



Downer EDI Limited

ACN 003 872 848

**Condensed Consolidated Financial Report
for the half-year
ended 31 December 2008**

Downer EDI Limited

**Condensed Consolidated Financial Report
for the half-year ended 31 December 2008**

Appendix 4D Results for announcement to the market

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Downer EDI Limited

Results for announcement to the market

Appendix 4D

	First half 2009 \$'000	First half 2008 \$'000	% change
Revenue from ordinary activities	2,877,936	2,707,904	6.3%
Total turnover	2,925,683	2,766,598	5.8%
Earnings before interest, tax, depreciation and amortisation	202,939	204,689	(0.9%)
Earnings before interest and tax	138,524	130,485	6.2%
Profit before tax	113,908	104,045	9.5%
Profit after tax	85,443	82,192	4.0%
Profit attributable to members of the parent entity	85,443	82,192	4.0%

	First half 2009 cents	First half 2008 cents	% change
Basic earnings per ordinary share on issue	26.2	25.5	2.7%
Basic earnings per ordinary share (including ROADS)	24.5	23.7	3.4%
Diluted earnings per share	22.9	23.1	(0.9%)
Net tangible asset backing per ordinary share	229.2	205.7	11.4%

	First half 2009	First half 2008
Dividend		
Interim dividend per share (cents)	13.0	13.0
Interim franked amount per share (cents)	Unfranked	Unfranked
Interim dividend record date	11/03/2009	07/03/2008
Interim dividend payable date	14/04/2009	11/04/2008
ROADS		
Redeemable Optionally Adjustable Distributing Securities (ROADS)		
Dividend per ROADS (in Australian cents)	2.9	2.9
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
Downer EDI's Dividend Reinvestment Plan (DRP) applies to the 2009 interim 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 13 March 2009.		
For commentary on the results for the period and review of operations, refer to the separate media release attached.		

Downer EDI Limited

Directors' Report

The Directors of Downer EDI Limited (Downer EDI) submit the condensed consolidated financial report of the company for the half-year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the company during or since the end of the half-year are:

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

Review of operations

Downer EDI continues to perform with the following highlights:

- Safety performance - LTIFR: 1.63 per million hours worked
- Turnover increased by 6% to \$2.9 billion on pcp
- Net profit after tax of \$85.4 million, an increase of 4% on pcp
- Fourth consecutive half of solid operating cash flow at \$155.4 million
- Conservative balance sheet with gearing at 36%
- Solid order book of \$11.5 billion, an increase of 14% on pcp
- No material change to FY09 guidance

Downer EDI Works delivered a 10% increase in turnover to \$897.6 million, with EBIT also increasing to \$39.4 million. The division has continued to leverage its leading position in roading, rail and water services and has further extended its geographical reach and service offerings. The division continues to perform strongly in Australia and New Zealand and is further growing its Asian presence.

Downer EDI Rail increased turnover by 58% to \$440.4 million, while EBIT increased 36% to \$28.2 million. The PPP contract for the provision of 626 new railcars for the Sydney rail network is making sound progress, with the expansion of our Cardiff, Maryborough and Auburn facilities nearing completion and the manufacturing process well underway in CRC's works in China. We see continued demand for our passenger, freight, wagon and spare parts services.

Downer EDI Limited

Directors' Report - *continued*

Downer EDI Engineering generated turnover for the period of \$1.0 billion, with EBIT increasing by 18% to \$66.0 million. This result reflects the solid demand for the wide range of services offered by this division, with opportunities emerging in the renewable energy sector. The consulting group continues to perform well.

Downer EDI Mining increased turnover by 4% to \$551.9 million and EBIT increased by 20% to \$26.7 million. The result highlights the continuing recovery of the performance of this division. Strategic appointments to the leadership team in the period further support this process.

Auditors' independence declaration

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

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'P E J Jollie', written over a horizontal line.

P E J Jollie AM
Chairman

Sydney, 27 February 2009

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

27 February 2009

Dear Sir

Downer EDI Limited

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

As lead audit partner for the review of the consolidated financial report of Downer EDI Limited for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Irving
Partner
Chartered Accountant

Independent review report to the members of Downer EDI Limited

We have reviewed the accompanying half-year financial report of Downer EDI Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement, statement of recognised income and expense for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising both Downer EDI Limited and the entities it controlled at the end of the half-year as set out on pages 6 to 20.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Downer EDI Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

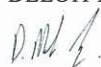
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Mark Irving
Partner
Chartered Accountants
Sydney, 27 February 2009

Member of
Deloitte Touche Tohmatsu

Downer EDI Limited

**Condensed consolidated income statement
for the half-year ended 31 December 2008**

	Note	First half 2009 \$'000	First half 2008 \$'000
Revenues	3(a)	2,877,936	2,707,904
Other income	3(a)	5,620	7,529
Share of net profit of joint ventures and associates	5	4,654	20,906
Finance costs	3(b)	(33,375)	(35,450)
Employee benefits expense	3(b)	(1,014,349)	(909,801)
Raw materials and consumables used		(722,430)	(732,037)
Subcontractor costs		(472,883)	(471,697)
Plant and equipment costs		(361,088)	(334,361)
Communication expenses		(27,724)	(23,180)
Occupancy costs		(47,744)	(40,316)
Professional fees		(18,281)	(23,189)
Travel and accommodation expenses		(37,167)	(28,724)
Other expenses from ordinary activities		(39,261)	(33,539)
Profit before income tax		113,908	104,045
Income tax (expense)		(28,465)	(21,853)
Profit after income tax		85,443	82,192
Profit attributable to members of the parent entity		85,443	82,192
Earnings per share (cents)			
- basic		24.5	23.7
- diluted		22.9	23.1

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

Downer EDI Limited

**Condensed consolidated balance sheet
as at 31 December 2008**

	December 2008 \$'000	June 2008 \$'000
Note		
ASSETS		
Current assets		
Cash and cash equivalents	212,731	245,790
Inventories	212,192	204,043
Trade and other receivables	1,263,538	1,114,371
Other financial assets	31,647	17,536
Current tax assets	13,885	7,100
Other assets	35,677	40,827
Non-current assets as held for sale	65,730	67,958
Total current assets	1,835,400	1,697,625
Non-current assets		
Equity-accounted investments	8,154	7,146
Property, plant and equipment	787,017	662,188
Intangible assets	602,506	578,725
Other financial assets	50,616	46,884
Deferred tax assets	87,799	183,682
Other assets	17,012	7,026
Total non-current assets	1,553,104	1,485,651
Total assets	3,388,504	3,183,276
LIABILITIES		
Current liabilities		
Trade and other payables	1,028,508	993,478
Borrowings	370,554	145,268
Other financial liabilities	21,341	44,482
Provisions	203,544	225,803
Current tax liabilities	6,498	10,442
Total current liabilities	1,630,445	1,419,473
Non-current liabilities		
Trade and other payables	963	918
Borrowings	343,673	421,597
Other financial liabilities	12,903	93,489
Provisions	41,643	32,008
Deferred tax liabilities	7,384	19,427
Total non-current liabilities	406,566	567,439
Total liabilities	2,037,011	1,986,912
Net assets	1,351,493	1,196,364
EQUITY		
Issued capital	6	1,100,040
Reserves	7	(29,401)
Retained earnings	8	241,794
Total equity	1,351,493	1,196,364

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

Downer EDI Limited

**Condensed consolidated statement of recognised income and expense
for the half-year ended 31 December 2008**

	Note	First half 2009 \$'000	First half 2008 \$'000
Total equity at the beginning of the financial period		1,196,364	1,169,907
Current period movements:			
Cash flow hedges	7	62,859	10,625
Exchange rate differences on translation of foreign operations	7	48,892	(6,896)
Share based transactions	7	2,178	416
Treasury shares	7	(2,766)	-
Available for sale reserve	7	(4,784)	-
Net income recognised directly in equity		106,379	4,145
Profit after tax for the period		85,443	82,192
Total recognised income and expense for the period		191,822	86,337
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity (net of transaction costs)	6	9,690	15,849
Dividends provided for or paid	8	(46,383)	(31,397)
		(36,693)	(15,548)
Total equity at the end of the financial period		1,351,493	1,240,696

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

Downer EDI Limited

**Condensed consolidated cash flow statement
for the half-year ended 31 December 2008**

	First half 2009 \$'000	First half 2008 \$'000
Cash flows from operating activities		
Receipts from customers	3,028,206	2,885,614
Payments to suppliers and employees	(2,902,585)	(2,698,863)
Settlement of operational foreign exchange contracts	60,079	(18,628)
Distributions from joint ventures	5,555	1,081
Interest received	6,283	8,309
Dividends received	1,061	1,067
Interest and other costs of finance paid	(32,864)	(33,496)
Income tax (paid)	(10,325)	(23,102)
Net cash inflow from operating activities	155,410	121,982
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	7,828	25,797
Payment for property, plant and equipment	(161,984)	(129,398)
Payment to joint ventures	(922)	(2,129)
Proceeds from sale of businesses	4,274	52,584
Payment for businesses acquired	(35,707)	(14,114)
Net cash (used) in investing activities	(186,511)	(67,260)
Cash flows from financing activities		
Proceeds from borrowings	488,005	368,193
Proceeds/(payment) from issue of equity securities	609	(11)
Repayment of borrowings	(462,837)	(451,078)
Dividends paid	(39,836)	(16,184)
Net cash (outflow) from financing activities	(14,059)	(99,080)
Net decrease in cash and cash equivalents	(45,160)	(44,358)
Cash and cash equivalents at the beginning of the period	239,833	233,664
Effect of exchange rate changes	7,871	(1,893)
Cash and cash equivalents at the end of the period	202,544	187,413

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

Downer EDI Limited

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2008

Note 1. Summary of accounting policies

Statement of Compliance

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

The condensed consolidated financial statements were authorised for issue by the directors on 27 February 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 condensed consolidated financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Basis of preparation

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

The accounting policies and methods of computation in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 Annual Financial Report for the financial year ended 30 June 2008.

Comparative information

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

Downer EDI Limited

Notes to the condensed consolidated financial statements - continued
for the half-year ended 31 December 2008

Note 2. Segment information

Downer EDI's material business segments are **Mining** (provides international mine consulting and contracting services including mine planning, optimisation management and modelling, materials processing consulting and infrastructure, blasting, bulk excavation, crushing and processing, haulage of ores/waste, tailings management and mine restoration. The first half 2008 comparatives include Century Resources of which 51% was divested on 31 December, 2007. As part of a business restructure for the 2009 half year, process engineering is now managed by the Engineering group and as such is included in the Rail and 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); and

Rail and Engineering Services (provides engineering and consultancy services, design, project management, facilities management, construction and maintenance, specialising in telecommunications, power and process engineering, rolling stock and associated maintenance services including the design, manufacture, refurbishment, overhaul and maintenance of diesel electric locomotives, electric and diesel multiple units, rail wagons, traction motors and rolling stock).

Unallocated comprises financing and corporate costs.

	Total revenue ¹		Share of sales revenue in joint venture entities		Total turnover	
	First half	First half	First half	First half	First half	First half
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
By business segment						
Mining	526,982	588,961	24,883	21,902	551,865	610,863
Works	895,817	812,135	1,800	2,912	897,617	815,047
Rail and Engineering Services	1,473,181	1,323,778	15,444	26,351	1,488,625	1,350,129
Total	2,895,980	2,724,874	42,127	51,165	2,938,107	2,776,039
Eliminations	(17,538)	(12,972)	-	-	(17,538)	(12,972)
Unallocated	5,114	3,531	-	-	5,114	3,531
Total	2,883,556	2,715,433	42,127	51,165	2,925,683	2,766,598

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

	Operating segment result	
	First half	First half
	2009	2008
	\$'000	\$'000
By business segment		
Mining	26,677	30,525
Works	39,399	38,984
Rail and Engineering Services	94,218	76,626
	160,294	146,135
Unallocated	(46,386)	(42,090)
Total profit before income tax	113,908	104,045
Income tax expense	(28,465)	(21,853)
Total net profit	85,443	82,192

Notes to the condensed consolidated financial statements - continued
for the half-year ended 31 December 2008

Note 3. Profit from ordinary activities

	First half 2009 \$'000	First half 2008 \$'000
a) Revenue		
Sales revenue		
Rendering of services	2,431,056	2,363,211
Engineering services contract revenue	362,372	263,398
Sale of goods	69,247	70,680
Interest revenue		
Other loans and receivables	8,298	7,852
Other revenue		
Other revenue	5,426	1,031
Rental income	476	665
Dividends		
Other entities	1,061	1,067
	2,877,936	2,707,904
Other income		
Net income on disposal of property, plant and equipment	1,787	7,015
Net income on disposal of investments and businesses	777	-
Net foreign exchange gains	3,056	416
Other	-	98
Total other income	5,620	7,529
Total revenue and other income	2,883,556	2,715,433
Sales revenue from joint venture entities	42,127	51,165
Total turnover	2,925,683	2,766,598
b) Operating expenses		
Finance costs on liabilities carried at amortised cost:		
Interest expense	32,824	33,309
Other finance costs	461	1,158
Finance lease expense	90	983
Total finance costs	33,375	35,450
Depreciation and amortisation of non-current assets:		
Plant and equipment	62,285	70,593
Buildings	1,547	1,572
Amortisation of leased assets	330	1,291
Amortisation of intellectual property	253	748
Total depreciation and amortisation	64,415	74,204
Doubtful debts	155	775
Operating lease expenses	73,746	68,714
Employee benefits expense:		
Defined contribution plans	52,469	54,425
Share-based transactions	2,178	1,503
Employee benefits	959,702	853,873
Total employee benefits expense	1,014,349	909,801

Notes to the condensed consolidated financial statements - continued
for the half-year ended 31 December 2008

Note 4. Dividends

	<u>Interim 2009</u>	Final 2008	Interim 2008
a) Ordinary shares			
Dividend per share (in Australian cents)	13.0	12.5	13.0
Franking percentage	unfranked	unfranked	unfranked
Cost (in \$'000)	42,483	40,636	42,067
Payment date	14/04/2009	17/10/2008	11/04/2008
Dividend record date	11/03/2009	04/09/2008	07/03/2008
b) Redeemable Optionally Adjustable Distributing Securities (ROADS)			
	<u>Quarter 2 2009</u>	<u>Quarter 1 2009</u>	
Dividend per ROADS (in Australian cents)	1.43	1.43	
New Zealand imputation credit percentage per ROADS	100%	100%	
Cost (in \$'000)	2,878	2,868	
Payment date	15/12/2008	15/9/2008	
	<u>Quarter 4 2008</u>	<u>Quarter 3 2008</u>	<u>Quarter 2 2008</u>
Dividend per ROADS (in Australian cents)	1.30	1.42	1.45
New Zealand imputation credit percentage per ROADS	100%	100%	100%
Cost (in \$'000)	2,601	2,844	2,894
Payment date	15/06/2008	15/03/2008	15/12/2007
		15/09/2007	

Downer EDI Limited

Notes to the condensed consolidated financial statements - continued
for the half-year ended 31 December 2008

Note 5. Joint venture and associate entities

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

Name of entity	Principal activity	Country of incorporation	Ownership interest	
			December 2008	December 2007
			%	%
Allied Asphalt Limited	Supply of asphalt products	New Zealand	50	50
Aromatrix Pte Ltd	Environmental engineering and consulting services	Singapore	33	33
Clyde Babcock Hitachi (Aust) Pty Ltd	Design, construction and maintenance of boilers	Australia	27	27
CPG-KCPT Pte Ltd	Security design consultancy services	Singapore	30	30
Downer-Contech	Construction	Fiji	50	50
EDI Rail-Bombardier Transportation Pty Ltd	Sale of railway rolling stock	Australia	50	50
EDI Rail-Bombardier Transportation (Maintenance) Pty Ltd	Maintenance of railway rolling stock	Australia	50	50
John Holland EDI Joint Venture	Design and construction of a replacement research reactor facility for ANSTO	Australia	40	40
MB Century Drilling Pty Ltd	Oil, gas and geothermal drilling	Australia	49	49
MPE Facilities Management Sdn Bhd	Facilities management consultancy services	Malaysia	50	50
Pavement Salvage (SA) Pty Ltd	Road maintenance	Australia	50	50
Reliance Rail Pty Ltd	Rail manufacturing and maintenance	Australia	49	49
Roche Thiess Linfox Joint Venture	Contract mining	Australia	44	44
Snowden Performance Management Pty Ltd	Mining management consulting	Australia	50	50
SIP Jiacheng Property Development Co Ltd	Property development	China	50	50
Western Lee Joint Venture	Mechanical and electrical services to ALCOA	Australia	50	50
Works Emulco	Emulsion Plant	New Zealand	50	-
			First half 2009	First half 2008
			\$'000	\$'000
Total contribution of joint venture and associate entities to net result			4,654	20,906

Notes to the condensed consolidated financial statements - continued
for the half-year ended 31 December 2008

Note 6. Issued capital

	December 2008 \$'000	June 2008 \$'000
326,789,698 ordinary shares (June 2008: 325,084,433)	921,437	911,747
200,000,000 Redeemable Optionally Adjustable Distributing Securities (ROADS) (June 2008: 200,000,000)	178,603	178,603
Total issued capital	1,100,040	1,090,350

Fully paid ordinary share capital

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

	December 2008		June 2008	
	000's	\$'000	000's	\$'000
Balance at beginning of financial period	325,084	911,747	321,004	886,714
Issue of shares through dividend reinvestment plan elections	872	6,547	3,983	24,397
Issue of shares on acquisition of businesses	-	-	97	647
Issue of shares under terms of Employee Share Plan	834	3,143	-	-
Payment of share issue costs	-	-	-	(11)
Balance at end of financial period	326,790	921,437	325,084	911,747

ROADS

ROADS are perpetual, redeemable, exchangeable preference shares.

	December 2008		June 2008	
	000's	\$'000	000's	\$'000
Balance at end of financial period	200,000	178,603	200,000	178,603

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2008

Note 7. Reserves

	December 2008 \$'000	June 2008 \$'000
Reserves comprise:		
Foreign currency translation	(3,570)	(52,462)
Hedging	(13,982)	(76,841)
Employee benefits	4,420	2,242
Treasury shares	(11,485)	(8,719)
Available for Sale	(4,784)	-
Total reserves	(29,401)	(135,780)

Movement in reserves

Foreign currency translation reserve:

Balance at beginning of financial period	(52,462)	(21,127)
Translation of foreign operations during the period	48,892	(31,335)
Balance at end of financial period	(3,570)	(52,462)

Hedging reserve:

Balance at beginning of financial period	(76,841)	(30,960)
Revaluation during the period	62,859	(46,603)
Transferred to assets during the period	-	722
Balance at end of financial period	(13,982)	(76,841)

Employee benefits reserve:

Balance at beginning of financial period	2,242	1,816
Share-based transactions during the period	2,178	426
Balance at end of financial period	4,420	2,242

Treasury shares reserve:

Balance at beginning of financial period	(8,719)	-
Treasury shares transactions during the period	(2,766)	(8,719)
Balance at end of financial period	(11,485)	(8,719)

Available for sale reserve:

Balance at beginning of financial period	-	-
Revaluation during the period	(4,784)	-
Balance at end of financial period	(4,784)	-

Note 8. Retained earnings

Balance at beginning of financial period	241,794	154,861
Net profit	85,443	165,842
Dividends paid	(46,383)	(78,909)
Balance at end of financial period	280,854	241,794

Notes to the condensed consolidated financial statements - continued
for the half-year ended 31 December 2008

Note 9. Acquisition of businesses

a) Summary of acquisitions

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	1,842
HRS Ltd	Rail maintenance	17 July 2008	100	4,610
Advanced Separation Engineering	Mineral separation technology	10 July 2008	100	317
Businesses:				
APMS	Asphalt manufacturing	1 December 2008		6,004
Excell Corporation	Open space management	30 September 2008		20,892
				December 2008 \$'000
b) Purchase consideration				
Cash paid				33,665
Total purchase consideration				33,665
Fair value of net identifiable assets acquired (Note 9c)				21,202
Goodwill				12,463
Outflow of cash to acquire businesses, net of cash acquired				
Cash consideration				33,665
Less net cash and cash equivalents acquired (Note 9c)				279
Cash paid – deferred post acquisition settlement				2,321
Outflow of cash				35,707

Notes to the condensed consolidated financial statements - continued
for the half-year ended 31 December 2008

Note 9. Acquisition of businesses - continued

c) Assets and liabilities acquired

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

	December 2008 \$'000
Current assets	
Cash and cash equivalents	279
Inventories	973
Trade and other receivables	13,475
Other assets	132
Current tax assets	13
Total current assets	14,872
Non-current assets	
Property, plant and equipment	20,685
Other financial assets	64
Deferred tax assets	29
Total non-current assets	20,778
Current liabilities	
Trade and other payables	11,499
Provisions	1,978
Current tax liabilities	30
Total current liabilities	13,507
Non-current liabilities	
Financial Liabilities	604
Provisions	331
Deferred tax liabilities	6
Total non-current liabilities	941
Net identifiable assets acquired	21,202

The initial accounting for these acquisitions has been determined provisionally at 31 December 2008 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.

Notes to the condensed consolidated financial statements - *continued*
for the half-year ended 31 December 2008

Note 10. Contingent liabilities

	December 2008 \$'000	June 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.	861,524	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 condensed consolidated financial statements.
- iv) Controlled entities have entered into various partnerships and joint ventures under which the controlled entity could ultimately be jointly and severally liable for the obligations of the partnership or joint venture.
- v) Controlled entities are subject to claims and counter claims with respect to projects and services provided.

Note 11. Events subsequent to reporting date

There were no events subsequent to the reporting date that have not been disclosed in the half-year financial report other than the interim dividend declared after the reporting date.

Downer EDI Limited

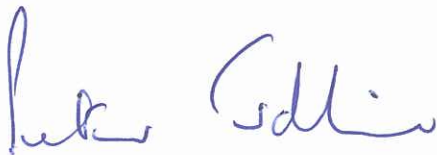
**Directors' declaration
for the half-year ended 31 December 2008**

In the opinion of the Directors of Downer EDI Limited:

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

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

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'P E J Jollie AM', written in a cursive style.

P E J Jollie AM
Chairman

Sydney, 27 February 2009