

# Transfield Services Infrastructure Limited ACN 106 617 332

## Interim report for the half-year ended 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 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 2008**

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 2008.

**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
- Kate Spargo
- Peter Watson
- Anthony Shepherd
- Matthew Irwin (Alternate Director for Peter Watson)
- Kate Munnings (Alternate Director for Peter Watson)

**Review of operations**

Revenues for the period increased 20.9% to \$94.8M (2007: \$78.3M) predominantly as a result of the contribution of \$15.3M (2007: \$0.5M) from the wind farm portfolio which was purchased in December 2007. Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period increased 27.4% to \$54.9M (2007: \$43.1M). It is noted that EBITDA performance in the first half of the 2008 financial year included a one-off receipt of \$5M related to the assignment of Queensland Power Trading Corporation's rights and obligations under the Power Purchase agreement with Transfield Townsville Pty Limited.

A conservative approach to managing TSI Fund's financial position has been adopted and as a consequence of this and a number of operational variables the payment of a distribution of 5.0 cents per unit has been approved. This distribution is fully funded from operating cashflow.

Profit from ordinary activities after tax attributable to stapled security holders of TSI Fund reduced by 41% to \$8.6M (2008: \$14.6M). The reduction was predominantly a result of increased amortisation, depreciation and finance charges relating to the portfolio of assets and the absence of the \$3.5M after tax contribution of the receipt related to Townsville power station (\$5M pre tax). Profit from ordinary activities after tax attributable to members of the Company reduced by 119% to a loss of \$1.2M. In accordance with AASB Interpretation 1002 the results of entities not directly owned by Transfield Services Infrastructure Limited amounting to \$9.8M (2007: \$8.5M) are treated as minority interest. The minority interest holders are the unitholders of Transfield Services Infrastructure Trust who are the same persons as the shareholders of Transfield Services Infrastructure Limited.

The financial statements for the prior period to 31 December 2007 referenced above have been restated to include an increase in depreciation of Townsville power station by \$2.3M to account for an understatement of depreciation previously recognised in that period. The effect of the amendment has been to reduce the prior year comparable consolidated profit before tax by \$2.3M and prior year comparable consolidated profit after tax by \$1.6M. No adjustment was required to the prior comparable period's EBITDA.

**Distributions**

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Final distribution paid 17 September 2008	<b>(24,005)</b>	-
On 9 February 2009, the Directors approved a distribution of 5.0 cents per unit.		

**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 3.

**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**

  
**Kate Spargo**

**Director**  
9 February 2009

**Director**

## Auditor's Independence Declaration

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As lead auditor for the review of Transfield Services Infrastructure Limited for the half year ended 31 December 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 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  
9 February 2009

**Transfield Services Infrastructure Limited and its controlled entities**  
**Consolidated financial performance summary**  
**For the half-year ended 31 December 2008**

	31 December 2008 \$'000	31 December 2007 \$'000	% change
<b>Revenue</b>			
Operating revenue			
- Power stations	72,473	73,400	(1.3%)
- Wind farms	15,341	517	-
	<b>87,814</b>	73,917	18.8%
Other revenue			
- Power Stations	1,841	2,563	(28.2%)
- Water Filtration Plants	74	132	(43.9%)
- Wind Farms	83	-	-
Total segment revenue	1,998	2,695	(25.9%)
Corporate revenue	4,951	1,722	(187.5%)
	<b>94,763</b>	78,334	20.9%
<b>EBITDA</b>			
Power Stations	45,117	47,154	(4.3%)
Water Filtration Plants	2,237	2,194	2.0%
Wind Farms	12,672	193	-
Corporate costs	(5,110)	(6,450)	(20.8%)
	<b>54,916</b>	43,091	27.4%
<b>Depreciation and Amortisation</b>			
Power Stations	15,877	13,760	15.4%
Wind Farms	6,579	442	-
Corporate costs	1,850	-	-
	<b>24,306</b>	14,202	71.1%
<b>EBIT</b>			
Power Stations	29,240	33,394	(12.4%)
Water Filtration Plants	2,237	2,194	2.0%
Wind Farms	6,093	(249)	-
Corporate costs	(6,960)	(6,450)	7.9%
	<b>30,610</b>	28,889	6.0%
<b>Net interest expense / (received)</b>			
Power Stations	(5,215)	(5,681)	(8.2%)
Water Filtration Plants	(74)	(132)	(43.9%)
Wind Farms	(76)	367	-
Corporate costs	25,782	13,266	94.3%
	<b>20,417</b>	7,820	161.0%
<b>Profit before tax attributable to stapled security holders</b>			
Power Stations	34,455	39,075	11.8%
Water Filtration Plants	2,311	2,326	(0.6%)
Wind Farms	6,169	(616)	-
Corporate costs	(32,742)	(19,716)	66.0%
	<b>10,193</b>	21,069	(51.6%)
	Cents	Cents	
<b>Earnings per share</b>	(0.45)	2.3	(119.6%)
<b>Earnings per stapled security</b>	3.24	5.48	(40.9%)
<b>EBITDA per share</b>	20.6	16.2	27.4%

**Transfield Services Infrastructure Limited and its controlled entities**  
**Consolidated Income Statement**  
**For the half-year ended 31 December 2008**

	Note	2008 \$'000	2007 \$'000 (restated)
Revenue from continuing operations		94,763	78,334
Shares of net profits of associates and joint venture entities and partnerships accounted for using the equity method		3,762	5,112
Other income	2	951	5,000
Operating costs		(30,630)	(32,987)
Depreciation and amortisation expenses		(24,306)	(14,202)
Finance costs		(27,366)	(12,238)
Other expenses		(6,981)	(7,950)
<b>Profit before income tax expense</b>		<b>10,193</b>	<b>21,069</b>
Income tax expense		(1,559)	(6,442)
<b>Net profit attributable to stapled security holders of Transfield Services Infrastructure Fund</b>		<b>8,634</b>	<b>14,627</b>
Attributable to:			
Unitholders of Transfield Services Infrastructure Trust and shareholders of TSI International Limited (minority interest)		9,825	8,489
Profit /(loss) attributable to shareholders of Transfield Services Infrastructure Limited		(1,191)	6,138
<b>Net profit attributable to stapled securityholders of Transfield Services Infrastructure Fund</b>		<b>8,634</b>	<b>14,627</b>
<b>Earnings / (loss) per share for profit from continuing operations attributable to the ordinary shareholders of the company</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share	10	(0.45)	2.30
Diluted earnings / (loss) per share	10	(0.45)	2.30
<b>Earnings per stapled security for profit from continuing operations attributable to the ordinary securityholders of Transfield Services Infrastructure Fund</b>			
Basic earnings per stapled security		3.24	5.48
Diluted earnings per stapled security		3.24	5.48

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

**Transfield Services Infrastructure Limited and its controlled entities**  
**Consolidated balance sheet**  
**As at 31 December 2008**

	Note	31 December 2008 \$'000	30 June 2008 \$'000 (restated)
<b>Current assets</b>			
Cash and cash equivalents		14,719	18,970
Trade and other receivables		22,020	33,487
Inventories		12,188	10,194
Prepayments and other current assets		8,239	19,485
Derivative financial instruments		-	8,469
Total current assets		<u>57,166</u>	<u>90,605</u>
<b>Non-current assets</b>			
Receivables		44,947	37,090
Investments accounted for using the equity method		81,862	79,075
Available-for-sale financial assets		136,285	136,285
Property, plant and equipment		895,487	884,308
Intangible assets		197,943	199,861
Other		7,103	-
Derivative financial instruments		-	29,762
Total non-current assets		<u>1,363,627</u>	<u>1,366,381</u>
<b>Total assets</b>		<u>1,420,793</u>	<u>1,456,986</u>
<b>Current liabilities</b>			
Trade and other payables		29,362	30,355
Short term borrowings		51,873	64,350
Current tax liabilities		2,622	7,371
Derivative financial instruments		14,927	-
Total current liabilities		<u>98,784</u>	<u>102,076</u>
<b>Non-current liabilities</b>			
Long-term borrowings		737,714	708,404
Deferred tax liabilities		71,591	135,492
Provisions		3,026	2,969
Derivative financial instruments		181,494	-
Total non-current liabilities		<u>993,825</u>	<u>846,865</u>
<b>Total liabilities</b>		<u>1,092,609</u>	<u>948,941</u>
<b>Net assets</b>		<u>328,184</u>	<u>508,045</u>
<b>Equity</b>			
Contributed equity	3	130,716	130,951
Reserves	4	(133,332)	30,924
Retained profits	4	7,268	8,459
Parent entity interest		4,652	170,334
Minority interest (attributable to equity holders of Transfield Services Infrastructure Trust and TSI International Limited)	5	323,532	337,711
<b>Total equity</b>		<u>328,184</u>	<u>508,045</u>

*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 2008**

	<b>2008</b>	2007
	<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	<b>92,468</b>	90,736
Payments to suppliers, subcontractors and employees	<b>(49,151)</b>	(54,710)
	<b>43,317</b>	36,026
Dividends, distributions and net cash contributions from associates and joint venture partnerships	<b>4,118</b>	4,503
Investment income	-	55
Interest received	<b>4,418</b>	4,593
Income taxes paid	<b>(538)</b>	(6,039)
<b>Net cash inflow from operating activities</b>	<b>51,315</b>	39,138
<b>Cash flows from investing activities</b>		
Net cash outflow on purchase of controlled entities	-	(340,788)
Proceeds on disposal of property, plant and equipment	<b>8,038</b>	-
Payment for acquisition of property, plant and equipment	<b>(27,543)</b>	(12,461)
Redemption of loan notes	-	2,119
<b>Net cash outflow from investing activities</b>	<b>(19,505)</b>	(351,130)
<b>Cash flows from financing activities</b>		
Proceeds from corporate borrowing facility	<b>15,310</b>	124,104
Proceeds from bridging debt facility	-	220,439
Finance costs paid	<b>(27,366)</b>	(1,568)
Distribution paid	<b>(24,005)</b>	-
<b>Net cash (outflow) / inflow from financing activities</b>	<b>(36,061)</b>	342,975
<b>Net (decrease) / increase in cash held</b>	<b>(4,251)</b>	30,983
Cash at the beginning of the reporting period	<b>18,970</b>	22,004
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>14,719</b>	52,987

*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 2008**

	<b>2008</b>	2007
	<b>\$'000</b>	\$'000
		(restated)
<b>Total equity at the beginning of the half-year as previously stated</b>	<b>510,236</b>	498,341
Restatement of comparative information in accordance with AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (Note 7)	<b>(2,190)</b>	-
<b>Total equity at the beginning of the half-year as restated</b>	<b>508,046</b>	498,341
Change in fair value of cash flow hedge (net of tax)	<b>(164,256)</b>	4,990
Release of deferred tax asset on capitalised float costs	<b>(235)</b>	(716)
<b>Net income / (loss) recognised directly in equity</b>	<b>(164,491)</b>	4,274
<b>Profit for the half-year</b>	<b>8,634</b>	14,627
<b>Total recognised income and expense for the half -year</b>	<b>(155,857)</b>	18,901
<b>Transactions with equity holders in their capacity as equity holders</b>		
Distributions	<b>(24,005)</b>	-
<b>Total equity at the end of the half-year</b>	<b>328,184</b>	517,242
Total recognised income for the half-year is attributable to:		
Shareholders of Transfield Services Infrastructure Limited	<b>(165,682)</b>	10,412
Unitholders of Transfield Services Infrastructure Trust and shareholders of TSI International Limited	<b>9,825</b>	8,489
	<b>(155,857)</b>	18,901

*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 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 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 minority 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) Going concern**

On 31 December 2008, the Group's current liabilities exceeded its current assets by \$41,618,000. This is a result of the classification of \$14,927,000 of derivative liabilities, for which no cash outlay is required, as current, the accrual for capital expenditure of \$10,164,000 at 31 December 2008 for which payment was made in January 2009 and the classification of \$24,873,000 of "at call" loans from associates as current.

The Group remains able to pay its debts as they fall due.

**Note 2. Other income**

	<b>Half-year</b>	
	<b>2008</b>	2007
	<b>\$'000</b>	\$'000
Profit on disposal of property, plant and equipment	821	-
Assignment of rights and obligations under the Power Purchase Agreement with Transfield Townsville Pty Limited	-	5,000
Other	130	-
	<u>951</u>	<u>5,000</u>

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

**Note 3. Contributed equity**

	<b>31 December 2008</b>	30 June 2008
	<b>\$'000</b>	\$'000
Ordinary shares – fully paid	<b>130,716</b>	130,951

**Movements in ordinary share capital:**

<b>Date</b>	<b>Details</b>	<b>Number of shares issued</b>	<b>Price per share \$</b>	<b>\$000</b>
1 July 2007	Opening balance	266,725,000	-	<b>131,476</b>
30 June 2008	Release of deferred tax asset on float costs	-	-	<b>(459)</b>
30 June 2008	Transaction costs (net of tax)	-	-	<b>(66)</b>
		<u>266,725,000</u>	-	<u><b>130,951</b></u>
31 December 2008	Release of deferred tax asset on float costs	-	-	<b>(235)</b>
31 December 2008		<u>266,725,000</u>		<u><b>130,716</b></u>

**a) 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.

**b) Stapling**

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).

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

**Note 4. Reserves and retained profits**

	<b>31 December 2008 \$000</b>	30 June 2008 \$000
<b>(a) Reserves</b>		
Hedging reserve – cash flow hedges	(137,672)	26,584
Available-for-sale investments	4,340	4,340
	<u>(133,332)</u>	<u>30,924</u>

**Movements:**

*Hedging reserve - cash flow hedges (interest rate swaps)*

Balance at beginning of the period	26,584	14,413
Cash flow hedge revaluation (gross)	(234,652)	17,464
Deferred tax	70,396	(5,293)
Balance at end of the period	<u>(137,672)</u>	<u>26,584</u>

*Available-for-sale investments revaluation reserve*

Balance at beginning of the period	4,340	4,340
Revaluation (gross)	-	-
Deferred tax	-	-
Balance at end of the period	<u>4,340</u>	<u>4,340</u>

**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) Retained profits**

	<b>31 December 2008 \$000</b>	30 June 2008 \$000 (Restated)
Retained profits/(accumulated losses) at the beginning of the period	8,459	3,130
Net profit attributable to shareholders of Transfield Services Infrastructure Limited	(1,191)	5,329
Balance at the end of the period	<u>7,268</u>	<u>8,459</u>

**Note 5. Minority interest**

Balance at beginning of the period	337,711	344,982
Equity contribution, net of transaction costs and tax	-	(112)
Net profit attributable to unitholders of Transfield Services Infrastructure Trust and shareholders of TSI International Limited	9,825	18,180
Distribution paid	(24,005)	(25,339)
Balance at end of the period	<u>323,531</u>	<u>337,711</u>

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

**Note 6. Distributions**

	Half-year	
	2008 \$'000	2007 \$'000
Distributions provided for or paid during the half year	24,005	-

Since the end of the half-year the Directors of TSI Fund have recommended the payment of an interim distribution of 5.0 cents per stapled security. The aggregate amount of the proposed interim distribution expected to be paid on 31 March 2009 but not recognised as a liability at the end of the half year is \$13,336,250.

**Distribution Reinvestment Plan (DRP)**

Transfield Services Infrastructure Fund has introduced a DRP effective from the interim distribution for 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 13 March 2009 (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 in the DRP was 30 January 2009.

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 10. 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. Restatement of comparative information**

**Correction of depreciation disclosed in the corresponding comparative period**

The comparative financial information for the half-year ended 31 December 2007 has been restated to include an increase in the depreciation of Townsville power station. The effect of this amendment to depreciation is that depreciation and amortisation costs previously reported for the half-year ended 31 December 2007 was understated by \$2,274,000 (2007: \$3,127,000) the consolidated liability for deferred taxation and consolidated total liabilities by \$682,000 (30 June 2008 : \$938,000), and consolidated retained profits and consolidated equity by \$1,592,000 (30 June 2008: \$2,189,000) as at 31 December 2007. The error also had the effect of overstating consolidated profit before income tax by \$2,274,000 (30 June 2008: \$3,127,000), consolidated income tax expense by \$682,000 (30 June 2008: \$938,000) and consolidated profit after income tax by \$1,592,000 (30 June 2008: \$2,189,000) for the half year ended 31 December 2007.

By restating each of the financial statement lines for the prior year, as described above, the financial information for the comparative period has been corrected.

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 0.60 cents per share.

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

**Note 8. Segment information**

**Primary reporting – business segments**

	Power Stations \$'000	Water Filtration Plant \$'000	Wind Farms \$'000	Consolidated result \$'000
<b>Half year ended 31 December 2008</b>				
Total sales revenue to external customers	72,473	-	15,341	87,814
Other revenue	1,841	74	83	1,998
Revenue from operating activities	<u>74,314</u>	<u>74</u>	<u>15,424</u>	<u>89,812</u>
Other income	44	-	907	951
Share of net profits from associates and JV's	1,524	2,237	-	3,761
Total	<u>75,882</u>	<u>2,311</u>	<u>16,331</u>	<u>94,524</u>
Segment result	<u>34,455</u>	<u>2,311</u>	<u>6,169</u>	42,935
Unallocated revenue less unallocated expenses				<u>(32,742)</u>
Profit from ordinary activities before income tax				10,193
Income tax expense				<u>(1,559)</u>
Profit from ordinary activities after income tax				<u>8,634</u>
Segment assets	<u>959,580</u>	<u>53,697</u>	<u>381,240</u>	1,394,517
Unallocated assets				<u>26,276</u>
Total assets				<u>1,420,793</u>
Segment liabilities	<u>122,603</u>	<u>24,873</u>	<u>47,143</u>	194,619
Unallocated liabilities				<u>897,990</u>
Total liabilities				<u>1,092,609</u>
Investment in joint venture and associates included in segment assets	28,165	53,697	-	81,862
Available for sale financial assets	136,285	-	-	136,285
Depreciation and amortisation	15,877	-	6,579	22,456

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

**Note 8. Segment information (continued)**

	<b>Power Stations \$'000 (restated)</b>	<b>Water Filtration Plant \$'000</b>	<b>Wind Farms \$'000</b>	<b>Consolidated result \$'000 (restated)</b>
<b>Half year ended 31 December 2007</b>				
Total sales revenue to external customers	73,400	-	517	73,917
Other revenue	2,563	132	-	2,695
Revenue from operating activities	75,963	132	517	76,612
Other income	5,000	-	-	5,000
Share of net profits from associates and JV's	2,918	2,194	-	5,112
Total	83,881	2,326	517	86,724
Segment result	39,075	2,326	(616)	40,785
Unallocated revenue less unallocated expenses				(19,716)
Profit from ordinary activities before income tax				21,069
Income tax expense				(6,442)
Profit from ordinary activities after income tax				14,627
Segment assets	950,130	49,036	397,088	1,396,254
Unallocated assets	-	-	-	87,897
Total assets				1,484,151
Segment liabilities	117,218	21,753	278,532	417,503
Unallocated liabilities				549,405
Total liabilities				966,908
Investment in joint venture and associates included in segment assets	28,792	48,904	-	77,696
Available for sale financial assets	136,285	-	-	136,285
Depreciation and amortisation	13,760	-	442	14,202

**Description of segments**

(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 Mt Millar, Starfish Hill, Windy Hill and Toora wind farms.

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

**Note 9. Contingent liabilities**

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

	<b>31 December 2008 \$'000</b>	30 June 2008 \$'000
Letters of credit	3,340	8,300

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 10. Earnings per share**

	<b>Half-year</b>	
	<b>2008 cents</b>	2007 Cents (restated note 7)
Basic (loss) / earnings per share	<b>(0.45)</b>	2.30
Diluted (loss) / earnings per share	<b>(0.45)</b>	2.30
Weighted average number of shares used as denominator (both basic and diluted earnings per share)	<b>266,725,000</b>	266,725,000

**Note 11. Business combinations**

There were no business combinations during the period 1 July 2008 to 31 December 2008.

**Changes to provisional fair values**

	<b>Total \$'000</b>
Goodwill provisionally recognised at 30 June 2008	61,128
Adjustment to fair values:	
Property, plant and equipment	(2,010)
Deferred tax liability	2,247
Goodwill	<u>61,365</u>

The increase in goodwill is a result of the finalisation of the valuation of the assets and liabilities relating to the wind farm portfolio.

**Note 12. Events occurring after balance date**

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

**(a) Distributions**

Since the end of the half-year the Directors of TSI Fund have recommended the payment of an interim distribution of 5.0 cents per stapled security. The aggregate amount of the proposed interim distribution expected to be paid on 31 March 2009 but not recognised as a liability at the end of the half year is \$13,336,250.

**Transfield Services Infrastructure Limited and controlled entities**  
**Directors' declaration**  
**For the half-year ended 31 December 2008**

In the Directors' opinion

- (a) the financial statements and notes set out on pages 5 to 15 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 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

  
Kate Spargo

9 February 2009  
Sydney

**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 (the company), 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 both Transfield Services Infrastructure Limited and Transfield Services Infrastructure Fund (the consolidated entity). The consolidated entity comprises both 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 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.

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 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 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



RL Gavin  
Partner

Sydney  
9 February 2009