Transfield Services Limited

ABN 69 000 484 417

Appendix 4D and half-year report
31 December 2013

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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 2013 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*.

All comparisons are to the previous corresponding period of H1 FY2013 – the 6 months ended 31 December 2012, unless otherwise indicated.

Certain figures provided in this document have been rounded. In some cases, totals and percentages have been calculated from information that has not been rounded, hence some columns in tables may not add exactly.

Appendix 4D

Six months ended 31 December 2013

Name of entity

Transfield Services Limited	ABN : 69 000 484 417

Financial period	31 December 2013
Previous corresponding	31 December 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2013 $'m	(Restated) December 2012 $'m	Movement %
Revenues from continuing ordinary activities	1,810.2	1,859.3	(2.6%)
Profit/(loss) from continuing operations	16.6	(238.2)	107.0%
Profit/(loss) for the period	4.8	(246.8)	101.9%
Profit/(loss) for the period attributable to members	4.6	(246.7)	101.9%

DIVIDENDS

No dividends were declared or paid during the period (2012: $15,302,000 declared and $46,255,000 paid).

	December 2013	(Restated) June 2013
Net asset backing per share	$1.45	$1.41
Net tangible asset backing per share	$0.35	$0.32

The remainder of the information requiring disclosure to comply with listing rule 4.2A is contained in the attached Directors' Report and financial report for the half-year ended 31 December 2013 and the separately lodged ASX release.

Prior year comparative information has been restated as a result of the adoption of AASB 11 Joint Arrangements as set out in Note 2(a) and for the presentation of discontinued operations as set out in Note 6 of the financial statements.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

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IMPORTANT NOTE: Throughout this document non-IFRS financial indicators are included to assist with understanding the Company's performance. A reconciliation of non-IFRS to IFRS information is included on page 18. This document has not been subject to review or audit by the Company's external auditors.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Highlights

The key achievements of the first half of FY2014 are:

- Total Recordable Injury Frequency Rate (TRIFR) trended down in most areas, demonstrating continuing focus on safety performance
- Margins maintained in challenging environment
- Delivery of additional cost reduction initiatives
- Underlying EBIT* of $26.5 million in line with prior period
- Underlying NPAT pre amortisation* increased year on year
- Contracted revenue at $9.8 billion (including the recently announced Immigration contract), up on prior period
- Increase in quality and size of contract pipeline including preferred bidder status on $2.8bn of work
- Cash conversion of 72 percent excluding normalisation of trade creditors
- Attained target debtor days of 45 days
- Quality of balance sheet has improved, total funding (total creditors plus net debt) significantly lower
- Disposal of TWNZ joint venture, TES in Abu Dhabi and TMFMS in Qatar and other balance sheet initiatives such as disposal of surplus assets and sale and leaseback of vehicles and equipment
- Easternwell rig funding vehicle finalised to support future expansion with lower capital requirements
- Enterprise Resource Planning (ERP) stabilisation phase completed and preparations for the final phase of the implementation underway
- Commitments on reduced capital expenditure delivered
- Current portion of committed bank debt facility extended for an additional 2 years

The focus for the second half of FY2014 will be to:

- Convert preferred bidder status engagements and submitted tenders into confirmed wins to generate above average margins and secure H2 FY2014 and FY2015 revenues
- Deliver savings from H1 FY2014 cost initiatives to reduce the Company's cost base
- Implement changes to operating model to secure full year benefits and savings in FY2015 and beyond
- Mobilise for completion of ERP rollout (last deployment scheduled to commence in July 2014)
- Reduce net debt and continued normalisation of trade creditors
- Re-finance December 2014 debt maturities and review of funding strategy
- Dispose of the Company's Hofincons operations in India for fair value
- Review opportunities for further asset and portfolio rationalisation

*** A reconciliation of non-IFRS measures above has been included on page 18.**

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Management review of company performance

	Reported		Proportionally consolidated	
For the 6 months ended 31 Dec (A$ millions)	H1 FY2014	H1 FY2013	H1 FY2014	H1 FY2013
Operating Revenue*	1,790.1	1,832.1	2,071.9	2,108.3
Underlying EBITDA*	74.4	79.8	81.8	88.4
Underlying EBITDA Margin	4.2%	4.4%	4.0%	4.2%
Underlying EBIT*	26.5	27.0	n/a	n/a
Underlying NPAT pre amortisation*	9.9	6.7	n/a	n/a

FINANCIAL RESULTS

All numbers in the text below are statutory unless otherwise stated.

- H1 FY2014 Revenue was down 2 percent compared to H1 FY2013 driven by $143 million of revenue from new contracts and $83 million of increased revenue in existing contracts, offset by $268 million of contracts completed
- Underlying EBITDA of $74.4 million, down 7 percent compared to H1 FY2013 with core business in line with expectations considering known roll-off of several contracts
- Proportionately consolidated EBITDA margins of 4.0 percent maintained compared to prior period despite challenging operating environment. This highlights the value of a diverse contract order book across multiple sectors and geographies
- Underlying EBIT of $26.5 million, also in line with prior period
- Underlying NPAT pre amortisation of $9.9 million up from $6.7 million on H1 FY2013
- Statutory NPAT of $4.8 million compared to a loss of $(246.8) million in H1 FY2013 due to prior year impairments
- EBITDA cash conversion of -61 percent due to normalisation of trade creditors, with underlying cash conversion (excluding the one-off movement in trade creditors and restructuring costs) of 72 percent.
- Net Debt of $639 million, $91 million higher than 30 June 2013 - primarily due to efforts to reduce unsustainable level of trade creditors
- Strong capital discipline evidenced by 44 percent reduction in capital expenditure to $50 million in H1 FY2014
- No interim dividend

The above H1 FY2014 results represent a solid performance in difficult conditions, and are largely in line with the Company's expectations going into the half.

Cost initiatives

The Company has continued its cost reduction program, and incurred an additional $7.9 million of restructuring costs in H1 FY2014. This was $1.6 million greater than the $6.3 million of restructuring costs forecast in the Company's previous guidance statement for FY2014.

The benefit of these cost initiatives will accrue in H2 FY2014 and management expects restructuring, cost containment and reduction initiatives to continue for the foreseeable future. This significant effort and investment to reset the cost base will enable the Company to continue to secure business while protecting and improving margins over the medium term.

Additional restructuring costs and subsequent efficiency and effectiveness benefits are also expected in H2 FY2014 as the Company implements the changes to its operating model.

Revenue and pipeline

The Infrastructure ANZ business contributed 61 percent of H1 FY2014 revenue, followed by Resources & Energy ANZ with 26 percent and the Americas with 13 percent. Revenue from the mining sector continues to account for less than 5 percent of the Company's revenue.

The Company's total contracted revenue (i.e. order book) at 31 December 2013 was $8.6 billion. However adding the $1.2 billion Immigration contract awarded in February 2014, the total contracted revenue increases to $9.8 billion, up 3 percent from 30 June 2013. This movement in contracted revenue was attributable to $2.0 billion of contracts won (at an average pre corporate allocation margin of 8.2 percent) and $1.7 billion of expired contracts (at an average pre corporate allocation margin of 6.8 percent). This demonstrates the improvements in the Company's pipeline assessment process and conversion success rate of quality contracts, with no material movement in bid costs (either capitalised or written off).

* A reconciliation of non-IFRS measures above has been included on page 18.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Management review of company performance (continued)

Across the Company's total contracted revenue, contract types are in line with prior period with the exception of an increase in lump sum contracts (from 1 percent to 4 percent of total contracted revenue) due to additional work on the NBN project. Lump sum (design and construct) contracts remain a minor part of the Company's order book.

Along with the increase in contracted revenue during the 6 month period, the total pipeline has increased from $25 billion at 30 June 2013 to $28 billion at 31 December 2013, largely driven by opportunities in the Defence and Immigration sectors within the Infrastructure ANZ business. Importantly, pipeline margins have improved from 6.8 percent at 30 June 2013 to 7.5 percent at 31 December 2013.

The pipeline includes $2.8 billion of contracts where the Company has been selected as preferred or sole bidder. Although only some of these contracts will contribute in FY2014, the Company expects to announce the outcomes of these bids before 30 June 2014.

Safety focus

The Company has continued to develop its safety culture and simplify its systems. The focus on safety culture will be augmented through the use of the Global Safety Index tool in the second part of the year. Lagging indicator TRIFR has reduced by 17percent to 5.86 injuries per million hours worked.

Business turn around

The Managing Director and Chief Executive Officer, Graeme Hunt and the Executive team are leading a significant transformation program using a project management approach. The following initiatives have been satisfactorily progressed:

- Significant change to the Company's operating model to extract cost savings, streamline service delivery and improve effectiveness
- Continued portfolio rationalisation and simplification
- Upgrade of the Company's ERP system, covering operational reporting and planning, plus all back-office and support services
- Revamp of the tender review process, installing a 5 Step Gate Review Process
- Re-focusing of the Company's approach to business development and contract / pipeline management
- Centralisation and off-shoring of repetitive and administrative processes
- Focus on cash flow and return on capital employed as the key metrics for business decisions and operational performance reviews, as well as increased attention to balance sheet health, including debt levels and working capital
- New approach to planning, budgeting and forecasting, focusing across short, medium and long-term time horizons to ensure the sustainability of the business

Asset disposal program

As announced in February 2013, the Company is pursuing an active non-core asset divestment program over the next 12 to 24 months. During H1 FY2014, the Company successfully disposed of the TWNZ joint venture as well as investments in the U.A.E. and Qatar. The Company continues to seek to dispose of its Indian operations Hofincons, as well as the investment in RACL, both of which have been previously highlighted as being non-core and available for sale.

The Company finalised the Easternwell rig funding joint venture during the period. In H1 FY2014, this initiative released $6 million of capital spent in the prior financial year relating to the part payment of 2 energy rigs.

In addition, circa $30 million of cash was liberated via disposal of surplus assets and sale and leaseback transactions of contract related vehicles, plant and equipment with no negative impact to earnings.

Working capital

The Company's net working capital increased $114 million since 30 June 2013. This was attributable to a large reduction in trade and other payables of $194 million. The movement was comprised of a reduction in trade creditors of $91 million, unwind in unearned revenue (primarily up front client payments) of $30 million and reduction in other payables of $73 million.

Reducing reliance on debt remains a prime short term focus and the Company is committed to moving towards an optimal capital structure in a considered and sustainable manner. Finding an appropriate balance of funding between debt and working capital has resulted in a deliberate decision by the Company to normalise trade creditors during the period. Trade creditor days have fallen to 46 days at H1 FY2014 compared to 66 days at 30 June 2013.

Excluding this movement in trade and other payables, the Company's working capital has improved in H1 FY2014 by $80 million. This reduction was primarily driven by a reduction in trade debtors collections of $84 million where debtor days have fallen to 45 days from 51 days at 30 June 2013. This has been the result of the Company increasing its efforts to enforce payment terms with customers and recover overdue amounts.

While inventories and work in progress have slightly increased period on period, there has been a decrease of $36 million from the peak levels experienced in August 2013.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Management review of company performance (continued)

Operating cash flow and cash conversion

The Company reported an operating cash flow before interest and tax payments of –$46 million which represents a cash conversion of EBITDA of –61 percent.

Excluding the movement in trade creditors and restructuring costs, the Company's underlying operating cash flows at H1 FY2014 were $54 million, representing a cash conversion of EBITDA of 72 percent, compared to 83 percent in the prior period.

The Company targets EBITDA cash conversion of 100 percent and the primary reason for the lower than target H1 FY2014 result was the $30 million unwind of unearned revenue (up front client payments) where cash was received in the prior financial year but the costs were incurred in the current year. This negative movement occurs every half year and is simply a timing difference between periods.

Capital expenditure

Capital expenditure in H1 FY2014 was $50.0 million, a reduction of $39.9 million from H1 FY2013.

Of this amount, $15.8 million related to the ERP system upgrade (Project Quantum) including direct costs, capitalised interest and capitalised employee labour costs During H1 FY2014, the Company paused the Project Quantum rollout while key processes and procedures are confirmed and verified as being fit for purpose. The Company expects the remainder of the rollout to occur in FY2015. The Infrastructure ANZ business represents the bulk of future Project Quantum focus as the other Regions are now largely implemented and deployed.

The remainder of the Company's capital expenditure for H1 FY2014 comprises approximately $21.8 million for maintenance capital expenditure, $11.5 million for growth capital expenditure (spread across the 3 Regions) and $0.9 million for the Company's contribution into the Easternwell rig funding joint venture.

Net debt and liquidity

The Company's net debt was $91 million higher than 30 June 2013. This is primarily due to efforts to normalise trade creditor balances. Compared to H1 FY2013, net debt was $2 million lower.

The quality of the Company's balance sheet has improved. This is demonstrated by comparing total funding (total creditors plus net debt) at H1 FY2014 of $1,117 million to total funding at FY2013 of $1,221 million and at H1 FY2013 of $1,148 million. This represents a reduction in total funding of $104 million and $31 million respectively.

At H1 FY2014, the Company had access to $236 million of committed but unutilised debt funding facilities. The next major debt maturity is December 2014 for $272 million. The Company expects to address this debt maturity prior to the end of FY2014.

Dividend

No interim dividend has been declared for H1 FY2014.

Operating model

Today, the Company announced changes to its operating model which will have a significant impact on the way the business is managed going forward. The previous Regional structure will be replaced by sector and service management teams.

From FY2015 onwards, the business will be managed through the following key sectors: Defence and Social Services, Infrastructure and Property, and Resources and Industrial. This will facilitate greater market sector focus, strategic positioning, revenue growth and account management.

In addition, the business will engage service delivery leads to protect and grow margins through achieving greater operating efficiency, improved contract execution and best practice transition between services. The individual delivery lines will be Operations and Maintenance, Facilities Management, Drilling, and Consulting, Engineering and Construction.

It is expected that this change will drive revenue and margin growth by enabling a stronger understanding of key sectors, deeper customer knowledge, and be able to shape attractive commercial propositions that de-emphasise responding to commoditised bid paradigms.

Changes to the operating model will materially reduce the Company's overhead costs by effectively removing the majority of Regional overhead burden, and will create a more efficient governance and support services model based on a user-pays approach.

It is expected that changes to the operating model will take 6 months to implement, and as such material benefits in FY2014 are not anticipated.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Strategy update and outlook

The Company's strategic focus remains on delivering high value, integrated and non-discretionary services, aligned with its clients' production related activities, in sectors with sustainable, long term growth such as infrastructure, energy and resources.

To do this effectively and efficiently, while creating value for customers, shareholders and other stakeholders, the Company is:

- Improving its execution capability and implementing a culture of accountability
- Strengthening risk management processes with new contract bidding process implemented
- Enhancing business development capabilities with a sharper focus on working with the right clients, the strategic fit of new work in sustainable markets, operating in sectors where the Company has proven competency, and where the Company has the edge to win new business
- Changing and up-skilling people
- Reducing the total cost of service delivery
- Strengthening its systems and improving visibility with the ERP system now progressively deploying across the business and already delivering results
- Maintaining tight control on capital usage and ROCE metrics

Following the detailed portfolio review undertaken in FY2013, the Company identified the sectors that it intends to target. These include:

- Defence and Social Services
- Infrastructure and Property
- Resources and Industrial

The Company's strategy is to offer full asset life cycle services across these sectors from early stage engagement through consulting, design and feasibility services, during the development stage with construction, commissioning and drilling services, onto the asset production stage via operations, turnarounds, facilities maintenance and logistics, and finally remediation and decommissioning to retire assets.

From a geographical perspective, the Company is focused on servicing and winning contracts within its existing footprint, being Australasia and the Americas.

Management changes

During the period the leadership team underwent further renewal with the following changes:

- Vincent Nicoletti commenced as Chief Financial Officer in August 2013, replacing Tiernan O'Rourke
- Stephen Phillips' role as Chief Information Officer was expanded to include Business Support Services on the resignation of Elizabeth Hunter in September 2013
- Nicholas Yates, Chief Executive of the Infrastructure ANZ business resigned effective February 2014

During H1 FY2014, the following changes were made to the composition of the Company's Board of Directors:

- In October 2013, Tony Shepherd resigned as Chairman, and was replaced by Diane Smith-Gander. Diane has been a non-executive director since October 2010
- In October 2013, Katherine Hirschfeld and Dean Pritchard joined the Board as non-executive directors

H2 FY2014 outlook

Australia and New Zealand

Activity levels leading into H2 FY2014 have remained subdued and broadly consistent with H1 FY2014. Overall, H2 FY2014 activity levels are expected to be similar to H1 FY2014, but with the return of more positive momentum expected in the final quarter of the financial year. In part, this also reflects the Company's known exposure to earnings and associated cash flows that are skewed to the second half. This is similar to previous periods.

Looking at key end-markets, the Company expects:

Steady growth in the short term from Coal Seam Gas (CSG) and upstream oil and gas in the lead-up to the global Liquefied Natural Gas (LNG) sector moving away from development and commissioning and into a clear operating phase from FY2015 onwards.

Growth is to continue in Property and Asset Services as a result of identified outsourcing opportunities, particularly with the Australian Commonwealth Government, despite general weakness in Infrastructure ANZ operations and maintenance margins in some sectors.

Mining and process industries to remain under pressure in general, especially in exploration, but with improving production related demand expected through FY2014 and into FY2015.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Strategy update and outlook (continued)

New contract opportunities realised in H1 FY2014 were limited due to the deferral of some larger contracts during the period, such as the slowdown of the NBN rollout program. This was partly due the change in Federal Government but also a general reduction in expenditure across our client base. Some of these contracts, particularly in the Property and Asset Services sector, appear to be coming to market in calendar year 2014, with expected contribution to earnings commencing in FY2015.

Whilst recent client activity indicates stabilising demand, levels of competitive tension and customer cost focus remains high.

Americas

Market dynamics continue to be strong in the upstream Oil and Gas sector, with significant demand continuing in North Dakota (Williston basin), California and the Gulf Coast. Downstream customers remain price focused but there are positive signs of a shift back towards value.

Notwithstanding a number of challenged contracts in its existing Roads business in the Americas, the Company believes that there are Public and Private Partnership opportunities available. Although timing remains uncertain, these projects potentially represent higher margin growth opportunities for the roads maintenance business over the medium term.

The Company remains optimistic with the Chilean economic environment as it looks to rebuild its minerals operations and maintenance business.

FY2014 guidance

The FY2014 guidance provided to the market at the last reporting period was NPAT pre amortisation in the range of $65 to $70 million, which included restructuring costs of $6.3 million. Despite the macro-level business environment remaining challenging, which will tend to limit revenue growth in the second half of FY2014, the Company confirms NPAT pre-amortisation in the range of $65 million to $70 million. It should be noted that the Company has already expensed $7.9 million of restructuring costs in H1 FY2014.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Management review by region

INFRASTRUCTURE ANZ (61 PERCENT OF COMPANY REVENUE)

	Reported		Proportionally consolidated	
For the 6 months ended 31 Dec (A$ millions)	**H1 FY2014**	**H1 FY2013**	**H1 FY2014**	**H1 FY2013**
Operating Revenue	1,085.3	1,136.6	1,117.8	1,182.1
Underlying EBITDA	45.9	51.8	45.9	51.7
Underlying EBITDA Margin	4.2%	4.6%	4.1%	4.4%
Underlying EBIT	31.2	36.4	n/a	n/a

H1 FY2014 overview

During the period, the Infrastructure ANZ business delivered a solid operating result in line with the Company's expectations, with proportionately consolidated revenue and margins largely consistent with the prior corresponding period, despite the tough economic climate.

Reported EBITDA of $45.9 million was down 11 percent year on year primarily due to contracts with Sydney Water, Melbourne Water and ARTC Rail coming to an end.

These contract losses were partially offset by positive results in other contracts, in particular

- Strong performance in the Nauru Regional Processing Centre contract during the period
- Solid performance in the Defence Services contracts, which delivered an EBITDA increase from the comparative period, including the commencement of work on the $240 million Land Materiel Maintenance (LMM) contract during the period
- Increases in revenue reported in the Harbour City Ferries joint venture and the New Zealand Telecommunications contracts
- Increased volumes in the Roads Australia Citylink and Eastlink contracts

Reported EBIT was down 16 percent on prior year.

Contracted revenue was up by 19 percent due to wins and renewals of $1.5 billion, offset by the conclusion of $0.6 billion of contracts.

Cash generation within the Infrastructure ANZ business was strong, with low working capital requirements and strong debtor collections. Debtors days at H1 FY2014 were 33 days.

Safety improved in the period, with improvements in both the LTIFR and TRIFR.

H2 FY2014 outlook

Although the economic climate remains challenging, the outlook for the Infrastructure ANZ business remains strong across all sectors, particularly in the areas of Immigration and Defence.

A number of new outsourced opportunities are likely to come to market as public and private sector clients look for ways to drive efficiency. The Infrastructure ANZ business is well positioned to secure a portion of this work.

H2 FY2014 will also see the full impact of cost efficiencies implemented in the Infrastructure ANZ business during calendar year 2013, which includes procurement savings as well as site and head-office headcount reductions.

Sector analysis

Property and Asset Services

The Property and Asset Services sector revenue stream is diversified across a variety of federal, state and local government clients in addition to blue chip industrials.

The Property and Asset Services sector delivered growth in both revenue and EBITDA, driven by the strong performance of the Nauru Regional Processing Centre contract. In addition, the business won 2 construction contracts and a staff accommodation management contract at Nauru during the period.

The existing Defence Services contracts continued to perform well, returning consistent year on year EBITDA margins. The LMM contract commenced during the period and has made a solid contribution to both revenue and EBITDA.

The diversified Facilities Management contracts maintained predictable returns during the period, generally on increased revenues.

Management review by region – Infrastructure ANZ (continued)

Contracts won during the period include:

- 2-year contract with Queensland Health to provide asset and building maintenance at the Gold Coast University Hospital
- 5-year vehicle recovery contract for the Department of Defence
- 1 year extension with the Western Australian Department of Housing to continue to manage the repairs and maintenance of the Department's public housing in Perth
- 2-year contract extension with Telstra Land and Building (L&B) contract to provide design, construct and project management services to Telstra's mission critical network assets
- Extension to the Amcor facilities management contract

Contracts won subsequent to the period end include:

- 20 month contract with the Department of Immigration and Border Protection, to provide Garrison and Welfare Services at offshore processing facilities in Nauru and Manus Island.

The outlook for H2 FY2014 remains positive across the government industries and niche business opportunities continue to develop. Furthermore, additional opportunities exist in the Immigration, Defence, Housing and facilities management industries.

Transport

The Roads business exceeded expectations for the half year, with above forecast results in revenue and EBITDA. In Australia, the scope of works includes operation and maintenance of all civil, mechanical and electrical assets on major Sydney, Melbourne and Brisbane road networks. In New Zealand, the scope of works includes maintenance on road networks and minor civil construction projects.

The Rail business delivered a lower result year on year mainly due to the completion of the ARTC maintenance contract, which was insourced by the client in March 2013. The Rail business has continued to work in its more traditional markets, securing project works with a range of clients, and is also focused on securing new work in emergent rail outsource markets in New South Wales, Queensland and Victoria. Alliances with complementary delivery and technology partners are also in development.

In Public Transport, the Harbour City Ferries joint venture achieved solid growth during the first half, with increased revenues and EBITDA. The positive start to this contract continued throughout the period, with service reliability and on-time rates exceeding contractual obligations.

The Adelaide Buses contract financial performance continues to improve, following a material restructure to routes, and is on track to meet its financial and customer service expectations over the contract life. The remediation of this contract evidences the Company's ability to effectively negotiate with clients, and at the same time identify efficiency benefits within existing processes to improve the profitability of contracts.

During H1 FY2014, the Transport sector announced:

- Increased market share in the Australian toll roads and tunnels sector, securing contracts for the Hills M2 Motorway and Lane Cove Tunnel in Sydney, New South Wales
- Several contract wins, renewals and extensions, including the Queensland Motorways maintenance contract and the Whakatane Council roads maintenance contract

Looking forward to H2 FY2014 the Transport business' focus is on continued performance improvements and the pursuit of growth opportunities, underpinned by increased outsourcing as state governments seek cost efficiencies.

Utilities

The Water business experienced declines in revenues and EBITDA for the first half, driven by the conclusion of the Sydney Water and Melbourne Water contracts. Delivery remained strong in water treatment and recycling projects as the South East Water and Mackay Queensland contracts performed well against plan. The Water business continues to deliver a wide range of services, including operations and maintenance, capital renewal, critical asset reviews and maintenance optimisation projects for varied customers in Australia and New Zealand.

The Electrical Services business also experienced declining revenue, as volumes reduced on key contracts with Western Power in Australia and Transpower in New Zealand. The Transmission business has grown and the Distribution maintenance business has been restructured to respond to the changing commercial environment in the sector. The electrical contracting business is targeting core delivery opportunities with growing success.

During the period, the Utilities business announced several contract renewals and extensions including:

- A 3 year extension for the ASC maintenance contract
- A 3 year contract with Centennial Coal for the operations and maintenance of the Cooranbong, Myuna and Delta Coal Handling and Preparation Plants
- A 2 year extension with Delta Electricity for the operations and maintenance of the Wyee Rail Unloader at the Vales Point Power Station

Significant opportunities remain in the Water and Electrical Services businesses, particularly in the areas of maintenance and minor capital works. The business is focusing on outsourced operations and maintenance opportunities in a number of sectors, electrical contracting works for the CSG sector, as well as with public utilities that are currently considering outsourcing.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Management review by region – Infrastructure ANZ (continued)

Telecommunications

In Australia, work continued on the NBN Victoria contract, despite delays due to the change in Federal Government and asbestos related issues. This work is scheduled for completion in H2 FY2014. Although the Company has seen some slowdown in additional NBN opportunities, work has progressed on the NBN Sydney network design with construction activity due to commence in H2 FY2014.

In New Zealand, the telecommunications business delivered by increased volumes on the Ultrafast Broadband contracts, and experienced continued strong returns from maintenance work on the existing copper network. The Chorus Field Services Agreement was also renewed in the period.

The outlook for the Telecommunications sector remains strong, underpinned by continued volumes from the Broadband rollouts in both Australia and New Zealand.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Management review by region

RESOURCES & ENERGY ANZ (26 PERCENT OF COMPANY REVENUE)

	Reported		Proportionally consolidated	
For the 6 months ended 31 Dec (A$ millions)	H1 FY2014	H1 FY2013	H1 FY2014	H1 FY2013
Operating Revenue	472.6	442.1	599.5	547.4
Underlying EBITDA	33.0	39.7	37.8	44.7
Underlying EBITDA Margin	7.0%	9.0%	6.3%	8.2%
Underlying EBIT	15.6	18.0	n/a	n/a

H1 FY2014 overview

Within Resources & Energy ANZ, proportionately consolidated revenue increased by 10 percent year on year, driven by strong growth in the Oil and Gas sector and in particular the CSG sub-sector, offset by declining volumes in the mining, processing and petrochemical sectors as these sectors remained under pressure to contain costs.

Proportionately consolidated EBITDA margins declined from 8.2 percent in H1 FY2013 to 6.3 percent in H1 FY2014. This was primarily due to the following:

- Lower rig utilisation in the Easternwell minerals business compared to H1 FY2013
- Reduced work volumes from the mining sector compared to prior periods
- Reduction in earnings for joint ventures compared to the prior period
- H1 FY2013 margins were boosted by project and shutdown activity which has not recurred in H1 FY2014

Reported EBIT in H1 FY2013 was impacted by the impairment of the Easternwell minerals business. Excluding the prior year impairment, EBIT was down 20 percent compared to the prior period.

Contracted revenue marginally declined with concluding contracts of $0.8 billion, offset by new contract wins and renewals of $0.5 billion.

The focus on safety continued throughout the period using robust systems and processes to identify areas for improvement and sharing of best practice across the Company. Leading and lagging indicators are monitored regularly to provide additional insights into areas for specific focus.

Other highlights in H1 FY2014 include:

- The integration of Easternwell into the Resources & Energy business has been completed, and continues to allow further reduction in operating and business overheads. These 2 businesses now operate and are managed as a single Region
- The Company divested its 50 percent share in the New Zealand joint venture to Worley Parsons in October 2013
- Establishment of a joint venture vehicle to fund new energy rigs to service the growing number of CSG wells being drilled to meet the demands of new LNG plants under construction on the East Coast of Australia
- Easternwell disposed of its marine geotechnical assets for a nominal amount during the period
- Increased focus on cash collection activities has seen a significant reduction in working capital. Debtor days at H1 FY2014 were 52 days

H2 FY2014 outlook

Demand in the Oil and Gas sector continues to be strong, underpinned by the ongoing expansion of the conventional and unconventional gas markets in Australia.

Iron ore and coal sector demand is expected to remain subdued in the short term as prices continue to contract. Operators are focused on extracting more value from their existing assets by lowering production cost and improving operational efficiencies.

Continuing softness is expected in the industrial and manufacturing sectors as cost pressures remain.

Support and back office functions have been restructured and right-sized during the period. This has included closing down and/or consolidating facilities, minimising discretionary costs and reducing headcount across the business. The benefits of these activities are expected to be seen in H2 FY2014 and in FY2015.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Management review by region – Resources & Energy ANZ (continued)

Sector analysis

Oil and gas

The Oil and Gas sector (including conventional, LNG, CSG and refining) was the most significant earnings contributor for the Resources & Energy ANZ Region, and will continue to underpin growth in the medium to long term.

The first half saw a steady increase in activity on the Consolidated Service Provider (CSP) contract to provide maintenance services to QGC's upstream CSG assets, as the business focuses on providing support to meet the delivery of first gas targets for the QCLNG plant.

The CSG sector benefited from the execution of a number of short term construction projects linked to the development of infrastructure to supply gas to the LNG plants currently under construction on the East Coast. The most significant of these was the well site installation project for QGC which commenced earlier in 2013 and was completed by December 2013.

The business' strong presence in the CSG upstream sector has also seen it secure a number of additional minor capital projects, which will be delivered in H2 FY2014. As LNG plants come on line and move into operational phase, these projects are expected to reduce in number, and be replaced by ongoing asset maintenance contracts to help ensure operators can meet gas supply commitments to the associated LNG plants.

The Easternwell energy business continued to experience strong demand for both its well servicing and camp management services in the period, with revenue growing 17 percent year on year.

The Easternwell business took delivery of a new, large, well-servicing rig for its Santos contract in December 2013. This rig is undergoing commissioning activity in January 2014 and is expected to mobilise in February 2014. Once mobilized, it will be the largest well servicing rig in Australia.

In June 2013, the Easternwell business secured a contract to supply a new heavy drilling rig to QGC. Construction of this rig is well underway with commissioning expected in Q2 2014 and mobilisation shortly thereafter. Both of these rigs are being funded through the new joint venture established in H1 FY2014.

In the conventional gas sector, the Santos Construction, Maintenance and Services contract continues to be an important and significant contract for the business focused on delivering value to the customer through an efficient operating model. In H1 FY2014 the contract delivered in line with expectations.

In the petrochemical, chemical and manufacturing sectors, customer activity continues to be subdued, resulting in lower than expected revenues as scheduled maintenance and sustaining capital works are being deferred.

Additional contracts won in the Oil and Gas sector during the period include the QGC BP2 Interconnect project, the QGC Wandoan Interchange contract and the Vopak BLB2 connection.

The outlook for FY2014 remains positive as the business looks to increase opportunities to leverage services from the wider Resource & Energy business, as well as the Easternwell business in the LNG and CSG sectors.

Mining

The Easternwell minerals business had lower rig utilisation levels compared to H1 FY2013 of 35 percent which contributed to lower revenues and EBITDA compared to the prior period, although margin erosion has been somewhat mitigated by overhead reductions.

Resources & Energy ANZ was unsuccessful in renewing the contract to provide Mechanical and Electrical Services (MES) to BHP Billiton mines and ports in the Pilbara. Volumes from these contracts have declined as the contract winds down, thereby reducing its contribution in FY2014. Reductions in the level of minor capital work programs undertaken and awarded by clients have also adversely impacted volumes.

The execution of cost reduction programs in H1 FY2014 will lessen the financial impact of reduced volumes, although the benefits are not expected to take full effect until FY2015.

The main contracts won in the Mining sector during the period were the BHPB Zero Energy, the Metso Hard Rock Quarry project and renewal of the BMA Saraji contract.

Conditions in the Mining sector are expected to remain subdued in the short-term, with contract volumes and drilling rig utilisation forecast to remain at similar levels.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Management review by region

AMERICAS (13 PERCENT OF COMPANY REVENUE)

	Reported		Proportionally consolidated	
For the 6 months ended 31 Dec (A$ millions)	**H1 FY2014**	**H1 FY2013**	**H1 FY2014**	**H1 FY2013**
Operating revenue	229.7	249.1	352.1	374.5
Underlying EBITDA	7.5	15.4	10.1	19.1
Underlying EBITDA Margin	3.3%	6.2%	2.9%	5.1%
Underlying EBIT	0.7	7.2	n/a	n/a

	Reported		Proportionally consolidated	
For the 6 months ended 31 Dec (US$ millions)	**H1 FY2014**	**H1 FY2013**	**H1 FY2014**	**H1 FY2013**
Operating revenue	211.9	258.8	324.8	389.1
Underlying EBITDA	6.9	16.0	9.3	19.8
Underlying EBITDA Margin	3.3%	6.2%	2.9%	5.1%
Underlying EBIT	0.6	7.6	n/a	n/a

H1 FY2014 overview

Proportionately consolidated revenue decreased by 6 percent primarily due to the reducing scope of the Region's US downstream Oil & Gas business. The business is focused on servicing top tier clients and reducing work performed with smaller customers.

Reported EBITDA of US$6.9 million was down 57 percent period on period, due to a generally soft macro environment.

EBIT of US$0.6 million was down 92 percent on prior year.

Contracted revenue marginally declined with concluding contracts of US$0.6 billion offset by new contract wins and renewals of US$0.4 billion.

The TRIFR was down period on period.

Significant progress has been made in the efforts to remediate contracts in the US downstream Oil and Gas sector, as contracts were negotiated or terminated in favour of new Master Service Agreements.

The upstream oil and gas business based in North Dakota continued its strong performance. During the period, a pilot operation was established in the heart of the Williston basin to improve market access and support operational efficiency improvements.

Earnings in the Roads maintenance business declined during the period on the back of lower profitability and higher costs, particularly as a result of a harsh Canadian winter.

The Chilean mining maintenance services business remains strong, with successful renewals occurring at the beginning of the period across a range of customer relationships. The Chilean business has now exited all but one of the loss-making construction contracts, with the final contract to be completed in FY2015.

The FTS joint venture in Canada continued to be subject to a cautious investment outlook with a continued focus by producers on cost containment. The business has recorded some notable contract wins in the past 6 months with several key customers.

H2 FY2014 outlook

The US Oil and Gas business is confident of improved profitability compared to prior year, and the business enjoys a healthy order book for the remainder of FY2014. US upstream Oil and Gas sector earnings growth will continue to be driven by the ongoing Williston basin field development.

The Canadian oil and gas market is expected to remain steady over the remainder of the year, although pressure remains on upstream margins due to lower crude oil pricing, as well as wider Canadian crude oil price differentials and diminished benefits from downstream operations.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Management review by region – Americas (continued)

Remediation work continues in the Roads business, which includes engagement with customers, improved IT functionality and additional financial transparency, which is expected to lead to operational efficiencies.

The Chilean business continues its focus on winding down its construction order book while the maintenance services business continues to develop positively.

Sector analysis

Oil and Gas

The Oil and Gas sector in the Americas delivered a similar EBITDA result in H1 FY2014 to the prior period, despite lower than anticipated volumes from the FTS joint venture. This was largely due to a strong focus on operational performance, financial visibility and overhead reduction across all wholly owned sectors in the Region.

In the downstream Oil and Gas business, solid execution of major shutdowns for Chevron at Carter Creek, Richmond and Salt Lake City has been rewarded with renewed maintenance contracts for a period of 5 years at Richmond and Salt Lake City. In addition, the downstream result was enhanced by the remediation of loss making contracts.

The upstream Oil and Gas business once again delivered a good result in a strong market for services in the US shale oil industry in North Dakota.

The outlook for the US Oil and Gas sector in FY2014 is positive due to a fully committed order book and growth in upstream work. Further opportunities in this sector exist in the Gulf Coast where the business has invested heavily to re-establish a competitive commercial offering.

The FTS joint venture successfully completed the shutdown season in H1 FY2014 amidst a market focused on margin protection despite ongoing capital investment programs.

Mining

There was an overall decrease in revenue in the mining sector in Chile, mainly driven by the prior year's decision to exit a number of poor performing construction contracts. This will reduce the operational risk going forward and improve and stabilise margins.

The reduction in revenue was partially offset by contract renewals with Codelco and BHP Billiton. These contracts also include additional works, and have been extended for between 3 - 5 years.

The outlook for the Region's business in Chile is positive with the renewed focus on its core activities of operations, maintenance and shutdowns. Further opportunities exist in leverage work in the higher margin engineering and environment businesses based in Santiago.

Roads

Revenue and EBITDA in the Roads sector has decreased due to several poor performing contracts in the US, as well as another harsh Canadian winter.

These poor performing contracts are being addressed with the intention of recovering all costs over the life of the contracts.

Contracts won in the Roads sector during the period include the Pinellas County and Madison County projects in Florida and the Denver turnpike contract in Colorado.

The Roads business continues to restructure and reduce costs. Management is now integrated into the Region's head office in Houston.

Management review by region

CORPORATE

	Reported		Proportionately consolidated	
For the 6 months ended 31 December (A$ millions)	H1 FY2014	H1 FY2013	H1 FY2014	H1 FY2013
Operating revenue	2.5	4.3	2.5	4.3
Underlying EBITDA	(12.0)	(27.1)	(12.0)	(27.1)
Underlying EBIT	(21.0)	(34.6)	(25.5)	(37.5)

H1 FY2013 overview

The Corporate segment has been revised in H1 FY2014 to include the investment in RACL.

In addition, the cost allocation methodology has been updated in H1 FY2014 to charge back to the Regions those corporate costs that are incurred primarily to generate revenue and that support Regional earnings. These costs include:

- Health, Safety, Environment and Community
- Quality Assurance
- Information Technology
- Shared Business Services such as accounts payable, accounts receivable, cash management and payroll
- Human Resources
- Procurement
- Marketing and Business Development
- Contract related legal costs

Corporate costs that are not charged back to the Regions represent those costs that are necessary in order to run a public listed entity and include Board of Directors and Managing Director costs, Company secretarial, general legal counsel, head office finance, M&A, treasury, tax, internal audit and Company-wide risk management.

The prior year underlying EBITDA included $9.8 million of Corporate provisions. Excluding these provisions, H1 FY2013 underlying EBITDA was $17.3 million.

On a like for like basis, Corporate costs have reduced by 31 percent at the EBITDA level. This has been primarily driven through head-count reductions and associated cost control.

The costs related to the ERP rollout (Project Quantum) are aggregated in Corporate, and once the project is completed, the capitalised development costs will be depreciated across the Regions.

H2 FY2014 outlook

Although a significant amount of Corporate and Shared Services restructuring has occurred, costs will continue to be monitored closely and management intends to further rationalise and reduce overheads.

The outsourcing of the Australia and New Zealand back office processes (including accounts payable, accounts receivable, cash management and payroll) will be fully operational in H2 FY2014.

The centralised procurement function will continue to focus on delivering input cost savings through the remainder of H2 FY2014, into FY2015 and beyond.

Management Discussion and Analysis (MD&A)

Six months ended 31 December 2013

Statutory reconciliations

Non IFRS measures

The primary non-IFRS information is proportionally consolidated financial information and net profit after tax, pre-amortisation and pre-non-recurring items ('underlying NPAT pre-amortisation'). Management believes proportionally consolidated information is a more accurate reflection of operational results due to the materiality of joint venture arrangements in place. Proportionally consolidated results reflect the Company's entitlement to the joint venture revenues and earnings. Reconciliations of proportionately consolidated results to statutory results are set out in Note 3 of the financial statements.

Management deems operating revenue and underlying EBITDA, EBIT, NPAT and NPAT pre-amortisation to be appropriate measures of cash results after adjusting for significant items.

Non IFRS measure reconciliations

Revenue reconciliation	H1 FY2014	H1 FY2013
Statutory revenue	**1,810.2**	**1,859.3**
(Gain)/loss on sale of asset	(20.1)	(27.2)
Operating revenue	**1,790.1**	**1,832.1**

EBITDA reconciliation	H1 FY2014	H1 FY2013
Statutory EBITDA	**86.6**	**(179.2)**
(Gain)/loss on sale of asset	(20.1)	(27.2)
Impairment	-	275.0
Restructuring costs	7.9	11.2
Underlying EBITDA	**74.4**	**79.8**

EBIT reconciliation	H1 FY2014	H1 FY2013
Results from continuing operating activities	**38.7**	**(232.0)**
(Gain)/loss on sale of asset	(20.1)	(27.2)
Impairment	-	275.0
Restructuring costs	7.9	11.2
Underlying EBIT	**26.5**	**27.0**

NPAT reconciliation	H1 FY2014	H1 FY2013
Profit/(loss) for the period	**4.8**	**(246.8)**
(Gain)/loss on sale of asset	(20.1)	(27.2)
Impairment	-	275.0
Restructuring costs	7.9	11.2
Discontinued Operations	11.8	8.6
Tax on non recurring items	(1.6)	(24.5)
Underlying NPAT	**2.8**	**(3.7)**
Add back amortisation	7.1	10.4
Underlying NPAT pre amortisation	**9.9**	**6.7**

Directors’ report

Six months ended 31 December 2013

Your Directors present their report on the consolidated entity (hereafter referred to as “Transfield Services” or the “Group”) consisting of Transfield Services Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

Directors

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

Diane Smith-Gander (Chairman from 25 October 2013 onwards)
Anthony Shepherd AO (Chairman until his retirement on 25 October 2013)
Graeme Hunt
Steven Crane
Roy McKelvie
Douglas Snedden
Katherine Hirschfeld (appointed on 28 October 2013)
Dean Pritchard (appointed on 28 October 2013)

Review of operations

Refer to Management Discussion and Analysis for detailed commentary regarding the operations during the current period.

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 41.

Rounding of amounts to nearest hundred thousand dollars

The company is of a kind referred to in Class Order 98/100 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 hundred thousand dollars in accordance with that Class Order.

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

Diane Smith-Gander

Chairman

Graeme Hunt

Managing Director and Chief Executive Officer

At Sydney

27 February 2014

Consolidated statement of profit or loss

Six months ended 31 December 2013

	Note	December 2013 $'m	(Restated) December 2012 $'m
Revenue	4(a)	**1,810.2**	1,859.3
Expenses	4(b)	**(1,735.6)**	(1,779.6)
Share of net profits of associates and joint ventures		**12.0**	16.1
Impairment of assets		**-**	(275.0)
Depreciation		**(40.8)**	(42.4)
Amortisation		**(7.1)**	(10.4)
Results from continuing operating activities		**38.7**	(232.0)
Finance costs		**(30.2)**	(24.8)
Finance income		**1.0**	1.2
Net finance costs		**(29.2)**	(23.6)
Profit/(loss) before tax		**9.5**	(255.6)
Income tax benefit	5	**7.1**	17.4
Profit/(loss) from continuing operations		**16.6**	(238.2)
Loss from discontinued operations	6	**(11.8)**	(8.6)
Profit/(loss) for the period		**4.8**	(246.8)
Members of the parent entity		**4.6**	(246.7)
Non-controlling interest		**0.2**	(0.1)
Profit/(loss) for the period		**4.8**	(246.8)
Basic and diluted earnings / (loss) per share – Continuing operations		**3.2c**	(46.3c)
Basic and diluted (loss) per share – Discontinued operations		**(2.3c)**	(1.7c)
Basic and diluted earnings / (loss) per share	4(c)	**0.9c**	(48.0c)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes. Prior year comparative information has been restated as a result of the adoption of AASB 11 Joint Arrangements as set out in Note 2(a) and for the presentation of discontinued operations as set out in Note 6.

Consolidated statement of comprehensive income

Six months ended 31 December 2013

	Note	December 2013 $'m	(Restated) December 2012 $'m
Profit/(loss) for the period		**4.8**	(246.8)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**12.2**	0.9
Ineffective portion of net investment hedge reclassified to profit or loss		**0.5**	-
Exchange differences reclassified to profit or loss on disposal of foreign operations		**2.8**	-
Changes in fair value of cash flow hedge		**0.9**	1.4
Income tax expense on items that may be reclassified to profit or loss		**(0.3)**	(0.4)
Other comprehensive income for the period		**16.1**	1.9
Total comprehensive income/(loss) for the period		**20.9**	(244.9)
Members of the parent entity		**20.7**	(244.8)
Non-controlling interest		**0.2**	(0.1)
Total comprehensive income/(loss) for the period		**20.9**	(244.9)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes. Prior period comparative information has been restated as a result of the adoption of AASB 11 Joint Arrangements as set out in Note 2(a).

Consolidated statement of financial position

As at 31 December 2013

	Note	December 2013 $'m	(Restated) June 2013 $'m
Assets			
Cash and cash equivalents		**117.1**	196.1
Trade and other receivables		**440.5**	525.0
Inventories		**245.8**	241.3
Other assets		**11.8**	20.2
Derivatives	8	**3.6**	3.4
Disposal group held for sale	6	**6.9**	-
Total current assets		**825.7**	986.0
Equity accounted investments		**124.8**	131.6
Other financial assets	8	**94.1**	93.6
Property, plant and equipment		**491.7**	503.8
Deferred tax assets		**66.4**	53.2
Intangible assets		**564.5**	562.6
Other assets		**39.4**	38.8
Total non-current assets		**1,380.9**	1,383.6
Total assets		**2,206.6**	2,369.6
Liabilities			
Trade and other payables		**478.3**	672.3
Loans and borrowings	7	**316.4**	182.1
Current tax liabilities		**3.7**	6.1
Employee benefits		**115.2**	119.8
Derivatives	8	**-**	0.8
Other provisions		**46.2**	35.8
Total current liabilities		**959.8**	1,016.9
Loans and borrowings	7	**440.1**	562.5
Deferred tax liabilities		**6.5**	6.7
Employee benefits		**39.1**	38.7
Derivatives	8	**4.0**	3.7
Other provisions		**14.3**	16.7
Total non-current liabilities		**504.0**	628.3
Total liabilities		**1,463.8**	1,645.2
Net assets		**742.8**	724.4
Equity			
Contributed equity		**1,131.3**	1,131.3
Reserves		**(51.6)**	(69.8)
Accumulated losses		**(330.4)**	(330.4)
Total equity attributable to members of the parent entity		**749.3**	731.1
Non-controlling interest		**(6.5)**	(6.7)
Total equity		**742.8**	724.4

The above consolidated statement of financial position should be read in conjunction with the accompanying notes. Prior year comparative information has been restated as a result of the adoption of AASB 11 Joint Arrangements as set out in Note 2(a).

Consolidated statement of cash flows

Six months ended 31 December 2013

	December 2013 $'m	(Restated) December 2012 $'m
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**2,027.8**	2,138.7
Payments to suppliers, subcontractors and employees (inclusive of goods and services tax)	**(2,084.4)**	(2,096.6)
	(56.6)	42.1
Dividends, distributions and net cash contributions from associates and joint ventures	**11.0**	12.6
Interest received	**1.1**	1.3
Interest paid	**(27.0)**	(23.3)
Income taxes paid	**(6.2)**	(1.2)
Net cash (outflow)/inflow from operating activities	**(77.7)**	31.5
Cash flows from investing activities		
Payments for property, plant and equipment and other intangibles	**(50.0)**	(92.2)
Proceeds from sale of property, plant and equipment	**28.1**	1.5
Receipts from loan notes	**1.2**	-
Investment and loans in JVs and associates	**(5.6)**	(35.0)
Proceeds from the sale of businesses, net of transaction costs	**34.5**	26.4
Payments for acquisition of subsidiaries, net of cash acquired	**-**	(8.0)
Net cash inflow/(outflow) from investing activities	**8.2**	(107.3)
Cash flows from financing activities		
Proceeds from borrowings (net of financing costs)	**356.5**	275.0
Repayment of borrowings	**(364.3)**	(74.0)
Share buy back	**-**	(19.8)
Dividends paid (inclusive of payments to non-controlling interest holders)	**-**	(46.3)
Net cash (outflow)/inflow from financing activities	**(7.8)**	134.9
Net (decrease)/increase in cash held	**(77.3)**	59.1
Cash at the beginning of the period	**196.1**	84.9
Net foreign exchange differences in opening cash	**(1.7)**	0.0
Cash and cash equivalents at the end of the reporting period	**117.1**	144.0

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. Prior year comparative information has been restated as a result of the adoption of AASB 11 Joint Arrangements as set out in Note 2(a).

Consolidated statement of changes in equity

Six months ended 31 December 2013

	Contributed Equity	Other reserves	Profits reserve	Accumulated Losses	Attributable to members of the parent	Non-controlling interest	Total Equity
	$'m	$'m	$'m	$'m	$'m	$'m	$'m
Balance at June 2013 (restated)	**1,131.3**	**(69.8)**	-	**(330.4)**	**731.1**	**(6.7)**	**724.4**
Profit for the period	-	-	-	**4.6**	**4.6**	**0.2**	**4.8**
Other comprehensive income	-	**16.1**	-	-	**16.1**	-	**16.1**
Transactions with owners in their capacity as owners							
Employee share scheme transactions	-	**(2.1)**	-	-	**(2.1)**	-	**(2.1)**
Establishment of profits reserve	-	-	**4.6**	**(4.6)**	-	-	-
Other		**(0.4)**	-	-	**(0.4)**	-	**(0.4)**
Total transactions with owners	-	**(2.5)**	**4.6**	**(4.6)**	**(2.5)**	-	**(2.5)**
Balance at December 2013	**1,131.3**	**(56.2)**	**4.6**	**(330.4)**	**749.3**	**(6.5)**	**742.8**
Balance at July 2012 (restated)	1,150.4	(85.3)	-	(18.9)	1,046.2	1.4	1,047.6
Loss for the period (restated)	-	-	-	(246.7)	(246.7)	(0.1)	(246.8)
Other comprehensive income	-	1.9	-	-	1.9	-	1.9
Transactions with owners in their capacity as owners							
Share buy backs	(19.8)	-	-	-	(19.8)	-	(19.8)
Dividends paid	-	-	-	(46.3)	(46.3)	(0.2)	(46.5)
Employee share scheme transactions	0.7	(0.3)	-	-	0.4	-	0.4
Total transactions with owners	(19.1)	(0.3)	-	(46.3)	(65.7)	(0.2)	(65.9)
Balance at December 2012 (restated)	1,131.3	(83.7)	-	(311.9)	735.7	1.1	736.8

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes. Prior year comparative information has been restated as a result of the adoption of AASB 11 Joint Arrangements as set out in Note 2(a).

Notes to the consolidated financial statements

Six months ended 31 December 2013

1. REPORTING ENTITY

Transfield Services Limited (the "Company") is a company domiciled in Australia. These consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as "Transfield Services" or the "Group"). The Group is primarily involved in the provision of operations and maintenance and asset management services.

2. BASIS OF PREPARATION

These consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2013. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2013.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2013. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2014.

a) Change in accounting policies

The Group had to change its accounting policies in respect of controlled entities, joint ventures and equity accounted investments as a result of the new AABS 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements* which became effective for the annual reporting period commencing on 1 July 2013.

Other new or revised standards that are applicable for the first time for the December 2013 half-year report are AASB 13 *Fair Value Measurement*, AASB 119 *Employee Benefits*, AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*. These standards have introduced new disclosures for the interim report but did not have any material effect on the Group's accounting policies or any of the amounts recognised in the financial statements.

Principles of consolidation – subsidiaries

As a result of AASB 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 requires the Group to consolidate investees that it controls on the basis of de facto circumstances.

The group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Notes continued

Six months ended 31 December 2013

2. BASIS OF PREPARATION CONTINUED

Principles of accounting for joint arrangements

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. When making this assessment, the Group is required to consider the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously the structure of the arrangement was the sole focus of classification.

The Group has reviewed the nature of its joint arrangements and determined that a number of its interests in joint ventures that were previously classified as jointly controlled entities under AASB 131 should be classified as joint operations under AASB 11 on the basis that the Group has rights to the respective entities' assets and obligations for their liabilities. As a result, for these arrangements, the group now recognises its direct right to the jointly held assets, liabilities, revenues and expenses and has incorporated them in the financial statements under the appropriate headings.

As required under AASB 11, the change in policy has been applied retrospectively. As a consequence, adjustments were recognised in the statement of financial position as of 1 July 2012 and comparative figures have been restated.

Change in presentation of prior year comparative information

The tables below show the effect of the change in accounting policy, discontinued operations and other changes in presentation in each affected line of the financial statements.

The Group has reclassified $16,900,000 from trade and other receivables to trade and other payables to recognise a right to offset and net settle these amounts, in line with the current year presentation. The Group also reclassified $26,100,000 from trade and other payables to employee benefits provisions, to better reflect the nature of these items.

Consolidated statement of financial position

	30 June 2013			
$'m	**Previously reported**	**Impact of AASB 11**	**Changes in presentation**	**Restated**
Cash and cash equivalents	178.5	17.6	-	196.1
Trade and other receivables	485.0	56.9	(16.9)	525.0
Equity accounted investments	161.2	(29.6)	-	131.6
Other	1,519.3	(2.4)	-	1,516.9
Total assets	**2,344.0**	**42.5**	**(16.9)**	**2,369.6**
Trade and other payables	666.9	48.4	(43.0)	672.3
Employee benefits	124.5	7.9	26.1	158.5
Other	814.3	0.1	-	814.4
Total liabilities	**1,605.7**	**56.4**	**(16.9)**	**1,645.2**
Equity	**738.3**	**(13.9)**	**-**	**724.4**

Consolidated statement of financial position

	1 July 2012			
$'m	**Previously reported**	**Impact of AASB 11**	**Changes in presentation**	**Restated**
Cash and cash equivalents	78.9	6.0	-	84.9
Trade and other receivables	536.8	49.1	(17.3)	568.6
Equity accounted investments	135.8	(28.5)	-	107.3
Other	1,634.6	1.5		1,636.1
Total assets	**2,386.1**	**28.1**	**(17.3)**	**2,396.9**
Trade and other payables	578.0	33.6	(39.2)	572.4
Employee benefits	117.9	8.4	21.9	148.2
Other	628.7	-	-	628.7
Total liabilities	**1,324.6**	**42.0**	**(17.3)**	**1,349.3**
Equity	**1,061.5**	**(13.9)**	**-**	**1,047.6**

Notes continued

Six months ended 31 December 2013

2. BASIS OF PREPARATION CONTINUED

Consolidated statement of comprehensive income

$'m	Six months ended 31 December 2012 Previously reported	Impact of AASB 11	Impact of discontinued operations	Restated
Revenue	1,748.0	135.2	(23.9)	1,859.3
Share of profit of associates and joint ventures	27.1	(10.6)	(0.4)	16.1
Expenses	(1,679.0)	(124.5)	23.9	(1,779.6)
Impairment	(284.3)	-	9.3	(275.0)
Depreciation and amortisation	(53.3)	-	0.5	(52.8)
Net finance costs	(23.7)	(0.1)	0.2	(23.6)
Tax benefit/(expense)	18.4		(1.0)	17.4
Loss from discontinued operations	-	-	(8.6)	(8.6)
Loss for the period	**(246.8)**	**-**	**-**	**(246.8)**
Other comprehensive income	1.9	-	-	1.9
Total comprehensive income for the period	**(244.9)**	**-**	**-**	**(244.9)**

Consolidated statement of cash flows

$'m	Six months ended 31 December 2012 Previously reported	Impact of AASB 11	Restated
Net cash inflow from operating activities	30.7	0.8	31.5
Net cash outflow from investing activities	(109.1)	1.8	(107.3)
Net cash inflow from financing activities	134.9	-	134.9
Net increase in cash held	56.5	2.6	59.1

3. OPERATING SEGMENTS

The operating segments are based on separate information that is regularly reviewed by the Chief Operating Decision Maker (CODM), which is the Group's Managing Director and Chief Executive Officer. The Group's primary segments, which are based on a geographic region and sector basis, are:

- Australia and New Zealand Infrastructure (ANZ Infra);
- Australia and New Zealand Resources & Energy (ANZ R&E);
- Americas;
- Corporate, which includes the Group's investment in RATCH Australia Corporation Limited (RAC) and inter-segment eliminations.

Each segment derives revenue from its principal activities in the following service lines:

- Maintenance,
- Facilities management,
- Construction,
- Well servicing, and
- Consulting and design.

Notes continued

Six months ended 31 December 2013

3. OPERATING SEGMENTS CONTINUED

The primary measure of performance (“Segment result”) is segment Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA). Other measures regularly reviewed by the CODM include:

- proportionately consolidated revenue,
- proportionately consolidated EBITDA excluding material items of income and expense (“Operating Segment Result”), and
- Earnings Before Interest and Tax (“EBIT”).

The following changes have been reflected in the presentation of segment information since the prior period to conform with the presentation of information to the CODM:

- Since 1 July 2013, the results of the ANZ segment have been separated into two segments, being ANZ Infrastructure and ANZ R&E. In addition to this, the results of the Easternwell and ANZ R&E business have been consolidated and presented to the CODM as a single segment. This change is in alignment with the Group’s strategic focus of providing integrated operations and maintenance and drilling services to the ANZ Resources and Energy sector.
- The MEA segment has been classified as a discontinued operation at 31 December 2013. Refer to Note 6 for further information. Segment assets and liabilities are included in the Corporate segment.
- Corporate head office costs have not been allocated to the Group’s operating segments in the current period. The Group’s Corporate segment now includes transactions relating to the Group’s governance, finance, legal and risk management and corporate secretarial functions. Back office functions that are directly attributable to the Group’s operations such as information technology and payroll continue to be allocated to the Group’s segments.
- The Group’s investment in RATCH Australia Corporation, and the associated segment result, has been included in the Corporate segment.

Notes continued

Six months ended 31 December 2013

3. OPERATING SEGMENTS CONTINUED

a) Operating segment results

December 2013	ANZ Infrastructure $'m	ANZ R&E $'m	Americas $'m	Corporate $'m	Group $'m
Proportionately consolidated revenue	1,117.8	599.5	352.1	2.5	2,071.9
Share of joint venture revenue	(32.5)	(126.9)	(122.4)	-	(281.8)
Segment revenue	**1,085.3**	**472.6**	**229.7**	**2.5**	**1,790.1**
Proportionately consolidated EBITDA	45.9	37.8	10.1	(12.0)	81.8
Less: share of joint ventures' EBITDA	(2.5)	(12.6)	(4.3)	-	(19.4)
Consolidated EBITDA	**43.4**	**25.2**	**5.8**	**(12.0)**	**62.4**
Share of net profits of joint ventures	2.5	7.8	1.7	-	12.0
Operating segment result	**45.9**	**33.0**	**7.5**	**(12.0)**	**74.4**
Gain on sale of investments	-	20.1	-	-	20.1
Restructuring costs	(1.8)	(1.6)	-	(4.5)	(7.9)
Segment result	**44.1**	**51.5**	**7.5**	**(16.5)**	**86.6**
Depreciation	(13.0)	(13.7)	(5.4)	(8.7)	(40.8)
Amortisation	(1.7)	(3.7)	(1.4)	(0.3)	(7.1)
EBIT	**29.4**	**34.1**	**0.7**	**(25.5)**	**38.7**
Net finance costs					(29.2)
Income tax benefit					7.1
Profit from continuing operations					**16.6**
Loss from discontinued operations					(11.8)
Profit for the period					**4.8**
Equity accounted investments	9.3	96.5	19.0	-	124.8
Property, plant and equipment	56.4	202.4	41.6	191.3	491.7
Intangible assets	183.3	290.3	90.9	-	564.5
Other financial assets	-	-	-	94.1	94.1
Other assets	355.9	163.2	169.5	59.4	748.0
Segment assets	**604.9**	**752.4**	**321.0**	**344.8**	**2,023.1**
Cash and cash equivalents					117.1
Tax assets					66.4
Consolidated assets					**2,206.6**
Segment liabilities	**354.7**	**144.9**	**110.8**	**86.7**	**697.1**
Tax liabilities					10.2
Loans and borrowings					756.5
Consolidated liabilities					**1,463.8**
Capital expenditure*	**6.7**	**9.6**	**2.8**	**30.9**	**50.0**

* Capital expenditure above includes $11,800,000 of assets acquired through finance leases.

Notes continued

Six months ended 31 December 2013

3. OPERATING SEGMENTS CONTINUED

a) Operating segment results continued

December 2012 (Restated)	ANZ Infrastructure $'m	ANZ R&E $'m	Americas $'m	Corporate $'m	Group $'m
Proportionately consolidated revenue	1,182.1	547.4	374.5	4.3	2,108.3
Share of joint venture revenue	(45.5)	(105.3)	(125.4)	-	(276.2)
Segment revenue	**1,136.6**	**442.1**	**249.1**	**4.3**	**1,832.1**
Proportionately consolidated EBITDA	51.7	44.7	19.1	(27.1)	88.4
Less: share of joint ventures' EBITDA	(3.0)	(10.8)	(10.9)	-	(24.7)
Consolidated EBITDA	48.7	33.9	8.2	(27.1)	63.7
Share of net profits of joint ventures	3.1	5.8	7.2	-	16.1
Operating segment result	**51.8**	**39.7**	**15.4**	**(27.1)**	**79.8**
Gain on sale of investments	-	27.2	-	-	27.2
Restructuring costs	(1.6)	(2.5)	(4.2)	(2.9)	(11.2)
Impairment of assets	-	(187.8)	(87.2)	-	(275.0)
Segment result	**50.2**	**(123.4)**	**(76.0)**	**(30.0)**	**(179.2)**
Depreciation	(13.3)	(16.0)	(5.6)	(7.5)	(42.4)
Amortisation	(2.1)	(5.7)	(2.6)	-	(10.4)
EBIT	**34.8**	**(145.1)**	**(84.2)**	**(37.5)**	**(232.0)**
Net finance costs					(23.6)
Income tax benefit					17.4
Loss from continuing operations					**(238.2)**
Loss from discontinued operations					(8.6)
Loss for the period					**(246.8)**
Equity accounted investments	11.3	106.7	22.4	-	140.4
Property, plant and equipment	76.3	214.6	47.8	145.6	484.3
Intangible assets	168.6	297.5	99.1		565.2
Other financial assets	-	-	-	97.7	97.7
Other assets	393.3	172.5	131.5	48.1	745.4
Segment assets	**649.5**	**791.3**	**300.8**	**291.4**	**2,033.0**
Cash and cash equivalents					144.0
Tax assets					53.0
Consolidated assets					**2,230.0**
Segment liabilities	**397.1**	**104.8**	**73.1**	**152.6**	**727.6**
Tax liabilities					2.2
Loans and borrowings					776.8
Consolidated liabilities					**1,506.6**
Capital expenditure*	**12.1**	**27.6**	**2.4**	**47.8**	**89.9**

*Capital expenditure above includes $1,200,000 of assets acquired through finance leases.

Notes continued

Six months ended 31 December 2013

3. OPERATING SEGMENTS CONTINUED

b) Reconciliation of proportionately consolidated revenue to statutory revenue

	December 2013 $'m	(Restated) December 2012 $'m
Proportionately consolidated revenue	**2,071.9**	2,108.3
Share of joint ventures' revenue	**(281.8)**	(276.2)
Segment revenue	**1,790.1**	1,832.1
Gain on sale of investments	**20.1**	27.2
Statutory revenue	**1,810.2**	**1,859.3**

c) Reconciliation of share of joint ventures' EBITDA to share of net profits of joint ventures

	December 2013 $'m	(Restated) December 2012 $'m
Share of joint ventures' EBITDA	**19.4**	24.7
Depreciation	**(1.8)**	(2.7)
Amortisation	**(0.7)**	(0.1)
Net operating finance costs	**(1.0)**	(0.7)
Tax on operating items	**(3.9)**	(5.1)
Share of net profits of joint ventures	**12.0**	16.1

d) Proportionately consolidated revenue by service line

	ANZ Infrastructure $'m	ANZ R&E $'m	Americas $'m	Corporate $'m	Group $'m
December 2013					
Maintenance	**401.0**	**234.5**	**333.8**	**-**	**969.3**
Facilities management	**492.0**	**41.4**	**-**	**-**	**533.4**
Construction	**177.7**	**205.0**	**15.8**	**-**	**398.5**
Well servicing	**-**	**105.5**	**-**	**-**	**105.5**
Consulting, design & other	**47.1**	**13.1**	**2.5**	**2.5**	**65.2**
Total proportionately consolidated revenue	**1,117.8**	**599.5**	**352.1**	**2.5**	**2,071.9**
December 2012					
Maintenance	405.1	222.2	347.4	-	974.7
Facilities management	438.0	20.4	-	-	458.4
Construction	284.8	171.3	24.6	-	480.7
Well servicing	-	110.3	-	-	110.3
Consulting, design & other	54.2	23.2	2.5	4.3	84.2
Total proportionately consolidated revenue	1,182.1	547.4	374.5	4.3	2,108.3

Notes continued

Six months ended 31 December 2013

4. ITEMS INCLUDED IN STATEMENT OF PROFIT OR LOSS

a) Revenue

Included in revenue are the following significant items:

	December 2013 $'m	December 2012 $'m
Gain on sale of joint venture	20.1	-
Gain on sale of operations and maintenance business	-	27.2

On 22 October 2013 the Group announced that it had sold its 50 per cent share in its Transfield Worley New Zealand joint venture to its existing partner Worley Parsons for $30,000,000. The completion of this transaction resulted in the recognition of a $20,100,000 gain during the period.

The Group recognised a $27,200,000 gain on sale of an operations and maintenance business to a joint venture in the prior period. This is recognised in the ANZ R&E segment in Note 3.

b) Expenses

	December 2013 $'m	(Restated) December 2012 $'m
Employee benefits expense	**904.7**	879.1
Subcontractors, raw materials and consumables	**723.4**	774.1
Other expenses	**107.5**	126.4
Expenses	**1,735.6**	1,779.6

c) Earnings per share

Basic and diluted earnings per share is calculated using a weighted average number of shares of 512,227,746 (31 December 2012: 514,073,313)

5. INCOME TAXES

The Group's effective tax rate for the six months ended 31 December 2013 was -74.7% (31 December 2012: 6.8%). Similar to previous periods, the Group's effective tax rate is not in line with the statutory corporate tax rate in Australia due to after tax share of profits from JVs and associates, research and development concessions and overseas tax adjustments.

6. DISCONTINUED OPERATIONS

a) Description

During the period the Group commenced a program to divest the non-core MEA segment. As part of the program, the Group has entered the following agreements:

- The Group entered an agreement to sell its 49 per cent share in the Transfield Mannai Facilities Management Services WLL joint venture, which has resulted in the loss of control of this entity.
- The Group completed the sale of Transfield Emdad Services WLL on 13 November 2013.

An active program to sell the remaining business has commenced, which is expected to be finalised within 12 months from balance date.

Notes continued

Six months ended 31 December 2013

6. DISCONTINUED OPERATIONS CONTINUED

b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period 1 July 2012 to 31 December 2013:

	December 2013 $'m	December 2012 $'m
Revenues	**22.9**	23.9
Expenses	**(25.0)**	(23.9)
Share of profits	**0.2**	0.4
Depreciation	**(0.2)**	(0.3)
Amortisation	**(0.1)**	(0.2)
Net finance cost	**-**	(0.2)
Loss from operations before tax	**(2.2)**	(0.3)
Gain on sale of joint venture	**1.4**	-
Loss on sale of subsidiary	**(6.9)**	-
Impairment	**(0.9)**	(9.3)
Foreign currency translation reserve recycled to profit and loss	**(2.8)**	-
Loss before tax from discontinued operations	**(11.4)**	(9.6)
Income tax benefit/(expense)	**(0.4)**	1.0
Loss from discontinued operations	**(11.8)**	(8.6)
Net cash inflow/(outflow) from operating activities	**(1.9)**	(1.7)
Net cash inflow/(outflow) from investing activities	**4.5**	(0.6)
Net cash inflow/(outflow) from financing activities	**-**	(0.4)
Net increase/(decrease) in cash from discontinued operations	**2.6**	(2.7)

c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities of entities in the disposal group controlled by the entity as at 31 December 2013 were:

	December 2013 $'m
Trade and other receivables	12.0
Inventories	0.6
Prepayment and other current assets	0.3
Property, plant and equipment	0.2
Intangible assets	2.1
Tax assets	0.4
Total assets	15.6
Trade and other payables	4.4
Employee benefits	1.0
Tax liability	2.1
Other provisions	1.2
Total liabilities	8.7
Net assets	6.9

At 31 December 2013, the Group had foreign currency translation losses of $7,400,000 recorded in equity in relation to businesses held for sale. These amounts will be recycled to the profit and loss on disposal of these entities.

Notes continued

Six months ended 31 December 2013

6. DISCONTINUED OPERATIONS CONTINUED

d) Details of the sale of subsidiary

	December 2013 $'m
Cash consideration received or receivable	0.1
Less: Carrying amount of net assets sold	(7.0)
Loss on sale before income tax	(6.9)
Income tax benefit/(expense)	-
Loss after income tax	**(6.9)**

e) Details of the sale of joint venture

	December 2013 $'m
Cash consideration received or receivable	4.4
Less: Carrying amount of net assets sold	(3.0)
Gain on sale before income tax	1.4
Income tax benefit/(expense)	-
Gain after income tax	**1.4**

7. LOANS AND BORROWINGS

	December 2013		June 2013	
	Current $'m	Non-current $'m	Current $'m	Non-current $'m
Unsecured				
Cash advances and bridge facility	**285.8**	**242.1**	171.3	354.8
United States Private Placement	**22.5**	**168.5**	-	186.0
Secured				
Lease liabilities	**8.1**	**29.5**	10.8	21.7
	316.4	**440.1**	182.1	562.5

a) Available facilities

Unrestricted access was available at the reporting date to the following facilities:

	December 2013 $'m	June 2013 $'m
Bank overdrafts and loan facilities		
Used	**718.9**	712.1
Unused	**236.1**	320.2
Total facility	**955.0**	1,032.3

Notes continued

Six months ended 31 December 2013

7. LOANS AND BORROWINGS CONTINUED

Syndicated debt facility

As at 31 December 2013 the Group had an unsecured multi-currency debt facility totalling $660,000,000 with a syndication of 14 banks. The facility is comprised of a number of tranches:

- A$250,000,000 maturing in December 2014; and
- A$78,000,000, NZ$63,000,000 and CLP5,500,000,000 maturing in August 2015; and
- A$150,000,000 and US$100,000,000 maturing in March 2016.

Bank overdraft and money market lines

As at 31 December 2013, these facilities total A$18,000,000 across the Group and are used of the day-to-day working capital requirements of the business.

Bilateral facilities

As at 31 December 2013 the Group had Bilateral facilities totalling $85,000,000. The facilities are comprised of:

- CLP11,111,000,000 maturing in June 2015, CLP10,600,000,000 maturing in March 2016 and CLP5,200,000,000 at call;
- NZ$15,000,000 maturing in November 2014;
- CAD$15,000,000 maturing in March 2014; and

United States Private Placement (USPP)

As at 31 December 2013, the Group had US$170,000,000 of long term senior unsecured notes to institutional investors in the USPP debt market. The issue was completed on 29 December 2009 at a weighted average coupon rate of 5.99 per cent. US$20,000,000 at an all-in rate of 5.00 per cent was issued for 5 years, US$50,000,000 at an all-in rate of 5.77 per cent was issued for 7 years and US$100,000,000 at an all-in rate of 6.29 per cent was issued for 10 years.

Lease liabilities

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

8. FINANCIAL INSTRUMENTS

a) Financial instruments carried at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

Notes continued

Six months ended 31 December 2013

8. FINANCIAL INSTRUMENTS CONTINUED

	Level 1 $'m	Level 2 $'m	Level 3 $'m	Total $'m
Forward exchange contracts	-	3.6	-	3.6
Derivatives (current)	-	3.6	-	3.6
RATCH Australia Limited	-	-	93.7	93.7
Other investments	-	-	0.4	0.4
Other financial assets (non-current)	-	-	94.1	94.1
Financial assets carried at fair value	-	3.6	94.1	97.7
Interest rate swap	-	4.0	-	4.0
Derivatives (non-current)	-	4.0	-	4.0
Financial liabilities carried at fair value		4.0	-	4.0

Level 2 fair values

The Group determines Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six months ended 31 December 2013.

Level 3 fair values

Level 3 instruments comprise of an unlisted investment in RATCH Australia Corporation Limited (RAC). The Group classifies its investment in RAC as an available-for-sale financial asset, which is recorded at fair value with revaluation increments/decrements recorded in reserves in equity. The fair value of these investments is determined using internal valuation techniques using discounted cash flows with input from a valuation expert. Assumptions are generally required with regard to future expected revenues and discount rates. The results of internal valuations are assessed against comparable multiples for reasonableness.

Notes continued

Six months ended 31 December 2013

8. FINANCIAL INSTRUMENTS CONTINUED

Level 3 fair values

The fair value of the RAC investment is sensitive to movements in discount rate and to changes in the long term estimates of power pricing. The table below sets out the impact on the Group's equity as a result of changes in these assumptions that are deemed reasonably possible at 31 December 2013.

		December 2013		June 2013	
	Basis point	Net profit (after tax) $'m	Equity $'m	Net profit (after tax) $'m	Equity $'m
Discount rate	+100	**-**	**(5.3)**	-	(5.3)
Discount rate	-100	**-**	**6.2**	-	6.2
Power pricing	+100	**-**	**6.7**	-	6.7
Power pricing	-100	**-**	**(6.7)**	-	(6.7)

Fair values of other financial instruments

The group also has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position. These had the following fair values as at 31 December 2013:

	Carrying amount $'m	Fair value $'m
Cash and cash equivalent	117.1	117.1
Trade and other receivables	440.5	440.5
Current financial assets	557.6	557.6
Trade and other payables	478.3	478.3
Cash advance	285.8	285.8
United States Private Placement	22.5	22.8
Finance lease liabilities	8.1	8.1
Loans and borrowings	316.4	316.7
Current financial liabilities	794.7	795.0
Cash advance	242.1	242.1
United States Private Placement	168.5	179.9
Finance lease liabilities	29.5	29.5
Loans and borrowings	440.1	451.5
Non-current financial liabilities	440.1	451.5

Notes continued

Six months ended 31 December 2013

9. CONTINGENT LIABILITIES

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

	December 2013 $'m	June 2013 $'m
Bank guarantees in respect of contracts of consolidated companies	**148.1**	154.7
Insurance bonds in respect of contracts of consolidated companies	**223.3**	203.5
Consolidated contingent liabilities	**371.4**	358.2
Group's share of bank guarantees in respect of contracts of joint ventures	**128.0**	100.0
Proportionately consolidated contingent liabilities	**499.4**	458.2

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

The Group 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 Directors are not aware of any material claims on the Company or the Group.

Legal dispute

A controlled entity in the Group is party to a dispute in relation to pre-acquisition road maintenance. Should the outcome of this action be unfavourable the cost for remediation may be borne by the subsidiary. Further information usually required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice the outcome of the legal dispute process. The Group is defending its position and believes that it has no material unprovided liability at balance date. The Directors will continue to review the situation.

NZ Inland Revenue (IRD) audit of the Group's MCN Arrangement

The Inland Revenue Department (IRD) in New Zealand is conducting a review of a range of financial instruments used by companies in New Zealand during recent years covering many different industries and companies and centring on the deductibility of interest expense in New Zealand. As part of this review the IRD is currently investigating the tax treatment of a Mandatory Convertible Note (MCN) entered into by the Group.

The Group received a Notice of Proposed Adjustment (NOPA) in October 2011 and a Statement of Position (SOP) from the IRD in relation to deductions claimed by the Group for the FY2007 to FY2010 tax years. In September 2012, TSNZ received a Notice of Assessment (NOA) including penalties in relation to the FY2006 tax year for $1,861,140 (NZ$2,354,714). In November 2012, the Group lodged a Statement of Claim to dispute this assessment. Including the NOA noted above, the total tax amount being disputed (excluding any penalties or interest) is approximately $7,491,465 (NZ$8,839,929).

Further information usually required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice the outcome of the legal dispute process. The Group is defending its position and the Directors continue to review the situation. The Group believes that it has no material unprovided liability at balance date.

10. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no significant events after the reporting period.

Notes continued

Six months ended 31 December 2013

11. JOINT VENTURES

Details of the Group's material joint ventures are set out below:

Name	Location	Principal activity	Ownership %		Carrying value	
						(Restated)
			Dec 2013 %	**June 2013 %**	**Dec 2013 $'m**	**June 2013 $'m**
Easternwell Drilling Services Holdings Pty Limited	Australia	Operations & maintenance	**50**	50	**50.6**	51.6
Transfield Worley Power Services Pty Limited	Australia	Operations & maintenance	**50**	50	**36.9**	31.8
Harbour City Ferries Partnership	Australia	Public transport	**50**	50	**8.3**	8.1
MT Equipment Holding Pty Ltd	Australia	Well servicing	**50**	-	**4.4**	-
Flint Transfield Services Limited	Canada	Operations & maintenance	**50**	50	**11.3**	13.3
Transfield Dexter Gateway Services Limited	Canada	Operations & maintenance	**50**	50	**7.7**	6.9
Transfield WorleyParsons Nouvelle Caledonie	New Caledonia	Operations & maintenance	**50**	50	**2.5**	5.7
Transfield Worley Limited	New Zealand	Operations & maintenance	**-**	50	**-**	9.5
Transfield Mannai Facilities Management Services WLL	Qatar	Operations & Maintenance	**-**	49	**-**	2.1
Other	Various	Various	Various		**3.1**	2.6
Total					**124.8**	131.6

Directors declaration

Six months ended 31 December 2013

In the opinion of the directors of Transfield Services Limited (the Company):

a) the financial statements and notes set out on pages 20 to 39, are in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half year ended on that date;

ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

Signed in accordance with a resolution of the directors:

Diane Smith-Gander

Chairman

Graeme Hunt

Managing Director and Chief Executive Officer

At Sydney

27 February 2014

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Transfield Services Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

S J Marshall
Partner

Sydney

27 February 2014

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

Report on the financial report

We have reviewed the accompanying half-year financial report of Transfield Services Limited (the Company), which comprises the consolidated statement of financial position at 31 December 2013, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the 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 and the *Corporations Act 2001* and for such internal 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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As 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. 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.

Independence

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

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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 Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

KPMG

KPMG

S J Marshall
Partner

Sydney

27 February 2014