Downer EDI Limited
ACN: 003 872 848

Financial report for the year ended 30 June 2009

Downer EDI Limited

Results for announcement to the market

for the year ended 30 June 2009

Appendix 4E

	2009 $'000	2008 $'000	% change
Revenue from ordinary activities	**5,861,410**	5,462,530	7.3%
Total revenue	**5,941,391**	5,587,647	6.3%
Earnings before interest, tax, depreciation and amortisation	**446,567**	398,680	12.0%
Earnings before interest and tax	**304,799**	281,117	8.4%
Profit before tax	**259,025**	231,946	11.7%
Profit after tax	**189,376**	165,842	14.2%
Profit attributable to members of the parent entity	**189,376**	165,842	14.2%

	2009 cents	2008 cents	% change
Basic earnings per share	**57.9**	51.3	12.9%
Basic earnings per share (including ROADS)	**54.4**	47.9	13.6%
Diluted earnings per share	**52.7**	47.5	10.9%
Net tangible asset backing per ordinary share	**217.6**	190.0	14.5%

	2009	2008
Dividend		
Final dividend per share (cents)	**16.0**	12.5
Franked amount per share (cents)	**-**	-
Interim dividend paid 14 April 2009 per share (cents)	**13.0**	13.0
Interim franked amount per share (cents)	**-**	-
Final dividend record date	**1/09/2009**	04/09/2008
Final dividend payment date	**2/10/2009**	17/10/2008
ROADS		
Redeemable Optionally Adjustable Distributing Securities (ROADS)		
Dividend per ROADS (in Australian cents)	**5.7**	5.6
New Zealand imputation credit percentage per ROADS	**100%**	100%
ROADS payment date		
Quarter 1 instalment date	**15/09/2008**	15/09/2007
Quarter 2 instalment date	**15/12/2008**	15/12/2007
Quarter 3 instalment date	**16/03/2009**	15/03/2008
Quarter 4 instalment date	**15/06/2009**	15/06/2008

Downer EDI's Dividend Reinvestment Plan (DRP) applies to the 2009 final dividend. Shareholders wishing to participate or amend their participation in the DRP will need to provide their election notices to the company's share registry by 1 September 2009.

For commentary on the results for the year and review of operations, refer to the separate media release attached.

Downer EDI Limited

Financial report
for the year ended 30 June 2009

Appendix 4E Results for announcement to the market

Index	**Page**

Financial report

Downner EDI Limited

Directors' report

The directors of Downer EDI Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors:

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

P E J Jollie AM (69) Chairman since February 2008, Independent Non-executive Director since April 2004.

Mr Jollie is a past President of the Institute of Chartered Accountants in Australia and is a Fellow of that body as well as the Australian Institute of Company Directors. Mr Jollie holds several current directorships including ASX Markets Supervision Pty Limited. 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 the Australian Chair of Asia Pacific Trade Committees and a member of the Trade Policy Advisory Committees to Ministers for Trade for six years to 2002.

Mr Jollie lives in Sydney.

G H Knox (52) Managing Director and Chief Executive Officer since February 2008.

Mr Knox was previously Global Executive Director, Hatchcos Holdings; Executive Chairman Hatch Associates Pty Ltd; and Global Managing Director, Hatch Infrastructure. Mr Knox is the former President of BHP Engineering and Vice President of BHP Project Management. He is a director of the Australian Constructors Association and holds a Bachelor of Civil Engineering from the University of Western Australia and completed the Executive Program at the University of Michigan Business School.

Mr Knox lives in Sydney.

S A Chaplain (51) Independent Non-executive Director since July 2008.

Ms Chaplain is currently Chairman of the Queensland Bulk Water Supply Authority and of Honeycombes Property Group Pty Limited, and holds non-executive directorships with Canstar Cannex Pty Limited, George Street Finance Pty Limited and the Australian Youth Orchestra. She is also a member of the Federal Government's Board of Taxation. She has had extensive experience as a company director over the past fifteen years. Ms Chaplain has held management positions as Head of Public Sector Client Management at ABN AMRO, Director Corporate and Project Finance at AIDC Limited and Vice President for Citibank Limited. Ms Chaplain holds a Bachelor of Arts degree, majoring in Economics and Mandarin and an MBA from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.

Ms Chaplain lives on the Gold Coast.

P R Coates AO (63) Independent Non-executive Director, appointed October 2008.

Mr Coates was the Chief Executive of Xstrata Coal since the company's inception as Glencore Coal in 1994 and its transition to Enex Resources in 2001 (which was acquired by Xstrata Plc in 2002). In addition to Mr Coates' considerable coal industry experience he has occupied senior positions in other commodity industries including nickel, iron ore and bauxite. Mr Coates is a past Chairman of the Minerals Council of Australia, the NSW Minerals Council and the Australian Coal Association. He was also a member of the Queensland and NSW Clean Coal Council and is a current member of the NSW Ministerial Minerals Advisory Council. He has worked closely with government as a member of the APEC 2007 Business Consultative Group and the Emissions Trading Task Group. Mr Coates is Chairman of Minara Resources Limited and Deputy Chairman and Chairman-elect of Santos Limited. He is also a director of Amalgamated Holdings Limited.

Mr Coates was made a member of the Order of Australia in June 2009 and lives in Sydney.

L Di Bartolomeo (56) Independent Non-executive Director since June 2006.

Mr Di Bartolomeo was Managing Director of ADI Limited for four years and prior to this he was Chief Executive of a number of substantial businesses for over ten years, including six years as Managing Director of FreightCorp (now Pacific National). Mr Di Bartolomeo is a director of Australian Rail Track Corporation Limited, Macquarie Generation, Australian Super Limited, Parklands Foundation Limited and Reliance Rail Group. Mr Di Bartolomeo is a qualified civil engineer and has a Master's degree in Engineering Science; a Fellow of the Australian Institute of Management; a Fellow of the Chartered Institute of Transport and a Member of the Institution of Engineers Australia.

Mr Di Bartolomeo lives in Sydney.

R M Harding (60) Independent Non-executive Director since July 2008.

Mr Harding is currently Chairman of Clough Limited, a non-executive Director of Santos Limited and was previously Chairman of the Army Project Governance Board of the Department of Defence and a non-executive Director of ARC Energy Limited. He has held management positions around the world with British Petroleum, including President and General Manager of BP Exploration Australia. Mr Harding holds a Masters degree in Science, majoring in Mechanical Engineering.

Mr Harding lives in Melbourne.

J S Humphrey (54) Independent Non-executive Director since April 2001.

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 a director of Horizon Oil Limited and Wide Bay Australia Limited and is a former Chairman of Villa World Limited. He was appointed to the Board of Evans Deakin Industries Limited in 2000 and, subsequently, to the Board of Downer EDI Limited. He is currently Chairman of the Audit Committee. Mr Humphrey holds a Bachelor of Laws degree from the University of Queensland.

Mr Humphrey lives in Brisbane.

C J S Renwick AM (66) Independent Non-executive Director since September 2004.

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

Mr Renwick lives in Melbourne.

Directors' shareholdings:

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

Director	No. of Fully Paid Ordinary Shares	No. of Performance Rights	No. of Performance Options
P E J Jollie	86,333	-	-
G H Knox*	600,000	-	-
L Di Bartolomeo	47,206	-	-
S A Chaplain	13,000	-	-
P R Coates	-	-	-
R M Harding	-	-	-
J S Humphrey	54,069	-	-
C J S Renwick	30,000	-	-

* 400,000 shares are held directly by Mr Knox. In addition, 1,600,000 shares have been purchased as Mr Knox's long term incentive and are held by CPU Share Plans Pty Ltd (Trustee of the Downer EDI Limited Deferred Employee Share Plan). The hurdle price of the first tranche of 400,000 shares was met on 1 February 2008 as a component of Mr Knox's sign-on bonus. 200,000 of these shares met the service period condition on 31 December 2008 and vested at that date. The conditions relating to these restricted shares are outlined in section 5.1 of the remuneration report.

Company Secretary

The company secretarial function is responsible for ensuring that the company complies with its statutory duties and maintains proper documentation, registers and records. It also provides advice to directors and officers on corporate governance and gives practical effect to any decisions made by the Board of Directors.

Bruce Crane has been company secretary since August 2008. 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.

Principal activities

Downer EDI Limited provides comprehensive engineering and infrastructure management services to the public and private transport, energy, infrastructure, communications and resources sectors across Australia, New Zealand, the Asia Pacific region and the United Kingdom.

Review of operations

Downer EDI has delivered a solid performance with the following highlights:

- Safety performance - LTIFR: 12-year low of 1.2 per million hours worked
- Net profit after tax of $189.4 million, an increase of 14.2%
- Total revenue of $5.9 billion, an increase of 6.3%
- EBIT was $304.8 million, an increase of 8.4%
- Solid operating cash flow of $336.5 million, an increase of 21.9%
- Sound balance sheet with gearing of 38.9%
- Earnings per share of 57.9 cents, an increase of 12.9%
- Full year dividend per share of 29 cents, an increase of 13.7%
- Work-in-hand remains strong at $14.6 billion

The directors declared an unfranked final dividend of 16 cents per share (2008: 12.5 cents), payable on 2 October, 2009 to shareholders on the register at 1 September, 2009. The company's Dividend Reinvestment Plan will continue to be applied for this dividend with a discount of 2.5%.

Downer EDI Engineering and Consulting Services revenue steady at $2.1 billion, with EBIT increasing significantly by 17.6% to $131.4 million. This is a strong result driven by a disciplined approach to risk management and synergies.

- Significant wins during the year with quality clients including Xstrata, Chorus NZ, PowerLink (QLD), Wesfarmers, Woodside and BHP Billiton;
- Strategically important bolt-on acquisitions including Corke Instrument Engineering;
- Strong tender pipeline with major opportunities in LNG, power, ports, rail, renewable energy, resources and telecommunications sectors;
- Business harnessing its reputation for delivering timely, cost-effective solutions to clients with a focus on safety and execution; and
- Consulting is leveraging its longstanding high value reputation in the market and delivering greater value to the Group.

Downer EDI Works delivered a 5.0% increase in revenue to $1.9 billion and a 3.2% increase in EBIT to $113.5 million. The Works businesses in Australia and New Zealand performed strongly; Works UK completed its restructure in 2H09 and returned to break-even in July.

- Over 70% of turnover is derived from Federal, state and local government with commitment to road and rail upgrades offsetting a softening in development and discretionary spend; and
- Continue to pursue bolt-on acquisitions to expand our capabilities and reach of our business;

Downer EDI Rail increased revenue by 45.0% to $888.9 million, while EBIT increased 32.4% to $60.8 million. The core Rail business delivered revenue growth of over 30% and an EBIT Margin above 8%.

- Strengthened key relationships with major clients including BHP Billiton, Queensland Rail and Pacific National;
- KDR Joint Venture with Keolis awarded preferred bidder for the operation and maintenance of Melbourne's Tram Network;
- Successful expansion of the Rail Solutions business, including the establishment of a key technology partners; and
- Continued demand for passenger trains resulting from increased patronage and government spending on transport infrastructure.

Downer EDI Mining increased revenue by 5.8% to $1.1 billion with EBIT increasing by 5.4% to $52.9 million. The division continues to make good progress under new CEO David Overall, with key focus areas including project management, systems, plant utilization, cost base and expansion opportunities.

- Significant wins and renewals with clients including Solid Energy (NZ), BHP Mitsubishi Alliance, Wesfarmers and Peabody;
- Safety performance improving – 40% improvement in LTIFR when compared to the prior year;
- Tender pipeline of over $5 billion with major opportunities on the east and west coasts of Australia;
- Successful completion of the Bio-diesel Trial which is attracting significant interest from a range of clients; and
- Our Mining Services business now represents over 20% of Mining's turnover and complements our core capability.

Outlook

- Guidance of NPAT growth around 5% in FY10
- Strong presence in growth markets including infrastructure, oil and gas, renewable energy and water
- Synergies program on track
- Strategic journey progressing well driven by excellent leadership team
- The solid pipeline of opportunities supports strong demand for our services
- We continue to monitor our end markets closely

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.

Environmental regulations
Downer EDI Limited recognises its obligation to our stakeholders - clients, shareholders, employees, contractors and the community - to operate in a way that advances sustainability and mitigates our environmental impact. As a corporate citizen we respect the places and communities in which we operate. Our values and beliefs are the spirit that underpins everything we do and we are committed to conduct our operations in a manner that is environmentally responsible and sustainable.

The Board oversees the company's environmental performance through regular reports. It has established a sustainability charter and strategy and has allocated internal responsibilities for reducing the impact of our operations and business activities on the environment. In addition, all Downer EDI divisions conduct regular environmental audits by independent third parties. The international environmental standard, ISO 14001, is used by Downer EDI as a benchmark in assessing, improving and maintaining the environmental integrity of its business management systems. Divisions also adhere to environmental management requirements established by customers in addition to all applicable license and regulatory requirements.

Dividends
In respect of the financial year ended 30 June 2009, the directors declared the payment of a final ordinary dividend of 16 cents per share (unfranked) to the holders of fully paid ordinary shares to be paid on 2 October 2009.

In respect of the financial year ended 30 June 2009, an interim dividend of 13.0 cents per share (unfranked) was paid to the holders of fully paid ordinary shares on 14 April 2009.

In respect of the financial year ended 30 June 2008, as detailed in the Directors' Report for that financial year, a final dividend of 12.5 cents per share (unfranked) was paid to the holders of fully paid ordinary shares on 17 October 2008.

Employee discount share plan ("ESP")
During the year, 834,000 shares have been issued under the terms of the ESP (2008:nil). Further details on the employee discount share plan are disclosed in Note 35 to the financial statements.

Executive share option scheme ("EOS")
No options were granted under the EOS during the year (2008:nil). Further details on the executive share option plan are disclosed in Note 36 to the financial statements.

Share options
No performance rights or performance options were granted to senior executives of the Downer EDI group under the 2006 long term incentive plan. Details of unissued shares under rights and options are as follows:

	Issuing entity	Number of shares	Class of shares	Exercise price $	Expiry date [1]
Performance options	Downer EDI Ltd	1,081,584	Ordinary	6.72	10 November 2013
Performance rights	Downer EDI Ltd	341,221	Ordinary	-	10 November 2013

[1]Subject to the satisfaction of certain performance hurdles as noted in section 4.5.1 of the remuneration report, securities vest on 30 June 2010 and will be exercisable at any time up to the seventh anniversary of the 10 November 2006 grant date.

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

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

Directors' meetings
The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the year 11 Board meetings, 5 audit and risk management committee meetings, 5 remuneration committee meetings, 1 risk committee meeting, 3 safety committee meetings and 1 nominations and corporate governance committee meeting were held. In addition, 22 ad-hoc meetings were held in relation to disclosure, tender review and treasury matters and attended by various directors. In April 2009, the audit and risk management committee was divided into two separate committees.

	Board of Directors		Audit and Risk Management Committee		Remuneration Committee	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
P E J Jollie	11	11	5	5	5	5
G H Knox	11	11	4	4	5	4
S A Chaplain	11	11	5	3	5	5
P R Coates	9	8	-	-	2	2
L Di Bartolomeo	11	11	1	1	5	5
R M Harding	11	10	-	-	-	-
J S Humphrey	11	11	5	5	-	-
C J S Renwick	11	9	5	2	-	-

	Risk Committee		HS&E Committee		Nominations and Corporate Governance Committee	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
P E J Jollie	-	-	-	-	1	1
G H Knox	-	-	3	3	-	-
S A Chaplain	1	1	-	-	-	-
P R Coates	1	-	1	-	-	-
L Di Bartolomeo	1	1	-	-	1	1
R M Harding	1	1	3	2	-	-
J S Humphrey	-	-	3	1	1	1
C J S Renwick	-	-	3	3	1	1

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 will be contained in the Corporate Governance section of the Annual Report.

Non-audit services
Downer EDI is committed to audit independence. The audit 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 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 committee, for the following reasons:

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

A copy of the auditor's independence declaration is set out on page 29.

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

	$
Tax consulting	763,907
Other audit related services	379,654
Total	1,143,561

Rounding of amounts

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

Remuneration report – audited

This remuneration report sets out the remuneration strategy of Downer EDI Limited for the year ended 30 June 2009 and provides information about the remuneration arrangements for directors and key management personnel, which includes the five highest remunerated company and group executives in this period. These individuals are identified in section 2 below.

This report provides the following information:

1. remuneration policy
2. directors and key management personnel details
3. relationship between remuneration policy and company performance
4. remuneration of directors and key management personnel
5. key terms of employment contracts

Summary introduction

The company's approach to remuneration recognises the diversity and complexity of the business and the need to attract and retain world-class executives in an increasingly competitive market. In keeping with best practice principles, the remuneration policy aligns remuneration outcomes with shareholder value creation and stakeholder value.

The remuneration model for the executive management team is subject to challenging targets and performance hurdles that drive achievement of critical business objectives and reward executives for achieving stretch targets. Fixed remuneration is based on competitive levels when compared to peers to ensure that Downer secures and retains a world-class management team.

The Board will continue to review the company's remuneration practices to ensure they reflect best practice and maintain Downer's high standards of governance and risk management.

1. Remuneration policy

Downer EDI's remuneration policy is based on the following core principles:

Drive performance	Variable remuneration should form a significant part of an executive's total remuneration; Reward executives for achieving or outperforming business targets; Variable remuneration should be at risk; and Variable remuneration should be linked to shareholder wealth creation.
Create shareholder wealth	Variable remuneration should consist of short term incentives as well as long term incentives; Incentive plans should be linked to the short term and long term objectives of Downer EDI; Long term incentives should be subject to performance hurdles which drive shareholder returns; and Equity ownership of Downer EDI shares should be encouraged.
Attract and retain talent	Opportunities for variable remuneration should attract, motivate and retain high quality executives.

During the reporting period, the company engaged a leading remuneration consultancy to review its remuneration model. The review focused on ensuring the model aligned with shareholder interests and remained market competitive, with reference to selected companies that compete for capital (financial and people) as well as competitors within the same industry sectors and/or with similar types of business as those within Downer EDI.

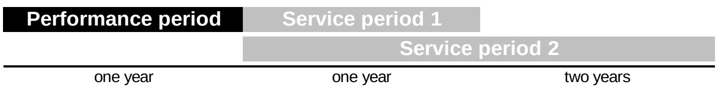
Downer EDI targets the mix of fixed and variable remuneration as follows:

In determining the design of each of these elements, the Board seeks to employ the following attributes:

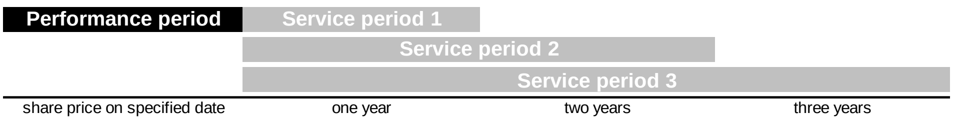
Fixed	Competitive levels when compared to peers to ensure that Downer EDI secures and retains a strong management team.
STI	Targeted KPI's that drive achievement of critical business objectives and to reward executives for achieving stretch targets.
LTI	Reward for performance over the long term with a further service period condition to protect against short term behaviours influencing the reward and to retain key executives. This is demonstrated by the diagram below that sets out the periods for vesting of LTI rewards.

Performance and service periods for LTI rewards

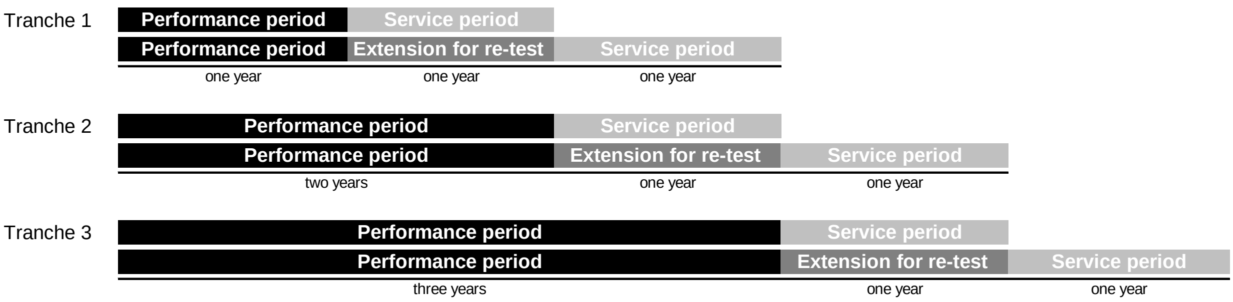
2008 EBIT and operating cash hurdle grants



2008 share price hurdle grants



2009 grants



1.1 The Board's role in remuneration

The nominations and corporate governance committee is responsible for considering and setting the remuneration for the chief executive officer and non-executive directors. Its primary purpose includes supporting and advising 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;
- recommending the appointment and removal of directors; and
- reviewing the remuneration of the managing director, executive directors (if any), and the non-executive directors of the company.

The remuneration committee is responsible for all other executive remuneration matters. Its' primary responsibility is to assist the Board in fulfilling its 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, excluding the chief executive, and overseeing the development of executive succession plans.

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

The remuneration committee's objective is to ensure that the company's approach to remuneration aligns remuneration outcomes with shareholder value creation and stakeholder value, 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.

2. Directors and key management personnel details

The following persons acted as directors of the company during or since the end of the most recent financial year:

P E J Jollie AM (Chairman)
G H Knox (Managing Director and Chief Executive Officer)
S A Chaplain (appointed 1 July 2008)
P R Coates AO (appointed 30 October 2008)
L Di Bartolomeo
R M Harding (appointed 1 July 2008)
J S Humphrey
C J S Renwick AM

The term 'key management personnel' (KMP) is used in this remuneration report to refer to the following persons. The named persons held their current position for the whole of the most recent financial year and since the end of the financial year, except as noted:

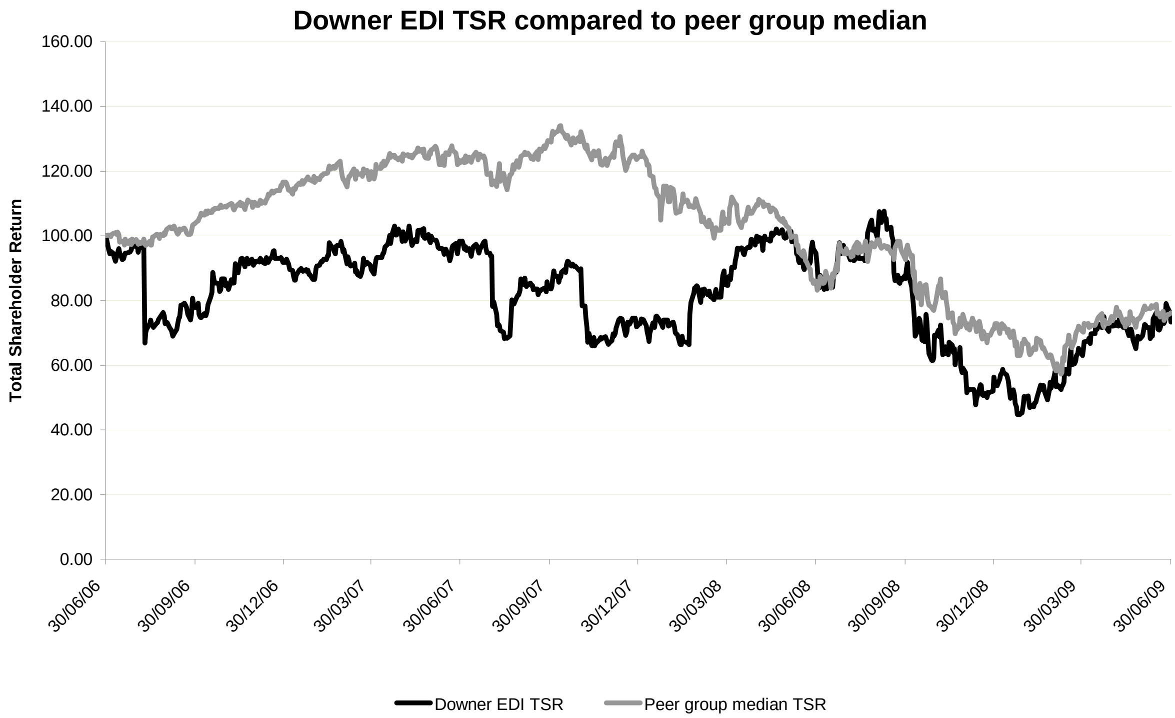
C Bruyn (appointed Chief Executive Officer of Downer EDI Works - New Zealand & United Kingdom on 1 October 2008)
D Cattell (appointed Chief Operating Officer, Downer EDI Limited on 19 September 2008, previously Chief Executive Officer - Downer EDI Works Pty Ltd)
S Cinerari (appointed Chief Executive Officer, Downer EDI Works – Australia & Singapore on 1 October 2008)
P Graham (appointed Executive General Manager - Group Services on 1 October 2008)
W Nolan (Chief Executive Officer - Downer EDI Engineering Pty Ltd)
D O'Reilly (Chief Executive Officer - Downer EDI Mining Pty Ltd to 26 January 2009)
D Overall (appointed Chief Executive Officer - Downer EDI Mining Pty Ltd on 27 January 2009)
P Reichler (Chief Financial Officer - Downer EDI Limited)
P Reidy (Chief Executive Officer - Downer EDI Consulting to 26 January 2009)
C Setter (appointed Chief Executive Officer of Downer EDI Consulting Pty Ltd on 27 January 2009)
G Wannop (Chief Executive Officer - Downer EDI Rail Pty Ltd)

3. Relationship between remuneration policy and company performance

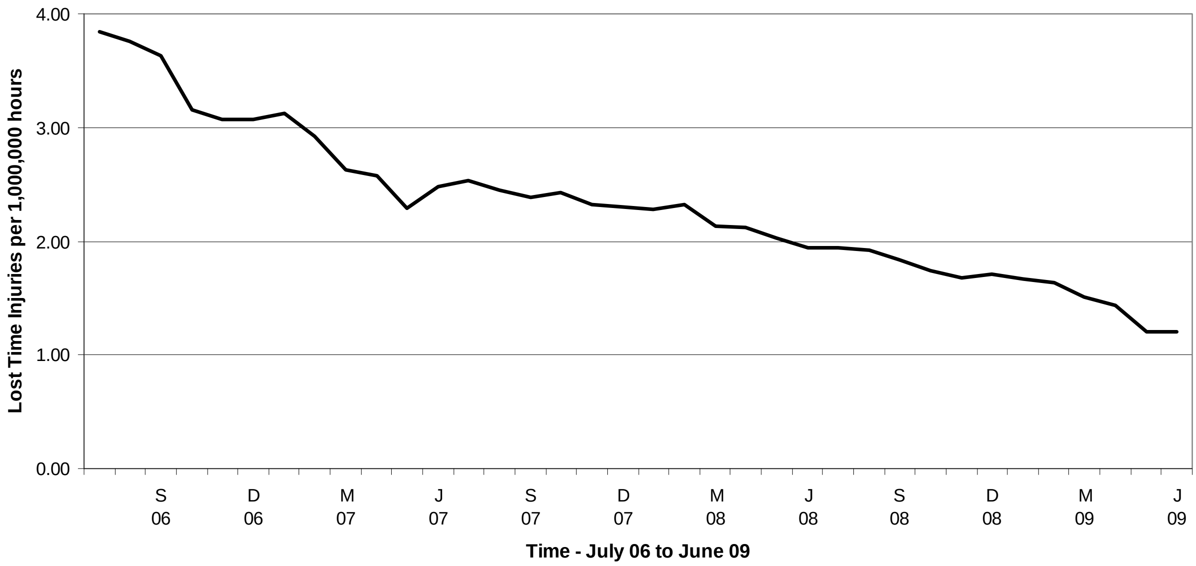
Remuneration is aligned with performance by:

- placing a significant portion of remuneration at risk using short-term and long-term incentives; and
- ensuring incentives are only awarded upon achievement of challenging financial and non-financial measures that drive strategic business objectives and ultimately create shareholder value.

The company's TSR relative to the ASX 100 is a key measure for the vesting of equity under executive share plans. The following diagram shows the company's performance compared to the peer group median performance of the ASX 100 over the three year period to 30 June 2009.



Downer EDI is committed to a 'Zero Harm' operating environment and considers this a key indicator of company performance. The table/chart below illustrates Downer's performance on lost time injuries, an important measure, over the last 3 years. A portion of STI is contingent upon achievement of Zero Harm objectives (refer s4.2).



The table below shows the performance of Downer EDI against key indicators over the last five years, including those which impact vesting of long-term incentives.

	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000
Revenue	3,814,511	4,633,424	5,329,530	5,462,530	5,861,410
Net profit before tax	131,630	(110,906)	72,643	231,946	259,025
Net profit after tax	104,035	(24,929)	101,498	165,842	189,376

	2005	2006	2007	2008	2009
Share price at the start of the year	3.20	5.33	7.44	7.36	6.87
Share price at end of the year	5.33	7.44	7.36	6.87	5.59
Interim dividend (cents)	12cps	12cps	13cps	13cps	13cps
Franking credit level	70%	70%	0%	0%	0%
Final dividend (cents)	6cps	8cps	8cps	12.5cps	16cps
Franking credit level	50%	0%	0%	0%	0%
Basic earnings per share[2] (cents)	36.3cps	-8.4cps	31.3cps	47.9cps	54.4cps
Diluted earnings per share (cents)	36.3cps	-8.4cps	31.3cps	47.5cps	52.7cps
Total Shareholder Return (TSR)[1]	72%	45%	2%	-3%	-14%
Earnings Growth rate %	28%	-124%	507%	63%	14%

[1] TSR is calculated as the increase in share price over each year plus dividends paid (including the benefit of franking credits) plus bonus shares issued during the year, assuming that dividends and bonus shares are reinvested.

[2] Basic earnings per share includes ROADS.

4. Remuneration of directors and key management personnel

The remuneration structure is designed to strike an appropriate balance between fixed and variable remuneration. Consideration is given to relevant market comparisons in determining an appropriate level of fixed remuneration and the value of short and long-term incentive opportunities. The value actually received by an executive is then determined by achievement against short-term and long-term performance measures specified by the relevant committee.

4.1 Fixed remuneration

The fixed remuneration component is set at competitive levels for each executive (refer section 2 above). Fixed remuneration is calculated on a total cost to the company basis, including the cost of employee benefits, such as motor vehicle, superannuation, car parking, together with fringe benefits tax. There are no guaranteed increases to fixed remuneration in any KMP's contract.

4.2 Short-term incentive (STI)

Downer EDI's executives participate in a short-term incentive (STI) plan, which takes the form of an annual cash bonus. A proportion of the STI may be sacrificed into the Deferred Share Plan (outlined in section 4.3 below). The STI plan is, in general, the same for all executives. The following table outlines the major features of the plan.

Objective	To drive performance of annual business plans and objectives, at operational and group level, to achieve increased shareholder value.
Frequency and timing	Participation is annual with performance measured over the twelve months to 30 June. Entitlements under the plan are determined in August with payment made in September.
Key Performance Indicators (KPI's)	A KPI matrix, directly linked to factors critical to the success of Downer EDI's business plan for the financial year, is developed for each executive. These KPIs include: Financial KPIs • Corporate roles – group revenue, EBIT, cash generation, ROFE and EPS. • Operational roles – unit revenue, EBIT, cash generation, ROFE and group EPS. Non-financial KPIs • Zero Harm - safety, environmental and sustainability targets. Where a fatality or serious environmental incident occurs, the Zero Harm portion of the STI is significantly reduced. Individual measures for 2009 have been weighted as follows to focus executives on a limited number of critical performance drivers: • Financial (revenue, EBIT, cash and ROFE) 30% • Zero Harm 30% • EPS 40% For financial targets, 50% of the executive's STI opportunity can be achieved by meeting set business plan targets, with the remaining 50% earned by over achievement of those targets.
Service condition	New executives (either new starts or promoted employees) are eligible to participate in the STI in the year in which they commence in their position with a pro-rata entitlement. Where an executive's employment terminates prior to the end of the financial year, there is no STI entitlement. The exceptions to this are where the termination occurs as a result of one of the following events: • a takeover of Downer EDI; or • by the mutual agreement of the executive and Downer EDI. In these exceptional circumstances the Board may approve a pro-rata STI payment.

STI opportunity in relation to the 2009 fiscal year can be up to 100% of the executive's total remuneration package (base salary plus superannuation plus non-cash benefits), other than the managing director whose STI can be up to 150% of the total fixed remuneration package (base salary plus superannuation plus non-cash benefits).

The following table shows the STIs that were earned during the year ended 30 June 2009 due to the achievement of the relevant performance targets.

Executives	Short Term Incentive in respect of 2009 financial year	
	Paid %	Forfeited %
G Knox	83.3%	16.7%
C Bruyn	99.0%	1.0%
D Cattell	75.3%	24.7%
S Cinerari	80.0%	20.0%
P Graham	65.3%	34.7%
W Nolan	93.4%	6.6%
D O'Reilly	57.1%	42.9%
D Overall	65.0%	35.0%
P Reichler	65.3%	34.7%
P Reidy	57.1%	42.9%
C Setter	75.9%	24.1%
G Wannop	93.0%	7.0%

4.3 Downer EDI Deferred Share Plan (DSP)

The company operates a DSP that entitles participants to acquire Downer EDI shares with pre-tax salary or STI. The 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. Participants are not able to trade in shares held in the DSP for a period of twelve months, subject to continuing employment.

Eligible employees may elect to sacrifice a minimum of $2,400 of salary or STI into company shares. There is a cap of 25% of gross annual salary per annum and/or 100% of STI that can be sacrificed.

Shares may be retained in the 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.

Following the announcements contained in the 2009 budget relating to tax rules governing employee share schemes, the operation of this plan has been suspended.

4.4 Long-term incentives (LTI)

Downer EDI currently operates a number of LTI plans linked to hurdle achievement and employment retention including:

- Options and rights plan (issued in 2006)
- 2008 executive share plan
- 2009 executive share plan
- Employee discount share plan

The plans need to provide a rolling period of years where performance hurdles can be met and executive retention is encouraged by the ongoing service condition. The 2009 plan assists this objective given that the performance hurdles in the 2008 plan will be difficult to meet before 2011.

The 2008 executive share plan is based on the achievement of annual share price hurdles up to and including 2011. Shares may be allocated on a pro rata basis against share price performance, however full vesting is subject to continuous employment during the period to 31 December 2014.

The Board believes that the unforeseen impact of the global financial crisis has made achievement of these hurdles arduous. Accordingly, the 2009 executive share plan is also designed to accommodate market volatility by measuring the company's performance on a market comparative basis in which performance improvement is measured against the ASX Top-100 index.

Rewards are vested over a three-year period[1] with the first, subject to performance hurdles, vesting on 31 December 2010.

This approach aims to:

- keep executives focused on the achievement of the company's long-term strategic and financial objectives while growing shareholder value in both an absolute and market comparative sense;
- drive an ownership mindset amongst executives through increased equity participation; and
- attract and retain executive talent.

It is the Board's policy that no executive will limit the risk of unvested equity or vested restricted equity by entering into any arrangements with a third party. This policy against hedging of equity is enforced by a condition in plan rules that specifies that unvested equity that is hedged will not vest.

Details of the LTI plans are provided below.

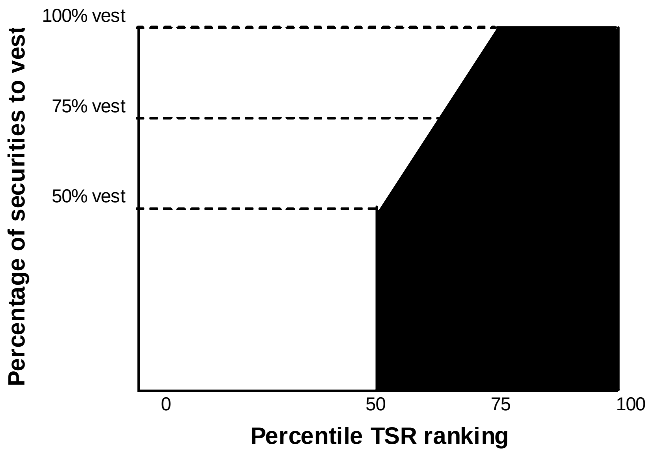
4.4.1 Options and rights plan (issued in 2006)

Downer EDI operates an options and rights plan for executives. The following table outlines the major features of the plan.

Key objective	To align executives' remuneration with growth in shareholder value and achievement of long-term business objectives.
Type of award	Each grant under this plan is divided into two pools with each pool consisting of an equal value of rights and options. Options Each option is a right to purchase one ordinary share in Downer EDI Limited at a specified exercise price. Rights Each right allows the holder to purchase one ordinary share in Downer EDI Limited at a zero exercise price.

[1] This excludes the Managing Director, Geoff Knox who is subject to a two-year vesting period.

Performance conditions	Hurdles are applied to each pool as set out below: Pool 1 vests based on the percentile ranking of Downer EDI's TSR relative to the constituents of the ASX 100 over a three year period. Pool 2 vests based on meeting compound annual EPS growth hurdles, with reference to the average Australian Commonwealth Government three year bond yield, over a three year period. The vesting period may extend to four years if the hurdles are not met after three years.
Rationale for choosing measures	To ensure that awards vest only when Downer's growth in shareholder value has exceeded the 50th percentile of its' TSR peer group and where its' financial performance, as measured by growth in EPS, has exceeded hurdles specified by the Board.
Vesting schedules	The TSR vesting schedule is depicted in the diagram below:



The EPS vesting schedule is outlined in the table below:

EPS growth	Percentage of equity that will vest
Equal to or less than the 'risk free rate of return' plus 2.5%	0% of EPS Securities will be exercisable
Greater than the 'risk free rate of return' plus 2.5%	50% of EPS securities will vest
Greater than the 'risk free rate of return' plus 5%	100% of EPS securities will vest
Above the 'risk free rate of return' plus 2.5% but below the 'risk free rate of return' plus 5%	The percentage of EPS securities that will vest will increase on a straight line basis between 50% and 100% depending on Downer EDI's actual EPS result.

Service condition	Executives must remain employed by Downer EDI throughout the entire vesting period.

4.4.2 Restricted share plans

Downer EDI operates two restricted share plans, under which executives are granted beneficial ownership of ordinary shares in Downer EDI Limited at the outset of the performance period. Shares are held in trust on behalf of the executive until performance and service conditions are met. These conditions, which differ under each plan, are outlined below. Shares are at risk of forfeiture and may not be sold or transferred out of the trust until performance and service conditions are met.

2008 executive share plan

The following table outlines the major features of the 2008 executive share plan.

Key objectives	To link executive rewards to the company's long-term strategic and financial objectives, and drive an ownership mindset amongst executives through increased equity participation.
Type of award	Restricted shares subject to performance and service period conditions outlined below.
Performance conditions	Two pools of shares were allocated under the plan. The performance conditions for those pools are: Pool 1: 50% vests on achievement of an EBIT target and 50% vests on achievement of an operating cash flow target for the year ended 30 June 2008. Pool 2: A share price hurdle as at 31 December in the relevant year. The share price is calculated as the 10 day volume weighted average price (VWAP) leading up to 31 December for each cycle.
Service conditions	A service condition that requires the executive to be in continuous employment for a certain period of months after the testing date.
Vesting schedule	Refer to table below (2008 executive share plan vesting schedule).
Retest	There is no retest for awards that vest on satisfaction of an EBIT or operating cash flow target. Tranches of awards subject to a share price hurdle may be retested 12 months after the first test if the hurdles are not met. If the performance hurdles are met at the retest, the tranche will vest.
Rationale for selecting measures	EBIT and operating cash flow targets apply to all participating executives. These were set as stretch targets with reference to the business forecast and were determined as critical to the turnaround from the previous two years performance. Share price hurdles were established as a link to shareholder value creation.

2008 executive share plan vesting schedule

Hurdle	Shares issued	Performance test date	Service condition
Meet EBIT target by 30 June 2008[1]	Pro-rata 0 - 100%,	When audited 2008 figures are available	50% 31 December 2008 50% 31 December 2009
Meet Operating Cash target by 30 June 2008[1]	Pro-rata 0 - 100%,	When audited 2008 figures are available	50% 31 December 2008 50% 31 December 2009
A$8 share price on 31 December 2008[2]	Pro-rata 0 - 100%, A$6 to A$8	31 December 2008	33% 31 December 2009 33% 31 December 2010 34% 31 December 2011
A$10 share price on 31 December 2009	Pro-rata 0 - 100%, A$8 to A$10	31 December 2009	33% 31 December 2010 33% 31 December 2011 34% 31 December 2012
A$12.50 share price on 31 December 2010	Pro-rata 0 - 100%, A$10 to A$12.50	31 December 2010	33% 31 December 2011 33% 31 December 2012 34% 31 December 2013
A$14.50 share price on 31 December 2011[3]	Pro-rata 0 - 100%, A$12.50 to A$14.50	31 December 2011	33% 31 December 2012 33% 31 December 2013 34% 31 December 2014

[1] Grants with EBIT and operating cash flow conditions were made to a limited group of executives.
[2] This tranche does not apply to Craig Setter or David Overall, reflecting their commencement of employment post the performance test period.
[3] This tranche applies to Craig Setter and David Overall only.

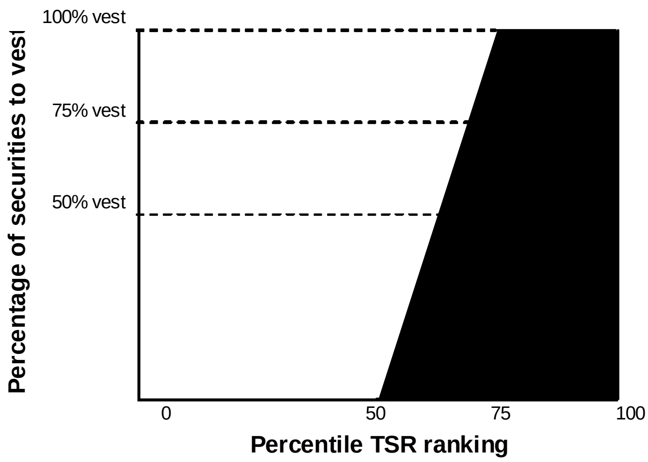
Subsequent to the grant of shares under the plan, a retest has been added for all participants in relation to shares subject to share price hurdles that do not vest under the existing conditions. Details of the retest are as follows:

Hurdle	Shares issued	Performance test date	Service condition
A$13 share price on 31 December 2011	Pro-rata 0 - 100%, A$6 to A$13	31 December 2011	33% 31 December 2012 33% 31 December 2013 34% 31 December 2014

Grants to individual executives vary as a result of the commencement date of their employment.

2009 executive share plan

The following table outlines the major features of the 2009 executive share plan.

Key objectives	To link executive rewards to the company's long-term strategic and financial objectives, drive an ownership mindset amongst executives through increased equity participation and align executives' remuneration with growth in shareholder wealth.
Type of award	Current grant of restricted shares delivered in three equal tranches. Subsequent grants will be delivered in single tranches with a three year performance period.
Performance conditions	Percentile ranking of Downer EDI's TSR relative to the constituents of the ASX100 as at the beginning of the performance test period.
Service conditions	The service condition requires that the executive remains employed at all times for a period of 12 months from 31 December prior to the date that the performance condition is satisfied.
Vesting schedule	The vesting schedule is depicted in the diagram below: **Vesting table - restricted shares** 
Retest	Shares that do not meet the initial relative TSR test are subject to a single retest 12 months after the first test. If the performance hurdles are met at the retest, the awards will vest. Shares that do not meet the retest are forfeited.
Rationale for choosing measures	TSR was selected as a performance measure for the 2009 restricted share plan due to its strong link to shareholder value creation. The measure ensures that awards vest only when Downer's growth in shareholder value has exceeded the 50th percentile of its' TSR peer group, the ASX 100.

4.4.3 Employee discount share plan

The company instituted an Employee Discount Share Plan in June 2005. During the year 834,000 shares were granted under the plan (2008: nil).

Under this plan, employees have the opportunity to purchase 500 newly issued Downer EDI shares at a discount of $2 per share from a market price determined by the Board. The objective of the plan is to encourage ownership of Downer EDI shares at all levels of the group. Accordingly, the shares are not subject to any performance conditions given; however a three year restriction period during which participants may not dispose of the shares. Offers under this plan are made at the discretion of the Board.

4.5 Share based payments

4.5.1 Options and rights (issued in 2006)

No performance rights or options were granted or exercised during the year ended 30 June 2009. Grants of 496,657 performance rights and 1,574,538 performance options were made in the year ended 30 June 2007 under the LTI plan. No performance rights or options lapsed during the year as a result of failed performance tests however, a number of these instruments have been forfeited due to executives leaving the group prior to the vesting date.

The following table discloses grants of options and rights affecting compensation in future periods.

Option series	Grant date	No. of instruments on issue	Expiry date[1]	Grant date fair value	Exercise price $	Vesting date
Performance options	10/11/2006	1,081,584	10/11/2013	1.46	6.72	30/06/2009 & 30/06/2010
Performance rights	10/11/2006	341,221	10/11/2013	4.15	-	30/06/2009 & 30/06/2010

[1] The expiry date is the last date at which rights and options that vest, having met the performance conditions, can be exercised

Testing of the performance rights and options was conducted as at 30 June 2009. No rights or options vested as a result of the testing. A retest will be performed as at 30 June 2010. All rights and options that do not vest as a result of this test will lapse.

4.5.2 Restricted shares

The table below shows the number and percentage of restricted shares that vested during the year for each grant that affects compensation in this or future reporting periods. No restricted shares lapsed as a result of failed performance tests or were forfeited during the year.

	2008 plan				2009 plan	
Name	Number of shares (EBIT/cash hurdle)[1]	% vested	Number of Shares (share price hurdle)[2]	% vested	Number of shares[3]	% vested
G Knox	-	-	1,600,000	12.5%	518,135	-
C Bruyn	-	-	-	-	86,957	-
D Cattell	62,500	50%	387,500	-	291,451	-
S Cinerari	-	-	-	-	100,932	-
P Graham	-	-	250,000	-	155,440	-
W Nolan	50,000	50%	250,000	-	155,440	-
D O'Reilly	50,000	50%	250,000	-	-	-
D Overall	-	-	320,000	-	145,726	-
P Reichler	50,000	50%	250,000	-	155,440	-
P Reidy	35,000	50%	175,000	-	-	-
C Setter	-	-	210,000	-	106,865	-
G Wannop	50,000	50%	250,000	-	136,011	-

[1] Grant date 29 April 2008

[2] Grant date 29 April 2008 except for D Overall and C Setter (27 January 2009)

[3] Grant date 1 April 2009 except for C Bruyn and S Cinerari (12 June 2009)

The maximum number of restricted shares that may vest in future years that will be recognised as share based payments in future years is set out below.

Name	Maximum number of shares for the vesting year						
	2009	2010	2011	2012	2013	2014	2015
G Knox	200,000	400,000	572,712	572,712	372,711	-	-
C Bruyn	-	-	28,986	28,986	28,985	-	-
D Cattell	31,250	60,417	176,317	226,317	197,151	50,000	-
S Cinerari	-	-	33,644	33,644	33,644	-	-
P Graham	-	16,667	101,813	135,146	118,481	33,333	-
W Nolan	25,000	41,667	101,813	135,146	118,481	33,333	-
D O'Reilly	25,000	41,667	50,000	83,333	66,667	33,333	-
D Overall	-	25,000	103,575	108,575	138,576	60,000	30,000
P Reichler	25,000	41,667	101,813	135,146	118,481	33,333	-
P Reidy	17,500	29,167	35,000	58,333	46,667	23,333	-
C Setter	-	-	58,955	82,289	105,621	46,667	23,333
G Wannop	25,000	41,667	95,337	128,670	112,004	33,333	-

The maximum value of restricted shares that may vest in future years that will be recognised as share based payments in future years is set out below. The amount reported is the value of share based payments in future years calculated in accordance with AASB 2 Share Based Payments over the vesting period.

Name	**Maximum value of shares for the vesting year ($)**						
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
G Knox	2,311,633	1,786,793	1,061,266	596,409	236,141	55,720	-
C Bruyn	5,100	103,455	103,450	81,843	43,174	13,451	-
D Cattell	1,016,560	789,733	591,191	386,873	175,531	47,235	-
S Cinerari	5,920	120,081	120,075	94,996	50,112	15,612	-
P Graham	395,737	434,800	355,088	230,671	103,665	27,311	-
W Nolan	694,451	487,836	355,088	230,671	103,665	27,311	-
D O'Reilly	694,451	487,836	355,088	230,671	103,665	27,311	-
D Overall	118,907	261,920	191,743	132,931	72,371	24,339	1,966
P Reichler	694,451	487,836	355,088	230,671	103,665	27,311	-
P Reidy	486,914	343,836	250,912	163,342	73,567	19,431	-
C Setter	48,729	132,314	127,625	99,230	54,062	18,234	1,529
G Wannop	689,130	472,171	339,423	218,191	96,988	25,221	-

4.6 Remuneration of directors and key management personnel

2009	Short-term employee benefits			Post-employment benefits		Share-based payment transactions [3]	
	Salary and fees	Bonus paid or payable in respect of current year	Non-monetary	Super-annuation	Total	Options & rights	Restricted shares
	$	$	$	$	$	$	$
Non-executive directors							
P E J Jollie	375,000	-	-	33,750	408,750	-	-
S A Chaplain	150,000	-	-	13,500	163,500	-	-
P R Coates[1]	100,822	-	-	9,074	109,896	-	-
L Di Bartolomeo	210,000	-	-	18,900	228,900	-	-
R M Harding	150,000	-	-	13,500	163,500	-	-
J S Humphrey	140,000	-	-	12,600	152,600	-	-
C J S Renwick	165,000	-	-	14,850	179,850	-	-
Executives							
G Knox	2,000,000	2,500,000	-	-	4,500,000	-	2,311,633
C Bruyn[1]	384,288	416,273	29,573	11,675	841,809	12,782	5,100
D Cattell	1,335,296	1,129,244	224,765	46,000	2,735,305	24,271	1,016,560
S Cinerari[1]	409,035	389,917	34,725	39,809	873,486	9,929	5,920
P Graham[1]	518,931	522,263	4,259	40,703	1,086,156	-	395,737
W Nolan	695,398	746,946	37,598	62,586	1,542,528	15,342	694,451
D O'Reilly[1]	479,885	266,660	691	53,448	800,684	7,879	472,431
D Overall [2]	1,431,265	243,932	5,586	17,773	1,698,556	-	118,907
P Reichler	800,000	522,263	6,429	72,000	1,400,692	11,196	694,451
P Reidy[1]	302,370	191,662	39,302	27,213	560,547	7,703	330,701
C Setter[1]	218,929	208,750	57,674	18,698	504,051	-	48,729
G Wannop	700,000	651,070	49,829	77,850	1,478,749	17,478	689,130
	10,566,219	7,788,980	490,431	583,929	19,429,559	106,580	6,783,750

1 Amounts represent the payments relating to the period during which the individuals were key management personnel.

2 D Overall (appointed CEO, Downer EDI Mining Pty Ltd on 27 January 2009). Salary and fees includes $1,125,000 sign on payment. Share based payment transactions includes $53,975 in relation to sign on grant of 50,000 restricted shares.

3 Represents the value of vested and unvested equity expensed during the period, in accordance with AASB 2 share based payments, related to grants made to the executive. Vesting of the majority of securities remains subject to significant performance and service conditions as outlined in sections 4.4.1 and 4.4.2.

2008	**Short-term employee benefits**				**Post-employment benefits**		**Share-based payment Transactions**
	Salary and fees	**Bonus paid in respect of current year**	**Non-monetary**	**Super-annuation**	**Retirement allowances**	**Total**	**Other [1]**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive directors							
P E J Jollie	208,333	-	-	18,750	-	227,083	-
B D O'Callaghan[2]	102,083	-	-	9,188	250,000	361,271	-
L Di Bartolomeo	172,500	-	-	15,525	-	188,025	-
J S Humphrey	106,250	-	-	9,563	-	115,813	-
C J S Renwick	116,250	-	-	10,463	-	126,713	-
R M Harding	-	-	-	-	-	-	-
S A Chaplain	-	-	-	-	-	-	-
Executives							
G Knox [3]	1,208,333	1,500,000	-	-	-	2,708,333	1,071,581
B Waldron [4]	779,181	300,000	61,912	67,011	787,500	1,995,604	-
S J Gillies [5]	1,065,260	-	4,440	16,667	-	1,086,367	-
G Bruce [6]	322,034	-	4,642	16,538	588,000	931,214	-
D Cattell	837,633	750,000	215,221	77,122	-	1,879,976	23,912
S Mockett	581,190	390,000	30,645	50,000	-	1,051,835	12,524
W Nolan	677,489	475,800	37,027	60,974	-	1,251,290	15,116
D O'Reilly	693,247	480,000	863	110,920	-	1,285,030	13,307
P Reichler	617,364	390,000	6,310	52,563	-	1,066,237	11,031
P Reidy	484,720	230,000	-	35,102	-	749,822	13,006
G Wannop	565,497	165,000	-	65,744	-	796,241	17,220
	8,537,364	4,680,800	361,060	616,130	1,625,500	15,820,854	1,177,697

[1] Represents the value of vested and unvested equity expensed during the period, in accordance with AASB 2 share based payments, related to grants made to the executive. Vesting of the majority of securities remains subject to significant performance and service conditions as outlined in sections 4.4.1 and 4.4.2

[2] B D O'Callaghan (resigned 1 February 2008). Retiring allowance of $250,000 paid in accordance with original terms of appointment.

[3] G Knox (appointed CEO and managing director on 1 February 2008). Salary and fees includes $375,000 sign on payment.

[4] B Waldron (appointed CEO on 2 August 2007 and resigned on 31 January 2008). Salary and wages includes payment of accrued annual leave entitlements of $34,615. Bonus was paid in respect of 2008. The termination payment was awarded in accordance with the terms of Mr Waldron's employment contract.

[5] S J Gillies (resigned 1 August 2007). Salary and fees includes payment accrued annual leave entitlements of $282,692 and long service leave entitlements of $251,889.

[6] G Bruce (resigned 24 August 2007). Salary & fees includes payment for accrued annual leave entitlements of $128,907 and long service leave of $122,544. The termination payment was awarded in accordance with the termination terms of Mr Bruce's employment contract.

The table below lists the proportions of remuneration paid during the year ended 30 June 2009 that are performance and non-performance related as well as the percentage of remuneration comprised of options and rights.

	Performance Related	Non- Performance Related	% of Compensation for year ended 30 June 2009 Consisting of Options and Rights
Executives	%	%	%
G Knox	71%	29%	-
C Bruyn	51%	49%	1%
D Cattell	57%	43%	1%
S Cinerari	46%	54%	1%
P Graham	62%	38%	-
W Nolan	65%	35%	1%
D O'Reilly	58%	42%	1%
D Overall	20%	80%	-
P Reichler	58%	42%	1%
P Reidy	59%	41%	1%
C Setter	47%	53%	-
G Wannop	62%	38%	1%

4.7 Non-executive directors' remuneration

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 for non-executive directors to maintain their independence. Non-executive directors do not receive any STI payment or participate in any share or incentive plan operated for executives of the company.

The maximum aggregate fees approved by shareholders that can be paid to non-executive directors is $2,000,000 per annum. This cap was approved by shareholders on 30 October 2008. The allocation of fees to non-executive directors within this remuneration pool is a matter for the Board. The allocation of fees has been determined after consideration of a number of factors including the time commitment of directors, the size and scale of the company's operations, the skill sets of Board members, the quantum of fees paid to non-executive directors of comparable companies, participation in committee work and other factors.

The chairman receives a base fee of $375,000 per annum (inclusive of all committee fees) plus superannuation. Most of the other non-executive directors receive a base fee of $150,000 per annum (where they are not entitled to a retirement benefit) or $105,000 per annum (where they are so entitled). Fees for these non-executive directors have been set to reflect market rates and the discontinuation of retirement benefit. There is also a fee for other committee duties: $35,000 for the chair of the audit committee; $15,000 for the chair of the H,S&E committee and the risk committee and $60,000 for Mr Di Bartolomeo's additional services as a director of Reliance Rail.

Under his original terms of appointment, John Humphrey is 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. Once a director's accumulated reduction in base fees has reached the value of the retirement benefit, the applicable base fee reverts to the general fee level. This will apply to Mr Humphrey from 1 July 2009. Other non-executive directors are not entitled to retirement benefits. All non-executive directors are entitled to payment of statutory superannuation entitlements in addition to directors' fees.

5. Key terms of employment contracts

All executives are on open-ended contracts with no fixed end date. The following table captures the notice periods applicable to termination of the employment of key management personnel:

	Termination notice period by Downer EDI	Termination notice period by employee	Termination payments payable under contract
CEO	12 months	12 months	12 months
Other executives	12 months	6 months	12 months

Termination payments are calculated based upon total fixed remuneration at the date of termination. No payment is payable in the event of gross misconduct.

5.1 Managing director and chief executive officer of Downer EDI Limited

Mr Knox's remuneration comprises fixed and variable components. They have been determined in accordance with the ASX Corporate Governance Council's Governance Principles and Recommendations 2007, industry best practice and the advice of independent remuneration consultants.

Short-term incentives

Mr Knox is entitled to an annual STI in the form of a cash bonus, capped at a maximum of 150% of total fixed remuneration (salary plus superannuation plus non-cash benefits) for each year. The assessment of the STI is based upon two factors of equal weighting outlined below:

- non-financial measures, based upon key business objectives, set by the Board and
- the achievement of EPS growth hurdles as shown in the following table:

EPS growth	Percentage of STI to be paid
< 4%	zero
4% - 8%	prorated from 0-25%
8% - 12%	prorated from 25% - 50%

Long-term incentives

Mr Knox's LTI is in the form of a grant of restricted shares. These shares are administered by the Downer EDI Tax Deferred Employee Share Plan. Mr Knox is entitled to the dividends attached to the restricted shares.

2008 Executive Share Plan

Downer EDI arranged for the purchase of 1,600,000 Downer EDI shares for the potential benefit of Mr Knox during the 2008 financial year. The restricted shares will only vest upon the satisfaction of two conditions, firstly the meeting of a set share price and secondly Mr Knox must have continued his employment with Downer EDI Limited for a specified time. The following table sets out the arrangement:

Issue date and number of shares to be issued		Hurdle price (first condition)	Vesting date and number of shares to vest (second condition)	
31 December 2007	400,000	$5.00	31 December 2008 31 December 2009	200,000 200,000
31 December 2008	400,000	$7.00	31 December 2009 31 December 2010	200,000 200,000
31 December 2009	400,000	$10.00	31 December 2010 31 December 2011	200,000 200,000
31 December 2010	400,000	$12.50	31 December 2011 31 December 2012	200,000 200,000

During the year, a retest for all shares that have not vested under the existing conditions has been added. Details of the retest are as follows:

Hurdle	Shares issued	Performance test date	Service condition
$13 share price on 31 December 2011	Pro-rata 0 - 100%, $5 to $13	31 December 2011	50% 31 December 2012 50% 31 December 2013

Further details regarding the operation of the plan are detailed in section 4.4.2 above.

2009 Executive Share Plan

Mr Knox participates in the 2009 Executive Share Plan. Please refer to section 4.4.2 above for details of this plan.

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

P E J Jollie AM
Chairman

Sydney, 20 August 2009

Deloitte.

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

20 August 2009

Dear Sir

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 report of Downer EDI Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Mark Irving
Partner
Chartered Accountants

Downer EDI Limited

Income statement
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Revenues	3(a)	**5,861,410**	5,462,530	**181,610**	98,526
Other income	3(a)	**6,403**	10,183	**-**	-
Share of net profit of joint ventures and associates	14(b)	**10,154**	23,607	**-**	-
Finance costs	3(b)	**(65,018)**	(67,320)	**(250)**	(729)
Employee benefits expense	3(b)	**(2,030,284)**	(1,809,213)	**(30,982)**	(17,847)
Raw materials and consumables used		**(1,417,057)**	(1,296,704)	**-**	-
Subcontractor costs		**(996,479)**	(1,059,348)	**-**	-
Plant and equipment costs		**(756,951)**	(678,742)	**-**	-
Communication expenses		**(58,650)**	(49,514)	**(2,439)**	(2,292)
Occupancy costs		**(96,838)**	(82,277)	**(1,204)**	(856)
Professional fees		**(43,701)**	(54,419)	**(3,982)**	(4,753)
Travel and accommodation expenses		**(68,498)**	(59,254)	**(1,603)**	(991)
Other expenses from ordinary activities		**(85,466)**	(107,583)	**(12,452)**	(11,513)
Profit before income tax		**259,025**	231,946	**128,698**	59,545
Income tax (expense)/benefit	4	**(69,649)**	(66,104)	**5,944**	1,942
Profit after tax for the year		**189,376**	165,842	**134,642**	61,487
Profit attributable to members of the parent entity		**189,376**	165,842	**134,642**	61,487
Earnings per share (cents)					
- Basic earnings per share	6	**57.9**	51.3		
- Basic earnings per share (including ROADS)	6	**54.4**	47.9		
- Diluted earnings per share	6	**52.7**	47.5		

The income statement should be read in conjunction with the accompanying notes.

Downer EDI Limited

Balance sheet
as at 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
ASSETS					
Current assets					
Cash and cash equivalents	8	**299,463**	245,790	**1**	1
Inventories	9	**198,396**	204,043	**-**	-
Trade and other receivables	10	**1,165,458**	1,114,371	**422,333**	379,663
Other financial assets	11	**12,154**	17,536	**505**	1,788
Current tax assets	12	**13,920**	7,100	**13,831**	-
Other assets	13	**32,310**	40,827	**740**	112
Non-current assets held for sale (Note 26)		**65,587**	67,958	**-**	-
Total current assets		**1,787,288**	1,697,625	**437,410**	381,564
Non-current assets					
Trade and other receivables	10	**14,949**	-	**632,592**	584,271
Equity-accounted investments	14(b)	**8,437**	7,146	**-**	-
Property, plant and equipment	15	**846,304**	662,188	**-**	-
Intangible assets	16	**609,970**	578,725	**-**	-
Other financial assets	11	**22,446**	46,884	**225,000**	225,000
Deferred tax assets	12(a)	**87,450**	183,682	**43,509**	99,798
Other assets	13	**6,245**	7,026	**-**	-
Total non-current assets		**1,595,801**	1,485,651	**901,101**	909,069
Total assets		**3,383,089**	3,183,276	**1,338,511**	1,290,633
LIABILITIES					
Current liabilities					
Trade and other payables	17	**946,024**	993,478	**15,436**	22,002
Borrowings	18	**215,839**	145,268	**168**	2
Other financial liabilities	19	**32,046**	44,482	**-**	-
Provisions	20	**185,570**	225,803	**885**	414
Current tax liabilities	21	**10,205**	10,442	**-**	-
Total current liabilities		**1,389,684**	1,419,473	**16,489**	22,418
Non-current liabilities					
Trade and other payables	17	**2,192**	918	**350,717**	359,294
Borrowings	18	**578,658**	421,597	**-**	-
Other financial liabilities	19	**36,812**	93,489	**-**	-
Provisions	20	**27,184**	32,008	**56**	74
Deferred tax liabilities	21(a)	**18,171**	19,427	**-**	-
Total non-current liabilities		**663,017**	567,439	**350,773**	359,368
Total liabilities		**2,052,701**	1,986,912	**367,262**	381,786
Net assets		**1,330,388**	1,196,364	**971,249**	908,847
EQUITY					
Issued capital	22	**1,078,791**	1,080,559	**900,188**	901,956
Reserves	23	**(85,124)**	(125,989)	**15,960**	3,314
Retained earnings	24	**336,721**	241,794	**55,101**	3,577
Total equity		**1,330,388**	1,196,364	**971,249**	908,847

The balance sheet should be read in conjunction with the accompanying notes.

Statement of recognised income and expense
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Total equity at the beginning of the financial year		**1,196,364**	1,169,907	**908,847**	898,375
Current period movements:					
Cash flow hedges	23	**14,939**	(45,881)	**-**	**-**
Exchange rate differences on translation of foreign operations	23	**16,333**	(31,335)	**-**	**-**
Share based transactions	23	**12,646**	1,498	**12,646**	1,498
Available for sale investment	23	**(3,053)**	-	**-**	-
		1,237,229	1,094,189	**921,493**	899,873
Profit after tax for the financial year		**189,376**	165,842	**134,642**	61,487
Total income and expense recognised in equity		**1,426,605**	1,260,031	**1,056,135**	961,360
Transactions with equity holders in their capacity as equity holders:					
Unvested executive incentive shares	22	**(27,280)**	(9,791)	**(27,280)**	(9,791)
Contributions of equity (net of transaction costs)	22	**25,512**	25,033	**25,512**	25,033
Dividends provided for or paid	24	**(94,449)**	(78,909)	**(83,118)**	(67,755)
		(96,217)	(63,667)	**(84,886)**	(52,513)
Total equity at the end of the financial year		**1,330,388**	1,196,364	**971,249**	908,847

The statement of recognised income and expense should be read in conjunction with the accompanying notes.

Downer EDI Limited

Cash flow statement
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Cash flows from operating activities					
Receipts from customers		**6,448,412**	5,808,923	**6,432**	3,391
Distributions from equity accounted investments	14(b)	**9,895**	11,288	**-**	-
Interest received		**18,227**	16,909	**6**	228
Dividends received from controlled entities		**-**	-	**152,775**	73,000
Dividends received from external entities		**1,390**	1,089	**-**	-
Payments to suppliers and employees		**(6,103,693)**	(5,438,691)	**(73,015)**	(22,279)
Settlement of operational foreign exchange contracts		**38,827**	(27,513)	**-**	-
Interest and other costs of finance paid		**(60,220)**	(66,338)	**(250)**	(729)
Income tax (paid)		**(16,374)**	(29,636)	**(1,800)**	(10,295)
Net cash inflow from operating activities	27(c)	**336,464**	276,031	**84,148**	43,316
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**20,939**	79,559	**-**	-
Proceeds from sale of assets held for sale		**4,120**	-	**-**	-
Proceeds from sale of investments		**-**	48	**-**	-
Payments for investments		**(961)**	-	**-**	-
(Advances to) controlled entities		**-**	-	**(26,060)**	(733)
Payments for property, plant and equipment		**(291,745)**	(260,101)	**-**	-
(Advances to)/receipts from joint ventures		**(1,793)**	2,891	**-**	-
Proceeds from sale of businesses		**-**	64,565	**-**	-
Payments for businesses acquired	25(b)	**(51,576)**	(30,683)	**-**	-
Net cash (used) in investing activities		**(321,016)**	(143,721)	**(26,060)**	(733)
Cash flows from financing activities					
Proceeds from borrowings		**1,260,517**	818,387	**-**	-
Proceeds from issue of equity securities		**2,495**	647	**2,495**	647
Repayment of borrowings		**(1,157,909)**	(889,401)	**-**	-
Dividends paid		**(72,080)**	(54,518)	**(60,749)**	(43,358)
Net cash inflow/(outflow) from financing activities		**33,023**	(124,885)	**(58,254)**	(42,711)
Net increase/(decrease) in cash and cash equivalents		**48,471**	7,425	**(166)**	(128)
Cash and cash equivalents at the beginning of the year		**239,833**	233,664	**(1)**	127
Effect of exchange rate changes		**3,919**	(1,256)	**-**	-
Cash and cash equivalents at the end of the year	27(a)	**292,223**	239,833	**(167)**	(1)

The cash flow statement should be read in conjunction with the accompanying notes.

Note 1. Summary of accounting policies

Statement of Compliance

These financial statements present the consolidated results of Downer EDI Limited (ABN 97 003 872 848). The financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS.

The financial report was authorised for issue by the directors on 20 August 2009.

Rounding of amounts

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

Basis of preparation

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

The preparation of the financial report requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Application of critical judgement and key sources of estimation uncertainty

The following are critical judgments, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition
Revenue and expense are recognised in net profit by reference to the stage of completion of each identifiable component for engineering services contracts.

A fundamental condition for being able to estimate percentage of completion profit recognition is that project revenues and project costs can be established reliably. This reliability is based on such factors as compliance with the Group's system for project control and that project management has the necessary skills. Project control also includes a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, industrial relations, risk management, training and the prior management of projects.

Note 1. Summary of accounting policies - *continued*

Application of critical judgement and key sources of estimation uncertainty - *continued*

In determining revenues and expense for construction contracts management make key assumptions regarding estimated revenues and expense over the life of the contracts. Where variations are recognised in revenue, assumptions are made regarding the probability that customers will approve variations and the amount of revenue arising from variation. In respect of costs, key assumptions regarding costs to complete contracts may include estimation of labour, technical costs, impact of delays and productivity.

Impairment of assets

Determing whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. This process has been completed and the details are set out at Note 16.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been consistently applied in preparing the financial report for the year ended 30 June 2009, as well as the comparative information presented in these financial statements.

Comparative information

Where necessary, comparative amounts have been reclassified and repositioned for consistency with current year accounting policy and disclosures. Further details on the nature and reason for amounts that have been reclassified and repositioned for consistency with current year accounting policy and disclosures, where considered material, are referred to separately in the financial statements or notes thereto.

Principles of consolidation

The financial report is prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 ‘Consolidated and Separate Financial Statements’. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

The financial report includes the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the financial report, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Note 1. Summary of accounting policies - *continued*

Revenue recognition

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. This is normally determined as services performed up to and including the balance sheet date as a proportion of the total to be performed, and revenue from time and material contracts recognised at the contractual rates as labour hours are delivered and direct expenses are incurred. Services rendered include international mine consulting and contracting services, maintenance and construction of roads, highways and rail infrastructure, infrastructure maintenance services, engineering and consultancy services and facilities management.

Construction contracts

(i) Construction contracts - general
Construction contracts are contracts specifically negotiated for the construction of an asset or combination of assets.

Revenues and expenses from construction contracts are recognised in net profit by reference to the stage of completion of the contract as at the reporting date. The stage of completion is determined by reference to physical estimates, surveys of the work performed or costs incurred and it is usually measured as the ratio of contract costs incurred for work performed to date against total contract costs. Any expected loss is recognised as an expense immediately.

Contract revenue is measured at the fair value of the consideration received or receivable. In the early stages of a contract, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable. That is, no margin is recognised until the outcome of the contract can be reliably estimated. An assessment is generally made once 25% of contract completion is achieved.

Contract price and cost estimates are reviewed periodically as the work progresses and reflect adjustments proportionate to the percentage-of-completion in the income statement in the period when those estimates are revised. Provisions are made for all known or anticipated losses. Variations from estimated contract performance could result in a material adjustment to operating results for any financial period. Claims are included for extra work or changes in scope of work to the extent of costs incurred in contract revenues when collection is probable.

Where claims on customers result in dispute and the amount in dispute is significant, and it is expected that the matters in dispute will not be resolved within 12 months from the company's semi annual reporting date, the provision will be based on the company's assessment of the risk associated with construction contracts, such provision being at least 75% of the disputed amount on each contract.

(ii) Construction contract - PPP (Public Private Partnership)
Revenue and expenses from the PPP construction contract are recognised in net profit by reference to the stage of completion of each separately identifiable component of the contract for the design and manufacture of rolling stock and construction of a maintenance facility. The rolling stock manufacturing contract comprises detailed engineering design, prototype development and full scale manufacture. These identifiable separate components have been determined based on:

- each component being subject to separate customer acceptance procedures; and
- the costs and revenues of each component having been identified.

Contract revenue is measured at the fair value of consideration received or receivable. Contract revenue is recognised to the extent of costs incurred plus margin. Margin is recognised based on the relative risk assessment of each component and costs incurred to achieve operational milestones.

Note 1. Summary of accounting policies - *continued*

Revenue recognition - *continued*

(iii) Long term engineering services contracts
Revenues and expenses from engineering services contracts are recognised in net profit by reference to the stage of completion of the contract as at the reporting date. The stage of completion is determined by reference to physical estimates, surveys of the work performed or cost incurred and it is usually measured as the ratio of contract costs incurred for work performed to date against total contract costs.

The stage of completion method requires management to make judgments and estimates by forecasting the final outcome of the project and it includes analysis of divergences compared to earlier assessment dates.

Where an engineering services contract is expected to make a loss, the loss is recognised as an expense immediately.

Engineering services contracts are reported in trade receivables and trade payables, as gross amounts due from/to customers. If cumulative work done to date (contract costs plus contract net profit) of contracts in progress exceeds progress payments received, the difference is recognised as an asset and included in amounts due from customers for contract work. If the net amount after deduction of progress payments received is negative, the difference is recognised as a liability and included in amounts due to customers for contract work.

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Other revenue

(i) Royalties
Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(ii) Dividend and interest revenue
Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iii) Fee based revenue
Fee based revenue generated by Corporate office is recognised on an accrual basis as derived.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:
- where the amount of GST incurred is not recoverable from the taxation authorities, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the taxation authorities is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to the taxation authorities is classified as operating cash flows.

Note 1. Summary of accounting policies - *continued*

Income tax

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except when the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or when it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or the excess.

Tax consolidation
Downer EDI Limited and its wholly-owned Australian controlled entities are part of a tax-consolidated group under Australian taxation law. Downer EDI Limited is the head entity in the tax-consolidated group. Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Downer EDI Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

Note 1. Summary of accounting policies - *continued*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the parent entity financial statements.

Investment in associates
Investments in entities over which the consolidated entity has the ability to exercise significant influence but not control are accounted for using equity accounting principles and are carried at cost plus post-acquisition changes in the consolidated entity's share of net assets of associates, less any impairment in value.
Losses of an associate in excess of the Group's interest in an associate are recognised only to the extent that the Group has incurred legal or constructive obligation or made payments on behalf of the associate. If the associate subsequently reports profits, the consolidated entity resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised.

Available-for-sale financial assets
Available-for-sale financial assets are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the profit or loss for the period.

Loans and receivables
Trade receivables, loans and other receivables are recorded at amortised cost using the effective interest method less impairment.

Fair value through profit and loss investments
Fair value through profit and loss investments are valued at fair value each reporting date based on the current bid price. Movements in fair value are taken to the income statement.

Non-current asset held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amounts and fair value less cost to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition and the sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

Note 1. Summary of accounting policies - *continued*

Joint ventures

Jointly controlled assets and operations
Interests in jointly controlled assets and operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities
Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements.

Property, plant and equipment

Land is measured at cost. Buildings, plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write down the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The expected useful lives of PPE are generally:

Buildings	20-30 years
Plant and equipment	3-25 years
Equipment under finance lease	5-15 years

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at an amount equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Finance leases
Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Finance leased assets are depreciated on a straight line basis over the estimated useful life of each asset.

Operating leases
Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Note 1. Summary of accounting policies - *continued*

Intangible assets

Goodwill
Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised. All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Intellectual property
Patents, trademarks and licenses are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives having considered contractual terms, which is not greater than 40 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate method.

Derivative financial instruments

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The consolidated entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities, firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Note 1. Summary of accounting policies - *continued*

Derivative financial instruments - *continued*

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. Amounts deferred in equity are included in the profit or loss in the same periods the hedged item is recognised in the profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Embedded derivatives
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts. This only occurs when the host contracts are not measured at fair value.

Employee benefits

Liabilities is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, redundancy and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date. Contributions to defined contribution superannuation plans are expensed when incurred.

Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Decommissioning and restoration
Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs, based on estimated future costs.
The provision is discounted using a current market-based pre-tax discount rate.

The provision is the best estimate of the present value of the expenditure required to settle rectification obligations at the reporting date, based on current legal requirements and technology. Future rectification costs are reviewed annually and any changes are reflected in the present value of the rectification provision at the end of the reporting period.

Note 1. Summary of accounting policies - *continued*

Provisions - *continued*

Warranty
Provision is made for the estimated liability on products under warranty at balance date. This provision is estimated having regard to service warranty experience. Other warranty costs are accrued for as and when the liability arises.

Foreign currency

Foreign currency transactions
All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are recognised in the income statement except when deferred in equity as qualifying cash flow hedges.

Foreign operations
On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve and recognised in the income statement on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

Financial instruments

Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends
Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

Note 1. Summary of accounting policies - *continued*

Share-based transactions

Equity-settled share-based transactions are measured at fair value at the date of grant.

The Group makes share-based awards to certain employees. The fair value is determined at the date of grant taking into account any market related performance conditions. For equity-settled awards, the fair value is charged to the income statement and credited to equity.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate of the term of the option.

The fair value of any options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. The employee benefit expense recognised in each year takes into account the most recent estimate.

Accounting for financial guarantee contracts

Financial guarantee contracts are measured initially at their fair values and subsequently measured at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies.

Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members of the parent entity, divided by the weighted average number of ordinary shares. Basic EPS (including ROADS) is calculated as net profit attributable to members of the parent entity, adjusted for the cost of servicing equity (other than ordinary shares), divided by the weighted average number of ordinary shares. Diluted EPS is calculated as net profit attributable to members of the parent entity divided by the total of the weighted average number of ordinary shares on issue during the period and the number of dilutive potential ordinary shares.

New accounting standards and interpretations

At the date of authorisation of the financial report, the standards and interpretations listed below were in issue but not yet effective. They will be applied in the Group's financial report related to the first annual reporting period commencing after the effective date.

Initial application of the following standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

- AASB 101 'Presentation of Financial Statements' (revised September 2007) - Effective for annual reporting periods beginning on or after 1 January 2009;
- AASB 2007-8 ‘Amendments to Australian Accounting Standards arising from AASB 101’ - Effective for annual reporting periods beginning on or after 1 January 2009;
- AASB 2007-10 ‘Further Amendments to Australian Accounting Standards arising from AASB 101’ - Effective for annual reporting periods beginning on or after 1 January 2009;

Note 1. Summary of accounting policies - *continued*

New accounting standards and interpretations - *continued*

- AASB 123 'Borrowing Costs' (revised) - Effective for annual reporting periods beginning on or after 1 January 2009;
- AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' - Effective for annual reporting periods beginning on or after 1 January 2009;
- AASB 8 'Operating Segments' - Effective for annual reporting periods beginning on or after 1 January 2009;
- AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments' - Effective for annual reporting periods beginning on or after 1 January 2009.

The following standards and amendments to standards have been identified as those which may impact the entity in the period of initial application. They have not been applied in preparing this financial report. The Group has not yet determined the potential effect of these standards on the Group's future financial reports.

- AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB3 and AASB127' - Effective for annual reporting periods beginning on or after 1 July 2009;
- AASB 127 'Consolidated and Separate Financial Statements' (revised) - Effective for annual reporting periods beginning on or after 1 July 2009;
- AASB 3 'Business Combinations' (revised) - Effective for annual reporting periods beginning on or after 1 July 2009;
- AASB 2008-1 'Amendments to Australian Accounting Standard - Share Based Payments: Vesting Conditions and Cancellations' - Effective for annual reporting periods beginning on or after 1 January 2009;
- AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation' - Effective for annual reporting periods beginning on or after 1 January 2009;
- AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' - Effective for annual reporting periods beginning on or after 1 January 2009;
- AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' - Effective for annual reporting periods beginning on or after 1 July 2009;
- AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate - Effective for annual reporting periods beginning on or after 1 January 2009;
- AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items' - Effective for annual reporting periods beginning on or after 1 July 2009;
- AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process' - Effective for annual reporting periods beginning 1 July 2009;
- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' - Effective for annual reporting periods beginning 1 January 2010;
- AASB 2009-6 "Amendments to Australian Accounting Standards" - Effective for annual reporting periods beginning 1 January 2009;
- AASB 2009-7 "Amendments to Australian Accounting Standards" - Effective for annual reporting periods beginning 1 July 2009;
- AASB 1 'First-time Adoption of Australian Accounting Standards' - Effective for annual reporting periods beginning 1 July 2009;
- AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation' - Expected to be initially applied in the financial year ending 30 June 2010;
- AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners' - Effective for annual reporting periods beginning 1 July 2009; and
- AASB Interpretation 18 'Transfers of Assets from Customers' - Effective for annual reporting periods beginning 1 July 2009.

Notes to the financial statements - *continued*
for the year ended 30 June 2009

Note 2. Business and geographical segments

Downer EDI's material business segments for the 2009 year are;

Mining (provides blasting, bulk excavation, crushing and processing, haulage of ores/waste, tailings management and mine restoration). As part of a business restructure for the 2009 year, process engineering and Snowden are now managed by the Engineering group and as such are included in the Engineering Services segment. The 2008 comparatives have been restated accordingly;

Works (provides maintenance and construction of roads and highways, construction and maintenance of rail infrastructure including tracks, signals and overhead electrification and infrastructure maintenance services including utilities, water supply, sewage and waste water treatment, refuse disposal, street cleaning and the tending of parks and gardens);

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

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

Unallocated comprises financing, corporate costs and revenue.

	Revenue [1]		**Share of sales revenue in joint venture entities**		**Total revenue**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
By business segment						
Mining	**1,022,790**	946,192	**54,069**	71,541	**1,076,859**	1,017,733
Works	**1,859,352**	1,769,667	**4,487**	5,537	**1,863,839**	1,775,204
Rail	**888,925**	613,072	**-**	-	**888,925**	613,072
Engineering Services	**2,116,132**	2,101,866	**15,022**	37,856	**2,131,154**	2,139,722
Total	**5,887,199**	5,430,797	**73,578**	114,934	**5,960,777**	5,545,731
Eliminations	**(27,462)**	(45,553)	**-**	-	**(27,462)**	(45,553)
Unallocated	**8,076**	87,469	**-**	-	**8,076**	87,469
Total	**5,867,813**	5,472,713	**73,578**	114,934	**5,941,391**	5,587,647

[1] Revenue includes other income and inter-segment sales, recorded at amounts equal to competitive market prices charged to external customers for similar goods. Not separately disclosed as not considered material.

	Segment result	
	2009 $'000	2008 $'000
By business segment		
Mining	**52,936**	50,202
Works	**113,543**	110,012
Rail	**60,765**	45,904
Engineering Services	**131,415**	111,707
Total	**358,659**	317,825
Unallocated	**(99,634)**	(85,879)
Total profit before income tax	**259,025**	231,946
Income tax (expense)	**(69,649)**	(66,104)
Profit after tax for the year	**189,376**	165,842

Note 2. Business and geographical segments - *continued*

	Segment assets		Segment liabilities		Depreciation and amortisation	
	2009	2008	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
By business segment						
Mining	**723,270**	523,567	**248,523**	191,613	**54,183**	32,091
Works	**1,046,340**	1,132,657	**407,110**	537,062	**53,226**	46,698
Rail	**615,021**	450,539	**273,253**	275,875	**7,108**	7,586
Engineering Services	**921,309**	961,490	**556,224**	545,971	**26,242**	22,129
Total	**3,305,940**	3,068,253	**1,485,110**	1,550,521	**140,759**	108,504
Unallocated	**77,149**	115,023	**567,591**	436,391	**1,009**	9,059
Total	**3,383,089**	3,183,276	**2,052,701**	1,986,912	**141,768**	117,563

	Carrying value of equity accounted investments		Share of net profit of equity accounted investments		Acquisition of segment assets	
	2009	2008	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
By business segment						
Mining	**-**	-	**7,773**	10,290	**207,742**	139,689
Works	**3,881**	3,101	**983**	1,360	**104,591**	112,449
Rail	**-**	-	**-**	-	**31,096**	17,849
Engineering Services	**4,556**	4,045	**1,398**	(187)	**53,754**	33,642
Total	**8,437**	7,146	**10,154**	11,463	**397,183**	303,629
Unallocated	**-**	-	**-**	12,144	**1,164**	5,077
Total	**8,437**	7,146	**10,154**	23,607	**398,347**	308,706

The economic entity operated in five principal geographical areas - Australia, Pacific (including New Zealand, Papua New Guinea and Fiji), South East Asia (Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines) North East Asia (Hong Kong and China) and Other (United Kingdom, Canada and Brazil).

	Revenue [1]		Segment assets		Acquisition of segment assets	
	2009	2008	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
By geographic location						
Australia	**4,381,913**	4,031,298	**2,585,009**	2,423,230	**333,784**	251,086
Pacific	**981,300**	966,135	**466,139**	450,257	**52,090**	48,953
South East Asia	**321,500**	322,661	**198,941**	191,844	**4,200**	5,779
North East Asia	**44,700**	21,162	**37,100**	40,933	**1,200**	-
Other	**138,400**	131,457	**95,900**	77,012	**7,073**	2,888
Total	**5,867,813**	5,472,713	**3,383,089**	3,183,276	**398,347**	308,706

[1] Revenue includes other income and inter-segment sales, recorded at amounts equal to competitive market prices charged to external customers for similar goods. Not separately disclosed as not considered material.

Note 3. Profit from ordinary activities - continuing operations

	Consolidated		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
a) Revenues				
Sales revenue				
Rendering of services	**4,917,672**	4,467,367	**25,265**	24,272
Construction contracts	**855,853**	831,947	**-**	-
Sale of goods	**61,143**	135,214	**-**	-
Interest revenue				
Other loans and receivables	**18,156**	16,838	**42**	264
Other revenue				
Other revenue	**5,814**	9,127	**3,528**	990
Rental income	**1,382**	931	**-**	-
Dividends				
Subsidiaries	**-**	-	**152,775**	73,000
Other entities	**1,390**	1,106	**-**	-
	5,861,410	5,462,530	**181,610**	98,526
Other income				
Net income on disposal of property, plant and equipment	**1,480**	10,049	**-**	-
Net gain on disposal of assets held for sale	**777**	134	**-**	-
Net foreign exchange gains	**4,146**	-	**-**	-
Total other income	**6,403**	10,183	**-**	-
Revenue and other income	**5,867,813**	5,472,713	**181,610**	98,526
Sales revenue from joint venture entities	**73,578**	114,934	**-**	-
Total Revenue	**5,941,391**	5,587,647	**181,610**	98,526

Note 3. Profit from ordinary activities - continuing operations - *continued*

b) Operating expenses

	Consolidated		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Cost of goods sold	**51,167**	103,110	**-**	-
Finance costs on liabilities carried at amortised cost:				
Interest expense	**62,269**	64,837	**250**	729
Other finance costs	**1,088**	1,311	**-**	-
Finance lease expense	**1,661**	1,172	**-**	-
	65,018	67,320	**250**	729
Net foreign exchange losses	**-**	4,527	**-**	-
Net loss on revaluation of financial assets at fair value through profit or loss	**-**	5,295	**-**	-
Depreciation and amortisation of non-current assets:				
Plant and equipment (Note 15)	**130,471**	110,539	**-**	-
Buildings (Note 15)	**3,446**	3,279	**-**	-
Amortisation of leased assets (Note 15)	**2,430**	712	**-**	-
Amortisation of intellectual property (Note 16)	**5,421**	3,033	**-**	-
Total depreciation and amortisation	**141,768**	117,563	**-**	-
Doubtful debts	**1,209**	740	**-**	-
Operating lease expenses	**157,461**	149,733	**-**	-
Employee benefits expense:				
Defined contribution plans	**124,539**	81,746	**1,009**	1,080
Share based transactions	**8,677**	1,498	**5,873**	1,498
Other employee benefits	**1,897,068**	1,725,969	**24,100**	15,269
Total employee benefits expense	**2,030,284**	1,809,213	**30,982**	17,847
(Gain) arising on derivatives in a designated fair value hedge accounting relationship	**(2,993)**	(3,624)	**-**	-
Loss arising on adjustment to hedged item in a designated fair value hedge accounting relationship	**2,859**	2,003	**-**	-
	(134)	(1,621)	**-**	-

Note 4. Income tax

a) Income tax recognised in the income statement

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Tax expense comprises:				
Current tax expense/(benefit)	**66,572**	27,242	**(10,055)**	(2,512)
Deferred tax expense relating to the origination and reversal of temporary differences	**3,077**	38,862	**4,111**	570
Total tax expense/(benefit)	**69,649**	66,104	**(5,944)**	(1,942)
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit before income tax	**259,025**	231,946	**128,698**	59,545
Income tax expense calculated at 30% of operating profit	**77,708**	69,584	**38,609**	17,864
Non-taxable gains	**786**	(2,278)	**-**	-
Exempt income	**(143)**	(737)	**-**	-
Non-deductible expenses	**464**	884	**3**	66
Dividends from within the tax group	**-**	-	**(45,833)**	(21,900)
Equity share of associates' and joint venture entities' profits	**(257)**	(277)	**-**	-
Effect of different rates of tax on overseas income/losses	**(4,518)**	351	**-**	-
Research and development	**(2,883)**	(1,216)	**-**	-
Changes in overseas income tax rates	**242**	(533)	**-**	-
Benefits arising from previously unrecognised temporary differences	**-**	144	**-**	-
Other items	**1,325**	(570)	**(525)**	(10)
	72,724	65,352	**(7,746)**	(3,980)
Under provision of income tax in previous year	**(3,075)**	752	**1,802**	2,038
Income tax expense/(benefit) attributable to profit	**69,649**	66,104	**(5,944)**	(1,942)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous period.

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
b) Income tax recognised directly in equity				
The following current and deferred amounts were charged directly to equity during the year:				
Current tax:				
Unvested executive incentive shares	**11,121**	-	**11,121**	-
Deferred tax:				
Revaluations of financial instruments treated as:				
Cash flow hedges	**(38,489)**	20,307	**-**	-
Shared based costs	**(7,416)**	-	**(7,416)**	-
Total deferred tax charged to equity	**(45,905)**	20,307	**(7,416)**	-
Total charged directly to equity	**(34,784)**	20,307	**3,705**	-

Note 5. Auditors' remuneration

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Deloitte Touche Tohmatsu earned the following remuneration from Downer EDI during the year:				
Audit and review of financial reports	**2,986,615**	3,236,900	**735,600**	792,000
Taxation services	**42,264**	236,770	**17,555**	159,200
Consulting	**-**	30,000	**-**	30,000
Other assurance services	**379,654**	626,000	**337,135**	353,902
	3,408,533	4,129,670	**1,090,290**	1,335,102
Other auditors:				
Audit and review of financial reports	**787,053**	970,800	**-**	-
Taxation services	**721,644**	298,184	**316,250**	-
Other services	**98,716**	-	**-**	-
	1,607,413	1,268,984	**316,250**	-
Total auditors remuneration	**5,015,946**	5,398,654	**1,406,540**	1,335,102

Note 6. Earnings per share

	2009 Cents per share	2008 Cents per share
Earnings per share (EPS) from continuing operations:		
Basic EPS	**57.9**	51.3
Basic EPS (including ROADS)	**54.4**	47.9
Diluted EPS	**52.7**	47.5

2009	Basic EPS	Basic EPS (including ROADS)	Diluted EPS
Profit attributable to members of the parent entity ($'000)	**189,376**	**189,376**	**189,376**
Profit adjustment to reflect ROADS dividends paid ($'000)	**-**	**(11,331)**	**-**
Profit attributable to members of the parent entity used in calculating EPS ($'000)	**189,376**	**178,045**	**189,376**
Weighted average number of ordinary shares (WANOS) on issue (No. (000's))	**327,066**	**327,066**	**327,066**
WANOS adjustment to reflect potential dilution for ROADS (No. (000's))	**-**	**-**	**31,951***
WANOS used in the calculation of EPS (No. (000's))	**327,066**	**327,066**	**359,017**
Earnings per share from continuing operations (cents per share)	**57.9**	**54.4**	**52.7**

* The WANOS adjustment is calculated based on the issued value of ROADS divided by the closing market price of the company's ordinary shares at 30 June 2009.

Note 6. Earnings per share - *continued*

2008	Basic EPS	Basic EPS (including ROADS)	Diluted EPS
Profit attributable to members of the parent entity ($'000)	165,842	165,842	165,842
Profit adjustment to reflect ROADS dividends paid ($'000)	-	(11,154)	-
Profit attributable to members of the parent entity used in calculating EPS ($'000)	165,842	154,688	165,842
Weighted average number of ordinary shares (WANOS) on issue (No. (000's))	323,137	323,137	323,137
WANOS adjustment to reflect potential dilution for ROADS (No. (000's))	-	-	25,997*
WANOS used in the calculation of EPS (No. (000's))	323,137	323,137	349,134
Earnings per share from continuing operations (cents per share)	51.3	47.9	47.5

* The WANOS adjustment is calculated based on the issued value of ROADS divided by the closing market price of the company's ordinary shares at 30 June 2008.

Note 7. Dividends

	Final 2009	Final 2008	Interim 2009	Interim 2008
a) Ordinary shares				
Dividend per share (in Australian cents)	**16.0**	12.5	13.0	13.0
Franking percentage	**unfranked**	unfranked	unfranked	unfranked
Cost (in $'000)	**52,972**	40,636	42,483	42,067
Payment date	**02/10/2009**	17/10/2008	14/04/2009	11/04/2008
Dividend record date	**01/09/2009**	04/09/2008	11/03/2009	07/03/2008

The final 2009 dividend has not been declared at the reporting date, therefore not reflected in the financial statements.

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

	Quarter 4 2008	Quarter 3 2008	Quarter 2 2008	Quarter 1 2008	Total 2008
Dividend per ROADS (in Australian cents)	1.30	1.42	1.45	1.41	5.58
New Zealand imputation credit percentage per ROADS	100%	100%	100%	100%	100%
Cost (in $A'000)	2,601	2,845	2,895	2,813	11,154
Payment date	15/06/2008	15/03/2008	15/12/2007	15/09/2007	

	Company	
Franking credits	**2009 $'000**	2008 $'000
Franking account balance	**-**	-

Note 8. Cash and cash equivalents

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Cash at bank and in hand	**288,715**	199,489	**1**	1
Short-term deposits	**10,748**	46,301	**-**	-
	299,463	245,790	**1**	1

Note 9. Inventories

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Current				
Raw materials - at cost	**115,348**	89,220	**-**	-
Work in progress - at cost	**6,542**	48,177	**-**	-
Finished goods - at cost	**19,862**	23,036	**-**	-
Components and spare parts - at cost	**56,644**	43,270	**-**	-
Components and spare parts - at net realisable value	**-**	340	**-**	-
	198,396	204,043	**-**	-

Note 10. Trade and other receivables

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Current				
Trade receivables	**743,339**	788,138	**-**	-
Allowance for doubtful debts (Note 10(b))	**(8,198)**	(6,989)	**-**	-
	735,141	781,149	**-**	-
Amounts due from customers under contracts (Note 30)	**382,752**	284,617	**-**	-
Other receivables - controlled entities	**-**	-	**421,729**	379,320
Other receivables	**47,565**	48,605	**604**	343
	1,165,458	1,114,371	**422,333**	379,663
Non-current				
Other receivables - controlled entities	**-**	-	**632,592**	584,271
Other receivables	**14,949**	-	**-**	-
	14,949	-	**632,592**	584,271
Total trade and other receivables	**1,180,407**	1,114,371	**1,054,925**	963,934

a) Of the total $743,339 thousand (2008: $788,138 thousand) of trade receivables, $532,799 thousand (2008: $594,315 thousand) are current with an average of 30 days. Management considers that there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Of the total receivables, $nil (2008: $60,979 thousand) are renegotiated receivables and management has assessed that these are all recoverable and no impairment has been taken.

$202,342 thousand (2008: $125,855 thousand) are past due but not impaired with an average of more than 58 days. These relate to a number of customers for whom there is no recent history of default and other indicators of impairment. Management considers that no provision is required on these balances. The consolidated entity does not hold any collateral over these balances.

$8,198 thousand (2008: $6,989 thousand) is impaired and have been provided for. An allowance account has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience.

Note 10. Trade and other receivables - *continued*

b) Movement in the allowance for doubtful debts

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Balance at beginning of financial year	**(6,989)**	(6,249)	**-**	-
Additional provisions	**(5,927)**	(3,854)	**-**	-
Amounts used	**1,493**	592	**-**	-
Amounts reversed	**3,094**	2,157	**-**	-
Foreign currency exchange differences	**131**	365	**-**	-
Balance at end of financial year	**(8,198)**	(6,989)	**-**	-

The consolidated entity has used the following basis to assess the allowance loss for trade receivables:
i) a specific provision based on historical bad debt experience;
ii) the general economic conditions in specific geographical regions;
iii) an individual account by account specific risk assessment based on past credit history; and
iv) any prior knowledge of debtor insolvency or other credit risk.

c) Receivables from controlled entities include amounts arising under the group's tax funding arrangement. The inter-company loan receivable is repayable on demand and interest is charged on the outstanding balance at market rates. There are no indications as of the reporting date that the controlled entities will not meet their payment obligations.

Note 11. Other financial assets

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Available-for-sale investments	**2,891**	7,237	**-**	-
Employee loans	**-**	700	**-**	700
Foreign currency forward contracts	**1,405**	2,159	**-**	-
Cross currency interest rate swaps	**2,432**	800	**-**	-
Fair value through profit and loss investments	**3,197**	3,228	**-**	-
Advances to joint venture entities	**1,090**	2,619	**-**	-
Other financial assets	**1,139**	793	**505**	1,088
	12,154	17,536	**505**	1,788
Non-current				
Shares in controlled entities	**-**	-	**225,000**	225,000
Available-for-sale investments	**15,527**	13,833	**-**	-
Foreign currency forward contracts	**1,970**	-	**-**	-
Cross currency interest rate swaps	**3,703**	-	**-**	-
Deferred consideration receivable	**1,226**	1,895	**-**	-
Other financial assets	**20**	31,156	**-**	-
	22,446	46,884	**225,000**	225,000
Total other financial assets	**34,600**	64,420	**225,505**	226,788

Note 11. Other financial assets - *continued*

Investment in Reliance Rail

At 30 June 2008, other Financial Assets included $31,132 thousands in respect of the equity accounted carrying value of the company's 49% investee, Reliance Rail. At 31 December 2008, this carrying value was reduced to zero as a result of the company's share of the investee's net assets becoming negative, largely as a result of the fair value movements in the investee's derivatives used to hedge future interest and CPI exposures. During the 6 months to 30 June 2009, the positive movement in the fair value of these derivatives has restored the investee to a positive net asset position such that the company's share of net assets amounts to $59,033 thousands at 30 June 2009. However, given the volatility surrounding the valuation of this investment, the company has retained its $nil carrying value at 30 June 2009.

The movement in Downer's investment is summarised below:

	Consolidated 2009 $'000
Investment in Reliance Rail at 1 July 2008	**31,132**
Share of reserve movements	**(31,132)**
Share of profits for the period (Note 14)	**59,033**
Less: provision against investment	**(59,033)**
Investment in Reliance Rail at 30 June 2009	**-**

Note 12. Tax assets

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Current tax assets	**13,920**	7,100	**13,831**	-
Non-current				
a) Deferred tax assets	**87,450**	183,682	**43,509**	99,798
b) Movement in deferred tax assets for the financial year:				
Balance at beginning of the financial year	**277,414**	287,249	**99,832**	34,163
Charged to income statement as deferred income tax (expense) (Note 12(d))	**(11,369)**	(25,888)	**(6,155)**	(550)
Charged to equity	**(40,852)**	23,712	**-**	-
Acquisitions of businesses	**427**	103	**-**	-
Net foreign currency exchange differences	**119**	(3,343)	**-**	-
Transfers/ utilisation of losses	**(44,717)**	1,014	**(44,763)**	53,809
Disposal of entities and operations	**(74)**	(3,781)	**-**	-
Other	**(328)**	(1,652)	**-**	12,410
Balance at end of the financial year (gross) (Note 12(c))	**180,620**	277,414	**48,914**	99,832
Set-off of deferred tax assets within the same tax jurisdiction (Note 21(b))	**(93,170)**	(93,732)	**(5,405)**	(34)
Net deferred tax assets	**87,450**	183,682	**43,509**	99,798

Note 12. Tax assets - *continued*

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
c) Deferred tax assets at the end of the financial year (prior to offsetting balances within the same tax jurisdiction) are attributable to:				
Trade and other receivables	**24,605**	16,363	**-**	-
Inventories	**4,678**	14,796	**-**	-
Property, plant & equipment	**7,803**	4,654	**-**	-
Equity accounted investments	**617**	-	**-**	-
Trade and other payables	**23,421**	24,951	**455**	2,253
Provisions	**52,810**	92,794	**3,337**	3,831
Borrowings	**892**	501	**-**	-
Income tax losses	**59,296**	99,729	**44,330**	92,736
Hedges and foreign exchange movements	**4,603**	22,466	**-**	151
Other	**1,895**	1,160	**792**	861
Total deferred tax assets (gross)	**180,620**	277,414	**48,914**	99,832
d) Amounts charged to income statement as deferred income tax (expense)/benefit:				
Trade and other receivables	**(2,422)**	4,433	**-**	-
Inventories	**1,170**	(2,734)	**-**	-
Property, plant & equipment	**9,380**	3,578	**-**	-
Equity accounted investments	**282**	-	**-**	-
Trade and other payables	**(3,383)**	(9,605)	**(2,188)**	899
Provisions	**(20,621)**	207	**(65)**	1,446
Borrowings	**724**	(128)	**-**	-
Income tax losses	**7,102**	(2,113)	**-**	-
Hedges and foreign exchange movements	**12,289**	4,029	**(151)**	103
Other	**(136)**	(2,152)	**(468)**	(765)
Deferred tax assets in relation to prior periods	**(15,754)**	(21,403)	**(3,283)**	(2,233)
Charged to income statement as deferred income tax (expense)	**(11,369)**	(25,888)	**(6,155)**	(550)

Note 13. Other assets

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Prepayments	**20,842**	27,189	**729**	111
Other deposits	**4,119**	4,977	**9**	-
Other current assets	**7,349**	8,661	**2**	1
	32,310	40,827	**740**	112
Non-current				
Prepayments	**6,245**	7,026	**-**	-
	6,245	7,026	**-**	-
Total other assets	**38,555**	47,853	**740**	112

Note 14. Equity-accounted investments

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Equity-accounted investments (Note 14(b))	**8,437**	7,146	**-**	-

a) The consolidated entity has interests in the following joint venture operations:

Name of entity	Principal activity	Country	Ownership interest 2009 %	2008 %
Airfield Works Joint Venture	Airfield works	Hong Kong	**49**	49
BPL Downer Joint Venture	Building construction	Singapore	**50**	50
CHDE Joint Venture	Pumping station refurbishment	Australia	**50**	50
Clough Downer Joint Venture	Construction of port facilities	Australia	**50**	50
Cortex Downer Joint Venture	Shared conveyers and shiploader	Australia	**50**	50
Downer CSS Joint Venture	Telecommunications	Thailand	**60**	60
Downer Zublin Joint Venture	Tsing Yi Tunnel / East Lantau Tunnel	Hong Kong	**50**	50
Leighton Works	Road construction	New Zealand	**50**	50
Lantau Expressway Joint Venture	North Lantau expressway	Hong Kong	**27**	27
Playford Power Station Joint Venture	Refurbishment of power station	Australia	**50**	50
Project Westernport	Construction of bitumen storage facility	Australia	**50**	50
Roche Thiess Linfox Joint Venture	Contract mining; civil works and plant hire	Australia	**44**	44
St Ives Gold Project Joint Venture	Design and construction of mining treatment plant	Australia	**50**	50
Tenix Downer Joint Venture	Power transmission and distribution	Australia	**50**	-

Notes to the financial statements - *continued*
for the year ended 30 June 2009

Note 14. Equity-accounted investments - *continued*

b) The consolidated entity and its controlled entities have interests in the following joint venture and associates entities:

Name of entity	Principal activity	Country	Ownership interest 2009 %	2008 %
Joint ventures:				
Alex Fraser Asphalt Production	Asphalt production and sales	Australia	**50**	50
Allied Asphalt Limited	Asphalt plant	New Zealand	**50**	50
EDI Rail-Bombardier Transportation (Maintenance) Pty Ltd	Maintenance of railway rolling stock	Australia	**50**	50
EDI Rail-Bombardier Transportation Pty Ltd	Sale & maintenance of railway rolling stock	Australia	**50**	50
Emulco	Emulsion plant	New Zealand	**50**	-
John Holland EDI Joint Venture	Research reactor	Australia	**40**	40
MPE Facilities Management Sdn Bhd	Facilities management	Malaysia	**50**	50
Pavement Salvage (SA) Pty Ltd	Pavement repair	Australia	**50**	50
PT QDC Technologies	Telecommunications	Indonesia	**50**	50
Roche Thiess Linfox Joint Venture	Contract mining; civil works and plant hire	Australia	**44**	44
SIP Jiacheng Property Development Co Ltd	Property development	China	**50**	50
Western Lee Joint Venture	Maintenance-Alcoa	Australia	**50**	50
Associates:				
Aromatrix Pte Ltd	Environmental engineering and consultancy services	Singapore	**33**	33
Clyde Babcock Hitachi (Aust) P/L	Design, construction and maintenance of boilers	Australia	**27**	27
CPG-KCPT Pte Ltd	Security design consultancy services	Singapore	**30**	30
Reliance Rail Pty Ltd	Rail manufacturing and maintenance	Australia	**49**	49

Notes to the financial statements - *continued*
for the year ended 30 June 2009

Note 14. Equity-accounted investments - *continued*	**Consolidated**		**Company**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Equity accounted investments				
Equity accounted amount of investment at the beginning of the financial year	**7,146**	7,899	**-**	-
Share of net profit	**10,154**	23,607	**-**	-
Share of distributions	**(9,895)**	(11,288)	**-**	-
Effect of foreign currency translation movement	**-**	(470)	**-**	-
Share of movement in reserves of associates	**-**	(12,602)	**-**	-
Additional interest in joint venture entities	**961**	-	**-**	-
Foreign currency exchange differences	**71**	-	**-**	-
Equity accounted investment at the end of the financial year	**8,437**	7,146	**-**	-
Share of net profit of joint venture entities and associates				
Revenue	**73,578**	114,934	**-**	-
Expenses	**(63,167)**	(91,050)	**-**	-
Profit before income tax	**10,411**	23,884	**-**	-
Income tax expense	**(257)**	(277)	**-**	-
Net profit after tax for the year	**10,154**	23,607	**-**	-
Summarised financial information of the consolidated entity's share of the above joint venture entities and associates:				
Current assets	**20,015**	37,589	**-**	-
Non-current assets	**38,433**	19,479	**-**	-
Total assets	**58,448**	57,068	**-**	-
Current liabilities	**34,885**	32,440	**-**	-
Non-current liabilities	**10,042**	14,590	**-**	-
Total liabilities	**44,927**	47,030	**-**	-
Net assets	**13,521**	10,038	**-**	-

Investments in associates

Downer EDI's 49% investment in Reliance Rail is recorded at a $nil carrying value at 30 June 2009 (2008: $31,132 thousand as per Note 11 - Other financial assets). The share of profits recognised amounted to $59,033 thousand (2008: $12,144 thousand) with a corresponding provision against the investment of $59,033 thousand (2008: $nil). Further information relating to the movement in the investment is disclosed in Note 11.

c) Contingent liabilities and capital commitments

The consolidated entity's share of the contingent liabilities and expenditure commitments of joint venture entities are included in Note 29.

Notes to the financial statements - *continued*
for the year ended 30 June 2009

Note 15. Property, plant and equipment

2009	Consolidated Freehold Land $'000	Buildings $'000	Plant and Equipment $'000	Equipment under Finance Lease $'000	Total $'000
At 1 July 2008					
Cost	22,135	63,014	1,179,754	13,099	1,278,002
Accumulated depreciation	-	(14,395)	(599,115)	(2,304)	(615,814)
Net book value	22,135	48,619	580,639	10,795	662,188
Year ended 30 June 2009					
Additions	249	3,613	286,776	49,875	340,513
Disposals at net book value	(69)	(398)	(42,663)	-	(43,130)
Acquisition of businesses (Note 25)	1,093	1,290	20,083	253	22,719
Disposals of business at net book value	-	-	(34)	-	(34)
Depreciation expense	-	(3,446)	(130,471)	(2,430)	(136,347)
Reclassifications at net book value	2,678	(2,249)	5,707	(6,136)	-
Net foreign currency exchange differences at net book value	84	110	151	50	395
Closing net book value	26,170	47,539	720,188	52,407	846,304
At 30 June 2009					
Cost	26,170	65,246	1,383,265	55,708	1,530,389
Accumulated depreciation	-	(17,707)	(663,077)	(3,301)	(684,085)
Closing net book value	26,170	47,539	720,188	52,407	846,304

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 3.

2008	Consolidated Freehold Land $'000	Buildings $'000	Plant and Equipment $'000	Equipment under Finance Lease $'000	Total $'000
At 1 July 2007					
Cost	28,300	53,673	1,335,167	14,213	1,431,353
Accumulated depreciation	-	(10,625)	(663,327)	(3,247)	(677,199)
Net book value	28,300	43,048	671,840	10,966	754,154
Year ended 30 June 2008					
Additions	2,977	15,049	240,344	1,599	259,969
Disposals at net book value	(7,119)	(3,296)	(58,078)	(1,017)	(69,510)
Acquisition of businesses	-	289	9,563	-	9,852
Disposals of business at net book value	(178)	(562)	(151,779)	-	(152,519)
Depreciation expense	-	(3,279)	(110,539)	(712)	(114,530)
Net foreign currency exchange differences at net book value	(1,845)	(2,630)	(20,324)	(41)	(24,840)
Assets held for sale	-	-	(388)	-	(388)
Closing net book value	22,135	48,619	580,639	10,795	662,188
At 30 June 2008					
Cost	22,135	63,014	1,179,754	13,099	1,278,002
Accumulated depreciation	-	(14,395)	(599,115)	(2,304)	(615,814)
Closing net book value	22,135	48,619	580,639	10,795	662,188

Note 16. Intangible assets

	Consolidated		
2009	**Goodwill $'000**	**Intellectual Property / software $'000**	**Total $'000**
At 1 July 2008			
Cost	**573,800**	**15,677**	**589,477**
Accumulated amortisation	**-**	**(10,752)**	**(10,752)**
Net book value	**573,800**	**4,925**	**578,725**
Year ended 30 June 2009			
Purchases	**-**	**1,824**	**1,824**
Acquisition of businesses (Note 25)	**31,221**	**722**	**31,943**
Reclassifications at net book value	**(1,193)**	**1,193**	**-**
Amortisation expense	**-**	**(5,421)**	**(5,421)**
Net foreign currency exchange differences at net book value	**584**	**2,315**	**2,899**
Closing net book value	**604,412**	**5,558**	**609,970**
At 30 June 2009			
Cost	**604,412**	**24,514**	**628,926**
Accumulated amortisation	**-**	**(18,956)**	**(18,956)**
Closing net book value	**604,412**	**5,558**	**609,970**

	Consolidated		
2008	**Goodwill $'000**	**Intellectual Property / software $'000**	**Total $'000**
At 1 July 2007			
Cost	561,841	22,046	583,887
Accumulated amortisation	-	(14,336)	(14,336)
Net book value	561,841	7,710	569,551
Year ended 30 June 2008			
Purchases	(5)	248	243
Acquisition of businesses	26,517	-	26,517
Disposal of business at net book value	(1,667)	-	(1,667)
Classified as held for sale	(2,426)	-	(2,426)
Amortisation expense	-	(3,033)	(3,033)
Net foreign currency exchange differences at net book value	(10,460)	-	(10,460)
Closing net book value	573,800	4,925	578,725
At 30 June 2008			
Cost	573,800	15,677	589,477
Accumulated amortisation	-	(10,752)	(10,752)
Closing net book value	573,800	4,925	578,725

Amortisation allocated during the year is recognised as an expense and disclosed in Note 3.

Note 16. Intangible assets - *continued*

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to five groups of cash-generating units (CGU's). The carrying amount of goodwill allocated to the five cash-generating units is significant in comparison with the total carrying amount of goodwill.

	2009	2008
	$'000	$'000
Works	**232,160**	219,046
Mining	**73,368**	83,813
Rail	**69,458**	69,458
Consulting	**90,658**	73,987
Engineering	**138,768**	127,496
	604,412	573,800

Recoverable amount testing

The recoverable amount of the goodwill relating to the above cash-generating units has been assessed based on value in use calculations. The calculations of value in use are based on cash projections derived from forecasts and financial budgets approved by management that incorporate best estimates of contract revenue, costs and margins. For projections outside of the budget period estimates are derived from market information including general economic forecasts and industry segment forecasts.

Key assumptions

This year cash flows beyond the budget period have been extrapolated using estimated growth rates of between 0% and 8% (2008: 4%). The assumed growth rates do not exceed the expected long-term average growth rate for each of the markets in which the CGU's operate.

Discount rates of between 10.8% and 12.1% (2008: 11.8%) were applied to calculate the value in the use of each CGU. The company completed an analysis of the cost of capital and compared this with industry specific information to determine the discount factor for the entity. Following the determination of the entity discount factor, the company then derived a discount factor for each CGU. The discount rate derived for each CGU was determined after due consideration was given to the risk profile of each business unit.

In all base case calculations the analyses performed have determined that no impairment of any of the CGU's goodwill is required as at 30 June 2009.

Sensitivities

A range of discount factors and growth rates has been used to calculate sensitivities for each CGU to ensure the value in use exceeds the CGU carrying value under a broad range of economic assumptions. Where the economic assumptions indicate limited coverage, additional testing was completed to ensure that the CGU recoverable value was sufficient in any reasonably possible scenario.

The type of additional valuation sensitivities which have been completed include changes in assumptions for gross margins, operating costs, growth rates, discount rates and capital requirements.

Note 17. Trade and other payables

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Trade payables	**568,967**	657,826	**14,755**	21,839
Amounts due to customers under contracts (Note 30)	**263,189**	230,680	**-**	-
Goods and services tax payable	**37,327**	24,186	**681**	163
Other	**76,541**	80,786	**-**	-
	946,024	993,478	**15,436**	22,002
Non-current				
Non-trade payables to controlled entities	**-**	-	**350,717**	359,294
Other	**2,192**	918	**-**	-
	2,192	918	**350,717**	359,294
Total trade and other payables	**948,216**	994,396	**366,153**	381,296

Note 18. Borrowings

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Secured:				
Finance lease liabilities (Note 28(c))	**8,006**	1,850	**-**	-
Hire purchase liabilities (Note 28(d))	**1,576**	1,512	**-**	-
	9,582	3,362	**-**	-
Unsecured:				
Bank loans	**14,819**	100,465	**-**	-
Bank overdraft (Note 27(a))	**7,240**	5,957	**168**	2
AUD Medium term notes (Series I)	**81,256**	-	**-**	-
AUD Medium term notes (Series II)	**6,641**	-	**-**	-
USD notes	**97,792**	36,326	**-**	-
Deferred finance charges	**(1,491)**	(842)	**-**	-
	206,257	141,906	**168**	2
Total current borrowings	**215,839**	145,268	**168**	2
Non-current				
Secured:				
Finance lease liabilities (Note 28(c))	**45,914**	5,412	**-**	-
Hire purchase liabilities (Note 28(d))	**3,894**	821	**-**	-
Bank loans	**10,000**	-	**-**	-
	59,808	6,233	**-**	-
Unsecured:				
Bank loans	**317,644**	174,001	**-**	-
USD notes	**97,912**	164,635	**-**	-
AUD Medium term notes (Series I)	**-**	78,264	**-**	-
AUD Medium term notes (Series II)	**106,309**	-	**-**	-
Deferred finance charges	**(3,015)**	(1,536)	**-**	-
	518,850	415,364	**-**	-
Total non-current borrowings	**578,658**	421,597	**-**	-
Total borrowings	**794,497**	566,865	**168**	2

Note 18. Borrowings - *continued*

Financing facilities

At 30 June 2009, the consolidated entity had the following facilities that were not utilised at balance date:

	2009 $'000	2008 $'000
Syndicated bank loan facilities	**200,393**	290,848
Bilateral bank loan facilities	**257,695**	155,143
Total unutilised loan facilities	**458,088**	445,991
Syndicated bank bonding facility	**26,874**	40,360
Bilateral bank and insurance company bonding facilities	**192,716**	118,117
Total unutilised bonding facilities	**219,590**	158,477
Total facilities that were not utilised at balance date	**677,678**	604,468

Syndicated loan facilities

Syndicated bank loans while unsecured, are subject to certain Group guarantee arrangements, incur interest at floating rates and have varying maturity dates, from June 2011 to May 2012.

Bilateral bank loans and overdrafts

Bilateral bank loans and overdrafts while unsecured, are subject to certain Group guarantee arrangements, incur interest at floating rates and have varying maturity dates of up to two years.

USD notes

USD unsecured notes are on issue for a total amount of USD156.5 million and are subject to certain Group guarantee arrangements. These notes mature in various tranches in 2009, 2011, 2014 and 2019. The USD principal and interest have been fully hedged to Australian or New Zealand dollars, as applicable. Interest is payable to note holders on a semi annual fixed rate basis. The fair value of the USD notes is disclosed in Note 37.

AUD Medium Term Notes ('MTN') - Series I

During 2006 and 2007 unsecured MTN's were issued for a total amount of $80 million. The MTN's are subject to certain Group guarantee arrangements. Interest is payable on a semi annual fixed rate basis. The notes mature in December 2009.

AUD Medium Term Notes ('MTN') - Series II

During 2009 unsecured MTN's were issued for a total amount of $113 million. The MTN's are subject to certain Group guarantee arrangements. The note issue amortises through even semi annual instalments, until the final maturity date in 2018. Interest is payable on a semi annual floating rate basis.

Hire purchase and lease facilities

Hire purchase and finance lease facilities are secured by the specific assets financed.

Note 19. Other financial liabilities

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Foreign currency forward contracts	**26,205**	12,516	**-**	-
Cross currency interest rate swaps	**4,841**	30,526	**-**	-
Advances from joint venture entities	**1,000**	1,440	**-**	-
	32,046	44,482	**-**	-
Non-current				
Foreign currency forward contracts	**8,568**	35,753	**-**	-
Cross currency interest rate swaps	**12,568**	39,687	**-**	-
Advances from joint venture entities	**15,676**	18,049	**-**	-
	36,812	93,489	**-**	-
Total other financial liabilities	**68,858**	137,971	**-**	-

Note 20. Provisions

	Consolidated				
At 1 July 2008	**Employee benefits $'000**	**Decommi-ssioning $'000**	**Contract claims / warranties $'000**	**Other $'000**	**Total $'000**
Current	156,309	15,472	52,654	1,368	225,803
Non-current	15,649	12,145	996	3,218	32,008
Total	171,958	27,617	53,650	4,586	257,811
At 1 July 2008	**171,958**	**27,617**	**53,650**	**4,586**	**257,811**
Additional provisions recognised	**167,305**	**11,956**	**2,977**	**1,344**	**183,582**
Unused provision reversed	**(6,133)**	**(8,839)**	**(12,410)**	**(1,164)**	**(28,546)**
Utilisation of provision	**(178,668)**	**(14,814)**	**(13,206)**	**(196)**	**(206,884)**
Acquisition of businesses	**3,953**	**-**	**-**	**2,636**	**6,589**
Disposal of businesses	**(234)**	**-**	**-**	**-**	**(234)**
Net foreign currency exchange difference	**524**	**(66)**	**236**	**(258)**	**436**
At 30 June 2009	**158,705**	**15,854**	**31,247**	**6,948**	**212,754**
Current	**139,990**	**8,798**	**29,834**	**6,948**	**185,570**
Non-current	**18,715**	**7,056**	**1,413**	**-**	**27,184**
Total	**158,705**	**15,854**	**31,247**	**6,948**	**212,754**

	Company				
At 1 July 2008	**Employee benefits $'000**	**Decommi-ssioning $'000**	**Contract claims / warranties $'000**	**Other $'000**	**Total $'000**
Current	414	-	-	-	414
Non-current	74	-	-	-	74
Total	488	-	-	-	488
At 1 July 2008	**488**	**-**	**-**	**-**	**488**
Additional provisions recognised	**1,615**	**-**	**-**	**-**	**1,615**
Utilisation of provision	**(1,162)**	**-**	**-**	**-**	**(1,162)**
At 30 June 2009	**941**	**-**	**-**	**-**	**941**
Current	**885**	**-**	**-**	**-**	**885**
Non-current	**56**	**-**	**-**	**-**	**56**
Total	**941**	**-**	**-**	**-**	**941**

Note 21. Tax liabilities

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Current tax overseas entities	**10,205**	10,442	**-**	-
Non-current				
a) Deferred tax liability	**18,171**	19,427	**-**	-
b) Movement in deferred tax liability for the financial year:				
Balance at beginning of the financial year	**113,159**	111,210	**34**	14
Charged to income statement as deferred income expense/(benefit) (Note 21(d))	**(8,292)**	12,974	**(2,044)**	20
Charged to equity	**5,053**	3,405	**7,416**	-
Acquisition of businesses	**568**	-	**-**	-
Net foreign currency exchange differences	**(473)**	(3,137)	**-**	-
Disposal of entities and operations	**(74)**	(8,879)	**-**	-
Other	**1,400**	(2,414)	**(1)**	-
Balance at end of the financial year (gross) (Note 21(c))	**111,341**	113,159	**5,405**	34
Set-off of deferred tax liabilities within the same tax jurisdiction (Note 12(b))	**(93,170)**	(93,732)	**(5,405)**	(34)
Net deferred tax liability	**18,171**	19,427	**-**	-
c) Deferred tax liabilities at the end of the financial year (prior to offsetting balances within the same tax jurisdiction) are attributable to:				
Property, plant & equipment	**2,337**	7,508	**(5)**	(10)
Inventories	**2,512**	6,363	**-**	-
Intangible assets	**83**	(361)	**-**	-
Trade and other receivables	**64,610**	71,247	**36**	26
Other current assets	**6,906**	1,498	**-**	-
Trade and other payables	**9,328**	1,212	**-**	9
Provisions	**2,901**	(464)	**-**	-
Borrowings	**121**	41	**-**	-
Non-current assets held for sale	**-**	4,535	**-**	-
Hedges and foreign exchange movements	**17,136**	21,580	**9**	-
Other	**5,407**	-	**5,365**	9
Total deferred tax liabilities (gross)	**111,341**	113,159	**5,405**	34
d) Amounts charged to income deferred income tax expense/(benefit):				
Property, plant & equipment	**(353)**	9,043	**-**	-
Inventories	**(4,917)**	2,251	**-**	-
Intangible assets	**(120)**	(1,260)	**-**	-
Trade and other receivables	**5,050**	(15,281)	**11**	11
Other assets	**2,852**	(1,381)	**(1,730)**	-
Trade and other payables	**5,588**	449	**-**	-
Borrowings	**117**	(438)	**-**	-
Provisions	**3,485**	(622)	**-**	-
Non-current assets held for sale	**-**	(9,329)	**-**	-
Hedges and foreign exchange movements	**(3,439)**	14,335	**-**	-
Deferred tax liabilities in relation to prior periods	**(16,555)**	15,207	**(325)**	9
Charged to income statement as deferred income tax (benefit)/expense	**(8,292)**	12,974	**(2,044)**	20

Note 22. Issued capital

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Ordinary Shares				
331,077,655 ordinary shares (2008: 325,084,433)	**937,259**	911,747	**937,259**	911,747
Unvested Executive Incentive Shares				
7,725,588 ordinary shares (2008: 1,600,000)	**(37,071)**	(9,791)	**(37,071)**	(9,791)
200,000,000 Redeemable Optionally Adjustable				
Distributing Securities (ROADS) (2008: 200,000,000)	**178,603**	178,603	**-**	-
	1,078,791	1,080,559	**900,188**	901,956

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

	Consolidated and Company			
	2009		2008	
Fully paid ordinary share capital	**000's**	**$'000**	000's	$'000
Balance at beginning of financial year	**325,084**	**911,747**	321,004	886,714
Issue of shares through dividend reinvestment plan elections	**5,160**	**22,370**	3,983	24,397
Issue of shares on acquisition of businesses (Note 25)	**-**	**-**	97	647
Issue of shares under terms of Employee Share Plan [1]	**833**	**3,142**	-	-
Payment of share issue costs	**-**	**-**	-	(11)
Balance at end of financial year	**331,077**	**937,259**	325,084	911,747

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

	Consolidated and Company			
	2009		2008	
Unvested Executive Incentive Shares	**000's**	**$'000**	000's	$'000
Balance at beginning of financial year	**1,600**	**(9,791)**	-	-
Unvested executive incentive shares transactions	**6,126**	**(27,280)**	1,600	(9,791)
Balance at end of financial year	**7,726**	**(37,071)**	1,600	(9,791)

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

	Consolidated			
	2009		2008	
	000's	**$'000**	000's	$'000
Redeemable Optionally Adjustable Distributing Securities				
Balance at beginning of financial year	**200,000**	**178,603**	200,000	178,603
ROADS issued during the year	**-**	**-**	-	-
Balance at end of financial year	**200,000**	**178,603**	200,000	178,603

ROADS are perpetual, redeemable, exchangeable preference shares.

During the year ended 30 June 2007, Works Infrastructure Finance (NZ) Limited (a wholly-owned subsidiary of Downer EDI Limited) issued 200 million ROADS, each having a face value of NZ$1 for a total of NZ$200 million.

Each ROADS entitles holders to a non-cumulative fully imputed dividend which is in preference to any dividends paid on ordinary shares. ROADS rank in priority to ordinary shares for payment of dividends and for a return of capital on winding up.

Redeemable Optionally Adjustable Distributing Securities - *continued*

The ROADS dividend may be increased or decreased on Reset Dates, the first of which occurs on 15 June 2012. On that date the ROADS will be either reset for a further period or at the election of the issuer will be either redeemed or exchanged into ordinary shares of Downer EDI at a 2.5% discount to the weighted average sale price of ordinary shares traded on the ASX during the 20 business days immediately preceding the date of exchange.

The non-cumulative dividend is paid quarterly on the ROADS. Payment of dividends is at the discretion of directors and is subject to the directors declaring or otherwise resolving to pay a dividend and there being no impediment under the Corporations Act 2001 to the payment.

Share options and performance rights

During the financial year no performance rights (2008: nil) or performance options (2008: nil) were granted to senior executives of the Downer EDI group under the long term incentive plan. Further details of the key management personnel long term incentive plan are contained in remuneration report.

Note 23. Reserves

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Reserves comprise:				
Foreign currency translation	**(36,129)**	(52,462)	**-**	-
Hedging	**(61,902)**	(76,841)	**-**	-
Employee benefits	**15,960**	3,314	**15,960**	3,314
Available for sale investment	**(3,053)**	-	**-**	-
Total reserves	**(85,124)**	(125,989)	**15,960**	3,314
Movement in reserves				
Foreign currency translation reserve:				
Balance at beginning of financial year	**(52,462)**	(21,127)	**-**	-
Translation of foreign operations	**16,333**	(31,335)	**-**	-
Balance at end of financial year	**(36,129)**	(52,462)	**-**	-
Hedging reserve:				
Balance at beginning of financial year	**(76,841)**	(30,960)	**-**	-
Revaluation during the year	**14,939**	(46,603)	**-**	-
Transferred to assets during the year	**-**	722	**-**	-
Balance at end of financial year	**(61,902)**	(76,841)	**-**	-
Employee benefits reserve:				
Balance at beginning of financial year	**3,314**	1,816	**3,314**	1,816
Share based transactions	**12,646**	1,498	**12,646**	1,498
Balance at end of financial year	**15,960**	3,314	**15,960**	3,314
Available for sale investment reserve:				
Balance at beginning of financial year	**-**	-	**-**	-
Revaluation during the year	**(3,053)**	-	**-**	-
Balance at end of financial year	**(3,053)**	-	**-**	-

Note 24. Retained earnings

Balance at beginning of financial year	**241,794**	154,861	**3,577**	9,845
Net profit	**189,376**	165,842	**134,642**	61,487
Dividends paid	**(94,449)**	(78,909)	**(83,118)**	(67,755)
Balance at end of financial year	**336,721**	241,794	**55,101**	3,577

Note 25. Acquisition of businesses

a) Summary of acquisitions

2009

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition $'000
Controlled entities:				
AC Consulting Ltd	Engineering consulting	1 July 2008	100	1,812
Advanced Separation Engineering	Mineral separation technology	10 July 2008	100	317
HRS Ltd	Rail maintenance	17 July 2008	100	4,610
Lowan Management Pty Ltd	Acquisition of patents	26 February 2009	100	13
Businesses:				
APMS	Asphalt manufacturing	1 December 2008		8,645
Excell Corporation	Open space management	30 September 2008		21,958
Corke Instrumentation Engineering	Instrumentation	1 May 2009		9,531
Downer Universal Communication Group	Telephony maintenance	30 January 2009		665

2008

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition $'000
Controlled entities:				
John Piper Traffic Pty Ltd	Traffic consultants	1 July 2007	100	2,850
DJC & Associates	Trainers	31 March 2008	52	130
Apex Consultants Limited	Consultant engineering	31 March 2008	100	4,764
Sachs Infrastructure	Rail infrastructure	27 June 2008	100	2,319
Businesses:				
Bruce Wallace	Consultant engineering	27 August 2007		1,228
Pavement Treatments Limited	Road surface rejuvenation	1 November 2007		2,875
Highway Systems	Road marking	1 November 2007		4,182
CSL Traffic	Traffic light management	29 February 2008		7,098
Douglas Gow and Associates	Specialising in surveying	1 April 2008		1,465
Cable Talk	Telephony maintenance	23 May 2008		3,078

Note 25. Acquisition of businesses - *continued*

	Consolidated		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Purchase consideration				
Cash paid	**49,422**	30,671	**-**	-
Ordinary shares (Note 22)	**-**	647	**-**	-
Purchase price adjustment	**(1,711)**	-	**-**	-
Deferred purchase consideration	**-**	2,404	**-**	-
Total purchase consideration	**47,711**	33,722	**-**	-
Fair value of net identifiable assets acquired (Note 25(c))	**16,490**	7,205	**-**	-
Goodwill (Note 16)	**31,221**	26,517	**-**	-

The acquisitions for the year have been provisionally accounted for at 30 June 2009. Due to differences between book and fair value determinations and, in certain instances, earn out consideration being based on future profits, estimates of which have been made.

Goodwill has arisen on acquisitions because of the capacity of the businesses to generate recurring revenue streams in the future through proven track records and market positioning in expanding markets.

b) Purchase consideration

Outflow of cash to acquire businesses, net of cash acquired				
Cash consideration	**49,422**	30,671	**-**	-
Net cash and cash equivalents acquired (Note 25(c))	**(279)**	(238)	**-**	-
Cash paid – deferred post acquisition settlement	**2,433**	250	**-**	-
Outflow of cash	**51,576**	30,683	**-**	-

Note 25. Acquisition of businesses - *continued*

c) Assets and liabilities acquired

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

	Book Value $'000	Fair Value $'000
Current assets		
Cash and cash equivalents	**279**	**279**
Inventories	**1,499**	**1,499**
Trade and other receivables	**12,956**	**12,956**
Other financial assets	**146**	**146**
Total	**14,880**	**14,880**
Non-current assets		
Property, plant & equipment	**22,719**	**22,719**
Intangibles	**722**	**722**
Other financial assets	**191**	**191**
Deferred tax assets	**427**	**427**
Total	**24,059**	**24,059**
Current liabilities		
Trade and other payables	**14,434**	**14,434**
Borrowings	**89**	**89**
Provisions	**6,258**	**6,258**
Current tax payables	**62**	**62**
Total	**20,843**	**20,843**
Non-current liabilities		
Borrowings	**105**	**105**
Provisions	**331**	**331**
Financial liabilities	**602**	**602**
Deferred tax liabilities	**568**	**568**
Total	**1,606**	**1,606**
Net identifiable assets acquired	**16,490**	**16,490**

Note 26. Disposal of business

On 27 October 2007, Downer EDI Limited entered into a sale agreement with MB Holding Company LLC (MB Holding) to divest 51% of its Century Resources business, the company's oil, gas and geothermal drilling division. The sale of 51% of the business was completed on 31 December 2007 and the results were consolidated until that date.

The sale agreement grants an option to MB Holding to purchase the remaining 49% of the shares at any time prior to 1 July 2010. In the event MB Holding call option is not exercised, Downer EDI Limited is able to exercise a put option at any time only between 1 July 2010 and 30 September 2010. The remaining 49% of the business has been classified as held for sale.

Notes to the financial statements - *continued*
for the year ended 30 June 2009

Note 27. Cash flow statement - additional information

a) Reconciliation of cash and cash equivalents	Consolidated		Company	
For the purpose of the cash flow statement, cash comprises:	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Cash	**288,715**	199,489	**1**	1
Short term deposits	**10,748**	46,301	**-**	-
	299,463	245,790	**1**	1
Bank overdrafts (Note 18)	**(7,240)**	(5,957)	**(168)**	(2)
	292,223	239,833	**(167)**	(1)

b) Non-cash financing and investing activities

During the current financial year $25,512,000 (2008: $25,044,000) in equity was issued in respect of:

i) Dividend reinvestment plan elections $22,370,000 (2008: $24,397,000);
ii) Issue of shares on acquisition of businesses $nil (2008: $647,000) and
iii) Issue of shares under the terms of Employee Share Plan $3,142,000 (2008: nil).

During the financial year the group acquired $49,730,000 of equipment under finance leases. This acquisition will be reflected in the cash flow statements over the term of the finance lease via lease repayments.

c) Reconciliation of profit after tax to net cash flows from operating activities	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Profit after tax for the year	**189,376**	165,842	**134,642**	61,487
Adjustments for:				
Share of joint ventures and associates profits net of distributions	**(259)**	(12,319)	**-**	-
Depreciation and amortisation of non-current assets	**141,768**	117,563	**-**	-
Amortisation of deferred costs	**1,088**	1,311	**-**	-
Profit on sale of other non-current assets	**(1,480)**	(10,049)	**-**	-
Profit on disposal of businesses and investments	**(777)**	(134)	**-**	-
Gain on revaluation of financial assets	**-**	5,295	**-**	-
Foreign exchange (gain)/ loss	**(4,146)**	4,527	**-**	-
(Decrease)/increase in income tax payable	**(6,635)**	(10,828)	**(2,381)**	1,942
Movement in deferred tax balances	**94,995**	18,209	**(2,662)**	(10,295)
Equity settled share-based transactions	**8,677**	1,498	**5,873**	1,498
Payment for unvested executive incentive shares	**(27,280)**	(9,791)	**(27,280)**	(9,791)
Settlement of operational foreign exchange contracts	**38,827**	(27,513)	**-**	-
Other	**1,880**	249	**(2,023)**	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current trade and other receivables	**(8,250)**	(51,349)	**(24,981)**	(22,934)
Current inventories	**7,992**	(35,892)	**-**	-
Other current assets	**9,714**	(18,924)	**(604)**	(21)
Other financial assets	**1,883**	-	**700**	(862)
Non-current trade and other receivables	**-**	518	**-**	-
Non-current financial assets	**669**	-	**-**	13,361
Other non-current assets	**346**	-	**-**	-
Increase/(decrease) in liabilities:				
Current trade and other payables	**(60,589)**	171,042	**2,412**	10,476
Current provisions	**(47,161)**	37,404	**470**	(956)
Non-current trade and other payables	**906**	5,136	**-**	-
Non-current provisions	**(5,080)**	(75,764)	**(18)**	(589)
Net cash provided by operating activities	**336,464**	276,031	**84,148**	43,316

Note 28. Commitments

a) Capital expenditure commitments

	Consolidated		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Plant and equipment:				
Within one year	**2,704**	75,793	**-**	-
	2,704	75,793	**-**	-

b) Operating lease commitments

Non-cancellable operating leases related to premises and plant and equipment with lease terms of between 1 to 6 years.

Within one year	**106,894**	93,923	**-**	-
Between one and five years	**210,365**	130,912	**-**	-
Greater than five years	**37,795**	5,060	**-**	-
	355,054	229,895	**-**	-

c) Finance lease commitments

Finance leases relate to plant and equipment with lease terms of between 1 to 5 years.

Within one year	**11,971**	3,703	**-**	-
Between one and five years	**55,436**	4,289	**-**	-
Minimum finance lease payments	**67,407**	7,992	**-**	-
Future finance charges	**(13,487)**	(730)	**-**	-
Finance lease liabilities	**53,920**	7,262	**-**	-
Included in the financial statements as:				
Current borrowings (Note 18)	**8,006**	1,850	**-**	-
Non-current borrowings (Note 18)	**45,914**	5,412	**-**	-
	53,920	7,262	**-**	-

d) Other expenditure commitments

Hire purchase liabilities:

Within one year	**1,608**	1,174	**-**	-
Between one and five years	**3,929**	1,289	**-**	-
Greater than five years	**57**	-	**-**	-
Minimum hire purchase payments	**5,594**	2,463	**-**	-
Future finance charges	**(124)**	(130)	**-**	-
Hire purchase liabilities	**5,470**	2,333	**-**	-
Included in the financial statements as:				
Current borrowings (Note 18)	**1,576**	1,512	**-**	-
Non-current borrowings (Note 18)	**3,894**	821	**-**	-
	5,470	2,333	**-**	-

Note 29. Contingent liabilities

	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
i) The consolidated entity has bid bonds and performance bonds issued in respect of contract performance in the normal course of business for wholly owned controlled entities	**780,678**	733,028	**-**	-

In the ordinary course of business:

ii) The company and certain controlled entities are called upon to give guarantees and indemnities in respect of the performance by counter parties, including controlled entities and related parties, of their contractual and financial obligations. Other than as noted above, these guarantees and indemnities are indeterminable in amount.

iii) Some entities in the Group are subject to normal design liability in relation to completed design and construction projects. The directors are of the opinion that there is adequate insurance to cover this area and accordingly, no amounts are recognised in the financial statements.

iv) Controlled entities have entered into various partnerships and joint ventures under which the controlled entity could ultimately be jointly and severally liable for the obligations of the partnership or joint venture.

v) Certain members of the Group have the normal contractor's liability in relation to services and construction contracts. This liability may include litigation by or against the Group and/or joint venture arrangements in which the Group has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Directors are of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the Group.

Note 30. Rendering of services and construction contracts

Contracts in progress as at reporting date:	Consolidated		Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Costs incurred plus recognised profits less recognised losses to date	**7,563,974**	6,476,755	**-**	-
Less: progress billings	**(7,444,411)**	(6,422,818)	**-**	-
Net amount	**119,563**	53,937	**-**	-
Recognised and included in the financial statements as amounts due:				
From customers under contracts Current (Note 10)	**382,752**	284,617	**-**	-
To customers under contracts Current (Note 17)	**(263,189)**	(230,680)	**-**	-
Net amount	**119,563**	53,937	**-**	-

Note 31. Subsequent events

Works Finance (NZ) Ltd (a wholly-owned subsidiary of Downer EDI Limited) issued NZD150,000 thousands unsecured senior ranking bonds on 14th July 2009. The bonds mature on 15th September 2012.

Note 32. Controlled entities

Name of controlled entity	Country of incorporation	Ownership interest 2009 %	2008 %
Advanced Separation Engineering Australia Pty Ltd	Australia	**100**	-
AC Consulting Pty Ltd	Australia	**100**	-
Beckbell Pty Ltd	Australia	**100**	100
CA Facilities Pte Ltd	Singapore	**51**	51
Capital City Hire Ltd	New Zealand	**100**	-
CBP New Zealand Ltd	New Zealand	**100**	-
Cendrill Supply Pty Limited	Australia	**100**	100
Century Administration Pty Ltd	Australia	**100**	100
Chan Lian Construction Pte Ltd	Singapore	**100**	100
Chang Chun Ao Da Technical Consulting Co Ltd	China	**100**	100
Choad Pty Ltd	Australia	**100**	100
Construction Professionals Pte Ltd	Singapore	**100**	100
Coomes Consulting Group Unit Trust	Australia	**100**	100
Corke Instrument Engineering (Australia) Pty Ltd	Australia	**100**	-
CPG Advisory (Shanghai) Co. Ltd	China	**100**	100
CPG Australia Pty Limited	Australia	**100**	100
CPG Consultants (India) Pvt Ltd	India	**100**	100
CPG Consultants (Macau) Pte Ltd	Singapore	**100**	100
CPG Consultants Pte Ltd	Singapore	**100**	100
CPG Consultants Qatar W.L.L	Qatar	**100**	-
CPG Consultants Vietnam Co Ltd	Vietnam	**100**	100
CPG Corp Philippines Inc	Philippines	**100**	100
CPG Corporation Pte Ltd	Singapore	**100**	100
CPG Environmental Engineering Co. Ltd	China	**75**	75
CPG Facilities Management (Xiamen) Co. Ltd	China	**100**	100
CPG Facilities Management Pte Ltd	Singapore	**100**	100
CPG Holdings Pte Ltd	Singapore	**100**	100
CPG Hubin (Suzhou) Pte Ltd	Singapore	**100**	100
CPG Investments Pte Ltd	Singapore	**100**	100
CPG Laboratories Pte Ltd	Singapore	**100**	100
CPG New Zealand Ltd	New Zealand	**100**	100
CPG Traffic Pty Ltd	Australia	**100**	100
D'Axis Planners & Consultants Co. Ltd	China	**60**	60
DCE Limited	New Zealand	**100**	100
Dean Adams Consulting Pty Ltd	Australia	**100**	100
DEDIR (Hong Kong) Ltd	Hong Kong	**100**	100
DGL Investments Ltd	New Zealand	**100**	100
DJC & Associates Limited	New Zealand	**100**	100
DMQA Training Limited	United Kingdom	**100**	100
Downer Australia Pty Ltd	Australia	**100**	100
Downer Construction (Fiji) Limited	Fiji	**100**	100
Downer Construction (New Zealand) Ltd	New Zealand	**100**	100
Downer Construction Tonga Ltd	Tonga	**100**	100
Downer EDI Consulting Pty Ltd	Australia	**100**	-
Downer EDI Engineering - QCC Pty Ltd	Australia	**100**	100
Downer EDI Engineering (PNG) Ltd	PNG	**100**	100
Downer EDI Engineering Communications Limited	New Zealand	**100**	100
Downer EDI Engineering Company Pty Limited	Australia	**100**	100
Downer EDI Engineering Construction (Australia) Pty Ltd	Australia	**100**	100
Downer EDI Engineering CWH Pty Limited	Australia	**100**	100
Downer EDI Engineering Electrical Pty Ltd	Australia	**100**	100
Downer EDI Engineering Group (Malaysia) Sdn Bhd	Malaysia	**100**	100
Downer EDI Engineering Group Ltd	New Zealand	**100**	100
Downer EDI Engineering Group Pty Limited	Australia	**100**	100

Notes to the financial statements - *continued*
for the year ended 30 June 2009

Note 32. Controlled entities - *continued*

Name of controlled entity	Country of incorporation	Ownership interest 2009 %	2008 %
Downer EDI Engineering Holdings Pty Ltd	Australia	**100**	100
Downer EDI Engineering Limited	New Zealand	**100**	100
Downer EDI Engineering Power Limited	New Zealand	**100**	100
Downer EDI Engineering Power Pty Limited	Australia	**100**	100
Downer EDI Engineering Pty Ltd	Australia	**100**	100
Downer EDI Engineering Telco Services Sdn Bhd	Malaysia	**100**	100
Downer EDI Engineering Transmission Pty Ltd	Australia	**100**	100
Downer EDI Engineering-Projects Pty Ltd	Australia	**100**	100
Downer EDI Finance Pty Ltd	Australia	**100**	100
Downer EDI Group Finance (NZ) Limited	New Zealand	**100**	100
Downer EDI Limited	United Kingdom	**100**	100
Downer EDI Mining Pty Ltd	Australia	**100**	100
Downer EDI Mining Services (Pty) Ltd	South Africa	**100**	100
Downer EDI Mining-Blasting Services Pty Ltd	Australia	**100**	100
Downer EDI Mining-Mineral Technologies Pty Ltd	Australia	**100**	100
Downer EDI Mining-Minerals Exploration Pty Ltd	Australia	**100**	100
Downer EDI Rail (Hong Kong) Ltd	Hong Kong	**100**	100
Downer EDI Rail Pty Ltd	Australia	**100**	100
Downer EDI Resource Holdings Ltd	Australia	**100**	100
Downer EDI Services Pty Ltd	Australia	**100**	-
Downer EDI Works (Hong Kong) Limited	Hong Kong	**100**	100
Downer EDI Works Ltd	New Zealand	**100**	100
Downer EDI Works Pte Ltd	Singapore	**100**	100
Downer EDI Works Pty Ltd	Australia	**100**	100
Downer EDI Works Vanuatu Limited	Vanuatu	**100**	100
Downer Energy Systems Pty Ltd	Australia	**100**	100
Downer Engineering (Malaysia) Sdn Bhd	Malaysia	**100**	100
Downer Engineering (Singapore) Pte Ltd	Singapore	**100**	100
Downer Engineering Holdings (Thailand Ltd)	Thailand	**100**	100
Downer Engineering Thailand Ltd	Thailand	**100**	100
Downer Group Finance International Pty Ltd	Australia	**100**	100
Downer Group Finance Pty Limited	Australia	**100**	100
Downer Holdings Pty Ltd	Australia	**100**	100
Downer MBL Limited	New Zealand	**100**	100
Downer MBL Pty Limited	Australia	**100**	100
Downer NZ Finance Pty Ltd	Australia	**100**	100
Downer PPP Investments Pty Ltd	Australia	**100**	100
Duffill Watts Indonesia Limited	Indonesia	**100**	100
Duffill Watts Pte Limited	Singapore	**100**	100
EDI Rail (Maryborough) Pty Ltd	Australia	**100**	100
EDI Rail Investments Pty Ltd	Australia	**100**	100
EDI Rail PPP Maintenance Pty Ltd	Australia	**100**	100
EDI Rail V/Line Maintenance Pty Ltd	Australia	**100**	100
EDICO Pty Ltd	Australia	**100**	100
Emoleum Road Services Pty Limited	Australia	**100**	100
Emoleum Roads Group Pty Limited	Australia	**100**	100
Emoleum Services Pty Limited	Australia	**100**	100
Evans Deakin Industries Pty Ltd	Australia	**100**	100

Note 32. Controlled entities - *continued*

Name of controlled entity	Country of incorporation	Ownership interest 2009 %	2008 %
Faxgroove Pty Ltd	Australia	**100**	100
FM Technology Pte Ltd	Singapore	**100**	100
Gaden Drilling Pty Limited	Australia	**100**	100
H.R.S. New Zealand Ltd	New Zealand	**100**	-
Indeco Consortium Pte Ltd	Singapore	**100**	100
Locomotive Demand Power Pty Ltd	Australia	**100**	100
Lowan (Management) Pty Ltd	Australia	**100**	100
Miningtek Consultants & Services Limited	British Virgin Isl.	**100**	100
MPE Facilities Management Sdn Bhd	Malaysia	**50**	50
New Zealand Vegetation Control Ltd	New Zealand	**100**	-
On Track Services New Zealand Ltd	New Zealand	**100**	-
Otraco Brasil Gerenciamento de Pneus Ltda	Brazil	**100**	100
Otraco Canada Inc	Canada	**100**	100
Otraco Chile SA	Chile	**100**	100
Otraco International Pty Limited	Australia	**100**	100
Otracom Pty Ltd	Australia	**100**	100
P T Otraco Indonesia	Indonesia	**100**	100
Pavement Salvage Operations Pty Ltd	Australia	**100**	100
Pavement Technology Pty Ltd	Australia	**100**	100
Peridian Asia Pte Ltd	Singapore	**100**	100
Peridian India Pvt Ltd	India	**100**	-
PM Link Pte Ltd	Singapore	**100**	100
Primary Producers Improvers Pty Ltd	Australia	**100**	100
Rayfall Pty Ltd	Australia	**100**	100
Rayjune Pty Ltd	Australia	**100**	100
REJV Services Pty Ltd	Australia	**100**	100
Reussi Pty Limited	Australia	**100**	100
Richter Drilling Indonesia Pty Limited	Australia	**100**	100
Richter Drilling (PNG) Limited	PNG	**100**	100
RIMTEC Pty Ltd	Australia	**100**	100
Rimtec USA Inc	USA	**100**	100
Roche Bros (Hong Kong) Ltd	Hong Kong	**100**	100
Roche Bros. Superannuation Pty Ltd	Australia	**100**	100
Roche Castings Pty Ltd	Australia	**100**	100
Roche Contractors Pty Limited	Australia	**100**	100
Roche Highwall Mining Pty Limited	Australia	**100**	100
Roche Mining (MT) Brazil Pty Ltd	Brazil	**100**	100
Roche Mining (MT) Holdings Pty Ltd	Australia	**100**	100
Roche Mining (MT) India Pvt Ltd	India	**100**	100
Roche Mining (MT) South Africa Pty Ltd	South Africa	**100**	100
Roche Mining (MT) USA Inc.	United States	**100**	100
Roche Mining (PNG) Ltd	PNG	**100**	100
Roche Services Pty Ltd	Australia	**100**	100
RPC IT Pty Ltd	Australia	**100**	100
RPC Roads Pty Ltd	Australia	**100**	100
Sach Infrastructure Pty Ltd	Australia	**100**	100
Scanbright Pty Ltd	Australia	**100**	100
Shanghai CPG Architectural and Design Co. Ltd	China	**100**	100
Sillars (B&CE) Ltd	United Kingdom	**100**	100
Sillars (FRC) Ltd	United Kingdom	**100**	100
Sillars (TMWC) Ltd	United Kingdom	**100**	100
Sillars (TMWD) Ltd	United Kingdom	**100**	100

Note 32. Controlled entities - *continued*

Name of controlled entity	Country of incorporation	Ownership interest 2009 %	2008 %
Sillars Holdings Limited	United Kingdom	**100**	100
Sillars Road Construction Ltd	United Kingdom	**100**	100
Singleton Bahen Stansfield Pty Ltd	Australia	**100**	100
SIP-CPG Facilities Management Co. Ltd	China	**100**	100
Snowden Consultoria Do Brasil Limitada	Brazil	**100**	-
Snowden Mining Industry Consultants Inc.	Canada	**100**	100
Snowden Mining Industry Consultants Limited	United Kingdom	**100**	100
Snowden Mining Industry Consultants Pty Ltd	Australia	**100**	100
Snowden Mining Industry Consultants (Pty) Ltd	South Africa	**100**	100
Snowden Mining Technologies Limited	British Virgin Isl.	**100**	100
Snowden Technologies Pty Ltd	Australia	**100**	100
Snowden Training (Pty) Ltd	South Africa	**100**	100
Southern Asphalters Pty Ltd	Australia	**100**	100
Starblake Pty Ltd	Australia	**100**	100
Suzhou PM Link Co Ltd	China	**60**	60
TSE Wall Arlidge Ltd	New Zealand	**100**	100
TSG Architects Pte Ltd	Singapore	**100**	100
Waste Solutions Limited	New Zealand	**100**	100
Works Infrastructure (Holdings) Limited	United Kingdom	**100**	100
Works Infrastructure (UK) Limited	United Kingdom	**100**	100
Works Finance (NZ) Limited	New Zealand	**100**	100
Works Infrastructure Ltd - Fiji Branch	Fiji	**100**	100

Note 33. Related party information and key management personnel disclosures

a) **Key management personnel compensation:**
Details of key management personnel compensation are disclosed in Note 34 to the financial statements.

b) **Other transactions with directors:**
A director of the company, J S Humphrey, has an interest as a partner in the firm Mallesons Stephen Jaques, solicitors. This firm renders legal advice to the consolidated entity in the ordinary course of business under normal commercial terms and conditions. The amount of fees paid and recognised was $233,334 (2008: $180,177).

c) **Transactions within the wholly owned group:**
Details of dividend and interest revenue derived by the parent entity from wholly owned subsidiaries are disclosed in Note 3 to the financial statements. Aggregate amounts receivable from and payable to wholly owned subsidiaries are disclosed in Notes 10 and 17 of the financial statements. Amounts contributed to the defined contribution plan are disclosed in Note 3 to the financial statements.

Other transactions occurred during the financial year between entities in the wholly owned group on normal commercial terms.

d) **Equity interests in related parties:**

Equity interests in subsidiaries:
Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 32 to the financial statements.

Equity interests in associates and joint ventures:
Details of interests in associates and joint ventures are disclosed in Note 14 to the financial statements.

e) **Controlling entity:**
The parent entity of the group is Downer EDI Limited.

Note 33. Related party information and key management personnel disclosures - *continued*

f) **Key management personnel equity holdings:**
Key management personnel equity holdings in fully paid ordinary shares issued by Downer EDI Limited are as follows:

2009	Balance at 1 July 2008 No.	Net change No.	Balance at 30 June 2009 No.
P E J Jollie	**82,029**	**4,304**	**86,333**
L Di Bartolomeo	**26,233**	**20,973**	**47,206**
J S Humphrey	**53,786**	**283**	**54,069**
C J S Renwick	**30,000**	**-**	**30,000**
S A Chaplain	**-**	**13,000**	**13,000**
G H Knox	**400,000**	**200,000**	**600,000**
C Bruyn	**10,000**	**(9,500)**	**500**
D Cattell	**525,136**	**(467,327)**	**57,809**
W Nolan	**500**	**25,500**	**26,000**
S Cinerari	**6,793**	**(5,450)**	**1,343**
D O'Reilly	**-**	**25,500**	**25,500**
P Reichler	**167,456**	**32,800**	**200,256**
P Reidy	**2,095**	**18,094**	**20,189**
G Wannop	**55,147**	**(8,083)**	**47,064**
	1,359,175	**(149,906)**	**1,209,269**

S A Chaplain and R M Harding appointed 1 July 2008. P R Coates appointed 30 October 2008.

2008	Balance at 1 July 2007 No.	Net change No.	Balance at 30 June 2008 No.
P E J Jollie	10,595	71,434	82,029
L Di Bartolomeo	9,414	16,819	26,233
J S Humphrey	33,737	20,049	53,786
C J S Renwick	20,000	10,000	30,000
G H Knox	-	400,000	400,000
D Cattell	508,532	16,604	525,136
S Mockett	60,867	2,918	63,785
W Nolan	500	-	500
P Reichler	10,379	157,077	167,456
P Reidy	1,044	1,051	2,095
G Wannop	49,093	6,054	55,147
	704,161	702,006	1,406,167

S J Gillies, B D O'Callaghan, R Hackett and T Pang are not included in the 2008 key management personnel equity holdings as they resigned or are no longer key management personnel during the financial year.

Note 33. Related party information and key management personnel disclosures - *continued*

Key management personnel equity holdings in performance options issued by Downer EDI Limited are as follows:

2009	Balance at 1 July 2008 No.	Net change No.	Balance at 30 June 2009 No.
D Cattell	**34,863**	**-**	**34,863**
W Nolan	**22,038**	**-**	**22,038**
C Bruyn	**24,481**	**-**	**24,481**
S Cinerari	**19,016**	**-**	**19,016**
D O'Reilly	**19,401**	**-**	**19,401**
P Reichler	**16,082**	**-**	**16,082**
P Reidy	**18,957**	**-**	**18,957**
G Wannop	**25,106**	**-**	**25,106**
	179,944	**-**	**179,944**

2008	Balance at 1 July 2007 No.	Net change No.	Balance at 30 June 2008 No.
S J Gillies [1]	325,869	(325,869)	-
D Cattell	34,863	-	34,863
S Mockett	18,260	-	18,260
W Nolan	22,038	-	22,038
D O'Reilly	19,401	-	19,401
P Reichler	16,082	-	16,082
P Reidy	18,957	-	18,957
G Wannop	25,106	-	25,106
	480,576	(325,869)	154,707

[1] S J Gillies performance options have been forfeited as he resigned 1 August 2007.

Note 33. Related party information and key management personnel disclosures - *continued*

Key management personnel equity holdings in performance rights issued by Downer EDI Limited are as follows:

2009	Balance at 1 July 2008 No.	Net change No.	Balance at 30 June 2009 No.
D Cattell	**11,000**	**-**	**11,000**
C Bruyn	**7,724**	**-**	**7,724**
W Nolan	**6,953**	**-**	**6,953**
S Cinerari	**6,000**	**-**	**6,000**
P Reichler	**5,074**	**-**	**5,074**
D O'Reilly	**6,121**	**-**	**6,121**
P Reidy	**5,988**	**-**	**5,988**
G Wannop	**7,921**	**-**	**7,921**
	56,781	**-**	**56,781**

2008	Balance at 1 July 2007 No.	Net change [2] No.	Balance at 30 June 2008 No.
S J Gillies [1]	47,945	(47,945)	-
D Cattell	11,000	-	11,000
S Mockett	5,761	-	5,761
W Nolan	6,953	-	6,953
P Reichler	5,074	-	5,074
D O'Reilly	6,121	-	6,121
P Reidy	5,988	-	5,988
G Wannop	7,921	-	7,921
	96,763	(47,945)	48,818

1 S J Gillies performance rights have been forfeited as he resigned 1 August 2007.

2 The net change relates to performance rights granted during the year.

Note 34. Key management personnel compensation

Key management personnel compensation	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Short-term employee benefits	**18,845,630**	13,579,224	**10,854,272**	7,966,727
Post-employment benefits	**583,929**	2,241,630	**274,877**	1,891,768
Share-based payments	**6,890,330**	1,177,697	**4,453,848**	1,095,136
	26,319,889	16,998,551	**15,582,997**	10,953,631

Note 35. Employee share plan

An employee discount share plan was instituted in June 2005 ('ESP'). In accordance with the provisions of the plan, as approved by shareholders at the 1998 annual general meeting, permanent full and part time employees of Downer EDI Limited and its subsidiary companies who have completed one year's service may be invited to participate. Further details of the employee discount share plan are contained in the remuneration report.

Note 36. Executive share option scheme (EOS)

The operation of the EOS is governed by the "Rules of the Downer Executive Option Scheme". Subject to the Listing Rules of the ASX, the directors, at their discretion, may amend the Rules of the EOS from time to time.

The directors may offer options to executives of the company and its associated/controlled companies.

Options will be granted without charge.

The directors will determine the following matters in their discretion:

- Eligibility of persons, having regard to each executive's length of service, contribution and potential contribution to the company;
- The number of options in any offer, provided that the number of shares that may be allotted on the exercise of options under the EOS will not exceed 5% of the issued capital of the company at the time of the issue of the options; and
- The exercise period and exercise price of options granted.

If the company makes a bonus issue of shares to shareholders, each unexercised option will, on exercise, entitle its holder to receive the bonus shares as if the option had been exercised before the record date for the bonus issue. If the company makes a pro rata rights issue of shares for cash to its shareholders then there is provision for adjustment of the option entitlement and exercise price of the options to overcome the diluting effect of the issue.

During the year, no options under the EOS were granted (2008: nil). Similarly, no executives or employees acquired any ordinary shares under the provisions of the EOS. At 30 June 2009, no options granted under the EOS remain outstanding.

The closing market price of the company's ordinary shares at 30 June 2009 was $5.59 (2008: $6.87) each.

Note 37. Financial instruments

(a) Capital risk management

The consolidated entity's objectives when managing capital are to safeguard the consolidated entity's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The consolidated entity's overall strategy remains unchanged from 2008.

The capital structure of the consolidated entity consists of debt, cash and cash equivalents and equity. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry, the consolidated entity monitors capital on the basis of the gearing ratio determined as the proportion of net debt to equity. During the years ended 30 June 2009 and 30 June 2008, the gearing ratios were as follows:

	Consolidated	
	2009	2008
	$'000	$'000
Current borrowings	**215,839**	145,268
Non-current borrowings	**578,658**	421,597
Gross debt [1]	**794,497**	566,865
Adjustment for swap hedges and deferred finance charges	**22,659**	85,739
Less: Cash and cash equivalents	**(299,463)**	(245,790)
Net debt	**517,693**	406,814
Equity [2]	**1,330,388**	1,196,364
Net debt to equity ratio	**38.9%**	34.0%

[1] Gross debt is defined all as long and short term borrowings
[2] Equity includes all capital and reserves

(b) Financial risk management objectives

The consolidated entity's Corporate Treasury function provides treasury services to the business, co-ordinates access to domestic and international financial markets and manages the financial risks relating to the operations of the consolidated entity. These financial risks include market risk, credit risk and liquidity risk.

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The consolidated entity may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including:

i) Forward foreign exchange contracts (outright forwards and options) to hedge the exchange rate risk arising from cross border trade flows and debt service obligations;
ii) Cross currency swaps to manage the foreign currency risk associated with foreign currency denominated borrowings;
iii) Interest rate swaps to mitigate the risk of rising interest rates.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies, which provide written principles on the use of financial derivatives.

(c) Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Note 37. Financial instruments - *continued*

(d) Foreign currency risk management

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and currency swap agreements.

The carrying amount of the consolidated entity's significant foreign currency denominated financial assets and financial liabilities at the reporting date is as follows:

	Financial assets		Financial liabilities	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Consolidated				
US dollars (USD) [1]	**38,214**	32,854	**32,610**	49,047
New Zealand dollars (NZD)	**1,499**	3,197	**149**	-
Great British pounds (GBP)	**198**	7,683	**51**	6
Euro (EUR)	**1,787**	1,910	**5,529**	6,350
Chinese yuan (CNY)	**-**	1,620	**1,689**	-
Korean won (KRW)	**2,915**	-	**-**	-
Swiss franc (CHF)	**928**	-	**-**	-
Singapore dollar (SGD) [1]	**504**	-	**38**	-
UAE dirham (AED)	**3,019**	-	**1,241**	-

[1] The above table excludes foreign currency financial assets and liabilities which have been hedged back into Australian dollars.

Foreign currency forward contracts

It is the policy of the consolidated entity to enter into foreign exchange contracts to cover specific foreign currency payments and receipts.

The following table summarises by currency the Australian dollar (AUD) value (unless otherwise stated) of major forward exchange contracts outstanding as at reporting date:

Outstanding contracts	Weighted average exchange rate		Foreign currency		Contract value		Fair value	
	2009	2008	**2009 FC'000**	2008 FC'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Buy USD / Sell AUD								
Less than 3 months	**0.7259**	0.9022	**12,202**	177,460	**16,809**	196,692	**(1,681)**	(5,397)
3 to 6 months	**0.7243**	0.8626	**149,086**	9,303	**205,835**	10,785	**(19,380)**	(1,868)
Later than 6 months	**0.7359**	0.8110	**171,735**	213,204	**233,367**	262,906	**(8,374)**	(34,739)
			333,023	399,967	**456,011**	470,383	**(29,435)**	(42,004)
Buy AUD / Sell USD								
Less than 3 months	**0.6992**	0.9063	**207**	1,617	**296**	1,784	**39**	101
3 to 6 months	**0.7059**	0.9113	**1,403**	482	**1,988**	529	**240**	20
Later than 6 months	**0.7345**	-	**1,401**	-	**1,907**	-	**133**	-
			3,011	2,099	**4,191**	2,313	**412**	121
Buy EUR / Sell AUD								
Less than 3 months	**0.5538**	0.5969	**3,302**	10,332	**5,962**	17,310	**(199)**	(74)
3 to 6 months	**0.5448**	0.5979	**5,941**	3,816	**10,905**	6,383	**(469)**	(304)
Later than 6 months	**0.5331**	0.5425	**52,091**	66,021	**97,714**	121,698	**(2,594)**	(5,927)
			61,334	80,169	**114,581**	145,391	**(3,262)**	(6,305)

Note 37. Financial instruments - *continued*

	Weighted average exchange rate		Foreign currency		Contract value		Fair value	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
			FC'000	FC'000	**$'000**	$'000	**$'000**	$'000
Buy CNY / Sell USD								
Less than 3 months	**-**	6.8839	**-**	1,652,136	**-**	249,325	**-**	1,620
3 to 6 months	**6.7843**	-	**1,628,239**	-	**240,001**	-	**(1,689)**	-
			1,628,239	1,652,136	**240,001**	249,325	**(1,689)**	1,620
Buy KRW / Sell USD								
3 to 6 months	**1,379.0**	-	**5,963,000**	-	**4,324**	-	**463**	-
Later than 6 months	**1,376.0**	-	**31,965,000**	-	**23,230**	-	**2,452**	-
			37,928,000	-	**27,554**	-	**2,915**	-

Cross currency interest rate swaps

Under cross currency swap contracts, the consolidated entity has agreed to exchange specified principal and interest foreign currency amounts at agreed future dates at specified exchange rates. Such contracts enable the consolidated entity to eliminate the risk of adverse movements in foreign exchange rates related to foreign currency denominated borrowings.

The following table details the Australian dollar equivalent cross currency swaps (in combination with interest rate swaps) outstanding as at reporting date:

Outstanding contracts	Weighted average interest rate		Weighted average exchange rate		Contract value		Fair value	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	%	%			**$'000**	$'000	**$'000**	$'000
Buy USD / Sell AUD								
Less than 1 year	**7.6**	5.6	**0.6867**	0.5187	**32,764**	67,476	**(4,984)**	(30,258)
1 to 2 years	**-**	7.6	**-**	0.6867	**-**	32,764	**-**	(8,202)
2 to 5 years	**6.8**	6.8	**0.7218**	0.7218	**2,771**	2,771	**(176)**	(490)
5 years or more	**8.1**	8.1	**0.6828**	0.6828	**112,836**	112,836	**(8,552)**	(20,294)
Total					**148,371**	215,847	**(13,712)**	(59,244)
Buy SGD / Sell AUD								
2 to 5 years	**7.0**	-	**1.1845**	-	**50,654**	-	**59**	-
Total					**50,654**	-	**59**	-

The above cross currency interest rate swaps contracts are designated and effective as cash flow hedge.

Buy USD / Sell NZD								
Less than 1 year [1]	**3.6**	-	**0.6530**	-	**67,430**	-	**666**	-
1 to 2 years	**-**	9.5	**-**	0.6530	**-**	66,740	**-**	(8,761)
Total					**67,430**	66,740	**666**	(8,761)

1 This amount has been translated into AUD which has impacted the change in value.

The above cross currency interest rate swaps contracts are designated and effective as fair value hedges.

Note 37. Financial instruments - *continued*

Foreign currency sensitivity analysis
The following table details the range of sensitivity to an increase and decrease in the Australian dollar against the relevant currencies. These are the ranges used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

A positive number indicates an increase in profit and equity and a negative number indicates a decrease in profit and equity.

	Profit/loss (i)		Equity (ii)	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Consolidated				
USD impact				
0.60 against AUD	**11,939**	5,989	**143,275**	95,119
0.98 against AUD	**(6,119)**	(957)	**(73,428)**	(17,326)
EUR impact				
0.48 against AUD	**(95)**	94	**20,666**	6,001
0.62 against AUD	**35**	(115)	**(7,638)**	(7,809)
CNY impact				
- 10% against USD	**-**	-	**32,846**	3,735
+ 10% against USD	**-**	-	**(26,868)**	(3,628)
NZD impact				
1.10 against AUD	**183**	162	**-**	-
1.29 against AUD	**(43)**	(318)	**-**	-
GBP impact				
0.38 against AUD	**-**	1,830	**-**	41
0.50 against AUD	**-**	(263)	**-**	(7)
SGD impact				
1.00 against AUD	**79**	-	**-**	-
1.20 against AUD	**(12)**	-	**-**	-
KRW impact				
- 10% against AUD	**-**	-	**4,057**	-
+ 10% against AUD	**-**	-	**(3,314)**	-

(i) This is mainly attributable to the exposure outstanding on foreign currency investments, receivables and payables at year end in the consolidated entity.

(ii) This is mainly as a result of the changes in fair value of forward foreign exchange contracts designated as cash flow hedges.

In the above sensitivity analysis, changes have been made to the spot foreign exchange rate only (forward points and discount factors have been kept constant).

Notes to the financial statements - *continued*
for the year ended 30 June 2009

Note 37. Financial instruments - *continued*

(e) Interest rate risk management

The company and the consolidated entity are exposed to interest rate risk as entities borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and hedging is undertaken through interest rate swap contracts.

The company and the consolidated entity's exposures to interest rates on financial assets and financial liabilities are detailed in the table below:

	2009 Weighted average effective interest rate	2008 Weighted average effective interest rate	**Consolidated**		**Company**	
			2009	2008	**2009**	2008
	%	%	**$'000**	$'000	**$'000**	$'000
Floating interest rates - Cash flow exposure						
Bank overdraft	**4.8**	7.0	**7,240**	5,957	**(168)**	2
Bank loan	**5.5**	7.1	**111,015**	89,969	**-**	-
USD notes [1]	**3.6**	10.0	**69,906**	59,291	**-**	-
AUD Medium term notes - Series I & II [2]	**4.0**	7.1	**87,897**	78,264	**-**	-
Cash and cash equivalents	**4.6**	6.2	**(299,463)**	(245,790)	**(1)**	(1)
Other receivables from controlled entities	**7.0**	8.4	**-**	-	**(1,054,386)**	(963,934)
Other payables to controlled entities	**7.0**	8.4	**-**	-	**350,717**	381,296
Cash flow exposure - total			**(23,405)**	(12,309)	**(703,838)**	(582,637)
Fixed interest rates - Fair value exposure						
Bank loan [3]	**6.0**	5.3	**231,448**	184,497	**-**	-
USD notes [4]	**7.8**	7.0	**125,797**	141,670	**-**	-
AUD Medium term notes - Series II [5]	**7.2**	-	**106,309**	-	**-**	-
Finance lease	**8.2**	-	**59,390**	-	**-**	-
Fair value exposure - total			**522,944**	326,167	**-**	-

1 The interest rate disclosed reflects fixed rate USD Notes swapped into NZD floating rate

2 The interest rate disclosed reflects fixed rate AUD Medium Term Notes - Series I swapped into floating rate and a portion of Series II that was issued as and remains floating rate.

3 The interest rate disclosed reflects AUD and SGD floating rate bank loans swapped into fixed

4 The interest rate disclosed reflects fixed rate USD Notes swapped into AUD fixed rate

5 The interest rate disclosed reflects floating rate AUD Medium Term Notes - Series II (remaining portion) swapped into AUD fixed rate

Note 37. Financial instruments - *continued*

Interest rate swap contracts

The consolidated entity uses interest rate swap contracts in managing interest rate exposure. Under the interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of rising interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balance at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Outstanding floating for fixed contracts	Weighted average interest rate (including margin)		Notional principal amount		Fair value	
	2009	2008	**2009**	2008	**2009**	2008
	%	%	**$'000**	$'000	**$'000**	$'000
AUD interest rate swaps						
Less than 1 year	**6.6**	5.7	**20,859**	154,000	**(90)**	800
1 to 2 years	**5.2**	-	**180,000**	-	**(3,579)**	-
2 to 5 years	**5.1**	-	**133,747**	-	**3,570**	-
			334,606	154,000	**(99)**	800
SGD interest rate swaps						
Less than 1 year	**2.1**	3.2	**17,114**	22,873	**25**	(268)
1 to 2 years	**1.8**	3.0	**4,279**	7,624	**12**	(82)
2 to 5 years	**2.2**	-	**8,557**	-	**25**	-
			29,950	30,497	**62**	(350)
USD interest rate swaps						
Less than 1 year	**1.4**	-	**18,591**	-	**121**	-
			18,591	-	**121**	-

The above interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated and effective as cash flow hedges.

Outstanding fixed for floating contracts	Weighted average interest rate (including margin)		Notional principal amount		Fair value	
	2009	2008	**2009**	2008	**2009**	2008
	%	%	**$'000**	$'000	**$'000**	$'000
AUD interest rate swaps						
Less than 1 year	**3.9**	-	**80,000**	-	**1,185**	-
1 to 2 years	**-**	7.4	**-**	80,000	**-**	(1,674)
			80,000	80,000	**1,185**	(1,674)
NZD interest rate swaps						
Less than 1 year	**3.6**	-	**67,430**	-	**444**	-
			67,430	-	**444**	-

The above interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges.

Note 37. Financial instruments - *continued*

Interest rate sensitivity analysis
The sensitivity analysis below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A selected percentage to increase or decrease the closing interest rates represents management's assessment of the possible change in interest rates. A positive number indicates an increase in profit and equity and a negative number indicates a decrease in profit and equity.

	Consolidated		Company	
	2009 [4]	2008 [3]	**2009**	2008
	$'000	$'000	**$'000**	$'000
Increase in rate				
Profit or loss [1]	**(1,278)**	(860)	**7,037**	2,447
Equity [2]	**6,541**	1,352	**-**	-
Decrease in rate				
Profit or loss	**320**	862	**(1,759)**	(2,447)
Equity	**(1,667)**	(1,390)	**-**	-

1 This is mainly attributable to the company's and consolidated entity's exposure to interest rates on its variable rate borrowings.
2 This is mainly on account of the change in valuation of the interest rate swaps and cross currency interest rate swaps held by the consolidated entity.
3 2008 sensitivities have been based on increases and decreases of the base rate by 5%.
4 2009 sensitivities have been based on an increase on the interest rate by 1% per annum and a decrease on the interest rate by 0.25% per annum.

(f) Equity price risk management
The consolidated entity is exposed to equity price risks arising from equity investments. Equity investments are held for trading purposes and are categorised as fair value through profit and loss investments.

Equity price risk sensitivity
The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

A 5% increase or decrease in the equity index is used and represents management's assessment of the possible change in equity price. A positive number indicates an increase in profit and equity and a negative number indicates a decrease in profit and equity.

	Consolidated		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Profit or loss impact:				
Fair value through profit or loss investments	**52**	257	**-**	-

Note 37. Financial instruments - *continued*

(g) Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with credit worthy counterparties. The consolidated entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. The consolidated entity measures credit risk on a fair value basis.

Trade accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, insurance cover is purchased. Refer to Note 10 for details on credit risk arising from trade and other receivables.

The consolidated entity does not have any significant credit risk exposure to any single counterparty. The credit risk on derivative financial instruments is limited because the counterparties have minimum credit ratings of no less than A- other than one counterparty that is rated BBB+. The Group's exposure to this particular counterparty will terminate by the end of October 2009.

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with a Board approved policy. Investments of surplus funds are made only with approved counterparties (with a credit ratings of no less than AA-) and within credit limits assigned to each counterparty.

Counterparty credit limits are reviewed by the Board on an annual basis, and may be updated throughout the year subject to approval of the Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to financial instruments.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the company's and the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(h) Liquidity risk management
Liquidity risk arises from the possibility that the company and the consolidated entity are unable to settle a transaction on the due date. The ultimate liquidity risk management rests with the Board of Directors, who have built an appropriate risk management framework for the company's and the consolidated entity's short, medium and long-term funding and liquidity management requirements.

The company and the consolidated entity manage liquidity risk by maintaining adequate cash reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities. Included in Note 18 is a listing of committed undrawn facilities that the company and the consolidated entity have at their disposal to manage liquidity risk.

Notes to the financial statements - *continued*
for the year ended 30 June 2009

Note 37. Financial instruments - *continued*

Liquidity risk tables

The following table details the company's and the consolidated entity's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on contractual maturities. The tables include both interest and principal cash flows.

	Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000
Consolidated						
2009						
Financial liabilities:						
Trade and other payables	**568,967**	**-**	**-**	**-**	**-**	**-**
Bank overdraft	**7,240**	**-**	**-**	**-**	**-**	**-**
Bank loans	**33,642**	**240,879**	**90,488**	**5,373**	**5,199**	**14,555**
USD notes	**103,723**	**6,973**	**9,381**	**6,832**	**6,832**	**101,678**
AUD Medium term notes (Series I)	**82,854**	**-**	**-**	**-**	**-**	**-**
AUD Medium term notes (Series II)	**10,507**	**18,533**	**17,841**	**17,149**	**16,457**	**58,953**
Finance lease and hire purchase liabilities	**14,166**	**12,598**	**12,250**	**11,225**	**22,762**	**-**
Derivative instruments [1]						
Cross currency interest rate swaps						
Receive leg	**(106,041)**	**(9,511)**	**(63,575)**	**(6,832)**	**(6,832)**	**(101,678)**
Pay leg	**114,284**	**13,411**	**67,207**	**8,885**	**8,885**	**119,867**
Interest rate swaps	**297**	**(227)**	**1,378**	**1,716**	**1,320**	**1,848**
Foreign currency forward contracts	**25,050**	**4,549**	**2,263**	**300**	**-**	**-**
Total	**854,689**	**287,205**	**137,233**	**44,648**	**54,623**	**195,223**
Consolidated						
2008						
Financial liabilities:						
Trade and other payables	657,826	-	-	-	-	-
Bank overdraft	6,030	-	-	-	-	-
Bank loans	118,289	13,621	187,621	-	-	-
USD notes	48,075	89,426	5,840	7,826	5,721	89,708
AUD MTN	5,708	82,854	-	-	-	-
Finance lease and hire purchase liabilities	4,877	2,365	1,224	1,380	417	193
Cross currency interest rate swaps						
Receive leg	(48,075)	(89,426)	(5,840)	(7,826)	(5,721)	(89,708)
Pay leg	86,930	100,330	8,870	11,500	8,682	127,413
Interest rate swaps	1,535	594	-	-	-	-
Foreign currency forward contracts	14,443	16,158	27,077	26,880	4,021	-
Total	895,638	215,922	224,792	39,760	13,120	127,606

[1] Includes assets and liabilities

Note 37. Financial instruments - *continued*

	Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000
Company						
2009						
Financial liabilities:						
Trade and other payables	**39,305**	**24,550**	**24,550**	**24,550**	**24,550**	**350,717**
Total	**39,305**	**24,550**	**24,550**	**24,550**	**24,550**	**350,717***
Company						
2008						
Financial liabilities:						
Trade and other payables	53,855	30,181	30,181	30,181	30,181	359,294
Total	53,855	30,181	30,181	30,181	30,181	359,294*

* The non-current trade payables of the company is subject to a stream of interest cash flows in perpetuity. The weighted average effective interest rate on these trade payables is 7.0% (2008: 8.4%).

(i) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities, except for the financial liability disclosed below, recorded in the financial statements approximates their fair values.

	Carrying amount		Fair value	
	2009 **$'000**	2008 [1] $'000	**2009** **$'000**	2008 [1] $'000
Total debt	**735,107**	141,670	**700,798**	158,117

[1] 2008 figures only include USD notes.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

iii) The fair value of derivative instruments included in hedging assets and liabilities are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the term of the instruments.

Transaction costs are included in the determination of net fair value.

Directors' declaration
for the year ended 30 June 2009

In the opinion of the Directors of Downer EDI Limited:

(a) the financial statements and notes set out on pages 30 to 93 are in accordance with the Australian Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) the financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;

(b) there are reasonable grounds to believe that Downer EDI will be able to pay its debts as and when they become due and payable; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

P E J Jollie AM
Chairman

20 August 2009, Sydney

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Downer EDI Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration 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 as set out on pages 30 to 94.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Downer EDI Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 28 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Downer EDI Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Mark Irving
Partner
Chartered Accountants
Sydney, 20 August 2009