Concise Annual Report 2007

Downer EDi
Your Infrastructure Partner

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Historically, Downer EDI can trace its roots back to the 1930's when it commenced business as a privately owned New Zealand based civil construction and engineering company.

Today, Downer EDI is one of Australasia's largest outsourcing engineering companies with assets of $3.2 billion and an annual turnover in excess of $5.4 billion. Downer EDI is ranked in the top 100 ASX listed companies. The company employs more than 22,000 people across 400 sites globally. We occupy the number one or two market position in our key markets.

The Concise Annual Report reflects the activity of Downer EDI Limited for the financial year 1 July 2006 to 30 June 2007. The standard currency used throughout this report is Australian dollars, unless otherwise stated.

The Concise Annual Report is an extract from the Full Financial Report of Downer EDI Limited. The financial statements and specific disclosures included in the Concise Annual Report have been derived from the Full Financial Report of Downer EDI Limited and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Downer EDI Limited as the Full Financial Report, a copy of which, including the independent audit report, is available to all shareholders, and will be sent to shareholders without charge on request to the Company Secretary.

Please note that financial information for Downer EDI Limited, including the 2007 Concise Annual Report and the 2007 Full Financial Report, can be found at the Downer EDI website, www.downeredi.com

AGM

All shareholders are invited to attend Downer EDI Limited's 2007 Annual General Meeting. It will be held in Sydney at Shangri-La Hotel Sydney (Ballroom 2), 176 Cumberland Street, The Rocks, Sydney on 2 November 2007 commencing at 10.00am. Shareholders who are unable to attend, but choose to vote on the proposed resolutions, are encouraged to complete a proxy form and lodge it at least 48 hours prior to the meeting.

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"I firmly believe in the inherent strength of the business. I have a strong commitment to the business and a belief that this business can perform better with some changes.

In the past, these strengths have been undermined by businesses taking on unacceptable levels of risk and a culture which lacked discipline in execution.

My track record is one that demonstrates my fundamental belief in the requirement for clarity of purpose, accountability and focus.

I fully acknowledge that it will take time to win back the trust of the investment community and other stakeholders.

The board and I are committed to doing **whatever it takes** to achieve this."

Brent Waldron CEO

Year Overview

This year has seen Downer EDI return to profitability with an after tax profit of $101.5 million. Although 2007 marked a return to profit, and a turnaround of $126.4 million from the after tax loss of $24.9 million in 2006, the final result was still below forecast. Disappointingly, several legacy contracts continued to impact profit but the organisation was still able to maintain strong performance against key financial performance criteria including positive cash flow and gearing at 44%. This result provides a solid basis for growth in 2008 and beyond.

> Full year profit after tax of $101.5 million

> Turnover increased to $5.4 billion, up 15%

> Underlying operating earnings (EBIT) of $281 million, in line with guidance provided August 2006

> New South Wales PPP tracking well

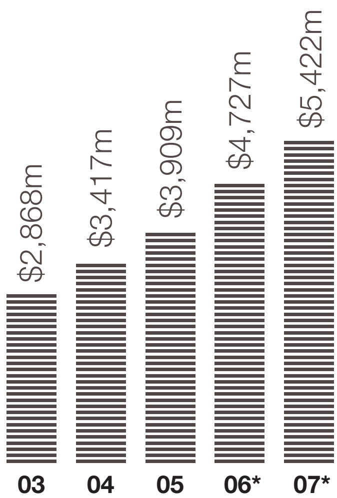
> Positive cash flow, gearing at 44%

> Expansion and strengthening of consulting businesses

> Order book of $9.3 billion

> Positive and sustainable outlook

> Significant items totalling $152.2 million pre-tax impacted profit adversely



Total Turnover

Turnover for the year was $5.4 billion, up 15% over the previous year. Of this increase, organic growth in our core businesses accounted for the majority of the increase, with major contributions from Downer EDI Works and Downer EDI Rail.

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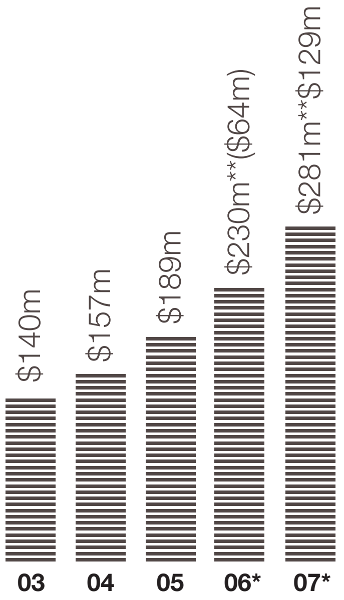
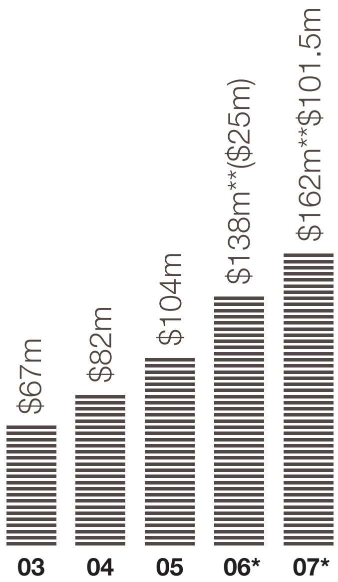


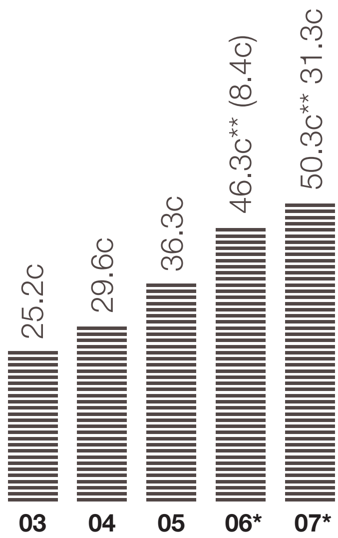
Earnings Before Interest, Tax and Amortisation of Intangibles (EBITA)

Underlying earnings before interest and tax before significant items amounted to $281 million, an increase of 22%. The increase to $129 million after significant items was a $193 million turnaround on the previous year.



Operating profit after tax

Reported after tax profit of $101.5 million was a turnaround of $126.4 million compared to the previous year. The lower than expected result was marred by a number of significant items totalling pre-tax $152.2 million.



Earnings per share

Underlying earnings per share (excluding the effects of significant items) equates to 50.3 cents, an increase of 9% over the previous year.

*all figures reported for 2006 and 2007 financial years are based on A-IFRS reporting standards

**underlying – excludes the effects of significant items

Chairman's Message

Dear Shareholder

It is extremely disappointing to be writing to you following another year involving a further, significant profit write-down relating to previously identified problem contracts.

The board understands and acknowledges the anger and frustration of shareholders following yet more bad news. The directors understand that it will take time for the company to win back your trust and are absolutely committed to doing everything in its power to do this.

Importantly, while the financial impact of the recent profit write-down was significant, the entire impact related to previously identified problem contracts which are working their way through the system and are near the end of that process.

No new material problem contracts have emerged, a testament to changes to the company's risk management procedures and protocols which have significantly de-risked our project pipeline.

The board has acted decisively to place Downer EDI on a sound footing for the future.

A new Chief Executive Officer, Mr Brent Waldron, was appointed on 2 August 2007. While Mr Waldron's appointment is on an interim basis as an internal and external search is underway for a permanent CEO, he is a candidate for the role as permanent CEO and has committed to be a part of this process.

The board's appointment of Mr Waldron as CEO and executive director recognises the strong track-record he brings in driving needed change in underperforming businesses and in creating value for shareholders. Mr Waldron returns to Downer EDI after a period of absence but with substantial experience with the Group. Accordingly he also brings a detailed knowledge of our businesses to the role.

Importantly, the board has mandated Mr Waldron to bring immediate change to restore value for shareholders and he has already taken significant steps to re-position the company's operations. This has included streamlining the company's operations, realigning the senior management team and implementing a business review.

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Turning to the financial performance of the company during the financial year ended 30 June 2007, Group turnover totalled $5.4 billion – up 15% on the previous year. The underlying EBIT performance of $281 million was an increase of 22% on the prior year and pleasingly the year saw a return to positive cash flow. An unfranked final dividend of 8 cents per share has been declared, payable on 18 October 2007. This brings total dividends for the year to 21 cents per share, representing a payout ratio of 66%.

During 2007, Downer EDI made its second European based acquisition with the purchase of Sillars Holdings, a privately owned road construction and engineering contracting business based in the North of England. Chan and Chan, a Singapore based family company in the road civil engineering and maintenance sector was also acquired. These acquisitions provide Downer EDI with further opportunity to leverage its maintenance business model into the United Kingdom and Asian markets.

The depth of our existing offerings was also expanded during the year with the bolt-on additions of engineering consulting businesses Tse Group and Glasson Potts Fowler to Duffill Watts in New Zealand; and a small traffic consultancy, John Piper Traffic, to the Australian-based Coomes business.

I would like to thank shareholders for your ongoing support through what has been a difficult period, and to confirm the board's commitment to ensuring that Downer EDI delivers the consistency of earnings we are all looking for.

Our company has great potential and we look forward to presenting a strong result for Downer EDI in the half year report.

Barry O'Callaghan AO
Chairman

Chief Executive Officer's Review

Dear Shareholder

I am writing to you for the first time as the Chief Executive Officer of Downer EDI, having been appointed to the role on an interim basis on August 2 this year.

Traditionally, much of this report has been dedicated to providing an overview of the business performance during the financial year in question. Given the significant changes made across the business since the end of the financial year, I felt it important to share with you some of the thinking behind them.

Recent developments

As many of you may be aware, I resigned from the business earlier this year. I chose to return because I passionately believe we have very sound businesses, underpinned by excellent people. But while our underlying business remains strong, the culture of the company needs to change if we are to maximise value for you, our shareholders.

To deliver of their best, people need clarity of purpose, accountability and a clear direction. I have already taken steps to begin this process and have a clear plan for the future of the Group, with a mandate from the board to deliver on that plan. That mandate is to accelerate the business process improvement program already underway, focus on excellence in leadership at all levels of our business and continue to build our strategic foundations as we look to the future for Downer EDI.

Since commencing as CEO I have moved swiftly, taking decisive steps to realign the business and to set a footing for improved shareholder value. I have reviewed the structure of both the head office and the operating divisions and have refined accountabilities and responsibilities. I now have 10 direct reports compared to nearly 20 previously.

The new simplified operating structure brings the global operations of Downer EDI Works, incorporating Australia, New Zealand, United Kingdom, Singapore and Hong Kong, under the leadership and control of the current CEO of Downer EDI Works Australasia, David Cattell. I have also moved to bring the four consulting businesses of CPG Corporation, Duffill Watts Group, Coomes Consulting and Snowden Group under the leadership of one divisional CEO, Peter Reidy who was appointed in August 2007.

Critically, we have instigated an independent external review of our business which has been tasked to find better ways of harnessing the range of services and capabilities residing within each division.

It is time to put our business under the microscope to see what we can do to realise our full potential and deliver value to shareholders. The review will examine our business strategies and test if they are still appropriate. Once this is completed we will work through each business unit and business stream one by one, to ensure that what we are doing is consistent with our agreed strategy. We will look at every opportunity to enhance shareholder value.

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On 2 August this year, Brent Waldron was appointed acting Chief Executive Officer of Downer EDI. Brent has moved quickly and decisively to implement change across the Group and to review the entire business to ensure it is realising its full potential.

With a focus on safety, financial performance, client value, operations and risk, and people and culture, Brent Waldron and his management team are working to improve performance across the Group and increase shareholder returns.

A strong team of over 22,000 employees are working with them to deliver outcomes for clients, communities and our shareholders.

The review will be completed in 3-4 months and we expect to begin implementing its recommendations immediately.

The fundamental strengths of the business, evident throughout this report, lay a strong foundation for future growth and improved shareholder returns.

Review of the year to 30 June 2007

Downer EDI's strength has always been grounded in its people, who love the work that they do and who are committed to the customers and the communities that they serve. Our operational performance this year supports this conviction.

- Group turnover totalled $5.4 billion – up 15% on the previous year – with underlying EBIT performance of $281 million.
- This year saw a return to positive cash flow and improved gearing (net debt to equity) at 44%, compared to the half year gearing level of 71%.
- Operating cash flow for the year was $106.2 million, an increase of 18% over last year.

I am confident this strong underlying performance and solid balance sheet provides a platform for growth into 2008 and beyond.

In the course of the year the Group achieved a number of significant contract wins, most notably the New South Wales Government contract for the design, manufacture and maintenance of 72 eight car sets for Sydney's CityRail network.

The project has been the subject of much media speculation in recent times but I can confirm we remain on target to deliver in the contracted 2010 – 2013 timeframe.

Additionally, during the year the company acquired bolt-on businesses in the United Kingdom, Australia and New Zealand, particularly enhancing the Group's capabilities and revenue generation ability in the evaluation and management phases of the infrastructure asset life cycle, notably in the areas of asset feasibility, concept design, operations and maintenance.

The outlook for 2008 is positive and the company is confident of delivering a substantially improved profit result from the 2007 year.

We anticipate record levels of infrastructure spending by Government will continue across all of the geographies in which we operate, especially in road, rail, power, water and ports. Downer EDI is well positioned to reap the benefits of this spending through our core competence in supply, service and maintenance.

The diversity and repeatability of Downer EDI's revenue streams, our strong market positions in our core operating businesses, combined with our commitment to maintaining an investment grade financial profile, provide a strong underpinning for our financial performance.

I fully acknowledge it will take time to win back the trust of the investment community. The board and I are committed to doing **whatever it takes** to achieve this.

Brent Waldron
Chief Executive Officer

Chief Financial Officer's Review

The company earned an after tax profit of $101.5 million for the year. This is a substantial uplift of $126.4 million from the after tax loss of $24.9 million in 2006.

The result was impacted by further provisions for construction contracts which have overshadowed the underlying performance of the Group's core businesses. The five year record table (page 11) reflects the company's history of delivering sustainable growth, of both revenue and profitability, and is reflective of the underlying strength of our recurring revenue and business model.

Revenue for the year was $5.3 billion, up $696 million (or 15%) over the previous year. Of this increase, organic growth in our core businesses accounted for the majority of the increase. Turnover for the year was $5.4 billion, up $695 million (or 15%) over the previous year.

By business segment:

- Engineering and Rail turnover increased 6% to $2,113.3 million;
- Mining and Resources turnover increased 2% to $1,694.9 million;
- Infrastructure Services turnover increased 50% to $1,619.9 million; and
- Unallocated and inter segment eliminations accounted for the balance of group turnover.

Underlying earnings before interest and tax (ie excluding the effects of significant items) amounted to $280.9 million, an increase of $51.1 million (or 22%) over the prior year, reflecting the strength of the underlying core businesses. This is reflected in improved underlying EBIT margins for our Mining, Resources and Engineering businesses. This has been delivered through a focus on controlling costs and the services nature of the underlying business.

The core Infrastructure markets in Australia and New Zealand have continued to provide strong consistent margins. Overall, Infrastructure margins have declined due to the underperformance out of our recent expansions into the UK and Singapore. This has been compounded by the unseasonal weather in the last quarter of the year in the UK and supply chain issues in Singapore. Margins in the base Rail division (excluding the PPP) continue at their historic highs. A level of conservatism in profit recognition from the PPP contract at this early stage has reduced the overall margin generated by the Rail division. Collectively, this has produced overall margins for the Group consistent with the previous year at 5.2%, on an increased revenue base.

Net interest expense for the year was $56.0 million, which was up $9.0 million over the previous year. The level of net interest was impacted by increases in the level of working capital required to fund the expanded revenue platform, bolt-on businesses acquired during the year, contract disputes and the effects of a rising interest rate market. Depreciation and amortisation was $137.4 million compared to net additions to property plant and equipment of $97.1 million. As indicated in last year's report, net capital expenditure has returned to levels below or around our annual depreciation and amortisation charges.

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Depreciation rates adopted by the Group are conservative, with net gains of $20.8 million reported on disposal of property, plant and equipment (2006: $16.1 million). The effective tax rate of the Group for 2007 has been influenced by a number of items, but in particular the recognition of the balance of the 2006 research and development benefit of $46.5 million upon the lodgement of the 2006 Downer EDI Consolidated tax return. Excluding the affects of this and other one-off items, the Group tax rate was 28%.

The effective tax rate continues to be influenced by costs not deductible for tax purposes, more than offset by research and development claims and over provisions from prior years (once more, primarily related to research and development claims). Profit contributions from overseas operations with tax rates lower than the Australian tax rate, such as Singapore, have also contributed, although not significantly, to a reduced overall tax rate. Net profit after tax including the one-off items noted above amounted to $101.5 million (excluding one-offs, the after tax profit would have been $161.6 million). This compares to the 2006 loss after tax of $24.9 million (excluding one-offs, a profit after tax of $137.8 million).

Accounting policies and basis of preparation

The financial statements have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS).

Cash flow and capital expenditure

Operating cash flow for the year was $106.2 million. This is an increase of $16.3 million over last year, but more importantly a substantial turnaround of $122.7 million over the first six months of the financial year. This improvement reflects a reduction in the funding of various construction contract disputes. Adding back the effects of these construction contract disputes, the underlying businesses continue to generate strong cash flows.

Funds utilised in working capital, with a $696 million increase in revenue, have (after the provision for construction contracts) increased by $114 million to $419 million during 2007. As a percentage of revenue, working capital has increased to 7.8% (2006: 6.7%).

Net investing activities of $221.2 million over the 2007 year were lower than the 2006 level. Of this amount, $67.6 million relates to bolt-on business acquisitions. Net additions to property, plant and equipment accounted for $97.1 million, details of which have been previously noted. The net amount for investments was $60.6 million, with the major item being investment in the PPP special purpose vehicle, Reliance Rail of $67.0 million. The net debt for 2007 of $519.2 million was a decrease on the 2006 level and reflects funds raised through the issue of Redeemable Optionally Adjustable Distributory securities (ROADS) in New Zealand. We recognise the continued and valued support of our shareholders in developing the business.

The Group's gearing, as measured by net debt to capitalisation (net debt plus total equity), at 30.7% remains at prudent levels. On a net debt to equity basis, gearing at 44% remains well within targeted levels 42%-67%.

Financial position

Net assets of the Group have increased from $950.5 million to $1,169.9 million, a net increase of $219.4 million. Major contributors to this net increase arose from:

- After tax profit retained in the business of $101.5 million;
- Hybrid equity instrument ROADS placement of $175.7 million, net of costs;
- Employee share plan issue of $5.4 million;
- The issue of shares on acquisition of businesses of $5.5 million;
- A negative movement in reserves of $32.5 million, primarily reflecting movements in hedging reserves and movements in foreign currencies against the Australian dollar and their financial statements into Australian dollars; and
- Dividends paid to shareholders (net of dividend reinvestment plan elections) amounting to $36.2 million.

Chief Financial Officer's Review continued

Banking facilities and treasury risk management activities

On 7 September 2007, Fitch Ratings affirmed Downer EDI's investment grade credit rating as BBB – with a stable outlook. The company remains focused on improving the quality of its earnings, cash flows and balance sheet footings with a view to restoring a BBB (stable) rating over the medium term.

As at 30 June 2007, the weighted average maturity of the Group's funded debt stood at 2.7 years, compared with 3.1 years for the prior year. This contraction in maturity profile recognises the normal shortening of existing facilities with the lapse of time partly offset by the refinancing of A$100 million worth of USPP with 3 year A$80 million MTNs. To manage risks associated with interest rate fluctuations on long term decisions, 52% of the Group's 30 June 2007 funded debt is hedged at fixed interest rates (30 June 2006: 68%).

Debt facilities (adjusted for relevant hedges) drawn at year end totalled $762 million (2006: $697 million) with a maturity profile of 27% due within 12 months (2006: 24%), 16% due within two years (2006: 10%) and 57% due from three to 12 years (2006: 66%). The debt facilities due within 12 months are expected to be refinanced in the normal course of business as they fall due. Tenures for these refinanced facilities will take into consideration the maturity profile of the remaining debt facilities. The company continues to comply with its borrowing covenants.

The Group's overseas operations continue to be mainly funded by way of local currency borrowings, thereby reducing the impact of movements in exchange rates. Whenever material transactions are undertaken involving currency rate exposures, the currency risk is hedged. Given the small amount of US denominated assets, exposures to US$ borrowings (both principal and interest) are fully hedged. No speculative hedge or interest rate swap contracts are entered into.

The Group also maintains $1,014 million in facilities in the surety market for performance bonds in respect of its operating businesses. Facilities utilised at 30 June 2007 totalled $736 million (2006: $427 million). This increase largely reflects $200 million of performance bonds issued for the PPP. Other than $11 million of finance lease transactions, all debt and surety facilities are provided on an unsecured basis. Total available liquidity at year end amounted to $695 million comprising cash of $243 million and aggregate undrawn debt funding lines and leasing limits of $452 million.

Capital management and dividends

The dividend policy has been established to provide shareholders with a yield on their investment in both the short and medium term. This includes ensuring that adequate capital will be available to facilitate expansion of the Group.

Shareholders should be pleased to note that a 2007 final ordinary dividend of 8 cents per share has been declared. This has been declared by the directors in recognition of the strength of the underlying business and their expectations for the 2008 year. This dividend will be unfranked. Total dividends in respect of the 2007 year amounted to 21 cents per share, a 5% increase over the previous year.

The 2007 final dividend is payable on 18 October 2007. Many shareholders took advantage of the company's Dividend Reinvestment Plan (DRP) during the 2007 year with 47% of eligible dividends being subject to DRP. To meet continuing shareholder appetite in this area, the company's Dividend Reinvestment Plan (DRP) applies to the 2007 final dividend, once more providing shareholders with the opportunity to reinvest their dividends in Downer EDI at a 2.5% discount to market.

The closing date for amendment/participation in the DRP is 18 September 2007, with the DRP pricing provided to the market on 4 September 2007. As in previous years, shareholders have been provided with a free option to review subsequent share price trading before submitting final DRP elections.

Peter Reichler
Chief Financial Officer

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FIVE YEAR RECORD FOR THE YEAR ENDED 30 JUNE					
	2007 $'000	2006 $'000	2005[1] $'000	2004[1] $'000	2003[1] $'000
Turnover	5,422,157	4,727,482	3,972,325	3,417,491	2,867,858
Revenue	5,329,530	4,633,424	3,814,511	3,193,308	2,697,023
Earnings before interest and tax (EBIT) (before significant items)	280,894	229,813	188,646	157,303	140,445
Earnings before interest and tax (EBIT) (after significant items)	128,661	(63,862)	188,646	157,303	140,445
Interest expense (net)	56,018	47,044	36,309	28,546	28,826
Income tax (before significant items)	63,310	45,014	27,595	27,689	28,171
Profit after tax (before significant items net of tax)	161,566	137,755	104,035	81,546	66,572
Significant one-off items net of tax	(60,068)	(162,684)	–	–	–
Profit/(loss) after tax after significant one-off items	101,498	(24,929)	104,035	81,546	66,572
Total equity	1,169,907	950,543	908,020	823,029	760,191
Net debt to equity	44%	56%	38%	41%	39%
Net debt to capitalisation (debt plus equity)	31%	36%	27%	29%	28%
Trade debtors turnover (rolling 3 month average) – days	39.7	37.3	46.8	41.4	42.1
Cashflow from operations including significant one-off items	106,156	89,902	185,957	181,480	225,003
Basic earnings per share before significant items (cents) [2]	50.3	46.3	36.3	29.6	25.2
Basic earnings per share after significant one-off items (cents) [2]	31.3	(8.4)	36.3	29.6	25.2
Diluted earnings per share (cents) [2]	31.3	(8.4)	36.3	29.6	24.4
Closing share price (dollars) [2]	$7.36	$7.44	$5.33	$3.20	$3.08
Dividends per ordinary share (cents) [2]	21.0	20.0	18.0	15.6	11.6
Dividends payout ratio as a percentage of profit after tax	65.9%	n/a	50.0%	53.9%	50.3%
Order book (millions)	9,300	6,900	6,500	6,400	5,500

1 As previously reported under Australian Generally Accepted Accounting Principles (AGAAP) and amortisation of intangibles have been adjusted for in EBIT.

2 Comparative information has been restated to reflect the effects of the November 2003 1 for 4 share consolidation.

Division Highlights

David Cattell
Chief Executive Officer

Wayne Nolan
Chief Executive Officer

Downer EDI conducts business through the key divisions of Downer EDI Works, Downer EDI Engineering, Downer EDI Mining, Downer EDI Rail and Consulting Services.

These divisions were renamed in 2007 to focus and align the businesses around key areas including financial performance, client value, operations and risk, and people and culture.

Downer EDi Works

Downer EDI Works provides services for the development, asset management and maintenance of public and private infrastructure, principally to the road and rail infrastructure sectors. It also provides utility services such as groundworks for power, gas and telecommunications, maintenance of water supply, wastewater treatment and parks and reserves. Works operates in Australia, New Zealand, Singapore, Hong Kong and the United Kingdom.

- 180+ sites
- 5,500+ employees
- Expansion in the United Kingdom and Singapore via three new acquisitions
- Successful integration of the Emoleum and Southern Asphalters businesses in Australia
- Capabilities extended to include water with key wins achieved in the New Zealand market

Downer EDi Engineering

Downer EDI Engineering provides engineering services in Australia, New Zealand and the greater Asia Pacific region. Downer EDI Engineering is focused on the long-term, high value-added engineering market. Specialist services include power transmission, telecommunications, facilities management, electrical and mechanical, and process engineering (dairy/food).

- 50+ sites
- 6,400+ employees
- Foxtel contract broadened and extended – value is $200 million over four years
- $200 million work secured in the Pilbara region
- Providing all electrical, instrumentation and commissioning services for Alcan's Gove G3 project

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Guy Wannop
Chief Executive Officer

Downer EDi Rail

Downer EDI Rail is Australia's leading provider of passenger and freight rollingstock and associated maintenance.

It offers services in the design, manufacture, refurbishment, overhaul and maintenance of diesel electric locomotives, electric locomotives, electric and diesel multiple (passenger) units, rail wagons, traction motors and related services.

- 25+ sites
- 1,200+employees
- Passenger train win in NSW with value in excess of $3.6 billion
- Extension orders from Queensland and Western Australia governments for passenger trains
- $25 million investment to increase capacity to meet growing demand
- Delivery of second tranche of locomotives to BHP Billiton Pilbara operations

Damien O'Reilly
Chief Executive Officer

Downer EDi Mining

Downer EDI Mining is one of Australia's major providers of mining, mine management and consulting services. Its diverse works include open cut and underground mining; mine planning; civil and bulk earthworks; tyre management services; minerals exploration and land drilling; explosives manufacture and blasting services; and design and construction capabilities for materials handling and minerals processing facilities.

- 55+ sites
- 4,400+ employees
- Xstrata Alliance contract for the development of two new coal processing plants
- New management team and organisational restructure to reflect renewed focus on customers and risk management
- Century extends drilling operations in Asia

Peter Reidy
Chief Executive Officer

Consulting Services

Through four leading brands – CPG Corporation, Coomes Consulting, Duffill Watts Group and Snowden Group – Consulting Services provides "front end" engineering design and consulting to public and private infrastructure sectors in Australia, New Zealand, Asia Pacific, the Middle East and selected global locations.

- 55+ sites
- 4,700+ employees
- Acquisition of two new consulting businesses in New Zealand
- Expansion into markets in Asia and the Middle East
- Increased capacity to provide consulting services in resource management, environmental engineering, transportation and catchment management
- Alignment under a single CEO

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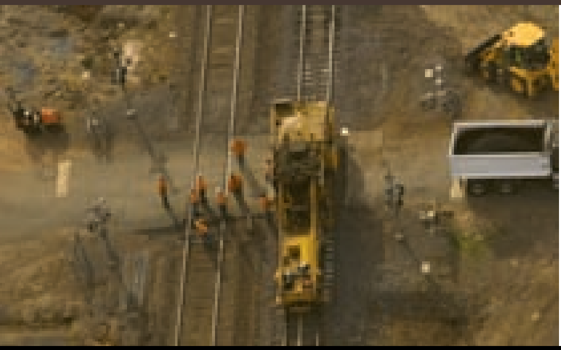

Downer EDI Works

Road & Rail

"Downer EDI Works further consolidated its position as the leading non government provider of road and rail maintenance and rehabilitation services in Australia and New Zealand."

David Cattell
Chief Executive Officer, Downer EDI Works

Road & Rail
Review of Operations

Downer EDi Works

TURNOVER
$1.62 BILLION

50.2%

INCREASE

EBIT
$74 MILLION

20.3%

INCREASE

Downer EDI Works further consolidated its position as the leading non government provider of road and rail maintenance and rehabilitation services in Australia and New Zealand. Works delivered strong turnover of $1.62 billion, 50.2% higher than last year, driven by organic growth and acquisitions. Operating earnings (EBIT) increased by 20.3% to $74.1 million.

During 2007, the division made progress in expanding its services offering to owners of infrastructure in Australia, New Zealand, Singapore and the United Kingdom.

The revenue growth generated during the year was contributed equally through acquisition and organic expansion. In October 2006, the division acquired the business of Southern Asphalters which operates four asphalt production facilities in southern New South Wales. In June 2007, the bitumen assets of Coventry Limited, which included emulsified bitumen production capability and the other half of our Perth asphalt production facility which supplies the Perth market, were acquired. During the year there were also acquisitions in the United Kingdom and Singapore.

The division can count in its top 50 clients the road authority, rail authority and water authority of the national governments of Australia and New Zealand and each of the Australian state governments, along with numerous local authorities.

In the process of delivering an excellent financial result for the year, the division was recognised for its innovation and project management record in a number of ways, including:

- A Downer EDI Works asphalt paving team laid 4,056 tonnes of asphalt in a single shift on a project at Port Kembla in New South Wales. This is believed to be an Australian record.
- Downer EDI Works New Zealand was awarded the Supreme Business Excellence Award and Employer of Choice Award by Manukau City Council, the largest city council in New Zealand, recognising the company's achievements in innovation and safety.
- Downer EDI Work's client, Cardinia Shire Council, in Victoria won the prestigious Victorian Local Government Professional Award for Excellence in the field of innovative infrastructure and its application to community assets.
- The Downer EDI Works Western Region was awarded the Urban Development Institute of Australia (UDIA) 2007 National Award of Excellence for the Mandurah Ocean Marina project completed for Landcorp.

Outlook
A strong order book in excess of $1 billion, with all regions and industry sectors well represented, underpins the division's ambitions in 2008. Owners of infrastructure across all regions continue to recognise the value presented by the outsourced maintenance model and are increasing the proportion of their budgets committed to outsourcing. The division expects this to translate into increased opportunities in the year ahead.

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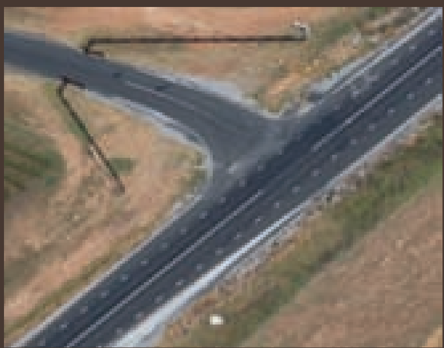
Case Study
Innovative thinking saves local community $30 million



One of the most important goals for local governments and authorities is to meet rising expectations of the local community with increasingly over-stretched council funding. How best to do that is often the debate. The critical challenge is how to close the funding gap while utilising available funds most appropriately.

It was these issues that brought the Mornington Peninsula Shire Council and Downer EDI Works together to develop a new way of working focused on delivering the best outcomes for the community.

Looking beyond traditional contracts and funding constraints, the two organisations combined Downer EDI Work's pool of resources with the Shire's skills and assets to develop a highly competitive and efficient partnership for total road and related construction and maintenance services.

The 15 year partnership is built on understanding needs and providing an integrated road maintenance approach.

Overseeing the contract for Downer EDI Works is Chief Operating Officer Southern and Central Regions, Sergio Cinerari. According to Sergio, after building on close working relationships with the Shire, his team was able to solve problems in a lateral way by offering a comprehensive service matched with a long term commitment.

The benefits are numerous for both the client and Downer EDI.

Shire CEO, Dr Michael Kennedy, believes the 'Safer Local Roads' Partnership Contract will save the Shire and the rate paying community more than $30 million over the next 10 years. The Shire carefully evaluated not only the cost but the long term technical and practical advantage of undertaking the project in this way. The joint management model far surpasses the limitations of traditional four year contracting, allowing further road rehabilitation works as well as increased risk management of their assets.

The partnership also allows for the ongoing support of local businesses and sub-contractors with other benefits including the up-skilling of people, the provision of safety training, resource sharing and traineeship opportunities in the local community.

The ability to approach each project differently and tailor partnership contracts is invaluable to Downer EDI's success in surpassing client expectations. This type of long term annuity stream provides the company with certainty in revenue and the ability to plan our resources optimally.

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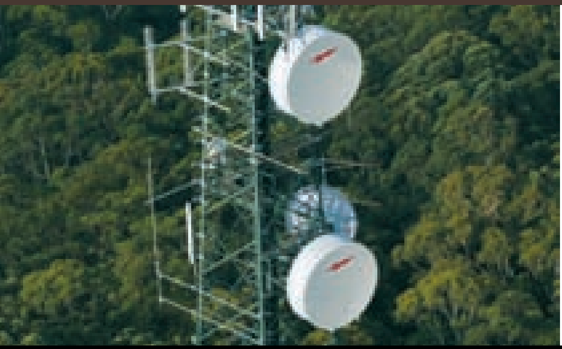


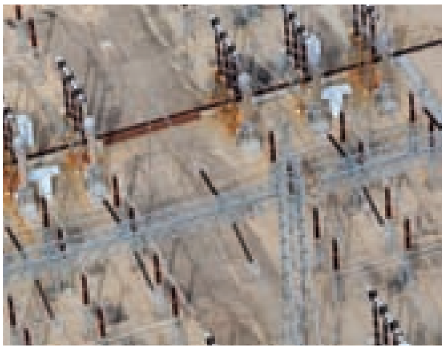
Power & Telecommunications

"Downer EDI Engineering is now better structured to assess its best positioning in its core markets and take advantage of the division's strengths as a major, multi-disciplinary engineering services firm."

Wayne Nolan
Chief Executive Officer, Downer EDI Engineering

Power & Telecommunications
Review of Operations

DownerEDi Engineering



A significant focus of the management team this year has been the successful integration of the previously separate telecommunications and electrical, mechanical and process engineering organisations into one corporate structure. A priority of the division has been establishing strong corporate direction, support and governance functions to drive additional growth, improve risk management and process consistency and ensure a division-wide approach to major customers and opportunities.

Downer EDI Engineering is now better structured to assess its best positioning in its core markets and take advantage of the division's strengths as a major, multi-disciplinary engineering services firm.

Power, electrical and mechanical engineering

Downer EDI Engineering's strong footprint in Australia makes it one of the largest electrical and mechanical engineering contracting organisations in Australia. Its primary market segment is made up of blue chip clients with long-term relationships built on the high quality delivery of work over many years, sometimes decades. This has positioned Downer EDI Engineering for strong recurring revenue opportunities based on attractive contractual terms.

The past year has seen an unprecedented demand for Downer EDI Engineering's core electrical and mechanical engineering project capability. This has been driven by the significant investment in new and expanded facilities in the resources, minerals and energy sectors. The division's Queensland and Western Australian businesses have especially experienced success from the high level of investment by major customers in those regions.

The division's key challenge in this market segment is to attract and retain the appropriate skilled personnel to meet the level of demand for major project work. Across the business, we are finding that our large and skilled employee workforce is a key source of our competitive advantage.

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Highlights of the 2007 year in the power services area of the business have included:

> Providing all electrical, instrumentation and commissioning services for Alcan's Gove G3 project;

> Continued work in power projects, particularly with Powerlink Queensland, Ergon Energy and Western Power;

> Major electrical and mechanical engineering work with BHP Billiton in the expansion of the company's WA Iron Ore and Nickel sites; and

> Major electrical and associated works for Woodside Energy's LNG expansion in WA.

Telecommunications services

Downer EDI Engineering's telecommunications services businesses in Australia and New Zealand target the 'small ticket of work' segments of the engineering and technical services market. At present, the division's focus is on the telecommunications and subscription television markets. In New Zealand, Downer EDI Engineering is the largest supplier of services to the fixed line telecommunications market. In Australia, the division is a major supplier to the subscription television market, as well as providing some services in the fixed line and mobile networks segments. In both markets the division also provides project services.

Over the past year, these businesses have focused on improving profitability and better positioning for future growth. In New Zealand, the telecommunications business has expanded its customer base and improved its profitability. In Australia, a major highlight has been a significant long-term installation contract with FOXTEL.

In Asia, the business has worked to expand opportunities in the face of some political and economic uncertainty that has dampened public sector and private sector spending on telecommunications infrastructure. However, there are now signs of the emergence of project spending in some markets, with a positive outlook for the next two years.

Outlook

The outlook for Downer EDI Engineering continues to be one of growth in its core markets of resources, minerals, energy, oil and gas, petrochemicals and communications, with significant forward investment plans in place in each of those segments. In addition, the division is building its capability further in those services its key customers will require once the construction 'boom' involving capacity begins to decelerate.

Downer EDI Engineering is also focused on better utilising its regional presence and breadth of skills and services. This involves assessing the best approach to offering major customers the full portfolio of the division's capabilities and services across the division's geographic footprint.

The team at Downer EDI Engineering is energised to provide further value to clients and is supported by the division's significant investment and business improvement plans in processes and systems, leadership development and safety systems.

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Downer EDi Rail

Rail Vehicles & Maintenance

"There have been a number of highlights for the year, most notably the win of the New South Wales Government PPP for the provision of passenger cars to Sydney's CityRail network."

Guy Wannop
Chief Executive Officer, Downer EDI Rail

Rail Vehicles & Maintenance
Review of Operations

Downer EDI Rail was the outstanding performer for the period further cementing its position as the premium provider of rail rollingstock and maintenance services in Australia. Turnover increased 53.7% to $536.5 million, while EBIT increased 29% to $41.8 million.

There have been a number of highlights for the year, most notably the win of the New South Wales Government PPP for the provision of passenger cars to Sydney's CityRail network. This contract includes the design, manufacture and maintenance for 35 years of 72 available eight-car train sets. This was a significant win for the division, increasing market share and solidifying the company's position in the rail industry in Australia.

During the year, Downer EDI Rail also extended passenger car contracts with Queensland Rail for the supply of an additional 24 three-car passenger trains and the extension of the Western Australia Public Transport Authority contract with 15 additional three-car sets.

In support of this growth and to meet future expected demand, $25 million is being invested in the division's rail manufacturing facilities in Newcastle, New South Wales, and Maryborough, Queensland.

Both the Freight business and the Spare Parts business also experienced pleasing growth during the year. The company delivered the second tranche of heavy haul locomotives to BHP Billiton's Pilbara operations and received confirmed orders for a further 13 locomotives, bringing the total order to 36 under the contract signed in 2004. Additional orders for diesel electric locomotives were also received for Rio Tinto Aluminium's bauxite operations at Weipa in north Queensland.

A graduate program was introduced to develop talent for our business internally, and provide experience in all functions of the company, building upon the successful Graduate Engineer Program already adopted. At year end there were 12 graduates engaged under the program.

Outlook

Over the next five years Downer EDI Rail will look to build the business into a major regional supplier and maintainer of rollingstock in South East Asia and Australasia. Downer EDI Rail's competitive advantage is built around the strength of its customer relationships, its knowledge of the operating environment and technical requirements for rollingstock, its maintenance asset management expertise, the relationships in place with global suppliers and its engineering and project management strengths.

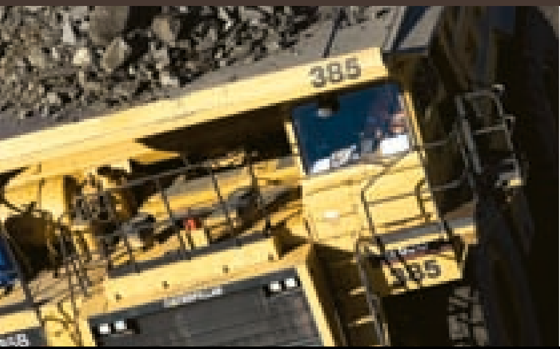
Case Study
Delivering a superior train to the NSW public

In November 2006, the Reliance Rail consortium was awarded the New South Wales Government's Rolling Stock Public Private Partnership (PPP) to finance, design, manufacture and maintain for 35 years 72 available eight-car train sets for Sydney's CityRail network between 2010 and 2013. As the major supplier and major equity holder, Downer EDI remains committed to delivering this quality product on time and on budget for the client, RailCorp.

On the award of the project to Reliance Rail, Morris Iemma, Premier of New South Wales, said that the consortium had "presented the superior train". Since the award of the contract, Downer EDI Rail, the designer, manufacturer and maintainer of the double deck sets has been working closely with RailCorp to ensure the design of the new train meets their needs and specifications.

With our highly skilled Dower EDI Rail team currently designing and developing the new trains, RailCorp can be assured that the end result will be a train that meets expectations.

Downer EDI Rail has a demonstrated track record. The Millennium Train fleet, which Downer EDI Rail designed, built and now maintains, has proven to be Sydney's most reliable, smoothest and safest train. Our engineers will continue tracking along until this next generation of trains is delivered with success in the scheduled 2010-2013 timeframe.



Mining & Resources

"The year has seen an increased emphasis on risk management and contracting controls.

As a result, the relative proportion of alliance contracts has significantly increased, thereby reducing organisational risk exposure."

Damien O'Reilly
Chief Executive Officer, Downer EDI Mining

Mining & Resources
Review of Operations

The Mining and Resources division (Downer EDI Mining and Century Resources) achieved a 12.1% increase in underlying turnover to $1.55 billion and increase of 21.3% in underlying EBIT to $101.4 million in financial year 2007.

The performances of the mining and blasting services businesses were at or above expectation, while the process engineering group had some success during the period with new alliance contracts with Xstrata Coal for the development of two new coal processing plants in New South Wales.

During the year, a new executive team and chief executive officer were appointed. The team has driven a restructure process aimed at creating a leaner business which has geographic focus and is better aligned to its customers.

The year has seen an increased emphasis on risk management and contracting controls. As a result, the relative proportion of alliance contracts has significantly increased, thereby reducing organisational risk exposure.

An estimating and technical services (shared services) group was also formed to ensure that best practices are shared group-wide.

The business faces a number of challenges around the resolution of a small number of problem contracts, completion of the restructure, realisation of savings from the 'shared services' model, and the attraction and retention of appropriately skilled staff. These are the focus of the management team in the coming year.

Outlook

The outlook for the Australian mining and resources industry remains positive with ongoing international demand and continuing increases in commodity prices.

Changes to the team, improved business processes and the client value proposition will deliver superior returns for shareholders in 2008. Earnings growth will come from a balance of top line revenue growth and bottom line cost reduction. Increased emphasis on financial accountability and the elimination of exposure to high risk low return activities will help ensure this objective is realised.

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Case Study
Developing long-term relationships

A pleasing highlight for the year was the negotiation of a new alliance agreement with long-standing client Xstrata Coal which will see the development of two new Coal Handling Processing Plants (CHPP) to service Xstrata Coal's Mt Owen and Liddell operations in the New South Wales Hunter Valley.

Downer EDI Mining will work with Xstrata Coal to manage the design activities for both coal handling processing projects. The Mt Owen CHPP is expected to be completed by early 2008, with Liddell staggered to complete approximately three months later.

Downer EDI Mining's association with Xstrata Coal commenced in 2001 through the Ulan open cut mine in the Hunter Valley and progressed three years ago into process engineering covering several Xstrata Coal mine sites in the Hunter Region.

During the year, Xstrata Coal also recently engaged Downer EDI Mining to provide the design work for a new CHPP at their South African Goedgevonden operation, utilising the company's technology, engineering knowledge and delivery capability. This partnership between Downer EDI Mining and Xstrata Coal follows the success of the Mt Owen overland conveyor system and Bulga projects, which the company previously managed for Xstrata Coal.

Downer EDI Mining is focused on delivering quality results for the Mt Owen and Liddell CHPPs that meet our client's needs and add value to their operations. With the potential for Xstrata Coal to continue upgrading its coal plants in the future, Downer EDI is committed to establishing a strong partnership that delivers mutually beneficial results.

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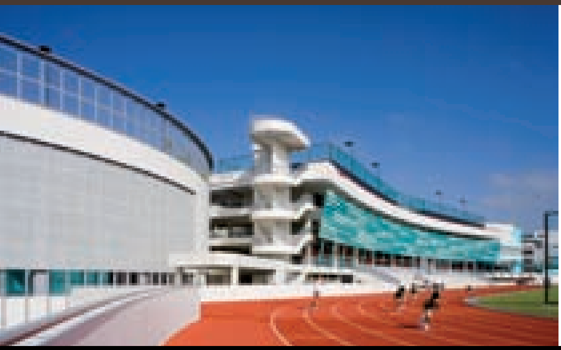

Consulting
Services

Consulting Services

"By leveraging the existing capabilities as one large consulting group, Consulting Services will be better placed to capture opportunities as governments continue to invest in new and replacement infrastructure, and develop new capabilities with strategic partnerships and alliances in the emerging private public partnerships (PPP) sector."

Peter Reidy
Chief Executive Officer, Consulting Services

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Consulting Services
Review of Operations

Consulting Services

The Downer EDI “front end” engineering design and consulting capabilities are offered through four subsidiary companies: CPG Corporation (CPG) in Singapore, China, India, Asean and the Middle East; Duffill Watts Group in New Zealand; Coomes Consulting across Australia; and Snowden Group in the mining/resources sector covering Australia, South Africa, Canada, United Kingdom and other global locations.

The group has over 4,700 employees, more than 55 offices and over 60 years of combined history. Its diverse client base from both the private and public sectors and typical customer segments cover both public and private infrastructure.

The consulting businesses achieved EBIT increases of between 14 and 32 percent for the reporting period.

CPG Corporation

The Singapore construction market recovered sharply in 2006/07 year with construction demand increasing some 41% compared to previous year.

CPG has maintained its leadership position in the Singapore market while continuing to receive industry accolades for its work. CPG’s latest success was the Singapore Building and Construction Authority Awards where the company was honoured with seven awards, including two in the Green Mark Award category for ‘environment-friendly’ projects.

Other highlights for the year include expansion into the new markets of Kazakhstan and Pakistan, and the new catchment management services for the Singapore Public Utilities Board’s Active Beautiful and Clean Waters program. Cementing new ties, CPG has also been active in two new industry alliances – the Singapore Water Solutions Alliance and the Singapore Protective Technologies Consortium.

With in-house capabilities ranging from design services to project management maintenance services, CPG is in a favourable position to market itself as a desired partner in PPP projects. During the year, CPG pursued three PPP projects in Singapore - the Sports Hub, The Institute of Technical Education College West and a proposed National University of Singapore town.

Duffill Watts

During the year, Duffill Watts acquired the Tse Group and Glasson Potts & Fowler Ltd. These two acquisitions doubled the resources of the group and added land servicing and environmental science to its business capabilities.

Duffill Watts also experienced significant growth and a developing international reputation in the traffic and transportation sector and in the last 12 months has completed projects in the Middle East, Pakistan and China.

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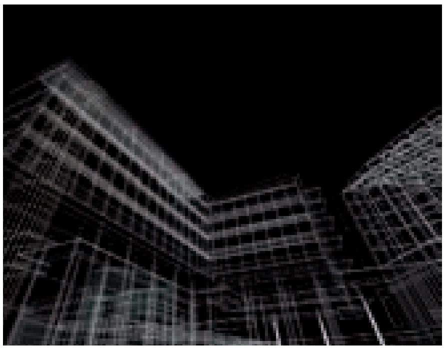
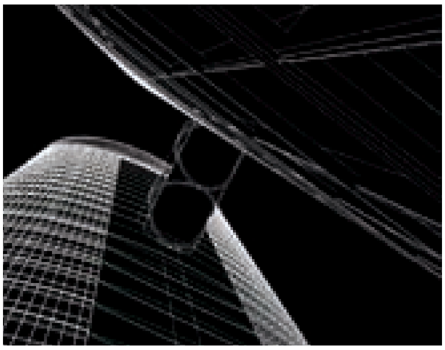


Coomes Consulting

During the year Coomes grew through acquisition of additional consulting practices, namely Singleton Bahen Stansfield and John Piper Traffic. Singleton's, acquired early in the year, has been fully integrated into Coomes operations, delivering a new client base and expanding its geographical presence in the region of Victoria to include the city of Bendigo.

The John Piper Traffic acquisition was effective 1 July 2007 and provides a strategic expansion of the service offerings in the traffic, transport infrastructure market. Strong synergies exist between John Piper Traffic, Coomes and other Downer EDI divisions, particularly Downer EDI Works and Downer EDI Engineering.

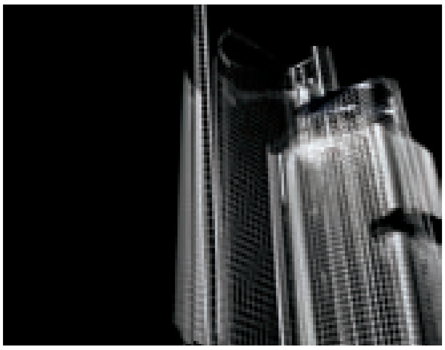
Opportunities are available to expand into New South Wales and Queensland and will be approached at a pace to ensure sustainable growth and integration within the capacity of the management infrastructure.



Snowden Group

Snowden maintained and enhanced its position as a pre-eminent advisor to the global mining industry. Through the year a number of strategic projects were completed and long term relationships renewed with the world's major mining houses, BHP Billiton, Rio Tinto, CVRD, Anglo and many other mid tier miners. Snowden continues to provide essential data management and other technology related services to these clients and long term contracts.

During the year, Snowden experienced a large increase in its international business across all continents in line with the broadened international sphere of exploration being undertaken by major miners. The group's operations grew significantly in the Americas from its Canadian office and a new office was established in Belo Horizonte, Brazil. Snowden has also grown its resources and its business in providing services to mining companies in training, mentoring, business and operational efficiency improvements to help them address the current employment and skills shortages.



Outlook

The group sees positive growth opportunities in existing markets of Australia, Asia and New Zealand, while continuing to build its presence in areas including India, China, Vietnam, Dubai, South Africa and Canada.

By leveraging the existing capabilities as one large consulting group, Consulting Services will be better placed to capture opportunities as governments continue to invest in new and replacement infrastructure, and develop new capabilities with strategic partnerships and alliances in the emerging private public partnerships (PPP) sector.

Safety

Downer EDI is committed to the health and safety of all employees. With a zero harm philosophy and goal, safety is a major priority across the Group. At both a corporate and divisional level, the health and safety of our employees, contractors and visitors is the responsibility and priority of everyone from our directors to our employees.

It is disappointing that the Group's rolling Lost Time Injury Frequency Rate (LTIFR) increased marginally from June 2006. However, the result in 2007 of 2.7 remains significantly below the average for the preceeding five year period of 3.8.

There was a marked improvement in the Group's rolling 12 month Medically Treated Injury Frequency Rate (MTFR) average from 21.9 in June 2005 to 18.5 in June 2006 and then to the present day 12.3 for 2007.

In 2007, the Downer EDI Group recorded two employee fatalities and one contractor fatality in the workplace. These incidents have been fully investigated by relevant authorities and our own internal investigations under the supervision of the board.

The Downer EDI Occupational Health and Safety Policy has established a set of key objectives which have led to a series of programs and initiatives designed to continuously improve our safety performance. These objectives are:

- Comply with all relevant statutory obligations;
- Provide adequate resources to establish and maintain safe systems of work;
- Maintain health and safety competency and integrate health and safety requirements in all to aspects of the business;
- Ensure all incidents are reported and thoroughly investigated with a view to preventing a similar injury occurring;
- Continuously improve performance through innovative technology, education and management practices;
- Provide health and safety training for employees;
- Employ only those contractors who aspire to the same health and safety standards as the company; and
- Promote a positive health and safety culture that is based on the principle that all incidents can be prevented.

The Downer EDI Board Health Safety and Environment Committee plays an important role in monitoring the work of the organisation in achieving these objectives.

Throughout the organisation our commitment to safety is reinforced at every opportunity through our induction processes, daily pre-start meetings and toolbox meetings. It is an ongoing priority of the organisation and a key performance criteria for our management and business operations.

Case Study

Moving and feeling better – Downer EDI Mining Safety Principles at work

Clinical studies show that 45 minutes of a sustained posture or repetitive movement can result in changes to tissue length, which can take up to five hours to reverse if direct action is not taken.

A workforce survey at the Cracow gold mine in Queensland (operated by Downer EDI Mining) revealed that more than 90% of employees experience pain everyday. The 'Move Better – Feel Better' program was designed to address soft tissue injuries through assessing and managing individual injury risk.

Overseen by an independent physiotherapist, the five step program involves group education, individual posture screening, analysis and provision of tailored exercise programs, video assessment and three weekly follow-up, group exercise and task specific training, and half yearly reviews.

The program provides tangible employee benefits such as improved quality of life and increased individual health awareness. In turn, Downer EDI Mining is benefiting from improved safety performance and productivity through decreased injuries and recovery time.

Corporate Social Responsibility

Consideration of the extent to which Downer EDI's activities impact upon the environment and community in which it operates is very important to the company. Across the Group, management of the environment and acting in the community's best interests are an integral part of our business activity.

The company's Corporate Code of Conduct provides:

"All the company's business activities will be carried out so as to protect the health and safety of employees, contractors, customers and the community while paying proper regard to the protection of the environment. Downer EDI will use best endeavours to conduct its operations in a manner that is environmentally responsible and sustainable. The company will always conduct its business with the protection of the environment as a primary goal."

Each division has in place procedures and programs that assist the company to meet industry environmental standards and the expectations of its customers. In several areas the company is leading the way in the development of environmentally friendly innovations and initiatives.

Downer EDI Works in New Zealand has implemented an avalanche restoration program to restore areas affected by avalanche damage and joined the first water contracting alliance to separate stormwater and waste water in the Motions South catchment area of Auckland. In the United Kingdom, Downer EDI Works has worked with government in a project that involves the recycling of road surfaces.

Downer EDI Mining provides its own Sustainability Report which sets out all of its sustainability initiatives including, among other things, participating in the Greenhouse Challenge Plus Program and being a signatory to the Mineral Council of Australia's new Australian Mineral Industry Framework for Sustainable Development.

In keeping with environmental reporting, there were no significant issues of regulatory non-compliance during the reporting period.

The Australian Government's Energy Efficiency Opportunities Act 2006 took effect from 1 July 2006. Procedures are in place to meet the requirements of the legislation in the required timeframe.

At all times, Downer EDI operates on the basis that its actions must be in the community's interests and sensitive to the needs of the local communities. The divisions have demonstrated over many years their ability to work in harmony with the local communities associated with their business.

For example, the company has a strong record of working with and respecting the values and beliefs of indigenous people in the locations where it operates. Recently, Downer EDI Works initiated a program to address the high incidence of diabetes among its indigenous New Zealand workers. Downer EDI Mining has engaged in numerous indigenous assistance initiatives including its Indigenous Employment Program which has been in operation for over eight years in Western Australia. The Program includes several joint venture agreements with indigenous groups with respect to mining operations and employment, as well as becoming a signatory to, and funding, the Memorandum of Understanding between the Minerals Council of Australia and the Australian Government to address the key challenges facing Australia's indigenous community.

In addition, many projects include community involvement, open community communications activities and programs to recruit locally, appropriately skilled workers or train them so that they have the appropriate skill set. This includes Downer EDI Mining's "Women With Hard Hats" initiative with the Queensland Government. The company and its divisions also participate in a wide range of community donations and support programs.

Board of Directors

Barry O'Callaghan AO (71) was appointed as a non-executive director in May 1998 and is Chairman of the Board. Mr O'Callaghan is a barrister and solicitor and a past partner of and consultant to the national law firm Corrs Chambers Westgarth 2002-2005, a Partner from 1960-2002, Chairman of Partners of the Melbourne office from 1993–1999 and Manager of the Property and Development Division from 1965–1992. He serves as Chairman of Mercy Health and Aged Care Inc and is a non-executive director of the Selpam Group and Monterey Investments. He was formerly a non executive director of the Linfox Group, Hudson Conway Limited, the Royal Melbourne Institute of Technology Graduate School of Business and the Committee for Melbourne, and a former Chairman of Xavier College Council.

Peter Jollie AM (67) was appointed as a non-executive director in April 2004 and is Deputy Chairman. Mr Jollie is a Past President of the Institute of Chartered Accountants and is a fellow of that body as well as the Australian Institute of Company Directors. Mr Jollie holds several current directorships. He was previously CEO of P&O Containers, Chairman of the Prospect Water Treatment consortium and was the Chairman of the Defence Housing Authority from 1997 to June 2003. Mr Jollie has had a long involvement in international trade having been a member of the Trade Policy Advisory Committee to Ministers for Trade for six years to 2002.

Brent Waldron (46) was appointed executive director and interim Chief Executive Officer of Downer EDI Limited in August 2007. Having joined the company in 2002, he was previously Deputy Chief Executive Officer of Downer EDI and prior to that Chief Executive Officer of the Downer EDI Works business in New Zealand. He holds Bachelor of Commerce (Accounting) and Master of Commerce (Hons) degrees and prior to joining Downer EDI had extensive management experience in the retail, forestry, engineering and banking sectors. From 1998 to 2002, Mr Waldron was Chief Financial Officer for The Warehouse Group Limited, New Zealand's largest and most profitable general merchandise retailer with operations throughout New Zealand and Australia and a strong customer-first business philosophy. Prior to this, he was the Director – Finance & Planning with Fletcher Challenge Forests.

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Lucio Di Bartolomeo (53) was appointed as a non-executive director of the company in June 2006.
Mr Di Bartolomeo is a qualified civil engineer and has a Master's degree in Engineering Science; a Fellow of the Australian Institute of Management; Fellow of the Chartered Institute of Transport and a Member of the Institution of Engineers Australia. Mr Di Bartolomeo was Managing Director of ADI Limited (ADI) for four years and prior to this he was Chief Executive of a number of substantial businesses for over ten years, including six years as Managing Director of FreightCorp (now Pacific National).
Mr Di Bartolomeo is a director of Civic Nexus Pty Ltd. He is also a director of Reliance Rail.

John Humphrey (52) was appointed as a non-executive director of the company in April 2001. He holds a Bachelor of Laws degree from the University of Queensland. Mr Humphrey is a Partner in Mallesons Stephen Jacques based in Brisbane where he specialises in corporate and resource project work.
Mr Humphrey is currently Chairman of Villa World Limited, and a director of Horizon Oil NL. He was appointed to the board of Evans Deakin Industries Limited in 2000 and, subsequently, to the board of Downer EDI Limited.

Christopher Renwick AM (64) was appointed as a non-executive director of the company in September 2004.
Mr Renwick was a qualified barrister and solicitor and holds both Bachelor of Laws and Bachelor of Arts degrees from the University of Melbourne. Mr Renwick was Chief Executive Officer, Rio Tinto Iron Ore until December 2004 when he retired from Rio Tinto. His wide experience in the mining and resources sector spanned 35 years with the Rio Tinto group and included chairmanships of Hamersley Iron, the Iron Ore Company of Canada and Robe River Mining, and Managing Director of Comalco Minerals & Alumina.
He is a director of Transurban Limited and he was recently appointed a non-executive director of Sims Group Limited.
He was a vice-president of the Australia Japan Business Co-operation Committee, and was an executive committee member of the Australia-China Business Council, including National President 1997–1999.
He is a fellow of the Australian Institute of Management, a fellow of the Australian Institute of Export and a fellow of the Australian Academy of Technological Sciences and Engineering. Mr Renwick was made a Member of the Order of Australia in the Queen's Birthday Honours in June 2006.

Corporate Governance

This report outlines Downer EDI's approach to corporate governance in the context of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations. The board is committed to best practice in corporate governance and its ability to add value to the company and its shareholders.

Board charter and policies

The foundation of Downer EDI's approach to corporate governance is the adoption of a board charter, committee charters and board policies. These provide a guide to roles, responsibilities and best practice in the way the board functions and the company conducts its business. The following charters and policies have been adopted by the board:

- Board charter
- Audit and risk management committee charter
- Nomination and corporate governance committee charter
- Remuneration committee charter
- Health, safety and environment charter
- Corporate code of conduct
- Directors' code of conduct
- Securities trading policy
- Disclosure policy
- Shareholder communication policy

Principle 1: Lay solid foundations for management and oversight

The board charter sets out the principles for the operation of the board of directors and describes the functions of the board and those functions delegated to management. The business of Downer EDI is managed under the direction and oversight of the board, with management of Downer EDI's day-to-day operations delegated to the chief executive officer and the senior management team. The primary goal set by the board is the enhancement of long-term shareholder value through excellent performance. The board aims to achieve this objective by:

- reviewing and monitoring strategic plans and budgets, and setting long-term goals and policies;
- reviewing and approving Downer EDI strategies as developed by management;
- monitoring the performance of Downer EDI against financial objectives and operational goals;
- ensuring that appropriate recruitment and retention employment and succession strategies are in place;
- approving and monitoring the progress of major capital expenditure, acquisitions and divestitures and capital management;
- reviewing the chief executive officer and senior management performance, conduct and reward;
- ensuring that the major risks of Downer EDI's businesses have been assessed and appropriate controls have been put in place and are working;
- supervising external reporting and disclosure;
- ensuring that Downer EDI has policies and procedures to satisfy its legal and other responsibilities; and
- determining the level of dividends and franking.

The board oversees the company's strategic direction and control by ensuring that management has in place appropriate processes for risk assessment, management and internal control and monitoring performance against agreed benchmarks. The board works with senior management as collaborators in advancing the interests of Downer EDI.

Principle 2: Structure the board to add value

Board composition

The composition of the board is determined using the following principles:

- the board comprises a majority of non-executive directors;
- the chairman of the board should be a non-executive director;
- the directors should possess a relevant and broad range of skills, qualifications and experience;
- the board should meet on a regular basis;
- the board should comprise at least three directors, but not more than fifteen; and
- the members should bring their independent judgement and scrutiny to Downer EDI's business, management and performance.

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The composition of the board is assessed by the nominations and corporate governance committee to ensure it meets these principles and to ensure the required skills for the business are represented on the board. As at the date of this statement, the board under the chairmanship of Barry O'Callaghan, comprises 6 members. A profile of each board member, which outlines their qualifications and experience, is provided on pages 38 and 39 of this report.

Board independence

The directors have an overriding duty to act in the best interests of the company, avoid situations of conflict of interest, and not use their position for personal benefit. Under the board charter, directors are required to promptly disclose possible conflicts of interest, interests in contracts, other directorships or offices held, possible related party transactions and sales or purchases of the company's shares. If a possible conflict of interest arises, the director concerned declares a possible conflict of interest, does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Directors must keep the board advised, on an ongoing basis, of any interests that could potentially conflict with those of the company.

The ASX Principles of Good Corporate Governance recommend that a majority of the board should be independent directors. Under the board charter, some examples of where a director is not considered independent are set out below:

- the director has been a principal in a material supplier of professional services to the company;
- the director represents a shareholder with more than a 5% relevant interest in Downer EDI; and
- the director is or has in the last 3 years been an executive of the company.

The definition of independent director adopted by the board is not materially different from that recommended by the ASX in the Principles of Good Corporate Governance. Under both the ASX test and the board charter test, all of the directors are independent directors.

Board meetings

The board meets regularly for scheduled meetings and on other occasions to deal with specific matters that require attention between meetings. The agenda for meetings is prepared in conjunction with the chairman and the chief executive officer and the regular business of the board includes review of business plans, financial performance, major strategic issues and investments, governance and compliance matters, regular presentations by operational management and consideration of occupational health, safety and environmental reports.

Committees of the board

The board has established committees to assist it meet its responsibilities. These committees review matters on behalf of the board and make recommendations for consideration by the full board. The board has established charters for the operation of its committees and minutes of committee meetings are reported to the full board.

Period of office

Each director (apart from the executive director) is required to retire by rotation, with one third of the board retiring at each AGM. No director can serve more than three years without offering themselves for re-election.

Principle 3: Promote ethical and responsible decision making

Downer EDI recognises the need for directors and management to observe the highest standards of behaviour and business ethics when engaging in corporate activity. As part of this commitment, the board has adopted a directors' code of conduct and approved the corporate code of conduct for all employees.

Corporate code of conduct

This sets out the standards that the company will adhere to whilst conducting its business and applies to both directors and employees. The code includes:

- commitment to shareholders;
- compliance with relevant laws;
- environment protection;
- occupational health & safety;
- equal employment;
- confidentiality;
- conflicts of interest guidance; and
- general conduct.

Directors' code of conduct

This sets out the standards that each director will adhere to whilst conducting their duties and is in addition to the corporate code of conduct and statutory responsibilities. The code requires directors to act honestly, in good faith and generally observe the duties and exercise the powers vested in them with due care and diligence.

Corporate Governance
continued

Securities trading policy

This sets out the policy for directors and senior management for dealing in the company's securities. It stipulates that directors and relevant employees should:

- never engage in short term trading in the company's securities;
- not deal in company securities while in the possession of price sensitive information;
- notify the company secretary of any material intended transactions involving the company's securities; and
- restrict their buying and selling of the company's securities having regard to restrictive 'trading windows'.

The current shareholdings of directors are shown on page 47 of this report.

Principle 4: Safeguard integrity in financial reporting

The chief executive officer and the chief financial officer provided the board with statements on Downer EDI's financial reports and compliance with the Corporations Act and accounting standards. The statements support the declarations required to be made by directors in respect of Group results.

Audit and risk management committee

Members: John Humphrey (chairman), Barry O'Callaghan, Peter Jollie and Chris Renwick.

The audit and risk management committee assists the board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the company, and such other duties as directed by the board. The committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders, and on the company's processes to manage business and financial risk, and for compliance with significant applicable legal, ethical, and regulatory requirements. The committee is directly responsible for the appointment, compensation, and oversight of the external auditors engaged to prepare an audit report on the financial statements of the company.

The objectives of the audit and risk management committee are:

- assisting the board to discharge its responsibility to exercise due care, diligence and skill in relation to Downer EDI's:
  - reporting of financial information to shareholders;
  - application of accounting policies;
  - financial management;
  - internal control systems;
  - risk management systems;
  - business policies and practices;
  - protection of the company's assets; and
  - compliance with applicable laws, regulations, standards and best practice guidelines;
- providing a formal forum for communication between the board of directors, senior financial management of the company and the external auditors;
- facilitating the maintenance of the independence of the external audit;
- improving the quality of internal and external reporting of financial and non-financial information; and
- fostering an ethical culture throughout the company.

The audit and risk management committee comprises four independent non-executive directors with relevant financial, commercial, legal and risk management experience. John Humphrey and Barry O'Callaghan are qualified legal practitioners with extensive experience as public company directors. John Humphrey has served on several public company audit committees for over 13 years and Barry O'Callaghan has been chairman or a member of a public company audit committee for over 18 years.

Peter Jollie is a qualified accountant and a past president (and Fellow) of the Institute of Chartered Accountants as well as a Fellow of the Australian Institute of Company Directors. Chris Renwick has a legal and corporate chief executive background particularly in the resources and mining sectors. He was CEO of Rio Tinto Iron Ore and held directorships of other mining companies. He has had 35 years experience with the Rio Tinto group, and has sat on various trade bodies including the Australia-China Business Council.

The audit and risk management committee generally invites the chief executive officer, chief financial officer and external auditor to attend committee meetings. It also meets with and receives reports from the external auditors concerning any matters that arise in connection with the performance of their respective roles, including adequacy of internal controls. Executive management is excluded from part of these meetings to allow frank discussion between the committee and the external auditor. Downer EDI currently does not have an internal audit function that covers all of its operations. Our external auditors' strategy reflects this fact and they work closely with management and the board to ensure that audit resources are used to their maximum potential.

Occupational health, safety and the environment

As part of the audit and risk management committee's overall responsibility, the board has established a health, safety and environment sub-committee which oversees the implementation of the board's occupational health, safety and environment charter. The committee is chaired by Chris Renwick and members are Barry O'Callaghan and John Humphrey. The committee met once during the year, including receiving presentations from divisional management and reviewing Group policies and reports. The Group's Occupational Health and Safety and Environmental policies have been updated to reflect the board's focus.

Principle 5: Make timely and balanced disclosure

Downer EDI is committed to ensuring adherence to regulatory requirements and best practice to ensure timely provision of equal access to material information about the company. The board has a continuous disclosure policy to ensure that the procedures for identifying and disclosing material and price sensitive information are in accordance with the Corporations Act and ASX listing rules. No departures from this policy were noted during the reporting period.

Through the continuous disclosure policy, Downer EDI seeks to ensure that:

- all investors have equal and timely access to material information;
- announcements and media releases are expressed in a clear and objective manner to allow investors and the financial community to assess the impact of the information when making investment decisions; and
- commentary on the financial results includes information that is needed by an investor to make an informed assessment of Downer EDI's activities and performance.

Disclosure committee

The company has established a disclosure committee consisting of the chairman, chief executive officer and company secretary to oversee disclosure of information by the company. The powers and responsibilities of the disclosure committee are:

- to establish procedures for the mandatory notification to the disclosure committee of information that may be required to be disclosed pursuant to law (domestic or foreign) or the rules of any securities or other exchange in which the company is a participant; or information that may be desirable to disclose having regard to considerations of social responsibility or reputational risk;
- to make decisions concerning the content of disclosure of disclosable information;
- to provide formal assurance to the board that all disclosable information has been the subject of consideration by the committee; and
- to formulate and recommend to the board changes to the Company's continuous disclosure policy and procedures, having regard to changes in applicable law, legal obligations arising through participation in relevant markets and evolving corporate governance standards.

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The committee meets on an ad hoc basis as required throughout the year. Results announcements for Downer EDI follows a calendar of regular disclosures to the share market:

- full year results announcement issued to the market (August);
- annual report sent to shareholders (September);
- annual general meeting held and the chairman's and managing director's addresses are announced to the market (early November);
- half year results announcement issued to the market (February); and
- half year report sent to shareholders (March).

Principle 6: Respect the rights of shareholders Communications

The board has established guidelines for shareholder communications. This includes:

- using the company's website www.downeredi.com to promote and facilitate shareholder communications;
- all news releases and announcements to the ASX/NZX, financial presentations, annual and half yearly reports, chairman and chief financial officer presentations to AGMs and company newsletters are available on the website;
- improving shareholder participation in meetings by use of technology and considering corporate governance council guidelines for meetings and notices;
- audio web casting of the annual results presentations to analysts;
- comprehensive information about Downer EDI and its services and activities are available from the website, or can be mailed on request;
- direct mailings to shareholders; and
- increased use of email to respond to shareholder queries and concerns.

Attendance of external auditor at annual general meetings

As standard procedure, Downer EDI's external auditor attends the company's annual general meeting and is available to answer any questions that shareholders may have about the conduct of the external audit for the relevant financial year and the preparation and content of the audit report.

Principle 7: Recognise and manage risk

As part of the audit and risk management committee's role, the committee and board seek to identify and minimise potential risks and exposure of Downer EDI, both internally and externally. In this way, the board ensures appropriate:

- management focus is given to risk identification, measurement and reporting;
- strategies are in place for mitigation of risk;
- segregation of duties, employment and training of suitably qualified and experienced personnel; and
- scope and work programs of external auditors are established, in conjunction with recommendations from the audit and risk management committee.

Risk management

Downer EDI has risk management policies and guidelines in place, including interest rate management, foreign exchange risk management, credit risk management and also covering operational and decision-making risks, to minimise the risks that arise through its activities. Risk management groups are operating to focus on risk management strategies in particular on tendering, operational, contractual, execution and counterparty issues. The divisional risk management groups, report to a central risk management group which is responsible for strategy, monitoring implementation of risk management plans and integrating risk management into the business processes of the group. The group established a corporate compliance team in 2006 to further tighten risk management and engaged outside consultants to review risk management across the group and advise on improvements in risk management systems. This group has refined the delegated authorities under which the divisional businesses operate to include both financial and non-financial criteria.

In addition this group has promulgated contracting principles to the divisional businesses to ensure that contract formation and contract management processes are improved.

Internal controls

Downer EDI has established controls at the board, executive and business unit levels that are designed to safeguard Downer EDI's interests and ensure the integrity of reporting (including accounting, financial reporting, environment, occupational health and safety, and other internal control policies and procedures). These controls are designed to ensure that Downer EDI complies with regulatory requirements and community standards.

Sign-off by chief executive officer and chief financial officer

The integrity of the company's financial reporting depends upon the existence of a sound system of risk oversight and management and internal controls. The board receives appropriate sign-off from the chief executive officer and chief financial officer in this regard. The company continues to monitor and, where appropriate, upgrade control systems to improve their efficiency and effectiveness.

Principle 8: Encourage enhanced performance

Nomination and corporate governance committee Members: Barry O'Callaghan (Chairman), John Humphrey and Peter Jollie.

The nomination and corporate governance committee's primary purpose is to support and advise the board in fulfilling its responsibilities to shareholders in ensuring that the board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance by:

- assessing the skills and competencies required on the board;
- from time to time assessing the extent to which the required skills are represented on the board;
- establishing processes for the review of the performance of individual directors and the board as a whole;
- establishing processes for the identification of suitable candidates for appointment to the board; and
- recommending the appointment and appropriateness of directors.

The committee reviews the remuneration of the chief executive officer, executive directors (if any), and the non-executive directors of the company. The committee is also responsible for reviewing the company's corporate governance policies and procedures.

Board performance evaluation

The board is committed to an improvement program involving reviews of its performance, usually in consultation with an external consultant.

Senior management evaluation

Senior executives of Downer EDI participate in Downer EDI's performance management process. Key individual performance targets linked to the business plan are agreed with the chief executive officer. The senior executives receive periodic feedback on progress against these targets.

Board interaction with management

Downer EDI management provides detailed papers for board meetings and attend meetings to give presentations and answer any questions the directors may have. Divisional CEO's present the division business plans to the board as part of the annual business planning cycle. Directors are encouraged to have maximum exposure to operating businesses and periodically schedule board meetings at locations that permit a more detailed view of operations.

During the reporting period, the board met in Melbourne where they received presentations on the Works business; and in Perth where they developed a more detailed understanding of Downer EDI Mining's Process Engineering and Mining Operations, as well as the Downer EDI Works business in Western Australia.

New directors
All new directors are provided with a formal letter of appointment together with copies of charters and an information pack on Downer EDI and background reading on directors' duties, rights and responsibilities as well as the company's various policies and guidelines. New directors also meet with key senior executives to gain further background on the company's business operations and group structure.

Director education
Directors are encouraged to attend director training and professional development courses, as appropriate, at Downer EDI's expense.

Access to information and independent professional advice
Directors are entitled to full access to information required to discharge their responsibilities. With the prior approval of the chairman, each director has the right to seek independent legal and other professional advice at the company's expense in connection with their position as a director. This includes advice on any aspect of Downer EDI's operations or undertakings so that they can fulfil their duties and responsibilities as directors.

Indemnity of directors and officers
The directors and officers are indemnified by the company, to the extent permitted by law, for liabilities and legal costs incurred by that person under a deed of access, insurance and indemnity approved by shareholders in 1998. Directors and officers also have the benefit of a policy of insurance, purchased by the company, against certain liabilities they may incur in carrying out their duties.

Principle 9: Remunerate fairly and responsibly

Directors' remuneration
The maximum aggregate remuneration that could be paid to non-executive directors was determined by a resolution of shareholders in general meeting in 1998. This was capped at $800,000 in the aggregate. The Directors' Report on page 51 shows the remuneration of directors which for non-executive directors, in the aggregate, totalled $645,825. Non-executive directors do not participate in any equity incentive schemes.

The company's constitution allows for retiring non-executive directors to receive a retiring allowance, subject to the limitations under the Corporations Act. Consistent with the ASX Corporate Governance Council Principles, the right to retirement benefits where applicable has been frozen and has been fully provided for in the financial statements and has not been offered to directors appointed subsequent to the adoption of the Principles.

Remuneration committee
Members: Peter Jollie (chairman), Barry O'Callaghan, and Lucio Di Bartolomeo.

The role of the remuneration committee is to review and make recommendations to the board in respect of:

- an executive remuneration and incentive policy;
- the remuneration of the company secretary, all senior executives reporting directly to the CEO and all employees of the company whose base remuneration exceeds $350,000 per annum;
- an executive incentive plan;
- an equity based incentive plan;
- superannuation arrangements;
- recruitment, retention, performance measurement and termination policies and procedures for the group finance director, the company secretary and all senior executives reporting directly to the chief executive officer;
- the disclosure of remuneration in applicable public materials including ASX filings and the annual report; and
- retirement payments.

The remuneration of the chief executive officer, executive directors (if any) and the non-executive directors form part of the responsibilities of the nomination and corporate governance committee.

Principle 10: Recognise the legitimate interest of stakeholders
The board is aware of the interests of all stakeholders and seeks to balance these interests with a view to achieving long-term value for Downer EDI shareholders in a socially responsible manner. The legitimate interests of stakeholders are addressed in the code of conduct.

Directors' Report

The directors of Downer EDI Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the financial year are:

B D O'Callaghan AO	chairman, non-executive director
P E J Jollie AM	deputy chairman, non-executive director
B D Waldron	executive director (appointed 1 August 2007)
S J Gillies	managing director (resigned 1 August 2007)
L Di Bartolomeo	non-executive director
J S Humphrey	non-executive director
C J S Renwick AM	non-executive director

A profile of current board members is provided on pages 38 and 39.

Directors' meetings

There were 10 full board meetings, 3 audit and risk sub-committee meetings, 5 remuneration sub-committee meetings, 4 corporate governance and nomination sub-committee meetings and 1 safety sub-committee meeting held during the financial year. The number of meetings attended by each director is set out in the table below:

Number of meetings attended

Director	Board of Directors	Audit and Risk Committee	Remuneration Committee	Corporate Governance and Nomination Committee	Safety Committee
B D O'Callaghan	10	3	4	4	1
P E J Jollie	10	3	5	4	1
S J Gillies	10	–	5	–	1
L Di Bartolomeo	10	–	5	–	1
J S Humphrey	10	3	–	4	1
C J S Renwick	10	3	–	–	1

Directors' shareholdings

The following table sets out each director's relevant interest (either direct or indirect) in shares, debentures, and rights or options, in shares or debentures, if any, of the company at the date of this report. No director has any relevant interest in shares, debentures and rights or options in shares or debentures, of a related body corporate as at the date of this report.

Director	No. of Fully Paid Ordinary Shares	No. of Performance Rights	No. of Performance Options
B D O'Callaghan	30,919	–	–
P E J Jollie	10,595	–	–
B D Waldron	60,867	–	–
S J Gillies	3,116,682	–	–
L Di Bartolomeo	17,914	–	–
J S Humphrey	53,737	–	–
C J S Renwick	20,000	–	–

Company secretary

The company secretary is S Mockett. A profile of the company secretary is provided on page 66.

Principal activities

The principal activities of the consolidated entity are that of a multi-disciplinary, multi-national supplier of select engineering services, operating chiefly in the infrastructure, energy, and resource sectors. The consolidated operations of the Group include providing comprehensive engineering and infrastructure management services to the mining, power, rail, resource, road and telecommunications sectors in Australia, New Zealand, Asia, Europe and the Americas.

Review of operations
A review of the consolidated entity's operations is contained in the chief executive officer's review on pages 6 to 7.

Changes in state of affairs
During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events
There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Future developments
Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Dividends
In respect of the financial year ended 30 June 2007, the directors declared the payment of a final ordinary dividend of 8.0 cents per share (unfranked) to the holders of fully paid ordinary shares to be paid on 18 October 2007.

In respect of the financial year ended 30 June 2007, an interim dividend of 13.0 cents per share (unfranked) was paid to the holders of fully paid ordinary shares on 13 April 2007.

In respect of the financial year ended 30 June 2006, as detailed in the Directors' Report for that financial year, a final dividend of 8.0 cents per share (unfranked) was paid to the holders of fully paid ordinary shares on 19 October 2006.

Employee discount share plan ("ESP")
In respect of the financial year ended 30 June 2007, 833,000 shares have been issued under the terms of the ESP (2006:nil).

Executive share option scheme ("EOS")
No options were granted under the EOS during the year (2006:nil).

Share options
2007
During the year, 496,657 performance rights and 1,574,538 performance options were granted to senior executives of the Downer EDI Group under the long term incentive plan. The issuing entity was Downer EDI Limited. Details of these unissued shares under rights and options are as follows:

	Number of shares	Class of shares	Exercise price $	Expiry date[1]
Performance options	1,574,538	Ordinary	6.72	10 November 2013
Performance rights	496,657	Ordinary	–	10 November 2013

1 Subject to the satisfaction of certain performance hurdles as noted in section 6.3 of the remuneration report, securities vest on 30 June 2009 or 30 June 2010 and will be exercisable at any time up to the seventh anniversary of the 10 November 2006 grant date.

2006
During the year, 47,945 performance rights and 325,869 performance options were granted to the managing director under the long term incentive plan following approval by shareholders at the 2005 annual general meeting. The issuing entity was Downer EDI Limited. Details of these unissued shares under rights and options are as follows:

	Number of shares	Class of shares	Exercise price $	Expiry date[2]
Performance options	325,869	Ordinary	6.07	2 November 2012
Performance rights	47,945	Ordinary	–	2 November 2012

2 Subject to the satisfaction of certain performance hurdles as noted in section 6.3 of the remuneration report, securities vest on 30 June 2008 or 30 June 2009 and will be exercisable at any time up to the seventh anniversary of the 2 November 2005 grant date. These lapsed on cessation of employment.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, all executive officers of the company and of any related body corporate against a liability incurred as a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as an officer or auditor.

Directors and executives remuneration report

1. Remuneration principles

The board recognises that Downer EDI's performance is dependent on the quality of its people. In order to achieve its financial and operating objectives, Downer EDI must be able to attract, retain and motivate highly skilled executives, in an employment environment of significant competition for such people.

Downer EDI's remuneration principles are set out below:

- Competitive remuneration arrangements should be provided to attract, retain and motivate executive talent;
- A significant portion of executives' remuneration should be linked to performance in creating value for shareholders; and
- Create a culture of share ownership amongst executives and employees generally to align their interests more closely with shareholders.

The information in sections 2 to 7 inclusive sets out the remuneration principles, structure and payments which operated for the financial year to 30 June 2007.

2. Remuneration structure

The remuneration structure for executives comprises fixed and variable remuneration.

- Fixed remuneration is made up of base salary, superannuation and other benefits.
- Variable remuneration consists of an annual short term incentive plan which is tied to performance and is at risk. It also includes eligibility to the long term incentive plan, which is tied to shareholder value creation, is at risk and detailed later in this report.

The remuneration structure is designed to strike an appropriate balance between fixed and variable remuneration. Consideration is given to the performance of individual executives and to the performance of the company. The remuneration committee determines the base salaries of the senior executive team (the nominations committee in the case of the managing director) and determines the parameters for variable remuneration.

Other than the allocation via the long term incentive plan, no shares, options or other securities were issued during the year to key personnel as part of their remuneration.

All remuneration received by the managing director and key management personnel is summarised in sections 2 and 3 of this report.

2.1 Base salary

Base salaries are determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications, experience and geographic location.

2.2 Variable remuneration

The board believes that well designed and managed short term plans are important elements of employees' and executives' remuneration, providing incentives for them to strive to improve Downer EDI's performance for the benefit of shareholders.

The proportion of variable remuneration changes from executive to executive but takes into account responsibilities, performance and experience. All variable remuneration is ultimately tied to performance.

Under the Short Term Incentive (STI) Plan, performance is measured chiefly through financial performance in particular through satisfaction of the divisional budget and business plan and, where relevant, the Group budget and business plan.

Provided the base criteria are met (being the satisfaction of the budget and business plan) STI's may also be influenced by other key performance indicators ("KPI's") which vary depending upon the executive's position within the organisation. For example, other key performance indicators may include safety performance (e.g. a reduction in the lost time injury frequency rate), improvement in equipment availability, reductions in cost of funding or improvement in working capital management. These additional KPI's are usually focused on operational performance with particular relevance to the executive's position.

For the year ended 30 June 2007, the bonus opportunity for the managing director and for the members of the senior executive team was capped up to a maximum of 50% of their base salary. However, annual bonus payments paid in 2007 in respect of the prior year were mostly in the range of 10% to 25% of base salary.

2.3 Remuneration

The table below sets out remuneration for the most highly remunerated executives in both Downer EDI and the consolidated Downer EDI Group. They are, in order, former CEO Downer EDI Engineering, CEO Downer EDI Works, CEO Downer EDI, CEO Downer EDI Rail, CEO Century Resources, Executive General Manager – Mining and Managing Director of Peridian Asia Pte Ltd.

	Short-term employee benefits			Post-employment benefits		Share-based transactions	
Executives	Salary and fees $	Bonus paid in respect of prior year $	Non-monetary $	Super-annuation $	Retirement allowances $	Other [1] $	Total $
R Guthrie [2]	825,257	75,000	8,699	26,140	625,000	–	1,560,096
D Cattell	587,500	200,000	124,100	94,000	–	31,308	1,036,908
B Waldron [3]	821,242	–	19,056	39,127	–	–	879,425
G Wannop	462,250	129,000	–	53,212	–	22,546	667,008
R Hackett	481,238	–	47,571	74,033	–	20,140	622,982
D O'Brien [4]	356,159	–	3,766	53,066	386,349	–	799,340
D Taylor	325,200	433,488	–	–	–	–	758,688
	3,858,846	837,488	203,192	339,578	1,011,349	73,994	6,324,447

1 Performance rights and options granted under the long term incentive plan.

2 R Guthrie (resigned 9 February 2007).

3 B Waldron (finished as Deputy CEO on 11 May 2007 and reappointed as CEO on 2 August 2007).

4 D O'Brien (resigned 26 March 2007).

2.4 Company performance

The table below shows the performance of Downer EDI's ordinary shares over the last five years. The table represents total shareholder returns (TSR) for each year, which is the increase in share price over each year plus dividends paid (including the benefit of franking credits) during that year. The table indicates that Downer EDI has delivered a TSR of 2% for the 2007 year. During this period Downer EDI has paid unfranked dividends totalling 21.0 cents per share. A final dividend of 8.0 cents per share unfranked has been declared for the year ended 30 June 2007.

Total Shareholder Returns

Year	2003	2004	2005	2006	2007
TSR	20%	6%	72%	45%	2%

The table below shows Downer EDI earnings (net profit/(loss) after tax) growth rate for each year over the last 5 years.

Earnings Growth

Year	2003	2004	2005	2006	2007
Growth Rate %	18%	22%	28%	(120%)	507%

3. Directors remuneration

The maximum aggregate fees approved by shareholders that can be paid to non-executive directors is $800,000 per annum. This cap has remained unchanged since 1998. The allocation of fees to non-executive directors within this remuneration pool is a matter for the board. The allocation of fees has been determined after consideration of a number of factors including the time commitment of directors, the size and scale of the company's operations, the skill sets of board members, the quantum of fees paid to non-executive directors of comparable companies, participation in committee work and other factors.

Fees for non-executive directors are fixed and are not linked to the financial performance of the company in any way. The board believes this is necessary so that board members maintain their independence. In addition, non-executive directors do not receive any bonus payment nor participate in any share or incentive plan operated for executives of the company.

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The chairman receives a base fee of $175,000 per annum (inclusive of all committee fees) plus superannuation. Most of the other non-executive directors receive a base fee of $100,000 per annum (where they are not entitled to a retirement benefit) or $70,000 per annum (where they are so entitled). Fees for these non-executive directors have been set to reflect market rates and the discontinuation of retirement benefits. There is also a fee for certain committee duties: $25,000 for the chair of the audit committee; $5,000 for the chair of the remuneration committee and $25,000 for other specified additional services.

Under their original terms of appointment, Barry O'Callaghan and John Humphrey were eligible for certain retirement benefits. Consistent with the ASX Corporate Governance Council Principles, the right to these retirement benefits has been frozen and has been fully provided in the financial statements. Other non-executive directors are not entitled to retirement benefits. All non-executive directors are entitled to payment of statutory superannuation entitlements in addition to directors' fees.

Details of all fees and accrued benefits paid/payable to directors during the 2007 year are set out in the following table. Stephen Gillies was the managing director and each of the other directors is a non-executive director.

	Short-term employee benefits		Post-employment benefits	Share-based transactions	
	Salary and fees $	Non-monetary $	Super-annuation $	Other [1] $	Total $
B D O'Callaghan	175,000	–	15,750	–	190,750
P E J Jollie	115,000	–	10,350	–	125,350
S J Gillies (resigned 1 August 2007)	1,533,869	6,407	135,000	280,070	1,955,346
L Di Bartolomeo	100,000	–	9,000	–	109,000
J S Humphrey	102,500	–	9,225	–	111,725
C J S Renwick	100,000	–	9,000	–	109,000
	2,126,369	6,407	188,325	280,070	2,601,171

1 Performance rights and options granted under the long term incentive plan.

4. Contract terms for executives

All executives, except for the chief executive officer, are on open-ended contracts with no fixed end date. The chief executive officer is for a period of up to 12 months.

The standard notice period under executive contracts is 3 months. For the chief executive officer, the notice period is also 3 months.

In addition to the notice requirement, the contracts for executives and for the chief executive officer provide for termination payments capped at 100% of base salary, but this applies only in very limited circumstances.

The executives (unless otherwise stated) were all employed throughout the reporting period and no termination payments (unless otherwise stated) were made.

5. Employee share scheme

In addition to the remuneration arrangements outlined above, the company instituted in June 2005, an Employee Discount Share Plan. During the year 833,000 shares were granted under the plan (2006:nil).

6. Remuneration committee

The remuneration committee operates under the delegated authority of Downer EDI's board of directors.

The committee is comprised of three independent non-executive directors, (being Peter Jollie (chairman), Barry O'Callaghan and Lucio Di Bartolomeo).

The committee's primary responsibility is to assist the board in fulfilling its corporate governance and oversight responsibilities with respect to:

- providing sound remuneration and employment policies and practices that enable Downer EDI Group companies to attract and retain high quality executives who are dedicated to the interests of Downer EDI's shareholders;
- fairly and responsibly rewarding executives, having regard to the interest of shareholders, Downer EDI's performance, the performance of the relevant executive and employment market conditions; and
- evaluating potential candidates for executive positions, including the chief executive, and overseeing the development of executive succession plans.

The nominations and corporate governance committee is responsible for considering and setting the remuneration for the chief executive officer. The remuneration committee is responsible for all other executive remuneration matters.

The committee has the resources and authority appropriate to discharge its duties and responsibilities, including the authority to engage external professionals, on terms it determines appropriate, without seeking approval of the board or management.

The committee's objective is to ensure that the company's approach to remuneration aligns remuneration outcomes and shareholder wealth creation, assists in retaining executives, is consistent with current market practice, is financially appropriate and in keeping with the company's commitment to good corporate governance principles. The remuneration policy is based on the following principles:

- variable remuneration should form a significant part of an executive's remuneration;
- variable remuneration should be linked to shareholder wealth creation and should be at risk;
- variable remuneration should consist of short term incentives as well as long term incentives;
- equity participation should be encouraged in the organisation to encourage a culture of share ownership; and
- appropriate hurdles should be put in place to assess whether variable remuneration should vest.

Remuneration for senior executives involves three components:

- a fixed remuneration component;
- a short term incentive component; and
- a long term incentive component.

6.1 Fixed remuneration

A fixed remuneration component should be set at competitive levels for each executive within the market range. These market ranges are determined, where available, by reference to appropriate comparable companies. The fixed remuneration component is calculated on a total cost to the company basis with the cost of employee benefits such as motor vehicle, superannuation, car parking, together with fringe benefits tax being included. There are no guaranteed increases to fixed remuneration in any senior executive's contract.

6.2 Short term incentive

The short term incentive which is payable by way of an annual bonus, is a cash payment (subject to the arrangement set out at paragraph 7). Short term incentive payments can be up to 50% of the executive's base salary and are tied to performance in relation to a number of areas including financial and non-financial targets.

6.3 Long term incentive (LTI)

The long term incentive plan was introduced as part of the Group's remuneration policy and has been designed to increase equity participation and to align executives' remuneration with growth in shareholder wealth. It ensures that the incentives drive a share ownership mindset amongst executives with the grant set at appropriate levels. Sustained performance will be encouraged by linking the vesting of long term incentive awards to hurdles which reflect shareholder value creation. The instruments chosen for delivery of long term incentives are a blend of performance rights and performance options. Set out below is an overview of the rights and options instruments used in this program.

Performance Rights	Performance Options
• Participants have the right to acquire a share at a future point in time	• Participants have the right to acquire a share at a future point in time
• Vesting is dependent upon both time and performance based criteria	• Vesting is dependent upon both time and performance based criteria
• No exercise price is payable	• An exercise price is payable
• The reward is the full value of the underlying share	• The reward is equal to the growth in the underlying share price
	• Generally provides a greater reward where there is significant growth in share price
	• Rewards in a flat to poor market can be non-existent

Each grant of performance rights and performance options is divided into 2 pools with each pool consisting of equal numbers of rights and options and with different hurdles being applied to each pool as set out below:

- the first pool will vest based on the company's total shareholder return (TSR) as measured against the ASX 100 comparator group; and
- the second pool will vest based on meeting growth hurdles in the company's earnings per share (EPS).

Grants of 496,657 performance rights and 1,574,538 performance options have been made under the long term incentive plan during the year ended 30 June 2007. The TSR pool will vest as to 50% of the award in the event that TSR ranking is 50% of the TSR of ASX 100, increasing on a straight line basis with 100% of award vesting if TSR is 75%.

The EPS pool will vest as to 50% of the award in the event that EPS growth for the period is equal to the risk free rate of return (RFRR) plus 2.5% (currently approximately 8.5%). The award will vest as to 100% in the event the EPS growth in the period equals the RFRR plus 5%.

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7. Downer EDI Deferred Share Plan

The company also operates a Deferred Share Plan ("DSP").

The Downer EDI DSP enables employees of Downer EDI in Australia to purchase Downer EDI shares with pre-tax salary or bonuses. Those shares are purchased on-market, in the ordinary course of trading on the ASX, by the Downer EDI plan trustee and held in trust for the participant.

Eligibility to participate in the DSP is determined by the Downer EDI board.

Shares may be retained in the Downer EDI DSP while a participant remains an employee of a Downer EDI Group company, however, taxation deferral benefits currently only apply for a maximum of 10 years. If a participant ceases to be employed by any Downer EDI Group company, the Downer EDI DSP trustee must either transfer the relevant shares to the participant or sell the shares and distribute the net proceeds of sale to them.

Withdrawal of shares from the Downer EDI DSP and transfer to a participant or sale requires the approval of the Downer EDI board.

Participants are entitled to any dividend, return of capital or other distribution made in respect of Downer EDI shares held in the plan on their behalf. The Downer EDI DSP trustee may allow participants to participate in any pro rata rights and bonus issues of shares made by Downer EDI or sell such rights (if renounceable) or bonus shares on behalf of the participants and distribute the cash proceeds of such sale.

Participants may direct the trustee how to vote on any shares held on the participant's behalf. In the absence of such directions, the shares will not be voted.

With selected executives (determined by the remuneration committee), a minimum of 25% of any bonus payment (the short term incentive) must be applied to the acquisition of shares under the DSP.

Rounding of amounts

The company is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the financial report have, unless otherwise stated, been rounded off to the nearest thousand dollars.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability the directors of Downer EDI Limited support the principles of good corporate governance. The consolidated entity's performance in relation to Corporate Governance is contained in the Corporate Governance section on pages 40 to 46.

Environmental regulations

The consolidated entity's performance in relation to Environmental Regulations is contained in the Environmental Compliance section on page 37.

Non-audit services

Downer EDI is committed to audit independence. The audit and risk committee reviews the independence of the external auditors on an annual basis. This process includes confirmation from the auditors that, in their professional judgment, they are independent of the consolidated entity. To ensure that there is no potential conflict of interest in work undertaken by our external auditors (Deloitte Touche Tohmatsu), they may only provide services that are consistent with the role of the company's auditor.

The board of directors has considered the position and, in accordance with the advice from the audit and risk committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed below do not compromise the external auditors' independence, based on advice received from the audit and risk committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

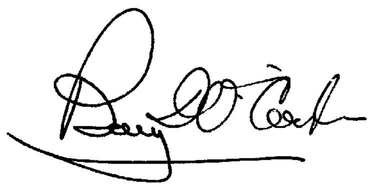
A copy of the auditor's independence declaration is set out on page 54.

During the year details of the fees paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and related audit firms were as follows:

	$
Tax consulting	192,032
Other audit related services	244,214
Total	436,246

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



B D O'Callaghan
Director

Sydney, 21 August 2007

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Independence Declaration

Mr Barry O'Callaghan
Chairman
The Board of Directors
Downer EDI Limited
Level 3, 190, George Street
Sydney NSW 2000

21 August 2007

Dear Sir

DOWNER EDI LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Downer EDI Limited.

As lead audit partner for the audit of the financial statements of Downer EDI Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

J A Leotta
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Income Statement

for the year ended 30 June 2007

		Consolidated	
	Note	2007 $'000	2006 $'000
Revenues	2	5,329,530	4,633,424
Other income	2	32,385	22,475
Share of net profit of joint ventures and associates		4,638	6,159
Finance costs		(68,593)	(57,515)
Employee benefits expense	2	(1,666,221)	(1,507,603)
Raw materials and consumables used		(1,488,728)	(1,143,623)
Subcontractor costs		(872,393)	(846,122)
Plant and equipment costs		(661,275)	(590,409)
Changes in inventories of finished goods and work in progress		(74,587)	(81,866)
Communication expenses		(44,574)	(48,983)
Occupancy costs		(60,050)	(56,836)
Professional fees		(54,012)	(35,258)
Travel and accommodation expenses		(64,300)	(56,400)
Other expenses from ordinary activities		(86,944)	(54,674)
Individually significant items	3	(152,233)	(293,675)
Profit/(loss) before income tax		72,643	(110,906)
Income tax benefit	4	28,855	85,977
Profit/(loss) from continuing operations		101,498	(24,929)
Profit/(loss) attributable to members of the parent entity		101,498	(24,929)
Earnings per share (cents)			
– basic		31.3	(8.4)
– diluted		31.3	(8.4)

Notes to the financial statements are included on pages 59-63

- The company earned an after tax profit of $101.5 million for the year. This is a substantial uplift of $126.4 million from the after tax loss of $24.9 million in 2006.

  The result was impacted by further provisions for construction contracts which have overshadowed the underlying performance of the Group's core businesses. The five year record table (refer page 11) reflects the company's history of delivering sustainable growth, of both revenue and profitability, and is reflective of the underlying strength of our recurring revenue and business model.
- Revenue for the year was $5.3 billion, up $696 million (or 15%) over the previous year. Of this increase, organic growth in our core businesses accounted for the majority of the increase. Turnover* for the year was $5.4 billion, up $695 million (or 15%) over the previous year. By business segment:
  - Engineering and Rail turnover increased 6% to $2,113.3 million;
  - Mining and Resources turnover increased 2% to $1,694.9 million;
  - Infrastructure Services turnover increased 50% to $1,619.9 million; and
  - Unallocated and inter segment eliminations accounted for the balance of Group turnover.
- Underlying earnings before interest and tax (ie excluding the effects of significant items) amounted to $280.9 million, an increase of $51.1 million (or 22%) over the prior year, reflecting the strength of the underlying core businesses. This is reflected in improved underlying EBIT margins for our Mining, Resources and Engineering businesses. This has been delivered through a focus on controlling costs and the services nature of the underlying business.
- Net interest expense for the year was $56.0 million, which was up $9.0 million over the previous year. The level of net interest was impacted by increases in the level of working capital required to fund the expanded revenue platform, bolt-on businesses acquired during the year, contract disputes and the effects of a rising interest rate market.
- Depreciation and amortisation was $137.4 million compared to net cash additions to property plant and equipment of $97.1 million. As indicated in last year's report, net capital expenditure has returned to levels below or around our annual depreciation and amortisation charges. Depreciation rates adopted by the Group are conservative, with net gains of $20.8 million reported on disposal of property, plant and equipment (2006: $16.1 million).
- The effective tax rate of the Group for 2007 has been influenced by a number of items, but in particular the recognition of the balance of the 2006 research and development benefit of $46.5 million upon the lodgement of the 2006 Downer EDI Consolidated tax return. Excluding the affects of this and other one-off items, the Group tax rate was 28%. The effective tax rate continues to be influenced by costs not deductible for tax purposes, more than offset by research and development claims and over provisions from prior years (once more, primarily related to research and development claims). Profit contributions from overseas operations with tax rates lower than the Australian tax rate, such as Singapore, have also contributed, although not significantly, to a reduced overall tax rate.
- Net profit after tax including the one-off items noted above amounted to $101.5 million (excluding one-offs, the after tax profit would have been $161.6 million). This compares to the 2006 loss after tax of $24.9 million (excluding one-offs, a profit after tax of $137.8 million).
- Shareholders should be pleased to note that a 2007 final ordinary dividend of 8.0 cents per share has been declared. This has been declared by the directors in recognition of the strength of the underlying business and their expectations for the 2008 year. This dividend will be unfranked. Total dividends in respect of the 2007 year amounted to 21.0 cents per share, a 5% increase over the previous year.

* Turnover is defined as total revenue plus our net share of sales revenues of joint venture entities.

Balance Sheet

as at 30 June 2007

	Consolidated	
	2007 $'000	2006 $'000
ASSETS		
Current assets		
Cash and cash equivalents	242,746	167,895
Inventories	177,543	173,566
Trade and other receivables	1,090,420	948,765
Other financial assets	19,118	16,387
Current tax assets	2,297	18,421
Other assets	26,558	25,394
Total current assets	1,558,682	1,350,428
Non-current assets		
Trade and other receivables	518	–
Equity-accounted investments	7,899	11,184
Property, plant and equipment	754,154	676,416
Intangible assets	569,551	541,618
Other financial assets	84,309	23,020
Deferred tax assets	197,079	148,112
Other assets	7,835	9,099
Total non-current assets	1,621,345	1,409,449
Total assets	**3,180,027**	**2,759,877**
LIABILITIES		
Current liabilities		
Trade and other payables	848,791	816,076
Borrowings	193,685	136,498
Other financial liabilities	18,803	29,608
Provisions	196,851	152,976
Current tax liabilities	16,467	12,239
Total current liabilities	1,274,597	1,147,397
Non-current liabilities		
Trade and other payables	877	1,436
Borrowings	499,309	503,782
Other financial liabilities	109,404	48,455
Provisions	104,893	61,232
Deferred tax liabilities	21,040	47,032
Total non-current liabilities	735,523	661,937
Total liabilities	**2,010,120**	**1,809,334**
Net assets	**1,169,907**	**950,543**
EQUITY		
Issued capital	1,065,317	846,345
Reserves	(50,271)	(17,707)
Retained earnings	154,861	121,905
Total equity	**1,169,907**	**950,543**

Notes to the financial statements are included on pages 59-63

- Net assets of the Group have increased from $950.5 million to $1,169.9 million, a net increase of $219.4 million. Major contributors to this net increase arose from:
    1. After tax profit retained in the business of $101.5 million;
    2. Hybrid equity instrument ROADS placement of $175.7 million, net of costs;
    3. Employee share plan issue of $5.4 million;
    4. The issue of shares on acquisition of businesses of $5.5 million;
    5. A negative movement in reserves of $32.5 million, primarily reflecting movements in hedging reserves and movements in foreign currencies against the Australian dollar and their effects on translating foreign subsidiary financial statements into Australian dollars; and
    6. Dividends paid to shareholders (net of dividend reinvestment plan elections) amounting to $36.2 million.
- The Group's order book is approximately $9.3 billion (2006: $6.9 billion) leaving the Group well placed for the 2008 financial year.
- The Group's gearing, as measured by net debt to capitalisation (net debt plus total equity), at 30.7% remains at prudent levels. On a net debt to equity basis, gearing at 44% remains well within targeted levels 42%–67%.
- As at 30 June 2007, the weighted average maturity of the Group's funded debt stood at 2.7 years, compared with 3.1 years for the prior year. This contraction in maturity profile recognises the normal shortening of existing facilities with the lapse of time partly offset by the refinancing of A$100 million worth of USPP with 3 year A$80 million MTNs. To manage risks associated with interest rate fluctuations on long term decisions, 52% of the Group's 30 June 2007 funded debt is hedged at fixed interest rates (30 June 2006: 68%).
- Debt facilities (adjusted for relevant hedges) drawn at year end totalled $762 million (2006: $697 million) with a maturity profile of 27% due within 12 months (2006: 24%), 16% due within two years (2006: 10%) and 57% due from three to 12 years (2006: 66%). The debt facilities due within 12 months are expected to be refinanced in the normal course of business as they fall due. Tenures for these refinanced facilities will take into consideration the maturity profile of the remaining debt facilities. The company continues to comply with its borrowing covenants.

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Statement of Recognised Income and Expense

for the year ended 30 June 2007

	Consolidated	
	2007 $'000	2006 $'000
Total equity at the beginning of the financial year	950,543	900,582
Adjustment on adoption of AASB 132 and AASB 139:		
Retained earnings	–	(18,915)
Reserves	–	3,523
Current period movements:		
Cash flow hedges	(29,680)	(4,803)
Exchange rate differences on translation of foreign operations	(4,515)	(11,213)
Share-based transactions	1,631	185
	917,979	869,359
Profit/(loss) after tax for the year	101,498	(24,929)
Total recognised income and expense for the year	**1,019,477**	**844,430**
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity (net of transaction costs)	218,972	176,505
Dividends provided for or paid	(68,542)	(70,392)
	150,430	106,113
Total equity at the end of the financial year	**1,169,907**	**950,543**

Notes to the financial statements are included on pages 59-63.

Cash flow Statement

for the year ended 30 June 2007

	Consolidated	
	2007 $'000	**2006 $'000**
Cash flows from operating activities		
Receipts from customers	5,616,750	4,944,967
Distributions from joint ventures	6,937	11,635
Interest received	10,888	6,397
Dividends received from external entities	104	1,142
Payments to suppliers and employees	(5,475,178)	(4,798,770)
Interest and other costs of finance paid	(69,058)	(50,815)
Income tax refunded/(paid)	15,713	(24,654)
Net cash inflow from operating activities	106,156	89,902
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	30,640	48,102
Proceeds from sale of investments	12,060	5,526
Payment for investments	(72,654)	(24,750)
Payment for property, plant and equipment	(127,762)	(197,383)
Receipts from joint ventures	4,072	3,241
Payment for businesses acquired	(67,555)	(219,241)
Net cash (used) in investing activities	(221,199)	(384,505)
Cash flows from financing activities		
Proceeds from borrowings	1,271,044	948,729
Proceeds from issue of equity securities	176,856	142,584
Repayment of borrowings	(1,224,120)	(760,292)
Dividends paid	(36,172)	(36,854)
Net cash inflow from financing activities	187,608	294,167
Net increase/(decrease) in cash and cash equivalents	72,565	(436)
Cash and cash equivalents at the beginning of the year	164,359	165,972
Effect of exchange rate changes	(3,260)	(1,177)
Cash and cash equivalents at the end of the year	233,664	164,359

Notes to the financial statements are included on pages 59-63

- Operating cash flow for the year was $106.2 million. This is an increase of $16.3 million over last year, but more importantly a substantial turnaround of $122.7 million over the first six months of the financial year. This improvement reflects a reduction in the funding of various construction contract disputes. Adding back the effects of these construction contract disputes, the underlying businesses continue to generate strong cash flows.
- Funds utilised in working capital, with a $696 million increase in revenue, have (after the provision for construction contracts) increased by $114 million to $419 million during 2007. As a percentage of revenue, working capital has increased to 7.8% (2006: 6.7%).
- Net investing activities of $221.2 million over the 2007 year were lower than the 2006 level. Of this amount, $67.6 million relates to bolt-on business acquisitions. Net additions to property, plant and equipment accounted for $97.1 million, details of which have been previously noted. The net amount for investments was $60.6 million, with the major item being investment in the PPP special purpose vehicle, Reliance Rail of $67.0 million. The net debt for 2007 of $519.2 million was a decrease on the 2006 level and reflects funds raised through the issue of Redeemable Optionally Adjustable Distributory securities (ROADS) in New Zealand. We recognise the continued and valued support of our shareholders in developing the business.
- The Group maintains $1,014 million in facilities in the surety market for performance bonds in respect of its operating businesses. Facilities utilised at 30 June 2007 totalled $736 million (2006: $427 million). This increase largely reflects $200 million of performance bonds issued for the PPP. Other than $11 million of finance lease transactions, all debt and surety facilities are provided on an unsecured basis.
- Total available liquidity at year end amounted to $695 million comprising cash of $243 million and aggregate undrawn debt funding lines and leasing limits of $452 million.
- Cash at the end of the financial year is represented by cash on hand of $164 million and investments in money market instruments of $79 million.
- Cash flows from financing activities reflect net proceeds from borrowings over the year of $47 million as well as $177 million generated from equity initiatives, largely due to the ROADs issue as noted above. Cash dividends paid on ordinary shares were $34 million (2006: 37 million) while cash dividends paid for the ROADs holders were $2 million. Participation, net of withholding taxes, represented 47% (2006: 48%) of the ordinary share dividends paid during the year. The company's DRP applies to the 2007 final dividend, once more providing shareholders with the opportunity to reinvest their dividends in Downer EDI at a discount to the market.

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Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2007

1. Summary of accounting policies

Basis of preparation

The concise financial report has been prepared in accordance with the Corporations Act 2001 and AASB 1039 'Concise Financial Reports'. The concise financial report, including the financial statements and specific disclosures included in the concise financial report, has been derived from the full financial report of Downer EDI Limited.

A full description of the accounting policies adopted by the consolidated entity is provided in the 2007 financial statements, which form part of the full financial report.

All amounts are presented in Australian dollars.

The accounting policies set out in Note 1 of the full financial report have been consistently applied in preparing the financial statements for the year ended 30 June 2007.

New accounting Standards and Interpretations

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue – effective for annual reporting periods beginning on or after 1 January 2007;
- AASB 8 'Operating segments' – effective for annual reporting periods beginning on or after 1 January 2009;
- AASB 101 'Presentation of Financial Statements' revised standard – effective for annual reporting periods beginning on or after 1 January 2007; and
- Interpretation 10 'Interim Financial Reporting and Impairment' – effective for annual reporting periods beginning on or after 1 November 2006.

Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7, AASB 8 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company's and the Group's financial instruments and the objectives, polices and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the company's annual reporting period beginning on 1 July 2007.

2. Profit from ordinary activities – continuing operations

	Consolidated	
	2007 $'000	**2006 $'000**
a) Revenue and other income		
Sales revenue		
Rendering of services	4,303,607	3,333,720
Engineering services contract revenue	871,619	1,194,104
Sale of goods	137,217	91,366
Interest revenue		
Other entities	11,233	6,391
Other revenue		
Other revenue	5,190	6,252
Rental income	560	397
Dividends		
Other entities	104	1,194
	5,329,530	4,633,424
Other income		
Net income on disposal of property, plant and equipment	20,758	16,112
Net income on disposal of investments	2,982	4,083
Net gain on revaluation of financial assets	2,422	–
Net foreign exchange gains	6,223	2,280
Total other income	32,385	22,475
Total revenue and other income	**5,361,915**	**4,655,899**
Net share of sales revenue in joint venture entities	60,242	71,583
Total turnover	**5,422,157**	**4,727,482**
b) Operating expenses		
Cost of sales	119,710	72,648
Interest expense	65,955	52,981
Finance lease expense	1,296	454
Other finance costs	1,342	4,080
Depreciation and amortisation of non-current assets:		
Plant and equipment	127,622	103,769
Buildings	2,082	2,607
Amortisation of leased assets	1,460	835
Amortisation of intellectual property	6,264	1,106
Total depreciation and amortisation	137,428	108,317
Doubtful debts	578	8,888
Operating lease expenses	158,446	133,182
Employee benefits expense:		
Defined contribution plans	89,923	82,293
Share-based transactions	1,631	185
Employee benefits	1,574,667	1,425,125
Total employee benefits expense	1,666,221	1,507,603

3. Individually significant items

The following material items are relevant to an understanding of the Group's financial performance:

	Consolidated	
	2007 $'000	**2006 $'000**
Provision for contract claims and disputes [1]	(145,287)	(285,675)
Provision for contract mining losses [2]	(61,500)	–
Changes in accounting estimates for operating lease provisions [3]	38,954	–
Reimbursed PPP tender costs	15,600	–
PPP tender expense	–	(8,000)
Total significant items before income tax	(152,233)	(293,675)
Tax benefits on significant items	45,670	88,103
Tax consolidation uplift	–	42,888
Tax benefits on research and development	46,495	–
Total significant items after income tax	(60,068)	(162,684)

1 The provision comprises contract claims and disputes net of settlement amounts and relevant fee income relating to construction contracts. In determining the provision, the company has had regard to factors including variations of scope, delays, prolongation, skills shortages and the delay in acknowledgment of contract disputes by customers. The provision is related to construction contracts for the Engineering and Mining businesses (refer Note 30 of the full financial report). A significant portion of the provision relates to costs for which cash outflows have already occurred. The balance represents estimated costs to complete which includes allowances for legal and consulting costs related to the recovery of disputed amounts.

2 The provision for contract mining losses relates to disputed amounts and future costs with customers which are subject to settlement processes.

3 Under the terms of certain operating lease agreements in the mining segment there are exposures to make good provisions. A reassessment of the likely future expenditure has been carried out in the current year following a review of historical evidence and recent trends of incurring such costs. Such assessment has resulted in a re-estimation of the provision required to meet make good expenditure obligations. The company believes this change in accounting estimate should be disclosed separately to assist in the understanding of the underlying financial performance.

4. Income tax

	Consolidated	
	2007 $'000	**2006 $'000**
Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense/(benefit)	69,672	(295)
Deferred tax (benefit) relating to the origination and reversal of temporary differences	(98,527)	(85,682)
Total tax (benefit)	(28,855)	(85,977)

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5. Non-audit services

	Consolidated	
	2007 $	2006 $
Auditor of the parent entity:		
Taxation services	33,275	104,836
A-IFRS Implementation	–	156,520
Consulting	–	10,000
Other assurance services	244,218	89,644
	277,493	361,000
Other auditors:		
Taxation services	188,757	89,800
Consulting	35,000	66,300
Other services	17,199	79,000
	240,956	235,100

The auditor of Downer EDI Limited is Deloitte Touche Tohmatsu.

6. Dividends

	Final 2007	Final 2006	Interim 2007	Interim 2006
a) Ordinary shares				
Dividend per share (in Australian cents)	8.0	8.0	13.0	12.0
Franking percentage	unfranked	unfranked	unfranked	70% franked
Cost (in $'000)	25,680	25,134	41,219	35,390
Payment date	18/10/2007	19/10/2006	13/04/2007	13/04/2006
Dividend record date	04/09/2007	04/09/2006	09/03/2007	10/03/2006

The final 2007 dividends had not been declared at the reporting date, they are not reflected in the financial statements.

	Final 2007
b) Redeemable Optionally Adjustable Distributing Securities (ROADS)	
Dividend per ROADS (in Australian cents)	1.09
New Zealand imputation credit percentage per ROADS	100%
Cost (in $'000)	2,189
Payment date	15/06/2007

7. Business and geographical segments

Downer EDI's material business segments are **Mining and Resources** (provides international mine consulting and contracting services including mine planning, optimisation management and modelling, materials processing consulting and infrastructure, drilling and blasting, bulk excavation, crushing and processing, haulage of ores/waste, tailings management and mine restoration, oil, gas, geothermal and mineral drilling activities); **Works** (provides maintenance and construction of roads and highways, construction and maintenance of rail infrastructure including tracks, signals and overhead electrification and infrastructure maintenance services including utilities, water supply, sewage and waste water treatment, refuse disposal, street cleaning and the tending of parks and gardens); **Rail and Engineering services** (provides engineering and consultancy services, (design, project management, facilities management, construct and maintain) specialising in telecommunications, power and process engineering, rolling stock and associated maintenance services including the design, manufacture, refurbish, overhaul and maintenance of diesel electric locomotives, electric and diesel multiple units, rail wagons, traction motors and rolling stock); and **Unallocated** (comprises financing and corporate costs, it also includes fee based revenue and other income generated by corporate office, including cost reimbursement relating to the NSW PPP which achieved financial close on 7th December 2006).

Following a change in the Rail business after achieving financial close on the NSW PPP contract during the year, management has considered the make up of what constitutes separate reportable segments of the Group for financial reporting purposes. As a result, the previously disclosed Rail segment has been amalgamated into the Engineering segment. This change reflects the underlying revenue streams of Rail being similar in nature to the Engineering business in that their product and services, engineering processes and methods of delivery are closely related. The awarding of the NSW PPP to Rail has substantially changed the mix of design and manufacturing to be more closely aligned with the Engineering business. Comparative amounts have been reclassified and repositioned for consistency with current year disclosures.

	Total revenue[1]		Share of sales revenue in joint venture entities		Total turnover	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
By business segment						
Mining and Resources	1,653,056	1,627,721	41,879	28,727	1,694,935	1,656,448
Works	1,609,645	1,073,461	10,277	5,049	1,619,922	1,078,510
Rail and Engineering Services	2,105,170	1,960,346	8,086	37,807	2,113,256	1,998,153
Total	5,367,871	4,661,528	60,242	71,583	5,428,113	4,733,111
Eliminations	(26,201)	(13,616)	–	–	(26,201)	(13,616)
Unallocated	20,245	7,987	–	–	20,245	7,987
Total	5,361,915	4,655,899	60,242	71,583	5,422,157	4,727,482

1 Total revenue includes Inter-segment sales, recorded at amounts equal to competitive market prices charged to external customers for similar goods. Not separately disclosed as not considered material.

	Operating segment result		Significant items before tax		Segment result	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
By business segment						
Mining and Resources	101,420	83,657	(96,282)	(228,185)	5,138	(144,528)
Works	74,121	61,610	–	–	74,121	61,610
Rail and Engineering Services	116,208	101,504	(71,551)	(57,490)	44,657	44,014
Total	291,749	246,771	(167,833)	(285,675)	123,916	(38,904)
Unallocated	(66,873)	(64,002)	15,600	(8,000)	(51,273)	(72,002)
Total profit/(loss) before income tax	224,876	182,769	(152,233)	(293,675)	72,643	(110,906)
Income tax benefit					28,855	85,977
Result for the year					101,498	(24,929)

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7. Business and geographical segments – continued

	Segment assets		Segment liabilities		Depreciation and amortisation	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
By business segment						
Mining and Resources	1,016,538	917,825	293,124	303,957	69,052	57,634
Works	981,409	701,233	332,077	266,958	41,724	31,439
Rail and Engineering Services	1,056,427	1,020,162	650,601	353,221	26,402	19,093
Total	3,054,374	2,639,220	1,275,802	924,136	137,178	108,166
Unallocated	125,653	120,657	734,318	885,198	250	151
Total	3,180,027	2,759,877	2,010,120	1,809,334	137,428	108,317

	Carrying value of equity accounted investments		Share of net profit of equity accounted investments		Acquisition of segment assets	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
By business segment						
Mining and Resources	31	149	5,338	6,052	150,059	136,981
Works	3,156	2,960	1,202	665	125,551	257,371
Rail and Engineering Services	4,037	8,075	(1,902)	(558)	40,744	52,770
Total	7,224	11,184	4,638	6,159	316,354	447,122
Unallocated	675	–	–	–	–	–
Total	7,899	11,184	4,638	6,159	316,354	447,122

The economic entity operated in four principal geographical areas – Australia, Pacific (including New Zealand, Papua New Guinea and Fiji), South East Asia (Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines) and North East Asia (Hong Kong and China).

	Total revenue		segment assets		Acquisition of Segment assets	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
By geographic location						
Australia	4,035,804	3,368,310	1,994,903	2,292,013	225,783	291,965
Pacific	937,439	995,211	737,388	174,079	40,334	88,824
South East Asia	286,655	251,175	337,780	217,938	25,302	49,605
North East Asia	35,186	31,101	58,906	55,867	383	7
Other	66,831	10,102	51,050	19,980	24,552	16,721
Total	5,361,915	4,655,899	3,180,027	2,759,877	316,354	447,122

Directors' Declaration

for the year ended 30 June 2007

The directors declare that in the opinion of the Directors of Downer EDI Limited:

(a) the attached financial statements and notes thereto comply with Accounting Standard AASB 1039 'Concise Financial Reports'; and

(b) the attached financial statements and notes have been derived from the full financial report of the company.

Signed in accordance with a resolution of the directors.

On behalf of the directors

B D O' Callaghan
Chairman

21 August 2007, Sydney

Independent Auditor's Report

to the Members of Downer EDI Limited

The accompanying concise financial report of Downer EDI Limited comprises the balance sheet as at 30 June 2007, the income statement, statement of recognised income and expenses and cash flow statement for the year then ended and related notes, derived from the audited financial report of Downer EDI Limited for the year ended 30 June 2007 as set out on pages 55 to 64. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' Responsibility for the Concise Financial Report

The Directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Downer EDI Limited for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on 21 August 2007 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 Concise Financial Reports.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Downer EDI Limited on 21 August 2007, would be on the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the concise financial report of Downer EDI Limited for the year ended 30 June 2007 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants
Sydney, 21 August 2007

Information for Investors

Downner EDI Shareholders

Downer EDI had 21,075 ordinary shareholders as at 15 August 2007.

The largest shareholder, HSBC Custody Nominees, holds approximately 26.23% of the 321,101,325 fully paid shares issued at that date. Downer EDI has 19,873 shareholders with registered addresses in Australia.

Stock Exchange Listing

Downer EDI is listed on the Australian Securities Exchange under the 'Downer EDI' market call code 3965, with ASX code DOW, and is secondary listed on the New Zealand Exchange with the ticker code DOW NZ.

Dividend Policy

Dividends are determined by the board of directors having regard to a range of circumstances within the business operation of Downer EDI. The directors expect that the policy of paying out dividends of approximately 50% of profit after tax will be able to be maintained. The level of franking on dividends is dependent on the level of taxes paid in future years to the Australian Taxation Office.

Dividend Reinvestment Plan (DRP)

Downer EDI's Dividend Reinvestment Plan is a mechanism to allow shareholders to increase their shareholding in the company, without the usual costs associated with share acquisitions such as brokerage. It also offers a purchase price which is at a discount (currently 2.5%) to the market price over the relevant period. Details of the Dividend Reinvestment Plan are available from the company's website or from the Company Secretary.

Share Registry

Shareholders and investors seeking information about Downer EDI shareholding or dividends should contact our Share Registrar:

Computershare Investor Services Pty Ltd (Computershare)
Level 11/115 Grenfell Street
ADELAIDE SA 5000
Tel: 1300 556 161
Fax: 61 8 8236 2305

Shareholders must give their security holder reference number when making inquiries. This is recorded on issuer sponsored and CHESS statements.

Tax File Number Information

Providing your Tax File Number (TFN) to Downer EDI is not compulsory. However, for shareholders who have not supplied their TFN, Downer EDI is required to deduct tax at the top marginal rate plus Medicare levy from unfranked dividends paid to investors resident in Australia. For more information please contact our Share Registrar.

Lost Share Certificates

You are advised to contact Computershare immediately, in writing, if your issuer sponsored statement has been lost or stolen.

Annual Report Mailing List

Shareholders must choose to receive a Downer EDI Concise Annual Report and Half Yearly Report by writing to Computershare Registry Services Pty Ltd at the address provided. Alternatively shareholders may choose to receive these publications electronically. A form will be sent to you for this purpose.

Change of Address

So that we can keep you informed, and protect your interests in Downer EDI, it is important that you inform Computershare of any change of your registered address.

Company Information

Our internet site www.downeredi.com offers comprehensive information about Downer EDI and its services. Also, the site carries news releases and announcements to ASX, financial presentations, annual and half yearly reports and company newsletters. Downer EDI printed communications for shareholders include the Annual Report and Half Yearly Report. These are available on request.

Company Secretary

Mr S Mockett

Stephen was appointed to the position of Company Secretary and General Manager Corporate Services in August 2007. Previously he was General Manager Organisation & Executive Development for the Group, having originally come from Downer EDI's Works New Zealand division. He has degrees in both Law and Commerce and is a Solicitor of the Supreme Court of New South Wales and a Barrister & Solicitor of the High Court of New Zealand. His experience includes Corporate Commercial law with leading New Zealand law firm Bell Gully, Management Consulting with Australian and US based professional services firms, and developing and running his own business specialising in equity-based succession transition for business owners, which he subsequently sold.

Auditor

Deloitte Touche Tohmatsu
Level 3/225 George Street
SYDNEY NSW 2000

Registered Office and Principal Administration Office

Downer EDI Limited
Level 3/190 George Street
SYDNEY NSW 2000
Tel: 61 2 9251 9899
Fax: 61 2 9251 4845

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Australian Securities Exchange Information

as at 15 August 2007

Number of holders of equity securities

Ordinary share capital

321,101,325 fully paid listed ordinary shares were held by 21,075 shareholders. All issued ordinary shares carry one vote per share.

Substantial shareholders

	Full Paid	
	Number	%
Ordinary Shareholders:		
HSBC Custody Nominees (Australia) Limited	84,508,564	26.23
Chase Manhattan Nominees Limited	51,292,376	15.97
National Nominees Limited	29,843,357	9.29
Citicorp Nominees Pty Limited	26,233,832	8.17
Total	**191,878,129**	**59.66**

Distribution of holders of quoted equity securities

Shareholder distribution of quoted equity securities as at 15 August 2007

Range of holdings	Shareholder Number	Shareholders%	Share Number	Shares %
1- 1000	9,213	43.7	5,201,933	1.62
1001-5000	9,368	44.5	21,934,586	6.83
5001- 10000	1,538	7.3	10,909,892	3.40
10,001-100,000	871	4.1	19,416,364	6.04
100,001 and over	85	0.4	263,638,550	82.11
Total	**21,075**	**100.0**	**321,101,325**	**100.00**
Holding less than a marketable parcel of shares	359		11,709	

Downer EDI Limited twenty largest shareholders: ordinary and fully paid

Ordinary Shareholders	Number	%
HSBC Custody Nominees (Australia) Limited	84,508,564	26.23
Chase Manhattan Nominees Limited	51,292,376	15.97
National Nominees Limited	29,846,357	9.29
Citicorp Nominees Limited	26,233,357	8.17
RBC Dexia Investor Services Australia Nominees Pty Ltd	12,674,204	3.95
ANZ Nominees Limited	11,929,524	3.72
Tarrow Pty Ltd	10,339,427	3.22
Cogent Nominees Pty Limited	8,042,909	2.50
AMP Life Limited	4,535,153	1.41
UBS Nominees Pty Ltd	2,267,699	0.71
Queensland Investment Corporation	2,061,364	0.64

Ordinary Shareholders	Number	%
Invia Custodian Pty Limited	1,988,613	0.62
Morgan Stanley Australian Securities (Nominee) Pty Limited No 1 Account	1,428,819	0.44
BT Portfolio Services Limited	1,180,149	0.37
Elise Nominees Pty Limited	1,164,082	0.36
Citicorp Nominees Pty Limited CFSIL SWLTH AUST SHS 2 A/C	1,153,384	0.36
Tricom Nominees Pty Limited Unpaid A/C	1,150,000	0.36
Bond Street Custodians Limited	967,846	0.30
Bainpro Nominees Pty Limited	952,990	0.30
MLEQ Nominees Pty Limited Settle 1 A/C	898,168	0.28
Total for top 20 shareholders	**254,614,985**	**79.20**

Corporate Directory

Downner EDI Limited

Level 3
190 George Street
SYDNEY NSW 2000
AUSTRALIA

Tel: 61 2 9251 9899
Fax: 61 2 9251 4845
ACN 003 872 848

Downer EDI Works

Head Office

Downer EDI Works Pty Ltd
Level 11, 468 St Kilda Road
MELBOURNE VIC 3004
AUSTRALIA

Tel: 61 3 9864 0800
Fax: 61 3 9864 0801

New Zealand

14 Amelia Earhart Avenue
Airport Oaks
AUCKLAND
NEW ZEALAND

Tel: 64 9 256 9810
Fax: 64 9 256 9811

Singapore

Blk 1 Thomson Road
Balestier Hill Shopping Centre
#04-326G
SINGAPORE 300001

Tel: 65 6256 8655
Fax: 65 6355 0626

United Kingdom

Warwick Road
Maltby, Rotherham
SOUTH YORKSHIRE S66 8EW
UNITED KINGDOM

Tel: 44 1709 819929
Fax: 44 1709 819126

Downer EDI Engineering

Head Office

Level 7
76 Berry Street
NORTH SYDNEY NSW 2060
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Tel: 61 2 9966 2400
Fax: 61 2 9955 9649

New Zealand

2 Carmont Place
Mount Wellington
AUCKLAND
NEW ZEALAND

Tel: 61 9 270 6774
Fax: 61 9 270 6869

Downer EDI Mining

Head Office

104 Melbourne Street
SOUTH BRISBANE QLD 4101
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Tel: 61 7 3026 6666
Fax: 61 7 3026 6060

Century Resources

Head Office

49 Campbell Avenue
WACOL QLD 4076
AUSTRALIA

Tel: 61 7 3718 4444
Fax: 61 7 3879 3322

Downer EDI Rail

Head Office

2B Factory Street
GRANVILLE NSW 2142
AUSTRALIA

Tel: 61 2 9637 8288
Fax: 61 2 9637 7476

Consulting Services

CPG Corporation

238B Thomson Road #18-00
Tower B, Novena Square
SINGAPORE 307685

Tel: 65 6357 4888
Fax: 65 6357 4188

Coomes Consulting

24 Albert Road
SOUTH MELBOURNE VIC 3025
AUSTRALIA

Tel: 61 3 9993 7888
Fax: 61 3 9993 7999

Duffill Watts Group

382 Manukau Road
Epsom
AUCKLAND
NEW ZEALAND

Tel: 64 9 630 4882
Fax: 64 9 630 8144

Snowden Group

87 Colin Street
WEST PERTH WA 6005
AUSTRALIA

Tel: 61 8 9481 6690
Fax: 61 8 9322 2576

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Designed & produced by Designate Reporting

The expressions “Downer”, “Downer EDI” and “Group” used in this report refer to Downer EDI Limited and the companies which make up the Downer EDI Group. The term “Division” refers to the core divisions of Downer EDI Limited comprising: Works Division, Engineering Division, Mining Division, Rail Division and Consulting Services.

Contents

DOWNER EDI LIMITED
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