	**-**	-
Profit attributable to members of Transfield Services Limited	27(b)	**82,173**	110,419	**23,110**	159,601
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company					
Basic earnings per share – cents	37	**41.49**	31.45		
Diluted earnings per share – cents	37	**41.49**	31.45		
Earnings per share for profit from discontinued operations attributable to the ordinary equity holders of the Company					
Basic earnings per share – cents	37	**-**	26.70		
Diluted earnings per share – cents	37	**-**	26.70		
Earnings per share for profit attributable to the ordinary equity holders of the Company					
Basic earnings per share – cents	37	**41.49**	58.15		
Diluted earnings per share – cents	37	**41.49**	58.15		
Dividends per share					
Dividends per share cents – final	29	**18.0**	13.0		
– interim	29	**18.0**	13.0		
Dividend payout ratio (excluding net profit on sale to TSIL)		**86.7%**	73.6%		

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

BALANCE SHEETS
AS AT 30 JUNE 2008

	NOTE	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000 (restated)	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Current assets					
Cash and cash equivalents	9	**57,826**	91,827	**411**	147
Trade and other receivables	10	**493,423**	455,915	**556,001**	511,030
Income tax refundable		**4,569**	-	**3,371**	-
Inventories	11	**47,265**	42,242	**-**	-
Prepayments and other current assets	12	**12,701**	8,336	**1,501**	75
Total current assets		**615,784**	598,320	**561,284**	511,252
Non-current assets					
Receivables	13	**-**	1,603	**-**	6,476
Investments accounted for using the equity method	14	**272,772**	247,915	**247,917**	247,917
Other financial assets	15	**191**	-	**8,528**	1,734
Property, plant and equipment	16	**180,762**	140,526	**-**	-
Deferred tax assets	17	**23,789**	24,006	**747**	935
Intangible assets	18	**808,262**	698,350	**-**	-
Total non-current assets		**1,285,776**	1,112,400	**257,192**	257,062
Total assets		**1,901,560**	1,710,720	**818,476**	768,314
Current liabilities					
Trade and other payables	19	**436,581**	367,773	**928**	1,471
Short-term borrowings	20	**27,922**	389,615	**25,690**	41,254
Current tax liabilities		**-**	55,428	**-**	64,109
Provision for employee benefits	21	**58,741**	54,192	**-**	-
Other provisions	25	**4,615**	-	**-**	-
Deferred purchase consideration	22	**2,158**	28,645	**-**	-
Total current liabilities		**530,017**	895,653	**26,618**	106,834
Non-current liabilities					
Long-term borrowings	20	**615,714**	40,430	**180,120**	-
Deferred tax liabilities	23	**44,013**	35,504	**-**	-
Provision for employee benefits	24	**26,573**	24,191	**-**	-
Other provisions	25	**2,900**	3,403	**-**	-
Deferred purchase consideration	22	**10,052**	22,458	**-**	-
Total non-current liabilities		**699,252**	125,986	**180,120**	-
Total liabilities		**1,229,269**	1,021,639	**206,738**	106,834
Net assets		**672,291**	689,081	**611,738**	661,480
Equity					
Contributed equity	26	**540,338**	547,257	**540,338**	547,257
Reserves	27(a)	**(27,227)**	(6,257)	**9,362**	4,018
Retained profits	27(b)	**158,846**	147,950	**62,038**	110,205
Parent entity interest		**671,957**	688,950	**611,738**	661,480
Minority interest	28	**334**	131	**-**	-
Total equity		**672,291**	689,081	**611,738**	661,480

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Cash flows from operating activities					
Receipts from customers		**3,150,802**	2,456,292	**-**	4,471
Payments to suppliers, subcontractors and employees		**(2,947,448)**	(2,298,789)	**(4,126)**	512
		203,354	157,503	**(4,126)**	4,983
Dividends, distributions and net cash contributions from associates, joint venture entities and partnerships		**46,555**	40,691	**25,932**	42,596
Income taxes (paid) / refunded		**(33,589)**	(21,207)	**(28,030)**	12,972
Net cash inflow/(outflow) from operating activities	36	**216,320**	176,987	**(6,224)**	60,551
Cash flows from investing activities					
Interest received		**3,167**	8,109	**16**	278
Proceeds from disposal of investment		**550**	-	**-**	-
Payments for property, plant and equipment and software		**(67,507)**	(52,001)	**-**	-
Proceeds from sale of property, plant and equipment and software		**6,090**	6,706	**-**	-
Payment for investment in controlled and other entities		**(1,474)**	-	**-**	1,734
Net payment for acquisitions in business combinations		**(228,709)**	(568,370)	**-**	-
Payment for acquisition of financial assets and loan notes held for trading		**-**	(179,450)	**-**	-
Payment for deferred consideration on prior period acquisitions		**(30,886)**	(9,933)	**-**	-
Payment for acquisition of interest / investment in joint venture		**(17,012)**	(8,517)	**-**	-
Payment of capital gains tax		**(48,520)**	-	**(48,520)**	-
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	**-**	-
Income from available for sale financial assets		**-**	4,594	**-**	-
Net cash (outflow)/inflow from investing activities		**(384,301)**	(635,855)	**(48,504)**	154,271
Cash flows from financing activities					
Borrowing costs		**(42,809)**	(76,882)	**(8,926)**	(8,991)
Proceeds from acquisition borrowings and bridging debt		**292,035**	1,187,462	**163,462**	-
Repayment of acquisition borrowings and bridging debt		**(76,785)**	(830,182)	**-**	-
Proceeds from share issue		**-**	269,833	**-**	269,833
Payment for share acquisition and share issue costs		**(8,274)**	(8,956)	**(8,274)**	(8,956)
Proceeds from borrowings – associates and joint ventures		**-**	-	**1,384**	(15,502)
Proceeds from borrowings - power generation		**-**	521,004	**-**	-
Repayment of borrowings - power generation		**-**	(558,743)	**-**	-
Loans to controlled entities		**-**	-	**(21,377)**	(85,337)
Proceeds from repayment of debt by Transfield Services Infrastructure Limited		**-**	77,993	**-**	77,993
Proceeds from other borrowings		**715,337**	449,351	**-**	(397,018)
Repayment of other borrowings		**(669,132)**	(574,175)	**-**	-
Dividends paid		**(71,277)**	(46,818)	**(71,277)**	(46,818)
Net cash inflow/(outflow) from financing activities		**139,095**	409,887	**54,992**	(214,796)
Net (decrease) / increase in cash held		**(28,886)**	(48,981)	**264**	26
Cash at the beginning of the financial year		**91,827**	138,210	**147**	121
Effect of exchange rate changes on opening cash		**(5,115)**	2,598	**-**	-
Cash at the end of the financial year	9	**57,826**	91,827	**411**	147

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 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000 (restated)	2008 $'000	2007 $'000
Total equity at the beginning of the financial year as previously stated	**692,962**	349,731	**661,480**	282,650
Adjustment to provisional fair value in accordance with AASB 3	**(3,881)**	-	**-**	-
Restated total equity at the beginning of the financial year	**689,081**	349,731	**661,480**	282,650
Change in fair value of cash flow hedge – interest rate hedge (net of tax)	**5,964**	20,939	**-**	-
Realisation of hedging reserve of associate	**-**	(7,351)	**-**	-
Exchange differences on translation of foreign operations	**(31,564)**	(4,017)	**-**	-
Changes in other reserves	**(714)**	79	**-**	-
Net (loss)/income recognised directly in equity	**(26,314)**	9,650	**-**	-
Profit for the year	**82,376**	110,447	**23,110**	159,601
Total recognised income and expense for the year	**56,062**	120,097	**23,110**	159,601
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs	**-**	265,848	**-**	267,623
Payment for acquisition of shares on market	**(8,275)**	(3,924)	**(8,275)**	(3,924)
Employee Share Options and Performance Awards	**6,700**	4,123	**6,700**	2,348
Dividends paid	**(71,277)**	(46,818)	**(71,277)**	(46,818)
Minority interest on acquisition of subsidiary	**-**	24	**-**	-
	(72,852)	219,253	**(72,852)**	219,229
Total equity at the end of the financial year	**672,291**	689,081	**611,738**	661,480
Total recognised income and expense for the year is attributable to:				
Members of Transfield Services Limited	**55,859**	120,069	**23,110**	159,601
Minority interest	**203**	28	**-**	-
	56,062	120,097	**23,110**	159,601

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 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this general purpose financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes 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) 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.

Historical cost convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

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.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Transfield Services Limited ('Company' or 'Parent entity') as at 30 June 2008 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 statement. 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% and 50% 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 statement, 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.

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.

Joint venture operations

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

(c) Segment reporting

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. 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.

(d) Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the approximate dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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 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 hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet and 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);
- 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.

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

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

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

Current 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.

(f) Tax consolidation legislation

The head entity, Transfield Services Limited, and the controlled entities in the tax consolidation 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 8(g).

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

(g) Leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in 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 statement 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 3-8 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.

(h) 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(t)). 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(r).

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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.

(j) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all 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 management revenue

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

Key performance indicator revenue

Such revenue is only recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. This could include the recognition of revenue that arose in the past that was not previously recognised due to an unfavourable profitability assessment. When an uncertainty arises about the collectibility of an amount already recognised as revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an adjustment to the amount of revenue originally recognised.

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.

(k) 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.

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

(l) Inventories

Consumables and stores

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

Work in progress

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

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

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

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

(m) Cash and cash equivalents

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

(n) Discontinued operations

A discontinued operation is a component of the consolidated 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.

(o) 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.

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.

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.

Recognition and derecognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

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.

(p) Derivatives

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

The Group designates certain derivatives as either:

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

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

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

Movements in the hedging reserve in shareholders equity are shown in note 27.

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

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.

(q) 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.

(r) Property, plant and equipment

Land and buildings are shown at cost, less depreciation for buildings.

All other property, plant and equipment are stated at 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, net of their residual values, over their estimated useful lives, as follows:

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

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

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

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

Development expenditure

Expenditure on development activities or other knowledge to a plan or design of the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour 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 3 to 10 years.

Computer software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 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.

(s) Leasehold improvements

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

(t) Intangible assets

Goodwill

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

Goodwill is allocated to cash-generating units 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 15-22 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 2-12 years.

Customer relationships

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

Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 6-22 years.

Supplier/contractor databases

Supplier/contractor databases acquired as part of business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of supplier/contractor databases over their estimated useful lives of 20-22 years.

Vendor networks

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

Amortisation is calculated using the straight-line method to allocate the cost of vendor networks over their estimated useful lives of 20-22 years.

Acquired technology and software

Technology and developed software acquired in business combinations have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of developed software and technology over their estimated useful lives of 5 years.

Non-compete agreements

Non-compete agreements 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 non-compete clauses over their estimated useful life of 5 years.

(u) 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.

(v) 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.

(w) 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.

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 and Monte Carlo 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 contributed equity.

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.

(x) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the 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.

(y) Onerous contracts

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

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract. The net estimated cash flows are discounted using market yields at balance date 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.

(z) 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(r)) and include:

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

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 5.0% (2007: 7.05%).

(aa) 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 not included in the cost of acquisition as part of the purchase consideration.

(ab) 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.

(ac) 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.

(ad) 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.

(ae) 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.

(af) 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.

(ag) New accounting standards and interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

i. AASB 8 *Operating Segments* and AASB 7-3 Amendments to Australian Accounting Standards arising from AASB 8 which are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 advocates a change in the approach to Segment Reporting as it requires the adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and how to allocate resources to business segments. The Group has not yet decided when to adopt AASB 8, however, management do not consider that the Standard will result in significant change to the existing 'Geographically based' reporting which is currently adopted in the financial report.

ii. Revised AASB 123 *Borrowing Costs* and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123. The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact to the financial report of the Group, as the Group already capitalises borrowing costs on qualifying assets.

iii. Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment, or has reclassified items in the financial statements, it will need to disclose a third balance sheet, this one being at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

iv. Revised AASB 3 *Business Combinations* effective for reporting periods commencing 1 July 2009. This main impact that this standard will have on the Group is that it limits the circumstances where transaction costs may be capitalised to goodwill. The Group intends to apply the revised standard from 1 July 2009.

(ah) Presentation of comparative information

Where applicable, comparative information has been restated or repositioned to align with current year presentation.

NOTE 2. FINANCIAL, CAPITAL AND OTHER RISK MANAGEMENT

The ultimate goal of financial and capital risk management in the Transfield Services Group is to contribute to the creation of shareholder value. In order to achieve this goal, the Group applies the following principles in managing its capital resources and position as well as in managing its risks.

Financial risk management

The Group's activities expose it to a variety of financial risks; 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 co-operation with the Group's operating units. Group Treasury provides written principles for overall risk management, endorsed by the Board, covering areas such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

The Group has chosen not to acquire a credit rating from an internationally accredited agency. In order to ensure good credit quality the Group monitors and estimates its financial position with measurements such as equity ratio, gearing and their various components.

(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, New Zealand dollars, Chilean peso and Canadian dollars where these cross jurisdications. Foreign exchange risk on borrowings not denominated in Australian dollars are principally managed through "natural hedges" as borrowings are drawn in the currency of foreign operating subsidiaries.

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.

(b) Credit risk

The Group aims to develop long-term relationships with its customers and 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

Liquidity risk is the risk of not being able to meet current or future financial obligations. 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. At balance date the Group had sufficient headroom from its banking facility to meet its obligations.

(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. The Group evaluate a variety of factors before entering into interest rate swaps, these include but are not limited to market conditions and forecasted borrowing requirements. 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 2008 the Group had no interest-rate swaps in place.

Capital risk management

The Group's and Parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Capital is managed in order to maintain a strong financial position and ensure that the Group's funding needs can be optimised at all times in a cost-efficient means to support the goal of maximising shareholder wealth.

	NOTE	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Bank overdraft and facility, cash advances and bridge facility	20	**605,189**	381,284	**180,120**	17,284
Mandatory convertible note	20	**32,205**	43,451	**-**	-
Total bank borrowings		**637,394**	424,735	**180,120**	17,284
Less : cash and cash equivalents	9	**(57,826)**	(91,827)	**(411)**	(147)
Net debt		**579,568**	332,908	**179,709**	17,137
Total equity		**672,291**	689,081	**611,738**	661,480
Total capital		**1,251,859**	1,021,989	**791,447**	678,617
Gearing ratio		**46%**	33%	**23%**	3%

Other risks

Translation risk

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

Country risk

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

Sensitivity analysis

The sensitivity analysis has been prepared on the assumption that the Group's significant risk exposures are limited to foreign exchange risk on translation of the results of overseas members of the group and the debt arrangements attached to their acquisition as well as the impact of interest rate movements. It is important to note that in most cases a detrimental shift in a particular variable will be compensated by a positive movement in the other. This instance has certainly occurred during the current financial year whereby a strengthening Australian dollar against the United States dollar has negatively impacted the translation of results but the impact of lower United States interest rates has reduced the interest expense on United States dollar borrowings.

Foreign exchange sensitivity

The table below shows the Group's and Parent entity's sensitivity to foreign exchange movements on its United States dollar, New Zealand dollar and Canadian dollar on translation of its trading results (including interest expense). Impacts in other jurisdictions are considered immaterial. Given the significant strengthening of the Australian dollar against the United States dollar over the last two years when operations began in the United States of America, the Group has concluded that a 15% movement in rates is a reasonable benchmark.

		CONSOLIDATED		PARENT	
		NET PROFIT AFTER TAX $'000	EQUITY $'000	NET PROFIT AFTER TAX $'000	EQUITY $'000
United States dollar	+15%	874	(28,201)	-	-
United States dollar	-15%	(874)	28,201	-	-
New Zealand dollar	+15%	1,436	(19,258)	-	-
New Zealand dollar	-15%	(1,436)	19,258	-	-
Canadian dollar	+15%	1,573	1,416	-	-
Canadian dollar	-15%	(1,573)	(1,416)	-	-

Interest rate sensitivity

The table below shows the Group's and Parent entity's sensitivity to interest rates on its floating rate United States dollar and New Zealand dollar borrowings, being the currencies that the Group has historically issued debt and held investments. The Group has considered movements in these interest rates over the last two years and has concluded that a 1% upward and downward movement is a reasonable benchmark.

		CONSOLIDATED		PARENT	
		NET PROFIT AFTER TAX $'000	EQUITY $'000	NET PROFIT AFTER TAX $'000	EQUITY $'000
Bank borrowings	+1%	(3,573)	(3,445)	(819)	(819)
Bank borrowings	-1%	3,573	3,445	819	819

An applicable tax rate of 34% has been adopted which approximates the weighted average effective tax rate across foreign jurisdictions. An effective rate of 17% for the Australian jurisdiction had been incorporated into the model.

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(i). 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 note 18 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% from management's estimates the Group would need to:

- increase the income tax liability by $754,000 (2007: $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 $754,000 (2007: $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.

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 2-10 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 25 for further details of these provisions.

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

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 42.

NOTE 4. CORRECTION OF ERROR

Correction of income tax error in the previous financial year

A prior year adjustment has been made for $4,250,000 for the impact of an IRS Transaction Study in the United States regarding the acquisition of US Maintenance. The 2007 financial statements should have shown this amount as an increase in deferred tax assets and a reduction in goodwill. The error had no impact on net profit after tax in either 2007 or in 2008.

The error has been corrected by restating the affected financial statement line items for the prior year as described above.

NOTE 5. REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Revenue from continuing operations				
Operations and maintenance outsourcing services	**2,993,347**	2,290,914	**-**	-
Other revenue from continuing operations				
Interest	**3,167**	3,450	**16**	278
Dividends	**-**	-	**25,932**	42,596
	3,167	3,450	**25,948**	42,874
Total revenue from continuing operations	**2,996,514**	2,294,364	**25,948**	42,874

NOTE 6. OTHER INCOME

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
From continuing operations:				
Profit on sale of investment in Transfield Services Infrastructure Fund	**-**	-	**-**	167,367
Infrastructure Fund success fees/ facilitation fee	**9,539**	21,000	**-**	-
Profit on sale of equipment and scrap	**1,623**	1,470	**-**	-
Profit on sale of joint venture investment	**225**	90	**-**	-
Management and other fees	**3,290**	5,578	**-**	3,143
Realised foreign exchange gain	**2,439**	1,961	**-**	1,961
Unrealised foreign exchange gain	**171**	5,729	**171**	900
Other	**-**	164	**-**	216
	17,287	35,992	**171**	173,587

NOTE 7. EXPENSES

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Profit from continuing operations before income tax includes the following specific expenses:				
Depreciation				
Plant and equipment/leasehold improvements	**38,558**	28,328	**-**	-
Amortisation and impairment				
Goodwill and other intangible assets	**23,175**	17,001	**-**	-
Formation costs	**614**	-	**-**	-
Loan receivables and investments	**-**	429	**-**	-
Total amortisation and impairment	**23,789**	17,430	**-**	-
Total depreciation, amortisation and impairment	**62,347**	45,758	**-**	-
Other charges against assets				
Impairment of trade receivables	**1,974**	471	**-**	-
Net loss on disposal of plant and equipment	**573**	484	**-**	-
Superannuation contributions	**43,999**	40,838	**-**	-
Finance costs				
Interest and finance charges paid/payable	**42,808**	34,472	**8,926**	8,991
Rental expense relating to operating leases				
Minimum lease payments	**54,417**	33,446	**-**	-

NOTE 8. INCOME TAXES

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
(a) Income tax expense attributable to continuing operations				
Current tax	**13,563**	20,118	**(6,189)**	44,745
Deferred tax	**3,802**	(5,052)	**188**	(177)
Adjustments for current tax of prior periods	**(2,752)**	1,324	**(1,978)**	784
	14,613	16,390	**(7,979)**	45,352
(b) Income tax expense attributable to discontinued operations				
Current tax	**-**	52,874	**-**	-
Deferred tax	**-**	3,462	**-**	-
Adjustments for current tax of prior periods	**-**	(241)	**-**	-
	-	56,095	**-**	-
(c) Consolidated income tax expense is attributable to:				
Profit from continuing operations	**14,613**	16,390	**(7,979)**	(1,631)
Profit from discontinued operations	**-**	56,095	**-**	46,983
Aggregate income tax expense	**14,613**	72,485	**(7,979)**	45,352
(d) Movements in deferred tax				
Deferred income tax expense/(benefit) included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (note 17)	**3,751**	(2,777)	**456**	(447)
(Decrease)/increase in deferred tax liabilities (note 23)	**51**	1,187	**(268)**	270
	3,802	(1,590)	**188**	(177)

	CONSOLIDATED 2008 $'000	2007 $'000	PARENT ENTITY 2008 $'000	2007 $'000
(e) Numerical reconciliation of income tax expense to prima facie tax				
Profit from continuing operations before income tax expense	**96,989**	76,135	**15,131**	204,953
Profit from discontinued operations before income tax expense	**-**	106,797	**-**	-
	96,989	182,932	**15,131**	204,953
Income tax calculated at 30% (2007: 30%)	**29,097**	54,880	**4,539**	61,486
Tax effect of amounts which are not deductible / taxable in calculating taxable income:				
Non-taxable income	**(688)**	(2,307)	**-**	(588)
Non-deductible interest	**341**	4,259	**-**	-
Share of net profits of associates and joint venture entities and partnerships	**(3,435)**	(1,306)	**-**	-
Rebateable dividends	**-**	-	**(7,780)**	(12,778)
Profit on sale of infrastructure assets	**-**	22,542	**-**	-
Sundry items	**(979)**	1,531	**(2,760)**	(3,552)
	24,336	79,599	**(6,001)**	44,568
Income tax expense adjusted for other non taxable items:				
Effect of higher tax rate and treatment on overseas income and expenses	**(6,971)**	(11,278)	**-**	-
Adjustments for current tax of prior periods	**(2,752)**	4,164	**(1,978)**	784
Income tax expense	**14,613**	72,485	**(7,979)**	45,352

(f) 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.

(g) Tax consolidation legislation

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

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

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see notes 10 and 19).

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

On 12 June 2007 the controlled entities comprising the infrastructure assets left the Transfield Services tax consolidated group. Of the $55,428,000 tax payable to the Australian Taxation Office at 30 June 2007, $5,891,000 has been recovered from those entities for their share of the tax liability on leaving the tax consolidated group.

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2008 $'000	2007 $'000	PARENT ENTITY 2008 $'000	2007 $'000
Cash at bank and on hand	**57,826**	77,827	**411**	147
Cash on deposit – at call	**-**	14,000	**-**	-
	57,826	91,827	**411**	147
The above figures are reconciled to cash at the end of the year as shown in the statements of cash flows as follows:				
Parent entity bank overdraft	**-**	-	**-**	-
Balances per statements of cash flows	**57,826**	91,827	**411**	147

Deposits at call

The deposits bear floating interest rates between 6.20% and 7.20% (2007: 5.70% and 6.20%) per annum.

Cash at bank

Cash at bank bears floating interest rates between 5.78% and 7.04% (2007: 5.31% and 5.88%) per annum.

Foreign exchange risk

The Group's exposure to foreign exchange risk in respect of cash at 30 June was:-

	CONSOLIDATED 2008		CONSOLIDATED 2007	
	CASH AT BANK $'000	CASH ON DEPOSIT $'000	CASH AT BANK $'000	CASH ON DEPOSIT $'000
United States dollars	**194**	**-**	**1,880**	-

Most Group cash is denominated in the same currency as the functional currency of the particular country where it is held.

All Parent entity cash and cash equivalents are denominated in Australian dollars.

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade and other receivables	**486,082**	451,650	**377**	667
Less: Provision for impairment of receivables	**(3,718)**	(3,456)	**-**	-
	482,364	448,194	**377**	667
Loans to associates and joint venture entities and sundry loans	**10,719**	7,467	**697**	697
Loans to controlled entities *	**-**	-	**554,756**	509,666
Derivative financial instruments**	**171**	-	**171**	-
Loans to employees	**169**	254	**-**	-
	493,423	455,915	**556,001**	511,030

* The terms of these loans are set out in note 30 (i).
** These derivatives represent forward exchange contracts. Hedge accounting is not applied to these financial instruments.

Impaired trade and other receivables

The Group has recognised a loss of $1,974,000 (2007: $471,000) in respect of impaired trade receivables during the year ended 30 June 2008. The loss has been included in 'other expenses' in the income statement.

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

Group

	2008			2007		
	IMPAIRED /PROVIDED $'000	PAST DUE BUT NOT IMPAIRED $'000	TOTAL (BEFORE PROVISION FOR IMPAIRMENT) $'000	IMPAIRED /PROVIDED $'000	PAST DUE BUT NOT IMPAIRED $'000	TOTAL (BEFORE PROVISION FOR IMPAIRMENT) $'000
Not due	-	-	361,220	-	-	337,539
1-30 days overdue	-	82,924	82,924	11	75,306	75,317
31-60 days overdue	-	24,451	24,451	-	16,398	16,398
61-90 days overdue	-	11,325	11,325	124	11,489	11,613
91-120 days overdue	1,619	9,007	10,626	1,825	11,444	13,269
> 121 days overdue	2,099	4,496	6,595	1,496	3,739	5,235
Total	3,718	132,203	497,141	3,456	118,376	459,371

Parent entity

	2008			2007		
	IMPAIRED /PROVIDED $'000	PAST DUE BUT NOT IMPAIRED $'000	TOTAL (BEFORE PROVISION FOR IMPAIRMENT) $'000	IMPAIRED /PROVIDED $'000	PAST DUE BUT NOT IMPAIRED $'000	TOTAL (BEFORE PROVISION FOR IMPAIRMENT) $'000
Not due	-	-	556,001	-	-	511,030
1-30 days overdue	-	-	-	-	-	-
31-60 days overdue	-	-	-	-	-	-
61-90 days overdue	-	-	-	-	-	-
91-120 days overdue	-	-	-	-	-	-
> 121 days overdue	-	-	-	-	-	-
Total	-	-	556,001	-	-	511,030

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

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

Group 2008

	TRADE DEBTORS PROVISION $'000	OTHER CURRENT RECEIVABLES PROVISION $'000	TOTAL $'000
At 1 July 2007	**3,456**	**-**	**3,456**
Acquired through business combinations	**1,287**	**-**	**1,287**
Other increase in provision*	**1,974**	**-**	**1,974**
Reduction in provision through cash recovery*	**(571)**	**-**	**(571)**
Provision utilised to write-off debts	**(2,003)**	**-**	**(2,003)**
Foreign currency exchange differences	**(425)**	**-**	**(425)**
At 30 June 2008	**3,718**	**-**	**3,718**

* these items are included in "Other expenses" in the income statements.

Group 2007

	TRADE DEBTORS PROVISION $'000	OTHER CURRENT RECEIVABLES PROVISION $'000	TOTAL $'000
At 1 July 2006	1,258	-	1,258
Additional provision through business combinations	1,623	-	1,623
Other increase in provision*	471	-	471
Reduction in provision through cash recovery*	(73)	-	(73)
Other reduction in provision*	(85)	-	(85)
Foreign currency exchange differences	262	-	262
At 30 June 2007	3,456	-	3,456

* these items are included in "Other expenses" in the income statements.

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

(a) Risk management

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

(b) Foreign exchange risk

The Group's exposure to foreign exchange risk in respective of receivables at 30 June was:-

	2008		2007	
	TRADE AND OTHER RECEIVABLES $'000	DERIVATIVES $'000	TRADE AND OTHER RECEIVABLES $'000	DERIVATIVES $'000
United States dollars	**3,074**	**-**	1,572	-
New Zealand dollars	**91**	**-**	-	-
United Arab Emirates dirham	**297**	**171**	-	-
	3,462	**171**	1,572	-

Most Group receivables are denominated in the same currency as the functional currency of the particular country they are raised.

All Parent entity receivables are denominated in Australian dollars.

(c) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying value.

(d) Interest rates and collateral

Trade and other receivables are generally free of interest and collateral is not normally obtained.

(e) Fair value

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

(f) Other receivables

Other receivables generally comprise security deposits and loans to associates, partnerships and joint ventures. Management considers that all such receivables are recoverable.

The maximum exposure to credit risk of other receivables and financial assets is equal to the carrying value of those instruments.

Credit risk may also arise from guarantee commitments if the guarantee party does not fully meet the underlying obligations.

For more information on guarantees and other financial commitments and the respective maximum exposure to credit risk, refer to notes 2 and 40.

NOTE 11. CURRENT ASSETS – INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Raw materials and stores – at cost	**7,046**	9,879	**-**	-
Work in progress – at cost or on a percentage of completion basis	**40,219**	32,363	**-**	-
	47,265	42,242	**-**	-

Inventories recognised as an expense during the year ended 30 June 2008 amounted to $321,161,000 (2007: $343,289,000).

NOTE 12. CURRENT ASSETS – PREPAYMENTS AND OTHER CURRENT ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Prepayments	**10,284**	5,521	**1,501**	75
Tender and security deposits	**1,773**	1,306	**-**	-
Unamortised formation expenses	**644**	1,509	**-**	-
	12,701	8,336	**1,501**	75

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

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Loan to controlled entity*	**-**	-	**-**	6,476
Other	**-**	1,603	**-**	-
	-	1,603	**-**	6,476

* The terms of these loans are set out in note 30(i).

(a) Impaired trade and other receivables

At 30 June 2008 no amounts of non-current receivables were impaired or past due but not impaired (2007: $Nil).

(b) Risk management

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

(c) Foreign exchange risk

The Group's and Parent entity's exposure to foreign exchange risk in respect of non-current receivables at 30 June were:-

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
New Zealand dollars	**-**	-	**-**	6,476
	-	-	**-**	6,476

(d) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying value.

(e) Interest rates and collateral

Trade and other receivables are generally free of interest and collateral is not normally obtained.

(f) Fair value

The fair values were based on cash flows discounted using a current lending rate of 6% for other receivables.

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

		CONSOLIDATED		PARENT ENTITY	
	NOTE	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investments in associates	34	**196,542**	193,653	**235,810**	235,810
Equity interest in joint venture entities and partnerships	35	**76,230**	54,231	**12,107**	12,107
Other		**-**	31	**-**	-
		272,772	247,915	**247,917**	247,917

NOTE 15. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

		CONSOLIDATED		PARENT ENTITY	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Capitalised development costs		**191**	-	**-**	-
Investments in controlled entities – at cost	33	**-**	-	**8,528**	1,734
		191	-	**8,528**	1,734

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

CONSOLIDATED	LAND AND LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	LEASED PLANT & EQUIPMENT $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
At 1 July 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	32,087	-	17,344	51,884
Additions through acquisition of subsidiary	615	34,097	-	450	35,162
Disposals, write offs and transfers	(1,664)	7,841	(909)	-	5,268
Depreciation	(468)	(26,373)	(595)	(892)	(28,328)
Closing net book amount	7,474	101,969	3,722	27,361	140,526
At 30 June 2007					
Cost or fair value	9,538	194,209	4,820	28,253	236,820
Accumulated depreciation	(2,064)	(92,240)	(1,098)	(892)	(96,294)
Net book amount	7,474	101,969	3,722	27,361	140,526
Year ended 30 June 2008					
Opening net book amount	7,474	101,969	3,722	27,361	140,526
Exchange differences	(793)	(7,838)	(32)	(202)	(8,865)
Additions	5,872	66,196	-	7,575	79,643
Additions through acquisition of subsidiary	1,641	25,643	-	465	27,749
Disposals, write offs and transfers	979	(7,981)	88	(12,819)	(19,733)
Depreciation	(1,517)	(35,649)	(524)	(868)	(38,558)
Closing net book amount	13,656	142,340	3,254	21,512	180,762
At 30 June 2008					
Cost or fair value	18,277	264,726	5,305	21,512	309,820
Accumulated depreciation	(4,621)	(122,386)	(2,051)	-	(129,058)
Net book amount	13,656	142,340	3,254	21,512	180,762

At 30 June 2008, there are no secured items of property, plant and equipment other than items under finance lease and no borrowing costs had been capitalised (2007: Nil)

NOTE 17. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Gross deferred tax assets	**67,964**	42,210	**749**	1,205
Set off deferred tax liabilities within common jurisdictions	**(44,175)**	(18,204)	**(2)**	(270)
Net deferred tax assets	**23,789**	24,006	**747**	935
Gross deferred tax assets comprises temporary differences attributable to:				
Doubtful debts	**1,327**	904	**-**	-
Employee benefits	**26,218**	25,040	**-**	-
Rental obligations	**1,044**	1,067	**-**	-
Creditors & accruals	**14,118**	6,193	**-**	-
Share-based payments	**3,319**	1,714	**678**	1,205
Tax losses*	**16,042**	1,910	**-**	-
Receipts in advance/Deferred income	**3,144**	4,522	**-**	-
Other	**2,752**	860	**71**	-
	67,964	42,210	**749**	1,205

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

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Amounts recognised directly in equity	**-**	-	**-**	-
	67,964	42,210	**749**	1,205
Gross deferred tax assets to be recovered after more than 12 months	**18,823**	18,502	**452**	803
Gross deferred tax assets to be recovered within 12 months	**49,141**	23,708	**297**	402
	67,694	42,210	**749**	1,205

The substantial increase in the value of the tax loss benefit in the current year represents the impact of the completion of the tax loss study for the 2007 TIMEC acquisition. As disclosed in the 2007 financial statements, this study had not been finalised prior to the signing of the financial statements and the process to complete required consideration at various authoritative levels.

	DOUBTFUL DEBTS $'000	EMPLOYEE BENEFITS $'000	RENTAL OBLIG-ATIONS $'000	CREDITORS/ DEFERRED INCOME $'000	DEPREC-IATION DIFFERENCES $'000	DERIV-ATIVES $'000	SHARE BASED PAYMENTS $'000	CAPIT-ALISED FEES $'000	TAX LOSSES $'000	OTHER $'000	TOTAL $'000
Consolidated – Movements in gross deferred tax assets											
At 1 July 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
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
30 June 2007	904	25,040	1,067	10,715	-	-	1,714	-	500	860	40,800
Correction of error (note 4)	-	-	-	-	-	-	-	-	4,250	-	4,250
Fair value adjustment	-	-	-	-	-	-	-	-	(2,840)	-	(2,840)
Restated balance at 30 June 2007	904	25,040	1,067	10,715	-	-	1,714	-	1,910	860	42,210
(Charged)/credited to the income statement	(122)	1,582	(12)	(3,302)	-	-	1,591	-	(1,265)	(2,223)	(3,751)
Fair value and other opening adjustments	308	(446)	-	7,696	-	-	77	-	16,431	2,013	26,079
Acquisition/(disposal) of subsidiary	340	688	54	3,028	-	-	-	-	261	249	4,620
Effect of changes in foreign exchange rates	(103)	(646)	(65)	(875)	-	-	(63)	-	(1,295)	1,853	(1,194)
Closing balance at 30 June 2008	**1,327**	**26,218**	**1,044**	**17,262**	**-**	**-**	**3,319**	**-**	**16,042**	**2,752**	**67,964**
Parent – Movements in gross deferred tax assets											
At 1 July 2006	-	-	-	-	-	-	500	-	-	258	758
Charged to the income statement	-	-	-	-	-	-	705	-	-	(258)	447
Closing balance at 30 June 2007	-	-	-	-	-	-	1,205	-	-	-	1,205
Charged/(credited) to the income statement	-	-	-	-	-	-	(527)	-	-	71	(456)
Closing balance at 30 June 2008	**-**	**-**	**-**	**-**	**-**	**-**	**678**	**-**	**-**	**71**	**749**

NOTE 18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

CONSOLIDATED	GOODWILL (RESTATED) $'000	CONTRACT INTANGIBLES $'000	TRADEMARKS AND BRANDS $'000	CUSTOMER RELATIONSHIPS $'000	CUSTOMER/ SUPPLIER DATABASES $'000	DEVELOPED TECHNOLOGY & SOFTWARE $'000	TOTAL $'000
At 30 June 2007							
Cost	476,974	36,505	35,971	142,782	27,167	2,054	721,453
Accumulated amortisation and impairment	-	(10,211)	(1,409)	(8,575)	(2,497)	(411)	(23,103)
Net book amount	476,974	26,294	34,562	134,207	24,670	1,643	698,350
Year ended 30 June 2007							
Opening net book amount	183,087	25,875	3,939	11,958	1,352	-	226,211
Prior year adjustment (note a)	(4,250)	-	-	-	-	-	(4,250)
Exchange differences	(27,568)	2,585	(1,734)	(11,037)	(3,699)	(276)	(41,729)
Additions	348,193	2,450	33,206	140,272	29,621	2,365	556,107
Disposals and transfers	(21,636)	-	-	-	-	-	(21,636)
Fair value adjustments to prior period acquisitions	(852)	-	500	1,000	-	-	648
Amortisation charge	-	(4,616)	(1,349)	(7,986)	(2,604)	(446)	(17,001)
Closing net book amount (restated for prior year adjustments)	476,974	26,294	34,562	134,207	24,670	1,643	698,350
At 30 June 2008							
Cost	557,892	39,825	31,998	179,259	36,278	5,621	850,873
Accumulated amortisation and impairment	-	(14,505)	(2,713)	(19,365)	(5,006)	(1,022)	(42,611)
Net book amount	**557,892**	**25,320**	**29,285**	**159,894**	**31,272**	**4,599**	**808,262**
Year ended 30 June 2008							
Opening net book amount	476,974	26,294	34,562	134,207	24,670	1,643	698,350
Exchange differences	(47,883)	(3,164)	(4,205)	(20,859)	(3,550)	(327)	(79,988)
Additions	130,788	7,525	605	59,031	13,124	3,989	215,062
Disposals and transfers	(75)	-	-	-	-	-	(75)
Fair value adjustments to prior period adjustments	(1,912)	-	-	-	-	-	(1,912)
Amortisation charge	-	(5,335)	(1,677)	(12,485)	(2,972)	(706)	(23,175)
Closing net book amount	**557,892**	**25,320**	**29,285**	**159,894**	**31,272**	**4,599**	**808,262**

^ Developed technology represents the fair value of acquired technology through business combinations. Capitalised development costs and licence fees for the SAP system used in the business have been transferred to plant and equipment.

Amortisation expenses of $23,175,000 (2007: $17,001,000) over intangible assets are included in depreciation, amortisation and impairment expenses in the income statement.

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 below.

2008	AUSTRALIA $'000	NORTH AMERICA $'000	NEW ZEALAND $'000	OTHER REGIONS $'000	TOTAL $'000
Operations and maintenance	90,609	581,861	124,305	9,802	806,577
Infrastructure development (wind farms)	1,685	-	-	-	1,685
	92,294	581,861	124,305	9,802	808,262
2007					
Operations and maintenance	96,536	447,630	144,861	9,323	698,350
Infrastructure ownership (discontinued)	-	-	-	-	-
	96,536	447,630	144,861	9,323	698,350

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 the Board, 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.

Key assumptions used for value-in-use calculations

	GROWTH RATE **		PRE-TAX DISCOUNT RATE ***	
	2008 %	2007 %	2008 %	2007 %
Australia	**3.4**	3.4	**12.02**	9.15
North America	**2.5**	3.0	**7.32**	9.15
New Zealand	**3.4**	5.0	**11.94**	9.15
Other	**4.0-6.0**	3.0	**15.02**	9.15

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

*** In performing the value-in-use calculations for each CGU, the Group has applied pre-tax discount rates to discount the forecast future attributable post-tax cash flows. 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 pre-tax and reflect specific risks relating to the relevant segments and the countries in which they operate.

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, except that the New Zealand CGU's recoverable amount exceeds it carrying value by $NZ 20.5 million. Should the pre- tax discount rate increase by 5%, the carrying value of the CGU would equal its recoverable amount.

NOTE 19. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade payables	**294,252**	220,083	**-**	-
Other payables	**142,170**	147,690	**928**	1,471
Derivative financial instruments*	**159**	-	**-**	-
	436,581	367,773	**928**	1,471

* These derivatives represent forward exchange contracts. Hedge accounting is not applied to these financial instruments.

Risk management

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

Foreign exchange risk

The Group and Parent entity have no material exposure to foreign exchange risk in respective of trade and other payables at 30 June 2008. Most Group payables are denominated in the same currency as the functional currency of the particular country where the liability is incurred.

Interest rates and maturities

For both the Group and the Parent entity, trade and other payables are generally free of interest and are expected to mature within 1 year.

Fair value and exposure

Due to the short term nature of current trade and other payables, the fair value is considered to be the same as the carrying value. The Group's maximum exposure is the carrying value of these payables.

NOTE 20. CURRENT AND NON-CURRENT LIABILITIES - BORROWINGS

	2008		2007	
CONSOLIDATED	CURRENT $'000	NON-CURRENT $'000	CURRENT $'000	NON-CURRENT $'000
Unsecured				
Bank overdraft and facility, cash advances and bridge facility	**18,293**	**586,896**	381,284	-
Mandatory convertible note	**6,485**	**25,720**	6,835	36,616
Loans from associates and joint venture entities and partnerships and sundry loans	**2,272**	**-**	386	-
Secured				
Lease liabilities	**872**	**3,098**	1,110	3,814
	27,922	**615,714**	389,615	40,430

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Parent entity				
Unsecured				
Loans from controlled entities*	**25,064**	-	23,970	-
Loan from associate	**626**	-	-	-
Bank overdraft and facility, cash advances and bridge facility	**-**	**180,120**	17,284	-
	25,690	**180,120**	41,254	-

* The terms of these loans are disclosed in note 30 (i).

Terms of the facilities

Unrestricted access was available at balance date to the following:

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Bank overdrafts and loan facilities				
Used	**637,394**	424,735	**586,723**	380,803
Unused	**186,007**	200,243	**163,277**	202,243
Total facility	**823,401**	624,978	**750,000**[1]	586,046

1 Amounts disclosed for the Parent entity represent total facilities available and drawn by all borrowers under the $750 million multi-currency corporate debt facility. The Parent entity is a listed borrower under the facility and has access to the total unused facilities.

Bank overdrafts, cash advances and guarantees

Multi-currency corporate debt facility

As at 30 June 2008, the Group has a $750 million multi-currency corporate debt facility with ANZ Banking Group (ANZ), Westpac Banking Corporation (Westpac), Bank of America, Calyon, HSBC, Mizuho, Royal Bank of Scotland and WESTLB. During the year the Group renegotiated the terms of this facility resulting in the due date of the first tranche of the borrowings being extended until mid-July 2009. The second and third tranches mature in 2010 and 2012 respectively.

Bank overdraft and money market lines

These facilities totalling $20 million are used for the day-to-day working capital requirements of the business.

Chilean Peso revolving facility agreement

This facility is for the Chilean peso equivalent of US$20 million with HSBC on a floating rate basis.

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 7 years, commencing September 2005, with fixed-interest coupons of 6.97% 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.

Risk Management

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

Foreign exchange risk

The Group's and Parent entity's exposure to foreign exchange risk in respect of borrowings at 30 June were:-

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
United States dollars	**180,120**	-	**180,120**	-

Most Group borrowings are denominated in the same currency as the functional currency of the particular country where the debt is drawn down limiting the exposure to financial risk.

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

	INTEREST RATE %	1 YEAR OR LESS $'000	1 YEAR TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	TOTAL CONTRACTUAL CASHFLOW* $'000	FAIR VALUE $'000
Consolidated 2008						
Financial liabilities						
Bank overdraft and facility, cash advances and bridge facility**	**4.1**	**18,293**	**586,896**	**-**	**605,189**	**605,189**
Mandatory convertible note	**8.38**	**8,802**	**31,001**	**-**	**39,803**	**32,205**
Finance lease liabilities	**9.4**	**1,085**	**3,450**	**164**	**4,699**	**3,970**
Loans from associates	**-**	**2,272**	**-**	**-**	**2,272**	**2,272**
		30,452	**621,347**	**164**	**651,963**	**643,636**
Consolidated 2007						
Financial liabilities						
Bank overdraft and facility, cash advances and bridge facility**	7.05	381,284	-	-	381,284	381,284
Mandatory convertible note	6.97	6,835	36,616	-	43,451	43,451
Finance lease liabilities	7.43	1,436	3,232	1,370	6,038	4,924
Loans from associates	-	386	-	-	386	386
		389,941	39,848	1,370	431,159	430,045
Parent 2008						
Financial liabilities						
Bank overdraft and bridge facility**	**4.1**	**-**	**180,120**	**-**	**180,120**	**180,120**
Loans from controlled entities	**-**	**25,064**	**-**	**-**	**25,064**	**25,064**
Loans from associates	**-**	**626**	**-**	**-**	**626**	**626**
		25,690	**180,120**	**-**	**205,810**	**205,810**
Parent 2007						
Financial liabilities						
Bank overdraft and bridge facility	7.05	17,284	-	-	17,284	17,284
Loans from controlled entities	-	23,970	-	-	23,970	23,970
		41,254	-	-	41,254	41,254

* Total contractual cashflows are undiscounted and include contractual interest payments. Carrying values are discounted using a current lending rate of 8.38% (2007: 7.05%) where appropriate and exclude interest obligations.

** Where interest rates are variable and there are no fixed repayments contractual cashflows and fair values are the same as the carrying value.

Security

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Total secured liabilities (current and non-current) are:				
Lease liabilities	**3,970**	4,924	**-**	-

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

NOTE 21. CURRENT LIABILITIES – PROVISION FOR EMPLOYEE BENEFITS

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Annual leave	**44,844**	39,781	**-**	-
Long service leave	**9,442**	9,961	**-**	-
Other	**4,455**	4,450	**-**	-
	58,741	54,192	**-**	-

These obligations represent the unconditional liability for settlement within 12 months. Based on past experience, the Group does not anticipate that the entire liability will crystalise in the ensuing 12 months.

NOTE 22. CURRENT AND NON-CURRENT LIABILITIES – DEFERRED PURCHASE CONSIDERATION

CONSOLIDATED	2008 CURRENT $'000	2008 NON-CURRENT $'000	2007 CURRENT $'000	2007 NON-CURRENT $'000
APP	-	**-**	**9,991**	-
RDC	**225**	**-**	-	-
US Maintenance	**1,561**	**9,116**	15,137	22,458
TIMEC	**-**	**-**	3,517	-
HRI	-	**936**	**-**	-
INSER	**372**	**-**	-	-
	2,158	**10,052**	28,645	22,458

There are no amounts for deferred purchase consideration in the Parent entity.

Risk Management

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

Foreign exchange risk

The Group's and Parent entity's exposure to foreign exchange risk in respective of deferred purchase consideration at 30 June were:-

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
United States dollars	**10,677**	41,112	**-**	-
Chilean Peso	**372**	-	**-**	-
	11,049	41,112	**-**	-

Liquidity risk / maturities, weighted average interest rate, contractual cashflows and fair values

	NON-INTEREST BEARING $'000	TOTAL CONTRACTUAL CASHFLOW* $'000	FAIR VALUE $'000
Consolidated 2008			
US Maintenance (payable in 1-2 years)	10,677	12,373	10,677
HRI (payable in 1-2 years)	936	1,052	936
RDC (payable in less than 1 year)	225	225	225
INSER (payable in less than 1 year)	372	372	372
	12,210	14,022	12,210

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

	NON-INTEREST BEARING $'000	TOTAL CONTRACTUAL CASHFLOW* $'000	FAIR VALUE $'000
Consolidated 2007			
APP (payable in less than 1 year)	9,991	9,991	9,991
US Maintenance (payable in 2 to 5 years)	37,595	45,234	37,595
TIMEC (payable in less than 1 year)	3,517	3,517	3,517
	51,103	58,742	51,103

* Total contractual cash flows are undiscounted. Carrying values are discounted using a current lending rate of 6.25% (2007: 6.25%).

NOTE 23. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Gross deferred tax liabilities	**88,188**	53,708	**2**	270
Set off deferred tax assets within common jurisdictions	**(44,175)**	(18,204)	**(2)**	(270)
Net deferred tax liabilities	**44,013**	35,504	**-**	-
Gross deferred tax liabilities comprise temporary differences attributable to:				
Inventories and work in progress	**10,943**	10,980	**-**	-
Depreciation differences on plant and equipment	**1,688**	672	**-**	-
Receivables	**1,123**	758	**-**	-
Intangible assets	**68,814**	39,724	**-**	-
Timing difference on partnership taxable income	**3,722**	653	**-**	-
Other	**1,898**	921	**2**	270
	88,188	53,708	**2**	270
Amounts recognised directly in equity	**-**	-	**-**	-
Gross deferred tax liabilities	**88,188**	53,708	**2**	270
Gross deferred tax liabilities to be settled after more than 12 months	**64,767**	37,086	**-**	-
Gross deferred tax liabilities to be settled within 12 months	**23,421**	16,622	**2**	270
	88,188	53,708	**2**	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 1 July 2006	12,599	1,473	27,309	248	13,795	2,492	1,204	59,120
Charged/(credited) to the income statement	(745)	(801)	717	158	(3,136)	2,154	-	(1,653)
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	-	319	39,724	2,013	-	53,708
Charged/(credited) to the income statement	(1,458)	(765)	-	(207)	(1,715)	4,196	-	51
Acquisition/(disposal) of subsidiary	1,918	1,892	-	1,109	18,244	169	-	23,332
Fair value and other opening adjustments	-	-	-	-	21,979	-	-	21,979
Effect of changes in foreign exchange rate	(497)	(111)	-	(98)	(9,418)	(758)	-	(10,882)
At 30 June 2008	10,943	1,688	-	1,123	68,814	5,620	-	88,188
Movements – Parent								
At 30 June 2006								
Charged/(credited) to the income statement	-	-	-	-	-	270	-	270
At 30 June 2007	-	-	-	-	-	270	-	270
At 30 June 2007	-	-	-	-	-	270	-	270
Charged/(credited) to the income statement	-	-	-	-	-	(268)	-	(268)
At 30 June 2008	-	-	-	-	-	2	-	2

NOTE 24. NON-CURRENT LIABILITIES – PROVISION FOR EMPLOYEE BENEFITS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Annual leave	**10,193**	8,403	**-**	-
Long service leave	**15,328**	14,062	**-**	-
Other	**1,052**	1,726	**-**	-
	26,573	24,191	**-**	-

NOTE 25. CURRENT AND NON-CURRENT LIABILITIES – OTHER PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Lease 'make-good' provision	**3,467**	-	**-**	-
Warranty	**1,148**	-	**-**	-
	4,615	-	**-**	-
Non-current				
Lease 'make-good' provision	**2,900**	3,403	**-**	-
	7,515	3,403	**-**	-

Movements in provisions

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

	WARRANTY	REHABILITATION COSTS	LEASE 'MAKE-GOOD'	TOTAL
	$'000	$'000	$'000	$'000
Consolidated – 2008				
1 July 2007	-	-	3,403	3,403
Effects of changes in exchange rates	(92)	-	(443)	(535)
Provision incurred	120	-	3,501	3,621
Finance cost	-	-	215	215
Unused amounts reversed	-	-	(309)	(309)
Acquired through business combinations	1,120	-	-	1,120
30 June 2008	1,148	-	6,367	7,515
Consolidated - 2007				
1 July 2006	-	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)
30 June 2007	-	-	3,403	3,403

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.

Warranty

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

Rehabilitation of site

These provisions are accounted for similarly to lease 'make good' provisions however these provisions are for large scale land rehabilitation for the extraction of installations where there are regulatory obligations to restore the site.

NOTE 26. CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Ordinary shares – fully paid	**540,338**	547,257	**540,338**	547,257

Movements in ordinary share capital:

DATE	DETAILS	NUMBER OF SHARES ISSUED	NUMBER OF SHARES ACQUIRED ON MARKET	EXERCISE PRICE $	$'000
1 July 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
September 2007	Acquisition of shares on-market	-	370,238	12.97	(4,804)
September 2007	Proceeds from exercise of options (Nov 2002)	-	-	2.62	114
November 2007	Acquisition of shares on-market	-	133,400	15.26	(2,035)
March 2008	Proceeds from exercise of options (Nov 2002)	-	-	2.62	41
March 2008	Acquisition of shares on-market	-	146,361	10.87	(1,591)
June 2008	Adjustment for difference between fair value of Awards expensed and exercise price of Awards	-	-	-	1,356
30 June 2008	Balance	**198,063,552**	**1,906,753**	**-**	**540,338**

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.

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 2 shares for every 9 fully paid ordinary shares held. The issue was fully subscribed.

Employee share plans and schemes

Information relating to the Company's employee share plans and schemes are set out in note 42.

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.

NOTE 27. RESERVES AND RETAINED PROFITS

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
(a) Reserves				
Share based payments reserve	**9,362**	4,018	**9,362**	4,018
Foreign currency translation reserve	**(49,089)**	(17,525)	**-**	-
Hedging reserve – cash flow hedges*	**13,027**	7,063	**-**	-
Share capital contribution reserve	**108**	108	**-**	-
Deferred retention incentive reserve	**(671)**	-	**-**	-
Statutory reserve	**36**	79	**-**	-
	(27,227)	(6,257)	**9,362**	4,018
Movements:				
Share-based payments reserve				
Balance at 1 July	**4,018**	1,668	**4,018**	1,668
Valued Performance Awards granted	**6,700**	3,363	**6,699**	3,363
Transfer to share capital (Options exercised)	**(1,356)**	(1,013)	**(1,355)**	(1,013)
Balance at 30 June	**9,362**	4,018	**9,362**	4,018
Foreign currency translation reserve				
Balance at 1 July	**(17,525)**	(13,508)	**-**	-
Net exchange differences on translation of foreign controlled entities	**(31,564)**	(4,017)	**-**	-
Balance at 30 June	**(49,089)**	(17,525)	**-**	-
Hedging reserve - cash flow hedges				
Balance at 1 July	**7,063**	(6,525)	**-**	-
Realisation of hedging reserve on disposal of infrastructure assets	**-**	(7,351)	**-**	-
Revaluation (gross)	**8,520**	29,913	**-**	-
Deferred tax at 30%	**(2,556)**	(8,974)	**-**	-
Balance at 30 June	**13,027**	7,063	**-**	-
Share capital contribution reserve				
Balance at 1 July	**108**	108	**-**	-
Movement for the year	**-**	-	**-**	-
Balance at 30 June	**108**	108	**-**	-
Statutory Reserve				
Balance at 1 July	**79**	-	**-**	-
Movement for the year	**(43)**	79	**-**	-
Balance at 30 June	**36**	79	**-**	-
Deferred retention incentive reserve				
Balance at 1 July	**-**	-	**-**	-
Movement for the year	**(671)**	-	**-**	-
Balance at 30 June	**(671)**	-	**-**	-

* This reserve represents the Group's share of an associate's hedging reserve

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000 (restated)	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
(b) Retained profits/ (accumulated losses)				
Retained profits/(accumulated losses) at the beginning of the financial year	**147,950**	84,349	**110,205**	(2,578)
Net profit/ (loss) attributable to members of Transfield Services Limited	**82,173**	110,419	**23,110**	159,601
Less: Dividends paid	**(71,277)**	(46,818)	**(71,277)**	(46,818)
Retained profits at the end of the financial year	**158,846**	147,950	**62,038**	110,205

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of Options and Performance Awards granted but not exercised. The share-based payments reserve is tax-effected as a result of the intention to acquire shares to fulfil vested Awards on market (refer to note 42).

Foreign currency translation reserve

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

Hedging reserve – cash flow hedges (interest rate swaps and forward exchange contracts)

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

Share capital contribution reserve

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

Statutory reserve

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

Deferred retention incentive reserve

This reserve is for the fair value of benefits (shares to be awarded) under the Short-term deferred retention incentive plan (refer note 42).

NOTE 28. MINORITY INTEREST

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Balance at 1 July 2007	**131**	79	**-**	-
Fair value adjustment on acquisitions	**-**	24	**-**	-
Profit attributable to minority shareholders	**203**	28	**-**	-
Balance at 30 June 2008	**334**	131	**-**	-

NOTE 29. DIVIDENDS

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Ordinary shares – fully franked at 30%				
2008 interim dividend of 18c per fully paid share (2007: 13c)	**35,631**	21,068	**35,631**	21,068
2007 final dividend of 18c per fully paid share (2006: 13c)	**35,646**	25,750	**35,646**	25,750
Total dividends provided for or paid	**71,277**	46,818	**71,277**	46,818

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%. The dividend will be paid on 13 October 2008. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 June 2008, but not recognised as a liability is $$35,651,439 (2007: $35,651,439).

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%)	**43,098**	63,538	**43,098**	63,538

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

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

The consolidated amounts include franking credits that would be available to the Parent entity if distributable profits of controlled entities were paid as dividends. The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $15,287,337 (2007: $15,287,337).

NOTE 30. 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 33.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 31.

(d) Remuneration and retirement benefits

Disclosures relating to remuneration and retirement benefits are set out in the Remuneration Report on pages 40-59.

(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% (2007: 42.9%) in Transfield (TSL) Pty Limited which itself owns 25.85% (2007: 25.85%) of the share capital of Transfield Services Limited. This means they each indirectly own 21,964,000 (2007: 21,964,000) shares in Transfield Services Limited.

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, acquire information technology services from Transfield Services (Australia) Pty Limited.

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.

The following were Directors and security holders of Transfield Services Infrastructure Fund (TSI Fund) an equity accounted associate of Transfield Services Limited.

- Anthony Shepherd, and
- Peter Watson

Transfield Services pays Mr Shepherd an annual fee to sit on the Board of TSI Fund. This fee is reset on 1 January of each year and is currently $88,000 per annum. Mr Watson is not paid for serving on the Board of TSI Fund.

Mr Shepherd and Mr Watson hold 0.78% and 0.94% respectively in Transfield Services Limited which itself owns 49% of the securities of TSI Fund. They also each have a direct holding in TSI 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 TSI Fund are also operated and maintained by Transfield Services (Australia) Pty Limited under a separate agreement.

(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 & CONSOLIDATED 2008 NUMBER	2007 NUMBER
Acquisitions		
Ordinary shares	**155,115**	8,606,536
Performance Awards over ordinary shares	**-**	650,000
Aggregate acquisition of ordinary shares includes:		
Acquired as part of the Directors' remuneration arrangements	**79,400**	63,764
Acquired through 2 for 9 capital raising	**-**	631,952
Acquired/(disposed) by normal on-market means	**75,715**	76,570
Acquired indirectly by Messrs Guido Belgiorno-Nettis AM and Luca Belgiorno-Nettis by way of Estate settlement	**-**	7,834,250
	155,115	8,606,536
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	**47,990,190**	47,923,004
Performance Awards over ordinary shares	**709,000**	809,000

(h) Transactions with Directors and Director-related entities

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

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Director related entities of Messrs Anthony Shepherd and Peter Watson (TSI Fund)				
Management services fee	**9,539,026**	586,555	**-**	-
Operations and maintenance services fee	**24,406,187**	1,644,515	**-**	-
Cash distribution received	**12,407,737**	-	**12,407,737**	-
Success fee on delivery of infrastructure projects	**-**	2,869,377	**-**	-
Formation of Transfield Services Infrastructure Fund			**-**	-
- charged to Transfield Services Infrastructure Limited	**-**	7,655,613	**-**	-
- charged to Transfield Services Infrastructure Trust	**-**	13,344,387	**-**	-
Sale of maintenance spares	**-**	8,066,000	**-**	-
Exit payment on leaving the Transfield Services' tax consolidated group	**-**	5,890,559	**-**	-
Director related entities or relatives of Mr Peter Watson				
Commercial rent paid to a relative of the Managing Director for the use of an apartment whilst undertaking business related activities in Sydney	**(60,379)**	(66,252)	**-**	-
Director related entities of Messrs Guido and Luca Belgiorno-Nettis				
Corporate services provided by Transfield Corporate Pty Limited	**(396,251)**	(239,248)	**-**	-
Information technology services provided to Transfield Corporate Pty Limited	**180,584**	118,800	**-**	-
Recharge of shared services provided to Transfield Corporate Pty Limited	**26,189**	47,744	**-**	-
Services received from Transfield Construction Pty Limited	**-**	(69,960)	**-**	-
Transactions with Mr Anthony Shepherd				
Short-term loan receivable from Mr Shepherd	**87,066**	-	**-**	-
Consulting fee for representing Transfield Services Limited on the Board of the Transfield Services Infrastructure Fund	**(84,000)** [1]	(14,685)	**-**	-
In-kind commercial benefits comprising car parking and secretarial services required to perform his duties.	**(115,000)** [1]	(105,000)	**-**	-
Transactions with Professor Steve Burdon				
Consulting fee for ad-hoc services as requested by the Board	**42,000**[1]	-	**-**	-
The unpaid amounts at 30 June 2008 owing by Director related entities are:				
Transfield Services Infrastructure Fund	**6,352,974**	10,072,439	**-**	5,890,559
Transfield Pty Limited	**264,614**	80,942	**-**	-
	6,617,588	10,153,381	**-**	5,890,559
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.				
Dividends	**17,245,032**	11,642,178	**17,245,032**	11,642,178

1 Included in Directors' remuneration in the Remuneration Report.

(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 33.

Transactions between Transfield Services Limited and other entities in the wholly owned group during the years ended 30 June 2008 and 2007 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 45) 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 loans advanced to United States based entities through Transfield Services Holdings (Delaware) Pty Limited LLC which bear interest at 25 basis points above the applicable borrowing rate, 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.

		PARENT ENTITY	
	NOTE	2008 $'000	2007 $'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)	10	**554,756**	509,666
Non-current receivables – (loans)	13	-	6,476
Aggregate amounts payable to entities in the wholly owned group at balance date:			
Current payables (loans)	20	**25,064**	23,970
Tax consolidation legislation			
Current tax payable assumed from wholly owned tax consolidated entities (less amount assumed from disposal group)		**17,052**	18,758
Gross tax losses assumed from wholly owned tax consolidated entities		**(5,767)**	(18,297)

The terms of the tax sharing and tax funding agreements are set out in note 8(g).
Amounts owing to/from the parent entity to/from members of the tax-consolidated group are included in current loans receivable/payable respectively.

(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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest revenue	-	183	-	183
Dividend revenue and cash distributions	**46,555**	40,691	**25,932**	42,596

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. There were no interest-bearing loans owed by the Parent entity during the year. The interest rate applicable to interest-bearing loans during 2007 was 11.55%.

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'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	**237**	(15,584)	**-**	(15,168)
Loans (to)/from associates and joint venture entities and partnerships	**(4,201)**	(150)	**626**	(150)
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)	**10,719**	4,632	**679**	697
Current payables				
Associates and joint venture entities and partnerships (loans)	**2,275**	152	**626**	-

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 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Loans to subsidiaries/controlled entities				
Beginning of the year	**-**	-	**516,142**	409,201
Loans advanced/(repaid)	**-**	-	**38,614**	106,941
End of year	**-**	-	**554,756**	516,142
Loans from subsidiaries/controlled entities				
Beginning of the year	**-**	-	**23,970**	24,827
Loans received/(repaid) (net)	**-**	-	**1,094**	(857)
End of year	**-**	-	**25,064**	23,970
Loans from joint venture entities and partnerships				
Beginning of the year	**152**	17,542	**-**	16,973
Loans received	**2,120**	1,695	**626**	1,695
Loan (repayments) made	**-**	(417)	**-**	-
Disposed	**-**	(18,668)	**-**	(18,668)
End of year	**2,270**	152	**626**	-
Loans to joint venture entities and partnerships				
Beginning of the year	**4,632**	3,909	**697**	2,729
Loans advanced	**6,324**	-	**-**	-
Loan transferred	**-**	2,379	**-**	150
Loan (repayments) received	**(237)**	150	**-**	(777)
Disposed	**-**	(777)	**-**	(1,029)
Loan transfered	**-**	(1,029)	**-**	(376)
End of year	**10,719**	4,632	**697**	697

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.

There are also cross guarantees given by Transfield Services Limited, Transfield Services (Holdings) Pty Limited, Transfield Services (Australia) Pty Limited, APP Corporation Pty Limited, Broadspectrum Australia Pty Limited, Broadspectrum (WA) Australia Pty Limited, Broadspectrum (Qld) Australia Pty Limited and Transfield Services Engineering Group Pty Limited as described in note 44. No deficiencies of assets exist in any of these companies. No liability has been recognised by the Parent entity or the Group in relation to these guarantees, as the fair value of the guarantee is immaterial.

Ownership interests in related parties

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

	Note
(a) controlled entities	33
(b) associates	34
(c) joint venture entities and partnerships	35

NOTE 31. KEY MANAGEMENT AND TOP 5 REMUNERATED PERSONNEL

(a) Key management personnel and top 5 remunerated personnel

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Short-term employee benefits (cash salary & fees, cash bonuses and non-monetary benefits)	**9,724**	9,383	**-**	-
Long-term employee benefits	**785**	849	**-**	-
Post-employment benefits	**410**	188	**-**	-
Share-based payments	**4,073**	2,486	**-**	-
	14,992	12,906	**-**	-

Detailed remuneration disclosures in respect of its key management personnel to the Directors' report can be found in the Remuneration Report on pages 40-59.

(b) Equity instrument disclosures relating to key management and top 5 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 the Remuneration Report on pages 40-59.

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 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.

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	UNVESTED
2008							
Directors							
Peter Watson	809,000	-	(100,000)	-	709,000	-	709,000
Other key management and top 5 remunerated personnel of the Group							
Darce Corsie	-	-	-	-	-	-	-
Lee de Vryer	-	24,000	-	-	24,000	-	24,000
Elizabeth Hunter	-	11,600	-	-	11,600	-	11,600
Matthew Irwin	61,900	33,800	(20,000)	-	75,700	-	75,700
Bruce James	56,000	41,400	-	-	97,400	-	97,400
Steve MacDonald	163,492	-	(42,492)	-	121,000	-	121,000
Paul McCarthy	42,793	26,200	(14,693)	-	54,300	-	54,300
Joseph Sadatmehr	202,531	250,000	(106,231)	-	346,300	-	346,300
Kate Munnings	18,100	14,400	-	-	32,500	-	32,500
Graeme Sumner	31,400	24,000	-	-	55,400	-	55,400
	576,216	425,400	(183,416)	-	818,200	-	818,200

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	UNVESTED
2007							
Directors							
Peter Watson	249,000	650,000	(90,000)	-	809,000	-	809,000
Other key management and top 5 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	94,200	-	-	163,492	-	163,492
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	276,700	(52,584)	-	562,523	-	562,523

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' remuneration 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
2008				
Ordinary shares				
Directors				
Anthony Shepherd	1,684,222	-	(137,263)	1,546,959
Peter Watson	1,606,789	162,917	93,137	1,862,843
Guido Belgiorno-Nettis AM*	22,067,448	-	38,000	22,105,448
Luca Belgiorno-Nettis*	22,281,686	-	-	22,281,686
Steve Burdon	52,107	-	11,544	63,651
Steven Crane	-	-	40,000	40,000
David Sutherland	-	-	25,000	25,000
Mel Ward AO	52,423	-	12,180	64,603
Other key management and top 5 remunerated personnel of the Group				
Darce Corsie	197,500	-	-	197,500
Lee de Vryer	-	-	-	-
Elizabeth Hunter	-	-	-	-
Matthew Irwin	12,485	20,000	-	32,485
Bruce James	16,010	-	-	16,010
Steve MacDonald	973,823	42,492	(115,000)	901,315
Paul McCarthy	-	14,693	-	14,693
Joseph Sadatmehr	890,980	106,231	151,642	1,148,853
Kate Munnings	-	-	-	-
Graeme Sumner	-	-	-	-
	49,835,473	346,333	119,240	50,301,046

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	-	3,937,088	22,067,448
Luca Belgiorno-Nettis*	18,305,646	-	3,976,040	22,281,686
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 5 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	8,574,957	50,013,802

* refer to note 30 (e)

Other transactions with Directors and key management and top 5 remunerated personnel

Dividends received by Directors and key management and top 5 remunerated personnel during the year ended 30 June 2008 amounted to $18,046,045 (2007: $12,178,029).

David Gansky is a former of owner of 8.9% of US Maintenance which was acquired by Transfield Services on 4 July 2006. During the financial year Mr Gansky received US$3,411,379 in cash under an earn-out arrangement. In the previous financial year Mr Gansky received US$20,648,000 in cash for his shareholding.

NOTE 32. BUSINESS COMBINATIONS

(a) Summary of acquisitions – 2008

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

	VMS $'000	HORIZON $'000	WHELAN $'000	WIND PROJECTS $'000	MCBREEN $'000	HRI $'000	TOTAL $'000
Purchase consideration (refer to (b) below):							
Cash paid on initial settlement	33,208	105,754	66,059	3,461	12,295	6,065	226,842
Cash payable by end of earn-out period	-	-	-	-	-	1,116	1,116
Direct costs relating to the acquisition	870	1,347	195	-	1,069	6	3,487
Total purchase consideration	34,078	107,101	66,254	3,461	13,364	7,187	231,445
Fair value of net identifiable assets acquired (refer to (c) below):	(10,718)	(47,726)	(24,136)	(3,461)	(12,220)	(2,396)	(100,657)
Goodwill	23,360	59,375	42,118	-	1,144	4,791	130,788

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

(b) Purchase consideration

	VMS $'000	HORIZON $'000	WHELAN $'000	WIND PROJECTS $'000	MCBREEN $'000	HRI $'000	TOTAL $'000
Outflow of cash to acquire subsidiary, net of cash acquired							
Cash consideration	33,208	105,754	66,059	3,461	12,295	6,065	226,842
Less:- Cash and cash equivalents acquired	(20)	(5)	-	-	(979)	(1)	(1,005)
Outflow of cash	33,188	105,749	66,059	3,461	11,316	6,064	225,837

(c) Assets and liabilities acquired

	VMS $'000		HORIZON $'000		WHELAN $'000		WIND PROJECTS $'000		MCBREEN $'000		HRI $'000	
	ACQUIR-EE'S CARRYING AMOUNT $'000	PROVI-SIONAL FAIR VALUE $'000	ACQUIR-EE'S CARRYING AMOUNT $'000	PROVI-SIONAL FAIR VALUE $'000	ACQUIR-EE'S CARRYING AMOUNT $'000	PROVI-SIONAL FAIR VALUE $'000	ACQUIR-EE'S CARRYING AMOUNT $'000	PROVI-SIONAL FAIR VALUE $'000	ACQUIR-EE'S CARRYING AMOUNT $'000	PROVI-SIONAL FAIR VALUE $'000	ACQUIR-EE'S CARRYING AMOUNT $'000	PROVI-SIONAL FAIR VALUE $'000
Cash	20	20	5	5	-	-	-	-	979	979	1	1
Trade and other receivables	25,464	22,867	19,838	19,969	8,971	8,971	-	-	2,762	2,762	913	913
Prepayments	3,661	7,450	30	48	270	270	-	-	-	-	40	40
Other assets	274	1,609	-	-	13	13	-	-	4,864	4,812	-	-
Property, plant and equipment	2,063	2,507	5,368	4,571	1,984	1,984	1,776	1,776	16,381	16,393	118	118
Deferred tax asset	1,959	2,779	-	-	-	821	-	-	132	1,020	-	-
Contract intangibles	-	-	-	3,964	-	2,118	1,685	1,685	-	774	-	668
Trademarks	-	-	-	-	-	-	-	-	-	-	-	605
Customer relationships	-	6,867	-	24,488	-	27,677	-	-	-	-	-	-
Customer / supplier databases	-	-	-	5,923	-	7,061	-	-	-	-	-	140
Developed technology and software	-	709	-	795	-	798	-	-	-	-	-	-
Inventory and work in progress	4,798	3,879	(11,364)	(11,364)	-	-	-	-	7,163	7,066	97	97
Trade payables	(18,039)	(17,475)	-	-	(7,769)	(7,849)	-	-	(8,140)	(8,652)	(180)	(180)
Short-term borrowings and leases	(1,232)	(1,241)	(673)	(673)	(2,310)	(2,310)	-	-	(10,720)	(10,720)	-	-
Other liabilities	(12,503)	(12,838)	-	-	-	-	-	-	(149)	(121)	-	-
Employee benefits	(651)	(594)	-	-	-	-	-	-	-	-	(6)	(6)
Deferred tax liability	(2,939)	(5,821)	-	-	-	(15,418)	-	-	-	(2,093)	-	-
Net identifiable assets acquired	2,875	10,718	13,204	47,726	1,159	24,136	3,461	3,461	13,272	12,220	983	2,396

(d) Changes in provisional fair values

	USM $'000	TIMEC $'000	RDC $'000	APP $'000	NJC $'000	ABB $'000	HOFINCONS $'000
Goodwill provisionally recognised at 30 June 2007	283,453	49,393	361	14,330	2,602	44	4,890
Additional purchase consideration - stamp duty				-	2,564	490	-
Adjustment to deferred consideration	(8,429)	-	(225)	520	-	-	-
Adjustment to fair values:							
Cash	-	-	-	-	-	-	(167)
Trade and other receivables (net of provision for impairment)	-	400	-	-	-	-	1,149
Inventory and work in progress	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	(172)
Net deferred taxes asset/(liability)	562	(4,662)	-	-	-	-	-
Plant and equipment	-	600	-	-	-	-	23
Trade payables	-	5,290	-	-	-	-	(89)
Short term borrowings	-	-	-	-	-	-	(178)
Provision for taxation	-	2,018	-	-	-	-	(1,606)
Final goodwill balance	275,586	53,039	136	14,850	5,166	534	3,850

(e) Details of acquisitions – 2008

i. On 31 October 2007 the Group acquired 100% of the issued share capital of VMS Inc, a provider of transport infrastructure services across North America for consideration of $33.2 million (US$29.5 million).

VMS Inc contributed revenues of $78.9 million and net profit of $1.5 million to the Group for the period from 1 November 2007 to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the period would have increased by $118.4 million and $2.2 million respectively.

ii. On 9 October 2007, the Group acquired 100% of the issued share capital of McBreen Jenkins Construction Ltd, a provider of roading and water infrastructure services throughout New Zealand for a consideration of $12.3 million (NZ$13.4 million).

McBreen Jenkins Construction Ltd contributed revenue of $58.3 million and no net profit to the Group for the period from acquisition to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue for the period would have increased by $87.5million.

iii. On 17 October 2007, the Group acquired the business assets and liabilities of North American facilities maintenance services company Horizon National Contract Services LLC (Horizon), for a consideration of $105.8 million (US$89.5 million). The business contributed revenues of $74.6million and a net profit after tax and transition costs of $4.6 million to the Group for the period from acquisition to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the period would have increased by $111.9 million and $6.9 million.

iv. On 17 October 2007, the Group acquired 100% of the issued share capital of Whelan's International Co. Inc (Whelan), a provider of facilities maintenance services across North America for a consideration for $66.1million (US$58.0 million).

Whelan contributed revenues of $43.6 million and net profit of $2.6 million to the Group for the period from acquisition to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the period would have increased by $65.4million and $3.9 million respectively.

v. On 29 November 2007, the Group acquired 100% of the share capital of Wind Project Developments Pty Limited, the owner of wind farm development rights across Australia for a consideration of $3.0 million. The transaction also includes a parcel of land for $0.5M. The business represents a portfolio of intangible development rights and monitoring equipment which are not yet revenue producing.

vi. On 1 May 2008, the Group acquired 100% of the issued share capital of HRI Inc, a provider of specialised facilities maintenance services across North America for a consideration for $6.0 million (US$5.6 million). HRI contributed revenues of $1.6 million and net profit of $0.6 million to the Group for the period from acquisition to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the period would have increased by $9.6 million and $3.6 million respectively.

2007

(a) Summary of acquisitions

	USM $'000	HOFINCONS $'000	FORSYTH'S $'000	TIMEC $'000	ABB $'000	NJC $'000	FEEDER $'000	RDC $'000	AC BLACKMORE $'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 18)	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 Holdings Corporation and TIMEC Group 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 at 30 June was 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.

(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	1,199	-	-	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)	(39,114)	(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)	(3,078)	(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
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	-	-
Trade name	-	-	-	-	-	-	-	-	-	-
Inventory and WIP	-	-	385	385	119	119	486	486	-	-
Trade payables	-	-	-	-	-	-	-	-	(148)	(148)
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

(e) Details of acquisitions

i. On 4 July 2006, the Group acquired 100% 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% 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% 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.

NOTE 33. INVESTMENTS IN CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	CLASS OF SHARES AS APPLICABLE	EQUITY HOLDING 2008 %	EQUITY HOLDING 2007 %	COST OF PARENT ENTITY'S INVESTMENT 2008 $'000	COST OF PARENT ENTITY'S INVESTMENT 2007 $'000
Transfield Services (Holdings) Pty Limited	Australia	Ordinary	**100**	100	-	-
Transfield Services (Australia) Pty Limited	Australia	Ordinary	**100**	100	5,979+	1,451+
Transfield Services (International) Pty Limited	Australia	Ordinary	**100**	100	-	-
Transfield Services (New Zealand) Limited	New Zealand	Ordinary	**100**	100	434+	103+
Transfield Metrolink Pty Limited	Australia	Ordinary	**100**	100	-	-
Transfield Services Engineering Group Pty Limited (formerly 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 Services (Asia) Sdn Bhd	Malaysia	Ordinary	**100**	100	-	-
Transfield Services (Brisbane Ferries) Pty Limited	Australia	Ordinary	**100**	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	-	-
Global Broadspectrum Sdn Bhd	Malaysia	Ordinary	**100**	100	-	-
Transfield Services Maintaining Limited (formerly Global Broadspectrum CCM)	Mauritius	Ordinary	**100**	100	-	-
Broadspectrum Pte Limited	Singapore	Ordinary	**100**	100	-	-
Broadspectrum Asia Pacific Limited	Hong Kong	Ordinary	**100**	100	-	-
Austoil & Gas Management Services Sdn Bhd (In liquidation)	Singapore	Ordinary	**100**	100	-	-
APP Corporation Pty Limited	Australia	Ordinary	**100**	100	-	-
APP Corporation (NZ) Limited	New Zealand	Ordinary	**100**	-	-	-
APP Corporation (North America) Limited	USA	Ordinary	**100**	-	-	-
VMS Inc (acquired September 2007)	USA	Ordinary	**100**	-	25+	-
Transfield Services Canada (Holdings) Ltd	Canada	Ordinary	**100**	100	-	-
Transfield Services Canada Pty Ltd	Canada	Ordinary	**100**	100	329+	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	-	-
Tespec LLC**	Abu Dhabi	Ordinary	**49****	49**		
Intergulf General Contracting LLC	Abu Dhabi	Ordinary	**49****	49**		
US Maintenance Inc (formerly Tower Cleaning Systems Inc)	USA	Ordinary	**100**	100	261+	70+
Transfield Services (Chile) Pty Limited (formerly Transfield Services Finance Pty Limited)	Australia	Ordinary	**100**	-	-	-
Transfield Services (Delaware) General Partnership	Australia	N/A	**100**	100	-	-
Transfield Services (North America) Inc (formerly USM Holdings Corp)	USA	Ordinary	**100**	100	1,167+	-
Transfield Services (USM) Holdings Pty Limited	Australia	Ordinary	**100**	100	-	-
USM (Delaware) Inc	USA	Ordinary	**100**	-	-	-
TIMEC Holdings Inc.	USA	Ordinary	**100**	-	-	-
TIMEC Company Inc.	USA	Ordinary	**100**	100	333+	74+
James TIMEC International	USA	Ordinary	**100**	100	-	-
Welltech National Training Systems Inc.	USA	Ordinary	**100**	100	-	-
Worldwide Welding Inc.	USA	Ordinary	**100**	100	-	-
Tianjian Broadspectrum Electrical and Mechanical Commissioning Services Limited.	China	Ordinary	**100**	100	-	-
Transfield Services (India) Pty Limited	Australia	Ordinary	**100**	100	-	-
Hofincons Infotech Industrial Services Limited	India	Ordinary	**100**	100	-	-
Transfield Services Training (New Zealand) Limited	New Zealand	Ordinary	**100**	-	-	-
Whelan's International Co, Inc. (acquired 17 October 2007)	USA	Ordinary	**100**	-	-	-
Inversions Transfield Services (Chile Holdings) Limitada (incorporated 22nd November 2007)	Chile	Ordinary	**100**	-	-	-
Inversions Transfield Services (Chile) Limitada* (incorporated 22nd November 2007)	Chile	Ordinary	**99**	-	-	-
Transfield Services (Renewables) Pty Ltd	Australia	Ordinary	**100**	-	-	-
Wind Project Developments Pty Ltd (acquired 29 November 2007)	Australia	Ordinary	**100**	-	-	-
Barn Hill Wind Farm Pty Ltd	Australia	Ordinary	**100**	-	-	-
					8,528	1,734

** Legal ownership is 49% however commercial ownership is 80%. These entities are consolidated for Group reporting purposes.

* Legal ownership is 99% however commercial ownership is 100%

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

NOTE 34. INVESTMENTS IN ASSOCIATES

NAME OF ASSOCIATE	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST		CONSOLIDATED CARRYING AMOUNT		PARENT ENTITY CARRYING AMOUNT	
			2008 %	2007 %	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Transfield Services Infrastructure Fund	Australia	Infrastructure ownership	49	49	196,542[1]	193,653	235,810[1]	235,810

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**193,653**	-
Conversion of subsidiaries to associate on partial disposal (note 45)	**-**	193,653
Share of operating profits after income tax[2]	**9,320**	-
Share of hedging reserve (note 27)	**5,964**	-
Distribution received	**12,395**	-
Carrying amount at the end of the financial year	**196,542**	193,653
Share of profits of associates		
Operating profits before income tax [2]	**12,644**	-
Income tax expense	**(3,324)**	-
Operating profits after income tax	**9,320**	-
Less: Dividends received/receivable	**12,395**	-
Retained profits attributable to associates at the beginning of the financial year	**-**	-
Retained profits attributable to associates at the end of the financial year	**3,075**	-
Share of associates' expenditure commitments		
Lease commitments	**3,261**	25
Other commitments	-	**-**
Total expenditure commitments	**3,261**	25

Summarised financial information of associates

Group's share of:

	ASSETS $'000	LIABILITIES $'000	REVENUES $'000	PROFIT $'000
2008	717,820	467,969	89,216	9,320[2]
2007	515,632	271,445	-	-

1 Market value $ 161,954,000 (2007:$303,398,000). The investment in Transfield Services infrastructure Fund has not been impaired as the recoverable amount on a "value in use" basis on expected cash distributions exceeds the carrying value. Should cash distributions vary by 5.0% from management expectations and the market value remain at similar levels to 30 June 2008 there is potential for impairment.

2 After elimination of related party transactions.

NOTE 35. 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 %	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Translink Investments Pty Limited	Australia	Electronic tolling equipment	50	50	**1,337**	1,341	**2,107**	2,107
Metrolink Victoria Pty Limited	Australia	Tram franchise operator	50	50	**10,000**	10,000	**10,000**	10,000
Transfield Worley (Woodside) Alliance	Australia	Operations and maintenance	50	50	**16,045**	13,372	**-**	-
TGE	Australia	Operations and maintenance	49	49	**7,368**	7,095	**-**	-
Yarra Trams JV	Australia	Operations and maintenance	50	50	**2,040**	1,953	**-**	-
Transfield Worley Solutions JV	Australia	Operations and maintenance	50	50	**916**	1,084	**-**	-
Brisbane Ferries	Australia	Operations and maintenance	50	50	**253**	303	**-**	-
Sentinar	Australia	Operations and maintenance	50	50	**1,858**	13	**-**	-
TRAX	Australia	Operations and maintenance	50	50	**88**	225	**-**	-
PPS Partnership	Australia	Operations and maintenance	50	50	**268**	271	**-**	-
Five D Holdings Pty Limited	Australia	Operations and maintenance	50	50	**354**	220	**-**	-
Transfield Worley Power Services Pty Limited	Australia	Operations and maintenance	50	50	**781**	962	**-**	-
Transdev NSW Pty Limited	Australia	Public transport	50	50	**4,856**	5,830	**-**	-
Transdev TSL Pty Limited	Australia	Public transport	50	50	-	(72)	**-**	-
Flint Transfield Services Limited	Canada	Operations and Maintenance	50	50	**4,164**	1,679	**-**	-
INSER Transfield Services SA	Chile	Operations and Maintenance	50	-	**15,148**	-	**-**	-
Transfield Worley Limited	New Zealand	Engineering, consulting and project managers	50	50	**7,778**	7,529	**-**	-
Transfield Worley TRAGS	Qatar	Operations and maintenance	27.5	27.5	**489**	696	**-**	-
Transfield Mannai Facilities Management Services WLL	Qatar	Operations and Maintenance	49	49	**2,229**	1,480	**-**	-
Transfield Worley New Caledonia	New Caledonia	Operations and maintenance	50	-	**258**	-	**-**	-
Australian Pacific Project Holdings*	Australia	Project management	25	25	**-**	250	**-**	-
Transfield Worley Services	Australia	Operations and maintenance	50	50	**-**	-	**-**	-
Transfield Worley New Zealand	New Zealand	Operations and maintenance	50	50	**-**	-	**-**	-
Transfield – Silcar JV	Australia	Operations and maintenance	50	50	**-**	-	**-**	-
MVM JV	Australia	Operations and maintenance	50	-	**-**			
TGE Energy Services (NZ) Ltd	New Zealand	Operations and Maintenance	50	50		-	**-**	-
Transfield Services Qatar LLC	Qatar	Operations and maintenance	49	49	**-**	-	**-**	-
					76,230	54,231	**12,107**	12,107

\# Reporting date 31 December
* Sold

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000
Retained profits attributable to the joint venture entities or partnerships		
Balance at 1 July	**9,682**	42,838
Less: adjustments to opening retained profits	**-**	(609)
Effect of changes in foreign exchange rates	**-**	311
Current year profit before tax	**54,222**	42,429
Income tax expense	**(6,413)**	(3,494)
Distributions / dividends received	**(36,552)**	(38,785)
Transfer to loan account	**-**	(2,828)
Disposal to Transfield Services Infrastructure Limited	**-**	(30,180)
Balance at 30 June	**20,939**	9,682
Movements in carrying value of investment in joint venture entities or partnerships		
Balance at 1 July	**54,231**	85,532
Fair value adjustment	**-**	(119)
Effect of changes in foreign exchange rates	**4,683**	359
Transfer to loan account	**(1,679)**	2,828
Additions	**17,384**	8,526
Disposal to Transfield Services Infrastructure Limited	**-**	(37,389)
Other disposals	**(250)**	-
Distributions/dividends received	**(36,582)**	(38,785)
Share of operating profits after tax	**47,809**	38,935
Balance at 30 June	**76,230**	54,231

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	PARENT ENTITY 2008 $'000	PARENT ENTITY 2007 $'000
Share of joint venture entities and partnerships' assets and liabilities				
Current assets	**178,227**	149,746	**-**	-
Non current assets	**38,454**	27,213	**-**	-
Total assets	**216,681**	176,959	**-**	-
Current liabilities	**121,446**	102,690	**-**	-
Non current liabilities	**40,053**	27,456	**-**	-
Total liabilities	**161,499**	130,146	**-**	-
Net assets	**55,182**	46,813	**-**	-
Share of joint venture entities and partnerships' revenues, expenses and results				
Revenues	**663,863**	463,152	**-**	-
Expenses	**609,641**	(420,719)	**-**	-
Operating profit before income tax	**54,222**	42,433	**-**	-
Share of joint venture entities and partnerships' commitments				
Lease commitments	**75,581**	67,544	**-**	-
Other commitments	**41,353**	45,134	**-**	-
Total expenditure commitments	**116,934**	112,678	**-**	-

NOTE 36. RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Operating profit from continuing operations after income tax	**82,376**	59,745	**15,131**	39,217
Operating profit from discontinued operations after income tax	**-**	50,702	**-**	120,385
Total operating profit after income tax	**82,376**	110,447	**15,131**	159,602
Capital gains tax (classified as investing activities)	**48,520**	-	**48,520**	-
Finance costs (classified as financing activities)	**42,808**	76,882	**8,926**	8,991
Share based payments	**6,029**	3,362	**-**	1,629
Depreciation and amortisation	**60,864**	67,889	**-**	-
Gain on disposal of investment	**(225)**	(81,727)	**-**	(167,530)
Unrealised foreign exchange loss/(gain)	**5,764**	944	**-**	(900)
Interest received (classified as investing activities)	**(3,167)**	(8,109)	**-**	(278)
Make-good and other expenses	**1,010**	71	**-**	-
(Profit)/loss on disposal of fixed assets	**573**	533	**-**	-
Share of profits of associates and joint ventures not received as dividends or distributions	**(10,574)**	(151)	**-**	-
Facilitation fees (classified as part of the Fund disposal)	**-**	(21,000)	**-**	-
Bad debts written off	**-**	398	**-**	-
Provision for doubtful debts	**262**	471	**-**	-
Fair value adjustment and non-cash effective interest on available for sale financial assets and loan note receivables	**-**	(8,052)		
Lease repayments classified as operating activities	**(954)**	(1,384)	**-**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
Decrease/(increase) in trade and other receivables	**25,664**	(40,275)	**-**	(666)
Increase in inventories	**5,418**	13,102	**-**	-
(Increase)/decrease in deferred tax assets	**(1,193)**	(2,047)	**-**	(446)
Decrease/(increase) in loans to associates and joint ventures	**(234)**	1,906	**(1,384)**	-
Decrease/(increase) in other operating assets	**4,854**	(2,849)	**-**	-
(Decrease)/increase in trade and other payables	**14,700**	7,148	**-**	1,389
Increase/(decrease) in provision for income tax payable	**(58,552)**	50,660	**(77,417)**	58,490
(Decrease)/increase in provision for deferred tax liabilities	**(6,550)**	(1,420)	**-**	270
(Decrease)/increase in employee and other provisions	**(1,073)**	10,188	**-**	-
Net cash inflow from operating activities	**216,320**	176,987	**(6,224)**	60,551

NOTE 37 EARNINGS PER SHARE

	CONSOLIDATED 2008 CENTS	2007 CENTS (restated)
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	**41.49**	31.45
Profit from discontinued operations attributable to the ordinary equity holders of the Company	**-**	26.70
Profit attributable to the ordinary equity holders of the Company	**41.49**	58.15
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	**41.49**	31.45
Profit from discontinued operations attributable to the ordinary equity holders of the Company	**-**	26.70
Profit attributable to the ordinary equity holders of the Company	**41.49**	58.15

	2008 $'000	2007 $'000
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit from continuing operations	**82,376**	59,745
(Profit)/loss from continuing operations attributable to minority interests	**(203)**	(28)
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**82,173**	59,717
Profit from discontinued operations attributable to the ordinary equity holders of the Company	**-**	50,702
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**82,173**	110,419
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	**82,173**	59,717
Profit from discontinued operations attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**-**	50,702
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**82,173**	110,419

(d) Weighted average number of shares used as the denominator

	NUMBER	NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**198,063,552**	189,902,882
Adjustments for calculation of diluted earnings per share:		
Options and Performance Awards*	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**198,063,552**	189,902,882

* Only Options and Performance Awards which have vested but remain unexercised are used in the calculation of diluted earnings per share. The Group's current policy is to acquire vested Options and Performance Awards on-market rather than by issuing new shares.

NOTE 38. REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
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*	**966,650**	1,005,803	**-**	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**1,160,004**	655,500	**-**	-
Fees paid to non PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	**97,370**	102,567	**-**	-
Total remuneration for audit services	**2,224,024**	1,763,870	**-**	-
2. Other assurance services				
Fees paid to PricewaterhouseCoopers Australian firm				
Due diligence services	**1,441,211**	2,937,700	**-**	-
External service charge reviews	**64,778**	48,800	**-**	-
Accounting services	**237,930**	32,960	**-**	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm for accounting and due diligence services	**664,546**	338,042	**-**	-
Total remuneration for other assurance services	**2,408,465**	3,357,502	**-**	-
3. Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm				
Tax compliance and tax consolidation matters	**69,000**	67,197	**-**	-
Due diligence services	**37,255**	196,394	**-**	-
Advice in respect of GST audit	**52,300**	32,000	**-**	-
Advice re employee taxation	**-**	20,295	**-**	-
Advice on transfer pricing	**16,085**	-	**-**	-
Other tax advisory services	**77,692**	98,422	**-**	-
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**248,029**	115,865	**-**	-
Total remuneration for taxation services	**500,361**	530,173	**-**	-
Total remuneration of auditors	**5,132,850**	5,651,545	**-**	-

NOTE 39. EVENTS OCCURRING AFTER BALANCE SHEET DATE

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

Dividend declared

On 25 August 2008, the Directors resolved to pay a fully-franked dividend of 18 cents per share on 13 October 2008.

NOTE 40. CONTINGENT LIABILITIES

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

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Bank guarantees in respect of contracts	**109,510**	92,421	**-**	92,421
Insurance bonds in respect of contracts	**93,708**	43,931	**101,651**	43,931
	203,218	136,352	**101,651**	136,352

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

Bank guarantees and insurance bonds				
Used	**203,218**	136,352	**101,651**	136,352
Unused	**130,622**	-	**33,349**	-
Total facility	**333,840**	136,352	**135,000**	136,352

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 except as follows:

A dispute exists between a joint venture entity and a customer regarding the measurement of performance criteria and contingent bonuses / penalties which may accrue to the Group. The Group and the customer are engaged in a dispute resolution process in accordance with the terms of the contract. The Directors are confident that the joint venture entity will successfully defend its position and no liability will accrue to the Group.

The information usually required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the process. The Directors are of the opinion that the dispute can be successfully resolved by the Company.

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

NOTE 41. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**35,992**	32,874	**-**	-
Later than one year but not later than five years	**60,767**	61,509	**-**	-
Later than five years	**6,245**	1,587	**-**	-
Commitments not recognised in the financial statements	**103,004**	95,970	**-**	-
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Within one year	**1,085**	1,436	**-**	-
Later than one year but not later than five years	**3,450**	3,232	**-**	-
Later than five years	**164**	1,370	**-**	-
Minimum lease charges	**4,699**	6,038	**-**	-
Future finance charges	**(729)**	(1,114)	**-**	-
Total lease liabilities recognised as a liability	**3,970**	4,924	**-**	-

The average interest rate implicit in the leases is 9.40% (2007: 7.43%).

NOTE 42. SHARE-BASED PAYMENTS

(a) TranShare Executive Performance Awards Plan

A detailed analysis of the conditions of the TranShare Executive Performance Awards Plan is set out in the Remuneration Report on pages 40-59.

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								
Options								
28 November 2002	28 November 2009	$2.62	152,000	-	(69,400)	-	82,600	82,600
Performance Awards								
25 February 2004	25 February 2011	$Nil	55,933	-	(9,069)	(23,642)	23,222	23,222
30 August 2004	30 August 2011	$Nil	366,462	-	(327,511)	(13,658)	25,293	25,293
28 October 2004	28 October 2011	$Nil	100,000	-	(100,000)	-	-	-
28 February 2005	28 February 2012	$Nil	176,870	-	(127,224)	(3,052)	46,594	46,594
30 August 2005	30 August 2012	$Nil	210,300	-	-	(10,300)	200,000	-
16 November 2005	16 November 2012	$Nil	59,000	-	-	-	59,000	-
19 April 2006	19 April 2012	$Nil	203,200	-	-	(6,300)	196,900	-
31 August 2006	31 August 2012	$Nil	418,800	-	-	(23,900)	394,900	-
31 October 2006	31 December 2012	$Nil	650,000	-	-	-	650,000	-
28 February 2007	28 February 2013	$Nil	416,500	-	-	(41,100)	375,400	-
31 May 2007	31 May 2013	$Nil	57,500	-	-	-	57,500	-
31 August 2007	31 August 2013	$Nil	-	390,800	-	(3,100)	387,700	-
31 August 2007	31 August 2013	$Nil	-	250,000	-	-	250,000	-
29 February 2008	28 February 2014	$Nil	-	485,200	-	-	485,200	-
			2,866,565	1,126,000	(633,204)	(125,052)	3,234,309	177,709

The weighted average range of the share price at the various dates of the Options exercised during the year was $9.92 - $15.42

The weighted average remaining contractual life of the Performance Awards outstanding at the end of the period was between 2-3 years.

Fair value of Performance Awards granted

The assessed fair value at grant date of Performance Awards granted during the year ended 30 June 2008 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 2008 included:

AWARD TYPE	31 AUGUST 2007 PERFORMANCE RIGHTS		31 AUGUST 2007 RESTRICTED SHARE UNITS	31 AUGUST 2007 DRI SCHEME SHARES	29 FEBRUARY 2008 PERFORMANCE RIGHTS		29 FEBRUARY 2008 RESTRICTED SHARE UNITS	
	TRANCHE 1	TRANCHE 2	TRANCHE 1	TRANCHE 1	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
Consideration	$nil	$nil	$nil	$nil	$nil	$nil	$nil	$nil
Vesting conditions	EPS growth	TSR growth	Service condition	Service condition	EPS growth	TSR growth	EPS growth	TSR growth
Expiry date	31 August 2013	31 August 2013	31 August 2013	N/A	28 February 2014	28 February 2014	28 February 2014	28 February 2014
Share price at grant date	$13.13	$13.13	$13.13	$11.11	$11.55	$11.55	$11.55	$11.55
Expected company share price volatility	25%	25%	25%	N/A	29%	29%	29%	29%
Expected dividend yield	2.5%	2.5%	2.5%	N/A	3.1%	3.1%	3.1%	3.1%
Risk free interest rate	6.11%	6.11%	6.11%	N/A	6.51%	6.53%	6.51%	6.53%
Fair value of Award at grant date	$12.18	$9.60	$12.18	$11.11	$10.42	$7.71	$10.42	$7.71

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.

(b) Deferred Retention Incentive Plans

Short-term deferred retention incentive (ST-DRI)

The Company delivers the ST-DRI component of its remuneration structure by providing an equivalent value to the STI in the form of Company equity. The TranShare Executive Performance Award Plan (TEPAP) is used for this purpose.

Participation in the ST-DRI is available to the Chief Executive Officer and Managing Director (refer section D of the Remuneration Report) and selected high-performing managers who participate in the STI program but are not eligible to participate in the Company's LTI program based on the eligibility criteria used for that component of remuneration. Individuals are nominated by the Managing Director or by Operational CEOs with the support of the Managing Director for consideration by the HR Committee.

The number of shares to be offered to the Participant under the ST-DRI is calculated by dividing the ST-DRI amount by the ten-day average closing price of Transfield Services shares on the date the ST-DRI amount is approved. Shares will be allocated to the Participant during the first Open Trading Period as declared by Transfield Services' General Counsel following approval of the ST-DRI payment.

Shares are subject to forfeiture in the event that employment within the Group is terminated within 2 years from the date the ST-DRI payment which gave rise to the allocation of shares was approved.

Short-term deferred incentive (ST-DI)

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

The deferred payment under the ST-DI is subject to annual adjustment in accordance with a nominated US or where relevant the Canadian long term bond rate, and is subject to forfeiture in the event that employment within the Group is terminated within 2 years from the date the ST- DI payment determination date, or as per the contracted term.

The model inputs for DRI Plans granted during the year ended 30 June 2008 included:

GRANT DATE	31 AUGUST 2007
Grant consideration	$Nil
Life of grant	3 years
Conditions	Refer Remuneration Report
Exercise price	N/A
Expiry date	31 August 2013
Share price at grant date	$11.11
Expected volatility of the Company's shares	N/A
Expected dividend yield	N/A
Risk-free interest rate	N/A
Fair value at grant date	$11.11

(c) Employee share plan (TranShare Plan)

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

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 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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Shares acquired under the Plan to participating employees	197	317	197	317

Other conditions applicable to the scheme are identified in the Remuneration Report on pages 40-59.

Each participant was issued with shares worth $1,000 based on the weighted average market price of between $7.26 and $15.14.

(d) TSIF Notional Securities

The TSIF Notional Securities Scheme aims to provide a suitable long term incentive to executive employees who are fully seconded to TSI by linking 50% of their long term incentive to the outcomes of TSI Fund.

The incentive provided under the TSIF Notional Securities Scheme can be delivered either in cash or in TSI Fund Securities – to be purchased by Transfield Services should the vesting conditions be met.

(e) Expenses arising from share-based payment transactions

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

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Performance Awards issued under TranShare Executive Performance Awards Plan	**6,794**	3,362	**-**	3,362
Short-term DRI's granted	**335**	-	**-**	-
TSIF Notional Securites awarded	**74**	-	**-**	-
Shares under TranShare Plan acquired on market	**228**	344	**-**	344
	7,431	3,706	**-**	3,706

NOTE 43. SEGMENT INFORMATION

(a) Notes to and forming part of the segment information

Accounting policies

Segment information is prepared in conformity with the accounting polices 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

Identification of segments

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

(b) Primary reporting – geographical segments

2008	AUSTRALIA $'000	NORTH AMERICA $'000	NEW ZEALAND $'000	OTHER REGIONS $'000	CONSOLIDATED RESULT $'000
Sales to external customers	1,596,870	847,276	487,253	61,948	2,993,347
Total sales revenue	1,596,870	847,276	487,253	61,948	2,993,347
Other revenue	1,796	745	612	14	3,167
Segment revenue	1,598,666	848,021	487,865	61,962	2,996,514
Share of net profits from associates and JV's	43,781	9,342	2,101	1,905	57,129
Other income	16,905	59	263	60	17,287
Total	1,659,352	857,422	490,229	63,927	3,070,930
Segment result	**81,145**	**9,383**	**3,157**	**3,304**	**96,989**
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	81,145	9,383	3,157	3,304	96,989
Income tax (expense) / benefit	(13,658)	(1,400)	2,007	(1,562)	(14,613)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	67,487	7,983	5,164	1,742	82,376
Segment assets and total assets	751,053	820,115	275,711	54,681	1,901,560
Segment liabilities and total liabilities	370,986	694,354	134,770	29,159	1,229,269
Investment in joint ventures and associates included in segment assets	242,943	4,176	7,496	18,157	272,772
Acquisition of property, plant and equipment	49,081	12,075	17,651	836	79,643
Acquisition of intangibles	1,685	210,325	1,935	-	213,945
Depreciation and amortisation	24,482	21,215	15,802	848	62,347
Interest paid	9,598	25,773	6,782	655	42,808
Interest received	1,795	746	612	14	3,167
Share-based payments	4,528	1,935	331	-	6,794
Net profit / (loss) on disposal of property, plant and equipment	(700)	-	236	(108)	(573)
Profit on disposal of investment	550	-	-	-	550
Other non-cash expenses	497	818	-	43	1,358

2007	CONTINUING OPERATIONS					DISCONTINUING OPERATIONS	
	AUSTRALIA $'000	NORTH AMERICA $'000	NEW ZEALAND $'000	OTHER REGIONS $'000	TOTAL CONTINUING OPERATIONS $'000	AUSTRALIA $'000	CONSOLIDATED $'000
Sales to external customers	1,448,000	427,757	367,196	47,961	2,290,914	135,939	2,426,853
Total sales revenue	1,448,000	427,757	367,196	47,961	2,290,914	135,939	2,426,853
Other revenue	1,536	538	1,371	5	3,450	6,511	9,961
Segment revenue	1,449,536	428,295	368,567	47,966	2,294,364	142,450	2,436,814
Share of net profits from associates and JV's	29,162	-	1,415	465	31,042	7,893	38,935
Other income	30,154	5,729	13	96	35,992	6,200	42,192
Profit on disposal of infrastructure group	-	-	-	-	-	81,727	81,727
Total	1,508,852	434,024	369,995	48,527	2,361,398	238,270	2,599,668
Segment result	63,570	7,962	4,403	200	76,135	106,797	182,932
Unallocated revenue less unallocated expenses	-	-	-		-	-	-
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	63,570	7,962	4,403	200	76,135	106,797	182,932
Income tax expense	(7,328)	(8,184)	474	(1,352)	(16,390)	(56,095)	(72,485)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	56,242	(222)	4,877	(1,152)	59,745	50,702	110,447
Segment assets and total assets	978,878	527,131	180,342	24,369	1,710,720	-	1,710,720
Segment liabilities and total liabilities	322,207	531,723	153,122	14,587	1,021,639	-	1,021,639
Investment in joint venture and associates included in segment assets	236,531	1,679	7,529	2,176	247,915	-	247,915
Acquisition of property, plant and equipment	29,094	17	21,961	812	51,884	-	51,884
Acquisition of intangibles	6,733	539,054	6,472	3,848	556,107	-	556,107
Depreciation and amortisation	20,365	12,837	11,540	587	45,329	22,131	67,460
Interest paid	18,179	19,865	4,365	-	42,409	-	42,409
Interest received	1,981	537	927	5	3,450	6,511	9,961
Share-based payments	3,081	179	103	-	3,363	-	3,363
Other non-cash expenses	798	-	76	(403)	471	-	471

(c) Secondary reporting – business segments

	SEGMENT REVENUES FROM SALES TO EXTERNAL CUSTOMERS		SEGMENT ASSETS		ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLES AND OTHER NON-CURRENT SEGMENT ASSETS	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Resources and industrials	**1,007,424**	583,290	**461,013**	313,815	**19,458**	117,787
Infrastructure services	**1,075,953**	870,656	**327,505**	306,062	**74,120**	87,144
Property and facilities management	**909,970**	836,968	**916,500**	897,190	**200,010**	403,060
Infrastructure investments	**-**	-	**196,542**	193,653	**-**	-
Infrastructure ownership	**-**	135,939	**-**	-	**-**	-
	2,993,347	2,426,853	**1,901,560**	1,710,720	**293,588**	607,991

NOTE 44. DEED OF CROSS GUARANTEE

Transfield Services Limited and its wholly owned subsidiaries Transfield Services (Holdings) Pty Limited, Transfield Services (Australia) Pty Limited, APP Corporation Pty Limited, Broadspectrum Australia Pty Limited, Broadspectrum (WA) Australia Pty Limited, Broadspectrum (Qld) Australia Pty Limited and Transfield Services Engineering Group Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare and lodge a financial report and a director's report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investment Commission.

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

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

Set out below is a consolidated income statement and summary of movements in consolidated retained profits for the year ended 30 June 2008 and the Closed Group consisting of Transfield Services Limited, Transfield Services (Holdings) Pty Limited , Transfield Services (Australia) Pty Limited, APP Corporation Pty Limited, Broadspectrum Australia Pty Limited, Broadspectrum (WA) Australia Pty Limited, Broadspectrum (Qld) Australia Pty Limited and Transfield Services Engineering Group Pty Limited.

No comparatives are presented as the deed was entered into during the 2008 financial year.

The income statement is presented for the full financial year as if the deed had been entered into on 1 July 2007.

	2008 $'000	2007 $'000
Revenue from continuing operations	**1,662,074**	-
Other income	**10,286**	-
Share of net profits of associates and joint venture entities and partnerships accounted for using the equity method	**20,695**	-
Subcontractors, raw materials and consumables used	**(688,313)**	-
Employee benefits expense	**(767,823)**	-
Depreciation, amortisation and impairment	**(24,482)**	-
Finance costs	**(9,598)**	-
Other expenses	**(140,728)**	-
Profit before income tax	**62,111**	-
Income tax (expense)	**(5,995)**	-
Profit from continuing operations after income tax expense	**56,116**	-
Net profit	**56,116**	-
Retained profits		-
Retained profits at the beginning of the financial year	**149,550**	-
Net profit	**56,116**	-
Less: Dividends paid	**(71,277)**	-
Retained profits at the end of the financial year	**134,389**	-

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2008 of the Closed Group consisting of Transfield Services Limited, Transfield Services (Holdings) Pty Limited, Transfield Services (Australia) Pty Limited, APP Corporation Pty Limited, Broadspectrum Australia Pty Limited, Broadspectrum (WA) Australia Pty Limited, Broadspectrum (Qld) Australia Pty Limited and Transfield Services Engineering Group Pty Limited.

	2008 $'000	2007 $'000
Current assets		
Cash and cash equivalents	14,527	-
Trade and other receivables	712,412	-
Inventories	19,980	-
Prepayments and other current assets	3,813	-
Current tax receivable	1,577	-
Total current assets	752,309	-
Non-current assets		
Investments accounted for using the equity method	280,346	-
Other financial assets	8,925	-
Property, plant and equipment	97,417	-
Deferred tax assets	25,706	-
Intangible assets	84,091	-
Total non-current assets	496,485	-
Total assets	1,248,794	-
Current liabilities		
Trade and other payables	255,083	-
Short-term borrowings	48,871	-
Provision for employee benefits	46,089	-
Total current liabilities	350,043	-
Non-current liabilities		
Long-term borrowings	182,829	-
Deferred tax liabilities	3,104	-
Provision for employee benefits	24,340	-
Other provisions	2,055	-
Deferred purchase consideration	225	-
Total non-current liabilities	212,553	-
Total liabilities	562,596	-
Net assets	686,198	-
Equity		
Contributed equity	546,326	-
Reserves	5,491	-
Retained profits	134,381	-
Parent entity interest	686,198	-
Total equity	686,198	-

NOTE 45. DISCONTINUED OPERATIONS

(a) Description

During the prior reporting period, the Group performed an internal reorganisation resulting in the restructuring of all its infrastructure owning companies and interests 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 TSI 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% of Transfield Services shareholding to the public as well as the issue of new securities by TSI Fund to the public, resulting in subsequent dilution of Transfield Services shareholding to 49%. Transfield Services lost control from this date and has therefore deconsolidated TSIL's net assets. Transfield Services retains significant influence over TSI Fund and adopts equity accounting measurement for its 49% 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 43 – 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.

	CONSOLIDATED	
	2008 $'000	**2007 $'000**
Revenue (note 5)	-	142,450
Share of profit net profits of associates and joint venture partnerships	-	7,893
Expenses and other income	-	(125,273)
Profit before income tax	-	25,070
Income tax expense	-	(9,112)
Profit after tax of discontinued operations	-	15,958
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
Net cash inflow from operating activities	-	78,614
Net cash inflow from investing activities	-	(26,223)
Net cash inflow from financing activities	-	99,912
Net increase in cash generated by infrastructure assets	-	152,303
Profit before income tax from discontinued operations includes the following items:		
Revenue from discontinued operations		
Infrastructure ownership and management	-	135,939
Other revenue from discontinued operations		
Interest	-	6,511
Total revenue from discontinued operations	-	142,450
Fair value gain on investment held for sale	-	6,200
Depreciation		
Power generation assets	-	22,033
Plant and equipment/leasehold improvements	-	98
Total depreciation	-	22,131
Finance costs		
Interest and finance charges paid/payable	-	29,549
Amount capitalised	-	-
Fair value loss on interest rate swaps transferred from equity	-	11,010
Effective interest rate adjustments	-	1,850
Finance cost expensed	-	42,409

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 11 June 2007 and 30 June 2007 are:

	CONSOLIDATED 2008 $'000	2007 $'000
Power generating assets	-	537,445
Intangible assets	-	21,946
Deferred tax assets	-	4,816
Investments in associates and joint venture partnerships and available for sale financial assets	-	176,126
Non-current receivables	-	44,827
Derivative financial instruments	-	20,591
Inventory	-	1,993
Trade and other current receivables	-	18,120
Prepayments and other current assets	-	6,022
Cash	-	50,276
Total assets	-	882,162
Borrowings	-	404,861
Related party loans payable	-	96,661
Trade and other payables	-	24,400
Provisions	-	1,215
Provision for income tax	-	5,710
Deferred tax liabilities	-	37,892
Total liabilities	-	570,739
Carrying value of the investment	-	311,423
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

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2008

In the Directors' opinion:

(a) the financial statements and notes set out on pages 62 to 124 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 2008 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 44 will be able to meet any obligations or liabilities which they are, or may become, subject by virtue of the deed of cross guarantee described in note 44.

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 CEO

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

Report on the financial report

We have audited the accompanying financial report of Transfield Services Limited which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements 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.

Directors' responsibility for the financial 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 controls 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial 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.

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
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 2008 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 consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report
We have audited the Remuneration Report included in pages 40 to 59 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion
In our opinion, the Remuneration Report of Transfield Services Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Brian Hunter
Partner

Sydney
25 August 2008

SHAREHOLDER INFORMATION

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 1 SEPTEMBER 2008

(a) Distribution of equity securities

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1000	8,412	4,605,806	2.33%
1,001 – 5,000	9,953	24,274,291	12.26%
5,001 – 10,000	1,682	11,967,594	6.04%
10,001 – 100,000	858	18,689,433	9.43%
100,000 and over	71	138,526,428	69.94%
Total	20,976	198,063,552	100.00%

(b) Equity security holders

Top 20 largest holders of quoted equity securities:

NAME	UNITS AS AT 01/09/08	% OF ISSUED CAPITAL	RANK
Transfield (TSL) Pty Limited	51,198,136	25.85%	1
National Nominees Limited	19,288,020	9.78%	2
J P Morgan Nominees Australia Limited	13,585,279	6.89%	3
HSBC Custody Nominees (Australia) Limited	9,284,759	4.71%	4
Cogent Nominees Pty Limited	8,635,692	4.38%	5
ANZ Nominees Limited	5,462,399	2.77%	6
AMP Life Limited	3,554,492	1.80%	7
Frami Pty Limited	2,918,000	1.48%	8
RBC Dexia Investor Services Limited	2,873,282	1.45%	9
Queensland Investment Corporation Limited	2,336,796	1.18%	10
UBS Wealth Management/UBS Nominees	2,232,739	1.13%	11
Citicorp Nominees Limited	1,975,100	1.00%	12
Peter Watson	1,862,843	0.94%	13
Anthony Shepherd	1,546,959	0.78%	14
Argo Investments Limited	1,238,487	0.63%	15
Joseph Hossein Sadatmehr	1,152,622	0.58%	16
Custodial Services Limited	1,126,835	0.57%	17
Milton Corporation Limited	953,026	0.48%	18
Steven MacDonald	901,315	0.46%	19
Sandhurst Trustees Limited	669,364	0.34%	20
Total shares	132,796,145	67.20%	

(c) Substantial holders

Substantial shareholders in the Company are set out below:

NAME	UNITS AS AT 01/09/08	% OF ISSUED CAPITAL	RANK
Transfield (TSL) Pty Limited	51,198,136	25.85%	1
National Nominees Limited	19,288,020	9.78%	2
J P Morgan Nominees Australia Limited	13,585,279	6.89%	3

(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.