

Operating segments

(a) Accounting policies and identification of segments

Segment information is prepared in conformity with the accounting policies of the Group as disclosed in Note 1 to the consolidated financial statements and the accounting standard, AASB 8 *Operating Segments*. The Group is managed primarily on a geographic regional basis.

The five primary segments are:-

- Australia and New Zealand ('ANZ')
- Easternwell
- Americas
- Middle East and Asia ('ME&A');
- Unallocated corporate costs; and
- an equity accounted investment in RATCH Australia Corporation Limited (RAC) formerly known as Transfield Services Infrastructure Fund (TSI Fund).

Each geographical region derives revenue from its principal activities in the:

- Resources & Energy (Formerly Resources & Industrials)
- Infrastructure Services; and
- Property & Facilities Management sectors.

Information regarding the results of each reportable segment is included below. The primary measure of performance (Segment result) is segment earnings before interest, tax, depreciation and amortisation adjusted for non-recurring items ("Reported EBITDA") as included in the internal management reports that are reviewed by the Group's Managing Director and Chief Executive Officer on a monthly basis.

Proportionately consolidated revenue, proportionately consolidated EBITDA and Earnings Before Interest and Tax ("EBIT") (all of which include adjustments for non-recurring items) are other additional segment measures which are also included in the internal management reports and regularly reviewed by the Group's Managing Director and Chief Executive Officer.

Transfield Services Limited and controlled entities
Notes to and forming part of the consolidated financial statements
For the year ended 30 June 2011

Operating segments (continued)

(b) Operating Segment Results

2011	ANZ	Easternwell****	Americas	ME&A	Unallocated	TSI Fund (RAC)**	Group
\$'000s							
Proportionately Consolidated Revenue	2,519,236	109,461	1,229,354	115,974	-	-	3,974,025
Less: Share of joint venture revenue	(315,418)	(10,489)	(391,860)	(47,874)	-	-	(765,641)
Statutory Revenue	2,203,818	98,972	837,494	68,100	-	-	3,208,384
Proportionately Consolidated EBITDA*	145,942	32,619	59,814	6,410	(9,080)	15,956	251,661
Less: share of joint ventures EBITDA	(25,937)	(4,969)	(29,992)	(6,804)	-	-	(67,702)
EBITDA from operations excluding JV's	120,005	27,650	29,822	(394)	(9,080)	15,956	183,959
Add: share of net profits of joint ventures	22,747	2,273	18,424	4,929	-	-	48,373
Reported EBITDA	142,752	29,923	48,246	4,535	(9,080)	15,956	232,332
Depreciation	(24,667)	(7,691)	(5,604)	(575)	(14,653)	-	(53,190)
Amortisation of acquired intangibles	(4,944)	(5,000)	(17,664)	(445)	-	-	(28,053)
EBIT	113,141	17,232	24,978	3,515	(23,733)	15,956	151,089
Net operating finance costs							(39,130)
Tax on operating items							(11,377)
Non-controlling interest							(459)
Operating net profit after tax							100,123
Non-recurring items – restructuring and transaction costs, net of tax (Note g)							(119,857)
Net profit after tax (attributable to owners of the Company)							(19,734)
Balance Sheet							
Investments accounted for using the equity method	32,952	45,379	34,798	9,199	-	65,483	187,811
Property, plant and equipment	81,764	152,375	16,836	2,471	55,978	-	309,424
Intangible assets	204,384	426,232	106,299	7,542	-	-	744,457
Assets classified as held for sale	-	-	-	-	92,698	-	92,698
Other assets	432,668	48,473	104,921	21,890	30,626	-	638,578
Segment assets	751,768	672,459	262,854	41,102	179,302	65,483	1,972,968
Cash and cash equivalents							265,717
Tax Assets							29,059
Consolidated assets							2,267,744
Segment liabilities	459,914	42,359	80,006	14,041	23,978	-	620,298
Tax liabilities							6,902
Loans and Borrowings							515,731
Consolidated liabilities							1,142,931
Other segment information							
Capital expenditure***	26,528	18,503	13,599	599	13,913	-	73,142
Operating earnings per share							20.3cps

* Proportionately consolidated EBITDA includes the equity accounted share of profits from RATCH Australia Corporation Limited (RAC) (formerly Transfield Services Infrastructure Fund).

** Includes \$959,000 of allocated overheads from Transfield Services.

*** Includes assets acquired through finance leases

**** Purchased on 22 December 2010 and consolidated from this date.

Transfield Services Limited and controlled entities
Notes to and forming part of the financial statements
For the year ended 30 June 2011

Operating segments (continued)

(b) Operating Segment Results (continued)

2010	ANZ	Easternwell	Americas	ME&A	Unallocated	TSI Fund (RAC)	Group
\$'000s							
Proportionately Consolidated Revenue	2,544,642	-	1,378,568	129,143	-	-	4,052,353
Less: Share of joint venture revenue	(427,467)	-	(417,315)	(56,615)	-	-	(901,397)
Statutory Revenue	2,117,175	-	961,253	72,528	-	-	3,150,956
Proportionately Consolidated EBITDA*	142,754	-	68,313	7,856	(9,263)	9,269	218,929
Less: share of joint ventures EBITDA	(37,973)	-	(32,872)	(8,959)	-	-	(79,804)
EBITDA from operations excluding JV's	104,781	-	35,441	(1,103)	(9,263)	9,269	139,125
Add: share of net profits of joint ventures	34,004	-	22,277	6,709	-	-	62,990
Reported EBITDA	138,785	-	57,718	5,606	(9,263)	9,269	202,115
Depreciation	(27,732)	-	(7,587)	(549)	(10,259)	-	(46,127)
Amortisation of acquired intangibles	(7,991)	-	(19,258)	(445)	-	-	(27,694)
EBIT	103,062	-	30,873	4,612	(19,522)	9,269	128,294
Net operating finance costs							(26,133)
Tax on operating items							(5,699)
Non-controlling interest							(511)
Operating net profit after tax							95,951
Normalisation adjustment to TSI Fund (RAC) share of profits							(22,906)
Net profit after tax (attributable to owners of the Company)							73,045
Balance Sheet							
Investments accounted for using the equity method	44,895	-	33,913	10,500	-	179,200	268,508
Property, plant and equipment	90,455	-	25,934	2,948	54,728	-	174,065
Intangible assets	212,532	-	454,106	7,987	-	-	674,625
Other assets	355,069	-	165,365	27,366	25,133	-	572,933
Segment assets	702,951	-	679,318	48,801	79,861	179,200	1,690,131
Cash and cash equivalents							112,716
Tax Assets							47,828
Consolidated assets							1,850,675
Segment liabilities	443,049	-	129,962	17,657	23,099	-	613,767
Tax liabilities							45,405
Loans and Borrowings							387,461
Consolidated liabilities							1,046,633
Other segment information							
Capital expenditure**	20,760	-	9,433	982	9,872	-	41,047
Operating earnings per share							23.2cps

* Proportionately consolidated EBITDA includes the equity accounted share of profits from RAC.

** Includes assets acquired through finance leases

Operating segments (continued)

(c) Reconciliations of joint venture to share of net profits

	2011	2010
	\$'000	\$'000
Share of joint ventures EBITDA	67,702	79,804
Depreciation	(3,477)	(2,599)
Amortisation	(19)	(72)
Net operating finance costs	(4,947)	(790)
Tax on operating items	(10,886)	(13,353)
Share of net profits of joint ventures using the equity method	48,373	62,990

(d) Reconciliations to primary financial statements

	2011	2010
	\$'000	\$'000
(i) Revenue		
Segment revenue	3,208,384	3,150,956
Less: revenue from discontinued operations	(450,306)	(532,865)
Add: Net gain from reclassification of investment in TSI Fund (RAC)	2,677	-
Revenue from continuing operations	2,760,755	2,618,091

(ii) Share of net profits of associates and joint ventures accounted for using the equity method

Segment share of joint venture results	48,373	72,259
Segment share of TSI Fund results (before overhead allocated from Transfield Services)	16,915	
Less: share of TSI Fund (RAC) transaction costs	(2,718)	-
Less: share of Loy Yang A fair value assessment recognised in TSI Fund (RAC)	(38,580)	-
Less: Normalisation adjustment for TSI Fund (RAC) share of profit	-	(22,906)
Share of net profits of associates and joint ventures accounted for using the equity method	23,990	49,353

(iii) Depreciation

Segment depreciation	53,190	46,127
Less: depreciation relating to discontinued operations	(3,058)	(3,859)
Depreciation relating to continuing operations	50,132	42,268

(iv) Amortisation

Segment amortisation	28,053	27,694
Less: amortisation relating to discontinued operations	(13,755)	(15,451)
Amortisation relating to continuing operations	14,298	12,243

(v) Finance costs

Net operating finance costs	39,130	26,133
Less: finance costs relating to discontinued operations	(327)	(113)
Add: non-recurring finance costs	1,645	-
Net Finance costs	40,448	26,020

(vi) Income tax

Tax expense relating to operating activities	11,377	5,699
Add: tax credit/(expense) relating to discontinued operations	1,267	(1,165)
Less: tax on non-recurring items	(5,743)	-
Income tax expense from continuing operations	6,901	4,534

Operating segments (continued)

(e) Proportionately consolidated revenue by industry group

2011	ANZ	Easternwell	Americas	ME&A	Group
\$'000s					
Resources & Energy	609,637	109,461	645,838	105,230	1,470,166
Infrastructure Services	1,182,789	-	133,775	-	1,316,564
Properties & Facilities management	726,810	-	449,741	10,744	1,187,295
Total proportionately consolidated revenue	2,519,236	109,461	1,229,354	115,974	3,974,025
2010	ANZ	Easternwell	Americas	ME&A	Group
\$'000s					
Resources & Energy	588,362	-	716,307	117,779	1,422,448
Infrastructure Services	1,113,415	-	124,944	-	1,238,359
Properties & Facilities management	842,865	-	537,317	11,364	1,391,546
Total proportionately consolidated revenue	2,544,642	-	1,378,568	129,143	4,052,353

(f) Information about major customers

The Group aims to develop long-term relationships with its customers and has no significant concentrations of credit risk within the wholly-owned group. The Group's customers are generally large companies or government authorities with established credit histories. The Group conducts checks for credit worthiness on new customers using independent agencies and industry references. The Group also operates through a significant number of joint ventures globally most of which have either a single or a dominant customer. The credit management policies of Transfield Services and the respective joint venture partner are applied to those customers.

(g) Details of non-recurring items

2011

Non-recurring items – restructuring and transaction costs (net of tax):

Six months ended 31 December 2010:

Restructuring costs	(7,342)	\$'000s
Easternwell acquisition costs	(6,344)	
	<u>(13,686)</u>	

Six months ended 30 June 2011:

Loss on disposal of USM	(19,345)
Cumulative foreign exchange losses relating to USM (previously recognised in reserves)	(50,301)
Net share of losses associated with impairment of investment in Loy Yang A power station by TSI Fund (RAC) and gains on recognition of convertible notes on sell-down in investment in TSI Fund (RAC)	(28,907)
Transaction costs relating to TSI Fund (RAC) transaction	<u>(7,618)</u>

Total in the year ended 30 June 2011

(119,857)

2010

Non-recurring items – restructuring and transaction costs (net of tax):

Normalisation adjustment to TSI Fund (RAC) share of profits	(22,906)	\$'000s
Total in the year ended 30 June 2010	<u>(22,906)</u>	

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Notes to and forming part of the financial statements
For the year ended 30 June 2011

Operating segments (continued)

(h) Other statutory segment information about geographical areas

2011	Australia \$000	New Zealand \$000	Americas \$000	Middle East and Asia \$000	TSI Fund (RAC) \$000	Total \$000
Revenue from external customers	1,889,665	413,133	837,494	68,100	-	3,208,392
Revenue from foreign countries	-	-	-	-	-	-
Depreciation	36,155	10,855	5,604	576	-	53,190
Non-current assets:-						
Investments accounted for using the equity method	67,839	10,492	34,798	9,199	65,483	187,811
Property, plant and equipment	254,830	35,286	16,836	2,472	-	309,424
Intangible assets	519,324	111,292	106,299	7,542	-	744,457
Prepayments and other non-current assets	18,762	557	1,942	303	-	21,564
2010						
Revenue from external customers	1,705,987	411,188	961,253	72,528	-	3,150,956
Revenue from foreign countries	-	-	-	-	-	-
Depreciation	25,686	12,235	7,586	549	-	46,056
Non-current assets:-						
Investments accounted for using the equity method	35,458	9,437	33,913	10,500	179,200	268,508
Property, plant and equipment	100,071	45,112	25,934	2,948	-	174,065
Intangible assets	92,349	120,183	454,106	7,987	-	674,625
Prepayments and other non-current assets	2,318	424	2,562	853	-	6,157