rail telco. mining power road

Facilities Management "Design, Project Management, Operations and Maintenance"

Downner EDi LIMITED

Concise **Annual Report 2003**

 

Downer EDI Limited (Downer EDI) is an Australian listed company which provides comprehensive engineering and infrastructure management services to the public and private power, rail, road, telecommunications, mining and minerals processing sectors. It employs more than 15,000 people and its services cover Australia, New Zealand, Asia and the Pacific.

"Downer EDI is one of the few fully integrated engineering and infrastructure management companies in the Asia Pacific region able to provide services to clients in the transportation, power, telecommunications, mining and energy sectors."

Downer EDI's business consists of four principal activities:

Infrastructure

Road build and maintenance

Rail track build and maintenance

Engineering

Design and facilities management

Telecommunications build and maintenance

Power build and maintenance

Mining

Operation and infrastructure management

Process engineering and minerals technology

Exploration and drilling services

Rail

Rollingstock build and maintenance

Locomotive build and maintenance

The company's integrated services platform includes design, project and facilities management, operations and maintenance.

Agm

Downer EDI Limited's 2003 Annual General Meeting will be held in Sydney at The Heritage Ballroom, The Westin Hotel, 1 Martin Place, Sydney on 27 October 2003 commencing 10.00 am. All shareholders are invited to attend and are entitled to be present.

Shareholders who are unable to attend the Annual General Meeting, 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. Addresses are provided in the "Information for Investors" section of this Report and on the proxy form.

The Downer EDI Limited 2003 Concise Annual Report reflects the activity of Downer EDI Limited for the financial year 1 July 2002 to 30 June 2003. Australian dollars, unless otherwise stated, is the standard currency used throughout this Report.

The Concise Annual Report provides a summary of Downer EDI Limited's financial performance, financial position, and operating, investing and financing activities. Detailed financial information for Downer EDI Limited for the year ended 30 June 2003 is set out in the 2003 Full Financial Report available free of charge from the Company Secretary, Downer EDI Limited.

Please note that financial information for Downer EDI Limited, including the 2003 Concise Annual Report and the 2003 Full Financial Report, can be found at the Downer EDI website, www.downeredi.com

Downer EDI Limited

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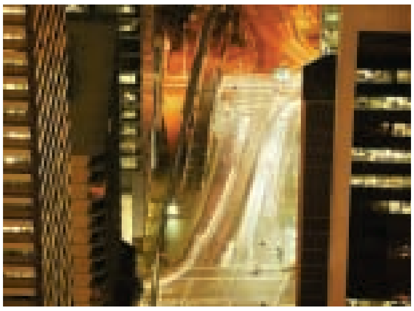
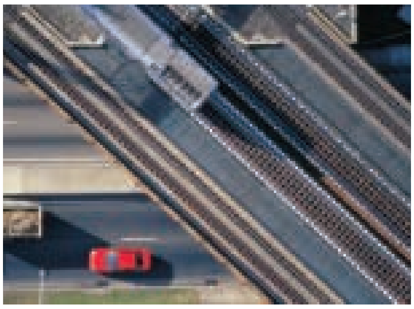
Financial **Highlights 2003**

"Since listing in 1998, earnings reliability and growth despite volatile markets, a company delivering sustainable profits with a growth outlook."





- Sixth successive year of earnings and profit increases:
  - After tax profit $66.6 million, up 18%
  - Net profit (before goodwill amortisation) $82.6 million, up 17%
  - Before tax profit $94.7 million, up 19%
  - EBIT $123.6 million, up 9%
  - EBITA $140.4 million, up 9%
  - EBITDA $242.9 million, up 10%
  - Revenue $2.70 billion, up 10%
  - Turnover $2.87 billion, up 11%
  - Shareholders' funds $760.2 million, up 7%
  - Secured forward sales now approaching $6 billion, up from $4.5 billion.
- Profit after tax 2003 full year equates to 6.3 cents earnings per share (EPS) basic, or 6.1 cents EPS fully diluted (2002: 5.8 cents and 5.5 cents respectively).
- First year of franked dividend. Total dividends of 2.9 cents per share (up 21% over the previous year), of which final dividend of 2.4 cents was franked to 50%.
- Strong operating cash flow of $225.0 million, up $177.6 million on prior year, contributing to a lower interest expense.
- Net debt was reduced by 34% to $296.2 million.
- Gearing (net debt to shareholders funds) at a record low of 39%, down from 63%.
- Balance sheet the strongest it's ever been – a product of existing and ongoing focus.
- Awarded a 'BBB-' investment grade credit rating with a stable outlook from an internationally recognised credit ratings agency.
- Established a secondary listing on the New Zealand Exchange Limited (NZX), with effective quotation date for the trading of Downer EDI shares of 6 November 2002 (NZX ticker: DOW NZ).
- Successfully completed a refinancing and expansion of its maturing $150 million syndicated financing facility for a further 3 years, and given the strong demand, increased the facility to $200 million to provide Downer EDI with a larger capital base and improved liquidity.

Message from the Chairman **Barry O'Callaghan**

It is my pleasure to present the Downer EDI Limited 2003 Concise Annual Report.

This has been another successful year for your company. The diversification of Downer EDI's business platform has delivered a robust financial performance during a period of mixed economic performance in the region, and our industry platforms continue to strengthen.

Downer EDI's audited profit after tax for the year ended 30 June 2003 increased 18% to $66.6 million. The operating profit before goodwill amortisation was a pleasing $82.6 million (last year $70.7 million). The result was achieved on higher operating turnover of $2.9 billion (compared to $2.6 billion).

Overall, core businesses performed well with increases in revenue from Engineering (16% increase), Infrastructure (37%) and Mining and resources (5%). While Rail (rollingstock) revenue decreased by 8%, its contribution to the Group's EBITA increased by $6.4 million. The result also included a revenue contribution from CPG Corporation Pte Ltd (CPG) of $77 million gross revenue for the first three months of ownership.

Second half comparison with the previous year showed improvement in turnover (up 21.8% to $1,577.4 million) and profit after tax (up 24.1% to $44.8 million). The company was also successful in managing its capital, repaying debt and improving earnings per share. Basic earnings per share was 6.3 cents, a healthy improvement over the previous year of 5.8 cents per share.

A more expansive summary of the Group's financial performance for the year is provided in the Chief Financial Officer's Review (pages 10 to 12).

While we did not expect to have franking credits available until the first half-year dividend for the 2004 financial year, I am delighted to advise shareholders that we are ahead of our plans and will be franking the final 2003 financial year dividend to 50%. An interim dividend to 0.5 cents unfranked was paid on 30 April 2003 and a final dividend of 2.4 cents (franked to 50%), payable 10 October 2003, was declared by the directors, making up a full year dividend of 2.9 cents per share, an increase in dividends per share of 21%. This is the first franked dividend paid by Downer EDI since it listed in 1998 and due reward for those shareholders who have stayed with us.

The year's total dividends of $33.5 million represent a pay-out ratio of 50.3% of Downer EDI's net profit after tax. The directors expect that the policy of paying out dividends of approximately 50% of full year profit after tax will be maintained.

The past year has seen employee numbers grow from 10,000 to over 15,000, with a substantial increase in the professional skill base, particularly in the fields of design, master planning, engineering and facilities management, reflecting both acquisition and organic growth.

The company prides itself in its preparedness to invest in new technology and systems and process innovations where these can deliver improved service levels and product satisfaction for our clients and their customers.

Plans for Downer EDI's business development and growth as a major provider of outsourced services in its target markets are on track. Progress during the year included solid organic growth, strong cash flow, further rationalisation of assets, value creation and a growing market share in each of the industry sectors in which we operate.

Developments across the company's activities are described in more detail in the Managing Director's review and the market segment reports (pages 6 to 37).

The economic outlook for Australia and New Zealand, our two major markets, is generally positive and we expect to see further growth opportunities in our key market segments of power, telecommunications, road, rail and mining.

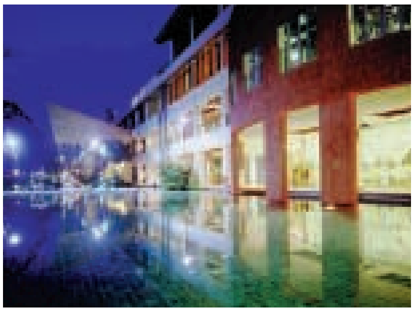
While the economic outlook for countries where we operate within Asia and South East Asia is mixed, we remain buoyed by the prospects in our target markets. As the global trend towards outsourcing engineering services continues, the outlook for all divisions is positive.

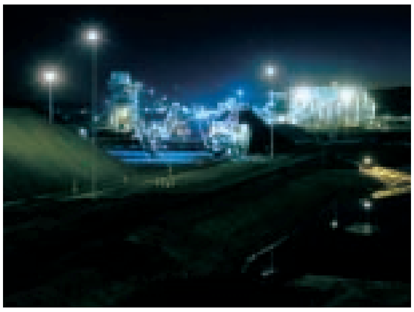
Companies and government entities that form the industry sectors in which we operate are all under pressure to deliver a better service, more reliably and at a lower cost.

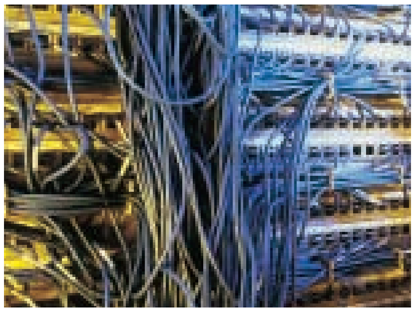
Many governments are facing major challenges in upgrading aging infrastructure, and meeting community expectations for modern and reliable services, especially in road and rail networks. In the Australian market, some governments historically have been constrained in committing public funds to major infrastructure because of budgetary pressures and we expect that there will be a period of 'catch-up' in the next few years. With the levels of expenditure now required, we believe public private partnerships (PPPs) will be considered as a way forward.

This trend is already well established in the United Kingdom, where private financing initiatives (PFIs), which involve a greater sharing of the significant risks and rewards between government and the private sector, are on the increase.

"The transformation of Downer EDI from a business dominated by capital works to a services company based on a high level of skills and capability in design, operation and maintenance across our markets is now complete."







Downer EDI has developed a capability to provide a range of services to assist governments in upgrading and maintaining essential infrastructure. We strongly favour PPPs as a means for governments to move forward and are ideally placed to provide these services should governments decide to proceed down this path.

Your company's development has been, and continues to be, based on a long-term strategy to build a group of highly complementary business skills that add value to clients and minimise risk. Your board is confident in the capacity of the company's management to continue to invest to strengthen the business and its earning's capability.

As we look to the future, Downer EDI will continue to focus on shareholder value through sensible investment in growth opportunities and developing the cross-selling of services within the Group.

In November 2002, your company established a secondary listing on the New Zealand Exchange Limited (NZX), thereby increasing the company's profile in that market where we have a substantial business presence, and allowing our New Zealand based shareholders to have greater access to, and trade more freely in, the company's shares.

The board recognises the importance of good corporate governance and we will continue to review our practices in this area. In keeping with the new guidelines published by ASX Corporate Governance Council, the board has changed its committee structures (refer Corporate Governance section pages 40 to 42), and is giving further consideration to the size of the board.

We remain committed to keeping shareholders informed of our developments and maintaining a high level of financial transparency.

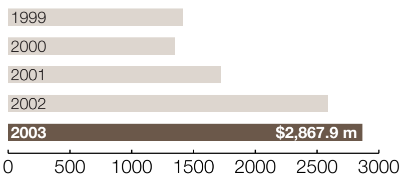
I am delighted to have been elected by your board as Chairman effective from 4 June 2003. I have served on the board as Deputy Chairman since 1998, and look forward to continuing to serve you, the shareholders, in my new capacity. I thank my predecessor, Tom Lau, for his valued contribution and welcome his ongoing involvement as Deputy Chairman.

In December 2002, we welcomed Billy Wong as alternate director to Charles Chan and in April 2003 Bill Shurniak resigned from the board following Huchison Whampoa's decision to divest its shareholding in the company. The board joins me in thanking Bill for his valuable contribution as a director.

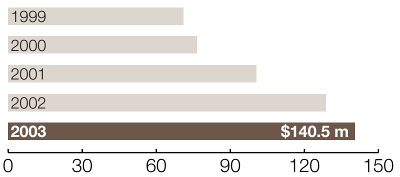
The continued support from our shareholders is appreciated and on your behalf I express our appreciation to Stephen Gillies and his management team and staff for their great efforts during the year.

Barry O'Callaghan

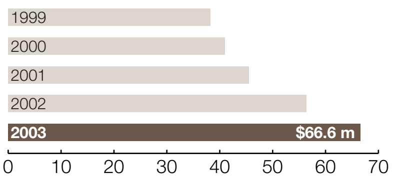
total **turnover**



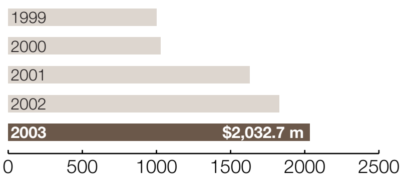
earnings before interest, tax and amortisation of intangibles (EBITA)



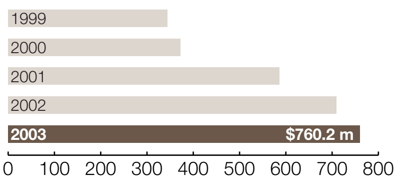
operating profit after tax



total **assets**



total **shareholder equity**



Managing Director's Review **Stephen Gillies**

This is our sixth successive year of earnings and profit increases. Profit increased by 18% on the previous year, ahead of the half year forecast level. Operating earnings (EBITA) increased by 9% to $140.4 million. Net debt was reduced by $150.8 million to $296.2 million, a 34% decrease on the previous year.

This year, we continued to make substantial progress in building capability as a value-adding service provider, with a focus on design, master planning, facilities management and maintenance services, and are in a strong position as a preferred choice for the provision of engineering services in the public and private road, rail, telecommunications, power and mining sectors.

The diversity of our business activities and the focus on essential infrastructure combine to deliver a relatively stable, and growing, core earnings stream to underpin our business. In a way, we are continuing to layer in "annuity-type" earnings streams that serve to improve the transparency and predictability of our Group earnings.

Having built a business based increasingly on long term relationships with clients, in particular those involved in infrastructure, and with our current size, skill level and capacity, we are now looking at the next stage of our development. On a go-forward basis, we expect this to involve participation in public private partnerships and alliance partnering contracts where these bring benefits to the clients.

The Chairman's report makes reference to the lack of public spend by some governments in infrastructure, particularly in rail and road networks. Clearly we now have the expertise and size to pursue an increasing number of opportunities in service partnering with governments in a number of locations.

Active consideration is also being given to the development of concepts such as an infrastructure fund, which would allow Downer EDI to co-invest, aligning with selected clients where the investment has long term business relationship benefits. It is important for the company to deliver value to its partners and clients, but importantly it must deliver value to you as shareholders through benefits from moving up the value chain.

Operating performance

Profit for the 2003 financial year reflected a solid operating performance from our core businesses. Headline sales growth resulted from strong underlying performances by engineering, infrastructure and mining divisions, with turnover and profit in line with expectations for the year.

For the year ended June 2003, Infrastructure increased turnover by 35% to $576.5 million compared to the previous year $425.5 million, reflecting growth in the Australian market and a solid performance in New Zealand.

Engineering achieved turnover of $869.5 million, up 17%, with a strong performance by power services, above expectation performance from telco and an expected contribution from CPG's fourth quarter result.

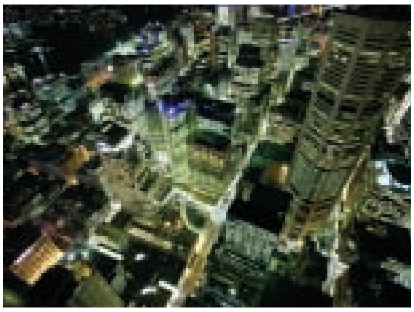
Mining and resources increased turnover by 7% to $1.1 billion, due primarily to the award of major contracts, expanded services in the coal sector and the increasing financial contribution of the services business unit within the division. Overall, Mining division in net terms had an excellent year with uncompleted work on hand at year-end at $1.8 billion.

While Rail (rollingstock) turnover was down 8% to $333.5 million, the division's EBITA contribution to the Group increased by $6.4 million. The performance of the business was largely overshadowed by the Millennium Train project.

The results reflected one-off charges for non-core business sales and the downsizing of the Walkers operations in Maryborough, Queensland, to purely rail, the reorganisation of the Century drilling business to match planned levels of activity and the significant scale-back of non-core, underperforming construction activities of the Capital Works group within Downer Engineering. Divestment of the non-core Walkers sugar and foundry businesses was primarily completed in the second half of the year.

The company's forward order book reached a high of $5.5 billion, up 22% on the same time last year, but importantly with new contracts in the pipeline where we have been chosen as preferred bidder, will extend the order book to $6.3 billion.

“Fitch Ratings identified Downer EDI’s comprehensive approach to risk management, good positioning for organic growth and steady, diversified revenue stream as among the company’s key credit strengths.”



Millennium Train

There has been significant negative political and media comment about Sydney’s Millennium Train manufactured by EDI Rail, as part of a wider political debate about the state of rail infrastructure in New South Wales. Negative comment was aggravated by teething problems with the train’s introduction into revenue service and sustained criticism by the NSW Opposition of the Government over the procurement processes of the State Rail Authority of NSW (StateRail).

Downer EDI prides itself on its preparedness to invest in new technology where this can deliver improved service levels and product satisfaction for its clients and their customers. We firmly believe the Millennium Train will deliver greatly improved safety, comfort and ride to StateRail’s customers, as well as vastly enhanced asset management for StateRail and the Government.

The commissioning of the Millennium Trains has not been problem-free, but our experienced team of engineers and product suppliers have provided, and continue to provide, proactive management for ongoing product enhancement. The new technology embraced in the design and operation of the Millennium Train will deliver value to Sydney’s rail commuters.

Managing our capital for growth

We continue to place emphasis on improved quality of businesses, particularly in operational and financial management, overhead cost controls and margin improvements, and reinvestment of cash and working capital to fund growth.

During the year, working capital from non-core business divestments was used to fund activities which would provide for increased maintenance and service revenue from the road, rail and power sectors. These included:

- Expanding the road maintenance business of Works Infrastructure Australia, providing coverage in Western Australia, Northern Territory, South Australia and Victoria. The addition of Tasmania will follow completion of the purchase agreement for Tasmania’s Civil Construction Corporation (CCC).
- Strengthened Downer Engineering’s contracting services capability through the addition of ABB’s electrical and facilities management businesses in Australia and Hong Kong, and shortly after year-end, the Australian electrical and maintenance businesses of Stork NV of the Netherlands.

CPG Corporation (CPG)

In the Asia Pacific region, a strong platform for growth has been established with the addition of Singapore based CPG Corporation, and with it 2,000 highly skilled staff. The acquisition was successfully completed well within our timetable and I have been particularly gratified by the ease with which the two cultures have combined and the desire shown by the enlarged Downer EDI group to develop new opportunities together. The operations of CPG are described in the Design and Facilities Management business report (pages 18 to 21).

Achieving operational effectiveness

Achieving operational effectiveness and maximising the benefits of a fully integrated organisation able to cross-sell and implement seamlessly its services continues to be a key focus for the Group. To assist in this process, an annual conference for senior operational management and other cross-divisional activities are being used to more frequently share ideas, develop cohesion and team work and instigate steps to enhance operational effectiveness. A continuing theme is to foster improved execution in the delivery of services to clients through management review, risk assessment and systems enhancement.

Further steps were taken to streamline organisational structures intended to improve efficiencies, be responsive to client and market needs and obtain further leverage for business growth. Examples of this during the year included:

- Downer Engineering has re-aligned its structure so that it operates three core business units: Telecommunications, Power and Engineering Services.
- The residual Capital Works operations of Downer Engineering in Australia, New Zealand and the Pacific have been integrated into Works Infrastructure.
- The Hong Kong and Singapore based engineering businesses of Downer Engineering, and the Australian and New Zealand process engineering businesses have been aligned with CPG, which together form part of Downer Engineering. This reflects the increased focus on master planning, project engineering and facilities management services.
- The Maryborough rail operations have been integrated into EDI Rail.

Managing Director's Review

- Roche Mining has been reorganised to establish a stronger services-based business focus and a national mining business team, reflecting the different markets now serviced in the mining and minerals processing industries.
- As part of the realignment of services to the mining and resources sector, the Walkers mill liner foundry in Perth and the minerals exploration and blasthole drilling business of Century Resources were transferred to Roche Mining.
- A national office for Works Infrastructure in Australia was established in Melbourne to co-ordinate the division's growing road and rail maintenance business.

The rollout of Group branding and achieving a greater level of brand recognition remains a high priority.

Our customers will continue to see the benefits of these steps and the company's focus on client service and surpassing client expectations.

New contracts

Our focus is on providing service and developing client relations that lead to long-term quality contracts and repeat business. Our overall approach is to be highly selective – to focus on opportunities that contribute to our long term success and which entail us assuming those risks that we can control.

Indicative of the range of contracts awarded to Downer EDI during the year were:

- Transmission line contracts with Powerlink Queensland and Western Power Corporation ($90 million);
- Telecom New Zealand 5 year facilities management services contract (NZ$50 million);
- Preferred tenderer to supply new smartcard ticketing system for Transperth's bus, train and ferry services – Western Australian Government ($30 million).
- Supply and maintenance contracts for the Alice Springs to Darwin rail link ($60 million);
- Stage 2 Millennium train contract to supply 60 carriages – State Rail Authority of NSW ($165 million);
- Cumnock Coal Mine, NSW, 5 year mining contract – Cumnock Coal Limited ($100 million); and
- Yallourn Energy Coal Mine, Victoria, long term mining contract through the joint venture RTL (Roche Thiess Linfox) – Yallourn Energy (Roche Mining share $110 million).

The business segment reviews (pages 14 to 37) provide further indications of the range of contracts awarded.

At the same time, we will continue to pursue strategic alliances, partnering and joint ventures where these lead to complementary skill sets and the opening up of new business opportunities in our core business areas. The alliance contract with Queensland Rail, which resulted in the successful build, delivery and in-revenue service commissioning of the Cairns Tilt Train during the year, is an example of this, and is a proven successful contractual model for the future. An increasing number of partnership associations with companies like Mitsubishi in the power sector and Bombardier in the rail sector are likely moving forward.

In the Latrobe Valley in Victoria, the joint venture of Roche Mining with Thiess and Linfox (RTL), in which Roche has a 44% interest, has contracts with all three major power generators and a history of steady expansion and profitability. RTL's annual turnover will exceed $100 million next year.

Management company

In March, a management company (Tarrow Pty Limited) was successfully formed to provide a vehicle for management to hold shares and invest in the success of the company. Over 30 individual senior managers from Downer EDI (including CPG) are shareholders. This is a very strong vote of confidence in the outlook of the Group.

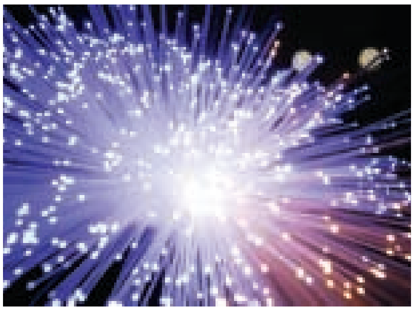
Credit rating

The company has been awarded a 'BBB-' investment grade credit rating with a stable outlook from the internationally recognised credit ratings agency, Fitch Ratings. Fitch identified Downer EDI's comprehensive approach to risk management, good positioning for organic growth and steady, diversified revenue stream as among the company's key credit strengths, and validated management's view that Downer EDI is an investment grade company.

Outlook

The outlook for Downer EDI is positive for 2004. We expect another strong year and have targeted increases in gross revenue and EBITA of at least 15%, with the prospects for growth particularly encouraging in the power and infrastructure sectors.

Earnings per share will continue to improve given our strengthening capital base and no need for new capital to support further growth initiatives.



We will maintain our ongoing focus on a strong balance sheet and the risk reward profiles associated with our operating subsidiaries, with a focus on value creation and increasing our market share in target industry sectors (i.e. facilities management of public and private infrastructure, including road, rail, power, telecommunications and mining).

The full year benefits of the acquisition of CPG will apply for 2004 and we see continuing benefits in the years ahead as their design, master planning and facilities management capabilities are utilised across the total group.

The CPG activities will be expanded into Australia and New Zealand, and over time will provide a beach-head for infrastructure facilities management and investment.

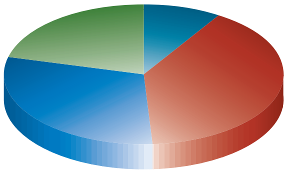
Overall, we expect to see steady growth to come from the company's ability to provide clients in the government and private sectors with turnkey service delivery in our target markets.

Our investors will continue to see results of our work through long-term contracts, strong joint venture relationships, industry innovation and technological advancement.

Our employees are a key asset for the Group, they now total 15,000. To each I extend my personal thanks for a year of commitment and their individual efforts to pursue improved excellence, particularly as the company expands into higher order activities that undoubtedly provide challenge.

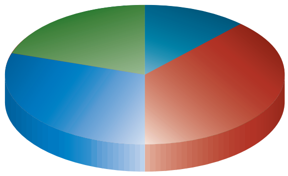
Stephen Gillies

Total Turnover
by major division **1999 – 2003**



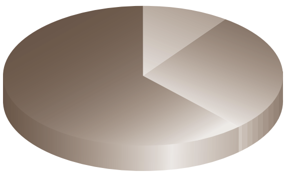
Infrastructure 21%
Engineering 30%
Mining and Resources 40%
Rail 9%

Total Turnover
by major division **2003**



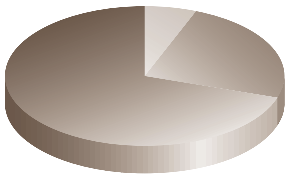
Infrastructure 20%
Engineering 30%
Mining and Resources 38%
Rail 12%

Total Turnover
by location **1999 – 2003**



Australia 62%
New Zealand/Pacific 28%
Asia 10%

Total Turnover
by location **2003**



Australia 70%
New Zealand/Pacific 24%
Asia 6%

Chief Financial Officer's Review **Geoffrey Bruce**

From left to right:
Bruce Crane General Manager, Administration and Finance/ Company Secretary
John Davenport General Manager, Group Funding and Investor Relations
Geoffrey Bruce Chief Financial Officer/ Company Secretary
David Rogers General Manager, Group Finance and Acquisitions
Leslie Goldmann Group Financial Controller

The financial year for 2003 was another strong year for Downer EDI Limited. The five year record table (page 12) reflects the company's track record of delivering sustainable growth of both revenue and profitability.

Revenue for the year was $2.7 billion, up $255 million (or 10%) over the previous year. Of this amount, core businesses delivered organic growth exceeding $350 million, which was partially offset by revenue reductions from discontinued businesses of $65 million and the planned scale back in capital works activities of $80 million. The balance of the net increase in revenue comes from new businesses acquired (primarily CPG Corporation Pte Ltd (CPG) which accounted for $77 million of the balance). Shareholders should note that CPG's contribution was for a period of only 3 months and 2004 will be the first year that will reflect a full year contribution by CPG. Turnover for the year was $2.9 billion, up $282 million over the previous year.

By division:

- Engineering turnover increased 17% to $869.5 million;
- Mining and resources turnover increased 7% to $1.1 billion;
- Infrastructure Services turnover increased 35% to $576.5 million;
- Rail turnover decreased 8% to $333.5 million; and
- Discontinued businesses and inter segment eliminations accounted for the balance of Group turnover.

Earnings before interest, tax and amortisation of intangibles (EBITA) amounted to $140.4 million, an increase of $11.7 million over the prior year. Despite the growth in the business and increased levels of revenue generated, EBITA margins have been maintained.

Net interest expense for the year was $28.8 million, a decrease in funding costs over the prior year of $5.3 million or 15%. This reflects the level of cash flow generated from operations and reductions in net debt. The EBITA to net interest coverage ratio stands at 4.9 times, an improvement over the 2002 level of 3.8 times.

Depreciation and amortisation amounted to $119.3 million, with net additions to property plant and equipment, well within this charge. Depreciation rates adopted by the Group have tended to be conservative. This level of conservatism has historically been reflected in the gains on disposal reported on the sale of property plant and equipment (2003 a $5.5 million contribution).

The effective tax rate of the Group for 2003 was 29.7%, reasonably consistent with the previous year's rate of 28.8%. The effective tax rate has been affected by a combination of costs not deductible for tax purposes (including goodwill amortisation), offset by research and development claims and over provisions from prior years (once more primarily related to research and development claims).

Net profit after tax at $66.6 million, was $10.1 million (18%) higher than the previous year. This equates to an earnings per share of 6.3 cents per share, a healthy improvement over the previous year.

Accounting policies and basis of preparation

The financial statements have been prepared in accordance with the Corporations Act 2001, Australian accounting standards, Corporations Regulations and other mandatory professional reporting requirements. There have been some changes to Australian accounting standards during the year, the majority of which resulted in no material effect to Downer EDI's financial statements. Your attention however, is drawn to Note 1 to the concise financial statements – "Basis of Preparation". As a result of adopting revised accounting standard AASB 1044, consolidated net assets have not been reduced by the amount of the 2003 final dividend on ordinary shares declared by directors in August 2003.

Cash flow and capital expenditure

The operating cash flow for the year was $225.0 million, up $177.6 million over the prior year. This increase in cash flow from operations reflects strong cash flow levels driven by all divisions, including the release of working capital from the Millennium Train contract with the State Rail Authority of NSW (as indicated in my previous year's report). This strong cash flow generation has helped to strengthen the composition of the Group's balance sheet. Funds utilised in working capital also decreased $79.0 million during the year (from $420.0 million to $341.0 million), despite increases in the level of operating activity across the Group. A focus on further reductions in working capital should assist in underpinning strong operating cash flows for 2004.

“The balance sheet is the strongest it has ever been, a product of existing and ongoing focus.”

Investing activities in the 2003 year were substantially lower than in 2002, despite the $127.5 million purchase of CPG. The purchase price of CPG in the Statement of Cash Flows has been disclosed, net of cash balances acquired. Payment obligations acquired under business acquisitions also relate to the acquisition of CPG. Net investing activities amounted to $33.9 million.

Net debt during 2003 was reduced by $150.8 million to $296.2 million, a 34% decrease over the previous year. This has been achieved despite the $203.0 million growth in total assets over the year. A new three year $200 million syndicated bank facility was completed in June 2003, providing the Group with sufficient resources and liquidity to meet future anticipated growth of the business.

The Group’s gearing as measured by net debt to capitalisation (net debt plus total equity) has been reduced from 39% to 28%, its lowest historic level. On a net debt to equity basis, gearing stands at 39%, down from the 2002 level of 63%. This reduction in debt is reflected in the lower net interest expense incurred by the Group in 2003 and positions the company well to weather any exposures to interest rate movements.

Financial position

Net assets of the Group have increased from $709.6 million to $760.2 million, an increase of $50.6 million. Major contributors to this increase arose from:

1. Dividend reinvestment plan elections of $6.7 million;
2. Net profits retained in the business $56.5 million (the 2003 final dividend has not been shown as a reduction in retained earnings in accordance with a change in accounting standard AASB 1044); and
3. A negative movement in reserves of $12.6 million, principally brought about by a strengthening of the Australian dollar against relevant foreign currencies (the Group has investments and retained earnings denominated in) and its effect on the foreign currency translation reserve.

Banking facilities and treasury risk management activities

To assist customers in their counterparty risk assessments and obtain an objective independent review of the credit worthiness of Downer EDI, the opportunity was taken to have the Group evaluated by a recognised international ratings agency. Their report was issued in July 2003, with Downer EDI being awarded an investment grade credit rating of BBB-.

In addition to seeking a credit rating, a new three year $200 million syndicated bank facility was completed in June 2003. This new facility has been priced with margins consistent with Downer EDI’s investment grade credit rating and should result in lower costs of funds moving forward.

To manage risks associated with interest rate fluctuations on long term investment decisions, 45% of the Group’s borrowings are at fixed interest rates at 30 June 2003. The Group’s overseas subsidiaries are partly funded by way of currency borrowings, thus 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.

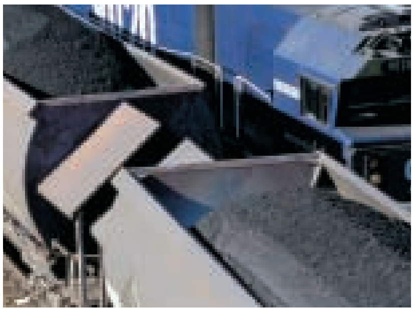
No speculative hedge or interest rate swap contracts are entered into. Debt facilities drawn at year-end totalled $502.9 million, with a maturity profile of 19% due within twelve months, 15% in 1 to 2 years and 66% extending out for periods up to 11 years. The Group also maintains facilities in the surety market for performance bonds in respect of a number of its operating businesses. Other than $12.8 million, all debt and surety facilities are provided on an unsecured basis.

Total available liquidity at year end amounted to $709.4 million comprising cash of $206.7 million and undrawn lines of $502.7 million.

Capital management and dividends

As part of the Group’s capital management structure, a dividend policy has been established to reflect a sensible balance between providing shareholders with an appropriate yield on their investment and ensuring adequate capital will be available to facilitate expansion of the Group. $5.2 million in dividends were paid/provided on the Group’s converting preference shares. Total dividends on ordinary shares paid or declared in respect of the 2003 year amounted to 2.9 cents, an increase of 21% over the previous year’s distributions. Total dividends paid or provided in respect of the 2003 year were 50.3% of net profit after tax, consistent with the previous year.

Shareholders should be pleased to note that the 2.4 cent final dividend payable on ordinary shares as declared by the directors will be franked to 50%. This franking has arisen earlier than previously advised and is expected to continue. In response to shareholder requests, the timing of the payment of the 2003 final dividend has been brought forward to 10 October 2003, whereas previously the timing of Downer EDI’s final dividend was at the end of November each year.



The company's Dividend Reinvestment Plan (DRP) applied to the 2003 final dividend, providing shareholders with the opportunity to reinvest their dividends in Downer EDI at a discount to market. The DRP has now been suspended as part of Downer EDI's capital management initiatives.

Other capital management activities are noted in the Notice of General Meeting sent to shareholders and relate to a proposed four for one share consolidation and the sale of shares in Downer EDI by the company on behalf of those shareholders who hold non marketable parcels of shares.

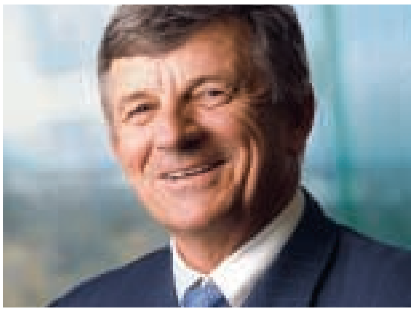
Geoffrey Bruce
Chief Financial Officer

Five Year Record

For year ended 30 June	**2003 $'000**	**2002 $'000**	**2001 $'000**	**2000 $'000**	**1999 $'000**
Turnover	2,867,858	2,585,636	1,718,128	1,351,854	1,414,108
Revenue	2,697,023	2,442,449	1,632,824	1,274,753	1,339,634
Earnings before interest tax and amortisation of intangibles (EBITA)	140,445	128,734	100,513	76,347	71,139
Interest expense (net)	28,826	34,113	25,913	21,542	17,385
Income tax	28,171	22,870	18,583	9,633	11,799
Profit after tax	66,572	56,431	45,516	41,025	38,236
Total equity	760,191	709,565	586,114	372,229	344,477
Net debt to equity	39%	63%	81%	80%	81%
Net debt to capitalisation (debt plus equity)	28%	39%	45%	44%	45%
Cash flow from operations	225,003	47,353	70,510	80,330	94,968
Basic earnings per share pre amortisation of intangibles (cents)	8.0	7.5	7.7	7.6	8.4
Basic earnings per share (cents)	6.3	5.8	6.1	6.9	7.7
Diluted earnings per share (cents)	6.1	5.5	5.7	6.1	7.4
Closing share price (dollars)	$0.77	$0.66	$0.55	$0.74	$0.54
Dividends per ordinary share (cents)	2.9	2.4	2.1	2.8	2.8
Dividend payout ratio as a percentage of profit after tax	50.3%	50.3%	47.8%	48.4%	39.5%
Order book (millions)	5,500	4,500	3,700	2,000	1,500

Shareholder distribution of quoted equity securities at 9 September 2003	**Shareholder Number**	**Shareholders %**	**Shares Number**	**Shares %**
Range of holdings				
1 – 1,000	2,124	13.5	1,128,983	0.1
1,001 – 5,000	5,923	37.5	17,094,463	1.8
5,001 – 10,000	3,464	21.9	26,383,092	2.7
10,001 – 100,000	4,063	25.7	101,537,243	10.4
100,001 and over	221	1.4	824,950,477	85.0
Total	15,795	100.0	971,094,258	100.0
Holding less than a marketable parcel of shares	1,182		324,455	

Chief **Executives**



Robert Logan

Chief Executive, Mining Division

Robert holds a Diploma of Engineering (Civil) and a Master of Engineering Science. He has been actively involved in mining and construction for nearly 30 years, gaining experience in a number of engineering disciplines in Australia, USA and South East Asia. He is also a Director of the Australian Mines and Metals Association and a member of the Institution of Engineers Australia.

Chris Denney

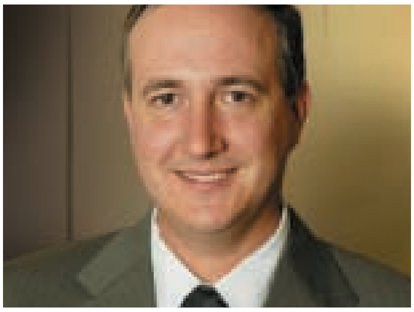
Chief Executive, Engineering Division

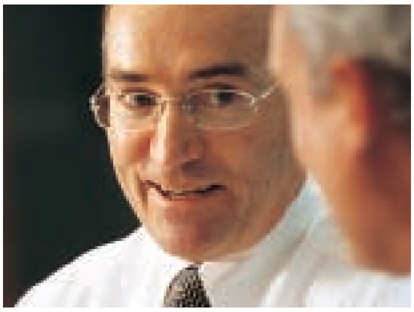
Chris holds a Bachelor of Engineering (Civil) and has over 30 years experience in Australia, New Zealand and Asia in management of multi-discipline engineering services incorporating the telecommunications and power industries, process engineering and infrastructure. Chris's earlier career was with the public sector before moving to private industry contracting where he was involved in construction and project delivery of a comprehensive range of engineering infrastructure and resource projects. He is a fellow of the Institution of Engineers Australia.

Brent Waldron

Chief Executive, Infrastructure Division New Zealand

Brent holds a Bachelor of Commerce (Accounting) and Master of Commerce (Hons). He has been associated with companies with a strong customer focus and has extensive management experience in commerce and finance covering the retail, forestry, engineering and banking sectors. He is a member of the Institute of Chartered Accountants of New Zealand and member of the Institute of Finance Professionals of New Zealand.





David Cattell

Chief Executive, Infrastructure Division Australia

David holds a Bachelor of Engineering (Hons) and a Master of Business Administration. He has over 15 years experience in construction and infrastructure project management, and prior to his current appointment held the position of General Manager, Works Infrastructure Western Australia. Project management in his earlier career included the construction of a gas pipeline, development of new hard rock quarry, Queensland Railways mainline upgrade and large scale road works. He is a fellow of the Institution of Engineers Australia.

Danny Broad

Group General Manager, Rail Division

Danny holds a Bachelor of Engineering, Civil (Hons) and a Graduate Diploma in Business Administration. He has over 20 years of extensive experience in senior management positions in both the manufacturing and construction industries. He is able to draw on engineering and project management skills and has been involved in the rail industry for five years.

Robert Hackett

Chief Executive, Resource Services Division

Robert holds a Bachelor of Engineering (Civil) and a Master of Business Administration. He has qualifications, skills and experience with large multinational corporations, having held senior management positions with heavy engineering, construction, drilling and merchant banking companies. Robert also has considerable experience in business and corporate finance roles.

roa
+rail

Road and Rail Services

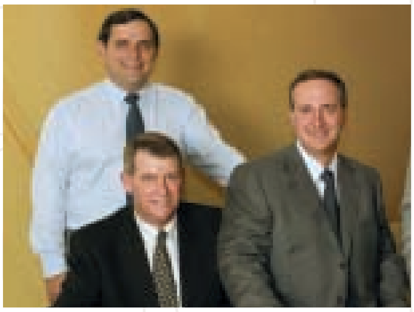
Services of routine maintenance, preventative maintenance and construction services to the road and rail sectors in Australia and New Zealand are provided through Downer EDI's Infrastructure Division (Works Infrastructure).
In addition, the division manages the delivery of other infrastructure services to local government including water treatment and reticulation, wastewater and sewage treatment and reticulation, refuse disposal and landfill operation, urban environmental activities and the tending of parks and reserves.

Other specialist civil engineering services include special industrial pavements, mine infrastructure engineering, rail engineering and land development.

The absorption of the residual activities of Engineering's Capital Works activities into Works Infrastructure as from 1 July 2003 will enhance the division's ability to meet the broader needs of key clients.

Road and Rail

Australia (left to right):
Sergio Cinerari General Manager, Southern Region
Robert Ryan General Manager, Western Region
David Cattell Chief Executive Officer
Chris Murphy Chief Financial Officer
Russ Beyon General Manager, Engineering Operations



Performance and activities for the year

Turnover from infrastructure services, including road and rail, increased substantially for the 2003 financial year, with the business making a strong contribution to EBITDA.

The appointment of chief executives for both the Australian and New Zealand businesses has enabled the group to focus on its key objectives of growing in the infrastructure services market in both countries.

In New Zealand, Works Infrastructure has been growing its position in long-term performance specified service agreements in the roading sector, and now holds:

- Five medium term (five year) hybrid road maintenance contracts with Transit New Zealand;
- One long term (ten year) PSMC (Performance Specified Maintenance Contract) with Transit New Zealand;
- Two medium term (five year) hybrid road maintenance contracts with Marlborough Roads (joint client Transit New Zealand and Marlborough District Council);
- A major subcontract position on one long term (ten year) PSMC (Performance Specified Maintenance Contract) with Transit New Zealand; and
- A major subcontract position and one long term (ten year) PBC (Performance Based Contract) with BayRoads (joint client Transit New Zealand and Western Bay of Plenty District Council).

Works Infrastructure also successfully delivered long term traditional road maintenance contracts for Local Authorities and Transit New Zealand. The company continues to perform well in the delivery of its first roading professional services network management contract with Rodney District Council. This is the first time in New Zealand a contractor has been awarded a Road Network Management contract.

The capital works operation in New Zealand and the Pacific performed strongly on the back of successful delivery of major projects such as the Britomart Transport Centre, Auckland Central Post Office refurbishment, No.1 Hobson Street in Auckland and Nadi Lautoka water supply scheme in Fiji. Downer Construction NZ was awarded New Zealand's top construction industry award for 2003 for the NZ$204 million Britomart project in Auckland, brought in on time and on budget.

The retention of key contracts has meant that Works Infrastructure's position in the New Zealand roading sector remains strong for 2004 with 63% of next year's work already secured. Market share has held steady overall while earnings have grown significantly from the previous year.

During 2003, Works Infrastructure made significant inroads into the utilities market. Nearing successful completion is the first of the Auckland contracts taking overhead services and relocating them in an underground facility. The project is known as OHUG (Overhead to Underground) and is owned by a combined client entity comprising Vector Energy, Telecom and Manukau City Council. (In future projects the Local Authority partner will be the one relevant to the location of the contract.)

Works has also successfully completed the site works of the new Ngawha Prison for the Department of Corrections. This is the first of several proposed new institutions around the country.

The New Zealand bitumen supply business was successful in improving its market share and continued to improve its overall business performance.

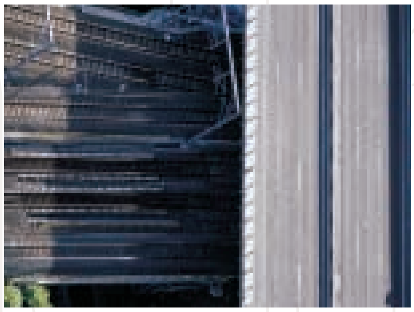
The quality of work and processes are critical to business success and reputation. In New Zealand, all operations and manufacturing sites were upgraded to the exacting quality management standard ISO 9001:2000 and this has assured future client confidence in the provision of services.

In Australia, Works Infrastructure has expanded its business through both acquisition and organic growth. These strategic investments have enabled Works Infrastructure to build upon its core strengths in rail and road maintenance and construction. The business now operates in most mainland Australian States.

Key achievements for the Australian business during the year have been:

- Simultaneous growth in revenue and gross margin;
- The establishment of a new management team headquartered in Melbourne which has driven the rapid growth of the business;
- The acquisition and expansion of significant road maintenance businesses in Victoria, South Australia and the Northern Territory;
- The expansion of the rail maintenance and construction business into Western Australia;

New Zealand (left to right):
John Beattie Manager, Safety & Quality
Murray Brown General Manager, Strategic Development
Brent Waldron Chief Executive Officer
Stephen Mockett General Manager, Human Resources



- An increase in our skilled workforce commensurate with our objective in providing excellent customer service; and
- A significant growth in the customer base and the renewal of several key long-term contracts.

Coverage of Tasmania in road maintenance and infrastructure services will follow completion of the purchase agreement for the Civil Construction Corporation (CCC), previously Works Tasmania, from the Tasmanian Government.

In Australia, the capital works group (then a part of Downer Engineering) completed the Bedminster Waste Facility in Cairns and the Energy Australia Tunnel in Sydney.

On organisation effectiveness, the focus throughout the year has been one of integration of new businesses and the continued delivery of quality systems to internal and external customers.

The company is developing a certification umbrella over all businesses, which will lead to improvements and efficiencies in the delivery of common processes and systems and a reduction in duplication and costs.

Works Infrastructure Australia has maintained accreditation under ISO 9001 and AS 4801. Integration of ISO 14001 continues throughout the Australian business.

Outlook

Works Infrastructure continues to focus its efforts on being the preferred supplier of services in infrastructure and asset construction and maintenance, capitalising on opportunities that provide ongoing or longer-term work for its broad range of engineering skills and resources.

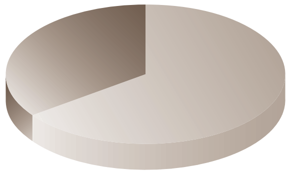
The outlook for outsourcing in the key markets of road and rail maintenance, and water services, continues to be favourable as central and local governments, as well as private sector clients, are required to find ways to improve efficiencies and operate and maintain networks.

Governments in a number of jurisdictions, especially in Australia, are under increasing pressure to invest to upgrade, and undertake urgent maintenance of road and rail networks that have been neglected over many years.

There is an unprecedented number of strategic infrastructure projects in various phases of development in New Zealand and Australia. Works Infrastructure is well placed to deliver the necessary expertise and services, and in 2004 will also seek to further establish its market presence in the South Pacific region.

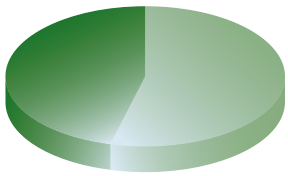
The recent addition of the activities of the capital works operations of Downer Engineering creates synergies and strengthens Works Infrastructure's position in delivering high value capital works, enabling the division to deliver a full service capability to its clients – design, construction, operation and maintenance.

Turnover
by region 2003



Australia 35%
New Zealand/Pacific 65%

Year on year growth in turnover*



2003 Actual
2004 Forecast

* An amalgam of 2003 actual and 2004 forecast to provide an indication of expected growth.

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Design, Project Management **and Facilities** Management

Downer EDI's capabilities in design, project management and facilities management were enhanced during the year with the addition of *CPG Corporation (CPG) in April 2003. Based in Singapore, and now a part of the overall operations of Downer Engineering, CPG is one of Asia's leading integrated architecture, engineering and facilities management consultancy companies, with over 2,000 staff, and offices in China, India, Malaysia and the Philippines. Downer Engineering's process engineering operations in New Zealand and Australia, and its existing Asian operations in Singapore and Hong Kong, have been aligned with CPG to achieve enhanced leverage and market presence.

* CPG's origins lie in the Singapore Public Works Department, established in 1883. It was corporatised in April 1999.

Design, Project Management **and Facilities** Management

CPG (left to right):
David Lum Managing Director, CPG FM
Pang Toh Kang Deputy CEO, CPG Consultants and Executive Vice President, Business Development
Khor Poh Hwa Chief Executive Officer and President
Lional Tseng Chief Financial Officer/Company Secretary

Performance and activities for the year

The results for Downer Engineering (refer segmented results table page 51) include a contribution from CPG Corporation (CPG) for the fourth quarter, which was in accordance with expectations.

CPG joined Downer EDI 1 April, 2003, bringing with it one of Asia's leading teams in infrastructure and building designs, project management and facilities management and a solid clientele base to enable Downer EDI to build its business in Singapore and Asia.

CPG's principal markets include transport (road, rail and airports), education, healthcare, environmental, recreational, institutional and security buildings, and urban design and master planning.

It is a longstanding and reputable provider of high value-adding architectural engineering and project management services and its addition will enable Downer EDI to provide turnkey end-to-end solutions to its clients.

This capability is clearly demonstrated in major projects undertaken by CPG, including Singapore's Changi Airport, over 500 schools and campuses, major hospitals, prisons and security related projects and a wide range of transportation and environmental related infrastructure projects.

In addition, CPG has substantial facilities management capability and market presence with over 1,200 buildings, structures and facilities, grossing over 11.5 million square metres in floor area under its management, thereby further enhancing Downer EDI's service offering.

Contracts awarded to CPG across its businesses in and outside of Singapore have maintained a steady flow, in line with expectations, since it joined the Downer EDI group in April. Of note is CPG's engagement to provide engineering consultancy services for the construction and commissioning of a major environmental project in Singapore, which has an estimated project cost of $450 million. This is one of a number of large facility and infrastructure projects where CPG is well positioned to provide services.

CPG has been successful in exporting its capabilities in the architectural and engineering design, project management and facilities management of airports outside of its long standing association with Singapore's Changi Airport, with the recent completion of the Nadi International Airport upgrade in Fiji, prior successes with major airport projects in Cambodia and China and the recent award of feasibility study contracts for the expansion of six Laotian domestic airports.

From left to right:
Tony Saadie Executive General Manager, Engineering Services
Geoff Wilson General Manager, Downer MBL, NZ

While CPG's Master Agreement (MA) with the Singapore Government will end in March 2004, the growth of CPG's non-MA revenue in recent years, from 8% in 2000 to 52% in 2003, has been substantial and has demonstrated CPG's ability to compete effectively with the private sector both in and outside of Singapore. This capacity is expected to increase as offerings drawing on the total Downer EDI capability begin to take hold.

To facilitate this process, there has been considerable activity already across the group to provide opportunities for senior and business development managers from CPG and Downer EDI's divisions to get to know each other's businesses and to begin the process of identifying and planning for the opportunities ahead.

In June, Downer EDI board members, divisional chief executives and head office management visited CPG operations in Singapore, and later in the same month, a team of senior managers from CPG spent time in Australia and New Zealand familiarising themselves with the company's divisional operations and major contracts.

Downer Engineering's process engineering operations in New Zealand and Australia, and the division's existing Asian operations in Singapore and Hong Kong, were aligned with CPG in the latter part of the year to achieve enhanced leverage and market presence.

The engineering operations in Hong Kong and Singapore for the period were largely construction based, but with a steady shift in focus in the latter part of the year towards infrastructure and facilities management services, particular in support of telecommunications opportunities. In Hong Kong, the division's activities largely centred on providing engineering services to water, sewerage and drainage infrastructure and associated public utilities. In Singapore, Downer Engineering was successful in winning a major cable tunnel contract for Singapore Power, due to be completed in 2005.

The process engineering operations in New Zealand and Australia had a difficult trading year with a significant reduction of capital spend within the dairy industry. Increased opportunities within this sector were coming onto market towards the end of the financial year, leading to the award in August 2003 of a major contract with Fonterra for the design, build and commissioning of a new wholemilk powder drying plant in New Zealand.

The focus going forward in process engineering is to move further along the value chain with clients, placing greater emphasis on long term relationships incorporating operations, maintenance and facilities management, and a renewed pursuit of opportunities in Asia backed by critical mass and market acceptance through the CPG association.

Outlook

The full year benefits of the acquisition of CPG will apply for 2004 and we see continuing benefits in the years ahead as their design, master planning and facilities management capabilities are utilised across the total group.

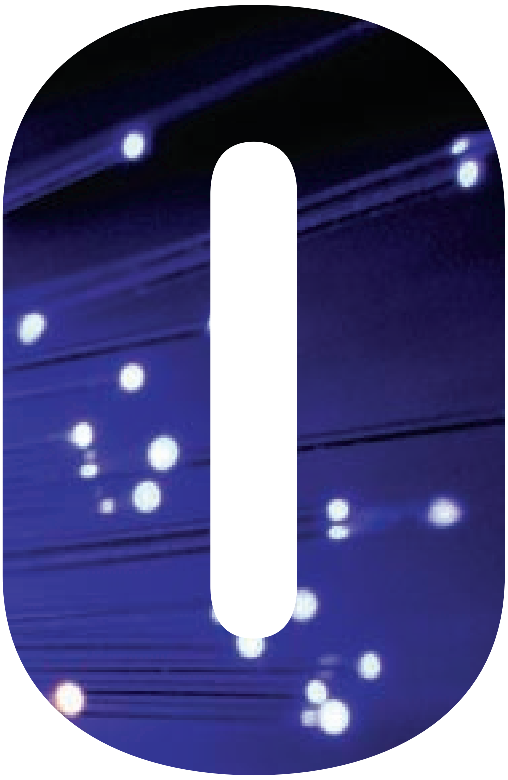
The CPG activities in Singapore will be expanded into Australia and New Zealand, and over time will provide a beach-head for infrastructure facilities management and investment.

CPG's growing presence in a number of Asian locations, including China, India, Malaysia and the Phillipines, also provides Downer EDI with opportunities to leverage its total business capability in the region.

Despite the mixed economic outlook in Asia, CPG is expected to maintain a leading market position and market share in Singapore and continue to expand its presence outside of Singapore.

With the increased critical mass and leverage available through the CPG association, the dairy process engineering businesses in New Zealand and Australia are expected to benefit, with increasing opportunities opening up in Asia.


telc

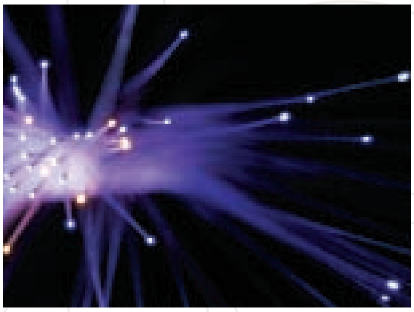


Telco Services

Downer EDI's telecommunications group, which is part of Downer Engineering, is a leading provider of value adding engineering services to the Australian and New Zealand telecommunications markets, with an increasing presence in Asia. By providing the whole range of services including facilities management, inside plant, field services, pre-provisioning, operations and maintenance, design and construction, Downer Engineering is the complete service provider.

Telecommunications

From left to right:
Ross Partridge General Manager, Downer Connect Australia
Margaret Thompson National Operations Manager, Downer Connect Australia
Sean Woellner Executive General Manager, Telecommunications



Performance and activities for the year

Despite the global recession in the telecommunications industry, the telecommunications business of Downer Engineering performed strongly with turnover for the 2003 financial year remaining constant, and the business making a strong contribution to EBITDA.

This was achieved by maintaining a strong performance in the delivery of services to key clients in selected markets and continuing to hold its market share.

In Australia, Downer Engineering delivered a strong performance in core telecommunications network maintenance contracts with Telstra across regional NSW, Melbourne, Adelaide and regional South Australia. The division completed long haul optical fibre installation projects throughout the country utilising its own fleet of specialised installation equipment. This included 400 kms of fibre optic cable installed for the IP-1 network across Western Australia, 350 kms for Telstra through environmentally sensitive areas of tropical Queensland, and, in conjunction with Duke Energy International, the co-location of 420 kms of fibre optic cable in a shared trench with the natural gas pipeline in Tasmania.

In conjunction with Downer Engineering Power, the telecommunications operation has provided comprehensive installation services to Hutchison in the rollout of their 3G mobile network in Sydney, Melbourne, Perth and Adelaide. During the year the range of services offered was also expanded to include services to the broadcast, wireless and pay TV markets.

Downer Engineering established its telecommunications National Service Management Centre on the Gold Coast and has continued to target higher value add services to the major carriers. The new centre is used for operations across Australia using state-of-the-art technology including WorkNET, its in-house, custom-built computer aided work management system. The centre will provide centralised, integrated and automated control of its multi-skilled workforce and services including job tracking, jeopardy and performance reporting. This facility represents an ongoing commitment to provide superior quality management and reporting systems for its corporate clients.

In New Zealand, Downer Engineering continued a strong patch contract service performance for Telecom New Zealand and received the Telecom Deployment Company of the Year award for its performance in design and build work.

From left to right:
Wayne Nolan General Manager, Downer Connect NZ
Andrew Watson General Manager, Singapore

During the year, Downer Engineering entered into an outsourcing agreement with Telecom New Zealand to provide key platform services to their network. This proactive and reactive maintenance contract involving key equipment in the network significantly enhances Downer's capability to provide services to "mission critical" inside plant. It positions Downer to be a provider of similar high value services across the Australian and Asian region.

In line with the strategic objective of providing a greater range of services to existing clients, Downer Engineering was successful in securing the facilities management contract for some 2,500 Telecom equipment sites across New Zealand, ranging in size from CBD exchange buildings to remote equipment shelters in the mobile network.

In Asia, Downer Engineering undertook mobile phone roll out work and optical fibre installation in Thailand for Alcatel and TA Orange while continuing to position itself as a high value provider of these services across the Asian region.

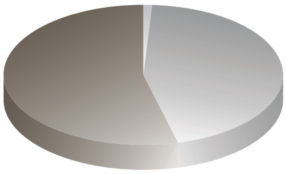
Outlook

The focus moving forward is to advance further up the value chain with our clients, placing greater emphasis on long-term relationships incorporating operations and maintenance and a renewed pursuit of opportunities in Asia, now backed by critical mass and market acceptance.

The capital spend by the major telecommunications carriers is expected to remain tight in the near future, and growth in our business is expected to come from continuing to develop strong client relationships and by providing a greater range of services and providing clients with high value service and contribution.

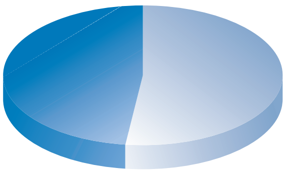
Turnover

by region 2003



Australia 54%
New Zealand/Pacific 45%
Asia 1%

Year on year growth in turnover*



2003 Actual
2004 Forecast

* An amalgam of 2003 actual and 2004 forecast to provide an indication of expected growth.


pow

Power Services

Downer EDI's Power services business, which is part of Downer Engineering, provides services in three main areas:

- It is the largest provider of electrical contracting services in Australia. These services are delivered across all industries from mining, oil & gas and power generation to high rise office buildings.
- It designs, builds and maintains high voltage transmission lines up to 500kV.
- It designs, builds and maintains gas fired combined and open cycle power stations, heat recovery steam generators and a range of other power station related systems.

Power

From left to right:
Darren Moy
General Manager, Transmission
John MacLellan
General Manager, Eastern Region
Ron Guthrie
Executive General Manager, Power
Bob Hatherley
General Manager, Western Region
Jeffrey Collett
General Manager, Generation

Performance and activities for the year

Turnover from the Power services business of Downer Engineering increased substantially in the 2003 financial year and the business made a strong contribution to EBITDA.

Contracts awarded during the year in power services reflected the operation's move up the engineering services value chain to better position it for further longer-term contracts and repeat business. Examples included the design and build of combined cycle power stations for Alinta, high voltage power line maintenance for Powercor and the new integrated ticketing system for Perth's public transport systems in Western Australia.

The electrical contracting operations performed strongly on the back of major project work during the year. Work commenced on the latest expansion of the North West Shelf Export Gas Plant for Woodside in Western Australia. Downer Engineering Power companies have been associated with this plant since it commenced in the mid 1980s.

Design work for ANSTO's nuclear reactor replacement project in Sydney was completed during the year and construction work commenced in earnest. Downer Engineering Power is working with joint venture partner John Holland and technology provider INVAP to design and build the new reactor that will be commissioned towards the end of 2005.

The first stage of the Thomas Playford Power Station refurbishment in South Australia was completed during the year. Downer Engineering Power and joint venture partner Yokogawa supplied a completely new control and instrumentation system for this power station, as well as replacing all power and control cables. Downer Engineering Power is also teamed with Yokogawa to completely refurbish the control and instrumentation system at Liddell Power Station in New South Wales.

Downer Engineering Power showed its versatility by teaming with joint venture partner Clough to successfully design and build the new shiploader for the Dalrymple Bay coal loader project in Queensland.

In New Zealand, Downer Engineering Power provided electrical, communication and rail signalling services to sister company Downer Construction New Zealand on the high profile Britomart rail bus interchange in the centre of Auckland.

During the year, the group expanded its electrical services business to cover more customers in both the industrial and commercial sectors.

Activities were enhanced late in the year with the acquisition of ABB's Building Services group, and more recently the Australian operations of Stork NV of the Netherlands. These acquisitions add supplementary skills in infrastructure services and facilities management. The Power services business has taken a strong market position in size and capability that provides a firm platform for growing the business.

The group was also the successful tenderer for the Perth transport integrated ticketing contract. Under this contract, Downer Engineering Power will provide a modern, fully integrated ticketing system that will operate on Perth's buses, trains and ferries. Downer Engineering Power will expand its existing maintenance facility in Perth to service the maintenance needs of this contract. The facility will also be used to service ticketing machines for the Brisbane bus fleet, which will be installed by Downer Engineering Power under a separate contract.

The power generation business unit underperformed for the year, due principally to the delayed commencement of the 400MW Huntly Power Station in New Zealand (a joint venture project with Mitsubishi), and the delayed commencement or deferment of a number of cogeneration opportunities in New South Wales and Queensland.

However, this is set to change in the 2004 financial year. A limited notice to proceed has been received from Alinta for a 140MW combined cycle power station which is to be located on Alcoa's Pinjarra refinery site. Alinta has plans to roll out up to ten of these units on Alcoa sites over the next ten years. It has entered into an agreement with Downer Engineering Power and its technology partner Mitsubishi to supply these plants. In addition, Genesis has issued a limited notice to proceed with the design work for the Huntly Power Station in New Zealand. Downer Engineering Power will be working with technology partner Mitsubishi to deliver this project.

The Stanwell to Broadsound 275kV transmission line for Queensland's Powerlink was successfully completed during the year and was followed by the award of the Powerlink Blackwall to Belmont line. In Western Australia, the group continues with the construction of the 132kV Pinjar to Cataby and Eneabba line for Western Power.

Outlook

With further integration and consolidation of the division's capability in Power services, the division is well placed to build this business in its target markets of Australia, New Zealand and Asia-Pacific. Revenue for the Power group is expected to more than double in the 2004 financial year.

In Australia, both government and the private sector are under pressure to provide the investment necessary to maintain aging power infrastructure and to support new infrastructure. Key opportunities for the division are anticipated as utility owners strive for cost efficiencies through outsourcing and the overseas equipment suppliers team more with in-country service contractors.

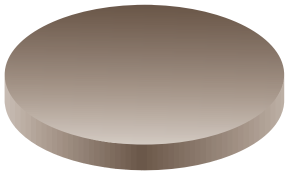
The year ahead is also expected to see an upsurge in the traditional construction markets. Oil and gas, mining and minerals processing are all expected to provide increased activity for Downer Engineering Power.

The new acquisitions have added to the forward work load. The mechanical and electrical services fit-out for the Cross City Tunnel will be undertaken by the building services group purchased from ABB, and work on this project will intensify towards the end of financial year 2004. The Facilities Management business, which came with the ABB purchase, will give Downer Engineering Power a firm foundation in this market sector.

A large volume of recurring maintenance and plant shut down work comes to the group through the Stork acquisition. This work is spread across the oil and gas, mining, and chemical industries. Major contracts on the Queensland Alumina Refinery expansion also come to the group by way of the Stork acquisition.

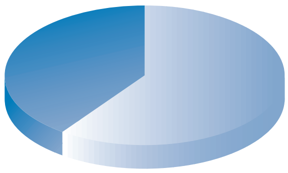
Turnover

by region 2003



Australia 100%

Year on year growth in turnover*



2003 Actual
2004 Forecast

* An amalgam of 2003 actual and 2004 forecast to provide an indication of expected growth.

Mining Services

Downer EDI's Mining Division (Roche Mining) is a leading provider of comprehensive mining and minerals processing services, with capabilities covering mine design, process design, construction, operations and maintenance. The division's Mining business unit provides a range of services for both open-cut and underground operations, including mine management, mine planning, drilling and blasting, highwall mining, bulk excavation, haulage of ores/waste, tailings management and mine restoration. The Services business unit provides blasting services, mineral technologies, process engineering and foundry capabilities.

Mining

From left to right:
Noel Wendt
Executive General Manager, OHS&E
Robert Logan Chief Executive Officer
Greg Heaney Chief Financial Officer
Don Taylor
Executive General Manager, Plant
Ross Rinella Executive General Manager, Business Development
Denis O'Brien Executive General Manager, Mining Division

Performance and activities for the year

During the year, Roche Mining continued to grow, leverage and deliver on its service model for the mining industry, in particular through continued development of the division's minerals processing, blasting services and foundry capabilities, as well as through the division's more traditional open cut and underground mining capabilities.

Turnover from operations increased in the 2003 financial year and the business continued to make a strong contribution to EBITDA.

Highlights during the year included the receipt of the inaugural Gold Industry Supplier of the Year Award, recognising Roche Mining's efforts in servicing the gold sector. The receipt of this award is particularly pleasing, as 2003 also represents Roche's 75th year in business in Australia.

The year also saw the successful commissioning of the Jellinbah coal handling and preparation plant, introduction of the leading edge dozer feed operation at Yallourn Energy's power station, and the successful relocation, rebuild and commissioning of a major dragline from the USA to the Coppabella coal operation in central Queensland.

Globalisation of mining companies, reduced commodity prices and an escalating acceptance of outsourcing as a business management tool have focused Australian mine managers on the benefits of outsourcing some or all of their mining operations and processes. Roche Mining has taken steps during the year to position the company for further opportunities expected to arise from this trend.

One of the steps taken by Roche is the continued strengthening of the capability of its Services business unit, which contributed 17% of the year's turnover, and is expected to increase its contribution in 2004.

Sasol Roche Blasting Services (SRBS), which is a joint venture with Sasol Chemicals of South Africa, has consolidated its market position in Australia and further steady growth in this business is expected.

The Group's foundry in Perth was transferred to Roche Mining as part of Downer EDI's streamlining of its businesses, and was renamed Roche Castings.

This new capability has enhanced the range of products and services Roche is able to supply to the mining industry.

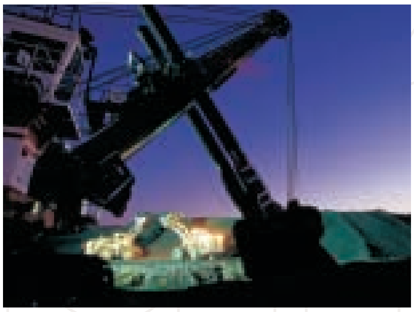
In December 2002, the successful commissioning of the Marion 8,200 dragline at the Coppabella coal mine took place, enabling the expansion of the division's coal contract at Coppabella. With arranged financing for the client, the 3,500 tonne machine acquired in the USA was disassembled, shipped 20,000 kms to the Port of Mackay, re-assembled and refurbished over twelve-months, and is now moving overburden at the mine.

Approximately $780 million of new work has been awarded since June 2002, of which 45% was extensions to existing contracts, 25% was new work with existing clients and 30% was work for new clients. The level of repeat work is particularly pleasing as it indicates the division's ability to maintain its competitiveness and relationships with these clients.

The award of the $100 million open-cut coal contract at Cumnock in the Hunter Valley was the largest contract won by Roche Mining in the year, expanding our relationship with Xstrata.

In the Latrobe Valley, Roche Mining, as part of a joint venture (RTL), recently introduced alternative mining methods at the Yallourn mine designed to reduce costs and increase efficiencies. RTL has contracts with all three major power generators in the Latrobe Valley and a history of steady expansion and profitability. RTL's annual turnover will exceed $100 million in financial year 2004, with Roche's share over $45 million.

During the year, Roche Mining continued to focus on continuous improvement and to further improve operating efficiencies.



The internal restructure of Roche to form Mining and Services business units has progressed and is increasingly delivering services to clients that draw upon the expertise of each business unit to enable an integrated, seamless and value added end product.

An example of this is the work undertaken for Sally Malay Mining Ltd at their nickel mine in Western Australia, where completion of an optimisation study by Roche Mining (JR) has enabled Roche Mining to provide further value added services to the project. The development of an alliance agreement with Sally Malay has paved the way for Roche's mining division and Roche Mining (JR) to work together to provide engineering and construction of the processing plant, as well as the development of the open cut mine for the project.

Roche Mining has also been working to strengthen relationships in the mineral sands industry, providing expertise in minerals separation technology as well as the ability to provide construction, operation and maintenance of the minerals processing plants. Roche Mining (MT)'s work with Iluka on increasing the capability of the minerals processing plant for CRL on Stradbroke Island, has also provided the opportunity for further work with Iluka. In addition, Roche Mining (MT) and Roche Mining (JR) have been selected to provide a definitive engineering study to define the requirements for the development of the Iluka - Douglas project in Victoria.

Internationally, our minerals technology presence has also grown in the last year, with the opening of Millennium Chemical's dredge and floating concentrator in Brazil. The South African office was also relocated to Richards Bay to better service clients such as Richards Bay Minerals and Ticor in the area.

Roche Mining places the highest priority on health and safety of its employees and its environmental performance (refer Health, Safety and Environment summary page 43), and understands the need to work with the local communities in its operating areas, in particular, offering employment for the surrounding people, business opportunities for local industries and engaging in local community programs. Working with, and respecting the values and beliefs of Indigenous Australians is also a continuing commitment, and the division has worked to continue fostering relationships with Aboriginal communities in the areas in which it operates.

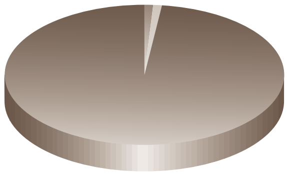
Outlook

The trend towards mine owners outsourcing longer term turnkey mining services is expected to continue as companies respond to the globalisation of the industry, depressed commodity prices and a rising $A and focus on end-market management of their businesses. Roche Mining, with its strong client relations, depth of expertise across all aspects of mine operations and services, national spread, including remote locations, and ability to leverage the total Downer EDI capability, is well positioned to provide mining companies with these services in and outside Australia.

In addition, the division continues to see opportunities to expand its blasting services and foundry services capability.

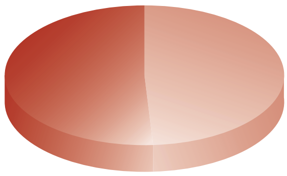
The division will continue to build on asset management contract opportunities and leverage its significant existing network and cross-selling capability.

Turnover+
by region 2003



Australia 98%
New Zealand/Pacific 1%
Asia 1%

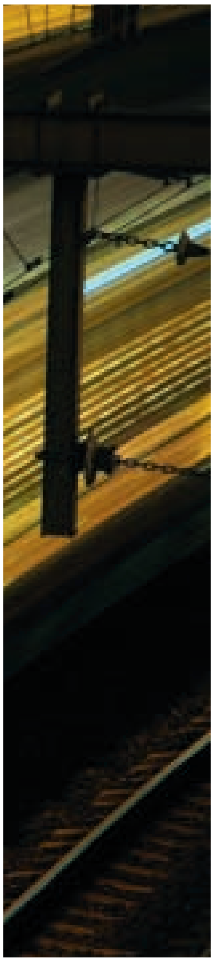
Year on year growth in turnover*+



2003 Actual
2004 Forecast

+ Turnover reflects activities of Mining Division and Resource Services Division.
* An amalgam of 2003 actual and 2004 forecast to provide an indication of expected growth.


rai

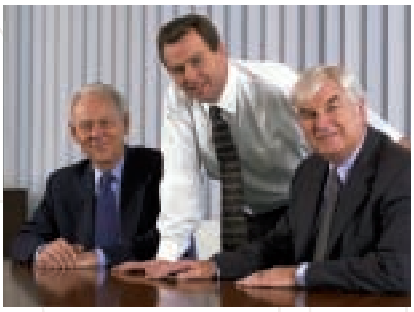


Rail Services

Downer EDI's Rail Division, EDI Rail, is Australia's leading designer, manufacturer and maintainer of passenger and freight rollingstock for the major domestic rail operators. EDI Rail provides locomotives, passenger rail cars, tilt trains and freight wagons designed to meet the needs of its customer base. Key markets are Australia, New Zealand and South East Asia.

Rail

From left to right:
Michael Bourke General Manager, Freight
Danny Broad Group General Manager
Keith Edwards Chief Financial Officer
Chris Whitworth General Manager, Technical Services
Geoff Nelson General Manager, Projects
Phil Huon General Manager, Maintenance



Performance and activities for the year

During 2003, the Rail division consisted of two organisations EDI Rail and Walkers Pty Ltd. The close of the 2003 financial year marked the completion of the integration of the rail business of Walkers Maryborough into EDI Rail, and Downer EDI's sale of the non-rail related businesses of Walkers.

While turnover from rail services (excluding Walkers non-rail activity) was slightly down from the previous year, the business's contribution to EBITDA was an increase over the previous year.

EDI Rail continues to strengthen its organisation and leverage its capability as Australia's foremost provider of complete support packages in freight and passenger rollingstock and maintenance services, either solely or in joint venture.

Significant achievements for the year included:

- Securing an extension order from Queensland Rail (QR) for an additional eleven 4000-class diesel electric locomotives, bringing the total order quantity to forty nine locomotives.
- Completion of the manufacture, testing and commissioning of two diesel electric Tilt Trains for the Brisbane to Cairns service for QR. In June, the Queensland Government introduced the new trains into revenue service, accompanied by very positive media and community response and a high level of satisfaction regarding the train's performance.
- Jointly with Bombardier, securing a traction motor and bogie supply contract with QR for the conversion of electric locomotives suitable for coal haulage.
- The award of a contract with Asia Pacific Transport for the design, manufacture and maintenance of four locomotives and thirty five-pack container wagons for the new Alice Springs to Darwin railway. The design of the rollingstock is complete and manufacturing work is underway. EDI Rail has also secured an option for the supply of additional freight wagons.

To date 16 of the twenty Millennium Train double deck four-car sets involved in the Stage 1 order have been commissioned and handed over to the State Rail Authority of New South Wales (StateRail). EDI Rail was successful in securing the Stage 2 order for an additional 15 four-car sets in December 2002. This brought the total order to 141 carriages, which includes the provision of maintenance services for a minimum of fifteen years. In recent months, controversy in Sydney associated with the introduction of the train into revenue service, brought on by sustained political and media attention and teething problems associated with a new high tech train, absorbed considerable time and energy. While the Government has not made a final commitment to a Stage 3 order involving a further fifteen four-car sets, constructive discussions with StateRail and the Government are proceeding.

The company believes the innovative design of this world-class train, developed by EDI Rail in Australia, will greatly benefit Sydney rail commuters. The train includes state of the art features that provide enhanced safety with car-like impact resistance, and, for passengers, a superior, quieter ride and comfort inside. Passenger feedback has been very positive.

Core business long-term locomotive and rollingstock maintenance and refurbishment contracts continue to expand and perform well. In Victoria, the division has completed the final deliveries of the Victorian passenger railcar refurbishment project for M Train. Ongoing maintenance of locomotives and freight wagons for Australian Railroad Group and Pacific National, and passenger vehicles for V-Line Passenger, has been sustained at high levels of activity.

Joint venture activities continue to strengthen EDI Rail's market position in Australia and, potentially, in overseas markets. The company's joint venture activities with Bombardier Transportation for the supply and maintenance New Metro Rail contract for Perth are progressing according to schedule, with railcar body frames in full production at the Maryborough plant, and bogie manufacture having also commenced. At Newport, EDI Rail is undertaking a supply and maintenance program for passenger vehicle refurbishment for the Victorian Government's regional fast train project.

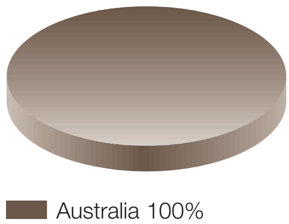
Outlook

The difficulties encountered with the commissioning of Sydney's Millennium Train are expected to subside as teething problems are resolved. This will also be the time for EDI Rail to restore and further build on its market image and position.

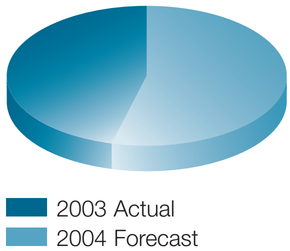
The ongoing trend from road to rail for freight transport, increased privatisation and the leverage possible through long term alliances continue to present growth opportunities to EDI Rail. The expected investment in rail infrastructure will provide increased demand for new locomotives and wagons. Further growth in maintenance and refurbishment work is expected as rail operators continue to increase their asset utilisation and explore strategies to improve their business efficiencies. The division's capability to provide clients with 'one-stop-shop' solutions, either solely or in joint venture, places it in a strong position to win new work. Opportunities to leverage and cross sell with other divisions within Downer EDI are also expected to further increase.

Turnover

by region 2003



Year on year growth in turnover*



* An amalgam of 2003 actual and 2004 forecast to provide an indication of expected growth.

Board of Directors

Mr Barry O'Callaghan AO

(67) was appointed as a Non-Executive Director in May 1998 and is Chairman of the company. Mr O'Callaghan is a barrister and solicitor, a consultant to the national law firm Corrs Chambers Westgarth, a Partner from 1960 - 2002, Chairman of Partners of the Melbourne office from 1993 -1999 and was 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. He was also Chairman of Xavier College Council.

Mr Stephen Gillies

(43) is Managing Director of the company. Mr Gillies holds a Bachelor's Degree in business with a major in accounting and finance and has over 19 years experience in construction, manufacturing, retailing and financial services. Mr Gillies spent a number of years with General Motors in finance before joining Cable Price Downer Limited in 1988. He has been Managing Director of Downer since 1996. He is a Director of The Great Barrier Reef Research Foundation.

Mr Tom Lau

(52) was appointed as a Non-Executive Director in May 1998 and is Deputy Chairman of the company. He has over 30 years of international corporate management experience in the construction industry. Mr Lau is also the Deputy Chairman of Paul Y. - ITC Construction Holdings Limited and ITC Corporation Limited, companies which are listed on the Hong Kong Stock Exchange.

Dr Charles Chan

(48) was appointed as a Non-Executive Director of the company in May 1998. He holds an honorary degree of Doctor of Laws and a Bachelor's Degree in Civil Engineering and has over 23 years international corporate management experience in the construction and property sectors as well as strategic investments. He serves as Chairman of ITC Corporation Limited, Paul Y. - ITC Construction Holdings Limited, Hanny Holdings Limited and Dong Fang Gas Holdings Limited – all of which are listed on the Hong Kong Stock Exchange - and China Enterprises Limited, a company whose shares are traded on the OTC Bulletin Board in USA. He is also the Chairman and Chief Executive Officer of China Strategic Holdings Limited and an executive director of Ananda Wing On Travel (Holdings) Limited, both of which are listed on the Hong Kong Stock Exchange.

Mr Ross Dunning AC

(61) was appointed as a Non Executive Director of the company in April 2001. Mr Dunning holds a Bachelor's Degree with Honours in Civil Engineering and a Bachelor's Degree in Commerce. He is a professional company director and management consultant. He retired as Managing Director of Evans Deakin Industries Limited in July 2001. He has had extensive experience in rail related activities and was appointed Commissioner for Railways in 1989. Subsequently Mr Dunning served the Queensland Government as Director-General of Administrative Services (Public Works) from 1990 to 1994 and became Chief Executive Officer and Managing Director of Evans Deakin Industries Ltd from 1994 to 2001. He is Chairman of Port of Brisbane Corporation, Chairman of Gladstone Port Authority and Chairman of Australia Trade Coast. He is a Director of Brisbane Airport Corporation, Toll Holdings Ltd and Australia Infrastructure Fund Ltd.

Mr John Humphrey

(48) 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, Deputy Chairman of Mallesons Stephen Jacques 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.

Mr Michael Kent

(57) was appointed as a Non-Executive Director of the company in March 1999. He holds Bachelor of Arts and Bachelor of Laws degrees from the Australian National University and a MBA from the University of New South Wales. Mr Kent is a Partner of Capital Z Asia and has over 30 years experience in finance, investment, mergers and acquisitions. He was Finance Director of The Adelaide Steamship Company Ltd and has been on the boards of publicly listed companies in Australia, the UK and the USA, including Woolworths Ltd, Sagasco (Holdings) Ltd, David Jones Ltd and Industrial Equity Ltd. He is admitted as a solicitor in New South Wales.

Mr Kenneth Roche

(61) was appointed as a Non-Executive Director of the company in May 1998. He is a Fellow of the Royal Melbourne Institute of Technology (Civil Engineering); Fellow of the Institution of Engineers, Australia; Fellow of the Australasian Institute of Mining and Metallurgy and a Chartered Professional Engineer.
He commenced work with Roche Bros. in 1966 as a civil engineer and worked on many civil engineering and mining projects. In latter years, he held the positions of Managing Director and Executive Chairman from which he resigned following the sale of the company to Downer in 1997.

Mr Trevor Kennedy

(61) was appointed as a Non-Executive Director of the company in May 1998. Mr Kennedy is Chairman of Oil Search Limited and Cypress Lakes Group Limited. He is also Deputy Chairman of CTI Logistics Limited and is a Director of several other public and private companies including Qantas Airways Limited, FTR Holdings Limited, RG Capital Radio Limited and Qantas Superannuation Limited.
He was formerly Managing Director of Consolidated Press Holdings Limited and has previously served on a number of other boards and Australian Government authorities, including the Federal Government Remuneration Tribunal.

Mr Gary Lawrence

(46) was appointed as a Non-Executive Director of the company in March 1999. He holds a Bachelor of Law degree from McGill University, Bachelor of Arts degree from Yale University and a Master of Arts degree from Oxford University.
Mr Lawrence is the Managing Partner of Capital Z Asia and also has over 15 years experience in private equity and the financial sector. Before joining Capital Z, he worked with Goldman, Sachs & Co. and Lehman Brothers in New York and Hong Kong. He currently serves as a Non-Executive Director of DC Chemical Co. Ltd., a Korean listed company, and SanLih E-Television, a listed company in Taiwan. He also qualified and practiced as an attorney under the New York State Bar.

Mr Billy Wong

(45) was appointed to the board in December 2002 as alternate director for Dr Charles Chan. He holds a Bachelor's Degree in Civil Engineering and has over 23 years experience in construction. Mr Wong is Deputy Managing Director of Paul Y. - ITC Construction Holdings Limited and is responsible for its construction business operating in Hong Kong, Mainland China and overseas. He is a Visiting Professor of Central South University in China, and a Registered Professional Engineer, a Fellow Member of the Hong Kong Institution of Engineers, The Hong Kong Institution of Highways and Transportation, and the United Kingdom Institution of Highways and Transportation. He is President of the Hong Kong Construction Association and a member of the Provisional Construction Industry Coordination Board, HKSAR.

Corporate **Governance**

The board of directors is responsible for Downer EDI's performance and recognises the increasing importance of implementing good governance practices within the company. It is reviewing the new developments and guidelines in corporate governance practices and evaluating the company's policies and practices in response to these changing factors. This statement sets out the main corporate governance practices that were in operation throughout the financial year and highlights changes being implemented by the board and company.

Board of directors

The primary goal set by the board is the enhancement of long-term shareholder value. The board aims to achieve this objective through:

- the adoption and monitoring of strategic plans, long-term goals, policies and overall performance;
- approving and monitoring the progress of major capital expenditure, acquisitions and divestitures and capital management;
- the review of the managing director and senior management performance, conduct and reward;
- the monitoring of major risks of Downer EDI's operations; and
- ensuring that Downer EDI has policies and procedures to satisfy its legal and ethical responsibilities.

The board oversees the company's strategic direction and control and delegates responsibility for managing the company to the managing director. The board charter sets out the principles for the operation of the board, describes the functions of the board and those functions delegated to management. The charter will be summarised on the company's website.

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

- the board should comprise at least three directors, but not more than fifteen;
- the board should be made up primarily of non-executive directors;
- the chairman of the board should be a non-executive director;
- the directors should possess a broad range of skills, qualifications and experience; and
- the board should meet on a regular basis.

The composition of the board is monitored on an ongoing basis to ensure it meets these principles. The board, its committees and individual directors have not undertaken a formal performance evaluation during the reporting period. The board is implementing this formal assessment process.

On the date of this statement, the board under the chairmanship of Barry O'Callaghan comprises 10 members: 9 non-executive directors and one full-time executive director, Stephen Gillies, the managing director of Downer EDI Limited. A profile of each board member is provided on pages 38 and 39 of this report.

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. Directors are required to promptly disclose to the board 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 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. Using these ASX assessment criteria, the Downer EDI board comprises 3 independent non-executive directors (John Humphrey, Trevor Kennedy and Ken Roche), 6 non-executive directors (Charles Chan, Ross Dunning, Michael Kent, Tom Lau, Gary Lawrence and Barry O'Callaghan) and 1 executive director (Stephen Gillies). A director is not considered independent if:

- transaction or contractual relationships as an individual with Downer EDI exceed $250,000 or as a relevant interest exceed $1 million per annum;
- the director has a relevant interest (personal or deemed interest) in the company greater than 1 million ordinary shares;
- the director represents a shareholder with more than a 5% relevant interest in Downer EDI.

While Barry O'Callaghan is not strictly independent (he retired over 15 months ago as a partner of the law firm Corrs Chambers Westgarth which is one of several firms providing legal services to Downer EDI – short of the three years suggested in the ASX guidelines) the board believes this is a technical issue and moves the company much closer to corporate governance best practice in replacing Mr Lau who represents one of the company's major shareholders.

Ross Dunning retired as managing director of Evans Deakin Industries Limited in June 2001, following the successful takeover by Downer EDI. He has not been

involved in the day-to-day management since that time and will meet the independence criteria in June 2004.

The board also recognises the contribution from representatives of major shareholders and uses these disclosure procedures to manage potential conflicts of interest.

Board meetings

The board normally meets 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 managing director 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.

Downer EDI recognises the need for directors 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 director's code of conduct, which sets out the standards that each director will adhere to whilst conducting their duties and is additional to the employee code of conduct.

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.

Dealing in company shares

Current shareholdings of directors are shown on page 44 of this report. Directors and senior management are precluded from trading in Downer EDI shares at any time if they are aware of price-sensitive information that has not been made public. The Board is considering a more detailed securities trading policy for directors and senior management, reflecting current corporate governance trends.

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 46 shows the remuneration of directors which for non-executive directors, in the aggregate, totalled $242,841. Non-executive directors do not participate in any equity incentive schemes and directors representing significant shareholders do not receive any remuneration.

The company's constitution allows for retiring non-executive directors to receive a retiring allowance, subject to the limitations under the Corporations Act. The maximum amount that may be payable to non-executive directors on retirement is limited to the director's total emoluments for the last three years of service. Payment is at the discretion of the board.

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.

Committees of the board

Downer EDI's board has established committees to assist the board in meeting 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.

Audit and risk management committee

Members: John Humphrey (Chairman), Barry O'Callaghan and Michael Kent.

The audit and risk management committee comprises three 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 10 years and Barry O'Callaghan has been chairman of public company audit committees for over 15 years. Michael Kent has been a public company finance director and non-executive director with wide experience in finance, investment and mergers and acquisitions. Two of the three non-executive directors are not independent under the ASX guidelines, however the board considers that Barry O'Callaghan meets the spirit of the criteria and his knowledge of the company and widespread experience were considered in his appointment to the audit and risk management committee.

The committee is charged with assessing the adequacy of the company's financial, operating and environmental risk management controls, compliance with legal requirements and ethical guidelines affecting the company.

The audit and risk management committee generally invites the managing director, 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 are 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.

The committee and board also 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.

Nominations and corporate governance committee

Members: Tom Lau (Chairman), Barry O'Callaghan and Trevor Kennedy.

The nominations and corporate governance committee's role 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 of the board;
- 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 removal of directors.

The committee reviews the remuneration of the managing director and the non-executive directors of the company. It is also responsible for reviewing the company's corporate governance policies and procedures.

The committee charter will be summarised on the company's website.

Remuneration committee

Members: Kenneth Roche (Chairman), Stephen Gillies, Ross Dunning and Michael Kent.

The remuneration committee's role is to review the remuneration levels, policies and practices across Downer EDI and approve the details of the remuneration of senior executive staff and appointments at senior levels.

The committee aims to ensure that Downer EDI's remuneration structure is equitable, competitive in the overall market, and appropriate to ensure retention of staff with capabilities, and that an effective recruitment strategy is developed.

The committee charter will be summarised on the company's website.

Disclosure committee

Members: Barry O'Callaghan (Chairman), Stephen Gillies and the company secretary.

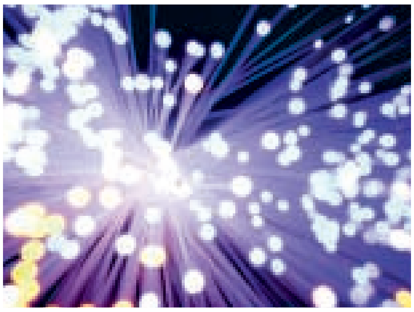
Downer EDI is committed to ensuring adherence to regulatory requirements and best practice to ensure timely provision of equal access to material information about the company. During the year the board approved a new continuous disclosure policy to ensure that the procedures for identifying and disclosing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

Code of conduct

The company has a code of conduct for all of its employees to assist them maintain the highest standards of integrity and honesty in the day-to-day performance of their jobs and in any situation where their actions could influence the reputation of the company. In particular, the company requires employees to:

- comply with the law;
- act honestly and with integrity;
- not place themselves in situations that result in divided loyalties;
- use the company's assets responsibly and in the best interests of the company; and
- be responsible and accountable for their actions.

Health, Safety **and Environment**



Occupational health and safety

Occupational health and safety are an integral part of Downer EDI's management systems. Each division has strong management commitment, documented and accredited safety management systems and policies with continuously improving targets. The board oversees the company's safety performance through a review of reports and statistics.

The group and divisional senior management show leadership in safety management through personal commitment to the policies they establish and reinforcing safety as they attend offices and sites across their area of operations. Each year, challenging goals and plans are set for the divisions and individual operating business units. Management systems are periodically reviewed and regular safety audits carried out by operating personnel, supervisors, customers and independent auditors. These processes have had a positive impact on our businesses:

- Works Infrastructure (New Zealand) received a safety award from the Accident Compensation Corporation in recognition of significant reductions in injuries and severities. Works also retained accreditation for the fourth consecutive year at the tertiary level of the Accident Compensation Corporation Partnership Program. Works was the first company in New Zealand to achieve this standard of performance.
- Engineering (New Zealand) was awarded the 2003 National Safety Award by the New Zealand Contractors Federation and the Occupational Safety and Health Service. This recognised the ongoing development and achievements in safety management of our engineering activities.
- As part of Pasminco's Century Mine, the joint venture operation was a co-recipient of the 2002 annual Minex Award for excellent safety management and performance in the industry. The Roche Mining Greenbushes operation, in conjunction with their client Sons of Gwalia, also received an acknowledgement in the Minex award process.

The average lost time injury frequency rate (LTIFR) across the company rose slightly from 5.0 to 5.4 in 2003. Medically treated injury frequency rate (MTIFR) improved in most operations and overall declined by 8% to 30.6. We continue to focus on the widespread workplace safety beliefs that:

- management is responsible for preventing injuries;
- the workplace is never safe; and
- it is the behaviour of people that determines if an injury occurs.

It is however with great regret that we report the deaths of 4 employees during the year in tragic accidents. At the Mt Keith Mine in Western Australia a haul truck driver was killed when a section of the ramp collapsed under his truck. Two employees were killed at onshore oil and gas drilling rig locations and one in New Zealand associated with road works.

The organisational elements of safety management within Downer EDI include:

- each division and major business unit has qualified safety personnel who provide on the job safety training, assessment and audit;
- safety is seen as a basic organisational responsibility with personal involvement and accountability of all employees and contractors; and
- our organisation structure for safety is integrated with the operations.

The operational elements include:

- effective communications of safety policies, procedures and management systems within each division and across the company;
- continuous safety training and development to maintain awareness and a positive attitude to safety;
- thorough injury and incident investigation and reports; and
- effective internal and external audits and re-evaluations.

We also benchmark against other industry participants and industry trends to rate our performance. As an example, the Minerals Council estimates that the indicative LTIFR for the mining industry for 2001/2002 was 8. In that year, our Mining division's LTIFR was 2.6.

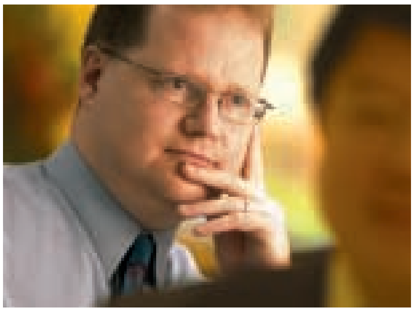
Environment

Downer EDI utilises the international environmental management standard, ISO 14001, as a benchmark in assessing, improving and maintaining the environmental integrity of its business management systems. Each division takes very seriously its responsibilities towards the care of the environment in its activities, and ensures its practices and procedures take into account the environmental management requirements established by customers as well as those required to meet all applicable licence and regulatory requirements. These principles are applied to our own operating and manufacturing business sites as well as those that we operate on behalf of our customers.

In New Zealand, a new contract specific environmental management system, meeting all local authority requirements, is being trialled prior to formal ISO 14001:1996 certification and registration. The Mining division has adopted the Mineral Council's Code of Environmental Management as the benchmark for responsible care and attention to environmental matters for its mining operations and is also pursuing certification to ISO 14001. EDI Rail has annual third party environmental audits at each major location to ensure compliance with legislation.

There were no significant issues of regulatory non-compliance or any significant infringements or prosecutions during the reporting period.

Directors' Report



The directors of Downer EDI Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2003. 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:

Mr B D O'Callaghan (Chairman)

Mr K Y Lau (resigned as alternate for Dr C K Chan 12 December 2002)

Mr S J Gillies

Dr C K Chan

Mr R W Dunning

Mr J S Humphrey

Mr T J Kennedy

Mr M J Kent

Mr G M Lawrence

Mr K J Roche

Mr W Shurniak (resigned 11 April 2003)

Mr B W Wong (appointed 12 December 2002 as alternate for Dr C K Chan)

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

Directors' Meetings

There were 8 full board meetings, 2 audit sub-committee and 2 remuneration sub-committee meetings held during the financial year. The number of meetings attended by each director is set out in the table below.

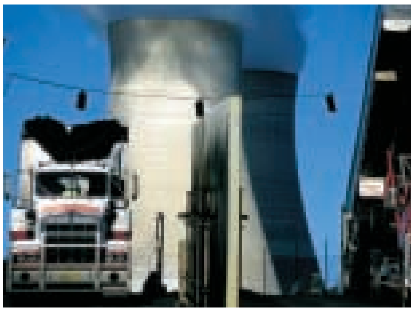
		Attended	
Directors	Board of Directors	Audit Committee	Remuneration Committee
B D O'Callaghan	8	2	–
K Y Lau	7	1	2
S J Gillies	8	–	2
C K Chan	–	–	–
R W Dunning	8	–	–
J S Humphrey	7	–	–
T J Kennedy	7	–	–
M J Kent	7	2	2
G M Lawrence	7	–	–
K J Roche	6	–	2
W Shurniak **	5	–	–
B W Wong (alternate for C K Chan)**	6	–	–

** 6 meetings held while a director

Directors' Shareholdings

The following table sets out each director's relevant interest 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
S J Gillies	11,349,460
B D O'Callaghan	58,552
R W Dunning	73,846
J S Humphrey	10,790



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 but are not limited to, oil, gas, geothermal and mineral drilling exploration, contract mining, rail services, infrastructure services, power, telecommunications and engineering projects.

Review of Operations

A review of the consolidated entity's operations is contained in the Managing Director's Review on pages 6 to 9.

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 2003, an interim dividend of 0.5 cents per share (unfranked) was paid to the holders of fully paid ordinary shares on 30 April 2003.

In respect of the financial year ended 30 June 2003, the directors declared the payment of a final dividend of 2.4 cents per share (franked to 50%) to the holders of fully paid ordinary shares to be paid on 10 October 2003.

In respect of the financial year ended 30 June 2003, dividends totalling $5,200,000 (2002 : $5,200,000) (unfranked) were paid or provided for in respect of the 8% converting preference shares.

In respect of the financial year ended 30 June 2002, as detailed in the Directors' Report for that financial year a final dividend of 1.9 cents per share (unfranked) was paid to the holders of fully paid ordinary shares on 29 November 2002.

Employee Share Plan ("ESP")

No shares were issued under the ESP during the year.

Executive Share Option Scheme ("EOS")

No options were granted under the EOS during the year.

Share Options

No options were granted during the year.

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 secretaries, Mr G D Bruce and Mr B J Crane, and all executive officers of the company and of any related body corporate against a liability incurred as such 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 such an officer or auditor.

Directors' and Executives' Remuneration

The Remuneration Committee reviews the remuneration packages of all directors and executive officers. From 2004 onwards, the review of the remuneration packages of all directors will be performed by the Nominations and Corporate Governance Committee. Remuneration packages are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the Remuneration Committee may seek the advice of external advisers in connection with the structure of remuneration packages.

Remuneration packages may contain the following key elements:

a) salary/fees;
b) benefits – including the provision of motor vehicle, superannuation and health benefits; and
c) incentive schemes – including performance related bonuses and share options under the employee share plan and executive share option scheme.

Directors' Report

The following table discloses the remuneration of the directors of the company and the five highest remunerated executives of the company and the consolidated entity.

Name	Office	Salary Fee $	Benefits $	Incentive Schemes $	Total $
B D O'Callaghan	Non-Executive Director	46,500	4,191	–	50,691
K Y Lau	Non-Executive Director	–	–	–	–
S J Gillies	Executive Director	975,000	87,750	243,750	1,306,500
Dr C K Chan	Non-Executive Director	–	–	–	–
R W Dunning	Non-Executive Director	45,000	4,050	–	49,050
J S Humphrey	Non-Executive Director	45,000	–	–	45,000
T J Kennedy	Non-Executive Director	45,000	4,050	–	49,050
M J Kent	Non-Executive Director	–	–	–	–
G M Lawrence	Non-Executive Director	–	–	–	–
K J Roche	Non-Executive Director	45,000	4,050	–	49,050
W Shurniak	Non-Executive Director	–	–	–	–
B W Wong	Non-Executive Director	–	–	–	–
R A Logan	Executive	490,539	101,979	143,500	736,018
D M O'Brien	Executive	379,647	92,978	65,000	537,625
D A Cattell	Executive	300,000	95,233	100,000	495,233
E S Woellner	Executive	300,615	51,095	125,000	476,710
R E Guthrie	Executive	323,964	52,335	77,000	453,299

Rounding Off 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.

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 page 40.

Environmental Regulations

The consolidated entity's performance in relation to Environmental Regulation is contained in the Health, Safety and Environment section on page 43.

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

Mr B D O'Callaghan
Director

Mr S J Gillies
Director

Sydney, 26 August 2003

Statement of **Financial Performance**

for the Financial Year ended 30 June 2003

	Note	Consolidated 2003 $'000	2002 $'000
Revenue from ordinary activities		2,679,930	2,430,390
Share of net profits of associates and joint ventures accounted for using the equity method		17,093	12,059
Changes in inventories of finished goods and work in progress		(130,586)	133,804
Raw materials and consumables used		(864,336)	(1,002,469)
Employee benefits expense		(670,311)	(585,810)
Borrowing costs		(37,200)	(39,918)
Subcontractors		(410,007)	(378,571)
Plant and equipment costs		(358,265)	(343,434)
Communication expenses		(19,526)	(14,422)
Travel and accommodation		(19,085)	(16,250)
Professional fees		(18,786)	(17,454)
Occupancy		(19,557)	(16,201)
Other expenses from ordinary activities		(54,621)	(82,423)
Profit from Ordinary Activities Before Income Tax Expense	2	94,743	79,301
Income tax expense relating to ordinary activities		(28,171)	(22,870)
Net Profit Attributable to Members of the Parent Entity		66,572	56,431
Decrease in foreign currency translation reserve arising on translation of self-sustaining foreign operations		(12,553)	(16,783)
Total Revenue, Expense and Valuation Adjustments Attributable to Members of the Parent Entity Recognised Directly in Equity		(12,553)	(16,783)
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners		54,019	39,648
Earnings Per Share			
— Basic (cents per share)		6.3	5.8
— Diluted (cents per share)		6.1	5.5

- Downer EDI has delivered to shareholders its 6th consecutive record level of revenue and profit after tax. Revenue for the year was $2.7 billion, an increase of 10% over the previous year.
- Revenue for the year was $2.7 billion, up $255 million (10%) over the previous year. Of this amount, core businesses delivered organic growth exceeding $350 million, which was partially offset by revenue reductions from discontinued businesses of $65 million and the planned scale back in the capital works business activities of $80 million. The balance of the net increase in revenue comes from new businesses acquired (primarily CPG Corporation Pte Ltd ("CPG") which accounted for $77 million of the balance). Major contributors to the organic growth in revenue were Infrastructure 39%, Power 37% and Mining 24%. Turnover* for the year was $2.9 billion, up $282 million over the previous year.

  * Turnover is defined as total revenue plus our net share of sales revenues of joint venture entities.
- Effective 1 April 2003, Downer EDI acquired CPG. Accordingly, the current years consolidated revenues and expenses include those of CPG for that part of the year. CPG's contribution to consolidated net profit after tax was $3.2 million. 2004 will be the first year that CPG provides a full year contribution to consolidated net profit after tax.
- Earnings before interest, tax and amortisation of intangibles (EBITA) amounted to $140.4 million, an increase of $11.7 million over the prior year. Despite increased levels of revenue generated, EBITA margins have been maintained.
- Net interest expense for the year was $28.8 million, a $5.3 million or 15% decrease in funding costs in comparison to the previous year. This decrease in net interest expense reflects the high level of cash flow generated from operations and reductions in net debt. The EBITA to net interest coverage ratio stands at 4.9 times (2002: 3.8 times).
- Depreciation and amortisation amounted to $119.3 million, with net additions to property plant and equipment, well within this charge. Depreciation rates adopted by the Group have been conservative and historically have been reflected in the gains on disposal reported on the equipment at the end of their economic lives.
- The effective tax rate of the Group for 2003 was 29.7%, reasonably consistent with the previous year at 28.8%. The effective tax rate has been affected by a combination of costs not deductible for tax purposes including goodwill amortisation, offset by research and development claims and over provisions from prior years (once more primarily related to research and development claims).
- Net profit after tax at $66.6 million, was $10.1 million (18%) higher than 2002. This equates to an earnings per share of 6.3 cents per share, an increase of 9% over the previous year.
- Total dividends paid or declared in respect of 2003 profits amount to 2.9 cents per share, compared to 2.4 cents per share for 2002. This represents an increase in dividends per share of 21% over the previous year. The 2003 final dividend of 2.4 cents per ordinary share declared by the directors will be franked to 50%. Total dividends paid or provided in respect of the 2003 financial year was 50.3% (2002: 50.3%) of net profit after tax.

Statement of **Financial Position**

as at **30 June 2003**

	Consolidated	
	2003 $'000	**2002 $'000**
Current Assets		
Cash assets	206,746	106,298
Inventories	125,396	112,054
Receivables	736,564	678,240
Other financial assets	14,195	20,385
Tax assets	12,880	12,111
Other	14,663	7,999
Total Current Assets	1,110,444	937,087
Non-Current Assets		
Receivables	32,018	19,737
Investments accounted for using the equity method	24,294	26,367
Property, plant and equipment	484,024	530,819
Intangibles	328,875	278,525
Other financial assets	16,574	7,958
Deferred tax assets	33,768	26,325
Other	2,749	2,848
Total Non-Current Assets	922,302	892,579
Total Assets	2,032,746	1,829,666
Current Liabilities		
Payables	551,514	387,909
Interest-bearing liabilities	96,204	24,063
Provisions	89,358	94,010
Tax liabilities	37,320	5,784
Total Current Liabilities	774,396	511,766
Non-Current Liabilities		
Payables	1,503	2,162
Interest-bearing liabilities	406,747	529,212
Provisions	23,826	16,528
Deferred tax liabilities	66,083	60,433
Total Non-Current Liabilities	498,159	608,335
Total Liabilities	1,272,555	1,120,101
Net Assets	760,191	709,565
Equity		
Contributed equity	614,361	607,705
Reserves	(12,173)	380
Retained profits	158,003	101,480
Total Equity	760,191	709,565

- Net assets of the Group have increased from $709.6 million to $760.2 million, an increase of $50.6 million. Major contributors to this increase arose from:
  1. Dividend reinvestment plan elections of $6.7 million;
  2. Net profits retained in the business of $56.5 million (the 2003 final dividend has not been shown as a reduction in retained earnings in accordance with a change in accounting standard AASB 1044); and
  3. A negative movement in reserves of $12.6 million, principally brought about by a strengthening of the Australian dollar against relevant foreign currencies (the Group has investments and retained earnings denominated in) and its effect on the foreign currency translation reserve.
- Net debt during 2003 was reduced by $150.8 million to $296.2 million, a 34% decrease over the previous year. This has been achieved despite the $203.0 million growth in total assets over the year. A new three year $200 million syndicated bank facility was completed in June 2003, with bank facilities due to mature in the 2004 year more than adequately covered, should they not be renewed.
- The Group's gearing as measured by net debt to capitalisation (net debt plus total equity) has been reduced from 39% to 28%. On a net debt to equity basis, gearing stands at 39%, down from the 2002 level of 63%. This reduction in debt is reflected in the lower net interest expense incurred by the Group in 2003 and positions the company well to weather any exposures to any interest rate movements.
- Downer EDI took the opportunity to have the credit worthiness of the Group evaluated by a recognised international ratings agency. Their report was issued in July 2003, with Downer EDI being awarded an investment grade credit rating.
- Intangibles have increased by a net $50.3 million which, in the main, is attributable to the CPG acquisition. Despite this increase in intangibles, the net tangible asset backing per share remains consistent with the previous year at 38 cents.
- The Group's order book is in excess of $5.5 billion (its highest level) and is reflective of the level of activities of the Group moving forward.
- The balance sheet is the strongest it has ever been, a product of existing and ongoing focus.

Statement of **Cash Flows**

for the Financial Year ended 30 June 2003

	Consolidated	
	2003 $'000	**2002 $'000**
Cash Flows From Operating Activities		
Receipts from customers	2,967,818	2,391,234
Payments to suppliers and employees	(2,730,734)	(2,307,139)
Distributions from joint ventures	19,457	13,879
Interest received	6,275	3,956
Interest and other costs of finance paid	(37,792)	(40,333)
Income tax paid	(21)	(14,244)
Net cash provided by operating activities	225,003	47,353
Cash Flows From Investing Activities		
Payment for investment securities	(5,987)	(10,773)
Proceeds from sale of investment securities	11,258	105
Payment for property, plant and equipment	(87,021)	(90,898)
Proceeds from sale of property, plant and equipment	76,364	62,226
Receipts from other advances	297	3,000
Receipt of joint venture advances	26,566	2,002
Advances to joint ventures	(12,885)	(6,906)
Proceeds from sale of businesses	7,254	25,504
Payment of obligations acquired under business acquisitions	(30,121)	–
Payment for businesses acquired	(19,608)	(59,980)
Net cash (used in) investing activities	(33,883)	(75,720)
Cash Flows From Financing Activities		
Proceeds from issues of equity securities	–	51,271
Proceeds from borrowings	167,217	367,480
Repayment of borrowings	(229,942)	(336,738)
Dividends paid	(21,778)	(11,242)
Payment for other borrowing costs	–	(285)
Net cash provided by/(used in) financing activities	(84,503)	70,486
Net Increase In Cash Held	106,617	42,119
Cash At The Beginning Of The Financial Year	105,836	63,953
Effects of exchange rate changes on the balance of cash held in foreign currencies	(6,728)	(236)
Cash At The End Of The Financial Year	205,725	105,836

- The operating cash flow for the year was $225.0 million, up $177.6 million over the prior year. This increase reflects strong cash flow driven by all divisions, including the release of working capital from the Millennium Train contract with the State Rail Authority of NSW (as indicated in my previous year's report). This strong cash flow generation has helped to strengthen the composition of the balance sheet. Funds utilised in working capital decreased during the year from $420.0 million to $341.0 million, despite increases in the level of operating activity across the Group. A focus on further reductions in working capital should assist in underpinning strong operating cash flows for 2004.
- Investing activities in the 2003 year were substantially lower than the prior year, despite the $127.5 million purchase of CPG Corporation Pte Ltd (CPG). The purchase price of CPG in the Statement of Cash Flows has been reflected net of cash balances acquired. Payment obligations acquired under business acquisitions also relate to the acquisition of CPG. Net investing activities amounted to $33.9 million.
- At balance date, the consolidated entity had drawn $503.0 million of its total debt facilities of $1,005.6 million. The Group also maintains $708.6 million in facilities from the surety market for performance bonds used by a number of its operating businesses. At year end $308.1 million had been utilised. Other than $12.8 million (2002: $32.3 million), all debt and surety facilities are provided to the group on an unsecured basis.
- Total available liquidity at year end amounted to $709.4 million comprising $206.7 million of cash and undrawn lines of $502.7 million.
- Cash at the end of the financial year as noted in the Statement of Cash Flows is cash on hand and in banks and investments in money market instruments ($206.7 million), net of bank overdrafts ($1.0 million).
- Cash flows from financing activities reflect a net repayment of external borrowing of $62.7 million over the year. Cash dividends paid on ordinary shares were $6.7 million less than that provided due to a significant level of participation by ordinary shareholders in the Dividend Reinvestment Plan. Participation, net of withholding taxes, represented 32% of ordinary share dividends paid during the year and a vote of confidence by those shareholders in the company.

1 BASIS OF PREPARATION

The concise financial report has been prepared in accordance with 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 2003 financial statements which form part of the Full Financial Report. The accounting policies of the consolidated entity are consistent with those of the previous financial year, except as follows:

Changes in Accounting Policies

In accordance with AASB 1028 'Employee Benefits' on 1 July 2002 the entity changed its policy for recognising provisions for annual leave. The amount of the provision has been calculated using the remuneration rate expected to apply at the time of payment, rather than the remuneration rate that applies at the reporting date. This change in accounting policy had no material effect.

In accordance with AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' the entity changed its policy for recognising provisions. Under AASB 1044, a provision for dividend is recognised when the directors have declared, determined or publicly recommended the dividend. Accordingly, the 2003 final dividend declared by the directors in August 2003 has not been provided for in the financial statements.

The entity has adopted the revised Accounting Standard AASB 1012 'Foreign Currency Translation', applicable to annual reporting periods beginning on or after 1 January 2002. In accordance with the revised Standard, the entity has recognised foreign currency contracts that are hedges in the Statement of Financial Position. This change in accounting policy had no material effect.

Comparative Information

Where necessary comparative amounts have been reclassified and repositioned for consistency with current year accounting policy and disclosures.

2 PROFIT FROM ORDINARY ACTIVITIES

	Consolidated	
	2003 $'000	**2002 $'000**
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
Operating revenue		
Sales revenue:		
Sale of goods	91,406	100,052
Rendering of services	1,475,207	1,334,189
Engineering services contract revenue	1,006,921	916,624
Interest revenue:		
Director related entities	1,530	–
Other entities	5,597	4,324
Equity share of associates' and joint venture entities' profits	17,093	12,059
Rental income	46	399
Net foreign exchange gain	172	1,388
Other	8,077	2,406
Total operating revenue	2,606,049	2,371,441
Non-operating revenue		
Proceeds from the sale of non-current assets:		
Property, plant and equipment	76,471	67,925
Investments	14,503	3,083
Total non-operating revenue	90,974	71,008
Total revenue	2,697,023	2,442,449
Net share of sales revenue in joint venture entities	170,835	143,187
Total turnover	2,867,858	2,585,636
Expenses		
Cost of sales	48,205	73,051
Interest:		
Other entities	34,404	35,917
Finance lease charges	1,549	2,520
Depreciation of non-current assets:		
Plant and equipment	97,763	84,038
Buildings	902	1,700
Quarries	121	115
Amortisation of non-current assets:		
Leased assets	3,622	6,820
Goodwill	16,031	14,258
Drilling licence	210	212
Intellectual property	635	850
Net transfers to/(from) provisions:		
Doubtful debts	9,732	(5,755)
Operating lease rental expenses	68,558	45,859
Other borrowing costs	1,247	1,481

3 DIVIDENDS

	2003		2002	
	Cents per share	**$'000**	**Cents per share**	**$'000**
Recognised Amounts				
Fully Paid Ordinary Shares				
Under provision of dividend prior year (unfranked)	–	–	–	285
Interim dividend (unfranked)	0.5	4,849	0.5	4,649
Final dividend (unfranked)	–	–	1.9	18,296
Converting Preference Shares				
Final dividend (unfranked)	$80 per share	5,200	$80 per share	5,200

	Company	
	2003 $'000	**2002 $'000**
Franking account balance	–	–

The final dividend in respect of ordinary shares for the year ended 30 June 2003 has not been recognised as a provision in this financial report because the final dividend was declared subsequent to 30 June 2003. For further details refer to Note 1 Basis of Preparation.

4 SEGMENT INFORMATION

Information on Business Segments

	External		Inter-Segment		Total	
Segment Revenue	**2003 $'000**	**2002 $'000**	**2003 $'000**	**2002 $'000**	**2003 $'000**	**2002 $'000**
Engineering	835,421	719,477	1,561	687	836,982	720,164
Mining and Resources	950,729	900,336	4,372	5,348	955,101	905,684
Infrastructure Services	566,381	415,484	5,792	3,356	572,173	418,840
Rail	299,407	314,496	34,102	47,833	333,509	362,329
Discontinued businesses	30,829	90,751	655	6,145	31,484	96,896
					2,729,249	2,503,913
Eliminations					(46,482)	(63,369)
Unallocated					14,256	1,905
Total revenue					2,697,023	2,442,449
Net share of sales revenue in joint venture entities:						
Engineering					32,488	20,988
Mining and Resources					133,983	115,569
Infrastructure Services					4,364	6,630
Total turnover					2,867,858	2,585,636

	Consolidated	
Segment Results	**2003 $'000**	**2002 $'000**
Engineering	29,667	28,608
Mining and Resources	50,208	40,022
Infrastructure Services	25,349	14,750
Rail	20,417	13,989
Discontinued businesses	(6,112)	3,185
Unallocated	(24,786)	(22,412)
Income tax expense relating to ordinary activities	(28,171)	(21,711)
Net Profit	66,572	56,431

4 SEGMENT INFORMATION CONTINUED

Segment Assets & Liabilities	Assets 2003 $'000	Assets 2002 $'000	Liabilities 2003 $'000	Liabilities 2002 $'000
Engineering	705,775	427,145	275,157	152,725
Mining and Resources	672,297	683,228	148,310	153,074
Infrastructure Services	302,525	243,333	108,740	72,952
Rail	287,526	387,257	99,825	87,143
Discontinued businesses	7,531	20,212	620	2,823
	1,975,654	1,761,175	632,652	468,717
Unallocated	57,092	68,491	639,903	651,384
	2,032,746	1,829,666	1,272,555	1,120,101

Other Segment Information	Engineering 2003 $'000	Mining and Resources 2003 $'000	Infrastructure Services 2003 $'000	Rail 2003 $'000	Discontinued 2003 $'000
Carrying value of investments accounted for using the equity method	8,368	10,567	5,359	–	–
Share of net profit of associates and joint venture entities accounted for under the equity method	2,785	13,380	928	–	–
Acquisition of segment assets	86,548	76,396	42,761	9,238	–
Depreciation and amortisation of segment assets	13,681	78,505	15,126	11,102	545
Number of employees	6,599	2,559	2,601	1,421	–
	2002 $'000	**2002 $'000**	**2002 $'000**	**2002 $'000**	**2002 $'000**
Carrying value of investments accounted for using the equity method	4,171	12,072	5,029	5,095	–
Share of net profit/(loss) of associates and joint venture entities accounted for under the equity method	2,137	8,937	1,015	(30)	–
Acquisition of segment assets	11,361	72,842	14,662	4,805	–
Depreciation and amortisation of segment assets	12,212	68,507	13,114	10,881	3,125
Number of employees	3,600	2,500	2,570	1,500	–

The economic entity operated predominantly in five business segments:

Rail – provides rolling stock and associated maintenance services including the design, manufacture, refurbish, overhaul and maintenance of diesel electric locomotives, electric locomotives, electric and diesel multiple units, rail wagons, traction motors and rolling stock generally.

Engineering – provides engineering services (design, construct and maintain) specialising in telecommunications, capital works, power and process engineering.

Mining and Resources – including mine planning and management, drilling and blasting, bulk excavation, crushing and processing, haulage of ores/waste, tailings management and mine restoration, oil, gas, geothermal and mineral drilling and drill and blast activities.

Infrastructure Services – including the performance of 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.

Unallocated – results include financing and corporate costs for continuing businesses, net of other income.

4 SEGMENT INFORMATION CONTINUED

Geographic	Revenue from External Customers 2003 $'000	Revenue from External Customers 2002 $'000	Segment Assets 2003 $'000	Segment Assets 2002 $'000	Acquisition of Segment Assets 2003 $'000	Acquisition of Segment Assets 2002 $'000
Australia	1,850,262	1,725,340	1,306,638	1,337,337	140,325	87,757
Pacific	686,278	608,561	339,414	324,417	16,947	15,580
South East Asia	113,252	12,266	363,205	64,139	57,559	117
North East Asia	47,231	96,282	23,489	103,773	112	216
	2,697,023	2,442,449	2,032,746	1,829,666	214,943	103,670

The economic entity operated in four 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).

5 DISCONTINUED BUSINESSES

Current Financial Year

During the year, further non-core businesses and surplus assets acquired through the takeover of Evans Deakin Industries Limited have been disposed. These disposals are not considered material.

Previous Financial Year

As a result of the divestment process, previously referred to, the following business operations were disposed:

Building Products

Building Products operations constituted the design and manufacture of garage and industrial doors and automatic door openers, industrial wheels and casters, car jacks and air filtration equipment for the Australian and New Zealand markets. The business was sold effective 30 November 2001. The remaining portion of the business segment, Clyde-Apac was also sold effective 30 November 2001.

The consolidated entity recognised a gain in the prior financial year before income tax of $5,459 thousand (related income tax of $1,638 thousand) arising from the disposals, being proceeds of disposal less the carrying amounts of the net assets of the building products business.

The carrying amounts of total assets and total liabilities disposed of in the prior financial year were:

	$'000
Total Assets	45,871
Total Liabilities	14,149
Net Assets disposed	31,722

Details of the financial performance and cash flows of the building products business for the period from 1 July 2001 to 30 November 2001 were as follows:

	Period Ended 30 November 2001 $'000
Financial Performance	
Revenue from ordinary activities	57,018
Expenses from ordinary activities	56,287
Profit from ordinary activities before income tax expense	731
Income tax expense relating to ordinary activities	219
Net Profit	512
Cash Flows	
Net cash flows from operating activities	(690)
Net cash flows from investing activities	(1,165)
Net cash flows from financing activities	(3,311)
Total Net Cash flows	(5,166)

Directors' **Declaration**

The directors declare that:

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 thereto 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

Mr B D O'Callaghan
Director

Mr S J Gillies
Director

Sydney, 26 August 2003

Independent **Audit Report**

to the Members of Downer EDI Limited

Scope

We have audited the concise financial report of Downer EDI Limited for the financial year ended 30 June 2003 as set out on pages 47 to 54, in order to express an opinion on it to the members of the company. The concise financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Downer EDI Limited for the year ended 30 June 2003. Our audit report on the full financial report was signed on 26 August 2003, and was not subject to any qualification.

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

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the concise financial report of Downer EDI Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants

Sydney, 26 August 2003

Information for **Investors**

Downner EDI Shareholders

At 9 September, 2003, Downer EDI had 15,819 ordinary shareholders. The largest shareholder, Paul Y.- ITC Construction Holdings Limited, holds approximately 36.5% of the 975,525,926 fully paid shares issued at that date. Downer EDI has 15,578 shareholders with registered addresses in Australia.

Stock Exchange Listing

Downer EDI is listed on the Australian Stock 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 current practice is to pay between 40% and 50% of profit after tax to shareholders, franked to the maximum extent possible. The company has available franking credits for paying partly franked dividends and the 2003 final dividend will be franked to 50%.

Dividend Reinvestment Plan

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 5%) to the market price relevant. Details of the Dividend Reinvestment Plan are available from the company’s website or from the Company Secretary. The Dividend Reinvestment Plan will be suspended following payment of the 2003 final dividend.

Share Registry

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

Computershare Registry Services Pty Ltd (Computershare)

Level 11/115 Grenfell Street
ADELAIDE SA 5000
Tel: 61 8 8236 2300
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 can choose NOT to receive a Downer EDI Concise Annual Report and Half Yearly Report by writing to Computershare Registry Services Pty Ltd at the address provided. Should you choose this option, you will continue to receive Notices of Meetings and Proxy forms.

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. A number of divisional publications are produced. These are available on request.

Company Secretaries

Mr G D Bruce
Mr B J Crane

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

Australian Stock Exchange Information

as at **9 September 2003**

Number of Holders of Equity Securities

Ordinary Share Capital

971,094,258 fully paid listed ordinary shares and 4,431,668 fully paid unlisted ordinary shares were held by 15,819 shareholders. All issued ordinary shares carry one vote per share.

Substantial Shareholders

	Fully Paid	
	Number	**%**
Ordinary Shareholders:		
Paul Y.-ITC Construction Holdings Ltd	354,674,194	36.52
Tarrow Pty Ltd	69,827,743	7.16
The Capital Group Companies, Inc.	50,541,027	5.20
Total	475,042,964	48.88

Distribution of Holders of Quoted Equity Securities

	Fully Paid Ordinary Shareholders
1 – 1,000	2,124
1,001 – 5,000	5,923
5,001 – 10,000	3,464
10,001 – 100,000	4,063
100,001 and over	221
Total	15,795
Holdings less than a marketable parcel	1,182

Downer EDI Limited: Twenty largest Shareholders: Ordinary and fully paid

Ordinary Shareholders	Number	%
Pembinaan DGL Holdings Sdn Bhd	354,674,194	36.52
Westpac Custodian Nominees	84,366,010	8.69
Chase Manhattan Nominees	71,634,097	7.38
National Nominees Limited	66,315,099	6.83
Tarrow Pty Limited	39,002,000	4.02
Capital BO SA	27,272,727	2.81
Queensland Investment Corporation	18,119,631	1.87
Citicorp Nominees Pty Limited	16,000,165	1.65
RBC Global Services Australia	12,762,169	1.31
Commonwealth Custodial	10,357,504	1.07
ANZ Nominees Limited	9,638,881	0.99
Government Superannuation Office	8,936,857	0.92
AMP Life Limited	6,819,586	0.70
Cogent Nominees Pty Ltd	5,044,669	0.52
Paksian Pty Ltd	4,921,525	0.51
Bond Street Custodians Limited	4,874,591	0.50
Jarden Custodians Limited	4,619,161	0.48
Killbeen Pty Limited	4,361,000	0.45
Victorian Workcover Authority	4,291,839	0.44
Transport Accident Commission	3,931,178	0.40
Total for Top 20 Shareholders	757,942,883	78.06

Corporate Directory

Corporate Head Office
Downer EDI Limited

Level 3, 190 George Street
SYDNEY NSW 2000
AUSTRALIA
Tel: 61 2 9251 9899
Fax: 61 2 9251 4845
Email: info@downeredi.com.au
ABN 97 003 872 848

Engineering Division
Australia – Division Head Office

Downer Engineering Group Pty Limited
Level 7 'Compaq House'
76 Berry Street
NORTH SYDNEY NSW 2060
AUSTRALIA
Tel: 61 2 9966 2400
Fax: 61 2 9955 9649
ABN 16 006 016 495

New Zealand

Downer Connect Ltd
2 Carmont Place
Mt Wellington
AUCKLAND
NEW ZEALAND
Tel: 64 9 270 6801
Fax: 64 9 270 7680

Hong Kong

15/F Paul Y Centre
51 Hung To Road
Kwun Tong
KOWLOON
HONG KONG
Tel: 852 2831 8123
Fax: 852 2575 8748

CPG Corporation Pte Ltd

238B Thomson Road #18-00
Tower B, Novena Square
SINGAPORE 307685
Tel: 65 6357 4888
Fax: 65 6357 4188

Infrastructure Division
Australia – Division Head Office

Works Infrastructure Pty Ltd
Level 11, 468 St Kilda Road
MELBOURNE VIC 3000
AUSTRALIA
Tel: 61 3 9864 0800
Fax: 61 3 9864 0801
ABN 66 008 709 608

New Zealand – Division Head Office

Works Infrastructure Ltd
14 Amelia Earhart Avenue
Airport Oaks
AUCKLAND
NEW ZEALAND
Tel: 64 9 256 9810
Fax: 64 9 256 9811

Mining Division
Australia – Division Head Office

Roche Mining Pty Limited
66 River Terrace
KANGAROO POINT QLD 4169
AUSTRALIA
Tel: 61 7 3249 6666
Fax: 61 7 3393 0733
ABN 49 004 142 223

Rail Division
Australia – Division Head Office

EDI Rail Pty Ltd
2B Factory Street
GRANVILLE NSW 2142
AUSTRALIA
Tel: 61 2 9637 8288
Fax: 61 2 9637 6783
ABN 92 000 002 031

Resource Services Division
Australia – Division Head office

Century Drilling Limited
49 Campbell Avenue
WACOL QLD 4076
AUSTRALIA
Tel: 61 7 3879 3333
Fax: 61 7 3879 3322
ABN 25 002 975 439

New Zealand

Century Drilling & Energy Services
(NZ) Ltd
166 Karetoto Road
WAIRAKEI
NEW ZEALAND
Tel: 64 7 376 0422
Fax: 64 7 374 8508

The expressions "Downer", "Downer EDI" and "Group" used in this Report refer to Downer EDI Limited, comprising Downer Engineering Group Pty Limited (trading as Downer Engineering), Works Infrastructure Limited (trading as Works Infrastructure), Roche Mining Pty Limited (trading as Roche Mining), Century Drilling Limited (trading as Century Resources), Evans Deakin Industries Pty Limited (includes EDI Rail Pty Limited), CPG Corporation Pte Ltd and subsidiary companies. The order of this list is random and does not indicate strategic importance or financial status.

The term "Division" refers to the divisions of Downer EDI Limited comprising: Infrastructure Division, Engineering Division, Mining Division, Resource Services Division and Rail Division.

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Downer EDi LIMITED