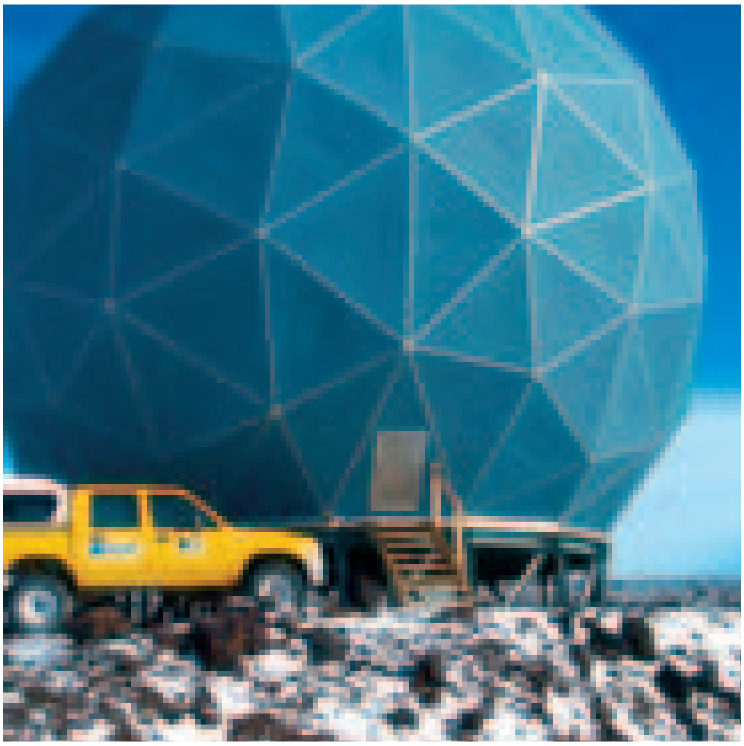
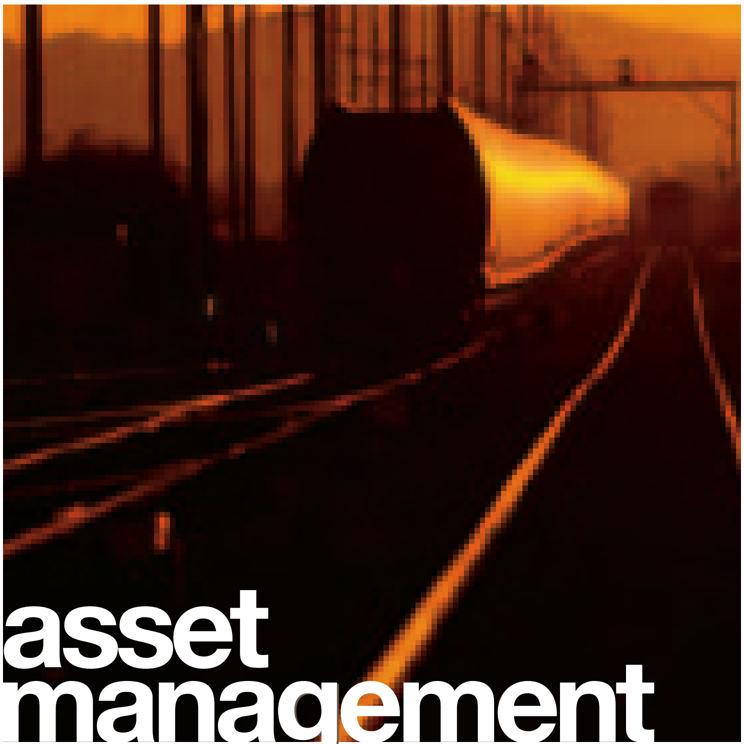
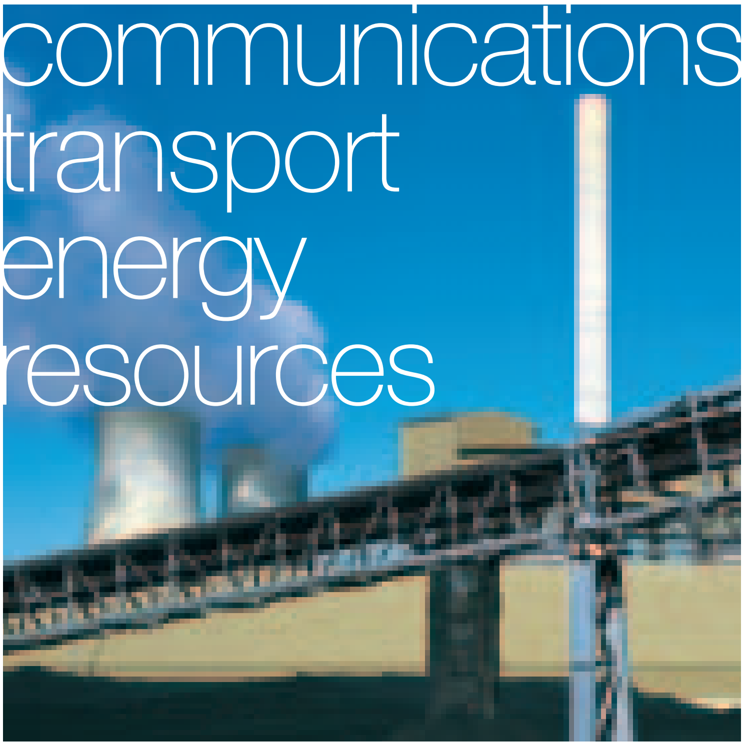




asset management



communications
transport
energy
resources

design,
operations &
maintenance

Downer EDi LIMITED

concise annual report 2005

Our Vision

Our vision is to be a preferred, comprehensive, Pacific Rim based supplier of engineering services provided either directly or through strategic alliances with the intellectual capacity to capitalise on the worldwide trend towards outsourcing.

Downer EDI Limited (Downer EDI) is an Australian listed company which provides comprehensive integrated engineering and infrastructure management services to the public and private transport, energy, communications and resources sectors. Through more than 17,600 valued employees, our services cover Australia, New Zealand, Asia and the Pacific.

With an extensive and highly experienced team of engineers, Downer EDI offers its clients a full range of engineering services with a strong focus on the design of infrastructure assets and management of their economic life through operation, maintenance and upgrade.

Downer EDI provides engineering services in four principal sectors:

Transport

- Road upgrade and inspection/repair maintenance
- Rail track build, upgrade and inspection/repair maintenance
- Rail rollingstock design, manufacture, maintenance and refurbishment
- Airport design, project management and facilities management
- Ticketing and booking systems

Energy

- Power reticulation system design, project management and maintenance
- Power generation design, project management and maintenance

Resources

- Mine operation and infrastructure management
- Process engineering and mineral technologies
- Mining support services
- Land based oil and gas drilling

Communications

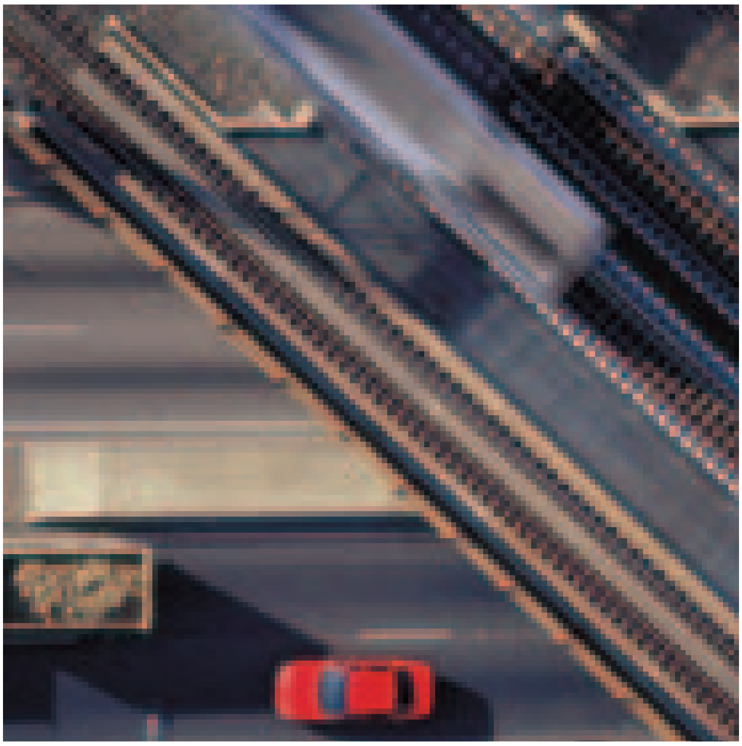
- Telecommunications design, commission and maintenance

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

Annual General Meeting

Downer EDI Limited's 2005 Annual General Meeting will be held in Sydney at The Heritage Ballroom, The Westin Hotel, 1 Martin Place, Sydney on 2 November 2005 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.



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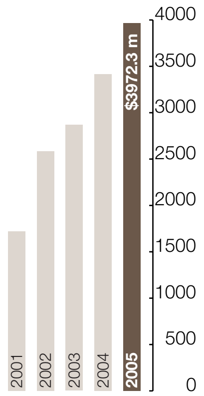
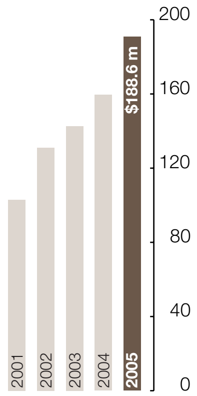
2005 highlights

up 16%



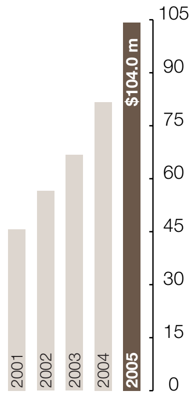
Total turnover

up 20%



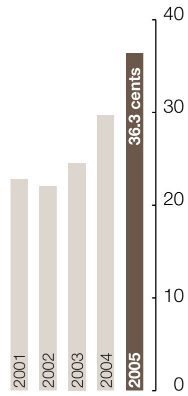
Earnings before interest, tax and amortisation of intangibles (EBITA)

up 28%



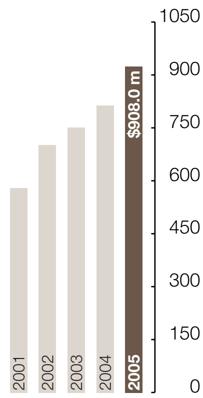
Operating profit after tax

up 23%

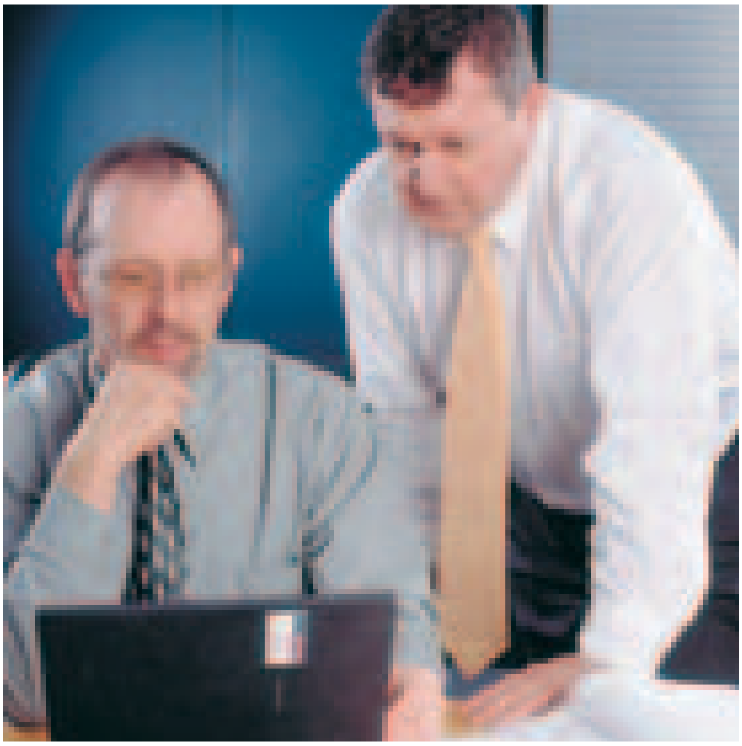


Earnings per share (EPS)

up 10%



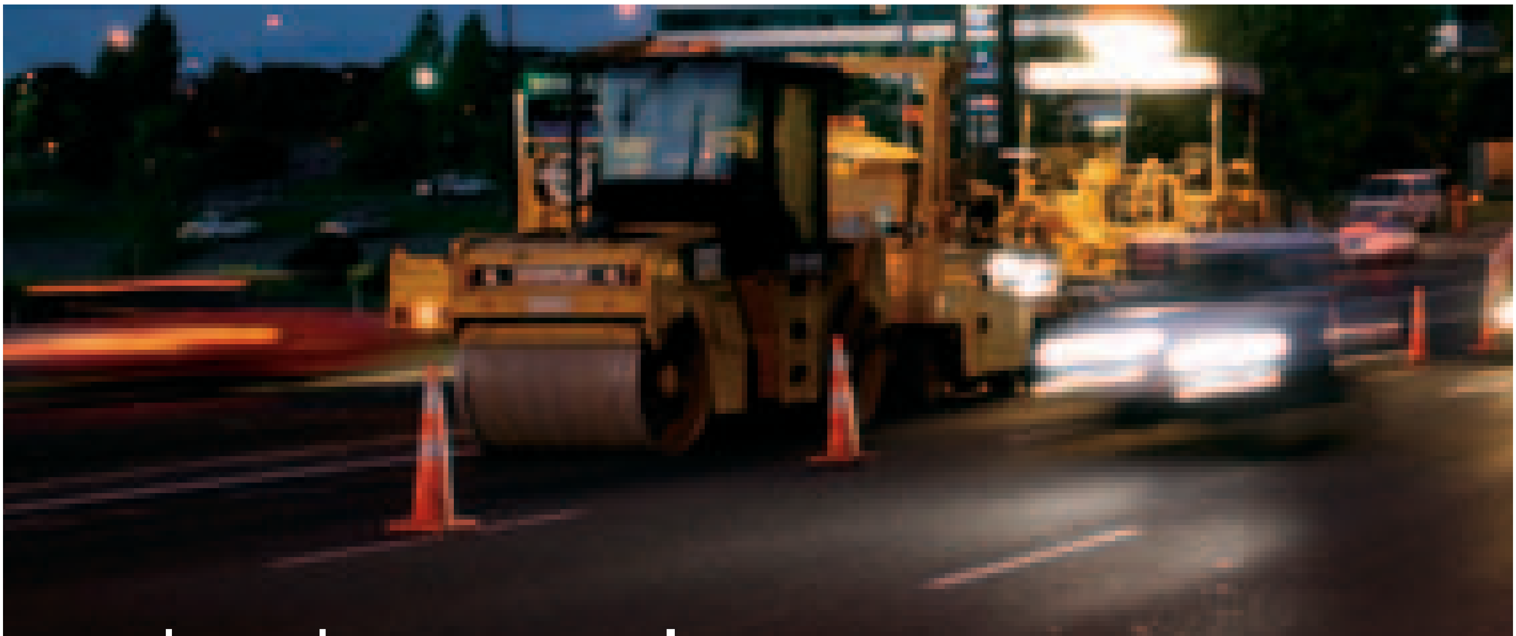
Total shareholder equity



"Downer EDI has continued its unbroken record of delivering improved earnings and continues to focus on ensuring that the growth in sales will deliver long-term benefits to shareholders. As in previous years, we see sales flow further improving, which suggests that the 2006 financial year will be our ninth consecutive year of earnings growth."

Stephen Gillies, Managing Director

- Eighth consecutive year of earnings and profit increases, reflecting a doubling of sustainable profits over the last four years:
  - After tax profit $104.0 million, up 28%
  - Net profit (before amortisation of intangibles) $124.7 million, up 23%
  - Before tax profit $131.6 million, up 21%
  - EBIT $167.9 million, up 22%
  - EBITA $188.6 million, up 20%
  - Revenue $3.81 billion, up 19%
  - Turnover $3.97 billion, up 16%
  - Shareholders' funds $908.0 million, up 10%
- 2005 profit after tax equates to 36.3 cents earnings per share (2004: 29.6 cents), a healthy 23% increase.
- Franking credits attached to the final dividend payment have lifted to 70%.
- Strong operating cash flow of $186.0 million.
- Prudent management of debt sees gearing, as measured by net debt to equity, of 38% remain at minimum target levels. Similarly, gearing as measured by net debt to capitalisation remains consistent with the previous comparable period at 27%.
- Good operating performances, with further positive outlooks for all divisions.
- Investments made to purchase a global mining consulting company, Snowden Consulting Group, and New Zealand engineering consultancy, Duffill Watts Group - strengthening our front-end design and engineering consulting capability.
- Substantial decrease in the average lost time injury frequency rate (LTIFR) across the company, down 38% from 3.9 to 2.4, our best ever result.
- Level of free float in Downer EDI shares reached 94%, resulting in recent inclusion in the ASX 100 Index.
- Introduction of an employee share plan for all eligible employees across the Group designed to encourage greater ownership and enhanced pride in our brand, and greater awareness of shareholder value creation. "One team" – shareholders and employees.



chairman's message

Downer EDI's exposure to key growth sectors of mining and resources, transportation, infrastructure and energy has produced a result for the year in line with our expectations. Our market presence in these sectors, combined with major infrastructure expansion and refurbishment, will sustain our current revenue levels and underpin a favourable and sustainable outlook for Downer EDI.

Dear Shareholder

It is my pleasure to present the Downer EDI Limited 2005 Concise Annual Report.

The directors are delighted to report that this has been another successful year for your company.

Downer EDI's audited profit after tax for the year ended 30 June 2005 increased to $104.0 million, well above market consensus. The operating profit before amortisation of intangibles was a pleasing $124.7 million (last year $101.1 million). The result was achieved on higher operating turnover of $4.0 billion (compared to $3.4 billion in 2004).

Second half comparison with the previous year showed improvement in turnover (up 18.6% to $2,103.6 million) and profit after tax (up 21.4% to $68.4 million). The company was also successful in managing its capital, maintaining its debt and improving earnings per share. Earnings per share was 36.3 cents, a healthy 23% increase over the previous year of 29.6 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 12 to 14).

Dividends

A final ordinary dividend of 12.0 cents per share, payable 19 October 2005, was declared by the directors, with an increase in franking from 50% to 70%. An interim dividend of 6 cents per share, franked to 50% was paid on 22 April 2005. Total dividends for the year were 18.0 cents per share and represent a 15% increase in dividend per share compared to last year.

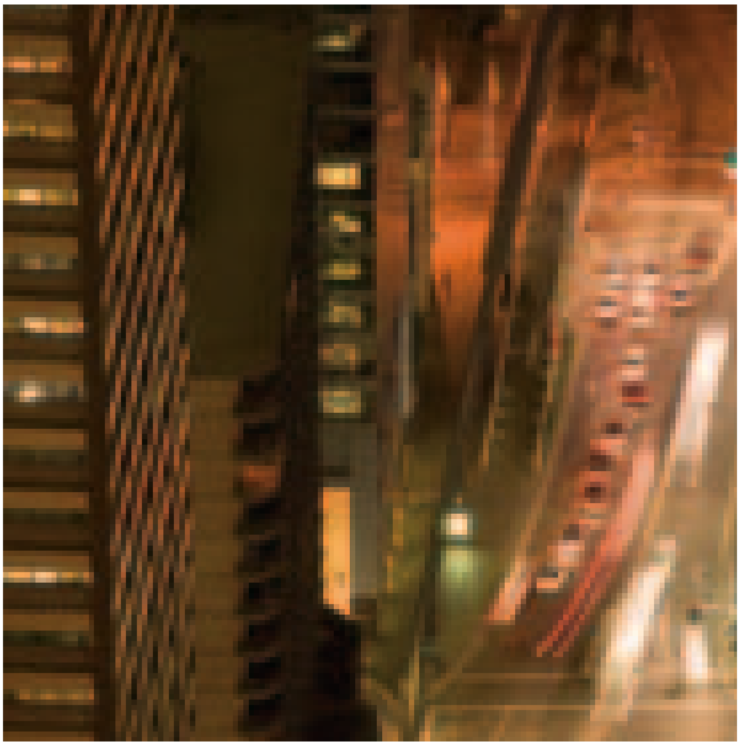
The year's total ordinary dividends of $52 million represent a pay-out ratio of 50% of Downer EDI's net profit after tax. The directors expect that the policy of paying out dividends of approximately 50% of profit after tax and minimum franking of 70% will be able to be maintained.

In August 2004, shareholders were advised that the company's Dividend Reinvestment Plan (DRP) had been reinstated. The plan was reinstated to address the desires of retail and offshore investors not wanting to receive cash dividends. It was also recognised that substantial ASX listed companies in Australia offer the option to elect cash or scrip for dividends and that the DRP provides shareholders with an opportunity to reinvest their dividends in Downer EDI at a discount to market. There has been strong support from shareholders with a 59% take up rate. The company's DRP has been applied to all 2005 dividends.

Operating environment

Operations during the year included strong organic growth from core businesses, maintenance of a mature and growing order book, 'bolt-on' acquisitions, 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 7 to 11 and 16 to 39).

Outsourcing as a worldwide experience is a major growth industry and Downer EDI, with its size and 'one-stop shop' capability, is ideally placed to be a strong participant in providing services in this emerging market. Substantially increased levels of government expenditure in the upgrade and maintenance of essential infrastructure, especially in the rail and road sectors in Australia and New Zealand, were announced during the year and this trend is expected to continue over the next few years. Downer EDI is well placed to benefit from the flow of work that will be directed to the private sector as a result of these trends.



Share register

In December 2004, the level of free float in Downer EDI's shares increased to 94% with the decision of Paul Y.-ITC Construction Holdings Ltd (Paul Y) to sell its remaining 19.5% shareholding, with corresponding improved liquidity and trading of the stock. It was pleasing to see management's continued participation as a shareholder.

International recognition

Increasingly, we are making our mark in the international arena through recognition of the skill of our people and our capability. In particular, our Singapore based business, CPG Corporation, is to be congratulated. During the year, CPG achieved further Asian and international recognition for its excellence in architecture and engineering design by winning several major building and construction industry awards, including two as part of the ASEAN Energy Efficient Building Awards. CPG projects were also showcased in the prestigious Venice Biennale International Architecture Exhibition, a highly regarded exhibition that showcases the world's best architectural works.

Another pleasing development this year has been a growing awareness of Downer EDI in the international financial markets. The company has for the first time been included in the internationally recognised Morgan Stanley Capital International (MSCI) global share index, one of 13 Australian listed companies to be added in May of this year.

Employee share plan

During the year, the board introduced an employee share plan which provided employees based in Australia, New Zealand and Singapore with more than 12 months service the opportunity to acquire Downer EDI shares at a discount to market under the terms and conditions of the company's Employee Discount Share Scheme.

The offer recognised the very important role that our employees have in determining the success of Downer EDI and to thank them for their ongoing contribution, as we look to the future. A pleasing 2,237 employees (26% of those eligible) took up the offer resulting in the allotment of 1,118,500 shares.

The board believes it is most important to continue to consider programs of this kind which nurture and encourage employee loyalty and shared ownership in the success of the company. This is even more so in the current environment of skills shortage .

Corporate governance

I would also like to comment briefly on corporate governance, which has again been a prime focus of the board during the year.

The board recognises the importance of good corporate governance and continues to review its practices in this area in accordance with the guidelines published in 2003 by the ASX Corporate Governance Council.

Last year I reported that your board had developed a number of board policies designed to monitor compliance across the organisation with its legal obligations and corporate governance best practice. One of the areas we gave particular attention to this year was in occupational health, safety and the environment (OHS&E). To this end, a separate OHS&E charter has been adopted, chaired by Mr Chris Renwick, and is part of the Audit and Risk Management Committee's overall responsibility.

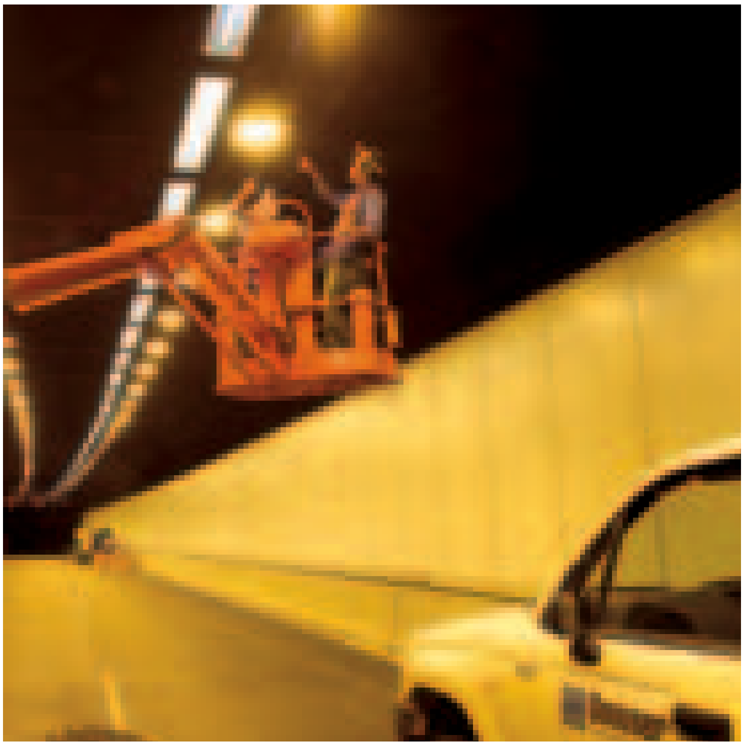
We remain committed to keeping shareholders informed of our developments and maintaining a high level of financial transparency.

Board composition

During the year, we received the resignation of Dr Charles Chan who stepped down as a director at the AGM in October 2004. In September 2004, we appointed Chris Renwick to the board. Chris retired as Chief Executive Officer of Rio Tinto Iron Ore in December 2004 and has over 35 years experience in the mining and resources sector with the Rio Tinto group. He is a qualified barrister and solicitor and a past National President of the Australia-China Business Council and brings a wealth of experience to the Board.

With Paul Y's departure from the share register, Tom Lau will retire as a director at the conclusion of the 2005 AGM and will not be seeking re-election. I would like to express my special appreciation to Tom for his major contribution to the company, initially in being one of the driving forces in the establishment of Downer EDI and then in his capacity as Chairman of the board from 1998 to 2003, and as Deputy Chairman since then.

In keeping with best practice guidelines issued by the ASX Corporate Governance Council, your board will continue to operate with a small number of directors, where each director brings an enquiring, open and independent mind to board meetings. We consider that this will help ensure that decisions are made in the best interests of the company and its shareholders. With Tom Lau's departure in early November, the board will consist of four independent non-executive directors and the managing director. The board is giving consideration to the possibility of appointing a further non-executive director to complement and strengthen the skill and knowledge base of the board, with timing for a decision on this expected in the new year.



Board contact with management

During the year, your board participated in several activities which gave members the opportunity to meet with management and further develop their knowledge and understanding of the business. Peter Jollie and I had the opportunity to participate in a three-day conference involving over 100 of the senior management from across all aspects of the company's business. The board met with management and visited project sites associated with the company's telecommunications, road maintenance and food processing activities in and around Auckland, New Zealand. The board also met regularly with business stream senior management as part of the annual strategic planning and business familiarisation process.

Looking ahead

It has been a most pleasing year for Downer EDI and I continue to be encouraged and confident about the prospects for your company's development in the years ahead.

As board and management, we have a long-term strategy to build a group of highly complementary business skills that add value to clients and minimise risk. The company's success in generating year on year profit increases over the last eight consecutive years speaks for itself. Your board is confident in the capacity of the company's management to continue to perform and to invest to strengthen the business and its earning's capability.

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

I thank my fellow directors for their continued valued contribution to the work of the board and for their commitment to your company's prosperity. The 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 hard work, dedication and great efforts during the year.

I look forward to continuing to serve you, the shareholders, in my capacity as chairman.

Barry O'Callaghan AO

md's review

The 2005 financial year for Downer EDI was a further step towards realising our potential with new business at an all-time high. This was our eighth successive year of earnings and profit increases, a record we as management are very proud of.

It was a year of further consolidating the strong market positions of our core businesses, improving the quality of earnings whilst maintaining a high level of secured orders, particularly in the services area, confirming our view on sustainability of revenue. We have significant exposure to the growth areas of transport, energy and infrastructure services and the outlook continues to be positive across all our operating businesses.

Significant increase in revenue and profit achieved was ahead of guidance provided at the half year. Excluding a tax consolidation benefit of $10 million, reported net profit after tax was $94 million, an increase of 15% and in line with market estimates.

Operating earnings (EBITA) increased by 20% to $188.6 million. Net debt was $340.8 million, in line with the company's minimum target levels.

Earnings per share (EPS) increased by 23% to 36.3 cents, reflecting the strong increase in profitability.

Significantly, we also delivered our third consecutive year of strong operating cash flow off the back of increased profitability year on year. The company's balance sheet remains in a very strong position with gearing continuing at historic low levels. Conservative gearing provides us with continued resources and liquidity to fund future growth opportunities.

Whilst the year realised record sales, we also saw the highest number of employees working for the organisation - over 17,600, an increase of 2,000 on the previous year. It was pleasing to see that this increased level of personnel also coincided with a reduction in the Lost Time Injury Frequency Rate (LTIFR). For the first time as a total Group, the LTIFR fell below 2.5 reflecting the Group's high focus on safety.

This year, we continued to make progress in building capability as a value-adding engineering service provider through a combination of bolt-on acquisitions, enhancing our skills base and promoting our intellectual property capability. In support of this, we have strengthened our capability in the 'front end' engineering design and consultancy area of our business with the acquisition of Snowden Consulting (resources sector) and the Duffill Watts Group in New Zealand (engineering sector).

We continue to deliver stable and growing core earnings streams in operate and maintenance services, estimated to be 75% of our total revenue, to underpin the sustainability of our business.

Our focus on opportunities to layer in 'annuity-type' earnings streams that seek to improve the transparency and predictability of our Group earnings continues.

Operating performance

Profit for the 2005 financial year reflected good operating performances and stronger organic growth while demonstrating the ability to secure long-term earnings and generally improving margins. Headline sales growth was recorded by all divisions, other than Rail, due to the completion of Stage Two of the Millennium Train contract. Turnover and profit across the businesses were in line with expectations with major contributions from Mining and Resources and Infrastructure Services.

Mining and Resources Division maintained its positive momentum to deliver record turnover of $1,413.5 million, an increase of 31%. The performance reflected a substantial contribution from the Services side of Roche Mining's business, which now accounts for 37% of revenue (last year 25%), and a doubling of revenue from Century Resources' oil and gas drilling activities compared to the previous year. Forward orders for the division stand at a record $2.8 billion, and the outlook is positive.

Infrastructure Division also reported record turnover of $893.6 million, reflecting a 31% increase and represented significant penetration into the Australian road maintenance market and a continued strong performance from our New Zealand operations.

Rail Division's turnover was down on the previous year at $360.9 million, reflecting the completion of several build contracts including Stage Two of the Millennium Train contract, but significant new orders during the period consolidated the division's strong positioning across passenger and freight rollingstock supply and long term maintenance, and have underpinned future earnings growth.

Engineering Division (Power and Engineering Services, Telecommunications, CPG) delivered turnover for the year of $1,289.9 million, an increase of 10%, with a strong contribution from power and engineering services offsetting a lower contribution from telecommunications, due largely to a weaker Telstra spend. The scale and presence of the operating businesses within the Engineering Division in an environment where the engineering sector faces a critical shortage of skilled labour are supporting solid growth opportunities.

During 2005, India emerged as a significant new growth market for CPG which is expected to surpass China in revenue generation.

Contents

Significant lifts in contributions to Group profit for the year came from Mining and Resources (87%) and Infrastructure (16%). Contribution to Group profit from mining and resources activities included a positive contribution from the drilling business, Century Resources, which delivered an EBITA of $7.7 million, compared to a loss of $4 million in the prior year.

The high demand for our services is encouraging. At last year's AGM, shareholders were advised that we were endeavouring to position ourselves to be selective in the work undertaken. There are constraints on our business in meeting the demand and these are associated with the availability of skilled labour and the discipline we are imposing on ourselves when it comes to demand for capital, equipment and costs associated with the increasing opportunities for public private partnerships.

Our focus is on the efficient use of our capital, plant and equipment and the people skills of our large and diverse workforce, to achieve sustained growth and returns. In some cases, this has meant turning away tender opportunities.

Sales inflow

We have been successful in, and continue to place emphasis on, extending the maturity profile of our sales book and increasing the level of repeat business, while maintaining and where possible improving margins. Sales inflow, as measured by our secured order book position remains at healthy levels of $6-7 billion, and consistent with the positive outlook. Much of Downer EDI's sales inflow is made up of longer term contracts, ongoing contract renewals and repeat work through the services provided across the various businesses.

The order book position for the period was enhanced by major new rail contracts, notably the long term outsourcing maintenance contract with Pacific National and rollingstock supply contracts with BHP Billiton and Queensland Rail. A range of substantial contracts in mining and mine services included the Iluka Douglas mineral sands project in Victoria, 'life of mine' services at the Werris Creek coal mine in New South Wales and a three year extension of Roche Mining's contract at the Sunrise Dam gold mine, Western Australia, based on an open book alliance arrangement.

Operating environment

Governments in Australia and New Zealand have acknowledged the need for substantial investment in new infrastructure, particularly in transport, electricity and water. Just to deal with the current backlog of projects, record levels of expenditure in rail and road infrastructure upgrade have been announced and governments in many jurisdictions are actively embracing public private partnerships (PPPs) as a way of moving forward in funding and managing essential infrastructure.

Downer EDI is well positioned to participate in PPPs and alliance partnering with government. We have the expertise and size to pursue an increasing number of opportunities in this area and to secure infrastructure upgrade and asset management work.

In addition, international and domestic demand for resources and a shift towards greater private investment are expected to launch many new infrastructure projects in the region where Downer EDI will have the opportunity to provide services.

We continue to give active consideration 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. These opportunities are now before us and include the New South Wales PPP for rollingstock and related infrastructure assets.

The company continues its strategy of being highly selective and minimising risk with a focus on Australian, New Zealand and selected Asian based income.

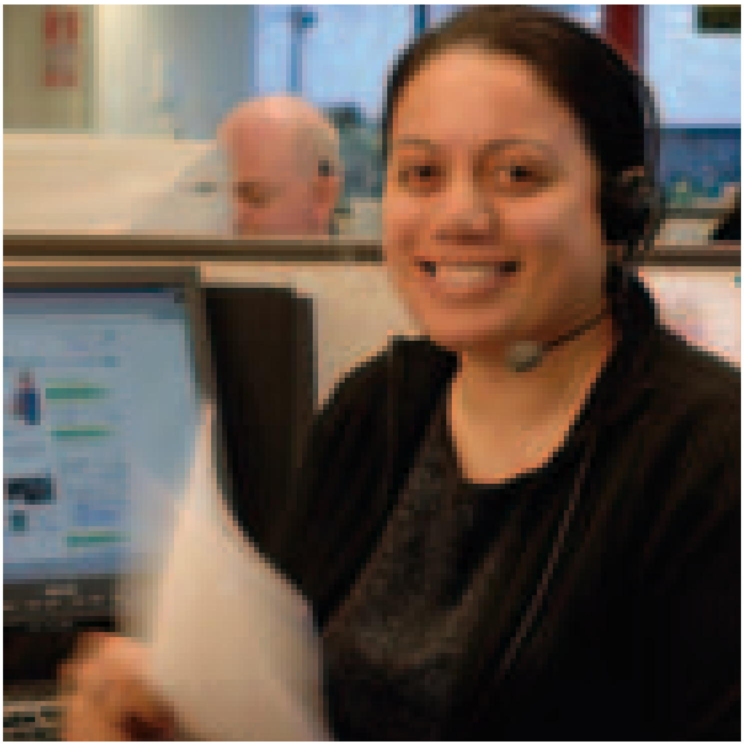
Regional commentary

Australia

Australian economic growth has been strong over the past few years, and is expected to remain strong. This is driving demand in those sectors where Downer EDI is active – power, infrastructure (road and rail), communication services and resources. Government spend on upgrading transport infrastructure, increasing confidence in the global commodity market and a continuing trend towards outsourcing are expected to have a positive impact on our business.

New Zealand

In New Zealand, the government has announced expenditure in land transport of NZ$21.5 billion over the next ten years. This is expected to have a positive impact on our road maintenance and upgrade business, where Works Infrastructure holds a pre-eminent market share. The government's desire to see improvements in the efficiency and performance of the New Zealand rail services is also likely to drive increased activity in this sector in the coming years. Prospects for Downer EDI businesses operating in the telecommunications, power, water and engineering services are also buoyant.



Singapore/Asia

In the Asian region, a strong platform for growth has been established through Singapore based CPG Corporation (CPG) and its highly skilled staff. The business has successfully established footholds in the growth markets of China and India, and operates in 12 countries in the region. While market conditions in Singapore remain steady, there are signs of growth in GDP after a period of subdued levels of economic activity which is expected to have a positive impact on CPG. CPG has partnered with Macquarie Bank for a large PPP in Singapore, a pointer to a new phase of public development expenditure.

Acquisitions and divestments

In keeping with the company's strategy, we have continued to invest in our core operations through small 'bolt-on' acquisitions which totalled $27.6 million.

In December, the Perth-based Snowden Consulting Group was acquired, which provides high-level, front-end professional consulting services to the metals mining industry and complements the overall capability of our Mining division (Roche Mining) to provide clients with a complete end-to-end service.

In July 2005, we also acquired the New Zealand-based engineering consultancy, Duffill Watts Group, which provides us with a platform to extend our 'front-end' services in design and engineering consulting into Australasia and allows greater opportunities for CPG, with its strong presence in Asia, to operate in the New Zealand market. We expect to further invest to grow our consultancy activities in Australia.

Both of these businesses have excellent management and a high level of technical skill - as such, they bring tremendous value to Downer EDI and its clients.

Other small acquisitions were made in road surfacing and maintenance in Australia, electrical and telecommunications maintenance in New Zealand, mine maintenance in Australia and environmental services in Singapore.

At the same time, we advanced the divestment of businesses where retention is inconsistent with our long term business strategy. The Perth-based castings foundry business, Roche Castings, was sold to Bradken Limited for $26.7 million in the second half of the 2005 financial year.

Acquisitions were primarily funded from the divestment of non-core businesses.

Century Resources

Downer EDI has previously advised that it intends to exit the non-core activities of its resource services business known and trading as Century Resources (Century).

The Century business has continued to improve having doubled revenue in financial year 2005 compared to 2004 with even greater growth in profitability. As such, we believe the value of Century has also increased in parallel with the current particularly buoyant oil and gas market and see greater value in a divestment process to be revisited at a future date reflecting current and future earnings.

Communications and brand awareness

We continue to pursue opportunities to promote the name and reputation of the company through excellence in performance and carefully selected programs designed to raise awareness of the brand. During the year, we undertook advertising programs on Bloomberg TV and CNBC Asia designed to raise brand awareness amongst the financial markets, business community and governments in the region. In New Zealand, the company's Infrastructure division (Works Infrastructure) commenced a three year major sponsorship of referees in the Super 12 rugby competition which, through careful management, is providing Works Infrastructure with measurable benefits.

Achieving operational effectiveness

Achieving operational effectiveness and maximising the benefits of a fully integrated organisation able to cross-sell and implement seamlessly its capabilities as a service organisation continue to be a key focus for the Group.

While there is still much to do in this area, during the year significant progress was made within business divisions and across our business groups to heighten awareness, both internally and with our clients, of our organisational and skills capacity to provide integrated and complementary services from front-end design and technology, through to project management, operation and maintenance. Resources have been applied at a corporate level to help facilitate and drive this process.

Improved and cost efficient execution in the delivery of our services to clients remains a high priority across our businesses and this is being achieved through greater attention to management review, risk assessment and systems enhancement.

Also important is being a client focused organisation. The company has recognised for some time the importance of shifting the culture from one driven by short-term contractual relationships with clients to one based on value added services provided to clients on a long-term basis – in other words, a true service organisation.


Left to right: **Carl Thompson** General Manager, Commercial Services/Company Secretary **Greg Pauline** General Manager, Business Development **John Shuey** Group Corporate Affairs Manager **Lynne Shori** Investor Relations Manager

Annual conferences for senior operational management and other cross-divisional activities are being used more frequently to share ideas, develop cohesion and team work and instigate steps to enhance operational effectiveness. Our people are encouraged to stay focused on simple objectives, those things which are practical and actionable.

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/recognition

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 period:

- Roche Mining was awarded in excess of $1.6 billion of new and repeat business during the period, including 'life of mine' services at the Werris Creek coal mine in New South Wales, a three year extension of the alliance contract at the Sunrise Dam gold mine in Western Australia and over $350 million in design and engineering consultancy, minerals technology and process engineering services in the mining and minerals sectors both in Australia and overseas.
- Works Infrastructure New Zealand successfully retained a number of key contracts with local government authorities at improved margins to retain its pre-eminent market position in New Zealand's road maintenance business.
- Works Infrastructure Australia succeeded in securing long term contracts, including railtrack maintenance in Victoria with ARTC over four years and a significant proportion of VicRoads' long-term road maintenance work.
- CPG's continued success in exporting some of its key services outside of Singapore included the design of the prestigious Emirates Financial Towers in Dubai, lead design contract for the world's deepest underwater railway tunnel linking the Asian and European borders of Turkey and substantial expansion of its international portfolio of airport consultancy projects, especially in the growing economies of China and India.
- Downer Engineering's telecommunications business built on its term maintenance contract with Telecom New Zealand by securing a new five year contract for the maintenance of payphones throughout New Zealand.
- Downer Engineering's power business entered into an alliance contract with Alcan for the provision of electrical and instrumentation installation services for the $2 billion expansion of the Alcan Gove Alumina Refinery in the Northern Territory, continuing Downer Engineering's long association with Alcan.
- EDI Rail was awarded a major outsourcing contract with Australia's largest private rail freight operator, Pacific National, for long term maintenance of up to eleven years of over 300 of their locomotive fleet.

The business segment reviews (pages 16 to 39) provide further indications of the range of contracts awarded for the period.

We 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. An increasing number of partnership associations with companies like Mitsubishi in the power sector and Hitachi in the rail sector are likely moving forward.

Management appointments

At Downer EDI head office, the senior management team has been expanded to meet the needs of a large and growing business. Effective October 2005, Brent Waldron, previously CEO of our Works Infrastructure business in New Zealand, will join the corporate team as Deputy Chief Executive, Downer EDI, and will play a key role in overseeing the further improvements in performance and operations of Downer EDI.

In December 2004, Mr Khor Poh Hwa, previously CEO and President of CPG Corporation, was appointed Downer EDI's regional director and senior advisor for the Asian region to help facilitate the company's overall business development and growth. Mr Pang Toh Kang, previously deputy CEO of CPG, was appointed CEO and President of CPG Corporation.

Outlook

The outlook for Downer EDI for the 2006 financial year is positive. We approach the year in the strongest position we have ever been, with 96% of the year's revenue in hand, on the back of our $4.5 billion portfolio of operation and maintenance contracts.

Our pipeline of organic growth opportunities has never been better, and our focus is increasingly on financial year 2007 and beyond.

In 2006 we expect moderate to high growth in the transportation, energy and resources sectors and that the trend to outsourcing will continue.

Against this backdrop, our strategic focus will remain unchanged – we will continue to target existing clients in our key markets of Australia, New Zealand and Singapore.

However, for the 2006 financial year our focus will be on driving improved earnings quality and returns rather than pursuing top line growth. This will be achieved by growing the services side of our businesses, continuing to secure contract renewals and extensions and growing the proportion of alliance style contracts where we jointly manage and share execution risks with our clients in a tight climate for human resources.

We have in place a large skilled workforce now totalling over 17,600. Shortages of skilled labour are expected to continue to adversely impact many companies operating in the industry sectors where we provide services. Like other major employers, we have been recruiting qualified and capable talent for the last two years from the United Kingdom.

The economic outlook for Australia and New Zealand, our two major markets, is generally positive, and while the economic outlook for countries where we operate within Asia and South East Asia is steady, we remain buoyed by the prospects in our target markets.

Substantially increased levels of government expenditure in the upgrade and maintenance of essential infrastructure, especially in the rail and road sectors in Australia and New Zealand, were announced during the year and this trend is expected to continue over the next few years. Downer EDI is well placed to benefit from the flow of work that will be directed to the private sector as a result of these trends.

Demand for mining and resource services in the second half of the 2005 financial year has been strong and is expected to continue. Our focus is on improving margins and the return on capital of this business. The growth that needs to be managed in other parts of our business provides a rich opportunity to ration capital according to risk and return.

In terms of guidance, we are targeting a moderate 8% growth in sales for 2006, but as was the case last year, market demand will probably see this statistic exceeded. We still look to deliver an increase in net profit after tax in excess of top line sales growth.

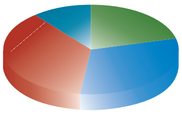
Again, as in past years, we will maintain our ongoing focus on a strong balance sheet and delivering sustainable long term earnings growth for shareholders. This is a core business philosophy of the management at Downer EDI.

We deliver our services primarily through our own people, who are a key asset for the Group. I extend my personal appreciation to all our employees for another year of commitment and for their individual efforts to pursue improved excellence. We continue to develop and expand Downer EDI into higher order activities and operate and maintain services that will provide challenges and opportunities for all.

Stephen Gillies

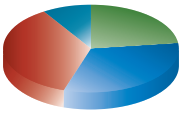
Total turnover by major division

2001 – 2005



- Infrastructure 21%
- Engineering 31%
- Mining and Resources 37%
- Rail 11%

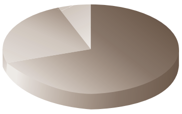
2005



- Infrastructure 23%
- Engineering 32%
- Mining and Resources 36%
- Rail 9%

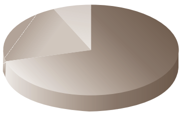
Total turnover by location

2001 – 2005

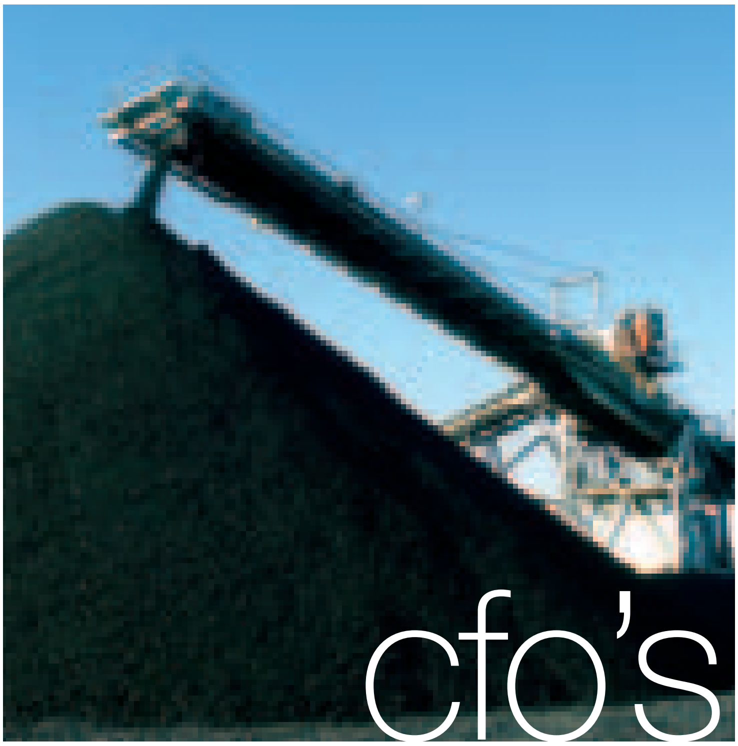


- Australia 70%
- New Zealand/ Pacific 24%
- Asia 6%

2005



- Australia 71%
- New Zealand/ Pacific 22%
- Asia 7%




cfo's review

In the second half of the 2005 financial year, the improved earnings trend when compared with last year continued and culminated in the delivery of Downer EDI's eighth consecutive year of increased earnings. The five year record table reflects the company's history of delivering sustainable growth, of both revenue and profitability, and is reflective of the underlying strength of our recurring revenue and business model.

Revenue for the year was $3.8 billion, up $621 million (or 19%) over the previous year. Of this increase, organic growth in our core businesses accounted for the majority of the increase. Turnover for the year was $4.0 billion, up $555 million (or 16%) over the previous year.

By division:

- Engineering turnover increased 10% to $1,289.9 million;
- Mining and resources turnover increased 31% to $1,413.5 million;
- Infrastructure Services turnover increased 31% to $893.6 million;
- Rail turnover decreased 12% to $360.9 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 $188.6 million, an increase of $31.3 million (or 20%) over the prior year. Eliminating the effects of discontinued businesses, EBITA margins from core businesses have improved on last year to 5.4% and importantly, on an increased revenue base.

Net interest expense for the year was $36.3 million, which is up $7.8 million over the previous year and was impacted by the timing of anticipated receipts relating to the Millennium Train contract (which was fully paid for by RailCorp prior to year end) and increases in the level of working capital required to fund the expanded revenue platform. The EBITA to net interest coverage ratio is still greater than five times and approximates the level achieved in 2004.

Depreciation and amortisation amounted to $121.0 million compared to net additions to property plant and equipment of $107.3 million. This sees net capital expenditure returning to levels within our annual depreciation and amortisation charges (2005 89%) and effectively represents a reinvestment of our depreciation and amortisation charges for the year. Depreciation rates adopted by the Group are conservative, with net gains of $8.8 million reported on disposal of property plant and equipment (2004 $7.3 million).

The effective tax rate of the Group for 2005 was 21.0%, which was below the level that one would expect. This has principally been driven by the recognition of a $10.0 million tax benefit arising from the introduction of the consolidated tax return regime in Australia. Work continues to be done in this area to firm up the tax cost base for consolidated tax depreciation purposes by the 31 December 2005 deadline. Completion of this work may result in the recognition of a further tax benefit.

The effective tax rate continues to be affected by 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). Profit contributions from overseas operations with tax rates lower than the Australian tax rate (such as Singapore) have also contributed to a reduced overall tax rate.

Net profit after tax at $104.0 million was $22.7 million (28%) higher than the previous year. This equates to an earnings per share of 36.3 cents per share, another healthy improvement (23% increase) in earnings per share, year on year.

Accounting policies & basis of preparation

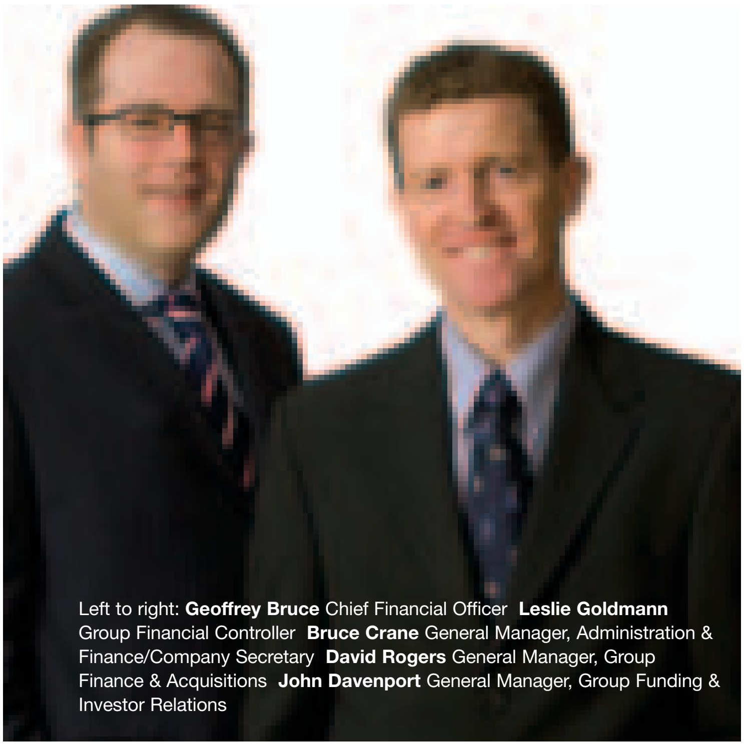
The financial statements have been prepared in accordance with Australian accounting standards, corporations regulations and other mandatory professional reporting requirements. There have been no major changes in accounting policies or in the basis of preparation of the financial statements during the year.

The Australian Accounting Standards Board is adopting International Financial Reporting Standards (IFRS) which will first be reflected in the Group's financial statement for the 2006 year. Details of adjustments that will be made to comparative information provided in the 2006 Annual Report have been detailed in the full financial report 2005.

Cash flow & capital expenditure

Operating cash flow for the year was $186.0 million, reflecting once more strong cash flow levels driven by all divisions and the commitment of operations to manage the use of Group working capital. This strong cash flow generation continues to help strengthen the composition of the Group's balance sheet, while internally funding investment activities undertaken during the year. While funds utilised in working capital increased by $62.5 million to $420.7 million during 2005, this was on the back of a $621 million increase in revenue. As a percentage of revenue, working capital has remained steady at 11%. Management remains focused on achieving reductions in working capital to internally fund further growth.

Net investing activities of $142.3 million over the 2005 year were slightly less than the 2004 level of $145.3 million. Of this amount $107.3 million related to net additions to property plant and equipment reflecting, effectively, a reinvestment of 89% of our depreciation and amortisation for the year. Proceeds from sale of non-core business activities during the year totalled $26.7 million. While the business disposed was successful and well managed, heavy engineering is inconsistent with the company's business strategy and outlook going forward. Funds



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

received were reinvested to fund $27.6 million in strategic 'bolt on' businesses which have an emphasis on consulting and design engineering capability to support long-term maintenance and infrastructure operations.

2005 net debt of $340.8 million remains consistent with the 2004 level. The Group's gearing as measured by net debt to capitalisation (net debt plus total equity) at 27% remains at levels lower than anticipated. On a net debt to equity basis, gearing at 38% also remains within targeted levels.

Maintenance of these low levels of gearing continues to be achieved on the back of strong operating cash flows, despite the level of capital investment made during the year. Conservative gearing provides the Group with continued resources and liquidity to fund future growth opportunities.

Financial position

Net assets of the Group have increased from $823.0 million to $908.0 million, an increase of $85.0 million. Major contributors to this increase arose from:

- Dividend reinvestment plan elections of $29.1 million;
- After tax profits (net of dividends paid) retained in the business of $54.1 million;
- The issue of shares on acquisition of business of $3.7 million;
- The issue of shares under the terms of the Group's Employee Share Plan of $3.5 million; and
- A negative movement in reserves of $5.4 million, reflecting movements in foreign currencies against the Australian dollar and their effects on translating foreign subsidiary financial statements into Australian dollars.

Banking facilities & treasury risk management activities

As a result of the Group's improving financial position and strong 2004 operating performance, the company's investment grade credit rating was raised from stable to positive outlook. This improving credit profile coupled with solid demand for investment grade corporate debt, enabled the company to extend and expand the capacity and maturity profile of its funded debt late in the 2005 financial year. This was achieved at significantly better pricing than historical pricing. Following this, our eighth consecutive year of record earnings, we will again look to have our credit rating reviewed.

As at 30 June 2005, the weighted average maturity of the Group's funded debt stood at 4.6 years, compared with 3.0 years for the prior year. This was achieved largely through extension of maturity dates of our Australian and Asian syndicated debt facilities to 2008 – 2010, and through accessing the US private placement debt market for the third time for maturities ranging from 2009 to 2019. To manage risks associated with interest rate fluctuation on long term decisions, 60% of the Group's funded debt is at fixed interest rates at 30 June 2005.

Debt facilities drawn at year end totalled $506.8 million (2004: $484.8 million) with a maturity profile of 3% due within 12 months (2004: 22%), 14% due within two years (2004: 15%) and 83% due from three to fourteen years (2004: 63% due from two to ten years).

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

The Group also maintains $671.3 million in facilities in the surety market for performance bonds in respect of its operating businesses. Facilities utilised at 30 June 2005 totalled $462.3 million. Other than $8.9 million, all debt and surety facilities are provided on an unsecured basis.

Total available liquidity at year-end amounted to $716.3 million comprising cash of $166.0 million and undrawn lines of $550.3 million.

Capital management & dividends

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

Shareholders should be pleased to note that a 2005 final ordinary dividend of 12.0 cents per share has been declared and has been franked to 70%. This represents a 25% increase over the 2004 final dividend and a 40% increase in the level of franking attached to the final dividend. No special dividend has been declared in respect of the 2005 year.

Dividends on ordinary shares paid or declared in respect of the 2005 year in total, amounted to 18.0 cents, an increase of 15% over the previous year's distributions. Total dividends for 2005 represent a distribution of 50% of net profit after tax, consistent with the Group's stated policy.

The 2005 final dividend is payable on 19 October 2005. Many shareholders took advantage of the company's Dividend Reinvestment Plan (DRP) during the 2005 year, with 59% of eligible dividends being subject to DRP. To meet continuing shareholder appetite in this area, the company's DRP applies to the 2005 final dividend, once more providing shareholders with the opportunity to reinvest their dividends in Downer EDI at a discount to market.

Shareholders should appreciate that their Total Shareholder Return (being the value of dividends paid during the 2005 year, including franking credits and the increase in the share price over the year, divided by the opening share price) represents a return in excess of 72%.

Geoffrey Bruce
Chief Financial Officer

Left to right: **Pan Toh Kang** President & Chief Executive Officer, CPG Corporation **Khor Poh Hwa** Regional Director, Asia, Downer EDI **Robert Logan** Chief Executive Officer, Mining Division **Robert Hackett** Chief Executive Officer, Resource Services Division

Five year record for year ended 30 June	**2005 $'000**	**2004 $'000**	**2003 $'000**	**2002 $'000**	**2001 $'000**
Turnover	3,972,325	3,417,491	2,867,858	2,585,636	1,718,128
Revenue	3,814,511	3,193,308	2,697,023	2,442,449	1,632,824
Earnings before interest tax and amortisation of intangibles (EBITA)	188,646	157,303	140,445	128,734	100,513
Interest expense (net)	36,309	28,546	28,826	34,113	25,913
Income tax	27,595	27,689	28,171	22,870	18,583
Profit after tax	104,035	81,546	66,572	56,431	45,516
Total equity	908,020	823,029	760,191	709,565	586,114
Net debt to equity	38%	41%	39%	63%	81%
Net debt to capitalisation (debt plus equity)	27%	29%	28%	39%	45%
Trade debtors turnover (rolling 3 month average) - days	46.8	41.4	42.1	43.3	43.0
Cash flow from operations	185,957	181,480	225,003	47,353	70,510
Basic earnings per share pre amortisation of intangibles (cents)	43.5	36.8	32.0	30.0	30.8
Basic earnings per share (cents) *	36.3	29.6	25.2	23.2	24.4
Diluted earnings per share (cents) *	36.3	29.6	24.4	22.0	22.8
Closing share price (dollars) *	$5.33	$3.20	$3.08	$2.64	$2.20
Dividends per ordinary share (cents) *	18.0	15.6	11.6	9.6	8.4
Dividend payout ratio as a percentage of profit after tax	50.0%	53.9%	50.3%	50.3%	47.8%
Order book (millions)	6,500	6,400	5,500	4,500	3,700

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

Shareholder distribution of quoted equity securities at 31 August 2005	**Shareholder Number**	**Shareholders %**	**Shares Number**	**Shares %**
Range of holdings				
1-1,000	7,477	44.51	3,853,388	1.32
1,001 – 5,000	7,298	43.44	17,385,551	5.96
5,001 – 10,000	1,219	7.25	8,607,195	2.95
10,001 – 100,000	721	4.29	15,132,752	5.19
100,001 and over	85	0.51	246,706,269	84.58
Total	**16,800**	**100.00**	**291,685,155**	**100.00**
Holding less than a marketable parcel of shares	180		5,423	

chief executives

Left to right:
David Cattell Chief Executive Officer, Infrastructure Division Australia
Brent Waldron Chief Executive Officer, Infrastructure Division New Zealand
Guy Wannop Chief Executive Officer, Rail Division
Chris Denney Chief Executive Officer, Engineering Division

David Cattell

Chief Executive Officer, Infrastructure Division Australia

David holds a Bachelor of Engineering (Hons) and a Master of Business Administration. He has over 17 years experience in construction and infrastructure project management, gained in large Australian construction companies, and prior to his current appointment held the position of General Manager, Works Infrastructure Western Australia. He is a fellow of the Institution of Engineers Australia.

Chris Denney

Chief Executive Officer, 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' 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.

Robert Hackett

Chief Executive Officer, 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 in heavy engineering, construction, drilling and merchant banking companies. Robert also has considerable experience in business and corporate finance roles.

Khor Poh Hwa

Regional Director, Downer EDI

Poh Hwa holds a Bachelor of Engineering (Civil) and a Masters of Science (Civil Engineering), and is a Professional Engineer registered with the Singapore Professional Engineers Board. Prior to his appointment in December 2004 as regional director and senior advisor for Downer EDI in Asia, he was President and CEO of CPG Corporation. Poh Hwa joined CPG in 1975 and since then has accumulated a wealth of experience in infrastructure development projects. He held a number of management positions at CPG, including a 2-year secondment to the China-Singapore Suzhou Industrial Park project in China as Deputy CEO, before becoming President and CEO of the newly corporatised entity in 1999.

Pang Toh Kang

President and Chief Executive Officer, CPG Corporation

Toh Kang took over as President and CEO of CPG Corporation from January 2005. Prior to this, he held the position of Deputy CEO in CPG Consultants and Executive VP (Business Development) in CPG Corporation, where he led significant new ventures for the company in China, India, Middle East and in ASEAN countries. Toh Kang has been involved in building and infrastructure works since 1979. Toh Kang's qualifications include a Bachelor of Engineering (Electrical), Master of Science (Industrial Engineering), Professional Engineer and INSEAD Advanced Management Program.

Robert Logan

Chief Executive Officer, Mining Division

Robert holds a Bachelor of Engineering and a Master of Engineering Science. He has been actively involved in mining and construction for over thirty 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 the Minerals Council of Australia.

Brent Waldron

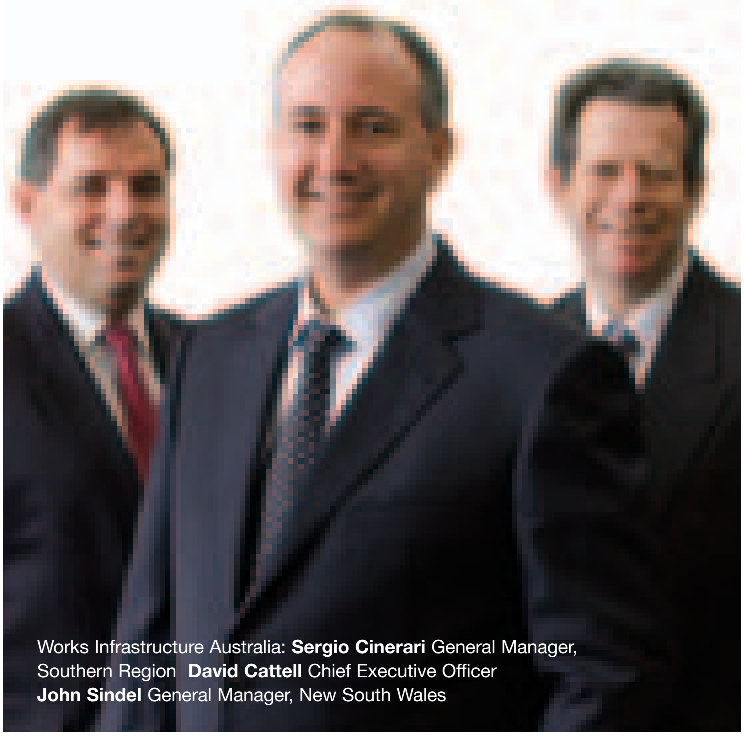
Chief Executive Officer, Infrastructure Division New Zealand

Brent holds Bachelor of Commerce (Accounting) and Master of Commerce (Hons) degrees. He has held senior executive positions in several large companies in diverse industries and has been CEO at Works Infrastructure New Zealand for three years. He has extensive management experience in 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.

Guy Wannop

Chief Executive Officer, Rail Division

Guy holds a PHD in Engineering and has over 28 years of senior management experience working in Australia, USA and South Africa. During this time Guy worked for a diverse spread of companies in the industries of engineering, manufacturing and security. Most recently Guy held the position of Divisional Managing Director (Asia Pacific) at Chubb Plc, before taking on his role at Downer EDI.



Works Infrastructure Australia: **Sergio Cinerari** General Manager, Southern Region **David Cattell** Chief Executive Officer
John Sindel General Manager, New South Wales

Works Infrastructure Australia: **Chris Murphy** Chief Financial Officer **Mark Petale** National Manager, HR **Robert Ryan** General Manager, Western Region

Downer EDI's Infrastructure Division, Works Infrastructure, provides routine maintenance, preventative maintenance and upgrade services to the road and rail sectors in Australia and New Zealand. In addition, the division manages the delivery of other infrastructure services to local government including water treatment and reticulation; wastewater, 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.

Performance and activities for the year

Record profits and a substantial contribution to the Group result from infrastructure services across New Zealand and Australia were achieved in the 2005 financial year. Road, rail and water all experienced significant growth in turnover.

New Zealand

In New Zealand, strategies focusing on delivering excellence in client relationship management, operational performance and the development of our people have resulted in the growth of both market share and financial returns.

During the year a new core information system was successfully implemented on time and under budget. This will improve the quality and speed of information and data for decision makers at all levels of the business.

The 2004 report highlighted the commissioning of a NZ$8 million Astec Hotmix Asphalt Plant in Auckland. This plant has exceeded our expectations in both the quality of the product produced and in its financial performance. A mobile plant renewal program is producing benefits both in terms of improved productivity and in projecting the Works Infrastructure brand.

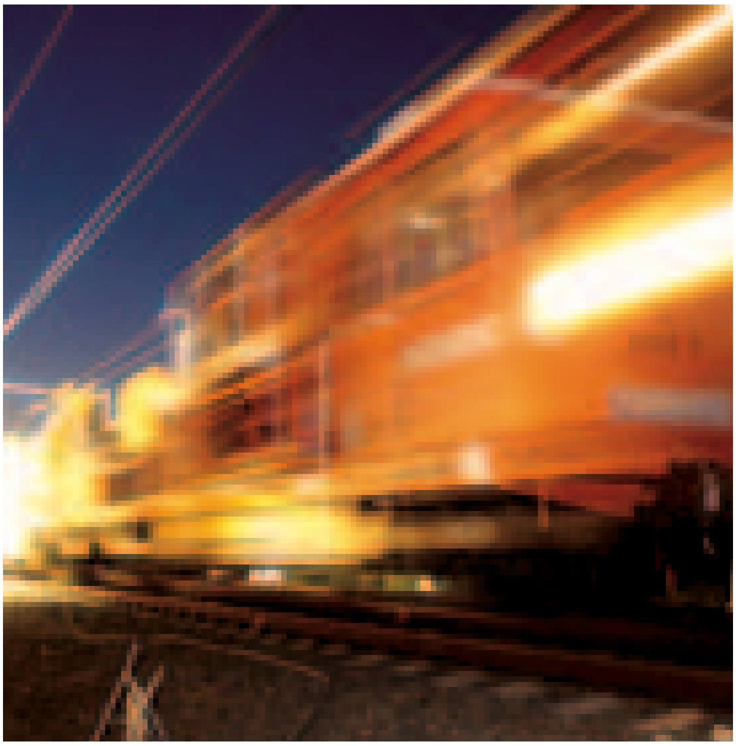
The focal point for brand awareness during 2005 was the sponsorship of the referees in the Super 12 rugby competition. The value of the first year of this three year sponsorship was seen in the opportunities it created for relationship building with existing clients and the brand awareness it created for recruitment campaigns. As with most trade reliant businesses across Australasia, Works Infrastructure is facing skilled recruitment challenges. Employees are increasingly focused on the values and culture of their employer, as well as the opportunities for personal growth and development. The Super 12 sponsorship is an ideal forum to promote the Works Infrastructure brand to existing and prospective employees.

To ensure our work on the ground meets the brand promise, all operations and manufacturing sites in New Zealand maintain the exacting quality management standard ISO 9001: 2000, ISO 14001 Environmental and ISO AS/NZS 4801 Occupational Health and Safety.

Works Infrastructure continues to build on its enviable position in the New Zealand roading and water sectors. A significant proportion of next year's work is secured and the division is confident of achieving further performance improvement in the coming year.

Long term performance specified service agreements in the roading sector remain a primary focus, and Works Infrastructure currently holds:

- Five medium term (five year) hybrid road maintenance contracts with Transit New Zealand;
- One long term (ten year) Performance Specified Maintenance Contract (PMSC) with Transit New Zealand;
- A major subcontract position on one long term (ten year) PSMC with Transit New Zealand;



Works Infrastructure New Zealand: **Murray Brown** General Manager, Strategic Development **Brent Waldron** Chief Executive Officer **Bernard Hough** General Manager, Major Projects (Pacific) **Cos Bruyn** General Manager, Operations

- A major subcontract position on one long term (ten year) performance based contract with BayRoads (joint client Transit New Zealand and Western Bay of Plenty District Council); and
- One five year facilities management and road maintenance contract with the Rodney District Council.

The New Zealand bitumen supply business continued to improve its overall business performance and on 1 July 2005, Works Infrastructure purchased from Caltex, the remaining half share of Bitumen Supply Ltd. This will facilitate the full integration of the business with Works Infrastructure's 100% owned bitumen business.

Australia

Works Infrastructure in Australia has continued to expand its core business through organic growth as well as through strategic acquisitions, primarily in the New South Wales and Western Australian road maintenance and construction markets.

Works Infrastructure Australia has enjoyed organic revenue growth in all business units, and as a result, has made a strong contribution to the Group's EBITA.

Strategic acquisitions have been successfully integrated into the Works Infrastructure business. The acquisition of a specialist supplier of slurry has augmented the company's suite of services to the road maintenance market. Other acquisitions include the acquisition of a specialist road business in New South Wales and two road businesses in Port Hedland and Broome, Western Australia.

Another achievement for the 2005 financial year was the appointment of a General Manager based in Sydney who is spearheading the expansion of the business into New South Wales and the creation of a technical resources team available to assist in the development and expansion of the business throughout Australia and New Zealand.

Rail maintenance services were also expanded in South Australia to include metropolitan Adelaide.

During the year, Works Infrastructure Australia achieved quality assurance accreditation for all businesses under a single certification for ISO 9001: 2000, the Environmental Standard ISO 14001 as well as the Occupational Health and Safety standard AS4801.

In Western Australia, the business continued to reap the benefits from several years of investing in quality personnel by growing its market share in the expanding urban land development sector.

Organisationally, the Australian business has benefited from adopting a regionally based structure, allowing better definition of responsibilities and accountabilities and a management team focused on their respective key activities. Cost savings are also being achieved by the sharing of services in administration and finance.

Outlook

New Zealand

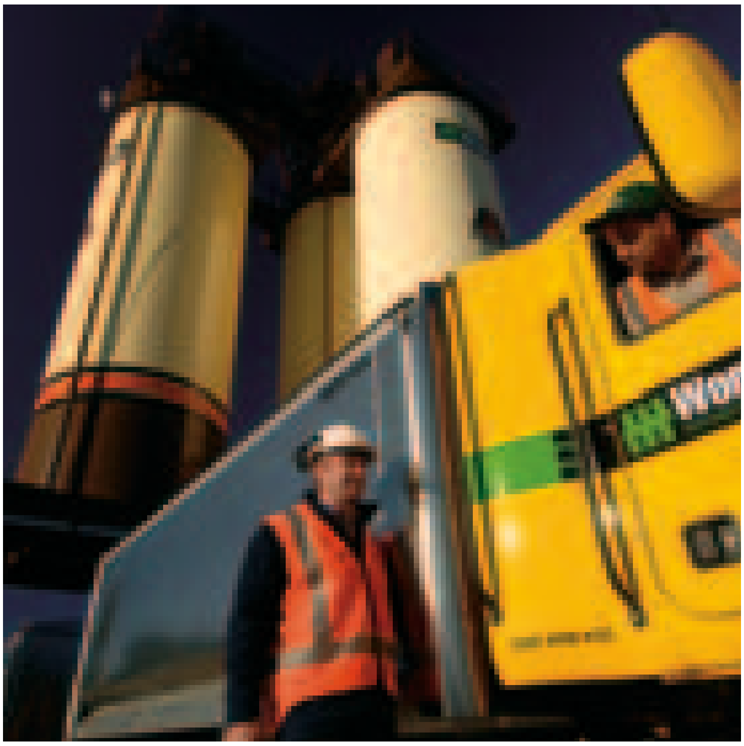
All major political parties have acknowledged the need for a substantial investment in new infrastructure, particularly in transport, electricity and water. The current New Zealand Government has announced expenditure on land transport of NZ$21.5 billion over the next ten years. It is expected that public spending should counter any downturn in private investment that may eventuate from the recent tightening in monetary conditions.

The New Zealand division has a strong future. The focus on client relationships, commitment to creating a solid employee culture and the focus on improving productivity is producing the anticipated results and will provide a platform for ongoing improvements.

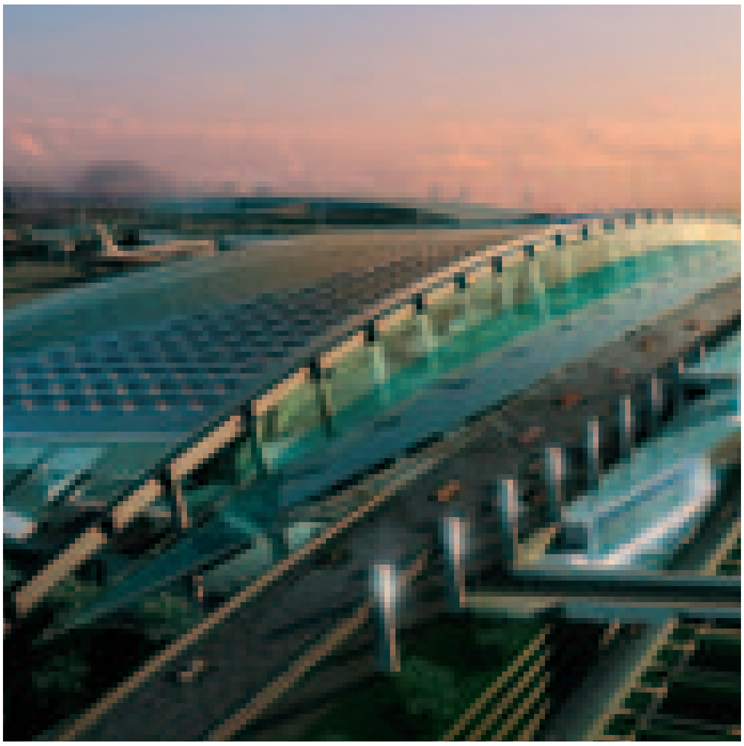
Australia

The economic outlook in Australia for the coming year is positive with continued commitment by federal and state governments to increased spending on road and rail infrastructure. The existing large backlog of road and rail projects, high international and domestic demand for resources and a shift towards greater private investment should result in many new infrastructure projects nationally. Our key rail client, the Australian Rail Track Corporation, has announced the release of several packages of work for the Sydney-Melbourne and Sydney-Brisbane rail corridors and Works Infrastructure is bidding to secure its share of the available work.

Works Infrastructure New Zealand: **Stephen Mockett** General Manager, HR, Legal Affairs & Procurement **Sandra Dodds** General Manager, Corporate Services **John Beattie** Manager, Safety & Quality



Works INFRASTRUCTURE
A DIVISION OF DOWNER EDI LIMITED



design + facilities mangement

CPG Corporation: **Pang Toh Kang** President and Chief Executive Officer
Lionel Tseng Chief Financial Officer/Company Secretary

The CPG Group of Companies (CPG), with its expertise in architectural and engineering design, project management and facilities management, forms an integral part of Downer EDI. In the last financial year, CPG has strengthened its business network in India and Vietnam, and moved rapidly into the Middle East market.

Based out of Singapore with over 19 offices in various parts of China, India, Vietnam, Australia and the Philippines, CPG is well placed to export its full suite of building and infrastructure development and management services. The purchase, by Downer EDI, of New Zealand-based engineering services group Duffill Watts King in July 2005 provides further opportunities for CPG to operate in the New Zealand market.

Performance and activities for the year

While CPG continues to strengthen its market share in China, India, Vietnam and the Middle East, especially in the areas of architectural services, project management and facilities management, it still retains a strong market position in its home-base, despite a slow Singapore market.

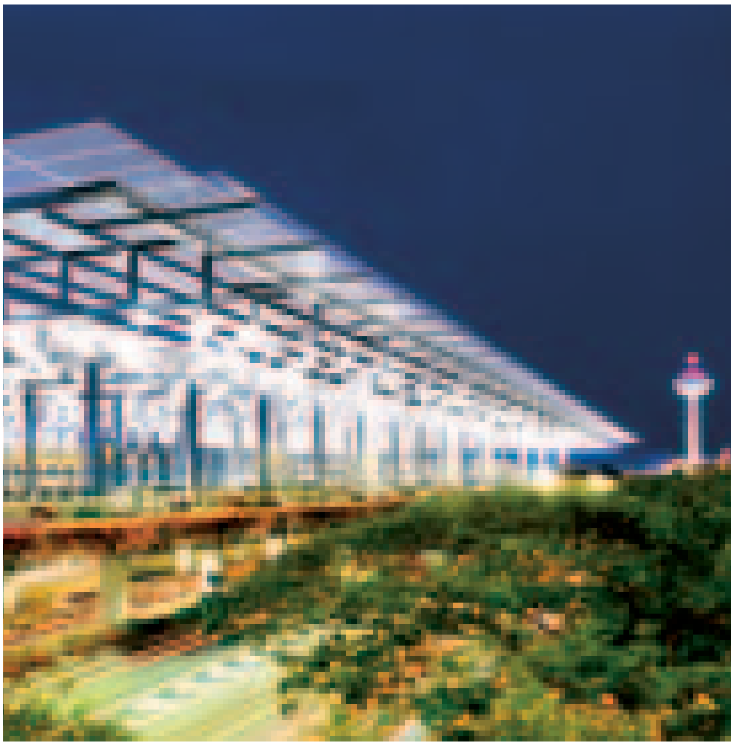
Turnover for the 2005 financial year reflected a substantial increase in activities outside of Singapore, now 40% of the total, and this trend is expected to continue.

In June 2005, CPG completed the high profile new Supreme Court building in Singapore. Another Singapore landmark project, the Singapore Changi Airport Terminal Three, is also progressing well, with expected completion in 2007. Another milestone project is the Singapore Botanic Gardens. CPG designed the green house, the new Shaw Foundation Symphony stage and the extension master plan for the gardens. CPG has also been engaged to design the Singapore Bio-Imaging Consortium located at the Helios Biopolis, where designs for open concept research laboratories and facilities are being incorporated to encourage greater cross discipline interaction.

CPG's outstanding architecture and engineering design works continue to gain recognition locally and internationally, receiving several prestigious awards, including the ASEAN Energy Efficient Building Award. CPG's projects, the Victoria School and Kent Ridge Park Canopy Walk, were also showcased in the prestigious Venice Biennale International Architecture Exhibition, a highly regarded exhibition that showcases the world's best architectural works.

From January 2005, Deputy CEO, Mr Pang Toh Kang succeeded Mr Khor Poh Hwa as President and CEO of CPG. Toh Kang will continue to focus on strengthening the core businesses of master planning and urban design, architecture, engineering, transportation and environmental engineering, facilities management and project management. Poh Hwa continues to serve CPG in the capacity of Senior Advisor, while holding the concurrent appointment as Downer EDI's Regional Director in Asia, focusing on developing growth opportunities for the wider Downer EDI group in the Asian markets.

CPG undertook its first project in the European market by leading the design of the world's deepest underwater railway tunnel, linking the Asian and European borders of Turkey. Operations also continue to grow steadily in the People's Republic of China, India, ASEAN and the Middle East markets. This takes CPG's coverage to a total of 18 countries outside Singapore. In tandem with the growth, overseas representative offices have been reorganised and expanded to meet clients' needs, setting the stage to grow the company's presence in these markets.



Architectural and Engineering

CPG's architectural and engineering design business continues to grow, and the company secured several exciting new design projects during the year. Among the projects is the iconic Emirates Financial Towers located in the high profile Dubai International Financial Centre. The design team for this 41,800sqm project is lead by CPG's Dr Timothy Seow, one of Singapore's renowned architects. The team is also working on an architectural design project for a prestigious 16,000sqm five-star hotel in India, which will be managed by the Shangri-La International upon completion.

The intensive business development efforts in India have also generated several township and residential development projects. CPG will be providing master planning, architectural and engineering design consultancy services for The Magnolia Presidents, a 1,000-unit residential township at Electronic City, and the Whitefield Singa Gardens, a residential development that features ten architecturally unique towers.

In China, CPG's portfolio continues to grow. Impressed by CPG's work, the Dongying Construction Bureau of Hekou District awarded CPG the urban planning contract for the 165-hectare Dongying Hekou District in Shandong Province. CPG also took part in a number of master planning projects in China, including a 130-hectare international golf club in Chongqing, a 15-hectare industrial park in Shanghai, and a 12,600sqm high-end kindergarten and elementary school in Jiangsu Province. In February 2005, CPG was engaged to provide architectural design for the first joint residential and commercial development in the Yunnan Province.

The Vietnam market also presents new opportunities for CPG, having secured two master planning contracts for the 45-hectare Tan Van International Golf Resort in Dong Nai and a 120-hectare mountain resort and residential development in Dalat City. CPG was also successful in the architectural arena, having secured the US$26 million Youth Cultural House project through a design competition and the new US$15 million 21-storey residential and commercial complex in Danang.

In the transportation arena CPG has further expanded its international portfolio of airport consultancy projects by securing the design consultancy services contracts for the Shanghai Pudong Airport Terminal Two (Phase Two) and Wuhan Tianhe Airport Terminal Two building developments in China, and the Dibrugarh Domestic Airport Terminal in India. CPG was also directly appointed by the World Bank and National Highway Authority of India to provide transport engineering consultancy services for the National Highways in New Delhi, India.

In environmental engineering, CPG has commenced its first environmental project in Brunei providing water management consultancy services to the country; and in China CPG has also been appointed to design and build an industrial wastewater treatment plant in the Suzhou Industrial Park.

With niche expertise in airport, recreation, healthcare, residential and commercial developments, backed by its strong project portfolio in the Singapore arena, CPG is well placed to continue building its portfolio of projects outside of Singapore.

Project Management

CPG's project management arm, PM Link, secured a contract for the redevelopment of the prestigious educational and research hospital in Kunming, China, making it the first foreign owned company to be appointed as project manager in the Yunnan Province.

One of PM Link's main projects in China, the Suzhou International Exposition Centre (Phase One), was completed in September 2004, while another, the Suzhou Science and Cultural Arts Centre, has an expected completion date of late 2006.

In Singapore, PM Link continues to provide project management services for public institutions and private developments, including the new Supreme Court building, Singapore Management University, Singapore Changi Prison Complex and Republic Polytechnic.

Facilities Management

CPG's facilities management arm, CPG FM, continues to secure many contracts outsourced by the Singapore Government and other private property owners. These include the appointment by Singapore Post Ltd (SingPost) to provide comprehensive facilities management services for its 137,200sqm SingPost Centre building and 71 other properties with a total floor area of 61,700sqm. The contract was secured on the merits of CPG FM's technical competencies and use of an array of FM technologies. As a result of the demand for these technologies, CPG FM has successfully created a subsidiary to provide integrated FM technology products and solutions.

Lye Kuan Loy Managing Director, PM Link **Kok King Min** Executive Vice President, Specialist Services **David Lum** Managing Director, CPG FM

CPG FM has also secured a four-year contract to provide comprehensive essential maintenance and lift rescue services for four town councils in Singapore. The Essential Maintenance Services Unit (EMSU) will take care of approximately 230,000 residential units and 4,300 lifts in the estates under the charge of these town councils.

Other significant facilities management contracts secured include the 85,000sqm Singapore Exposition Centre and the new 58,000sqm Singapore National Library Board Building.

Solid progress was also made in the China market, as CPG FM's Chinese headquarters in Xiamen secured a National Class B licence for FM services and was also awarded ISO 9001:2000. These achievements allow CPG FM to widen its market coverage in the country, and also indicate the China market's recognition of CPG FM's competency in operations, management systems and FM products. This recognition led to the securing of the facilities management contract for a 260,000sqm high end residential development, Discovery Hill, in Fujian Province, China.

Steps were also taken to allow CPG FM to explore other overseas markets. A Memorandum of Understanding was signed with the property arm of the Islamic Religious Council of Singapore to collaboratively market and export property management services overseas, particularly in the Middle East, Malaysia and South East Asia.

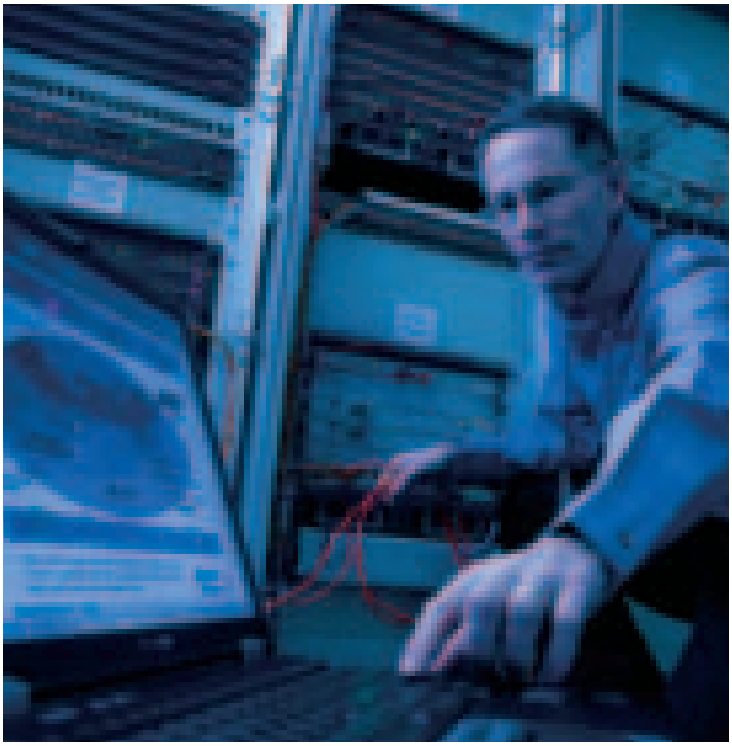
Outlook

CPG is expected to maintain its position as the Singapore market leader despite difficult market conditions, while continuing to make further inroads into overseas markets.

Moving forward, CPG remains committed to the growth of its core businesses, propelling them to the forefront in their respective fields. In addition, CPG seeks to actively participate in an increasing number of Public Private Partnership project opportunities which have been slated for implementation in Singapore and to widen its range of export services. The acquisition, by Downer EDI, of New Zealand-based engineering services group Duffill Watts King in July 2005 also provides opportunities for CPG to extend its services into the New Zealand market.

CPG CORPORATION

Downner Engineering: **Sean Woellner** Executive General Manager, Telecommunications **Margaret Thompson** Operations Manager, Australia **Trevor White** Group Finance Manager, Telecommunications



Downer EDI's Telecommunications group, a part of the Engineering Division (Downer Engineering), provides telecommunications engineering to the Australian, New Zealand and South East Asian telecommunications markets. These include facilities management, exchange centre management, field services, pay television installation, network engineering, integration of technologies, operations and a broad range of design, commission and maintenance across Australia, New Zealand and South East Asia.

Performance and activities for the year

Turnover from Downer Engineering's telecommunications business grew significantly in 2005, with an increase of 20% on 2004, despite the capital spend by the major telecommunications carriers in both Australia and New Zealand remaining subdued.

The telecommunications group had a successful year, the notable exception being Australia. Our field services business for Telstra delivered disappointing returns as spend by Telstra fluctuated. Some restructuring and a refocus on maintenance by management should see an improvement in 2006. Our Asian business, while small but growing quickly, had an excellent year. Management in both New Zealand and Asia performed strongly.

In New Zealand, Downer Engineering now provides telecommunications services to more than 50% of the country. It also secured a new five year contract for the maintenance of payphones throughout New Zealand. As a result of this expanded business platform and need to ensure a continued high level of customer satisfaction, staff numbers have increased from 800 to 1200 employees.

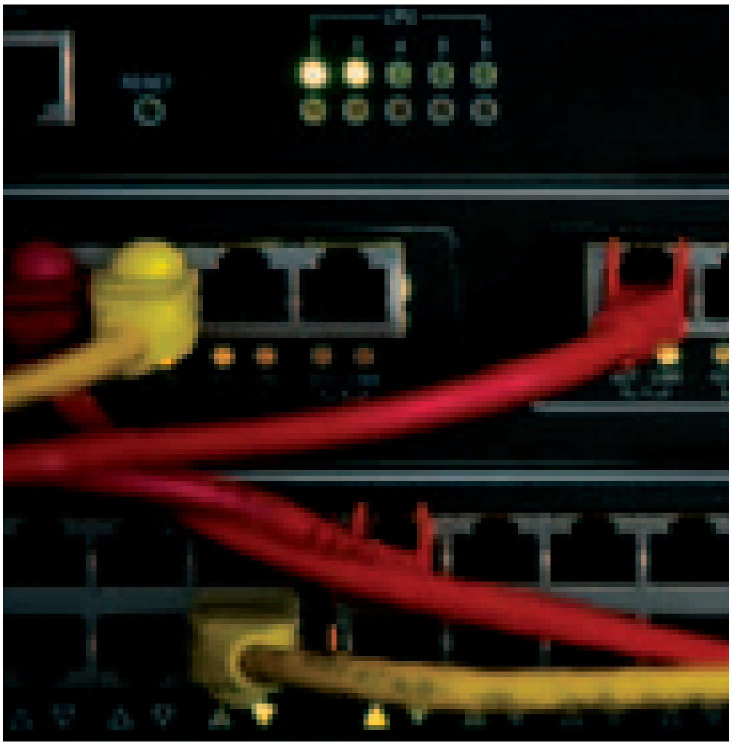
Diversification from its principal reliance on patch contracting has been successful with Downer Engineering securing a contract with Auckland Regional Transport Network to build a 93 kilometre optical fibre network, providing security, signalling and information services to all of the stations on Auckland's commuter rail network.

July 2004 saw the acquisition of Commspec, enlarging Downer Engineering's value delivery chain to include business voice solutions in New Zealand. Commspec grew strongly during its first year of operation under the Downer Engineering banner.

In Australia, Downer Engineering continued to deliver services to Telstra under its patch contract in the important New South Wales country region, delivering both copper and optical fibre network repair and maintenance services, new estate installations and provisioning. In addition to its patch contract, Downer Engineering secured the New South Wales install and maintenance contract for Telstra. Continued emphasis on training and systems improvement led to Downer Engineering's selection as a finalist in the 2004 Telstra Excellence in Quality Awards.

As a diversification from the wireline focus of the Telstra patch contract, Downer Engineering completed several wireless projects during 2005. These included the Optus 3G Network Stage One and Stage Two works in Sydney, Melbourne and Canberra, the rollout of Unwired's Sydney network in record time, Telstra's Melbourne Metropolitan Radio Network and the Hutchison 3G works in Perth and Adelaide.

Continuing the wireless focus, Downer Engineering formed a joint venture with Universal Communication Group (UCG) to offer customers a broad range of wireless access technologies across a variety of TV, data and telecommunications protocols, including VSAT, SATWEB, MATV and CATV. Downer Engineering was also successful in winning installation and migration services in several states for the Foxtel Digital Pay TV Residential Network.



Hamish Guild Operations Manager, New Zealand **Wayne Nolan** General Manager, New Zealand

During the year, Downer Engineering entered into an agreement with Huawei Technologies to become a Huawei product distributor and technical support service provider. This was followed with the launch of the company's Communications Technology Group (CTG) based in Sydney which provides Downer Engineering's central technical facility for the distributorship, installation and maintenance in Australia and New Zealand of the Huawei range of Datacoms products, such as routers and Ethernet switches. The initiative has also provided Downer Engineering with a further opportunity to address the industry's growing trend towards outsourcing of carriers' traditional inside plant business. Through CTG, Downer Engineering has already secured a number of inside plant contracts, including Telstra's DSLAM Project and a DSL project for Optus.

In Asia, efforts to establish business in Malaysia and Thailand utilising suitable joint venture partners resulted in profitable projects in both countries.

Among the projects successfully completed were a number of logistically challenging fibre optic cable rollouts for Telephones of Thailand in Central Bangkok and the Phase Four mobile rollout for TA Orange. In Malaysia, base station installation contracts were undertaken for both Digi and Maxis as well as some VSAT installation works and tower maintenance contracts for Maxis.

While the mobile telephone markets approach maturity in both of those markets, opportunities still remain for Downer Engineering. As an example, in Thailand a major role has been secured from Huawei in the rollout of the CDMA network for the Communications Authority of Thailand and Downer Engineering will continue to be a major service provider for the TA Orange Phase Five rollout. In Malaysia, key roles have been renegotiated with Maxis in the continuing rollout of their mobile network throughout East and West Malaysia and with Digi in the deployment of its expanded network.

Downer Engineering also entered the Indonesian market in joint venture with a local telecommunications service provider during 2005. This decision reflected the projected growth for Indonesia over the next decade and the success to date of the joint venture strategy in Asia. The chosen partner offers communication technology solutions in mobility, transmission, fixed access, wireless access and turnkey projects.

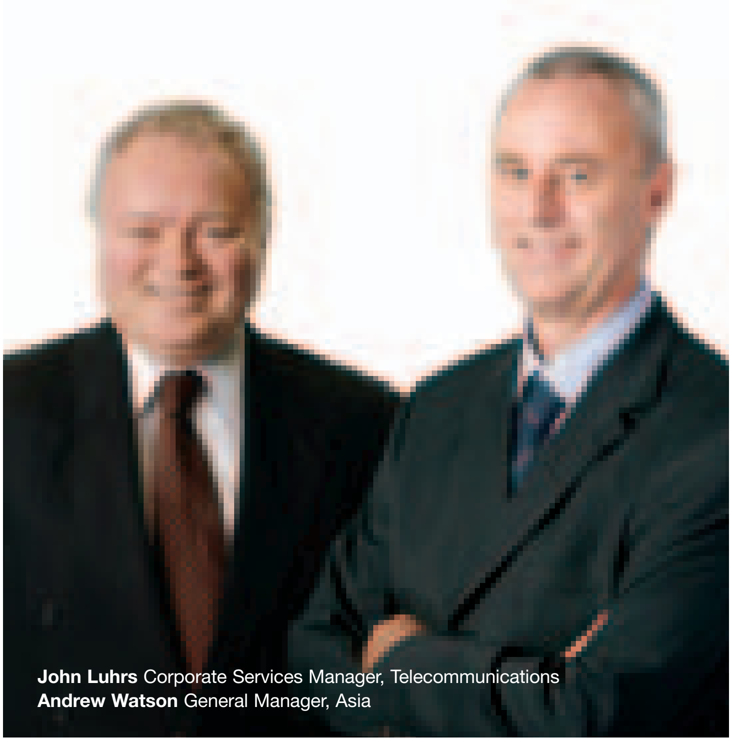
Outlook

Downer Engineering's growth opportunities in the Australasian telecommunications sector over the next year and beyond are expected to continue to flow from its program to elevate its position in the value chain of telecommunications service delivery.

In New Zealand, this elevation will stem from two streams. The first is the introduction of the Huawei business for the distribution, installation and maintenance of Datacoms products. Datacoms is one of the fastest growing market segments in vendor equipment due to the global shift in the delivery of IP based telecommunications services. The second stream will be through the organic growth of the Commspec business.

In Australia, Downer Engineering's elevation in the value delivery chain will stem from its relationship with Huawei and also with Lucent, with whom an optical services agreement has been signed.

Potential Asian growth in mobile teledensity, particularly in Indonesia, has also been identified as providing opportunities for Downer Engineering.

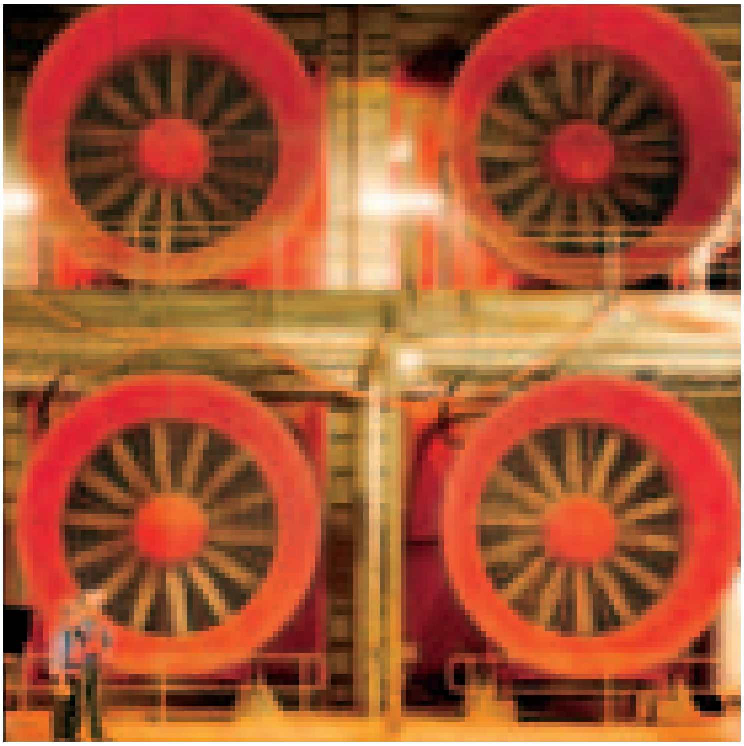


John Luhrs Corporate Services Manager, Telecommunications
Andrew Watson General Manager, Asia

Downer
ENGINEERING
A DIVISION OF DOWNER EDI LIMITED

Downner Engineering: **Ron Guthrie** Executive General Manager, Power
John MacLellan General Manager, New South Wales
Peter Short General Manager, Queensland

power + engineering services



Norm Lancefield General Manager, Victoria
Russell Houlahan General Manager, Business Operations

Downer EDI's Power and Engineering Services businesses are an integral part of the Engineering Division (Downer Engineering).

Downer Engineering is the largest provider of electrical contracting and a significant supplier of mechanical contracting services in Australia. These services are delivered across all industries from mining, oil, gas, and power generation to high rise office buildings. The division also designs, project manages and maintains high voltage transmission lines (up to 500kV); gas fired combined and open cycle power stations, heat recovery steam generators and a range of other power station related systems; and food processing plants.

In addition, these Downer Engineering businesses provide services in electrical and mechanical maintenance, including traffic signalling, automation, ticketing and facilities management.

Performance and activities for the year

Turnover from Downer Engineering's Power and Engineering Services businesses increased substantially in the 2005 financial year, a result of strong market demand for our services in line with expectations. Major project work and ongoing maintenance services have all contributed to the increase in turnover for this financial year.

Downer Engineering has secured a significant market share in the renewable energy sector after the successful completion of the Lake Bonney and Canunda wind farms in South Australia, with a total installed capacity of 135MW. Due to the success of these projects, Vestas Australia awarded the group the design and installation of the high voltage electrical systems works associated with two new wind farms located in Geralton, Western Australia and Yambuk, Victoria.

Resulting from the successful alliance arrangement with Macquarie Generation and Yokogawa Australia with the integration of a new Distributed Control System at Liddell Power Station, Downer Engineering completed similar works for Eraring Energy at the Eraring Power Station in New South Wales. The completion of these contracts will see the group well placed to secure future projects in this market sector.

The 2.2 kilometre tunnel under the Sydney CBD will have one of the most sophisticated ventilation and control systems of any infrastructure project in New South Wales. Downer Engineering has completed the electrical and mechanical design, procurement, installation and commissioning works as part of its contract on the Cross City Tunnel project.

Another major project nearing completion for Downer Engineering in Sydney is the Woolworths Head Office facilities at Baulkham Hills (a consolidation of all of the Woolworths regional offices). The electrical and state of the art communications infrastructure applied to this project highlight Downer Engineering's capabilities in the commercial sector.

With approximately 50 years of oil and gas experience from refineries throughout Australia, including significant experience with Caltex refineries in Queensland and New South Wales, Downer Engineering has been able to add another large project to its portfolio. The group was awarded the mechanical and electrical installation works on the Caltex Lytton Refinery's Clean Fuels Project.

Bob Hatherley General Manager, Western Region
Paul Elliott Group Finance Manager, Power

During the year the group entered into an alliance contract for the Third Stage Expansion Project at the Alcan Gove alumina refinery in the Northern Territory. Alcan has implemented an integrated team management approach involving four main companies. Downer Engineering is responsible for the electrical and instrumentation component of this alumina refinery expansion. To support the integrated team management approach, Downer Engineering, Thiess and Barclay Mowlem have established a master agreement to collectively achieve the goals of the project where the risks/rewards are shared amongst participants.

In a separate contract, Downer Engineering is building eleven demountable electrical switchrooms weighing up to 600 tonnes. These switchrooms, the largest of their type ever attempted in Australia, are being fabricated in Newcastle and shipped by barge three thousand kilometres to the Alcan Gove project site. The first and largest of these switchrooms was successfully shipped from Newcastle in early July 2005.

The final Stage Seven upgrade works have commenced on the Telfer Gold Mine, located in the Pilbara region of Western Australia. Downer Engineering has been contracted by Newcrest Mining to provide electrical and instrumentation installation services with works scheduled for completion in 2006.

Also in the Pilbara, Downer Engineering recently completed installation work on the Yandi Expansion Project, the latest addition to the region's iron ore processing facilities. This was undertaken on a fast track installation program to complete the works in a five month window.

Downer Engineering's automation business is on target to complete the rollout of the fare collection system for Perth's rail, bus, and ferry public transport networks in early 2006. Known as Smart Rider the system has already deployed over 100,000 transit smartcards within the Perth metro region. The project is well advanced with Downer Engineering also securing the ten year maintenance component of this contract. With the successful deployment of the Smart Rider ticketing system, the group is well positioned to capitalise on the growing integrated ticketing market.

In January, Downer Engineering and long term client Alcoa signed a term maintenance/project contract to provide mechanical, electrical and facilities maintenance services under a single management structure. This contract has been the result of solid performance by Downer Engineering in providing services to Alcoa Pt Henry and Anglesea Power Stations in Victoria on a call for service basis in prior years.

Work is continuing on the Spencer Street Station Redevelopment, a joint venture between the Victorian Government and private industry. Downer Engineering is contracted to provide electrical and communications services for the project.

Downer Engineering is completing electrical and communication works on the Melbourne Sports and Aquatic Centre Stage Two Project, comprising the installation of a new 50 metre Olympic size pool, office space, grandstand, changerooms and a new three level carpark for the Commonwealth Games in 2006.

In the facilities management area, Downer Engineering has continued to demonstrate its strength in the Australian market by the successful transitioning of Suncorp Metways' national portfolio of over 330 sites. It has also been successful in extending the tenure of its ANZ contract in which the group provides management and engineering services to ANZ's business critical data centre sites in Victoria. The outlook in this area remains strong with negotiations well advanced to further expand the group's operations within the finance, food and corporate service sectors.

Tony Saadie Executive General Manager, Engineering Services **Darren Moy** General Manager, Strategic Development **Jeffrey Collett** General Manager, Generation **Geoff Wilson** General Manager, Downer MBL

The group's power generation business continued to grow during the year with new engineering, procurement and construction contracts secured in Western Australia and northern New South Wales. Existing client Alinta awarded Downer Engineering the second 150MW cogeneration unit on the Pinjarra site, with the first unit now in completion phase. A further contract is for two 30MW biomass cogeneration power stations for Sunshine Electricity. These units are being installed at Sunshine Sugar's mills at Condong and Broadwater.

In addition, the rehabilitation business has successfully completed power station efficiency upgrades and has won contracts for condenser upgrades, as well as the supply of gas turbine air inlet filters and exhaust systems.

Project management continues on the 400MW combined cycle power station in Huntly, New Zealand with completion scheduled for late 2006. Downer Engineering has successfully completed the electrical installation of the two coal handling facilities at the Port of Tauranga and Rotowara as part of the Huntly Power Station upgrade in New Zealand.

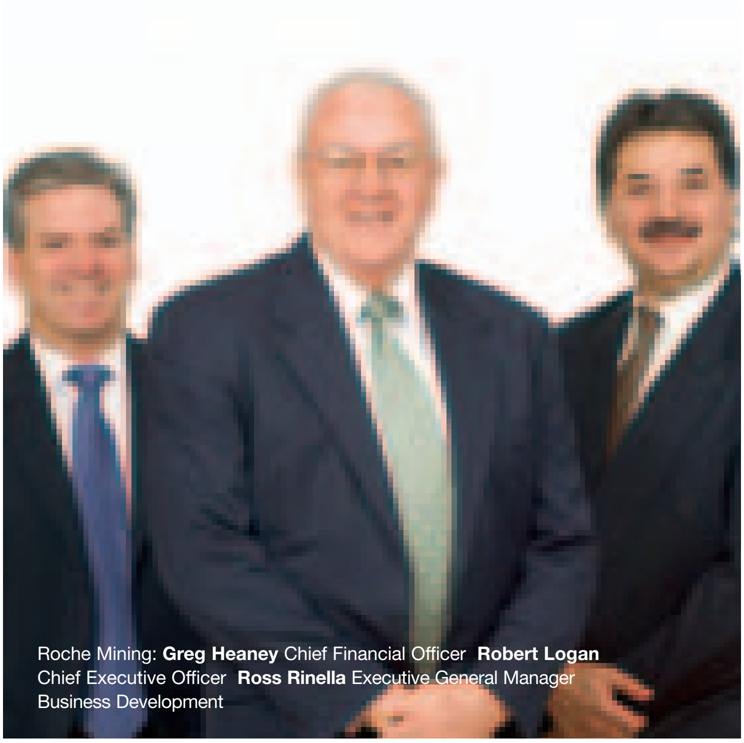
In the process engineering area, our New Zealand based business unit, Downer MBL, had another strong year with the award of the major Te Awamutu Driers Project for Fonterra in New Zealand, as well as the Stage One Protein Plant for Westland Milk Products in New Zealand. The group has continued to grow the engineering consultancy services and is supporting Heinz in China, together with Goodman Fielder and Dairy Farmers in Australia.

Outlook

The 2006 financial year is expected to see a continuation of the strength demonstrated this year in the traditional markets for power and engineering services, combined with strong growth opportunities in facilities management and industrial maintenance.

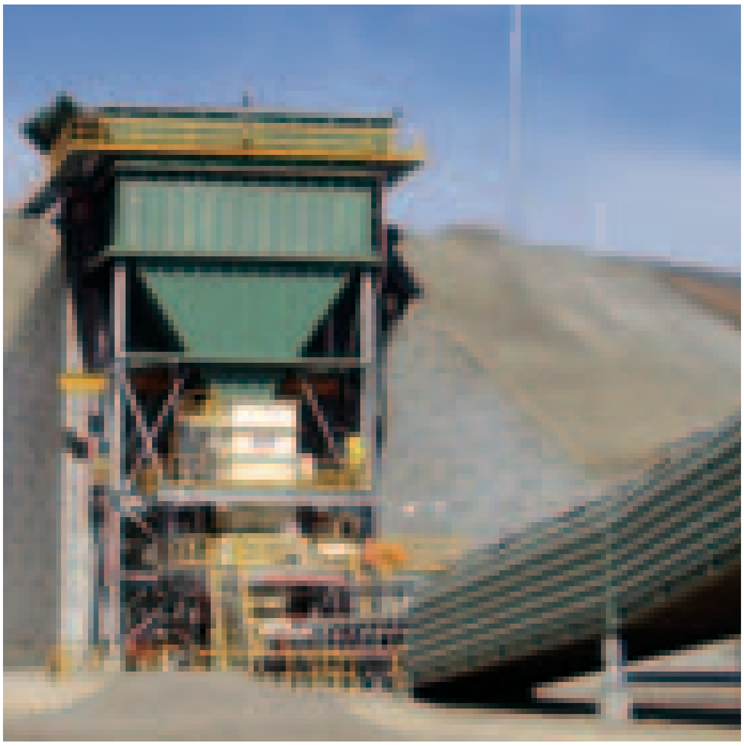
Major resources projects in alumina, iron ore, LNG and coal are expected to deliver strong revenues for the business. Buoyant conditions generally in the power generation and transmission markets are also expected to drive demand for our people and their capabilities.

Downer ENGINEERING
A DIVISION OF DOWNER EDI LIMITED



Roche Mining: **Greg Heaney** Chief Financial Officer **Robert Logan** Chief Executive Officer **Ross Rinella** Executive General Manager Business Development

mining + resources



John Gooding Executive General Manager, Underground Operations **Denis O'Brien** Executive General Manager, Mining

Downer EDI's services to the mining and resources sectors are largely provided through its Mining Division (Roche Mining) and Resource Services Division (Century Resources).

Roche Mining is one of Australia's leading providers of comprehensive mining and minerals processing services. The division's mining business units provide a range of services for both open-cut and underground operations, including mine management, mine planning, drilling and blasting, mine development and mine restoration. The company has invested in, and provides services for mineral and coal process engineering, design and project management, through to operation and maintenance of processing facilities. Roche Mining also manufactures and installs specialist explosives through its mine blasting business, and provides significant mine consulting and training in Australia, South Africa, Canada and the United Kingdom.

Century Resources is one of the region's largest and most experienced drilling operators, providing services to the oil and gas and geothermal sectors in South East Asia, Australia and New Zealand.

Performance and activities for the year

Turnover and contribution to Group profit for the year exceeded that achieved in 2004, aided by the strong growth of the services business of Roche Mining and a particularly strong performance by Century Resources (Century).

Revenue generated by the mine services business of Roche Mining now accounts for 37% of the division's revenue, in comparison to 25% in 2004 and 17% in 2003, with a large percentage of revenue arising from mine management.

Century generated year on year sales growth of 99% with EBITDA/revenue margin growth comparable to that of other premium service international land drillers.

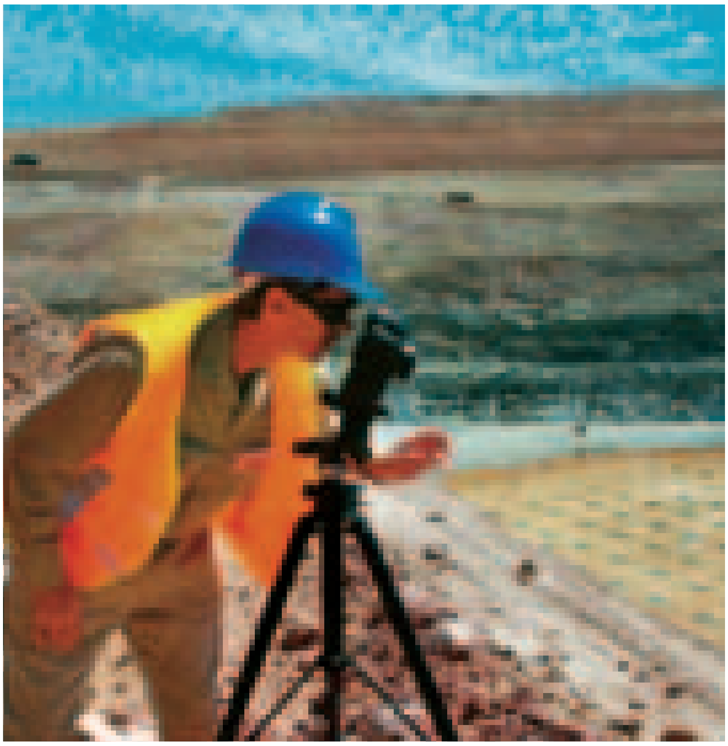
Recent new and renewed contracts for both Roche Mining and Century have substantially boosted the forward order book, currently standing at $2.8 billion, with continued positive indications for further expansion.

Roche Mining

Roche Mining is continuing to market its ability to offer an integrated, seamless and value added end product, drawing upon the expertise of all the business units that operate within the division. For contracts such as the Foxleigh, Bulga and AMCI coal preparation and handling plants and the Iluka Douglas Mineral Sands Project, Roche Mining has offered a range of services and technical capability consistent with the 'one stop' model. Many of these projects also include an ongoing facilities maintenance component as part of the contract.

Approximately $1.6 billion of new sales were awarded to Roche Mining during the 2005 financial year, comprising 70% new contracts and extensions for existing clients and 30% for new clients. This high level of repeat sales reflects Roche Mining's ability to maintain its competitiveness and effective working relationships with clients.

In December 2004, Roche Mining acquired the internationally recognised mining consulting group Snowden, consistent with the division's strategy of expanding its capability in the 'front end' process engineering, plant design and mine management areas. Snowden's capabilities include geological and resource modelling, mine planning and optimisation, feasibility studies, geotechnical and rock engineering, valuations and due diligence review, training, business improvement and performance management.



Warwick Jones Executive General Manager, Human Resources
Noel Wendt Executive General Manager, OHS & Environment
Don Taylor Executive General Manager, Plant

Roche Mining's process engineering business unit delivered on a $110 million design and construct contract for the St Ives Gold Lefroy Treatment plant, along with completion of structural and installation works at the KCGM Fimiston gold processing plant, the design and upgrade of the Cooperative Bulk Handling grain storage and handling facilities at Albany, and provision of ongoing fixed plant operations and maintenance services at the Cumnock and Ulan coal handling and preparation plants.

The unit also received new orders for AMCI and Foxleigh coal handling preparation plants in Queensland in conjunction with QCC, Roche Mining's coal preparation technology specialist. QCC was also engaged to carry out design and engineering works for a coal preparation plant in Southern China and is reviewing a number of other design projects in India and South East Asia.

Roche Mining also secured a number of international projects through its design and minerals technology capability, including the Kenmare-Moma Project, a mineral sands project being developed in Mozambique. The scope consists of the engineering design and refurbishment of existing equipment and the supply of new equipment for an upgrade and expansion of a floating wet concentrator and a mineral separation plant. Roche Mining is also undertaking the engineering design, supply of equipment and commissioning of the Indian Rare Earths-Chavara Upgrade Project, working with a local contractor to double the capacity of the wet and dry concentrating plants in Tamil Nadu province of India. Also in India, Roche Mining completed the detailed plant design, equipment recommendation and supply for the Transworld Garnet's first wet gravity processing facility.

A contract to relocate and upgrade the existing Jangardup wet concentrator plant from Western Australia to Victoria for Bemax Resources NL has also been awarded.

A new operating facility was constructed and commissioned at Bajool in Central Queensland, further extending the production capabilities of Roche Mining's explosives and blasting business, Roche Blasting Services. The facilities include storage and handling infrastructure and an emulsion plant with solution and batch mixing control stations and laboratory. Various bulk emulsion products will be manufactured on site including Roche Blasting Service's patented SoftLOAD product, which is continuing to be commercialised.

In addition, purpose built state of the art mobile explosives manufacturing trucks were designed and commissioned in house, ensuring Roche Blasting Services is well placed to secure new business in both the Bowen Basin and Hunter Valley regions.

A number of new contracts were awarded to Roche Blasting Services during the last 12 months including Baal Bone, Donaldson, Ensham, Lambert's Gully, Moura, Peak Downs, Saraji and Werris Creek.

New underground mining sales include a four year contract with Bluestone Mines for development and production activities at the Renison Bell underground tin mine in Tasmania. The open cut mining business has also been successful in building on its market position. New sales include a five year project at Oxiana's Sepon copper and gold project in Laos, a $400 million scope of works at the Werris Creek for Whitehaven Coal and the East Boggabri projects for Whitehaven/Idemitsu JV, open cut mining for Excel Coal at the new Millennium mine and open cut plus rehabilitation works at the Baal Bone mine for Xstrata Coal.

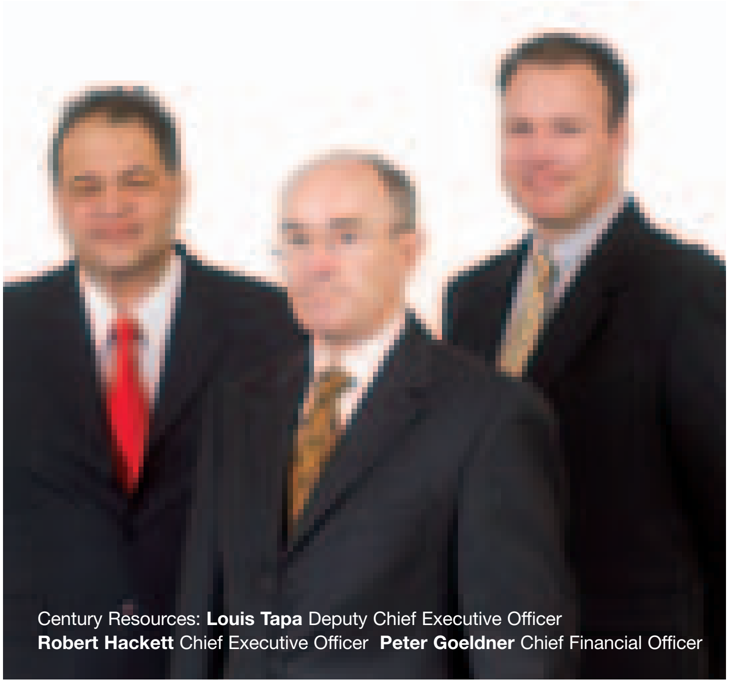
Roche Mining has further consolidated its long term partnerships with a number of existing clients. These include projects such as Wambo for Excel Coal, Commodore Coal Mine for Millmerran Power Partners, Cumnock for Xstrata Coal and Sunrise Dam for AnlgoGold Ashanti. Roche Mining also assumed 100% control of the Roche Eltin Joint Venture to provide mining services for Zinifex at the Century zinc mine in North Western Queensland.

Century Resources (Century)

Rising oil and gas prices, combined with worldwide increases in activity in the resources sector, has provided a buoyant operating environment for Century's drilling business particularly in its core South East Asia market as well as New Zealand and Australia. The company continues to position itself as a premium land drilling service provider with a competitive focus based on the principle of 'delivering lowest total well cost: safer, smarter and working together with its clients'.

Key achievements in the 2005 financial year included a doubling of revenue over the previous year and an even greater growth in profitability. A high level of rig utilisation has been achieved and is also expected for the 2006 and 2007 financial years, with the level for 2006 likely to reach 90%.

Operating highlights included completion of the strategy for reducing the rig fleet in Australia by securing higher margin work for one rig in Indonesia and refreshing the New Zealand business with new management and the retirement and replacement of its rigs with more modern and higher capacity rigs from the Australian Business Unit.



Century Resources: **Louis Tapa** Deputy Chief Executive Officer
Robert Hackett Chief Executive Officer **Peter Goeldner** Chief Financial Officer

Century was also successful in winning contracts for the majority of its international rig fleet with clients including Caltex Pacific Indonesia (a Chevron company), Unocal for the Philippines and Bangladesh, Niko Resources for Bangladesh, Lundin for Indonesia and KUFPEC (a subsidiary of Kuwait Oil Company) for Indonesia.

Contract extensions or new contracts in Australia included Arc Energy, Beach Petroleum, Origin Energy and Santos. In New Zealand, it included Contact Energy, Mighty River Power and Lihir Management Company.

Century's health, safety and environment (HSE) performance was in line with industry leading peers worldwide for the international operations, with substantial improvement in the Australasian operations.

Considerable effort and management focus from both Roche Mining and Century continues to be directed toward the achievement of zero accidents and injuries, and a number of new initiatives designed to improve HSE performance were implemented (refer commentary pages 40 to 43 in this report)

Both Roche Mining and Century recognise that investing in their people is investing in the long term future and health of the company.

Roche Mining has made further enhancements to a number of people related projects, including the structured graduate development program that is attracting future industry leaders to the organisation, along with traineeship and apprenticeship programs across both the mining and services business units. For example, Roche Mining's process engineering business unit is the largest regional employer of apprentices outside of the government in Western Australia and has received recognition from the Kalgoorlie Chamber of Commerce and Industry for its outstanding and long term contribution to apprentice training in the state.

Century has taken initiatives to address skill shortages and enhance culture and commitment including the creation of additional safety and training positions at each rig site. This is progressively increasing employee work site participation in various safety, competency and culture change related training programs.

Outlook

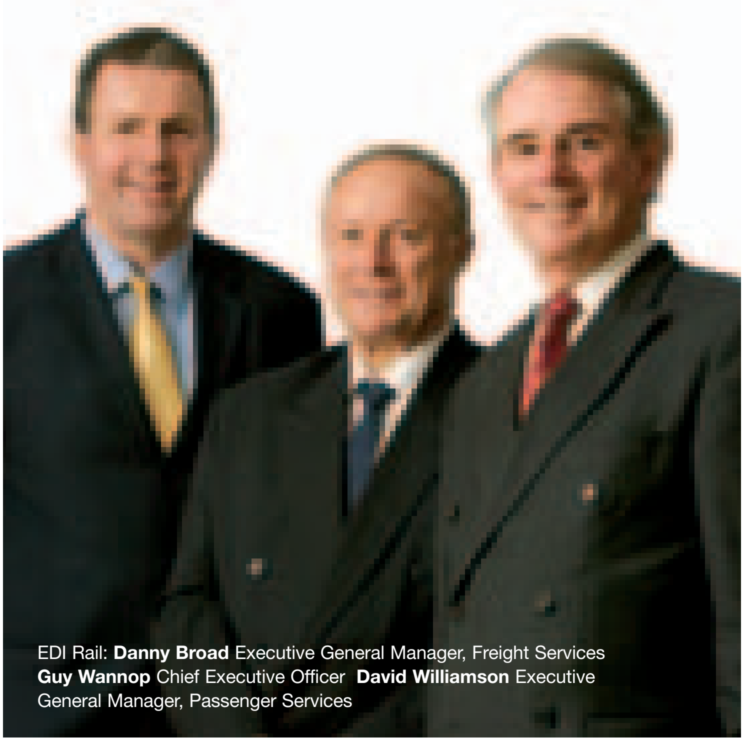
For Roche Mining, buoyant commodity prices and the ongoing strong international demand for coal, as well as minerals such as nickel, provide increased opportunities in the Australian mining industry.

Roche Mining has taken steps during the year to ensure the company is well placed for a number of opportunities expected to arise from this trend. Steps include a commitment to building on asset management contract opportunities, leveraging its significant existing network and cross-selling capability and further developing its capacity to deliver comprehensive engineering packages to clients.

For Century, the continuing buoyant oil and gas market, combined with continuing stability and economic growth in Indonesia provide a sound basis for a steady earnings growth profile.

Roche MINING
A DIVISION OF DOWNER EDI LIMITED

Century RESOURCES
A DIVISION OF DOWNER EDI LIMITED



EDI Rail: **Danny Broad** Executive General Manager, Freight Services **Guy Wannop** Chief Executive Officer **David Williamson** Executive General Manager, Passenger Services

Alex Moro General Manager, Parts & Accessories
Keith Edwards Chief Financial Officer.

Downer EDI's Rail Division, EDI Rail, is Australia's leading designer, manufacturer and maintainer of passenger and freight rollingstock. EDI Rail provides locomotive, passenger railcar and freight wagon design, construction, maintenance and spare parts to meet the needs of the major domestic rail operators. Key markets for the division are Australasia and South East Asia.

Performance and activities for the year

Two of the three business streams of EDI Rail, the Passenger and Freight streams, were successful in securing a number of new contracts during the 2005 financial year, while the third business stream, Parts and Accessories, enjoyed double digit growth.

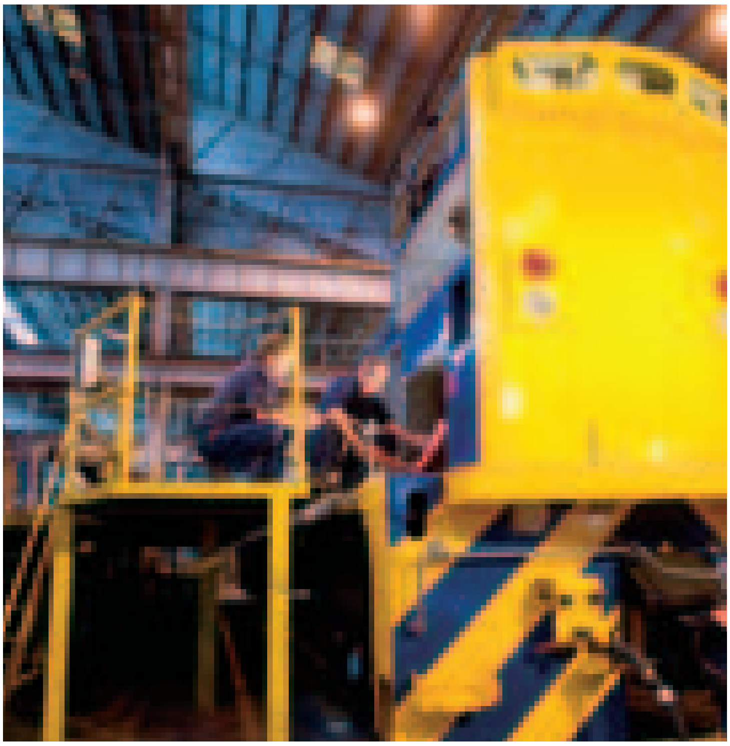
Turnover for EDI Rail was down on the previous year, reflecting the completion of several build contracts including Stage Two of the Millennium Train contract with RailCorp and the subsequent reduction in activity at the Cardiff facility. At the same time, the division's contribution to Group profit remained high, reflecting EDI Rail's transition into maintenance and spare parts revenue, with maintenance generating two-thirds of EDI Rail's operating profit on a sustainable basis.

EDI Rail completed an organisational restructure during the year which focused on the passenger, freight and spare parts business streams designed to better service the requirements of the Australian rail industry. The changes reinforce EDI Rail's future direction as a preferred maintenance service provider of rollingstock, complementing the division's design, manufacture and refurbishment capabilities.

During the year, EDI Rail continued to build on its position as Australia's leading provider of rollingstock design, construction and maintenance services. EDI Rail continued to provide freight rollingstock and maintenance services across Australia and passenger rollingstock and maintenance services, either solely or in joint venture, in Queensland, New South Wales, Victoria and Western Australia.

There were a number of significant achievements during the reporting period including the securing of an order from BHP Billiton Iron Ore for the supply of 14 heavy haul diesel electric locomotives, combined with the supply of spare parts and support services. These locomotives will support BHP Billiton's increased exports of iron ore from the Pilbarra region in Western Australia. The order is the first occurrence of new locomotives being sourced from EDI Rail and its American associate, Electro-Motive Diesel (EMD), for use in this region.

EDI Rail, jointly with Bombardier, continued to build passenger trains in Maryborough Queensland, for the Perth Transit Authority. By year end, 18 of the 31 trains ordered by Perth Transit Authority had been manufactured in the Maryborough facility and shipped from Queensland to Perth for final completion, commissioning and testing before delivery to the Perth Transit Authority. Final deliveries of these trains, which includes maintenance of up to 15 years, will be completed during the 2006 financial year.



Martin Camp General Manager, Manufacturing
Mark Baxter General Manager, Engineering

Queensland Rail placed an order with EDI Rail and Bombardier for the design and construction of 24 electric trains to meet increased passenger volumes on the Gold Coast and Sunshine Coast lines. Design and procurement activities commenced before year end and manufacturing will follow the Perth Transit Authority trains in the Maryborough Queensland facility, commencing January 2006.

EDI Rail signed a multi year maintenance contract with Pacific National to undertake locomotive maintenance for their fleet nationally. As a result, EDI Rail took over the management and operation from Pacific National of several maintenance depots. It is expected that one outcome of the new contract will be to improve the reliability and availability of locomotives owned and operated by Pacific National.

The Maryborough Queensland facility completed supply to Queensland Rail of ten of the 11 locomotives ordered and supplied an additional 12 new locomotives to Pacific National during the year.

The final Millennium Train from the Stage Two order was delivered to RailCorp during the year. The design, construct and maintenance contracts covering the 141 carriages supplied to RailCorp under Stages One and Two are now in the first 15 year maintenance phase. EDI Rail continued to focus on engineering improvements to lift reliability levels during the year.

The commitment to solid design and construction of all EDI Rail's products was evident following the derailment of the Cairns Tilt Train in Queensland in November 2004. Despite the severity of the accident, no fatalities occurred and this is testament to EDI Rail's ongoing commitment to safety, both in design and in construction. The tilt train has since been returned to the Maryborough facility to be rebuilt.

During the first half of the financial year the New South Wales Government called for expressions of interest to procure both single deck and double deck trains under a Public Private Partnership. The passenger cars procured will replace 498 non air conditioned passenger cars operated by RailCorp. The procurement calls for proponents to make available on a daily basis an agreed number of trains. RailCorp will then pay for the daily availability of the trains and the proponents will finance, design, construct and maintain the trains for 35 years.

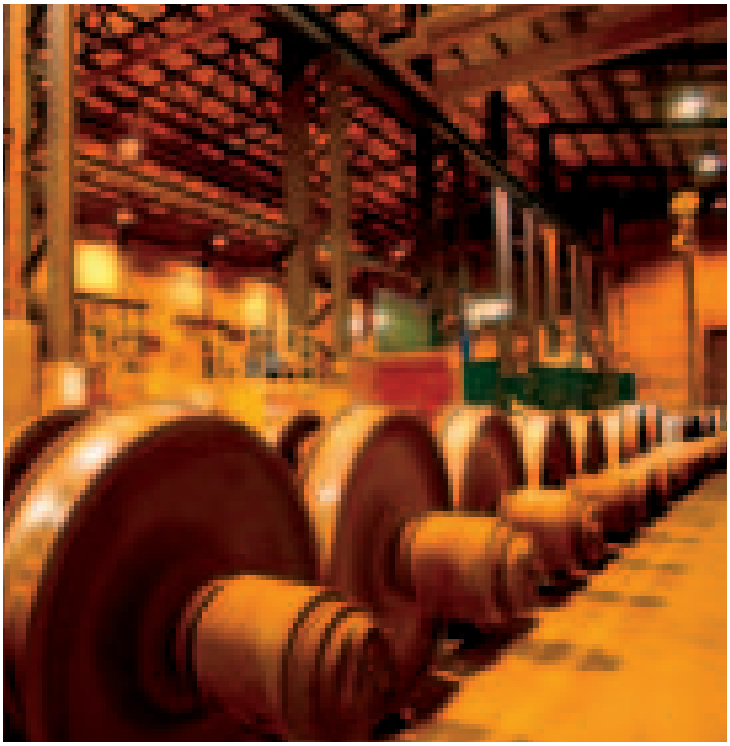
Following the expression of interest submissions, RailCorp selected Reliance Rail, a consortium formed between ABN AMRO and Downer EDI, as one of two proponents for the double deck tender and one of four proponents for the single deck tender. Tenders close on 10 October 2005 and it is expected the preferred supplier for the double deck trains will be identified by calendar year end with evaluation of the single deck tenders to follow early in 2006 and contract negotiation by late June 2006.

Outlook

EDI Rail's core business of long term locomotive and rollingstock maintenance and refurbishment has excellent growth prospects in the next few years. This growth is expected to come from initiatives such as the Federal Government's upgrade of the East Coast rail corridor and the anticipated consequential increase in Intermodal freight volumes.

The continued demand for Australian coal and iron ore has created demand for additional locomotives, rollingstock and long term maintenance services. EDI Rail's capacity to meet this demand and to provide clients with a comprehensive solution to their rail requirements are expected to ensure the continued award of additional work in the future.

Government focus on rail commuter services in all key markets, coupled with a buoyant economy provides a positive outlook for the passenger business.



RAIL
A DIVISION OF DOWNER EDI LIMITED

health & safety, environment and the community

Occupational health and safety

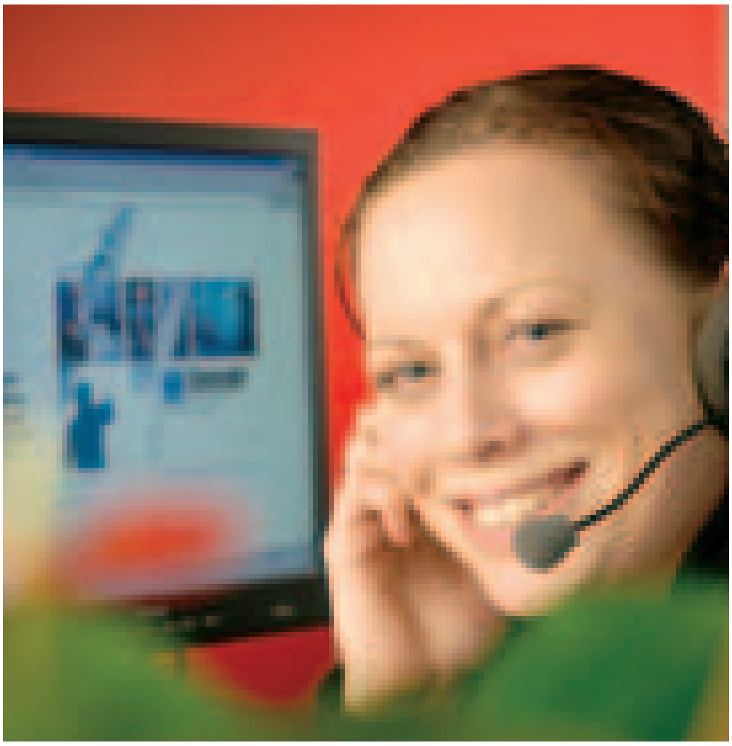
The foundation for the company's commitment to the health and safety of its employees is the Downer EDI occupational health and safety policy. The Downer EDI board, through its health, safety and environment committee, oversees the company's safety performance and reviews all policies, reports and statistics. The board also ensures occupational health and safety management systems and business processes are an integral part of Downer EDI's operations. To this end, each division has strong management commitment, and documented safety management systems and procedures with continuously improving targets.

Leadership is paramount and as a result the group and divisional senior management display ongoing personal commitment to the policies and systems they establish and consistently reinforce the safety messages as they attend offices and sites across their area of operations. Each year, challenging goals and plans are set for the divisions and individual business units. Management systems are reviewed periodically and regular safety audits carried out by operating personnel, supervisors, customers and independent auditors.

Highlights and achievements for the year include:

- Works Infrastructure in New Zealand has been formally recognised for its consistent safety management excellence through an award from the Accident Compensation Corporation. Works Infrastructure is the first New Zealand company to have achieved the Corporation's safety management practices tertiary standard, the highest possible standard, over five consecutive years. In addition, Works Infrastructure won the 2005 Auckland business excellence safety award. Works Infrastructure New Zealand's current lost time injury frequency rate (LTIFR) is 1.0 per million hours worked and this is acknowledged by industry as 'best practice'. The New Zealand rail infrastructure operations achieved accreditation to the AS 4292 rail safety management standard.
- Roche Mining undertook a process of safety leadership training involving more than 200 of the company's top leaders, supported by DuPont safety resource consultants. The aim was to ensure a consistency of expectation and standards across the company, along with enhanced skills in the area of safe job observation. Roche Mining also reviewed its safety committee structures in order to drive the coordination of effort, maintain focus on key risk areas and share best practice examples.
- Another Roche Mining initiative saw an upgrade of Rochesafe, Roche Mining's health, safety and environment (HSE) system, and the introduction of seven HSE principles, under which the various elements of Rochesafe are organised. Work was also completed on the development of a concise employee communication booklet explaining the safety system and the link from corporate policies through to shop floor standard work practices. Highly detailed employee induction booklets and new training materials were also introduced.
- Roche Mining was also the recipient of a number of awards including the Department of Natural Resources and Mines award for best safety management for the Commodore Coal Mine at Millmerran and the industry's Minex award which was presented to the Sunrise Dam mine, where Roche Mining plays a major operational role.
- Downer Engineering was the recipient of a number of awards during the year including the WorkSafe platinum certificate of achievement for occupational safety awarded to the services and maintenance business unit in Western Australia, as well as the NECA safety award for 2005.

The 12-month LTIFR across the company decreased 38% from 3.9 to 2.4 in 2005. This result is the first time the group has achieved a rate below 2.5 and reflects consistent efforts across all divisions, with only Mining and Rail divisions over 3.0. Medically treated injury frequency rates improved in most operations and the overall rate declined by 13.5% to 21.9.



Downer EDI continues 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.

During the year two of our employees lost their lives on the job. In Indonesia, an employee died following failure to use the correct personal safety equipment whilst operating at height. A detailed investigation was conducted by senior company management, the client and government authorities. In New Zealand, an employee died in a motor vehicle accident on a narrow hill road when the truck he was driving moved onto the verge to allow another vehicle to pass. The verge broke away causing the vehicle to roll over the bank. Actions taken to prevent recurrence included enhanced safety awareness training and modified work procedures.

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;
- safety training and development to maintain awareness and a positive attitude to safety;
- thorough injury and incident investigation, reviews of existing procedures and implementation enhancements; and
- effective internal and external audits and re-evaluations.

Environmental compliance

The foundation for the company's commitment to the protection of the environment is the Downer EDI 'Environment Statement'.

Downer EDI is committed to using its best endeavours to conduct its operations in a manner that is environmentally responsible and sustainable, and to rigorously protect the environment in all its business activities. The board oversees the company's environmental performance through a regular review of reports and incidents. All aspects of environmental performance must be reported through senior management to the board.

The international environmental management standard, ISO 14001, is utilised by Downer EDI as a benchmark in assessing, improving and maintaining the environmental integrity of its business management systems. The care of the environment is a paramount concern and this is reflected in the activities, business practices and procedures of each division. Divisions also adhere to the environmental management requirements established by customers in addition to all applicable licence and regulatory requirements. These principles are applied to all Downer EDI operating and manufacturing business sites as well as those that are operated on behalf of customers.

In New Zealand, Works Infrastructure has a fully integrated project environmental management system delivering environmental management processes from tender through to project handover. The ISO 14001 accredited system facilitates joint venture participation and supports the company's environmental sustainability vision and goals.

During the year, Works Infrastructure Australia achieved quality assurance accreditation for all businesses under a single certification for ISO 9001:2000, the environmental standard ISO:14001 and the occupational health and safety standard AS4801.

EDI Rail has annual third party environmental audits at each major location to ensure compliance with legislation and company policies.

Through the sponsorship of post-graduate qualifications in environmental management, Downer Engineering is able to draw on the latest thinking and modern techniques in developing site environmental management plans. As an example, the Queensland branch has created a library of environmental fact sheets for use as toolbox talk topics.

There were no significant issues of regulatory non-compliance during the reporting period.

Environment and heritage

Many of the projects undertaken by Downer EDI provide a direct community benefit on a number of global issues, particularly in the areas of energy efficiency, environmental conservation and protection of our heritage.

Downer EDI is a founding benefactor of the Great Barrier Reef Research Foundation (Foundation). With its prime focus of Australia's Great Barrier Reef, the Foundation supports research into understanding natural and human caused changes in coral reefs as well as conservation and restoration of coral reefs. It also builds partnerships in education, research and knowledge of the reef ecology. Downer EDI's managing director is a member of the Foundation's board of directors, overseeing the distribution of funds raised from both government and the private sector for research and conservation programs associated with reefs, based on advice from a panel of eminent scientists. Additional time, resources and expertise are also donated by corporate and divisional employees to assist the Foundation meet its goals.

Works Infrastructure New Zealand has gained the Enviro-Mark (business excellence) diamond standard, the highest possible standard, for its combined safety and environmental systems implementation. It also received a commendation from the New Zealand Government's Corporate Social Responsibility Board for its environmental commitment and implementation of environmental initiatives. This culminated in the award of an Environmental Excellence award sponsored by Shell and the New Zealand Contractors Federation for the Greenhithe motorway project.

In Australia, Works Infrastructure won the 2004 Case Earth award for its Point Fraser wetland project in Perth and an Engineering Excellence Management award from Engineers Australia for its Lake Vasto rehabilitation project.

Roche Mining formalised its commitment to sustainability in health, safety, environment and community and became a signatory to Enduring Value, the minerals industry framework for sustainable development. This initiative has been developed under the direction of the Minerals Council of Australia and is designed to focus the mining industry on meeting global social and environmental responsibilities.

Downer EDI's CPG business, based in Singapore, operates a green design consultancy to inject green solutions into its own and third party designs. This is an additional service provided for clients, who not only wish to achieve aesthetically pleasing and functional buildings, but also wish to incorporate energy efficiency and environmentally friendly elements into their development.

CPG has worked on a number of green design studies, including those for the Asian Development Bank's headquarters in Manila, the Singapore Changi Airport Terminal Three and the Singapore History Museum, investigating environmental performance such as day-lighting and energy use. The facilities management subsidiary also provides energy audits and management for buildings, along with design solutions for energy conservation. Indoor air quality assessments are also undertaken and recommendations are made for remedial measures.

Downer Engineering's power generation business unit is a leader in the design, building and maintenance of energy efficient power and co-generation plants, and has made substantial inroads into the emerging renewable energy sector, in particular wind power. Downer Engineering provides services to Australia's largest wind farm projects and is at the forefront of a number of new initiatives designed to reduce greenhouse gases and deliver employment within a sustainable setting. Downer Engineering provided installation services on a number of new wind farm projects during the year, including the Yambuk wind farm in Victoria (part of the largest wind farm in the southern hemisphere) and the Alinta wind farm, which is the largest in Western Australia.

Community involvement

Downer EDI is committed to acting responsibly as a corporate citizen and views this as being imperative for all its business divisions. Through the company's policies and procedures it endeavours to ensure all employees deal effectively and appropriately with the communities in which the business operates.

The company provides support to the local communities through community donations and employment programs and seeks to be responsive to community views and concerns.

Roche Mining has exceeded its 2005 indigenous employment target with over 40 new indigenous employees joining the division. Levels of employment ranged from apprentices and trainees through to skilled tradespeople, operators and supervisors.

During the year, Roche Mining assumed full responsibility for mining at the Zinifex Century Zinc Mine that was previously a joint venture arrangement. It continued its commitment to the Gulf Communities Agreement providing local indigenous people access to training and employment opportunities, with approximately 20% of the mine's workforce covered under the agreement.

Downer Engineering has continued its engagement with local and indigenous communities through its presence in the Mount Isa region. This includes training of local and indigenous people, apprenticeships and work experience at various sites.

In Indonesia, programs have been implemented by Century Resources designed to enhance employment opportunities for Indonesians through the introduction of the national drilling industry competency standards training system. Century Resources has also trained a significant number of senior Indonesian crews on Australian based rigs.

Roche Mining made a significant commitment to the Yachad Accelerated Learning Project, which is a unique pilot education project aimed at helping school students in remote locations achieve their full potential. The education methodology, which has been introduced at the Halls Creek School in the East Kimberly region of Western Australia, helps students move from underachievement to mainstream levels of achievement. Roche Mining is participating in the program in partnership with a number of regional and national organisations, including its client, Argyle Diamonds.

In other examples of engaging with and supporting local communities, Roche Mining made significant purchases from the Hamilton fire brigade and provided them with the funds to add a dedicated fire equipment service van to their fleet. Roche Mining also joined with client Whitehaven to provide the Boggabri Health Service emergency department with greatly needed emergency equipment.

In New Zealand, Works Infrastructure is a vital member of the communities in which it resides and operates and each branch supports initiatives within its community to aid charitable causes. Nationally, Works Infrastructure championed and led a major road safety campaign to educate drivers on the dangers to themselves and others of speeding and failing to pay attention when travelling through roadwork sites. This campaign, supported by Roading New Zealand, is promoted through national television, print and radio advertisements.

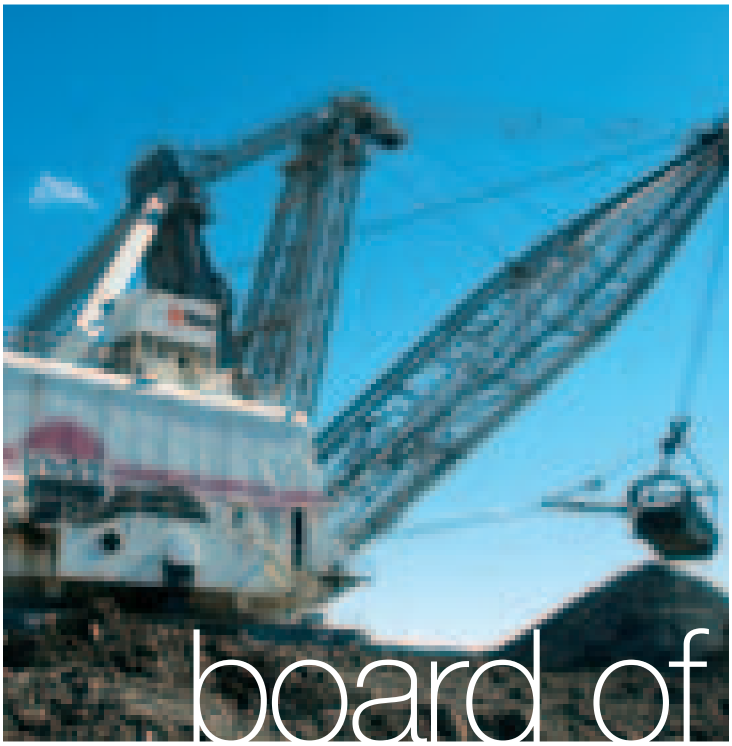
In regional areas where Downer Engineering is the major employer, the division places emphasis on developing close relationships with the high schools, TAFE's, and universities, and sponsoring community events. In addressing current skill shortages, Downer Engineering's New South Wales branch has developed a course together with Newcastle TAFE that offers electricians an additional trade qualification as instrumentation technicians.

Downer Engineering sponsors a number of engineering scholarships and has successful apprentice programs in major city and regional areas. Senior staff also hold prominent positions on industry and advisory bodies.

During the year, Downer Engineering's commercial business in Sydney celebrated its sixth annual apprentice dinner and award presentation night, whilst the Queensland branch was awarded Electro Group's 'Host Employer of the Year' for continuing support and development of apprentices.

In Australia, Works Infrastructure has instituted apprenticeships in signalling in its rail division, focusing on candidates from regional areas in Victoria, and in Western Australia, supports youth through its sponsorship of the Little League of the Western Australian Football Association.

In Victoria, Downer Engineering engages six partially disabled gardeners through Karingal Sheltered Workshop to work as gardeners at Alcoa, under the company's supervision. There are also numerous local community support programs across the division's operations in Australia, New Zealand and Asia involving donations to worthwhile charities and community programs as well as joint company and employee initiatives. This is through both company donations of money, time and resources and through employee involvement in national fundraising days such as the Leukaemia Foundation's Shave for a Cure, Cancer Council's Daffodil Day, Jeans for Genes Day, Legacy and Red Nose Day.




board of directors

Stephen Gillies

(45) 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 20 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.

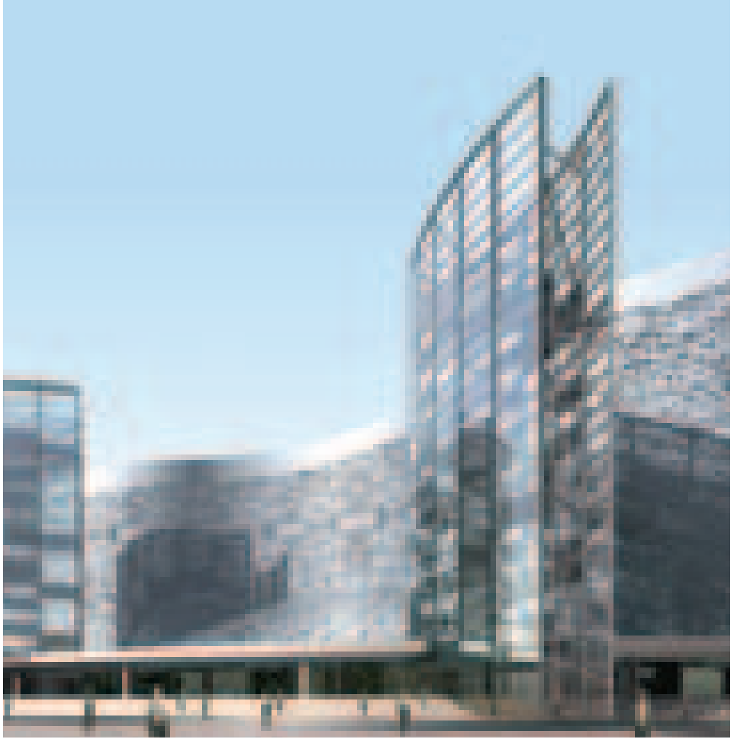
Barry O'Callaghan AO

(69) was appointed as a non-executive director in May 1998 and is Chairman of the board. Mr O'Callaghan is a barrister and solicitor and was a consultant to the national law firm Corrs Chambers Westgarth 2002-2005, a Partner from 1960-2002, Chairman of Partners of the Melbourne office from 1993-1999 and 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.

Tom Lau

(54) was appointed as a non-executive director in May 1998 and is Deputy Chairman of the company. He has over 32 years of international corporate management experience. Mr Lau is also the Deputy Chairman and Managing Director of Paul Y. - ITC Construction Holdings Limited, Deputy Chairman of ITC Corporation Limited and Paul Y. Engineering Group Limited, companies which are listed on the Hong Kong Stock Exchange.

Left to Right: **Stephen Gilles** Managing Director **Barry O'Callaghan** Chairman (non executive) **Tom Lau** Vice Chairman (non executive) **Christopher Renwick** Director (non executive) **John Humphrey** Director (non executive) **Peter Jollie** Director (non executive).



Christopher Renwick

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

John Humphrey

(50) 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.

Peter Jollie AM

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

corporate governance

This report outlines Downer EDI's approach to corporate governance in the context of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

The board is committed to best practice in corporate governance and its ability to add value to the company and its shareholders.

Board charter and policies

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

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

Principle 1: Lay solid foundations for management and oversight

The board charter sets out the principles for the operation of the board of directors and describes the functions of the board and those functions delegated to management. The business of Downer EDI is managed under the direction and oversight of the board, with management of Downer EDI's day-to-day operations delegated to the managing director and the senior management team.

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

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

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

Principle 2: Structure the board to add value

Board composition

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

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

The composition of the board is assessed by the nominations and corporate governance committee to ensure it meets these principles and to ensure the required skills for the business are represented on the board.

As at the date of this statement, the board under the chairmanship of Barry O'Callaghan, comprises 6 members: 5 non-executive directors and 1 full-time executive director, Stephen Gillies, the managing director of Downer EDI Limited. A profile of each board member, which outlines their qualifications and experience, is provided on pages 44 and 45 of this report.

Board independence

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

The ASX Principles of Good Corporate Governance recommend that a majority of the board should be independent directors. Using the ASX assessment criteria, the Downer EDI board comprises five independent non-executive directors (Barry O'Callaghan, John Humphrey, Peter Jollie, Chris Renwick and Tom Lau) and one executive director (Stephen Gillies). Although Tom Lau did represent Paul Y-ITC Construction Holdings Limited, which was a substantial shareholder in the company, Paul Y sold out its holding in December 2004. Under the board charter, some examples of where a director is not considered independent are set out below:

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

The definition of independent director adopted by the board is not materially different from that recommended by the ASX in the Principles of Good Corporate Governance.

Board meetings

The board meets regularly for scheduled meetings and on other occasions to deal with specific matters that require attention between meetings. The agenda for meetings is prepared in conjunction with the chairman and 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.

Committees of the board

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

Period of Office

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

Principle 3: Promote ethical and responsible decision making

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

Corporate code of conduct

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

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

Directors' code of conduct

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

Securities trading policy

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

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

The current shareholdings of directors are shown on page 50 of this report.

Principle 4: Safeguard integrity in financial reporting

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

Audit and risk management committee

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

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

The objectives of the audit and risk management committee are:

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

The audit and risk management committee comprises four independent non-executive directors with relevant financial, commercial, legal and risk management experience. John Humphrey and Barry O'Callaghan are qualified legal practitioners with extensive experience as public company directors. John Humphrey has served on several public company audit committees for over 11 years and Barry O'Callaghan has been chairman of public company audit committees for over 16 years.

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

The audit and risk management committee generally invites the 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 is excluded from part of these meetings to allow frank discussion between the committee and the external auditor. Downer EDI currently does not have an internal audit function that covers all of its operations. Our external auditors' strategy reflects this fact and they work closely with management and the board to ensure that audit resources are used to their maximum potential.

Principle 5: Make timely and balanced disclosure

Downer EDI is committed to ensuring adherence to regulatory requirements and best practice to ensure timely provision of equal access to material information about the company. The board has a continuous disclosure policy to ensure that the procedures for identifying and disclosing material and price sensitive information are in accordance with the Corporations Act and

corporate governance continued

ASX listing rules. No departures from this policy were noted during the reporting period.

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

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

Disclosure committee

The company has established a disclosure committee consisting of the chairman, managing director and company secretary to oversee disclosure of information by the company.

The powers and responsibilities of the disclosure committee are:

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

The committee meets on an ad hoc basis as required throughout the year.

Results announcements

Downer EDI follows a calendar of regular disclosures to the share market:

- full year results announcement issued to the market (late August);
- annual report sent to shareholders (late September);
- annual general meeting held with the chairman's and managing director's addresses are announced to the market (early November);
- half year results announcement issued to the market (mid February);
- half year report sent to shareholders (mid March); and
- as required under the ASX Listing Rules, Downer EDI issues announcements in accordance with the company's continuous disclosure policy.

Principle 6: Respect the rights of shareholders

Communications

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

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

Attendance of external auditor at annual general meetings

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

Principle 7: Recognise and manage risk

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

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

Risk management

Downer EDI has risk management policies and guidelines in place, including interest rate management, foreign exchange risk management, credit risk management and also covering operational and decision-making risks, to minimise the risks that arise through its activities.

During the year risk management groups were formed to enhance focus on risk management strategies, in particular on operational, execution and counterparty issues. This involved the review and improvement of processes and procedures, the review of risk registers, greater focus on clients and other counterparties and on the delivery of products and services.

Internal controls

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

Sign-off by managing director and chief financial officer

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

Principle 8: Encourage enhanced performance

Nomination and corporate governance committee

Members: Tom Lau (chairman), John Humphrey and Barry O'Callaghan

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

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

The committee reviews the remuneration of the managing director, executive directors (if any), and the non-executive directors of the company.

The committee is also responsible for reviewing the company's corporate governance policies and procedures.

Board performance evaluation

The board undertook a formal review of its performance during the year and is committed to a continuous improvement program.

Senior management evaluation

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

Facilitation of board/ management performance

Downer EDI management provides detailed papers for board meetings and attend meetings to give presentations and answer any questions the directors may have. Divisional CEO's present the division business plans to the board as part of the annual business planning cycle. Directors are encouraged to have maximum exposure to operating businesses and periodically schedule board meetings at locations that permit a more detailed view of operations. During the reporting period, the board met in New Zealand where they developed a more detailed understanding of our New Zealand roading, telco and process engineering businesses. Some directors also attend the annual conference of the company's 100 senior managers and site visits have also been conducted in Perth, Western Australia.

New directors

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

Director education

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

Access to information and independent professional advice

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

Indemnity of directors and officers

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

Principle 9: Remunerate fairly and responsibly

Directors' remuneration

The maximum aggregate remuneration that could be paid to non-executive directors was determined by a resolution of shareholders in general meeting in 1998. This was capped at $800,000 in the aggregate. The Directors' Report on page 53 shows the remuneration of directors which for non-executive directors, in the aggregate, totalled $431,683. Non-executive directors do not participate in any equity incentive schemes.

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

Remuneration committee

Members: Peter Jollie (chairman), Barry O'Callaghan and Stephen Gillies.

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

- an executive remuneration and incentive policy;
- the remuneration of the company secretary, all senior executives reporting directly to the managing director and all employees of the company whose potential remuneration exceeds $250,000 per annum;
- an executive incentive plan;
- an equity based incentive plan;
- superannuation arrangements;
- recruitment, retention, performance measurement and termination policies and procedures for the chief financial officer, the company secretary and all senior executives reporting directly to the managing director;
- the disclosure of remuneration in applicable public materials including ASX filings and the annual report; and
- retirement payments.

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

Principle 10: Recognise the legitimate interest of stakeholders

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

directors' report

The directors of Downer EDI Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

B D O'Callaghan AO (chairman, non-executive)

K Y Lau (deputy chairman, non-executive)

S J Gillies (managing director)

C K Chan (non-executive, resigned 19 October 2004)

J S Humphrey (non-executive)

P E J Jollie AM (non-executive)

C J S Renwick (non-executive, appointed 9 September 2004)

B W Wong (non-executive, alternate for Dr C K Chan, resigned 19 October 2004)

A profile of current board members is provided on pages 44 and 45.

Directors' meetings

There were 9 full board meetings, 3 audit and risk sub-committee meetings, 3 remuneration sub-committee meetings and 1 corporate governance and nomination sub-committee meeting held during the financial year. The number of meetings attended by each director is set out in the table below.

	Number of meetings attended			
Directors	Board of Directors	Audit & Risk Committee	Remuneration Committee	Corporate Governance and Nomination Committee
B D O'Callaghan	9	3	3	1
K Y Lau	5	-	-	1
S J Gillies	9	-	3	-
C K Chan	- *	-	-	-
J S Humphrey	8	3	-	1
P E J Jollie	9	3	3	-
C J S Renwick	6 #	2^	-	-
B W Wong (alternate for C K Chan)	1*	-	-	-

\# 7 meetings held while a director

* 2 meetings held while a director

^ 2 audit committee 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	2,631,463
B D O'Callaghan	15,302
J S Humphrey	2,911
P E J Jollie	10,000

Company secretaries

The company secretaries are C D Thompson and B J Crane. A profile of current company secretaries is provided on page 67.

Principal activities

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

Review of operations

A review of the consolidated entity's operations is contained in the managing director's review on pages 7 to 11.

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 2005, the directors declared the payment of a final ordinary dividend of 12.0 cents per share (franked to 70%) to the holders of fully paid ordinary shares to be paid on 19 October 2005.

In respect of the financial year ended 30 June 2005, an interim dividend of 6.0 cents per share (franked to 50%) was paid to the holders of fully paid ordinary shares on 22 April 2005.

In respect of the financial year ended 30 June 2005, dividends totalling nil (2004: $1,727,000) (unfranked) were paid in respect of the 8% converting preference shares.

In respect of the financial year ended 30 June 2004, as detailed in the Directors' Report for that financial year a final dividend of 9.6 cents per share (franked to 50%) and a special ordinary dividend of 2.0 cents per share (franked to 50%) were paid to the holders of fully paid ordinary shares on 19 October 2004.

Employee discount share plan

In respect of the financial year ended 30 June 2005, shares totalling $3,523,000 (2004: Nil) have been issued under the terms of the Employee Discount Share Plan.

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, C D Thompson and 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 report

1. Remuneration principles

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

Downer EDI's remuneration principles are set out below:

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

The information in sections 2 to 6 inclusive set out the remuneration principles, structure and payments which operated for the financial year to 30 June 2005. The information contained in section 7 onwards sets out the principles and arrangements which will apply for the June 2006 financial year.

2. Remuneration structure

The remuneration structure for executives comprises fixed and variable remuneration.

- Fixed remuneration is made up of base salary, superannuation and other benefits.
- Variable remuneration consists of an annual short term incentive plan which is tied to performance and is at risk.

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

Other than the offer to eligible executives to participate in the Employee Discount Share Plan, no shares, options or other securities were issued during the year to executives as part of their remuneration.

All remuneration received by the managing director and specified executives is summarised in sections 2 and 3 of this report.

2.1 Base salary

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

2.2 Variable remuneration

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

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

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

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

For the year ended 30 June 2005, the bonus opportunity for the managing director and for the members of the senior executive team was capped at a maximum of 50% per cent of their base salary. 2004 annual bonus payments paid during 2005 were mostly in the range of 10% to 25% of base salary.

2.3 Executive remuneration

The table below sets out remuneration for the specified executives, being the five most highly remunerated executives in both Downer EDI and the consolidated Downer EDI group. They are, in order, CEO Roche Mining, CEO Downer Engineering, CEO Works New Zealand, CEO Works Australia and Regional Director for Downer EDI Limited.

	Primary		Post	Employment			
	Salary fees $	Bonus $	Non-monetary $	Super-annuation $	Retirement allowances $	Other* $	**Total $**
Executives							
R Logan	544,161	64,655	7,907	92,710	–	1,000	**710,433**
C Denney	418,979	66,666	–	95,980	–	1,000	**582,625**
B Waldron	414,698	91,743	–	44,618	–	1,000	**552,059**
D Cattell	350,000	120,000	95,194	56,000	–	1,000	**622,194**
P Khor #	183,844	475,156	30,128	–	–	1,000	**690,128**
	1,911,682	**818,220**	**133,229**	**289,308**	**–**	**5,000**	**3,157,439**

* Other includes discount on shares issued under the Employee Share Plan

Includes a retention bonus of $311,284 payable under the terms of the acquisition of CPG Corporation Pte Ltd on 1 April 2003.

2.4 Company performance

The table below shows the performance of Downer EDI's ordinary shares over the last five years. The table represents total shareholder returns (TSR) for each year, which is the increase in share price over each year plus dividends paid (including the benefit of franking credits) during that year. The table indicates that Downer EDI has delivered a TSR of 72% for the 2005 reporting period. During this period Downer EDI has paid dividends totalling 17.6 cents per share.

Total Shareholder Returns 2001-2005					
Year	2001	2002	2003	2004	2005
TSR	(25)%	20%	20%	6%	72%

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

Earnings Growth 2001-2005					
Year	2001	2002	2003	2004	2005
Growth Rate %	11%	24%	18%	22%	28%

3. Directors' remuneration

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

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

The chairman receives a base fee of $175,000 per annum (inclusive of all committee fees) plus superannuation. Most of the other non-executive directors receive a base fee of $100,000 per annum (where they are not entitled to a retirement benefit) and $70,000 per annum (where they are so entitled). Fees for these non-executive directors have been set to reflect market rates. There is also a fee for certain committee duties: $10,000 for the chair of the audit and risk management committee and $5,000 for the chair of the remuneration committee. Tom Lau, as a nominee representative of a previous substantial shareholder, has not been paid directors' fees.

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

Details of all fees and accrued benefits paid/payable to directors during the 2005 year are set out in the following table. Stephen Gillies is the managing director and each of the other directors is a non-executive director.

	Primary			Post Employment		
	Salary fees $	Bonus $	Non-monetary $	Super-annuation $	Retirement allowances $	**Total $**
Directors						
B D O'Callaghan *	175,000	–	–	15,750	–	**190,750**
K Y Lau	–	–	–	–	–	**–**
S J Gillies ^	1,524,327	502,125	20,173	38,702	–	**2,085,327**
Dr C K Chan	–	–	–	–	–	**–**
J S Humphrey +	80,000	–	–	–	–	**80,000**
P E J Jollie	91,667	–	–	8,250	–	**99,917**
C J S Renwick	61,016	–	–	–	–	**61,016**
B W Wong	–	–	–	–	–	**–**
	1,932,010	**502,125**	**20,173**	**62,702**	**–**	**2,517,010**

* Barry O'Callaghan's retirement benefit has been capped at $250,000

^ Salary fees include payment of $386,300 for entitlements for previous years under employment contract

\+ John Humphrey's retirement benefit has been capped at the aggregate of his base directors' fees for the 3 years to 30 June 2005 – which is $185,000.

4. Contract terms for specified executives

All of the specified executives, as well as the managing director, are on open-ended contracts with no fixed end date.

The notice period under specified executive contracts is 3 months. For the managing director, the notice period is also 3 months.

In addition to the notice requirement, the contracts for specified executives (apart from Khor Poh Hwa) and for the Managing Director provide for termination payments capped at 100% of base salary, but this applies only in very limited circumstances.

The specified executives were all employed throughout the reporting period and no termination payments were made.

5. Employee share scheme

In addition to the remuneration arrangements outlined above, the company instituted in June 2005, an Employee Discount Share Plan. Under this plan eligible employees were offered the right to acquire 500 shares in Downer at an issue price of $5.15 (the volume weighted average price of Downer's shares at the time of the offer) less a $1,000 discount. The discount was offered in recognition of employee service and contributions to the company's performance. Under the offer, employees had to pay the balance, being $1,575, for the shares. The plan was structured to encourage a culture of share ownership as broadly as possible amongst the company's employees.

In order to be eligible for the offer, employees must have been permanent employees of the company for not less than 12 months. A pleasing 2,237 employees accepted the offer, representing a take up rate of 26% and resulting in the allotment of 1,118,500 shares. The offer was made to employees in Australia, New Zealand and Singapore.

Contents

6. Remuneration committee

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

The committee is comprised of two independent non-executive directors, (being Peter Jollie (chairman) and Barry O'Callaghan) and the managing director – Stephen Gillies.

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

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

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

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

7. New arrangements since 30 June 2005

The remuneration committee has met on a number of occasions since the end of June 2005 to review the company's approach to performance and remuneration management. The committee's objective is to ensure that the company's approach to remuneration aligns remuneration outcomes and shareholder wealth creation, assists in retaining executives, is consistent with current market practice, is financially appropriate and in keeping with the company's commitment to good corporate governance principles. PriceWaterhouse Coopers was retained to advise on the structure of remuneration arrangements as well as market practice. A revised remuneration policy has been developed based on the following principles:

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

Under the proposed structure, remuneration for senior executives will involve three components:

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

7.1 Fixed remuneration

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

7.2 Short term incentive

The short term incentive which is payable by way of an annual bonus, is a cash payment (subject to the arrangement set out at paragraph 8 below). Short term incentive payments are capped at 50% of the executive's base salary and are tied to performance in relation to a number of areas including financial and non-financial targets.

7.3 Long term incentive (LTI)

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

7.3 Long term incentive (LTI) continued

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

Each grant of performance rights and performance options will be divided into 2 portions with different hurdles being applied to each portion as set out below:

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

No grants have been made under the long term incentive plan, however offers are expected to be made during the year ending 30 June 2006. To vest, Downer EDI TSR percentile ranking must be between 50th and 75th percentiles of the ASX 100. For that first offering, a portion of the award will vest at 50th percentile performance and increase up to 100 percent vesting at 75th percentile performance. Having regard to changes taking place in Australia in long term incentive plan design, the committee will undertake further reviews of the LTI design as considered necessary, including vesting provisions, to determine if any changes to the plan should be considered for future grants.

Satisfaction of the EPS hurdle will be determined by reference to internal targets established by the remuneration committee.

Summary of long term incentive plan

Year end 30 June 2005	Year end 30 June 2006
Australian executives	**Australian executives**
• No grants	• Annual grants with performance based vesting three years from grant date • Operates from 1 July 2005 to 30 June 2008 • Assessment at 30 June 2008 • Criteria is total shareholder return ranking within a peer group of companies plus EPS growth • <25th percentile = 0% 25th – 50th percentile = 0% 50th – 75th percentile = 50% - 100% >75th percentile = 100%

The intention is (subject to local law and regulatory requirements) to extend the application of this plan to overseas based executives.

8. Downer EDI Deferred Share Plan

The remuneration committee has also instituted a Deferred Share Plan ("DSP").

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

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

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

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

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

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

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

Rounding 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 pages 46 to 49.

Environmental regulations

The consolidated entity's performance in relation to environmental regulation is contained in the Environmental Compliance section on page 41.

Non-audit services

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

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

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

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's "Professional Statement F1 - Professional Independence", including reviewing or auditing the auditors own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

A copy of the auditor's independence declaration is set out on page 57.

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

	$
Tax consulting	196,000
AIFRS transition and other accounting advisory	324,000
Total	520,000

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

On behalf of the directors

B D O'Callaghan
Director

S J Gillies
Director

Sydney, 23 August 2005

independence declaration

23 August 2005

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

Dear Sirs

DOWNER EDI LIMITED

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

As lead audit partner for the audit of the financial statements of Downer EDI Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner

Contents

statement of financial performance

for the **financial year** ended 30 June 2005

- Downer EDI has delivered to shareholders its eighth consecutive record level of revenue and profit after tax.
- Revenue for the year of $3.8 billion was up $621 million (19%) over the previous year, with organic growth in our core businesses accounting for the majority of the increase. Major contributors to the growth in revenue were Engineering 14%, Mining & Resources 41% and Infrastructure 29%. Turnover* for the year was $4.0 billion, up $555 million over the previous year.

  * Turnover is defined as total revenue plus our net share of sales revenues of joint venture entities.
- Earnings before interest, tax and amortisation of intangibles (EBITA) amounted to $188.6 million, an increase of $31.3 million (or 20%) over the prior year. Eliminating the effects of discontinued businesses, EBITA margins from core businesses have improved on last year to 5.4% and importantly, on an increased revenue base.
- Net interest expense for the year was $36.3 million, up $7.8 million over the 2004 level. This reflected the impact of delayed receipts from RailCorp for the remaining 4GT rail car sets (all paid prior to year end) and increases in the level of working capital required to fund the expanded revenue platform. The EBITA to net interest coverage ratio remains healthy at 5.2 times (2004: 5.5 times).
- Depreciation and amortisation amounted to $121.0 million and compares to net additions to property plant and equipment of $107.3 million. This sees net capital expenditure returning to levels within our annual depreciation and amortisation charges (2005: 89%) and effectively represents a reinvestment of our depreciation and amortisation charges for the year. Depreciation rates adopted by the Group continue to be conservative and historically, have been reflected in the gains on disposal reported on the equipment at the end of their economic lives of $8.8 million in 2005 (2004: $7.3 million gain).
- The effective tax rate of the Group for 2005 was 21% and has been influenced by the recognition of a $10.0 million tax benefit arising from the introduction of the consolidated tax return regime in Australia. If not for this, the effective tax rate would have been 28.6%. Work continues to be done in this area to firm up the tax cost base for consolidated tax depreciation purposes before the 31 December 2005 deadline. Completion of this work may result in the recognition of a further tax benefit. The effective tax rate has continued to be affected by 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). Profit contributions from overseas operations with tax rates lower than the Australian tax rate (such as Singapore) has also contributed to a reduced overall tax rate.
- Net profit after tax at $104.0 million, was $22.5 million (28%) higher than the previous year. This equates to an earnings per share of 36.3 cents per share, another healthy improvement (23% increase) in earnings per share, year on year.
- Total ordinary share dividends paid or declared in respect of 2005 profits amounted to 18.0 cents per share (2004: 15.6 cents per share). This represents an increase in dividends per share of 15% over the previous year. The 2005 final dividend totalling 12.0 cents per share declared by the directors will be franked to 70% (2004: 50%). This represents a 40% increase in the level of franking to shareholders. The dividend pay out ratio for 2005 has been retained at 50% of after tax profits.
- Total Shareholder Return for 2005 (calculated as the value of dividends paid during the 2005 year (including the value of franking credits) and the increase in the share price over the year, divided by the opening share price) represents a Total Shareholder Return in excess of 72%.

		Consolidated	
	Note	2005 $'000	2004 $'000
Revenue from ordinary activities		3,799,653	3,172,782
Share of net profits of associates and joint ventures accounted for using the equity method		14,858	20,526
Borrowing costs		(43,974)	(36,193)
Changes in inventories of finished goods and work in progress		(93,701)	(51,495)
Communications expense		(23,076)	(25,095)
Employee benefits expense		(1,098,539)	(903,149)
Occupancy costs		(38,576)	(30,434)
Plant and equipment costs		(387,131)	(352,649)
Professional fees		(28,342)	(16,490)
Raw materials and consumables used		(1,202,664)	(1,074,197)
Subcontractor costs		(639,841)	(518,798)
Travel and accommodation expense		(46,324)	(31,800)
Other expenses from ordinary activities		(80,713)	(43,773)
Profit from ordinary activities before income tax expense	2	131,630	109,235
Income tax expense relating to ordinary activities		(27,595)	(27,689)
Net profit attributable to members of the parent entity		104,035	81,546
Increase/(decrease) in foreign currency translation reserve arising on translation of self-sustaining foreign operations		(5,399)	846
Total revenue, expense and valuation adjustments attributable to members of the parent entity recognised directly in equity		(5,399)	846
Total changes in equity other than those resulting from transactions with owners as owners		98,636	82,392
Earnings per share			
Basic and diluted (cents per share)		36.3	29.6

statement of financial position

as at 30 June 2005

- Net assets of the Group have increased from $823.0 million to $908.0 million, an increase of $85.0 million. Major contributors to this increase arose from:
  1. Dividend reinvestment plan elections of $29.1 million;
  2. After tax profits (net of dividends paid) retained in the business of $54.1 million;
  3. The issue of shares on acquisition of business of $3.7 million;
  4. The issue of shares under the terms of the Group's Employee Share Plan of $3.5 million; and
  5. A negative movement in reserves of $5.4 million, reflecting movements in foreign currencies against the Australian dollar and their effects on translating foreign subsidiary financial statements into Australian dollars.
- At year end net debt of $340.8 million remains consistent with the 2004 level. Net debt increases have been tempered by strong operating cash flows and are reflected in the overall growth in total assets of $224.0 million.
- The Group's gearing as measured by net debt to capitalisation (net debt plus total equity) at 27% remains at historic low levels. On a net debt to equity basis, gearing at 38% also remains at historic low levels. Maintenance of these low levels of gearing continues to be achieved on the back of strong operating cash flows, despite the level of capital investment made during the year. Conservative gearing provides the Group with continued resources and liquidity to fund future growth opportunities.
- Late in 2005, the company extended and expanded its capacity and maturity profile of its funded debt to a weighted average maturity of 4.6 years (2004: 3.0 years), reflecting the extension of maturity dates of our Australian and Asian syndicated debt facilities to 2008 – 2010 and through accessing the US private placement debt market for the third time for maturities ranging from 2009 to 2019. This was achieved at significantly better pricing as a result of the Group's improving financial position and improved investment grade credit profile.
- Total available liquidity at year end amounted to $716.3 million comprising cash of $166.0 million and undrawn lines of $550.3 million.
- Net tangible asset backing per share has increased 15 cents per share (or 8%) over the previous year's level.
- The Group's order book is at a respectable $6.5 billion (2004: $6.4 billion) 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.

	Consolidated	
	2005 $'000	**2004 $'000**
Current assets		
Cash assets	165,972	148,264
Inventories	173,745	144,189
Receivables	940,445	822,885
Other financial assets	15,594	20,056
Tax assets	8,954	4,202
Other	18,018	15,478
Total current assets	**1,322,728**	**1,155,074**
Non-current assets		
Receivables	31,014	20,245
Investments accounted for using the equity method	17,474	21,578
Property, plant and equipment	570,733	552,334
Intangibles	347,657	329,076
Other financial assets	13,429	11,573
Deferred tax assets	38,066	26,855
Other	1,992	2,402
Total non-current assets	**1,020,365**	**964,063**
Total assets	**2,343,093**	**2,119,137**
Current liabilities		
Payables	705,348	609,473
Interest-bearing liabilities	16,735	107,624
Provisions	108,539	91,471
Tax liabilities	29,414	6,231
Total current liabilities	**860,036**	**814,799**
Non-current liabilities		
Payables	15,702	19,698
Interest-bearing liabilities	490,037	377,193
Provisions	37,724	31,507
Deferred tax liabilities	31,574	52,911
Total non-current liabilities	**575,037**	**481,309**
Total liabilities	**1,435,073**	**1,296,108**
Net assets	**908,020**	**823,029**
Equity		
Contributed equity	667,603	631,207
Reserves	(16,726)	(11,327)
Retained profits	257,143	203,149
Total equity	**908,020**	**823,029**

statement of cash flows

for the **financial year** ended 30 June 2005

- Operating cash flow for the year was $186.0 million, reflecting once more, strong cash flow levels driven by all divisions and the commitment of operations to manage the use of Group working capital.
- This strong cash flow generation continues to help strengthen the composition of the Group's balance sheet, while internally funding many of the acquisitions during the year.
- While funds utilised in working capital increased by $62.5 million to $420.7 million during 2005, this was on the back of a $621 million increase in revenue. As a percentage of revenue, working capital has remained steady at 11%. Management remain focused on reductions in working capital to assist in internally funding further growth opportunities.
- A focus on further reductions in working capital should assist in underpinning strong operating cash flows for 2006.
- Net investing activities of $142.3 million over the 2005 year were slightly less than the 2004 level of $145.3 million. Of this amount $107.3 million related to a reinvestment of funds through net additions to property plant and equipment, well within our depreciation and amortisation charges of $121.0 million.
- Proceeds from sale of businesses during the year totalled $26.7 million. Funds received were reinvested to fund $27.6 million in strategic 'bolt on' acquisitions which had an emphasis on consulting and design engineering capability to support long-term maintenance and infrastructure operations.
- Payment of obligations acquired under business acquisitions of $28.6 million reflect the funding of payments related to business acquired in earlier years.
- At balance date, the consolidated entity had drawn $506.8 million of its total debt facilities of $1,057.1 million. The Group also maintains $671.3 million in facilities from the surety market for performance bonds used by a number of its operating businesses. At year end $462.3 million had been utilised. Other than $8.9 million (2004: $13.8 million), all debt and surety facilities are provided to the Group on an unsecured basis.
- Total available liquidity at year end amounted to $716.3 million comprising cash of $166.0 million and undrawn lines of $550.3 million.

	Consolidated	
	2005 $'000	**2004 $'000**
Cash flows from operating activities		
Receipts from customers	4,055,336	3,665,956
Payments to suppliers and employees	(3,813,713)	(3,429,415)
Distributions from joint ventures	16,637	19,949
Interest received	4,512	6,490
Interest and other costs of finance paid	(43,892)	(36,599)
Income tax paid	(32,923)	(44,901)
Net cash provided by operating activities	185,957	181,480
Cash flows from investing activities		
Payment for investments	(6,531)	(335)
Proceeds from sale of investments	12,849	3,214
Payment for property, plant and equipment	(127,123)	(166,343)
Proceeds from sale of property, plant and equipment	19,872	41,649
Receipts from other advances	-	2,102
Advances to joint ventures	(11,734)	(2,556)
Proceeds from sale of businesses	26,665	3,487
Payment of obligations acquired under business acquisitions	(28,608)	-
Payment for businesses acquired	(27,648)	(26,474)
Net cash used in investing activities	(142,258)	(145,256)
Cash flows from financing activities		
Proceeds from borrowings	612,335	459,256
Proceeds from issue of equity securities	17	-
Repayment of borrowings	(613,039)	(533,031)
Dividends paid	(20,909)	(22,350)
Net cash used in financing activities	(21,596)	(96,125)
Net increase/(decrease) in cash held	22,103	(59,901)
Cash at the beginning of the financial year	147,574	205,725
Effects of exchange rate changes on the balance of cash held in foreign currencies	(3,705)	1,750
Cash at the end of the financial year	**165,972**	**147,574**

- Cash at the end of the financial year is represented by cash on hand of $120.0 million and investments in money market instruments of $46.0 million.
- Cash flows from financing activities reflect a net repayment of borrowings over the year $0.7m. Cash dividends paid on ordinary shares were $29.1 million (2004: $14.1 million) less than that provided due to a significant level of participation by shareholders in the Dividend Reinvestment Plan (DRP). Participation, net of withholding taxes, represented 59% (2004: 68%) of the ordinary share dividends paid during the year and a vote of confidence by those shareholders in the company.
- Given the continuing high level of involvement by shareholders, the DRP applies to the 2005 final ordinary share dividend.

notes to the financial statements

for the **financial year** ended 30 June 2005

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 2005 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

Accounting policies are consistent with the previous financial year.

Included in Note 46 of the Full Financial Report is an explanation of the known or reliably estimable effect of transition to Australian equivalents to International Financial Reporting Standards, which will be first reflected in the group's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

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	
	2005 $'000	**2004 $'000**
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
Operating revenue		
Sales revenue:		
Sale of goods	91,836	53,995
Rendering of services	2,186,165	1,831,158
Engineering services contract revenue	1,446,934	1,227,186
Interest revenue:		
Director related entities	-	352
Other entities	5,038	6,433
Equity share of associates' and joint venture entities' profits	14,858	20,526
Rental income	164	150
Other	5,171	4,467
Total operating revenue	3,750,166	3,144,267
Non-operating revenue		
Proceeds from the sale of non-current assets:		
Property, plant and equipment	24,363	40,112
Investments	13,317	3,214
Sale of business and other	26,665	5,715
Total non-operating revenue	64,345	49,041
Total revenue	**3,814,511**	**3,193,308**
Net share of sales revenue in joint venture entities	157,814	224,183
Total turnover	**3,972,325**	**3,417,491**
Expenses		
Cost of sales	72,185	37,004
Interest:		
Other entities	40,512	34,685
Finance lease charges	835	646
Depreciation of non-current assets:		
Plant and equipment	96,003	94,304
Buildings	2,179	1,566
Quarries	566	123
Amortisation of non-current assets:		
Leased assets	1,540	2,192
Goodwill	19,606	18,613
Intellectual property	1,101	909
Net transfers to/(from) provisions:		
Doubtful debts	(678)	3,141
Operating lease expenses	105,085	91,117
Net foreign exchange losses	657	267
Other borrowing costs	2,627	862

3 DIVIDENDS

	Consolidated		
	Date paid/ payable	**Cents per share**	**$'000**
Not recognised: –			
2005 Final dividend			
Subsequent to the 30 June 2005 reporting date, the company announced a final dividend in respect of ordinary shares for the financial year (70% franked)	19 Oct 2005	12.0	35,002
Recognised 2005 financial year: –			
2005 Interim dividend			
Subsequent to the 31 December 2004 reporting date, the company announced an interim dividend in respect of ordinary shares for the half year (50% franked)	22 Apr 2005	6.0	17,325
2004 Final dividend			
Subsequent to the 30 June 2004 reporting date, the company announced a final and special dividend in respect of ordinary shares for the financial year (50% franked)	19 Oct 2004 (Ordinary)	9.6	27,075
	19 Oct 2004 (Special)	2.0	5,641
		11.6	32,716
Recognised 2004 financial year: –			
2004 Interim dividend			
Subsequent to the 31 December 2003 reporting date, the company announced an interim dividend in respect of ordinary shares for the half year (50% franked)	29 Mar 2004	4.0	11,261
2003 Final dividend			
Subsequent to the 30 June 2003 reporting date, the company announced a final dividend in respect of ordinary shares for the financial year (50% franked)	10 Oct 2003	9.6	23,412
2003 Final dividend converting preference shares			
The 2003 converting preference share dividend represents the final dividend paid up to the date of conversion to ordinary shares on 31 October 2003 (unfranked)	31 Oct 2003	$26.57	1,727

	Company	
	2005 $'000	**2004 $'000**
Franking account balance	13,457	–

4 SEGMENT INFORMATION

Information on business segments:

Segment Revenue	External 2005 $'000	External 2004 $'000	Inter-Segment 2005 $'000	Inter-Segment 2004 $'000	Total 2005 $'000	Total 2004 $'000
Engineering	1,240,468	1,082,156	10,160	19,322	1,250,628	1,101,478
Mining and Resources	1,314,205	930,525	1,521	4,960	1,315,726	935,485
Infrastructure Services	865,567	673,195	7,200	2,915	872,767	676,110
Rail	360,918	408,178	–	1,733	360,918	409,911
Discontinued businesses	28,205	96,718	–	10,279	28,205	106,997
					3,828,244	3,229,981
Eliminations					(18,881)	(39,209)
Unallocated					5,148	2,536
Total revenue					3,814,511	3,193,308
Net share of sales revenue in joint venture entities:						
Engineering					39,266	68,994
Mining and Resources					97,744	147,319
Infrastructure Services					20,804	7,870
Total turnover					3,972,325	3,417,491

Segment Results	Consolidated 2005 $'000	Consolidated 2004 $'000
Engineering	48,886	56,234
Mining and Resources	61,105	32,741
Infrastructure Services	44,153	38,167
Rail	16,241	17,342
Discontinued businesses	(3,791)	(6,839)
Unallocated	(34,964)	(28,410)
Income tax expense relating to ordinary activities	(27,595)	(27,689)
Net profit	104,035	81,546

Segment Assets and Liabilities	Assets 2005 $'000	Assets 2004 $'000	Liabilities 2005 $'000	Liabilities 2004 $'000
Engineering	695,904	684,041	326,642	266,585
Mining and Resources	796,846	727,122	255,478	186,021
Infrastructure Services	426,749	364,956	147,912	122,185
Rail	286,565	250,304	106,203	96,478
Discontinued businesses	56,094	42,536	19,206	6,160
	2,262,158	2,068,959	855,441	677,429
Unallocated	80,935	50,178	579,632	618,679
	2,343,093	2,119,137	1,435,073	1,296,108

notes to the financial statements

for the **financial year** ended 30 June 2005

4 SEGMENT INFORMATION CONTINUED

	Engineering	Mining and Resources	Infrastructure Services	Rail	Discontinued
Other Segment Information	**2005 $'000**	**2005 $'000**	**2005 $'000**	**2005 $'000**	**2005 $'000**
Carrying value of investments accounted for using the equity method	11,276	810	5,388	–	–
Share of net profit of associates and joint venture entities accounted for under the equity method	4,649	8,536	1,673	–	–
Acquisition of segment assets	21,384	70,066	76,230	5,146	–
Depreciation and amortisation of segment assets	18,189	67,730	24,345	10,475	–
Number of employees	8,652	3,904	3,583	1,447	–

	Engineering	Mining and Resources	Infrastructure Services	Rail	Discontinued
	2004 $'000	**2004 $'000**	**2004 $'000**	**2004 $'000**	**2004 $'000**
Carrying value of investments accounted for using the equity method	14,365	2,168	5,045	–	–
Share of net profit of associates and joint venture entities accounted for under the equity method	5,830	13,913	783	–	–
Acquisition of segment assets	23,421	131,262	63,816	3,820	–
Depreciation and amortisation of segment assets	19,461	66,261	20,665	10,852	178
Number of employees	7,152	2,670	3,525	1,274	50

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, project management, facilities management, construct and maintain) specialising in telecommunications, power and process engineering.

Mining and Resources – provides international mine consulting and contracting services, including mine planning, optimisation management and modelling, materials processing consulting and infrastructure, drilling and blasting, bulk excavation, crushing and processing, haulage of ores/waste, tailings management and mine restoration, oil, gas, geothermal and mineral drilling activities.

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

	Revenue from External Customers		Segment Assets		Acquisition of Segment Assets	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Australia	2,703,569	2,297,529	1,563,917	1,311,631	102,891	174,601
Pacific	846,112	676,374	441,141	371,507	50,978	36,592
South East Asia	212,561	170,221	280,758	342,722	17,518	11,117
North East Asia	52,269	49,184	57,277	93,277	1,747	9
	3,814,511	3,193,308	2,343,093	2,119,137	173,134	222,319

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).

Discontinued businesses

As noted in the 2004 annual report, a decision was made to discontinue the non-core capital works businesses in Engineering, with the residual core operations being integrated into the Infrastructure division. The plan to discontinue these operations is consistent with the consolidated entity's long term policy to focus on service activities.

Details of the financial position, financial performance and cash flows of the discontinuing operations are disclosed below:

	2005 $'000	2004 $'000
Financial position		
Total assets	56,094	42,536
Total liabilities	19,206	6,160
Net assets	36,888	36,376
Financial performance		
Total revenue	28,205	106,997
Total expenses	34,139	114,593
Loss before tax	(5,934)	(7,596)
Tax benefit	1,948	2,887
Loss after tax	(3,986)	(4,709)
Cash flows		
Net cash flows used in operating activities	(19,073)	(10,309)
Net cash flows from investing activities	929	72
Net cash flows from financing activities	14,581	8,806
Net cash flows	(3,563)	(1,431)

directors’ declaration

The directors declare that:

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

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, 23 August 2005

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 2005 as set out on pages 58 to 66, 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 2005. Our audit report on the full financial report was signed on 23 August 2005, 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

J A Leotta
Partner
Chartered Accountants

Sydney, 23 August 2005

information for investors

Downner EDI shareholders

At 31 August 2005, Downer EDI had 16,800 ordinary shareholders. The largest shareholder, AXA Asia Pacific Holdings Ltd, holds approximately 7.38% of the 291,685,155 fully paid shares issued at that date. Downer EDI has 15,483 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 directors expect that the policy of paying out dividends of approximately 50% of profit after tax and minimum franking of 70% will be able to be maintained.

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 over the relevant period. Details of the Dividend Reinvestment Plan are available from the company's website or from the company secretary.

Share registry

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

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

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

Tax File Number information

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

Lost share certificates

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

Annual Report mailing list

Shareholders can choose NOT to receive a Downer EDI Concise Annual Report and Half Yearly Report by writing to Computershare at the address provided. A form will be sent to you for this purpose. 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

C D Thompson

Carl joined Downer EDI in April 2004. He has qualifications from University of Melbourne in Law and Commerce and he was, for 12 years prior to joining the company, a partner in the law firm Corrs Chambers Westgarth. He has well over 20 years experience in the law and has advised numerous companies on a range of corporate and commercial matters. He has also sat on a number of boards of both private and publicly listed companies.

B J Crane

Bruce joined Downer EDI in 2001 following the acquisition of Evans Deakin Industries where he had been in general and financial management for a number of years. He is a fellow of the Institute of Chartered Secretaries and the Institute of Chartered Accountants and also has qualifications in business and commerce from the University of Technology. He has over 25 years experience as a public and private company secretary and director.

Auditor

Deloitte Touche Tohmatsu
Level 6, 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 **31 August 2005**

Number of Holders of Equity Securities

Ordinary Share Capital

291,685,155 fully paid listed ordinary shares were held by 16,800 shareholders. All issued ordinary shares carry one vote per share.

Substantial Shareholders

	Fully Paid	
	Number	**%**
Ordinary Shareholders:		
AXA Group	24,005,538	8.23
Fidelity Investments	19,161,317	6.57
The Capital Group Companies, Inc.	18,225,011	6.25
Tarrow Pty. Limited	16,441,074	5.63
Total	77,832,940	26.68

Distribution of Holders of Quoted Equity Securities

			Number of Fully Paid Ordinary Shareholders
1	–	1,000	7,477
1,001	–	5,000	7,298
5,001	–	10,000	1,219
10,001	–	100,000	721
100,001 and over			85
Total			**16,800**
Holdings less than a marketable parcel			180

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

Ordinary Shareholders	Number	%
Chase Manhattan Nominees	54,037,902	18.53
Westpac Custodian Nominees	53,598,237	18.37
National Nominees Limited	35,707,395	12.24
Citicorp Nominees Pty. Limited	21,690,211	7.44
Tarrow Pty. Limited	14,716,573	5.05
ANZ Nominees Limited	14,707,127	5.04
HSBC Custody Nominees (Australia) Limited	6,255,860	2.14
RBC Global Services Australia Nominees Limited	3,850,214	1.32
Bond Street Custodians Limited	3,724,988	1.28
Cogent Nominees Pty. Limited	3,687,230	1.26
MLEQ Nominees Pty. Limited	3,195,689	1.10
Westpac Financial Services Limited	2,410,369	0.83
Queensland Investment Corporation	2,266,761	0.78
AMP Life Limited	1,790,593	0.61
Fleet Nominees Pty. Limited	1,669,932	0.57
UBS Nominees Pty. Limited	1,572,865	0.54
Health Super Pty. Limited	1,515,379	0.52
IAG Nominees Pty. Limited	1,323,499	0.45
Government Superannuation Office	1,167,710	0.40
Bainpro Nominees Pty. Limited	1,002,991	0.34
Total for top 20 shareholders	**229,891,525**	**78.81**

corporate directory

Corporate Head Office

Downner 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
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 –
Unit 1301-02, 13th Floor
9 Chong Yip Street
Kwun Tong
KOWLOON
HONG KONG

Tel: 852 3520 2662
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

Indonesia –
PT Century Dinamik Drilling
Chase Plaza 14th Floor
Jl. Jenderal Kav 21
JAKARTA 12920
INDONESIA

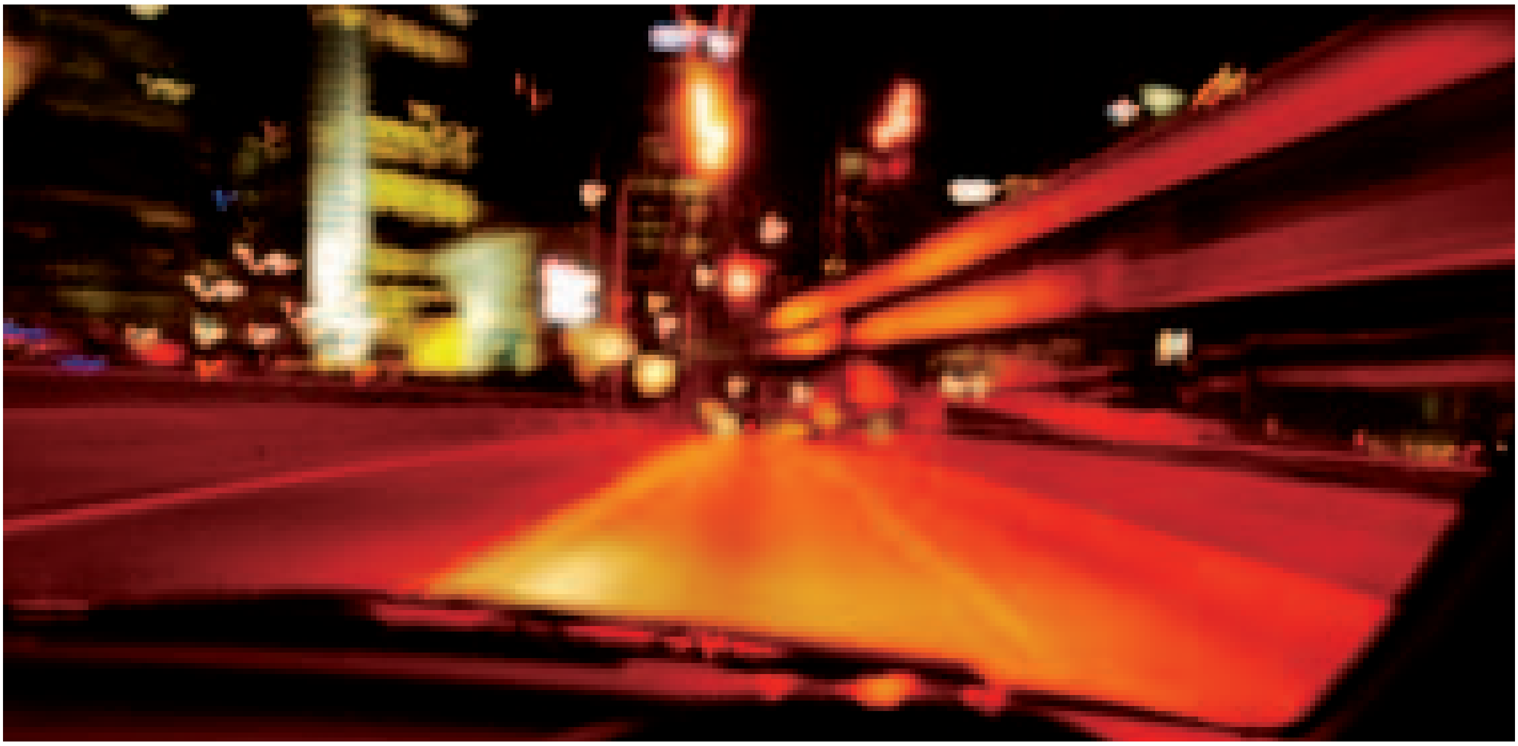
Tel: 62 21 520 1518
Fax: 62 21 520 1640

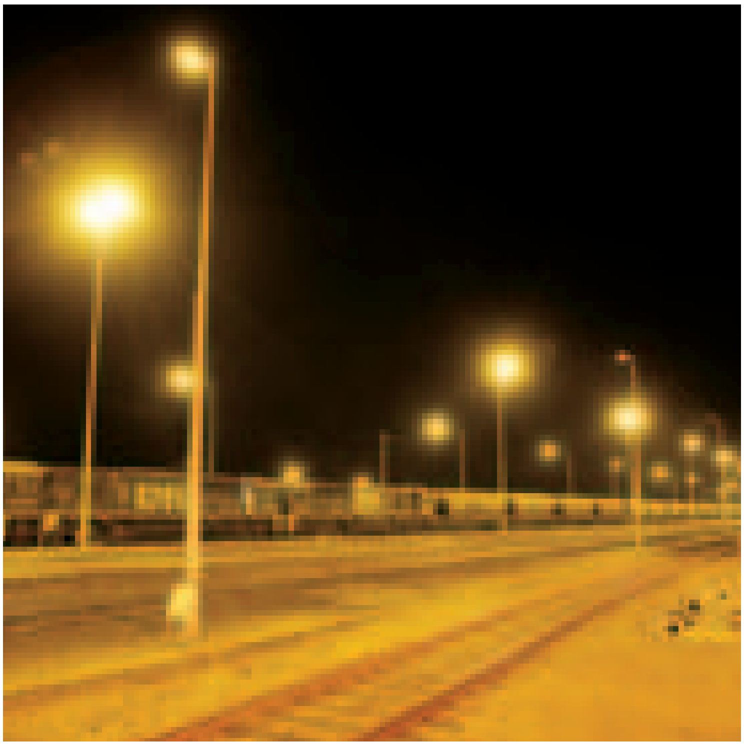
Bangladesh –
Century Bangladesh
Century House
House No. 10
Road No.9
Baridhara
DHAKA, 1212
BANGLADESH

Tel: +880 2 882 8794
Fax: +880 2 881 4097

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), Works Infrastructure Pty Ltd (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 Group 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 and Resources Division and Rail Division.





The Downer EDI Limited 2005 Concise Annual Report reflects the activity of Downer EDI Limited for the financial year 1 July 2004 to 30 June 2005. 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 2005 is set out in the Full Financial Report 2005 available free of charge from the Company Secretary, Downer EDI Limited.

Please note that financial information for Downer EDI Limited, including the Concise Annual Report 2005 and the Full Financial Report 2005, can be found at the Downer EDI website, www.downeredi.com

DOWNER EDI LIMITED
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SYDNEY NSW 2000
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Downer EDi LIMITED