

Transfield Services Infrastructure Limited ACN 106 617 332

Interim report for the half-year ended 31 December 2010

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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 2010 and any public announcements made by Transfield Services Infrastructure Limited or Transfield Services Infrastructure Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Transfield Services Infrastructure Limited and its controlled entities

Directors' report

for the half-year ended 31 December 2010

Your Directors present their report on the consolidated entity consisting of Transfield Services Infrastructure Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

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

Peter Young (Chairman)

David Mathlin

Peter Goode

Emma Stein (appointed 13 October 2010)

Steven MacDonald (appointed 13 October 2010)

Matthew Irwin (retired 30 September 2010)

Kate Spargo (retired 13 October 2010)

Tiernan O'Rourke (Alternate Director for Peter Goode and Steven MacDonald)

Kate Munnings (Alternate Director for Peter Goode and Steven MacDonald)

Review of operations

The first reporting period following the implementation of the Capital Structure Review saw TSI Fund deliver improvements in financial metrics and cash headroom as well as streamline and reinvigorate its management team, centralised in Sydney.

The operational performance of contracted and non-controlled assets have met expectations during HY11. Whilst contracted wind farms performed to expectations, our only uncontracted wind farm, Starfish Hill, did not as it was exposed to disappointing black and REC prices.

We were unsuccessful in renewing the continuous operations contract at Collinsville and the weekend operations contract at Townsville. Excluding these items, the underlying operating and financial performance of our thermal power stations remains solid.

Further savings in operating costs and the \$14.7 million contribution associated with the Macarthur concession extension to 2030 resulted in an 11.9% increase in HY11 EBITDA.

The following commentary and references to the HY10 prior comparable period (pcp) performance excludes the HY10 contribution from Mt Millar Wind Farm which was sold in May 2010 (refer below for explanation).

Operating Performance

Operating performance highlights include:

- Continued high availabilities of over 99% at Kemerton and Townsville Power Stations and over 91% at Collinsville Power Station
- Successful return to service of unit 5 at Collinsville Power Station following the scheduled major outage
- Collinsville Power Station continues its excellent record of no lost-time injuries
- Loy Yang A delivered strong power station availability and coal supply reliability
- Better than expected steam sales at Kwinana Power Station
- No material impact from recent adverse weather events

Revenue

Total reported HY11 revenue from continuing operations of \$65.7 million was down 15.7% against pcp of \$77.9 million.

Factors explaining the reduction are:

- Disappointing black and REC prices as well as lower generation at Starfish Hill wind farm contributing to a \$3.8 million reduction in revenue versus pcp
- Contracted step down in capacity payment of \$4.5 million at Townsville Power Station
- Non-achievement of continuous operations at Collinsville and weekend operations at Townsville
- Fewer starts at Kemerton Power Station following a strong performance in HY10

**Transfield Services Infrastructure Limited and its controlled entities
Directors' report
for the half-year ended 31 December 2010**

EBITDA and NPAT metrics

TSI Fund's HY11 EBITDA improved by 11.9% to \$59.6 million and HY11 NPAT increased by \$12.0 million to \$18.1 million.

In addition to the impact of the revenue items above, major contributors included:

- The \$14.7 million contribution associated with the Macarthur concession extension to 2030
- further cost reductions at our thermal power stations
- Our non-controlled investments which delivered a greater share of accounting profits

Cash flow

Free cash flow increased by \$10.5 million to \$25.9 million, allowing TSI Fund to make a voluntary \$10 million prepayment of debt.

Cash headroom (comprising cash at bank plus undrawn facility) was \$38.8 million as at 31 December 2010.

Interpreting TSI Fund's HY11 'Summary of Financial Performance'

In order to allow a meaningful comparison of HY11 performance to HY10 performance, TSI has presented HY10 results excluding the contribution from the Mt Millar Wind Farm which was sold in May 2010. These items are set out below:

Revenue	\$8.3m
EBITDA	\$6.7m
Reported NPAT	\$1.7m

A summary of financial performance is set out on page 6.

Stapling

Shares in the company are stapled with shares in TS International Limited and units in Transfield Services Infrastructure Trust and together they comprise Transfield Services Infrastructure Fund (TSI Fund).

Distributions

	Half-year	
	2010 \$'000	2009 \$'000
Final distribution paid 20 September 2010	<u>17,287</u>	<u>18,885</u>

**Transfield Services Infrastructure Limited and its controlled entities
Directors' report
for the half-year ended 31 December 2010**

On 15 February 2011, the Directors approved a distribution of 4.1 cps to be paid on 16 March 2011 from Transfield Services Infrastructure Trust. This compares to 6.0 cps paid for the half-year ended 31 December 2009. The Dividend Reinvestment Plan (DRP) will apply for the Interim Distribution, and a discount of 5% will apply to stapled securities issued under the DRP.

Key Metrics

	Half-year 2010 cents	Half-year 2009 cents (restated ex Mt Millar)	Change cents
EBITDA per security (includes interest on LYA shareholder loan)	13.7	18.1	(4.4)
Earnings per security as reported (1)	1.51	(1.12)	
Free cash flow per security (2)	6.0	5.2	0.8
Free cash flow (after growth capex) available per security (3)	6.0	5.2	0.8
Distribution per security	4.1	6.0	(1.9)

1. Represents TSIL net profit or (loss) after tax divided by average weighted number of shares on issue (restated for 2009)
2. Free cash flow calculated as operating cash flow after maintenance capital expenditure, net interest and scheduled debt amortisation.
3. Free cash flow calculated as operating cash flow after maintenance and growth capital expenditure, net interest and scheduled debt amortisation.


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 5.

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.


Peter Young
Director


Emma Stein
Director

Sydney
15 February 2011

Auditor's Independence Declaration

As lead auditor for the review of Transfield Services Infrastructure Limited for the half year ended 31 December 2010, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



RL Gavin
Partner
PricewaterhouseCoopers

Sydney
15 February 2011

Transfield Services Infrastructure Limited and its controlled entities
Summary of financial performance
for the half-year ended 31 December 2010

	31 December 2010 \$'000	31 December 2009 \$'000 (ex Mt Millar)	% change
Income by line of business			
Operating revenue			
Power Stations	57,381	66,425	(13.6%)
Wind Farms	5,176	9,115	(43.2%)
	62,557	75,540	(17.2%)
Other revenue			
Power Stations	2,435	2,123	14.7%
Unallocated Revenue	706	284	
	3,141	2,407	
Total Revenue	65,698	77,947	(15.7%)
Other income			
Unallocated	15,060	300	
	15,060	300	
Share of net profits of associates accounted for using the equity method			
Power Stations	4,058	2,025	100.4%
Water Filtration Plants	1,471	1,363	7.9%
	5,529	3,388	63.2%
EBITDA by line of business (1,2)			
Power Stations	45,128	48,734	(7.4%)
Water Filtration Plants	1,471	1,363	7.9%
Wind Farms	2,928	7,255	(59.6%)
Unallocated - costs	(4,604)	(4,103)	(12.2%)
Settlement from Macarthur transaction (net)	14,688	-	-
	59,611	53,249	11.9%
Depreciation, amortisation and turbine write-off			
Power Stations	18,939	16,975	11.6%
Wind Farms	5,710	4,160	37.3%
	24,649	21,135	16.6%
EBIT			
Power Stations	26,189	31,759	(17.5%)
Water Filtration Plants	1,471	1,363	7.9%
Wind Farms	(2,782)	3,095	
Unallocated - Macarthur transaction	14,688	-	
Unallocated - other overheads	(4,604)	(7,183)	
Basic EBIT	34,962	29,034	20.4%
Add back: corporate costs relating to Capital Structure Review	-	3,080	
Pre Capital Structure Review costs EBIT (1)	34,962	32,114	8.9%
Net interest expense / (received)			
Power Stations	(6,243)	(5,790)	7.8%
Wind Farms	7	8	(12.5%)
Unallocated	22,966	29,434	(22.0%)
Net interest expense per statutory accounts	16,730	23,652	(29.3%)
Add: interest from investments reclassified for management accounts	2,230	2,111	5.6%
Net interest expense per management accounts (2)	18,960	25,763	(26.4%)
Profit before tax attributable to stapled security holders			
Power Stations	30,202	35,438	(14.8%)
Water Filtration Plants	1,471	1,363	7.9%
Wind Farms	(2,789)	3,087	
Unallocated	(12,882)	(36,617)	
As reported	16,002	3,271	

1. Excludes Capital Structure Review costs in 2009

2. Includes interest on shareholder loan notes

Transfield Services Infrastructure Limited and its controlled entities
Consolidated statement of comprehensive income
for the half-year ended 31 December 2010

	Note	31 December 2010 \$'000	31 December 2009 \$'000
Revenue from continuing operations		65,698	86,294
Shares of net profits of associates accounted for using the equity method		5,529	3,388
Other income	2	15,060	300
Operating costs		(22,495)	(27,241)
Depreciation, amortisation and turbine write-off		(24,649)	(25,279)
Finance costs		(19,683)	(26,065)
Other expenses		(3,458)	(5,625)
Profit before income tax expense		16,002	5,772
Income tax benefit		2,076	277
Net profit attributable to stapled securityholders of Transfield Services Infrastructure Fund		18,078	6,049
Other comprehensive income			
Gross change in the fair value of cash flow hedges		23,564	16,174
Tax effect of change in the fair value of cash flow hedges		(6,995)	(4,667)
		16,569	11,507
Total comprehensive income for the half-year		34,647	17,556
Profit is attributable to:			
• Unitholders of Transfield Services Infrastructure Trust and shareholders of TSI International Limited (Non-controlling interest)		11,551	9,336
• Shareholders of Transfield Services Infrastructure Limited		6,527	(3,287)
Net profit attributable to stapled securityholders of Transfield Services Infrastructure Fund		18,078	6,049
Total comprehensive income for the half-year is attributable to:			
• Unitholders of Transfield Services Infrastructure Trust and shareholders of TSI International Limited (Non-controlling interest)		11,551	9,336
• Shareholders of Transfield Services Infrastructure Limited		23,096	8,220
Total comprehensive income for the half-year attributable to stapled securityholders of Transfield Services Infrastructure Fund		34,647	17,556
Earnings / (loss) per share from continuing operations attributable to the ordinary shareholders of the company		Cents	Cents
Basic earnings / (loss) per share	9	1.51	(1.12)
Diluted earnings / (loss) per share	9	1.51	(1.12)
Earnings per stapled security from continuing operations attributable to the ordinary securityholders of Transfield Services Infrastructure Fund			
Basic earnings per stapled security		4.17	2.06
Diluted earnings per stapled security		4.17	2.06

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

Transfield Services Infrastructure Limited and its controlled entities
Consolidated balance sheet
as at 31 December 2010

	Note	31 December 2010 \$'000	30 June 2010 \$'000
Current assets			
Cash and cash equivalents		18,441	18,205
Trade and other receivables		10,651	10,243
Inventories		14,889	14,040
Prepayments and other current assets		6,072	4,192
Total current assets		<u>50,053</u>	46,680
Non-current assets			
Receivables		47,903	44,032
Investments accounted for using the equity method		90,478	84,750
Available-for-sale financial assets		136,285	136,285
Property, plant and equipment		588,445	603,177
Intangible assets		106,962	109,442
Other non-current assets		8,333	9,318
Total non-current assets		<u>978,406</u>	987,004
Total assets		<u>1,028,459</u>	1,033,684
Current liabilities			
Trade and other payables		10,971	7,456
Short term borrowings		28,008	26,658
Derivative financial instruments		3,823	4,966
Total current liabilities		<u>42,802</u>	39,080
Non-current liabilities			
Long-term borrowings		471,060	481,860
Deferred tax liabilities		61,920	56,752
Provisions		3,110	3,052
Derivative financial instruments		11,085	33,188
Total non-current liabilities		<u>547,175</u>	574,852
Total liabilities		<u>589,977</u>	613,932
Net assets		<u>438,482</u>	419,752
Equity			
Contributed equity	3	149,987	150,153
Reserves	4	(6,113)	(22,682)
Retained profits	4	(94,305)	(100,832)
Parent entity interest		49,569	26,639
Non-controlling interest (attributable to equity holders of Transfield Services Infrastructure Trust and TSI International Limited)	5	388,913	393,113
Total equity		<u>438,482</u>	419,752

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

Transfield Services Infrastructure Limited and its controlled entities
Consolidated statement of cash flows
for the half-year ended 31 December 2010

	31 December 2010 \$'000	31 December 2009 \$'000
Cash flows from operating activities		
Receipts from customers	65,916	92,186
Payments to suppliers, subcontractors and employees	(30,288)	(45,963)
	35,628	46,223
Dividends and distributions received	50	1,021
Interest received	984	2,659
Income taxes refunded	-	2,444
Net cash inflow from operating activities	36,662	52,347
Cash flows from investing activities		
Settlement received on Macarthur transaction	15,000	-
Proceeds on disposal of property, plant and equipment	77	-
Payment for acquisition of property, plant and equipment	(7,514)	(14,053)
Net cash inflow / (outflow) from investing activities	7,563	(14,053)
Cash flows from financing activities		
Proceeds from borrowings from associates	550	1,106
Repayment of corporate borrowing facility	(10,000)	(4,000)
Finance costs paid	(18,893)	(24,751)
Distribution paid	(15,646)	(16,873)
Net cash (outflow) from financing activities	(43,989)	(44,518)
Net increase / (decrease) in cash held	236	(6,224)
Cash at the beginning of the reporting period	18,205	19,524
Cash and cash equivalents at the end of the reporting period	18,441	13,300

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

Transfield Services Infrastructure Limited and its controlled entities
Consolidated statement of changes in equity
for the half-year ended 31 December 2010

Consolidated	Contributed Equity	Reserves	Retained Earnings	Total	Non- Controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009	131,252	(22,143)	(49,085)	60,024	320,921	380,945
Total comprehensive income for the half-year	-	11,507	(3,287)	8,220	9,336	17,556
Transactions with owners in their capacity as owners:						
Distributions paid	-	-	-	-	(18,885)	(18,885)
Distribution reinvestment plan	416	-	-	416	1,596	2,012
Release of deferred tax asset on capitalised float costs	(235)	-	-	(235)	-	(235)
Balance at 31 December 2009	131,433	(10,636)	(52,372)	68,425	312,968	381,393
Balance at 1 July 2010	150,153	(22,682)	(100,832)	26,639	393,113	419,752
Total comprehensive income for the half-year	-	16,569	6,527	23,096	11,551	34,647
Transactions with owners in their capacity as owners:						
Distributions paid	-	-	-	-	(17,287)	(17,287)
Distribution reinvestment plan	104	-	-	104	1,536	1,640
Release of deferred tax asset on capitalised float costs	(270)	-	-	(270)	-	(270)
Balance at 31 December 2010	149,987	(6,113)	(94,305)	49,569	388,913	438,482

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

Transfield Services Infrastructure Limited and its controlled entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2010

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 2010 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 2010 and any public announcements made by Transfield Services Infrastructure Limited or TSI Fund 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.

a) Stapling - Application of AASB Interpretation 1002- *Post date of transition stapling arrangements*

Pursuant to a stapling deed dated 8 June 2007, shares in Transfield Services Infrastructure Limited are stapled with shares in TSI International Limited and units in Transfield Services Infrastructure Trust and together they comprise the Transfield Services Infrastructure Fund (TSI Fund).

For the purposes of AASB Interpretation 1002 - *Post date of transition stapling arrangements*, Transfield Services Infrastructure Limited has been identified as the parent entity in relation to the stapling event. In accordance with AASB Interpretation 1002 the results and equity of entities, not directly owned by Transfield Services Infrastructure Limited have been treated and disclosed as non-controlling interest, the stapled security holders of Transfield Services Infrastructure Limited are the same as the stapled security holders of Transfield Services Infrastructure Trust and TSI International Limited.

b) Principles of consolidation

AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

The Standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be remeasured to fair value and a gain or loss is recognised in the profit or loss statement.

Dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment.

c) Segment reporting

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker and ultimately to the Board of Directors for strategy and policy purposes.

Transfield Services Infrastructure Limited and its controlled entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2010

Note 2. Other income and individually significant item

	Half-year	
	2010	2009
	\$'000	\$'000
Settlement received on Macarthur transaction	15,000	-
Management fees	60	300
	<u>15,060</u>	<u>300</u>

Note 3. Contributed equity

	31 December	30 June
	2010	2010
	\$'000	\$'000
Ordinary shares – fully paid	<u>149,987</u>	<u>150,153</u>

Movements in ordinary share capital

Date	Details	Number of shares issued	Price per share \$	\$'000
1 July 2009	Opening balance	269,783,998	-	131,252
21 September 2009	Distribution reinvestment plan	2,287,026	0.88c	416
30 March 2010	Distribution reinvestment plan	2,746,464	0.86c	424
31 May 2010	Security issue on capital raising, net of costs	157,367,000	0.70c	18,601
30 June 2010	Release of deferred tax asset on float costs	-	-	(471)
30 June 2010	Release of deferred tax asset on rights issue costs	-	-	(69)
		<u>432,184,488</u>	-	<u>150,153</u>
30 September 2010	Distribution reinvestment plan	2,678,483	0.60c	104
31 December 2010	Release of deferred tax asset on issue costs	-	-	(270)
31 December 2010	Closing balance	<u>434,862,971</u>		<u>149,987</u>

Distribution reinvestment securities are triple stapled. The value attributable to the increase in share capital pertains only to the component attributable to the parent entity, Transfield Services Infrastructure Limited.

Ordinary shares

Ordinary shares (which have no par value) 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.

Transfield Services Infrastructure Limited and its controlled entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2010

Note 4. Reserves and retained profits

	31 December 2010	30 June 2010
	\$000	\$000
(a) Reserves		
Hedging reserve – cash flow hedges	(10,453)	(27,022)
Available-for-sale investments	4,340	4,340
	(6,113)	(22,682)
Movements:		
<i>Hedging reserve - cash flow hedges (interest rate swaps)</i>		
Balance at beginning of the period	(27,022)	(26,483)
Share of cash flow hedge reserve in associates	249	1,023
Cash flow hedge revaluation (gross)	23,315	(2,231)
Deferred tax	(6,995)	669
Balance at end of the period	(10,453)	(27,022)
<i>Available-for-sale investments revaluation reserve</i>		
Balance at beginning of the period	4,340	4,340
Balance at end of the period	4,340	4,340

Nature and purpose of reserves

(i) *Hedging reserve – cash flow hedges (interest rate swaps)*

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

(ii) *Available-for-sale investment revaluation reserve*

The fair value reserve records changes in fair value of non-quoted, available-for-sale financial instruments when there is evidence of a change in fair value by reference to a market transaction.

(b) (Accumulated losses)

	31 December 2010	30 June 2010
	\$000	\$000
(Accumulated losses) at the beginning of the period	(100,832)	(49,085)
Net profit / (loss) attributable to shareholders of Transfield Services Infrastructure Limited	6,527	(51,747)
Balance at the end of the period	(94,305)	(100,832)

Note 5. Non-controlling interest

Balance at beginning of the period	393,113	320,921
Equity contribution resulting from DRP	-	3,540
Equity contribution resulting from capital raising, net of transaction costs and tax	1,536	85,078
Net profit attributable to unitholders of Transfield Services Infrastructure Trust and shareholders of TSI International Limited	11,551	18,783
Distribution paid	(17,287)	(35,209)
Balance at end of the period	388,913	393,113

Transfield Services Infrastructure Limited and its controlled entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2010

Note 6. Distributions

	Half-year	
	2010 \$'000	2009 \$'000
Ordinary Securities		
Distributions provided for or paid during the half-year	17,287	18,885

Since the end of the half-year the Board of Directors have recommended the payment of an interim distribution of 4.1 cents per stapled security. The aggregate amount of the proposed interim distribution expected to be paid from Transfield Services Infrastructure Trust on 16 March 2011 but not recognised as a liability at the end of the half-year is \$17,829,382 pre-DRP.

Distribution Reinvestment Plan (DRP)

Transfield Services Infrastructure Fund introduced a DRP for the interim distribution during the year ending 30 June 2009. The DRP securities will be issued at a 5% discount to the daily volume weighted average market price per security of securities sold on the ASX during the 10 day trading period that commences on 24 February 2011 (Average Market Price). TSI Fund has the discretion to adjust the issue price if it considers that the Average Market Price does not represent the fair market value of TSI Fund securities. The election date for determining participation, or making amendments to the existing election notice in the DRP is 23 February 2011.

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 9. 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 future market prices of shares.

Note 7. Segment information

Description of segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different to those of other business segments.

Management has determined the operating segments based on the directions from the Board. These reports are prepared by management monthly and presented to the Board for review. The four business segments are set out below.

The financial results focus on delivery of cash flow and therefore there is a focus on EBITDA as the main measure of performance.

(i) Power stations

The Company owns or part owns infrastructure investments which comprise interests in the Townsville, Kemerton, Collinsville, Kwinana and Loy Yang A power stations.

(ii) Water filtration plants

The Company part owns the Macarthur and Yan Yean water filtration plants.

(iii) Wind Farms

The Company owns the Starfish Hill, Windy Hill and Toora wind farms.

(iv) Corporate unallocated

Transfield Services Infrastructure Limited and its controlled entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2010

Note 7. Segment information (continued)

Primary reporting – business segments

	Power Stations \$'000	Water Filtration Plant \$'000	Wind Farms \$'000	Corporate Unallocated \$'000	Consolidated result \$'000
Half-year ended 31 December 2010					
Total sales revenue	57,381	-	5,176	-	62,557
Other revenue/ income	190	-	-	15,060	15,250
Interest received – LYA loan notes	2,230	-	-	-	2,230
Share of net profits from associates	4,058	1,471	-	-	5,529
Total	<u>63,859</u>	<u>1,471</u>	<u>5,176</u>	<u>15,060</u>	85,566
Direct costs	<u>18,731</u>	<u>-</u>	<u>2,248</u>	<u>4,976</u>	25,955
EBITDA	45,128	1,471	2,928	10,084	59,611
Depreciation and impairment	<u>16,460</u>	<u>-</u>	<u>5,710</u>	<u>-</u>	22,170
EBITA	28,668	1,471	(2,782)	10,084	37,441
Amortisation	<u>2,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	2,479
EBIT	26,189	1,471	(2,782)	10,084	34,962
Interest (received) / paid – operating	(16)	-	7	(706)	(715)
Interest (received) / paid – debt instruments	<u>(3,997)</u>	<u>-</u>	<u>-</u>	<u>23,672</u>	19,675
Net interest (received) / paid	<u>(4,013)</u>	<u>-</u>	<u>7</u>	<u>22,966</u>	18,960
Profit / (loss) before income tax	30,202	1,471	(2,789)	(12,882)	16,002
Income tax (expense) / benefit	<u>(11,481)</u>	<u>-</u>	<u>923</u>	<u>12,634</u>	2,076
Profit / (loss) after income tax	<u>18,721</u>	<u>1,471</u>	<u>(1,866)</u>	<u>(248)</u>	18,078
As at 31 December 2010					
Segment assets	822,489	55,582	120,708	29,680	1,028,459
Segment liabilities	88,096	26,807	8,626	466,448	589,977
Net assets	<u>734,393</u>	<u>28,775</u>	<u>112,082</u>	<u>(436,768)</u>	438,482

Transfield Services Infrastructure Limited and its controlled entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2010

Note 7. Segment information (continued)

	Power Stations \$'000	Water Filtration Plant \$'000	Wind Farms \$'000	Corporate Unallocated \$'000	Consolidated result \$'000
Half-year ended 31 December 2009					
Total sales revenue	66,425	-	17,462	-	83,887
Other revenue/income	-	-	-	300	300
Interest received – LYA loan notes	2,111	-	-	-	2,111
Share of net profits from associates	2,025	1,363	-	-	3,388
Total	70,561	1,363	17,462	300	89,686
Direct costs	21,827	-	3,556	7,483	32,866
EBITDA	48,734	1,363	13,906	(7,183)	56,820
Depreciation	13,909	-	8,304	-	22,213
EBITA	34,825	1,363	5,602	(7,183)	34,607
Amortisation	3,066	-	-	-	3,066
EBIT	31,759	1,363	5,602	(7,183)	31,541
Interest (received) / paid – operating	(12)	-	14	(298)	(296)
Interest (received) / paid – debt instruments	(3,667)	-	-	29,732	26,065
Net interest (received) / paid	(3,679)	-	14	29,434	25,769
Profit / (loss) before income tax	35,438	1,363	5,588	(36,617)	5,772
Income tax (expense) / benefit	(11,828)	-	(1,682)	13,787	277
Profit / (loss) after income tax	23,610	1,363	3,906	(22,830)	6,049
As at 30 June 2010					
Segment assets	824,509	53,939	124,901	30,335	1,033,684
Segment liabilities	71,616	26,258	9,339	506,719	613,932
Net assets	752,893	27,681	115,562	(476,384)	419,752

Transfield Services Infrastructure Limited and its controlled entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2010

Note 8. Contingent liabilities

The Company has entered into an unsecured corporate borrowing facility agreement under which bank guarantees and letters of credit are provided, in addition, the Company has a facility for the provision of bank guarantees. The consolidated entity, in the normal course of business, may be called upon to give guarantees and indemnities in respect of the performance by controlled entities of their contractual obligations. These guarantees and indemnities only give rise to a liability where the respective entity fails to perform its contractual obligations. The Directors are not aware of any material claims on the parent entity or consolidated entity. No material losses are anticipated in respect of any issued guarantees and indemnities in respect of performance by controlled entities of their contractual obligations.

Note 9. Earnings per share

	Half-year	
	2010	2009
	cents	Cents (restated)
Basic earnings / (loss) per share	1.51	(1.12)
Diluted earnings / (loss) per share	1.51	(1.12)
Weighted average number of shares used as denominator (both basic and diluted earnings per share)	433,679,111	294,162,798

EPS restated as a result of the Capital Raising in May 2010

Note 10. Events occurring after balance date

Since the end of the half-year the Board of Directors have recommended the payment of an interim distribution of 4.1 cents per stapled security. The aggregate amount of the proposed interim distribution expected to be paid on 16 March 2011 from Transfield Services Infrastructure Trust but not recognised as a liability at the end of the half-year is \$17,829,382 pre DRP.

Note 11. Contingent asset

On 31 October 2010 a turbine failure occurred to a single tower at the Starfish Hill Wind Farm impairing the assets of the tower for which appropriate transactions have been booked.

Management is pursuing an insurance claim which it anticipates lodging by the end of the first quarter of 2011 and considers will be successful. The quantum has not yet been determined but is anticipated to exceed the written-off value. The entire proceeds will be booked as income in the period of receipt in accordance with the provisions of *AASB 116 – Property, Plant and Equipment*.

Note 12. Revision of economic life of plant and equipment

During the year the estimated economic life of the Collinsville power station was reassessed. The Board resolved to revise the assumptions used in the existing depreciation profile to match it with the economic benefits expected from the use of the assets of the power station.


Assuming that the assets are held for the remainder of their economic lives, depreciation in relation to this group of assets will be increased by approximately \$6.0m pa for the financial years ending 30 June 2011 to 30 June 2016.

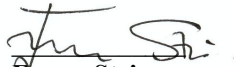
**Transfield Services Infrastructure Limited and controlled entities
Directors' declaration
for the half-year ended 31 December 2010**

In the Directors' opinion

- (a) the financial statements and notes set out on pages 7 to 17 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 2010 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 Infrastructure 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.


Peter Young
Director


Emma Stein
Director

Sydney
15 February 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Transfield Services Infrastructure Limited, which comprises the balance sheet as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for both Transfield Services Infrastructure Limited and Transfield Services Infrastructure Fund (the consolidated entity). The consolidated entity comprises both Transfield Services Infrastructure 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 2010 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 Infrastructure 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.

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.

**Independent auditor's review report to the members of
Transfield Services Infrastructure Limited (continued)**

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 Infrastructure 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 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



RL Gavin
Partner

Sydney
15 February 2011