

TRANSFIELD SERVICES LIMITED
ABN 69 000 484 417
ASX Half-year information – 31 December
2008

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2008 Annual Report.

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Half-year report *(ASX Listing rule 4.2A1)*

Transfield Services Limited
Half-year ended 31 December 2008
(Previous corresponding period:
Half-year ended 31 December 2007)

Results for Announcement to the Market

(see explanation below)

				\$ '000
Revenue from ordinary activities <i>(Appendix 4D item 2.1)</i>	Up	19.4%	To	1,667,817
Profit from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	Down	(25.1%)	To	30,287
Net profit for the period attributable to members <i>(Appendix 4D item 2.3)</i>	Down	(25.1%)	To	30,287

Explanation of Profit/(loss) from ordinary activities after tax *(Appendix 4D item 2.6)*

Transfield Services reported net profit after tax of \$30.3 million for the half year ended 31 December 2008, down 25.1% on the prior comparable period. This was due to higher interest and amortisation expense as a result of acquisitions undertaken in the 2007/2008 financial year and a lower contribution from Transfield Services Infrastructure Fund. Net profit after tax (pre-amortisation) was \$46.7 million down 6.8% on the prior comparable period.

The result was achieved on total revenue of \$1.7 billion, which represents an increase of 19.4% on the prior comparable period.

Earnings per share decreased by 30.1% to 9.52 cents per share (12.8% decrease to 14.71 cents pre-amortisation) after adjusting for the effects of the capital raising undertaken during the period.

The "Services" segment achieved earnings before interest tax and amortisation (EBITA) of \$70.2 million, an increase of 2.5% on the prior year. However, the results for the period included one-off restructuring costs of \$4.5 million. Excluding these costs, operational EBITA increased by 9.1% for the period to \$74.7 million.

We continue to anticipate net profit after tax pre-amortisation growth at the low end of the 10-20 per cent range in the 2009 financial year assuming no further material deterioration in economic and market conditions.

Transfield Services Limited
Half-year ended 31 December 2008

(Previous corresponding period:
Half-year ended 31 December 2007)

Dividends/distributions <i>(Appendix 4D item 2.4)</i>	Date paid	Amount per security	Franked amount per security
Final dividend <i>(prior year)</i>	13/10/08	18.0c	18.0c
Interim dividend		4.75c	4.75c

Record date for determining entitlements to the interim dividend
(Appendix 4D item 2.5)

16 March 2009

Dividend Reinvestment Plan (DRP)

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

16 March 2009

Election date for determining participation in the DRP

Supplementary Appendix 4D information –31 December 2008

NTA Backing *(Appendix 4D item 3)*

	31/12/2008	31/12/2007 (Restated)
Net tangible asset backing per ordinary share	-\$0.38	-\$1.08
Net asset backing per ordinary share	\$2.13	\$3.46
Number of ordinary shares on issue	411,950,089	198,063,552

Acquisitions of 'services' entity businesses by their nature carry high levels of intangibles. The Directors consider that the net asset backing per ordinary share is a more accurate measure of share value for investors.

Entities where control has been gained *(Appendix 4D item 4)*

Name	Ownership interest 31/12/08	Date acquired	Contribution to net profit \$'000

Transfield Services Limited
Half-year ended 31 December 2008

(Previous corresponding period:
Half-year ended 31 December 2007)

Associates and Joint Venture entities (*Appendix 4D item 7*)

Name	Ownership interest		Contribution to net profit	
	31/12/2008 %	31/12/2007 %	31/12/2008 \$'000	31/12/2007 \$'000
Transfield Services Infrastructure Fund	49	49		
Translink Investments	50	50		
Yarra Trams	50	50		
TW NZ	50	50		
Transfield Worley Alliance (Woodside)	50	50		
TW Solutions	50	50		
TW Services	50	50		
Transfield BRW Services	50	50		
TGE	49	49		
5 D Holdings	50	50		
Brisbane Ferries	50	50		
TW Traggs	27.5	27.5		
TS-Mannai (Manwell)	49	49		
TS-Silcar (Sentinar)	50	50		
Transdev-NSW	50	50		
Transdev-TSL	50	50		
Australian Pacific Project Holdings	0*	25		
Flint - Transfield Services	50	50		
TRAX / MVM Joint venture	50	50		
PPS Partnership	50	50		
Transfield Worley New Caledonia	50	-		
INSER Transfield Services	50	-		
TGE Energy Services (NZ) Ltd	50	50		
Transfield Services Qatar LLC	49	49		
			35,516	27,796

* sold

Transfield Services Limited
Half-year ended 31 December 2008
(Previous corresponding period:
Half-year ended 31 December 2007)

	31 December 2008 \$'million	31 December 2007 \$'million (restated)	% change
1. 'SERVICES'			
Revenue			
- Australia	805.4	798.4	0.9%
- North America	567.7	373.6	52.0%
- New Zealand	257.8	194.8	32.3%
- Emerging markets	36.9	30.3	21.8%
	1,667.8	1,397.1	19.4%
EBITDA			
- Australia	53.3	57.5	(7.3%)
- North America	28.6	18.1	58.0%
- New Zealand	8.1	9.3	(12.9%)
- Emerging markets	2.5	0.8	-
	92.5	85.7	7.9%
EBITA			
- Australia	41.9	47.0	(10.9%)
- North America	24.3	16.1	50.9%
- New Zealand	1.7	4.7	(63.8%)
- Emerging markets	2.3	0.7	-
	70.2	68.5	2.5%
Amortisation	(16.4)	(9.7)	69.1%
EBIT	53.8	58.8	(8.5%)
Net interest expense	(22.9)	(17.4)	31.6%
Profit before tax	30.9	41.4	(25.4%)
Income tax expense	(1.7)	(5.5)	(69.1%)
Profit after tax - Services	29.2	35.9	(18.7%)

* Since 31 December 2007, to reflect the global expansion of the business, EBITDA by geographical location has been redefined to include an allocation of corporate overheads to all segments. This corporate overhead was previously reported solely in the Australian segment.

Transfield Services Limited
Half-year ended 31 December 2008
(Previous corresponding period:
Half-year ended 31 December 2007)

	31 December 2008 \$'million	31 December 2007 \$'million (restated)	% change
<u>2. 'INFRASTRUCTURE' (49% equity contribution)</u>			
Operating revenue (if proportionately consolidated)	46.4	38.4	20.8%
Equity accounted share of profits	4.4	6.8	(35.3%)
Income tax expense	(3.4)	(2.3)	47.8%
Profit after tax – TSI Fund	1.0	4.5	(77.8%)
<u>GROUP RESULT</u>			
Profit from continuing operations after tax	30.2	40.4	(25.3%)
Loss attributable to minority interest	0.1	-	
Profit attributable to members of Transfield Services Limited	30.3	40.4	(25.0%)
Net profit after tax – pre amortisation	46.7	50.1	(6.8%)
Basic earnings per share (cents) - post amortisation	9.52c	13.61c	(30.1%)
Basic earnings per share (cents) - pre amortisation	14.71c	16.87c	(12.8%)

Transfield Services Limited
Half-year ended 31 December 2008
(Previous corresponding period:
Half-year ended 31 December 2007)

**SEGMENT RESULTS PROPORTIONATELY
CONSOLIDATED**

	31 December 2008 \$'million	31 December 2007 \$'million	% change
<hr/>			
<u>SERVICES– Total</u>			
Revenue	2,122.5	1,655.0	28.3%
EBITA	74.3	71.2	4.4%
<hr/>			
<u>SEGMENTS</u>			
<u>Australia</u>			
Revenue	1,042.5	989.0	5.4%
EBITA	42.6	48.3	(11.8%)
<hr/>			
<u>New Zealand</u>			
Revenue	285.5	220.1	29.7%
EBITA	2.1	5.2	(59.6%)
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<u>North America</u>			
Revenue	745.9	418.5	78.2%
EBITA	27.3	16.8	62.5%
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<u>Emerging Markets</u>			
Revenue	48.6	27.4	77.4%
EBITA	2.3	0.9	156.0%
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Transfield Services Limited
ABN 69 000 484 417
Half-year report – 31 December 2008

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Transfield Services Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Transfield Services Limited and controlled entities

Directors' report

For the half-year ended 31 December 2008

Directors' report

Your directors present their report on the consolidated entity (Transfield Services) consisting of Transfield Services Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2008.

Directors

The following persons were directors of Transfield Services Limited during the whole of the half-year and up to the date of this report:

Tony Shepherd (Chairman)
Peter Watson (Managing Director)
Guido Belgiorno-Nettis AM
Luca Belgiorno-Nettis AM
Steve Burdon
Steven Crane
David Sutherland
Mel Ward AO

Review of operations

Transfield Services reported net profit after tax of \$30.3 million for the half year ended 31 December 2008, down 25.1% on the prior comparable period. This was due to higher interest and amortisation expense as a result of acquisitions undertaken in the 2007/2008 financial year and a lower contribution from Transfield Services Infrastructure Fund. Net profit after tax (pre-amortisation) was \$46.7 million down 6.8% on the prior comparable period.

The result was achieved on total revenue of \$1.7 billion, which represents an increase of 19.4% on the prior comparable period.

Earnings per share decreased by 30.1% to 9.52 cents per share (12.8% decrease to 14.71 cents pre-amortisation) after adjusting for the effects of the capital raising undertaken during the period.

A highlight for the half year period was the significant improvement in operating cash flow which was up by \$95.6 million to \$68.9 million. This followed on from the strong second half improvement in operating cash flow in 2007/08 and reflects the ongoing emphasis on cash and working capital management in the business.

The Board declared a fully franked dividend of 4.75 cents per share to be paid on 14 April 2009. This will apply for shareholders on record as at 16 March 2009.

Capital management initiatives

During the period, the Company undertook two major capital management initiatives to strengthen its balance sheet. In December 2008, the Company raised \$267 million through a pro-rata rights issue and institutional placement, with the proceeds being used to substantially repay debt. In addition, the Company executed a new US\$367 million banking facility maturing in January 2012. The new banking facility substantially addresses all refinancing requirements through to January 2012 and eliminates cross currency exposure on limits.

Transfield Services Limited and controlled entities

Directors' report

For the half-year ended 31 December 2008

As at 31 December 2008, net debt was \$556 million, down from \$718 million as at 31 December 2007. The Company had undrawn debt facilities and cash balances of \$250 million as at 31 December 2008.

The Company has implemented a Dividend Reinvestment Plan for eligible participants effective for the interim dividend payable on 14 April 2009. The Plan is an ongoing part of capital management initiatives to ensure the Company has greater balance sheet flexibility.

Work in hand/client relationships

The Group's work-in-hand at the end of December was \$11.2 billion, underpinned by continued contracts wins and renewals during the half. Highlights since 1 July 2008 include:

- Renewal of work across Infrastructure Services and Property and Facilities Management sectors with key Government clients e.g. Housing NSW contract renewed worth A\$385 million over five years, Sydney Water, Chorus and Department of Defence in New Zealand and road authorities in Florida
- Renewal of key relationships including Caltex and Woodside in Australia and Dow Chemicals and ConocoPhillips in North America
- Three-year contract with BHP Billiton's Nickel West in Western Australia worth A\$120 million
- APP secured project management work for major projects for Cairns Base Hospital, Brisbane Airport Link and Sydney's Star City Casino worth a total of A\$63 million
- New Property and Facilities Management contracts in North America totalling US\$135 million with 'bigger box' clients comprising Michael's, Burlington Coat Factory, Ross Dress for Less and Kmart
- More than A\$30 million of new work in Emerging Markets business in the Middle East, including third major shutdown with Gasco
- FT Services' two year contract worth \$50 million with Shell Canada expanding our work outside of the oil sands industry to conventional refineries
- Four year contract to manage the design and delivery of infrastructure for the Northern Victorian Irrigation Renewals Project
- Five year contract for Jemena Electricity Network and United Energy Distribution valued at \$170 million
- The delivery of sustaining capital works for Caltex and Bluescope Steel, leveraging existing long term maintenance and asset management contracts
- Five year contract for Carter Holt Harvey's Tasman pulp mill, valued at NZ\$85 million

Project Frontier

In May 2008, the Company commenced Project Frontier with the aim to streamline the business and improve operational efficiencies in light of the weakening economic environment. The first phase of the project was focused on the Australian and New Zealand businesses and has resulted in the formation of a more integrated Australian and New Zealand business and merging of the Major Projects Group within this business. As a result, a significant number of overhead and non-client facing positions have been removed with a net redundancy and outplacement cost of \$4.5 million. In addition, the Company has commenced implementing a human resources information system to drive productivity and efficiency measures from its work force.

Project Frontier has been implemented within the North American business. This has included the integration of the respective operating units to leverage greater economies of scale and business efficiency projects within the USM and TIMEC businesses.

Transfield Services Limited and controlled entities

Directors' report

For the half-year ended 31 December 2008

Services segment

The 'Services' segment (the Group excluding the investment in Transfield Services Infrastructure Fund) achieved earnings before interest tax and amortisation (EBITA) of \$70.2 million, an increase of 2.5% on the prior year. However, the results for the period included one-off restructuring costs of \$4.5 million associated with Project Frontier. Excluding these costs, operational EBITA increased by 9.1% for the period to \$74.7 million.

The Australian business revenues grew by 0.9% to \$805.4 million and EBITA decreased by 10.9% to \$41.9 million. The results were impacted by costs associated with Project Frontier of \$3.6 million and no success and development fees earned from TSI Fund during the current period. The Infrastructure Services segment, in particular water, rail, roads and transmission and distribution, enjoyed strong growth but this was offset by the winding down of the Telstra Access Services contract. Resources and Industrial and Property and Facilities Management segments were steady for the period.

The New Zealand business revenues grew by 32.3% to \$257.8 million and EBITA decreased by 63.8% to \$1.7 million. The growth in revenue reflected the contribution from acquisitions associated with the roading business and work conducted on the "fibre to the node" roll out for Chorus however the financial performance was impacted by adverse weather conditions in the first quarter, poor operational performance of the Travel Demand Management contract and general economic conditions, impacting the roading business.

The North American business revenue grew by 52.0% to \$567.7 million and EBITA grew by 50.9% to \$24.3 million for the period due to the strong performance from Flint Transfield Services and contributions from the acquisitions of Horizon and Whelan's (Property and Facilities Management segment). During the period, the North American business was adversely affected by the overall economic downturn and Resources and Industrial segment (TIMEC business) was adversely impacted by Hurricane Ike in the first quarter.

The Emerging Markets business enjoyed strong growth, with revenue increasing by 21.8% to \$36.9 million and EBITA from \$0.7 million to \$2.3 million. In the Middle East, India and Asia region, the Company is benefiting from a growing market position in shutdown activities in the Resources and Industrial segment and assets management activities in the Property and Facilities Management segment. The results for the period also included the contribution from the Inser Transfield Services joint venture established in January 2008 to provide asset management and maintenance services to the Chilean mining sector.

Wind farm development portfolio

The Company owns a portfolio of development rights for 12 wind farms across Australia with a potential installed capacity of over 1000MW. During the period, the Company has made significant progress on the Barn Hill project (130MW) located in South Australia. This has included development and planning approvals, appointment of preferred EPC contractor, consent from traditional owner groups and detailed studies regarding transmission and interconnection, with relevant approvals expected by end of March 2009. The Company is now progressing discussions with energy retailers for off-take agreements.

Transfield Services Limited and controlled entities

Directors' report

For the half-year ended 31 December 2008

Transfield Services Infrastructure Fund (TSI Fund)

The contribution from TSI Fund decreased to \$1.0 million largely due to the increased financing and amortisation charges associated with the acquisition of a portfolio of wind farms in December 2007 and taxation expense on the distributions. During the period, TSI Fund paid a distribution of 9 cents per unit (\$11.7 million to the Company) and announced in February 2009 a further distribution of 5 cents per unit (\$8.5 million to the Company) payable in March 2009.

Outlook

We continue to anticipate net profit after tax pre-amortisation growth at the low end of the 10-20 per cent range in the 2009 financial year assuming no further material deterioration in economic and market conditions.

Sustainability Report

Transfield Services' 2009 Sustainability Report will be available in April. It reports on a variety of economic, environmental and social performance indicators. It demonstrates the way we do business and how we consider our long-term impact on our clients, employees, the natural environment and the communities in which we work.

An online version of the report will be available to view and download from our website in April at www.transfieldservices.com.

Alternatively, to obtain a hard copy, please email corporateaffairs@transfieldservices.com.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Rounding of amounts to nearest thousand dollars

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



Tony Shepherd



Peter Watson

23 February 2009

Transfield Services Limited and controlled entities**Consolidated income statement**

For the half-year ended 31 December 2008

		2007 \$'000 (Restated note 2)	
	Note	2008 \$'000	
Revenue from continuing operations		1,397,093	
Other income		3,045	
Share of net profits of associates and joint venture entities and partnerships accounted for using the equity method		27,796	
Subcontractors, raw materials and consumables used		(623,246)	
Employee benefits expense		(621,569)	
Depreciation, amortisation and impairment		(26,921)	
Finance costs		(19,147)	
Other expenses		(88,879)	
Profit before income tax		48,172	
Income tax expense		(7,737)	
Profit from continuing operations after income tax expense		40,435	
Loss attributable to minority interest		24	
Profit attributable to members of Transfield Services Limited		40,459	
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share – cents	6	9.52	13.61
Diluted earnings per share– cents	6	9.52	13.61

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

Transfield Services Limited and controlled entities**Consolidated balance sheet**

As at 31 December 2008

	Note	31 December 2008 \$'000	30 June 2008 \$'000 (Restated note 2)
Current assets			
Cash and cash equivalents		139,911	57,826
Trade and other receivables		495,006	493,423
Income tax refundable		13,901	8,885
Inventories		56,132	47,265
Prepayments and other current assets		24,335	12,701
Total current assets		729,285	620,100
Non-current assets			
Investments accounted for using the equity method		197,805	271,700
Receivables and other financial assets		1,682	191
Property, plant and equipment		196,211	180,762
Deferred tax assets		21,582	23,789
Intangible assets		1,009,696	808,262
Prepayments and other non-current assets		6,632	-
Total non-current assets		1,433,608	1,284,704
Total assets		2,162,893	1,904,804
Current liabilities			
Trade and other payables		431,292	436,581
Short-term borrowings		20,826	27,922
Current tax liabilities		5,991	4,316
Deferred purchase consideration		2,047	2,158
Other provisions		4,902	4,615
Provision for employee benefits		60,685	58,741
Total current liabilities		525,743	534,333
Non-current liabilities			
Long-term borrowings		674,783	615,714
Deferred tax liabilities		47,574	44,013
Provision for employee benefits		28,050	26,573
Other provisions		2,940	2,900
Deferred purchase consideration		4,404	10,052
Derivative financial instruments		3,299	-
Total non-current liabilities		761,050	699,252
Total liabilities		1,286,793	1,233,585
Net assets		876,100	671,219
Equity			
Contributed equity	4	799,493	540,338
Reserves		(75,996)	(27,227)
Retained profits		152,430	157,774
Parent entity interest		875,927	670,885
Minority interest		173	334
Total equity		876,100	671,219

The above consolidated balance sheet should be read in conjunction with the accompanying notes

Transfield Services Limited and controlled entities**Consolidated statement of cash flows**

For the half-year ended 31 December 2008

	2008	2007
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	1,779,905	1,531,317
Payments to suppliers and employees (inclusive of goods and services tax)	(1,736,327)	(1,547,048)
	<u>43,578</u>	<u>(15,731)</u>
Dividends, distributions and net cash contributions from associates and joint venture entities	37,548	8,717
Income taxes paid	(12,183)	(19,638)
Net cash inflow / (outflow) from operating activities	<u>68,943</u>	<u>(26,652)</u>
Cash flows from investing activities		
Interest received	1,087	1,732
Payments for property, plant and equipment and software	(31,747)	(29,136)
Proceeds from sale of property, plant and equipment and software	4,825	5,425
Net payment for business combinations	(880)	(200,922)
Payment for deferred consideration and additional costs on prior period acquisitions	(344)	(13,180)
Payment of capital gains tax	-	(48,520)
Net cash outflow from investing activities	<u>(27,059)</u>	<u>(284,601)</u>
Cash flows from financing activities		
Borrowing and other finance costs	(23,978)	(20,711)
Proceeds from acquisition borrowings	-	257,908
Payment of acquisition borrowings	(186,547)	(56,501)
Proceeds from share issue	255,069	-
Capitalised financing costs	(5,115)	-
Payment for share acquisition and share issue costs	-	(6,839)
Proceeds from borrowings – debt refinance	559,704	-
Repayment of acquisition borrowings – debt refinance	(559,704)	-
Proceeds from working capital borrowings	530,981	392,473
Repayment of working capital and other borrowings	(507,139)	(264,387)
Dividends paid	(35,631)	(35,646)
Net cash inflow from financing activities	<u>27,640</u>	<u>266,297</u>
Net increase / (decrease) in cash and cash equivalents held	69,524	(44,956)
Cash at the beginning of the reporting period	57,826	91,827
Net foreign exchange differences in opening cash	12,561	(1,065)
Cash and cash equivalents at the end of the reporting period	<u>139,911</u>	<u>45,806</u>

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

Transfield Services Limited and controlled entities
Consolidated statement of changes in equity
For the half-year ended 31 December 2008

	2008 \$'000	2007 \$'000 (Restated note 2)
Total equity at the beginning of the half-year – as previously stated	672,291	692,962
Correction of error (note 2)	(1,072)	-
Adjustment to provisional fair value in accordance with AASB 3	-	(1,040)
Restated total equity at the beginning of the half-year	671,219	691,922
Exchange differences on translation of foreign operations	32,871	(9,284)
Changes in fair value of cash flow hedge - interest rate hedge (net of tax)	(82,531)	2,371
Changes in other reserves	1,217	(858)
Net (loss)/income recognised directly in equity	(48,443)	(7,771)
Profit for the half-year	30,199	40,435
Total recognised income and expense for the half -year	(18,244)	32,664
Transactions with equity holders in their capacity as equity holders		
Contributions of equity, net of transaction costs and taxes	258,756	-
Payment for acquisition of shares on market	-	(6,839)
Employee share options and performance awards	-	3,145
Dividends paid	(35,631)	(35,646)
Total equity at the end of the half-year	876,100	685,246

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

Transfield Services Limited and controlled entities

Notes to the consolidated financial statements

For the half year ended 31 December 2008

Note 1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Transfield Services Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Where applicable, comparative information has been restated or repositioned to align with current year presentation.

Note 2. Restatement of comparative information

Restatement of share of net profits of associates and joint venture entities and partnerships accounted for using the equity method in the corresponding comparative period

A restatement in the prior year financial statements of an equity accounted associate has been made by the associate during the current financial year. Depreciation recorded in the associate's financial statements for the half year ending 31 December 2007 and full year ending 30 June 2008 had been understated. This restatement resulted in a prior year adjustment being made in its financial statements. Transfield Services' financial statements have therefore also been restated for its relevant share of profits.

The error had the effect of overstating the Group's consolidated profit before income tax by \$780,000 for the half year ended 31 December 2007 (30 June 2008 : \$1,072,000) and overstating the investments accounted for using the equity method by the same amount.

The restatement has been effected by restating each of the financial statement lines for the prior year, as described above.

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both the basic and diluted earnings per share was a reduction of 0.26 cents per share.

Note 3. Dividends

	31 December 2008	31 December 2007
	\$'000	\$'000
Dividends provided for or paid during the half year	35,631	35,646

Since the end of the half year the directors have recommended the payment of an interim dividend of 4.75 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the interim dividend expected to be paid on 14 April 2009 out of retained profits at 31 December 2008, but not recognised as a liability at the end of the half year is \$19,567,629.

Transfield Services Limited and controlled entities

Notes to the consolidated financial statements

For the half year ended 31 December 2008

Dividend Reinvestment Plan (DRP)

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

The DRP has a potential dilutive effect on the weighted average number of shares used for calculating the diluted earnings per share as disclosed in note 6. No adjustment has been made to the diluted earnings per share for the impact of the DRP as the number of shares resulting from the DRP is dependant on the participation rate which will not be known until the election date of 16 March 2009 and the number of shares resulting from the DRP is also dependant on future market prices of shares.

Note 4. Contributed equity

	31 December 2008 \$'000	30 June 2008 \$'000
Ordinary shares – fully paid	<u>799,493</u>	<u>540,338</u>

Movements in ordinary share capital:

Date	Details	Number of shares issued	Exercise price \$	\$'000
30 June 2008	Balance	198,063,552	-	540,338
8 December 2008	Institutional placement and entitlement offer	163,460,816	1.25	204,326
31 December 2008	Retail entitlement offer	50,425,721	1.25	63,032
December 2008	Transaction costs (net of taxation)	-	-	(8,602)
December 2008	Adjustment for difference between fair value of Awards expensed and exercise price of Awards	-	-	399
		<u>411,950,089</u>		<u>799,493</u>

Transfield Services Limited and controlled entities
Notes to the consolidated financial statements
For the half year ended 31 December 2008

Note 5. Segment information

Primary reporting – geographical segments

	Australia \$'000	North America \$'000	New Zealand \$'000	Emerging Markets \$'000	Consolidated result \$'000
Half year ended 31 December 2008					
Sales to external customers	804,014	567,552	257,200	36,971	1,665,737
Other revenue	1,366	142	555	17	2,080
Segment revenue	805,380	567,694	257,755	36,988	1,667,817
Other income	4,242	65	10	1,325	5,642
Share of net profits from associates and JV's	23,659	8,437	1,191	2,229	35,516
Total	833,281	576,196	258,956	40,542	1,708,975
PROFIT BEFORE INCOME TAX / SEGMENT RESULT	38,981	(1,682)	(3,206)	1,192	35,285
Income tax expense					(5,086)
PROFIT AFTER INCOME TAX EXPENSE					30,199
Segment assets	718,244	1,087,154	282,061	75,434	2,162,893
Segment liabilities	370,518	745,109	130,922	40,244	1,286,793
Investment in joint venture and associates included in segment assets	158,702	9,659	7,629	21,815	197,805
Depreciation and amortisation	14,012	15,833	8,444	428	38,717
Interest paid	5,420	14,596	3,109	853	23,978
Interest received	702	142	226	17	1,087
Share-based payments	486	772	207	-	1,465

Transfield Services Limited and controlled entities
Notes to the consolidated financial statements
For the half year ended 31 December 2008

Note 5. Segment information (continued)

	Australia \$'000	North America \$'000	New Zealand \$'000	Emerging Markets \$'000	Consolidated result \$'000
Half year ended 31 December 2007					
Sales to external customers	794,434	372,707	194,198	30,298	1,391,637
Other revenue	3,916	904	624	12	5,456
Segment revenue	798,350	373,611	194,822	30,310	1,397,093
Other income	3,045	-	-	-	3,045
Share of net profits from associates and JV's	23,947	2,366	931	552	27,796
Total	825,342	375,977	195,753	30,862	1,427,934
PROFIT BEFORE INCOME TAX / SEGMENT RESULT*	49,474	(2,388)	695	391	48,172
Income tax expense					(7,737)
PROFIT AFTER INCOME TAX EXPENSE					40,435
Segment assets	745,469	874,220	305,428	47,030	1,972,147
Segment liabilities	352,124	760,099	155,006	19,672	1,286,901
Investment in joint ventures and associates included in segment assets	255,940	888	8,270	2,943	268,041
Depreciation and amortisation	11,977	8,053	6,550	341	26,921
Interest paid	3,732	12,935	2,401	79	19,147
Interest received	919	476	325	12	1,732
Share-based payments	2,115	892	138	-	3,145

* Since 31 December 2007, to reflect the global expansion of the business, segment result has been redefined to include an allocation of corporate overheads to all segments. This corporate overhead was previously reported solely in the Australian segment.

Transfield Services Limited and controlled entities
Notes to the consolidated financial statements
For the half year ended 31 December 2008

Note 6. Earnings per share

	Half-year	
	31 December 2008	31 December 2007 (Restated note 2)
Basic and diluted earnings per share	9.52 cents	13.61 cents
Weighted average number of shares	317,998,773	297,292,119

The weighted average number of shares has increased as a result of an institutional placement and entitlement offer and a retail entitlement offer (refer note 4).

Note 7. Contingent liabilities

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

	31 December 2008 \$'000	30 June 2008 \$'000
Bank guarantees in respect of contracts	115,776	109,510
Insurance bonds in respect of contracts	169,492	93,708
	285,268	203,218

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

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

A dispute exists between a joint venture company and a customer regarding the measurement of performance criteria and contingent bonuses / penalties which may accrue to the Group. The Directors are confident that the associate 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.

Transfield Services Limited and controlled entities
Notes to the consolidated financial statements
For the half year ended 31 December 2008

Note 8. Events occurring after balance date

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

(a) Dividend declared

On 23 February 2009, the Directors resolved to pay a fully-franked dividend of [4] cents per share on 14 April 2009.

Note 9. Business combinations

On 9 July 2008, the Group acquired the assets and liabilities of The Planning Group (TPG). TPG is involved in town planning consultancy business in Victoria. The cash consideration was \$845,000, the earn-out amount is \$1,251,000 and there were direct costs of \$35,000 giving a total purchase consideration of \$2,131,000. The carrying amounts and provisional fair values of the assets and liabilities acquired were:

Property, plant and equipment	\$85,000
Receivables	\$407,000
Work in progress	\$20,000
Deferred tax asset	\$29,000
Employee entitlements	(\$95,000)

Resulting in goodwill provisionally recognised of \$1,685,000.

The acquired business contributed revenues of \$1,077,268 and net profit of \$171,576 to the Group for the period 9 July 2008 to 31 December 2008. If the acquisition had occurred on 1 July 2008, the contribution to consolidated revenue and profit for the half year ended 31 December 2008 would not have significantly changed as compared to the reported results.

Changes to provisional fair values

	VMS \$'000	Horizon \$'000	Whelan \$'000	McBreen \$'000	HRI \$'000
Goodwill provisionally recognised at 30 June 2008	23,360	59,375	42,118	1,144	4,791
Reduction in purchase price- working capital adjustment	-	-	(916)	-	-
Additional transaction costs	36	31	-	-	-
Adjustment to fair values:					
Trade and other receivables (net of provision for impairment)	-	-	-	(43)	305
Inventory and work in progress	-	-	-	887	-
Trade payables	-	-	7	(77)	7
Final goodwill balance	23,396	59,406	41,209	1,911	5,103

Transfield Services Limited and controlled entities
Notes to the consolidated financial statements
For the half year ended 31 December 2008

Note 9. Business combinations (continued)

(a) Summary of acquisitions (31 December 2007)

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	Total \$'000
Purchase consideration (refer to (b) below):						
Cash payable at end of earn-out period	-	-	-	-	-	-
Cash paid / payable	33,208	101,362	66,056	3,461	12,295	216,382
Direct costs relating to the acquisition	258	845	195	-	921	2,219
Total purchase consideration	33,466	102,207	66,251	3,461	13,216	218,601
Fair value of net identifiable assets acquired (refer to (c) below):	(2,875)	(12,918)	(2,267)	(3,461)	(13,216)	(34,737)
Goodwill	30,591	89,289	63,984	-	-	183,864

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

Transfield Services Limited and controlled entities
Notes to the consolidated financial statements
For the half year ended 31 December 2008

Note 9. Business combinations (combinations)

(b) Purchase consideration (31 December 2007)

	VMS \$'000	Horizon \$'000	Whelan \$'000	Wind Projects \$000	McBreen \$'000	Total \$'000
Outflow of cash to acquire subsidiary, net of cash acquired						
Cash consideration	33,208	101,362	66,056	3,461*	12,295*	216,382
Less: Balances acquired						
Cash and cash equivalents	(20)	(3)	-	-	(979)	(1,002)
Outflow/(inflow) of cash	<u>33,188</u>	<u>101,359</u>	<u>66,056</u>	<u>3,461</u>	<u>11,316</u>	<u>215,380</u>

*Cash settlements occurred post 31 December 2007.

Transfield Services Limited and controlled entities

Notes to the consolidated financial statements

For the half year ended 31 December 2008

Note 9. Business combinations (continued)

(c) Assets and liabilities acquired (31 December 2007)

	VMS		Horizon		Whelan		Wind Projects		McBreen	
	Acquiree's carrying amount \$'000	Provisional fair value \$'000	Acquiree's carrying amount \$'000	Provisional fair value \$'000	Acquiree's carrying amount \$'000	Provisional fair value \$'000	Acquiree's carrying amount \$'000	Provisional fair value \$'000	Acquiree's carrying amount \$'000	Provisional fair value \$'000
Cash	20	20	3	3	-	-	-	-	979	979
Trade and other receivables (net of provision)	25,464	25,464	20,365	20,365	8,988	8,988	-	-	2,762	2,762
Prepayment	3,661	3,661	664	664	524	524	-	-	-	-
Other assets	274	274	50	50	-	-	-	-	7,740	7,688
Property, plant and equipment	2,063	2,063	3,974	3,974	969	969	461	461	16,381	16,393
Deferred tax asset	1,959	1,959	-	-	-	-	-	-	132	308
Contract intangibles	-	-	-	-	-	-	-	-	-	556
Development rights	-	-	-	-	-	-	3,000	3,000	-	-
Inventory and WIP	4,798	4,798	-	-	-	-	-	-	7,163	7,066
Trade payables	(18,039)	(18,039)	(3,426)	(3,426)	(3,527)	(3,527)	-	-	(8,140)	(8,652)
Short-term borrowings	(1,232)	(1,232)	-	-	-	-	-	-	(2,582)	(2,582)
Other liabilities	(12,503)	(12,503)	(8,699)	(8,699)	(3,809)	(3,809)	-	-	(149)	(121)
Lease liability	-	-	-	-	-	-	-	-	(11,014)	(11,014)
Employee benefits	(651)	(651)	(13)	(13)	(878)	(878)	-	-	-	-
Deferred tax liability	(2,939)	(2,939)	-	-	-	-	-	-	-	(167)
Net identifiable assets acquired	2,875	2,875	12,918	12,918	2,267	2,267	3,461	3,461	13,272	13,216

Transfield Services Limited and controlled entities
Notes to the consolidated financial statements
For the half year ended 31 December 2008

Note 9. Business combinations (continued)

(d) Changes to provisional fair values (31 December 2007)

	APP \$'000	NJC \$'000	ABB \$'000	Hofincons \$'000
Goodwill provisionally recognised at 30 June 2007	14,330	2,602	44	4,890
Additional purchase consideration - stamp duty	-	984	490	-
- earn out	520	-	-	-
Adjustment to fair values:				
Cash	-	-	-	(167)
Trade and other receivables (net of provision for impairment)	-	-	-	1,149
Other assets	-	-	-	(172)
Plant and equipment	-	-	-	23
Trade payables	-	-	-	(89)
Short term borrowings	-	-	-	(178)
Provision for taxation	-	-	-	(1,606)
Final goodwill balance	14,850	3,586	534	3,850

Transfield Services Limited and controlled entities
Director's declaration

In the directors' opinion

- (a) the financial statements and notes set out on pages 6 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Transfield Services Limited will be able to pay its debts as and when they become due and payable.

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



Tony Shepherd



Peter Watson

23 February 2009

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Auditor's independence declaration

As lead auditor for the review of Transfield Services Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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



B K Hunter
Partner
PricewaterhouseCoopers

Sydney
23 February 2009

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Transfield Services Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Transfield Services Limited Group (the consolidated entity). The consolidated entity comprises both Transfield Services Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Transfield Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Transfield Services Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



B K Hunter
Partner

Sydney
23 February 2009