



Downer EDI Limited

ACN 003 872 848

**Condensed Consolidated Financial Report
for the half-year
ended 31 December 2009**

Downer EDI Limited

Condensed Consolidated Financial Report for the half-year ended 31 December 2009

Appendix 4D Results for announcement to the market

Index	Page
Summary of consolidated results	
Results for announcement to the market	1
Directors' Report	2
Auditors' Independence Declaration	4
Independent Auditor's Review Report	5
Half-year financial report	
Condensed consolidated statement of comprehensive income	7
Condensed consolidated statement of financial position	8
Condensed consolidated statement of change in equity	9
Condensed consolidated statement of cash flows	10
Notes to the condensed consolidated financial statements:	
1. Summary of accounting policies	11
2. Segment information	12
3. Profit from ordinary activities	14
4. Dividends	15
5. Joint venture and associate entities	16
6. Issued capital	17
7. Acquisition of businesses	18
8. Intangible assets	20
9. Contingent liabilities	21
10. Events subsequent to reporting date	21
Directors' declaration	22

Downer EDI Limited

Results for announcement to the market

Appendix 4D

	First half 2010 \$'000	First half 2009 \$'000	% change
Revenue from ordinary activities	2,791,661	2,877,936	(3.0%)
Total revenue including joint ventures	2,841,365	2,925,683	(2.9%)
Earnings before interest, tax, depreciation and amortisation	222,002	202,939	9.4%
Earnings before interest and tax	140,213	138,524	1.2%
Profit before tax	113,553	113,908	(0.3%)
Profit after tax	87,037	85,443	1.9%
Profit attributable to members of the parent entity	87,037	85,443	1.9%

	First half 2010 cents	First half 2009 cents	% change
Basic earnings per share (excluding ROADS)	26.2	26.2	-
Basic earnings per share	24.5	24.5	-
Diluted earnings per share	24.5	22.9	7.0%
Net tangible asset backing per ordinary share	215.4	229.2	(6.0%)

	First half 2010	First half 2009
Dividend		
Interim dividend per share (cents)	13.1	13.0
Interim franked amount per share (cents)	-	-
Conduit foreign income (CFI)	100%	-
Interim dividend record date	09/03/2010	11/03/2009
Interim dividend payable date	09/04/2010	14/04/2009
ROADS		
Redeemable Optionally Adjustable Distributing Securities (ROADS)		
Dividend per ROADS (in Australian cents)	2.8	2.9
New Zealand imputation credit percentage per ROADS	100%	100%
ROADS payment date		
Quarter 1 instalment date	15/09/2009	15/09/2008
Quarter 2 instalment date	15/12/2009	15/12/2008
<p>Downer EDI's Dividend Reinvestment Plan (DRP) applies to the 2010 interim dividend. The share price for the DRP will be calculated as the arithmetic average of the daily volume weighted average price during the 10 trading days commencing on the second trading day after the record date, less a discount of 2.5%. Shareholders wishing to participate or amend their participation in the DRP will need to provide their election notices to the company's share registry by 9 March 2010.</p>		
<p>For commentary on the results for the period and review of operations, refer to the separate media release attached.</p>		

Downer EDI Limited

Directors' Report

The Directors of Downer EDI Limited (Downer EDI) submit the condensed consolidated financial report of the company for the half-year ended 31 December 2009. 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 half-year are:

P E J Jollie AM	(Chairman, Independent Non-executive Director)
G H Knox	(Managing Director and Chief Executive Officer)
S A Chaplain	(Independent Non-executive Director)
P R Coates AO	(Independent Non-executive Director, resigned 15 October 2009)
L Di Bartolomeo	(Independent Non-executive Director)
R M Harding	(Independent Non-executive Director)
J S Humphrey	(Independent Non-executive Director)
C J S Renwick AM	(Independent Non-executive Director)

Review of operations

Downer EDI delivered a solid performance for the six months ended 31 December 2009 including strong operating cash flow and an increase in work-in-hand, providing a sound forward platform for the Group.

Highlights include:

- Safety performance - LTIFR: of 1.06 per million hours worked, a 43% improvement
- Total revenue including joint ventures of \$2.8 billion, down 2.9%
- Earnings before interest and tax of \$140.2 million, up 1.2%
- Net profit after tax of \$87.0 million, up 1.9% over the prior corresponding period
- Operating cash of \$165.2 million, up 6.3%
- Sound balance sheet with gearing¹ at 29%
- Earnings per share (excluding ROADS) of 26.2 cents
- Dividend per share of 13.1 cents
- Work-in-hand of \$16.4 billion

Works delivered revenue of \$1.0 billion and EBIT of \$46.7 million for the six months ended 31 December 2009, up 1% when compared to the previous corresponding period. The Works business has \$5.3 billion of work-in-hand demonstrating solid demand for its services. Infrastructure markets remain sound in Australia and Asia, but softer in New Zealand.

Engineering delivered revenue of \$869.8 million and EBIT of \$57.5 million for the six months ended 31 December 2009, down 11% when compared to the previous corresponding period. EBIT margin improved to 6.6%, up from 6.3% in the previous corresponding period, reflecting further cost efficiency gains. Work-in-hand of \$2.9 billion includes a number of contract wins and renewals during the half with major clients including TransGrid, Woodside Petroleum and BHP Billiton. During the period, the Engineering division expanded its electrical mechanical capabilities with the acquisition of Western Construction Co., located in Western Australia.

¹ Net debt/Net debt plus equity

Downer EDI Limited

Directors' Report - *continued*

Mining delivered revenue of \$483.5 million and EBIT to \$37.0 million for the six months ended 31 December 2009, up 73% when compared to the previous corresponding period. The Mining business benefited from an improved operational performance, cost efficiencies and contribution from Joint Ventures. Work-in-hand of \$2.5 billion includes wins and renewals with clients including BHP Billiton Iron Ore, Ensham Resources, Solid Energy (NZ) and Fortescue Metals Group.

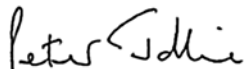
Rail delivered revenue of \$458.0 million and EBIT of \$29.1 million for the six months ended 31 December 2009, up 3% when compared to the same period a year earlier. Work-in-hand of \$5.7 billion includes orders for locomotives with major clients and the Group's share of the KDR Joint Venture, winning the right to operate and maintain Melbourne's Trams on behalf of the Victorian Government. The NSW Waratah PPTV (prototype four car set) is undergoing final static testing, and the first eight car set is being fitted out, at Rail's Cardiff facility. Practical Completion of the first train is targeted for late calendar 2010.

Auditors' independence declaration

The auditors' independence declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 4.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



P E J Jollie AM
Chairman

Sydney, 25 February 2010

The Board of Directors
Downer EDI Limited
Level 3, 190 George Street
SYDNEY NSW 2000

25 February 2010

Dear Directors

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 review of the consolidated financial report of Downer EDI Limited for the half-year ended 31 December 2009, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A V Griffiths
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of Downer EDI Limited

We have reviewed the accompanying condensed half-year financial report of Downer EDI Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of cash flows, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 22.

Directors' Responsibility for the Condensed Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the condensed half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the condensed half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the condensed half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the condensed half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Downer EDI Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the condensed half-year financial report of Downer EDI Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants

Sydney, 25 February 2010

Downer EDI Limited

**Condensed consolidated statement of comprehensive income
for the half-year ended 31 December 2009**

	Note	First half 2010 \$'000	First half 2009 \$'000
Revenues	3(a)	2,791,661	2,877,936
Other income	3(a)	19,628	5,620
Share of net profit of joint ventures and associates	5	5,002	4,654
Finance costs	3(b)	(36,104)	(33,375)
Employee benefits expense	3(b)	(999,132)	(1,032,075)
Raw materials and consumables used		(709,372)	(744,164)
Subcontractor costs		(434,886)	(468,698)
Plant and equipment costs		(344,695)	(327,207)
Communication expenses		(31,889)	(27,724)
Occupancy costs		(48,166)	(47,744)
Professional fees		(17,468)	(18,281)
Travel and accommodation expenses		(28,716)	(37,167)
Other expenses from ordinary activities		(52,310)	(37,867)
Profit before income tax		113,553	113,908
Income tax expense		(26,516)	(28,465)
Profit after income tax		87,037	85,443
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(9,701)	48,892
Gain/(loss) on available-for-sale investments taken to equity		320	(4,784)
Net (loss)/gain on cash flow hedges taken to equity		(39,117)	165,676
Gain/(loss) on share of reserves from associates taken to equity		1,236	(45,532)
Income tax relating to components of other comprehensive income		11,847	(57,285)
Other comprehensive (expense)/ income included in equity		(35,415)	106,967
Total comprehensive income for the period		51,622	192,410
Profit attributable to members of the parent entity		87,037	85,443
Total comprehensive income attributable to members of the parent entity		51,622	192,410
Earnings per share (cents)			
- Basic earnings per share ¹		24.5	24.5
- Diluted earnings per share		24.5	22.9

¹ Basic earnings per share (excluding ROADS) for the period ended 31 December 2009 was 26.2 cents (December 2008: 26.2 cents).

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

Downer EDI Limited

**Condensed consolidated statement of financial position
as at 31 December 2009**

	December 2009 \$'000	June 2009 \$'000
Note		
ASSETS		
Current assets		
Cash and cash equivalents	326,364	299,463
Inventories	190,522	198,396
Trade and other receivables	1,154,122	1,165,458
Other financial assets	14,219	12,154
Current tax assets	13,879	13,920
Other assets	30,611	32,310
Non-current assets as held for sale	54,087	65,587
Total current assets	1,783,804	1,787,288
Non-current assets		
Trade and other receivables	2,353	14,949
Equity-accounted investments	7,175	8,437
Property, plant and equipment	881,564	846,304
Intangible assets	627,510	609,970
Other financial assets	46,347	22,446
Deferred tax assets	92,800	87,450
Other assets	5,855	6,245
Total non-current assets	1,663,604	1,595,801
Total assets	3,447,408	3,383,089
LIABILITIES		
Current liabilities		
Trade and other payables	928,564	946,024
Borrowings	49,956	215,839
Other financial liabilities	19,240	32,046
Provisions	189,760	185,570
Current tax liabilities	9,211	10,205
Total current liabilities	1,196,731	1,389,684
Non-current liabilities		
Trade and other payables	1,460	2,192
Borrowings	788,373	578,658
Other financial liabilities	62,298	36,812
Provisions	28,781	27,184
Deferred tax liabilities	23,587	18,171
Total non-current liabilities	904,499	663,017
Total liabilities	2,101,230	2,052,701
Net assets	1,346,178	1,330,388
EQUITY		
Issued capital	1,099,260	1,078,791
Reserves	(118,293)	(85,124)
Retained earnings	365,211	336,721
Total equity	1,346,178	1,330,388

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Downer EDI Limited

**Condensed consolidated statement of change in equity
for the half-year ended 31 December 2009**

Consolidated	Issued capital \$'000	Available- for-sale investment reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Employee benefits reserve \$'000	Retained earnings \$'000	Attributable to owners of the parent \$'000	Total \$'000
Balance at 1 July 2008	1,080,559	-	(76,841)	(52,462)	3,314	241,794	1,196,364	1,196,364
Profit for the period	-	-	-	-	-	85,443	85,443	85,443
Exchange differences arising on translation of foreign operations	-	-	-	48,892	-	-	48,892	48,892
(Loss) on available-for-sale investments	-	(4,784)	-	-	-	-	(4,784)	(4,784)
Gain on cash flow hedges	-	-	165,676	-	-	-	165,676	165,676
(Loss) on share of reserves from associates	-	-	(45,532)	-	-	-	(45,532)	(45,532)
Income tax relating to components of other comprehensive income	-	-	(57,285)	-	-	-	(57,285)	(57,285)
Total comprehensive income for the period	-	(4,784)	62,859	48,892	-	85,443	192,410	192,410
Contributions of equity (net of transaction cost)	9,690	-	-	-	-	-	9,690	9,690
Unvested executive incentive shares transactions	(2,766)	-	-	-	-	-	(2,766)	(2,766)
Share-based transactions during the period	-	-	-	-	2,178	-	2,178	2,178
Payment of dividends	-	-	-	-	-	(46,383)	(46,383)	(46,383)
Balance at 31 December 2008	1,087,483	(4,784)	(13,982)	(3,570)	5,492	280,854	1,351,493	1,351,493
Balance at 1 July 2009	1,078,791	(3,053)	(61,902)	(36,129)	15,960	336,721	1,330,388	1,330,388
Profit for the period	-	-	-	-	-	87,037	87,037	87,037
Exchange differences arising on translation of foreign operations	-	-	-	(9,701)	-	-	(9,701)	(9,701)
Gain on available-for-sale investments	-	320	-	-	-	-	320	320
(Loss) on cash flow hedges	-	-	(39,117)	-	-	-	(39,117)	(39,117)
Gain on share of reserves from associates	-	-	1,236	-	-	-	1,236	1,236
Income tax relating to components of other comprehensive income	-	(96)	11,943	-	-	-	11,847	11,847
Total comprehensive income for the period	-	224	(25,938)	(9,701)	-	87,037	51,622	51,622
Contributions of equity (net of transaction cost)	20,469	-	-	-	-	-	20,469	20,469
Share-based transactions during the period	-	-	-	-	2,672	-	2,672	2,672
Income tax relating to share-based transactions during the period	-	-	-	-	(426)	-	(426)	(426)
Payment of dividends	-	-	-	-	-	(58,547)	(58,547)	(58,547)
Balance at 31 December 2009	1,099,260	(2,829)	(87,840)	(45,830)	18,206	365,211	1,346,178	1,346,178

The condensed consolidated statement of change in equity should be read in conjunction with the accompanying notes.

Downer EDI Limited

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2009**

	First half 2010 \$'000	First half 2009 \$'000
Cash flows from operating activities		
Receipts from customers	3,121,606	3,028,206
Distributions from equity accounted investments	6,043	5,555
Interest received	8,199	6,283
Dividends received	17	1,061
Payments to suppliers and employees	(2,879,638)	(2,902,585)
Settlement of operational foreign exchange contracts	(42,826)	60,079
Interest and other costs of finance paid	(32,269)	(32,864)
Income tax paid	(15,944)	(10,325)
Net cash inflow from operating activities	165,188	155,410
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	46,579	7,828
Payment for property, plant and equipment	(117,253)	(161,984)
Payment for intangible assets	(2,825)	-
Payment for investments ¹	(24,704)	-
Payment to joint ventures	(2,048)	(922)
Advances to other entities	(28,189)	-
Proceeds from sale of businesses	-	4,274
Payment for businesses acquired	(24,525)	(35,707)
Net cash (used) in investing activities	(152,965)	(186,511)
Cash flows from financing activities		
Proceeds from borrowings	515,209	488,005
Repayment of borrowings	(462,620)	(462,837)
Proceeds from issue of equity securities	-	609
Dividends paid	(38,078)	(39,836)
Net cash inflow/(outflow) from financing activities	14,511	(14,059)
Net increase/(decrease) in cash and cash equivalents	26,734	(45,160)
Cash and cash equivalents at the beginning of the period	292,223	239,833
Effect of exchange rate changes	(1,315)	7,871
Cash and cash equivalents at the end of the period	317,642	202,544

¹ Payment for investments include \$21.6 million representing the Group's 49% share and costs associated with the investment in the KDR joint venture.

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

Downer EDI Limited

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2009

Note 1. Summary of accounting policies

Statement of Compliance

These condensed consolidated financial statements present the consolidated results of Downer EDI Limited (ABN 97 003 872 848). The condensed consolidated half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Accounting Standards which include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the condensed consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS') and AASB 134 'Interim Financial Reporting' and Interpretations, and comply with other requirements of the law. This half-year financial report does not include all of the notes that would normally be included in an Annual Financial Report and shall be read in conjunction with the most recent Annual Financial Report.

The condensed consolidated financial statements were authorised for issue by the directors on 25 February 2010.

Rounding of amounts

The company is a company of the 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 been rounded off to the nearest thousand dollars, unless otherwise indicated.

Basis of preparation

The condensed consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies and methods of computation in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2009 Annual Financial Report for the financial year ended 30 June 2009.

Adoption of new and revised accounting standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The impact of these changes on the half-year financial statements includes:

- AASB 3 (2008) Business Combinations. Whilst this standard has no impact on previously recognised acquisitions it has affected the accounting for the acquisition of the Western Construction Co business in the period.

Changes to disclosures given in the half-year financial statements include the following:

- As a result of the adoption of AASB 101 Presentation of Financial Statements (2007) and all its associated amending standards, Downer EDI no longer presents an income statement but presents a statement of comprehensive income in addition to a statement of changes in equity, a statement of financial position (previously referred to as a balance sheet) and a statement of cash flows (previously referred to as a cash flow statement).
- The adoption of AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8.

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2009

Note 2. Segment information

Downer EDI has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment reporting) required an entity to identify two sets of segments (business and geographical) using a risks and rewards approach.

Downer EDI's reportable segments under AASB 8 are as follows:

Mining: provides blasting, bulk excavation, crushing and processing, haulage of ores/waste, tailings management and mine restoration;

Works: provides maintenance and construction of roads and highways; construction and maintenance of rail infrastructure including tracks, signals and overhead electrification; maintenance of telecommunication networks including design, build and installation services 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: provides 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

Engineering and Consulting Services: provides engineering and consultancy services, design, project management, facilities management, construct and maintain, specialising in telecommunications, power, process engineering, mine consulting including mine planning and optimisation management.

Unallocated is the aggregation of corporate administration function costs and revenue, the provision of shared services and the completion of contracts managed by Corporate. Unallocated also includes organisational change costs and other project costs across the group which are undertaken or sponsored by Corporate.

Information regarding these segments is presented on the following page. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies for the new reportable segments are the same as the Group's accounting policies.

Downer EDI Limited

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2009

Note 2. Segment information - *continued*

	Total revenue ¹		Share of sales revenue in joint venture entities		Total revenue including joint ventures	
	First half	First half	First half	First half	First half	First half
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
By business segment						
Mining	454,739	476,694	28,772	24,883	483,511	501,577
Works	1,010,933	976,763	508	1,800	1,011,441	978,563
Rail	458,042	440,367	-	-	458,042	440,367
Engineering and Consulting Services	869,010	1,002,156	796	15,444	869,806	1,017,600
Total	2,792,724	2,895,980	30,076	42,127	2,822,800	2,938,107
Eliminations	(5,502)	(17,538)	-	-	(5,502)	(17,538)
Unallocated	24,067	5,114	-	-	24,067	5,114
Total	2,811,289	2,883,556	30,076	42,127	2,841,365	2,925,683

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.

	Segment result	
	First half	First half
	2010	2009
	\$'000	\$'000
By business segment		
Mining	36,998	21,345
Works	46,677	46,158
Rail	29,093	28,197
Engineering and Consulting Services	57,524	64,594
	170,292	160,294
Unallocated ²	(30,079)	(21,770)
Net interest expense	(26,660)	(24,616)
Total profit before income tax	113,553	113,908
Income tax expense	(26,516)	(28,465)
Total net profit	87,037	85,443

² The Unallocated result of (\$30,079) thousands as shown above includes \$17,777 thousands of property sales (corporate capital management initiative) emanating from the Works business segment.

Downer EDI Limited

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2009

Note 3. Profit from ordinary activities

	First half 2010 \$'000	First half 2009 \$'000
a) Revenue		
Sales revenue		
Rendering of services	1,852,449	1,937,172
Mining services	440,930	459,336
Construction contracts	433,091	415,017
Sale of goods	46,151	51,150
Interest revenue		
Other loans and receivables	8,066	8,298
Other revenue		
Other revenue	10,607	5,426
Rental income	350	476
Dividends		
Other entities	17	1,061
	<u>2,791,661</u>	<u>2,877,936</u>
Other income		
Net income on disposal of property, plant and equipment	18,746	1,787
Net income on disposal of investments and businesses	-	777
Net foreign exchange gains	882	3,056
Total other income	19,628	5,620
Total revenue and other income	<u>2,811,289</u>	<u>2,883,556</u>
Sales revenue from joint venture entities	30,076	42,127
Total revenue including joint ventures	<u>2,841,365</u>	<u>2,925,683</u>
b) Operating expenses		
Finance costs on liabilities carried at amortised cost:		
Interest expense	32,587	32,824
Other finance costs	1,378	461
Finance lease expense	2,139	90
	<u>36,104</u>	<u>33,375</u>
Depreciation and amortisation of non-current assets:		
Plant and equipment	73,886	60,067
Buildings	1,698	1,547
Amortisation of leased assets	3,601	330
Amortisation of intellectual property	2,604	2,471
Total depreciation and amortisation	<u>81,789</u>	<u>64,415</u>
Impairment of assets held for sale	11,500	-
Operating lease expenses	84,853	75,488
Employee benefits expense:		
Defined contribution plans	57,955	53,641
Share-based transactions	2,672	2,178
Employee benefits	938,505	976,256
Total employee benefits expense	<u>999,132</u>	<u>1,032,075</u>

Downer EDI Limited

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2009

Note 4. Dividends

	Interim 2010	Final 2009	Interim 2009
a) Ordinary shares			
Dividend per share (in Australian cents)	13.1	16.0	13.0
Franking percentage	unfranked	unfranked	unfranked
Cost (in \$'000)	43,712	52,972	42,483
Payment date	09/04/2010	02/10/2009	14/04/2009
Dividend record date	09/03/2010	01/09/2009	11/03/2009

	Quarter 2 2010	Quarter 1 2010	Total 2010
b) Redeemable Optionally Adjustable Distributing Securities (ROADS)			
Dividend per ROADS (in Australian cents)	1.38	1.41	2.79
New Zealand imputation credit percentage per ROADS	100%	100%	100%
Cost (in \$'000)	2,762	2,813	5,575
Payment date	15/12/2009	15/09/2009	

	Quarter 4 2009	Quarter 3 2009	Quarter 2 2009	Quarter 1 2009	Total 2009
Dividend per ROADS (in Australian cents)	1.37	1.42	1.43	1.43	5.65
New Zealand imputation credit percentage per ROADS	100%	100%	100%	100%	100%
Cost (in \$'000)	2,746	2,839	2,868	2,878	11,331
Payment date	15/06/2009	16/03/2009	15/12/2008	15/09/2008	

Downer EDI Limited

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2009

Note 5. Joint venture and associate entities

The consolidated entity and its controlled entities have interests in the following joint venture and associate entities:

Name of entity	Principal activity	Country of incorporation	Ownership interest	
			December 2009 %	December 2008 %
Joint ventures:				
Alex Fraser Asphalt Production	Asphalt production and sales	Australia	-	50
Allied Asphalt Limited	Asphalt plant	New Zealand	50	50
EDI Rail-Bombardier Transportation (Maintenance) Pty Ltd	Maintenance of railway rolling stock	Australia	50	50
EDI Rail-Bombardier Transportation Pty Ltd	Sale and maintenance of railway rolling stock	Australia	50	50
Emulco	Emulsion plant	New Zealand	50	-
John Holland EDI Joint Venture	Research reactor	Australia	40	40
MPE Facilities Management Sdn Bhd	Facilities management consultancy service	Malaysia	50	50
Pavement Salvage (SA) Pty Ltd	Pavement repair	Australia	50	50
Roche Thiess Linfox Joint Venture	Contract mining; civil works and plant hire	Australia	44	44
SIP Jiacheng Property Development Co Ltd	Property development	China	50	50
Associates:				
Aromatrix Pte Ltd	Environmental engineering and consultancy services	Singapore	33	33
Clyde Babcock Hitachi (Aust) P/L	Design, construction and maintenance of boilers	Australia	27	27
CPG-KCPT Pte Ltd	Security design consultancy services	Singapore	30	30
Reliance Rail Pty Ltd	Rail manufacturing and maintenance	Australia	49	49
			First half 2010 \$'000	First half 2009 \$'000
Total contribution of joint venture and associate entities to net result			5,002	4,654

Downer EDI Limited

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2009

Note 6. Issued capital

	December 2009 \$'000	June 2009 \$'000
Ordinary Shares		
333,681,857 ordinary shares (June 2009: 331,077,655)	957,728	937,259
Unvested Executive Incentive Shares		
7,725,588 ordinary shares (June 2009: 7,725,588)	(37,071)	(37,071)
200,000,000 Redeemable Optionally Adjustable Distributing Securities (ROADS) (June 2009: 200,000,000)	178,603	178,603
Total issued capital	1,099,260	1,078,791

Fully paid ordinary share capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	December 2009		June 2009	
	000's	\$'000	000's	\$'000
Fully paid ordinary share capital				
Balance at beginning of financial period	331,077	937,259	325,084	911,747
Issue of shares through dividend reinvestment plan elections	2,605	20,469	5,160	22,370
Issue of shares under terms of Employee Share Plan ¹	-	-	833	3,142
Balance at end of financial period	333,682	957,728	331,077	937,259

¹ In the prior financial period, under the terms of the offer a \$1,000 discount was provided in recognition of each employees contribution to the company's performance. Under A-IFRS, the value of the discount is recognised as an expense with a corresponding increase in share capital of \$3,142,295.

	December 2009		June 2009	
	000's	\$'000	000's	\$'000
Unvested Executive Incentive Shares				
Balance at beginning of financial year	7,726	(37,071)	1,600	(9,791)
Unvested executive incentive shares transactions	-	-	6,126	(27,280)
Balance at end of financial year	7,726	(37,071)	7,726	(37,071)

Unvested executive incentive shares are stock market purchases and are held by the Executive Employee Share Plan Trust under the Long Term Incentive Plan. Dividends from the unvested executive incentive shares accrue to the benefit of executives from the time they are purchased up until when vesting occurs or until the shares are forfeited.

	December 2009		June 2009	
	000's	\$'000	000's	\$'000
Redeemable Optionally Adjustable Distributing Securities				
Balance at end of financial period	200,000	178,603	200,000	178,603

ROADS are perpetual, redeemable, exchangeable preference shares.

Downer EDI Limited

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2009

Note 7. Acquisition of businesses

a) Summary of acquisitions

<u>Name of business acquired</u>	<u>Principal activity</u>	<u>Date of acquisition</u>	<u>Proportion of shares acquired %</u>	<u>Cost of acquisition \$'000</u>
Business:				
Western Construction Co	Mechanical, construction and maintenance business	10/09/2009	100	24,864
				December 2009 \$'000
b) Purchase consideration				
Cash paid				24,864
Deferred purchase consideration				9,294
Total purchase consideration				<u>34,158</u>
Provisional fair value of net identifiable assets acquired				<u>11,518</u>
Goodwill				<u>22,640</u>
Outflow of cash to acquire businesses, net of cash acquired				
Cash consideration				24,864
Less net cash and cash equivalents acquired				-
Cash received – purchase price adjustment				<u>(339)</u>
Outflow of cash				<u>24,525</u>

Downer EDI Limited

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2009

Note 7. Acquisition of businesses - *continued*

c) Assets and liabilities acquired

The assets and liabilities arising from the acquisitions are as follows:

	December 2009 \$'000
Current assets	
Inventories	180
Trade and other receivables	5,728
Other assets	53
Total current assets	5,961
Non-current assets	
Property, plant and equipment	10,066
Deferred tax assets	660
Total non-current assets	10,726
Current liabilities	
Trade and other payables	2,191
Provisions	1,779
Total current liabilities	3,970
Non-current liabilities	
Financial liabilities	1,199
Total non-current liabilities	1,199
Net identifiable assets acquired	11,518

The initial accounting for these acquisitions has been determined provisionally at 31 December 2009 as the fair values of the assets acquired (including identifiable intangible assets), liabilities, contingent liabilities assumed and goodwill arising as part of the business combination have not yet been finalised.

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2009

Note 8. Intangible assets

December 2009	Goodwill \$'000	Intellectual Property/ Software \$'000	Total \$'000
Balance at 1 July 2009			
Cost	604,412	24,514	628,926
Accumulated amortisation	-	(18,956)	(18,956)
Net book value	<u>604,412</u>	<u>5,558</u>	<u>609,970</u>
Purchases	-	2,716	2,716
Acquisition of businesses (Note 7)	22,640	-	22,640
Amortisation expense (Note 3)	-	(2,604)	(2,604)
Effects of foreign currency exchange differences at net book value	(5,217)	5	(5,212)
Closing net book value at 31 December 2009	<u>621,835</u>	<u>5,675</u>	<u>627,510</u>

June 2009	Goodwill \$'000	Intellectual Property/ software \$'000	Total \$'000
Balance at 1 July 2008			
Cost	573,800	15,677	589,477
Accumulated amortisation	-	(10,752)	(10,752)
Net book value	<u>573,800</u>	<u>4,925</u>	<u>578,725</u>
Purchases	-	1,824	1,824
Acquisition of businesses	31,221	722	31,943
Reclassifications at net book value	(1,193)	1,193	-
Amortisation expense	-	(5,421)	(5,421)
Effects of foreign currency exchange differences at net book value	584	2,315	2,899
Closing net book value at 30 June 2009	<u>604,412</u>	<u>5,558</u>	<u>609,970</u>

Downer EDI Limited

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2009

Note 9. Contingent liabilities

	December 2009 \$'000	June 2009 \$'000
i) The consolidated entity has bid bonds and performance bonds issued in respect of contract performance in the normal course of business for wholly owned controlled entities	<u>774,081</u>	<u>780,678</u>

In the ordinary course of business:

- ii) The company and certain controlled entities are called upon to give guarantees and indemnities in respect of the performance by counter parties, including controlled entities and related parties, of their contractual and financial obligations. Other than as noted above, these guarantees and indemnities are indeterminable in amount.
- iii) Some entities in the Group are subject to normal design liability in relation to completed design and construction projects. The Directors are of the opinion that there is adequate insurance to cover this area and accordingly, no amounts are recognised in the condensed consolidated financial statements.
- iv) Controlled entities have entered into various partnerships and joint ventures under which the controlled entity could ultimately be jointly and severally liable for the obligations of the partnership or joint venture.
- v) Certain members of the Group have the normal contractor's liability in relation to services and construction contracts. This liability may include litigation by or against the Group and/or joint venture arrangements in which the Group has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Directors are of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the Group.

Note 10. Events subsequent to reporting date

There were no events subsequent to the reporting date that have not been disclosed in the condensed consolidated financial report for the half-year ended 31 December 2009 other than the interim dividend declared after the reporting date.

Downer EDI Limited

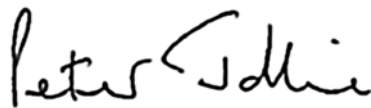
**Directors' declaration
for the half-year ended 31 December 2009**

In the opinion of the Directors of Downer EDI Limited:

- (a) the attached condensed consolidated financial statements and notes thereto comply with Accounting Standards;
- (b) the attached condensed consolidated financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity;
- (c) the attached condensed consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Peter Jollie". The signature is written in a cursive, flowing style.

P E J Jollie AM
Chairman

Sydney, 25 February 2010