Downer EDI Limited ABN 97 003 872 848
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23 August 2004

Company Announcements Office
Australian Stock Exchange Limited
Level 4, Bridge Street
Sydney NSW 2000

Dear Sir

Please find attached the Preliminary Final Report – Appendix 4E for the twelve months ended 30 June 2004, audit report on the financial statements for the period, media release and review of operations.

Please note that the Directors have declared a final dividend of 9.6 cents per ordinary share and a special dividend of 2 cents per ordinary share, each franked to 50% and payable on 19 October 2004.

The record date for determining entitlements is 2 September 2004.

As the Dividend Reinvestment Plan has been reinstated, the last date for receipt of election notices for participation in the DRP is 19 September 2004.

Yours faithfully,

Carl Thompson
Company Secretary

DOWNER EDI LIMITED
ABN 97 003 872 848

APPENDIX 4E (Rule 4.3A)
PRELIMINARY FINAL REPORT

Current Reporting Period: Financial year ended 30 June 2004
Previous Corresponding Reporting Period: Financial year ended 30 June 2003

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Change		30 June 2004 A$'000
Revenue from ordinary activities	up	18.4%	to	**3,193,308**
Profit from ordinary activities after tax attributable to members	up	22.5%	to	**81,546**
Net profit after significant items for the period attributable to members	up	22.5%	to	**81,546**

Dividends		Amount per Security	Franked Amount per Security
Final dividend	Current year – Ordinary	9.6 cents *	4.8 cents
	Current year – Special ordinary	2.0 cents *	1.0 cents
	Prior year – Ordinary	9.6 cents **	4.8 cents
	Prior year – Preference	$40.00	Nil
Interim dividend	Current year – Ordinary	4.0 cents	2.0 cents
	Current year – Preference	$26.57	Nil
	Prior year – Ordinary	2.0 cents **	Nil
	Prior year – Preference	$40.00	Nil

Record date for determining entitlements to the final dividends	2 September 2004
Date the final dividends are payable	19 October 2004

	Current Period (cents)	Previous Corresponding Period (cents)
Net tangible asset backing per ordinary share	175	150 **

Commentary on the results for the period, refer separate media release attached and review of operations.

* The Company's Dividend Reinvestment Plan (DRP) has been reinstated and applies to the current year final dividends. The final dividend comprises an ordinary share dividend of 9.6 cents per share and a special ordinary dividend of 2.0 cents per share. Shareholders wishing to participate in the DRP will need to provide their election notices to the company's share registry by 19 September 2004. Election notices will be forwarded to all shareholders in the week commencing 23 August 2004.

** A one for four share consolidation took place in November 2003. Comparative information has been restated unless otherwise noted. Refer Note 3 of the attached report for further details.

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000
Revenue from ordinary activities	2	3,172,782	2,679,930
Share of net profits of associates and joint ventures accounted for using the equity method	8	20,526	17,093
Borrowing costs		(36,193)	(37,200)
Changes in inventories of finished goods and work in progress		(51,495)	(130,586)
Communication expenses		(25,095)	(19,526)
Employee benefits expense		(903,149)	(670,311)
Occupancy		(30,434)	(19,557)
Plant and equipment costs		(352,649)	(358,265)
Professional fees		(16,490)	(18,786)
Raw materials and consumables used		(1,074,197)	(864,336)
Subcontractors		(518,798)	(410,007)
Travel and accommodation		(31,800)	(19,085)
Other expenses from ordinary activities		(43,773)	(54,621)
Profit from Ordinary Activities Before Income Tax Expense		109,235	94,743
Income tax expense		(27,689)	(28,171)
Net Profit Attributable to Members of the Parent Entity		81,546	66,572
Increase/(decrease) in foreign currency translation reserve arising on translation of self-sustaining foreign operations		846	(12,553)
Total Revenue, Expense and Valuation Adjustments Attributable to Members of the Parent Entity Recognised Directly in Equity		846	(12,553)
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners		82,392	54,019
Earnings Per Share			
- Basic (cents per share)		29.6	25.2 *

* Restated in accordance with AASB 1027 - Earnings per Share to reflect effects of the November 2003 1 for 4 share consolidation (refer Note 3)

Notes to the preliminary final report are included on pages 5 to 17

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000
Current Assets			
Cash assets		148,264	206,746
Inventories		144,189	125,396
Receivables		822,885	736,250
Other financial assets		20,056	14,509
Tax assets		4,202	12,880
Other		15,478	14,663
Total Current Assets		**1,155,074**	**1,110,444**
Non-Current Assets			
Receivables		20,245	32,018
Investments accounted for using the equity method		21,578	24,294
Property, plant and equipment		552,334	484,024
Intangibles		329,076	328,875
Other financial assets		11,573	16,574
Deferred tax assets		26,855	33,768
Other		2,402	2,749
Total Non-Current Assets		**964,063**	**922,302**
Total Assets		**2,119,137**	**2,032,746**
Current Liabilities			
Payables		609,473	551,514
Interest-bearing liabilities		107,624	96,204
Provisions		91,471	89,358
Tax liabilities		6,231	37,320
Total Current Liabilities		**814,799**	**774,396**
Non-Current Liabilities			
Payables		19,698	1,503
Interest-bearing liabilities		377,193	406,747
Provisions		31,507	23,826
Deferred tax liabilities		52,911	66,083
Total Non-Current Liabilities		**481,309**	**498,159**
Total Liabilities		**1,296,108**	**1,272,555**
Net Assets		**823,029**	**760,191**
Equity			
Contributed equity	3	631,207	614,361
Reserves		(11,327)	(12,173)
Retained profits	4	203,149	158,003
Total Equity		**823,029**	**760,191**

Notes to the preliminary final report are included on pages 5 to 17

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000
Cash Flows From Operating Activities			
Receipts from customers		3,665,956	2,967,818
Payments to suppliers and employees		(3,429,415)	(2,730,734)
Distributions from joint ventures		19,949	19,457
Interest received		6,490	6,275
Interest and other costs of finance paid		(36,599)	(37,792)
Income tax paid		(44,901)	(21)
Net cash provided by operating activities	7e	181,480	225,003
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		41,649	76,364
Proceeds from sale of investments		3,214	11,258
Proceeds from sale of businesses	7c	3,487	7,254
Receipts from/(advances to) joint ventures		(2,556)	13,681
Receipts from other advances		2,102	297
Payment for property, plant and equipment		(166,343)	(87,021)
Payment for investments		(335)	(5,987)
Payments of obligations acquired under business acquisition		-	(30,121)
Payment for businesses acquired	7b	(26,474)	(19,608)
Net cash used in investing activities		(145,256)	(33,883)
Cash Flows From Financing Activities			
Proceeds from borrowings		459,256	167,217
Repayment of borrowings		(533,031)	(229,942)
Dividends paid		(22,350)	(21,778)
Net cash used in financing activities		(96,125)	(84,503)
Net Increase/(Decrease) In Cash Held		(59,901)	106,617
Cash At The Beginning Of The Year		205,725	105,836
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,750	(6,728)
Cash At The End Of The Year	7a	147,574	205,725

Notes to the preliminary final report are included on pages 5 to 17

NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

1 BASIS OF PREPARATION

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Comparative Information

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

2 DETAILS OF REVENUE AND EXPENSES

	Consolidated	
	2004 $'000	2003 $'000
Profit from ordinary activities before income tax includes the following items of revenue and expense:		
Operating revenue		
Sales revenue:		
Sale of goods	53,995	91,406
Rendering of services	1,831,158	1,475,207
Engineering services contract revenue	1,227,186	1,006,921
Interest revenue:		
Director related entities	352	1,530
Other entities	6,433	5,597
Equity share of associates' and joint venture entities' profits	20,526	17,093
Rental income	150	46
Net foreign exchange gain	-	172
Other	9,917	8,077
Total operating revenue	**3,149,717**	**2,606,049**
Non-operating revenue		
Proceeds from the sale of non-current assets:		
Property, plant and equipment	40,112	76,471
Investments	3,214	14,503
Other	265	-
Total non-operating revenue	43,591	90,974
Total revenue	**3,193,308**	**2,697,023**
Net share of sales revenue in joint venture entities	**224,183**	**170,835**
Total turnover	**3,417,491**	**2,867,858**

NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

2 DETAILS OF REVENUE AND EXPENSES (continued)

	Consolidated	
	2004 $'000	2003 $'000
Expenses		
Depreciation of non-current assets:		
Plant and equipment	94,304	97,763
Buildings	1,566	902
Quarries	123	121
Amortisation of non-current assets:		
Leased assets	2,192	3,622
Goodwill	18,613	16,031
Intellectual property/licences	909	845

3 CONTRIBUTED EQUITY

	Consolidated			
	30 June 2004		30 June 2003	
Fully paid ordinary share capital	No. '000	$'000	No. '000	$'000
Balance at beginning of reporting period	975,526	553,629	962,953	546,973
Issue of shares through dividend reinvestment plan elections	20,601	15,246	12,573	6,656
Issue of shares on conversion of preference shares	130,000	60,732	-	-
Issue of shares on acquisition of business	508	1,600	-	-
Reduction in number of shares pursuant to 1:4 share consolidation	(844,598)	-	-	-
Balance at end of reporting period	**282,037**	**631,207**	**975,526**	**553,629**
Preference share capital	**-**	**-**	**65,000**	**60,732**

Fully paid ordinary share capital

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

As part of a capital management initiative a one for four share consolidation took place in November 2003.

Preference share capital

Converting preference shares issued by Downer Construction (Hong Kong) Limited in March 1999 mandatorily converted to 130,000,000 ordinary shares in Downer EDI Limited on 25 March 2004, unless converted earlier. On 31 October 2003, the converting preference shares were converted to ordinary shares.

NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

4 RETAINED PROFITS

	Consolidated	
	2004 $'000	2003 $'000
Balance at beginning of financial year	158,003	101,480
Net profit attributable to members of the parent entity	81,546	66,572
Restatement of opening retained profits on initial adoption of AASB 1044		
Write-back of prior year dividend provision	-	18,386
Dividends provided for or paid	(36,400)	(28,435)
Balance at the end of the financial year	**203,149**	**158,003**

5 DIVIDENDS

	Year	Date dividend payable	Amount per security
Final dividend – Ordinary ✦	2004	19 Oct 2004	9.6 cents
– Special ordinary ✦	2004	19 Oct 2004	2.0 cents
– Ordinary	2003	10 Oct 2003	9.6 cents
– Preference	2003	25 Mar 2003	$40.00
Interim dividend – Ordinary	2004	29 Mar 2004	4.0 cents
– Preference	2004	31 Oct 2003	$26.57
– Ordinary	2003	30 Apr 2003	2.0 cents
– Preference	2003	25 Sep 2002	$40.00

Total dividend (distribution) per security (interim plus final)

	30 June 2004 Amount per security	30 June 2003 Amount per security
Ordinary securities (cents)	15.6	11.6
Preference securities	$26.57 *	$80.00

Interim and final dividend (distribution) on all securities

	30 June 2004 $'000	30 June 2003 $'000
Ordinary securities	43,998	28,262
Preference securities	1,727*	5,200
Total	**45,725**	**33,462**

✦ The final dividend in respect of ordinary shares for the year ended 30 June 2004 has not been recognised as a provision in this financial report because the final dividend was declared subsequent to 30 June 2004. A one for four share consolidation was undertaken during November 2003. The comparative period has been restated to reflect the current share structure.

* The 2004 converting preference share final dividend represents the dividend paid up to the date of conversion being 31 October 2003.

The company's Dividend Reinvestment Plan (DRP) has been reinstated and applies to the 2004 final ordinary dividends.

NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

6 ACQUISITION OF BUSINESSES

Names of Businesses Acquired	Principal Activity	Date of Acquisition	Proportion of Shares Acquired %	Cost of Acquisition $'000
Controlled entities:				
Downer Electrical Pty Limited (formerly Stork Electrical Pty Limited)	Electrical and facilities management	1 July 2003	100%	14,867
Pavement Technology Limited	Pavement maintenance and rehabilitation services	1 Jan 2004	100%	2,476
QCC Resources Pty Ltd	Engineering, design and consulting services	1 April 2004	100%	1,600
TSG Architects Pte Ltd	Architectural services	1 Jan 2004	100%	418
CPG Facilities Mgt (Shaanxi) Co. Ltd	Facilities management	1 Jan 2004	100%	418
Sasol Roche Blasting Services Pty Ltd	Mining explosives consultant	1 Feb 2004	50%	2,394
Businesses:				
Civil Construction Corporation	Civil works and construction	20 Oct 2003	Not applicable	5,801
RMS	Traffic management system	1 Nov 2003	Not applicable	501

7 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of cash	Consolidated 2004 $'000	Consolidated 2003 $'000
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash	110,140	115,537
Short term deposits	38,124	91,209
Bank Overdrafts	(690)	(1,021)
	147,574	205,725

NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

7 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

	Consolidated 2004 $'000	2003 $'000
b) Businesses acquired		
During the financial year, businesses were acquired. Details of the acquisitions are as follows:		
Considerations:		
Cash	27,911	142,629
Deferred purchase adjustment	(1,036)	3,477
Issue of ordinary shares	1,600	-
	28,475	146,106
Fair value of net assets acquired		
Current assets		
Cash	2,092	123,021
Receivables	23,685	100,753
Inventories	5,879	821
Other	989	5,046
Total current assets	32,645	229,641
Non-current assets		
Investments accounted for using the equity method	-	5,921
Property, plant and equipment	25,274	22,163
Intangibles	2,428	632
Deferred tax assets	1,645	3,781
Other	3,348	2,409
Total non-current assets	32,695	34,906
Total assets	65,340	264,547
Current liabilities		
Payables	9,241	145,306
Interest-bearing liabilities	15,231	306
Current tax liabilities	73	7,775
Provisions	4,373	16,425
Other	414	2,289
Total current liabilities	29,332	172,101

NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

7 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

	Consolidated 2004 $'000	Consolidated 2003 $'000
Fair value of net assets acquired (continued)		
Non-current liabilities		
Interest-bearing liabilities	12,801	2,615
Deferred tax liabilities	1,096	335
Provisions	531	1,318
Other	-	256
Total non-current liabilities	14,428	4,524
Total liabilities	43,760	176,625
Net assets acquired	21,580	87,922
Goodwill on acquisition	6,895	58,184
	28,475	146,106
Net cash outflow on acquisition		
Cash consideration	27,911	142,629
Less net cash balances acquired	2,092	123,021
Cash paid – prior year deferred purchase consideration	655	-
	26,474	19,608

c) Businesses disposed

During the current financial year certain businesses were disposed, none of which was considered individually material. Details of these disposals are as follows:

	2004 $'000	2003 $'000
Considerations:		
Cash	1,237	469
Receivables	3,069	4,450
Shares	1,144	-
	5,450	4,919

NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

7 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

	Consolidated	
	2004	2003
	$'000	$'000
Fair value of net assets disposed		
Current assets		
Cash	60	-
Receivables	1,348	-
Inventories	1,132	-
Other	74	-
Total current assets	2,614	-
Non-current assets		
Investments accounted for using the equity method	9	-
Inventories	-	334
Property, plant and equipment	3,090	840
Intangibles	235	-
Deferred tax assets	159	-
Total non-current assets	3,493	1,174
Total assets	6,107	1,174
Current liabilities		
Payables	147	-
Interest-bearing liabilities	-	-
Current tax liabilities	54	-
Provisions	520	250
Total current liabilities	721	250
Total liabilities	721	250
Net assets disposed	5,386	924
Profit on disposal	64	3,995
	5,450	4,919
Net cash inflow on disposal		
Cash consideration	1,237	469
Less: cash balance disposed	60	-
Cash received – prior year deferred purchase consideration	2,310	6,785
	3,487	7,254

NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

7 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

d) Non-cash financing and investing activities

During the current financial year, $77,578,000 in equity was issued in respect of:
i) Dividend reinvestment plan elections ($15,246,000);
ii) Conversion of preference shares ($60,732,000); and
iii) Issue of shares on acquisition of business ($1,600,000).

During the previous financial year, $6,656,000 in equity was issued in respect of dividend reinvestment plan elections.

	Consolidated	
	2004 $'000	2003 $'000
e) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities:		
Profit from ordinary activities after related income tax	81,546	66,572
Profit on sale of non-current assets	(7,291)	(5,514)
Share of joint ventures profits net of distributions	(577)	(2,365)
Depreciation and amortisation of non-current assets	117,707	119,284
Amortisation of deferred costs	1,362	1,147
Profit on sale of investments	(1,623)	(724)
Net exchange differences	411	(926)
Increase/(decrease) in income tax payable	(19,953)	47,966
Increase/(decrease) in tax balances	(7,104)	(12,014)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Current receivables	(63,338)	(88,066)
Current inventories	(12,163)	72,843
Other current assets	(6,101)	(10,371)
Non-current receivables	11,319	(5,259)
Other non-current assets	1,072	(17,261)
Increase/(decrease) in liabilities:		
Current trade payables	58,533	13,165
Current provisions	2,603	8,194
Non-current payables	17,908	41,678
Non-current provisions	7,169	(3,346)
Net cash provided by / (used in) operating activities	181,480	225,003

NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

8 ASSOCIATED AND JOINT VENTURE ENTITIES

Name of Entity	Principal Activity	Ownership Interest 30 June 2004 (%)	Ownership Interest 30 June 2003 (%)
Advanced Separation Engineering Australia Pty Ltd	Sale of specialised goods	50	-
Allied Asphalt Limited	Supply of asphalt products	50	50
Bitumen Supplies Limited	Supply of bitumen products	50	50
Clyde Babcock Hitachi (Aust) Pty Ltd	Design, construction and maintenance of boilers	27	27
CPG Healthcare FM Pte Ltd	Facilities management	50	-
Downer Crown Castle JV	Mobile phone infrastructure	50	-
EDI Rail-Bombardier Transportation Pty Ltd	Sale of railway rolling stock	50	50
EDI Rail-Bombardier Transportation (Maintenance) Pty Ltd	Maintenance of railway rolling stock	50	50
John Holland EDI Joint Venture	Design and construction of a replacement research reactor facility for ANSTO	40	40
MPE Facilities Management Sdn Bhd	Facilities management consultancy services	50	50
Pavement Salvage Pty Ltd	Road maintenance	50	50
Repower Australia Pty Ltd	Wind turbine farms	33	-
Roche Carey Joint Venture	Contract mining	50	50
Roche Eltin Joint Venture Services	Service management	50	50
Roche Thiess Linfox JV	Contract mining	44	44
Sasol Roche Blasting Services Pty Ltd *	Contract blasting	-	50
Shanghai Shangfang CPG Facilities Management Co. Ltd	Facilities management	50	50
Singa Facility Management Pte Ltd	Facilities management consultancy services	50	50
SIP Jiacheng Property Development Co. Ltd	Property development	50	50
St Ives JV	Design and construction of mining treatment plant	50	-
SIP Wanyang Facilities Management Co. Ltd	Facilities management	50	50
Synthexis Architectural Design Consultants Co. Ltd	Architectural and consultancy services	50	50
Western Lee Joint Venture	Mechanical and electrical services to ALCOA	50	50
Xin Gin Wa (Shaanxi) Property Management Co Ltd	Facilities management consultancy services	50	50
YIDA-CPG FM Co Ltd	Facilities management	50	-

	Consolidated 2004 $'000	Consolidated 2003 $'000
Total contribution to net profit of associated and joint venture entities	**20,526**	**17,093**

* Remaining 50% of Sasol Roche Blasting Services acquired during the year (refer Note 6)

NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

9 SEGMENT INFORMATION

Segment Revenue	External		Inter-Segment		Total	
	30 June 2004 $'000	30 June 2003 $'000	30 June 2004 $'000	30 June 2003 $'000	30 June 2004 $'000	30 June 2003 $'000
Engineering	1,082,156	835,421	19,322	1,561	1,101,478	836,982
Mining and Resources	930,525	950,729	4,960	4,372	935,485	955,101
Infrastructure Services	673,195	566,381	2,915	5,792	676,110	572,173
Rail	408,178	299,407	1,733	34,102	409,911	333,509
Discontinued businesses	96,718	30,829	10,279	655	106,997	31,484
					3,229,981	2,729,249
Eliminations					(39,209)	(46,482)
Unallocated					2,536	14,256
Total revenue					3,193,308	2,697,023
Net share of sales revenue in joint venture entities:						
Engineering					68,994	32,488
Mining and Resources					147,319	133,983
Infrastructure Services					7,870	4,364
Total turnover					3,417,491	2,867,858

Segment Results	Results	
	30 June 2004 $'000	30 June 2003 $'000
Engineering	56,234	29,667
Mining and Resources	32,741	50,208
Infrastructure Services	38,167	25,349
Rail	17,342	20,417
Discontinued businesses	(6,839)	(6,112)
Unallocated	(28,410)	(24,786)
Income tax expense relating to ordinary activities	(27,689)	(28,171)
Net Profit	81,546	66,572

NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

9 SEGMENT INFORMATION (continued)

The economic entity operated predominantly in five business segments:

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

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

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

Infrastructure Services – including the performance of maintenance and construction of roads and highways, construction and maintenance of rail infrastructure including tracks, signals and overhead electrification and infrastructure maintenance services including utilities, water supply, sewage and waste water treatment, refuse disposal, street cleaning and the tending of parks and gardens.

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

NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

10 CONTINGENT LIABILITIES

		Consolidated Year Ended 30 June	
		2004 $'000	**2003 $'000**
i)	The consolidated entity has bank guarantees, bid bonds and performance bonds, issued in respect of contract performance, in the normal course of business.	334,697	308,055
ii)	Termination benefits under service agreements.	748	574
iii)	Joint Venture entities owned by the consolidated entity have non-cancellable operating lease commitments for which, should the Joint Venture entity not be able to meet those obligations, the consolidated entity may become liable.	-	7,747
iv)	Claim in respect of legal costs associated with contract arbitration	1,600	1,600
		337,045	**317,976**

In the ordinary course of business:

v) 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.

vi) There exists in some members of the consolidated entity the 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.

vii) 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.

viii) Controlled entities are subject to claims and counter claims with respect to contracting.

NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

11 ADDITIONAL INFORMATION

Annual Meeting

The annual meeting will be held as follows:

Place	The Heritage Ballroom, The Westin Hotel 1 Martin Place, Sydney 2000
Date	19 October 2004
Time	10:00am
Approximate date the annual report will be available	19 September 2004

Compliance Statement

This report is based on accounts which have been audited.

This report does give a true and fair view of the matters disclosed.

The entity has a formally constituted audit committee.

Sign here:

(Company Secretary)

Date: 23 August 2004

Print name: Carl Thompson

Deloitte.

Deloitte Touche Tohmatsu
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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF DOWNER EDI LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Downer EDI Limited (the company) and the consolidated entity, for the financial year ended 30 June 2004 as set out on pages 7 to 72. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Deloitte.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Downer EDI Limited is in accordance with:

(a) 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 2004 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J A Leotta
Partner
Chartered Accountants

Sydney, 23 August 2004

media

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For immediate release

Monday, 23 August 2004

Downer EDI delivers strong 2004 result - seventh consecutive year of earnings growth and profit increases

Positive outlook for 2005

Engineering services group, Downer EDI Limited (Downer EDI), today announced record levels of revenue and profit for the year ended 30 June 2004, its seventh successive year of improvement. The company lifted profit after tax by 22.5% to $81.5 million (2003 $66.6 million).

Revenue for the year was $3.2 billion (2003 $2.7 billion), an 18% increase. Of this amount core businesses delivered organic growth exceeding $275 million, including the first full year contribution from CPG Corporation (CPG), compared to 3 months in the comparative period. Operating earnings (EBITA) increased by 12% to $157.3 million.

Commenting on the result, Downer EDI Managing Director Stephen Gillies said the significant increase in revenue and profit achieved, notwithstanding the setbacks incurred in the first half in the Mining division, was testimony to the validity of Downer EDI's business model and our focus on engineering services.

"The underlying businesses are firmly established in their market segments and the outlook now is stronger than it has ever been. Our core businesses delivered around $496 million of incremental revenue during the year, of which approximately 55% was organic, clearly demonstrating the healthy markets in which Downer EDI participates," Mr Gillies said.

"We continue to deliver relatively stable, and growing core earnings streams in services now estimated to be 70% of our total revenue, to underpin the sustainability of our business," he said.

This is the first full year that the company has franked (to 50%) all of its ordinary share dividends. An interim dividend of 4 cents per share was paid on 29 March 2004. A final ordinary dividend of 9.6 cents and a special ordinary dividend of 2 cents per share, payable 19 October 2004, were declared by the Directors, making up a full year dividend of 15.6 cents per share. This represents a 34% increase in dividends per share compared to the previous year. This year's total ordinary dividends of $44.0 million represent a pay out ratio of 54% of Downer EDI's net profit after tax.

The Dividend Reinvestment Plan (DRP)[1] has been reinstated to address the desires of retail and offshore investors not wanting to receive cash dividends. The company has taken into consideration that substantial ASX listed companies in Australia offer the option to elect cash or scrip for dividends. Therefore, DRP has been re-introduced.

At year-end, committed sales were $6.4 billion, up 16% on the same time last year. Orders received since year end have been greater than revenue recorded. Consequently the sales book continues to grow to around $6.8 billion.

Mr Gillies said Downer EDI's financial performance for the year was in keeping with guidance given to the market at the time of half-year reporting.

"Net profit after tax equates to a basic earnings per share of 29.6 cents (last year 25.2 cents), another healthy improvement in earnings per share year on year. Net debt was $336.6 million, in line with the company's minimum target levels.

"The operating cash flow for the year was $181.5 million, reflecting strong cash flow levels driven by all divisions, including the release of working capital from overseas operations and an improvement in the management of working capital.

"This strong cash flow generation has helped to strengthen the composition of Downer EDI's balance sheet. While funds utilised in working capital increased by $17.5 million to $358.1 million this was on the back of a $496 million increase in revenue. As a percentage of revenue, working capital has declined from 12.6% to 11.2%, a drop of 140 percentage points," Mr Gillies said.

Downer EDI's balance sheet remains very healthy. Total assets now stand at $2.1 billion, total cash at bank and on deposit was $148.3 million, and net borrowings totalled $336.5 million. The company's gearing (net debt to equity) at 41% remains at minimum target levels. Total available liquidity amounted to $708.1 million.

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[1] Shareholders are advised that the Dividend Reinvestment Plan (DRP) has been reinstated and applies to the final ordinary share dividends. A notice to all shareholders is being mailed this week. The last date for receipt of election notices for participation in, or amendment to existing participation in, the DRP is 19 September 2004.

Operating performance

Mr Gillies said profit for the year reflected solid operating performances from the company's core businesses. "Headline sales growth was recorded by Infrastructure, Engineering and Rail divisions, with turnover and profit in line with expectations for the year. Issues relating to the Mining division's first half performance were put behind us by a strong second half performance," Mr Gillies said.

For the year ended June 2004, Infrastructure division increased turnover by 19% to $684.0 million compared to the previous year $576.5 million, reflecting growth in the Australian market and a solid performance in New Zealand.

Engineering division turnover increased 35% to $1,170.5 million, largely reflecting a strong full year contribution from CPG (last year 3 months), in line with expectations, a strong performance by power services and a good performance from telco services.

CPG was successful in meeting its financial targets for the year despite movements in the Australia/Singapore dollar exchange rate and its affect on the translation of CPG's results into Australian dollars, the adverse impacts of SARS in the region in 2003 and a low level of capital works activity in Singapore. Growth in CPG's business activity outside Singapore accounted for approximately 25% of new project fees secured for the period.

Rail (rollingstock) had a strong year with turnover up 23% to $409.9 million, compared to the previous year $333.5 million, reflecting increased volume from both maintenance contracts and new build contracts.

Mining and resources turnover at $1,082.8 million was in line with 2003 turnover. The performance of Century Resources was a significant improvement on the previous year, with demand for oil and gas drilling increasing substantially in the latter part of the financial year.

Outlook

Mr Gillies said the outlook for Downer EDI is positive for 2005. "We expect a strong year and have targeted increases in gross revenue of 10%, with the prospects for growth particularly encouraging for Infrastructure division (road and railtrack), Rail division (rollingstock) and in the services provided by CPG in growing Asian markets.

"Contracted sales for the 2005 financial year are already around 90% of forecast levels, up from 70% at the same time last year," Mr Gillies said.

"The economic outlook for Australia and New Zealand, our two major markets, is generally positive, and while the economic outlook for countries where we operate within Asia and South East Asia is strong, we remain buoyed by the prospects in our target markets. In Singapore, the slump in the economy appears to have bottomed with growth in GDP expected to rise 4-5% in the 2004/5 period.

"Prospects for leveraging our strong presence in Singapore into the growing economies of Northern Asia, especially China and India, are particularly encouraging given the success of CPG to date in these and other markets in the region.

"In Australia and New Zealand, governments have announced record levels of expenditure in rail and road infrastructure upgrade, and in some jurisdictions are actively embracing public private partnerships (PPPs) as a way of moving forward in funding and managing essential infrastructure. Downer EDI is well positioned to be a significant player in PPPs and alliance partnering with government. We have the expertise and size to pursue an increasing number of opportunities in this area and to secure infrastructure upgrade and asset management work.

"Demand for mining and resource services in the second half of the 2004 financial year has been strong and is expected to continue. Our focus is on improving margins and the return on capital of this business.

"Earnings per share will continue to improve given our strengthening earnings outlook and lack of need for new capital to support further growth initiatives.

"Employees and management should take pride in the results to date, and I do believe the current and future direction in the organisation should see returns to shareholders improving further," Mr Gillies said.

Summary results table
For year ended 30 June 2004

	2004 $M	2003 $M
Revenue	3,193.3	2,697.0
Turnover *	3,417.5	2,867.9
Earnings before interest, tax and amortisation of intangibles (EBITA)	157.3	140.4
Profit before tax	109.2	94.7
Net profit after tax	81.5	66.6
Net profit (before goodwill amortisation)	100.2	82.6
Total capital & reserves	823.0	760.2
Total assets	2,119.1	2,032.7
Cash at Bank and on deposit	148.3	206.7
Undrawn facilities	559.8	502.7
Value of work on hand	6,400.0	5,500.0

* Turnover is defined as total revenue, plus our share of the sales revenues of joint venture activities

Analysis of turnover - 2004 (compared to 2003)

By major division	Engineering	35.0% (30.3%)
	Infrastructure	20.4% (20.1%)
	Mining and resources	32.3% (38.0%)
	Rail	12.2% (11.6%)
By location	Australia	73% (70%)
	New Zealand/Pacific	20% (24%)
	Asia	7% (6%)

For further information, please contact:
Media: John Shuey, Group Corporate Affairs Manager, (02) 9251 9899 or 0413 705 491

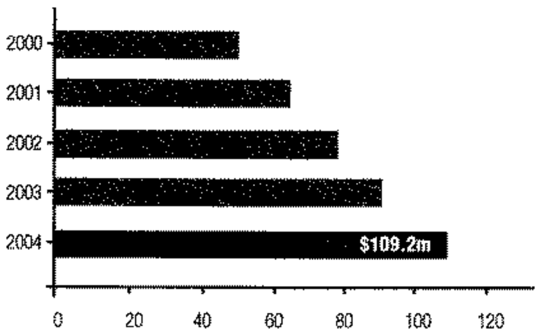
Investors: Lynne Shori, Investor Relations Manager, (02) 9251 9899 or 0417 939 712

Financial Highlights

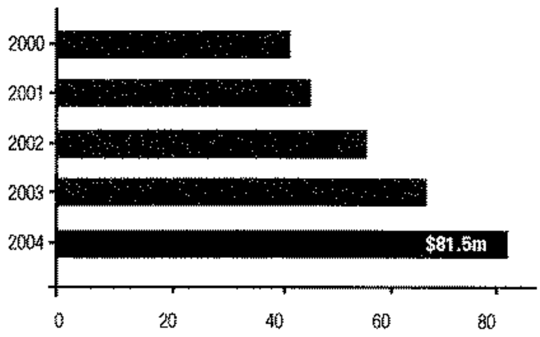
	Jun 2004 $'000	Jun 2003 $'000	% change
Operating Revenue - Group	3,149,717	2,606,049	20.9%
- Joint Venture Entities	224,183	170,835	31.2%
Other Revenue	43,591	90,974	-52.1%
Total Turnover	3,417,491	2,867,858	19.2%
Value of Work in Hand	6.4bn	5.5bn	+16.4%
Profit from ordinary activities before tax	109,235	94,743	15.3%
Income Tax	(27,689)	(28,171)	(1.7%)
Profit from ordinary activities after tax	87,546	66,572	22.5%
Earnings per Ordinary Share	29.6¢	25.2¢	17.5%
Dividends per Ordinary Share	15.6¢	11.6¢	34.5%
Total Equity	823,029	760,191	8.3%
Total Assets	2,119,137	2,032,746	4.2%
Borrowings	484,817	502,951	(3.6%)
Cash	148,264	206,746	(28.3%)

Key Performance Indicators (as at 30 June)

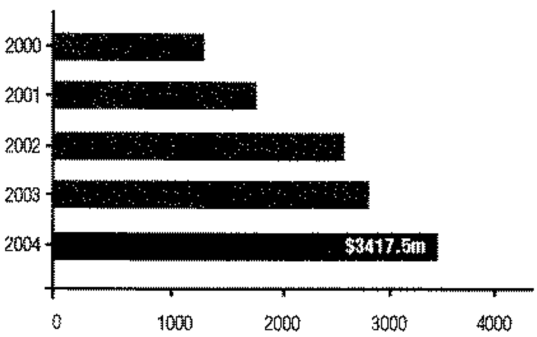
$M Operating Profit Before Tax



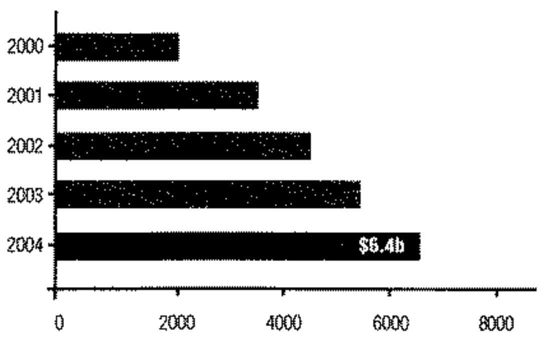
$M Operating Profit After Tax



$M Total Turnover



$M Work In Hand



2004 Full Year Results Commentary

Financial Performance

This is our seventh successive year of earnings and profit improvement. It was a robust year for the company, reflecting improving quality of earnings, improved market positions and a strong order book which is sustainable. The outlook, as in previous years, continues to look better.

Revenue increased by 18% and profit by 22% on the previous year, the latter being ahead of the 2003 financial guidance of not less than 15%. Operating earnings (EBITA) increased by 12% to $157.3 million. Net debt at $336.6 million is in line with the company's minimum target levels.

This year, we continued to make progress in building capability as a value-adding engineering service provider, through a combination of bolt-on acquisitions, enhancing our skills base and promoting our intellectual property capability. Our business model is built around a 'whole of asset life' concept where we can offer our clients total management of their assets, with the focus on our core markets - the public and private road, rail, telecommunications, power and mining sectors.

We place emphasis on taking dominant positions in those markets where we are active across the geographic areas in which we operate.

We continue to deliver relatively stable, and growing, core earnings streams in services now estimated to be 70% of our total revenue, to underpin the sustainability of our business.

As reported last year, we will continue to pursue opportunities to layer in 'annuity-type' earnings streams that seek to improve the transparency and predictability of our Group earnings. A number of companies in our sector are now attempting to emulate this concept, and for shareholders, this must be seen as a compliment to our company's strategic direction. Like all successful teams, we will continue to train, undertake further self improvement and layer in intellectual property to differentiate our offering to clients. We are confident that this approach will continue to deliver the rewards to staff, management and shareholders well into the future.

In Australia and New Zealand governments have announced record levels of expenditure in rail and road infrastructure upgrade, and in some jurisdictions are actively embracing public private partnerships as a way of moving forward in funding and managing essential infrastructure. Downer EDI is well positioned to participate in PPPs and alliance partnering with government. We have the expertise and size to pursue an increasing number of opportunities in this area and to secure infrastructure upgrade and asset management work.

Last year, we identified and undertook to give active consideration to the development of concepts such as an infrastructure fund, which would allow Downer EDI to co-invest, aligning with selected clients where the investment has long term business relationship benefits. It is important for the company to deliver value to its partners and clients, but importantly it must deliver value to you as shareholders through benefits from moving up the value chain. These opportunities are now before us and include opportunities for investment in power line assets, water treatment and, of course, the New South Wales PPP for rollingstock and related infrastructure assets.

Operating performance

Profit for the 2004 financial year reflected solid operating performances from our core businesses. Headline sales growth was recorded by infrastructure, engineering and rail divisions, with turnover and profit in line with expectations for the year. Issues relating to the mining division's first half performance were put behind us by a strong second half performance.

For the year ended June 2004, infrastructure division increased turnover by 19% to $684.0 million compared to the previous year $576.5 million, reflecting growth in the Australian market and a solid performance in New Zealand.

Engineering division turnover increased 35% to $1,170.5 million, largely reflecting a strong full year contribution from CPG (last year 3 months), in line with expectations, a strong performance by power services and a solid performance from telco services.

CPG was successful in meeting its financial targets for the year despite movements in the Australia/Singapore dollar exchange rate and its affect on the translation of CPG's results into Australian dollars, the impacts of SARS in the early part of 2003, the low level of capital works activity in Singapore and the end of CPG's 5-year moratorium with the Singapore Government in March 2004. Growth in business activity outside Singapore accounted for approximately 25% of new project fees secured for the period.

Rail (rollingstock) had a strong year with turnover up 23% to $409.9 million compared to the previous year $333.5 million, reflecting increased volume from both maintenance contracts and new build contracts.

Mining and resources turnover at $1,082.8 million was in line with 2003 turnover. A strong performance in the second half by Roche Mining largely offset the one-off problems incurred and flagged in the first half. The performance of Century Resources was a substantial improvement on the previous year, with demand for oil and gas drilling increasing substantially in the latter part of the financial year. Recent contract awards have boosted Roche Mining's forward order book which now stands at $2.3 billion and the outlook is positive.

Last year, we took the decision to discontinue general construction activities. These activities recorded a loss for the year and contributed to holding back what could have been a great outcome this year. Revenue from these activities will reduce significantly for the 2005 financial year and will reduce further moving into financial year 2006 and beyond.

Downer EDI's overall forward order book at year end was $6.4 billion, in keeping with the level at the half year and up 16% on the same time last year. Recently awarded contracts have taken the level to $6.8 billion.

Regional Commentary

Australia

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

New Zealand

In New Zealand, the Government has announced record levels of spending on upgrading transport infrastructure over the next 10 years. This is expected to have a positive impact on our road maintenance and upgrade business, where Works Infrastructure holds a substantial market share. The Government's desire to see improvements in the efficiency and performance of the New Zealand rail services is also likely to drive increased activity in this sector in the coming years. In 2003, Downer Engineering increased market share in telecommunications services, being one of only two companies awarded 3-5 year field maintenance contracts, and prospects for investment in power generation and services are buoyant.

Singapore/Asia

In the Asian region, a strong platform for growth has been established through Singapore based CPG Corporation, and with it over 2,000 highly skilled staff. The business has successfully established footholds in the growth markets of China and India, and operates in 18 countries.

Acquisitions, disposals and investments

In keeping with the company's strategy, we have continued to invest in our core operations with small 'bolt-on' acquisitions, which for the year totalled $26 million and focused on road and railtrack technology and maintenance services, electrical contracting and maintenance services and mining technology.

During the first half, residual non-core assets of Walkers Pty Ltd and a non-core investment in Horizon Education and Technologies Ltd (Singapore) were disposed of netting around $3 million.

Net acquisitions were funded from operating cash flow.

A number of infrastructure investments in the power and rail industries are under active consideration. The company is also considering investment in public-private partnerships in New South Wales.

Achieving operational effectiveness

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

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

This represents a challenge for some of our people who have come from short-term contract based backgrounds.

To assist in this process, an annual conference for senior operational management and other cross-divisional activities are being used to more frequently share ideas, develop cohesion and team work and instigate steps to enhance operational effectiveness. A continuing theme is the importance of client focus, long term client relationships and client account management.

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

- EDI Rail was restructured to focus on the discrete business streams of passenger and freight, recognising the different needs of the two markets;
- The New Zealand Capital Projects business unit (formerly a part of Downer Engineering) has been integrated into Works Infrastructure New Zealand, providing a cohesive full service offering across its client base;
- Team leadership and training programs have commenced at Works Infrastructure New Zealand utilising ex-All Blacks rugby players. The focus has been on team effort and pulling together for common goals and outcomes.

Strengthening our client-focus culture and developing a recognised company-based culture clearly identified as 'the Downer EDI way of doing business and servicing its clients' will continue to be an important focus moving forward.

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

New contracts/recognition

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

At the same time, we will continue to pursue strategic alliances, partnering and joint ventures where these lead to complementary skill sets and the opening up of new business opportunities in our core business areas. An increasing number of partnership associations with companies like Mitsubishi in the power sector and Bombardier in the rail sector are likely moving forward.

The alliance contract with Queensland Rail, which resulted in the successful build, delivery and in-revenue service commissioning of the Cairns Tilt Train was recognised during the year by being awarded Australia's 'Project of the Year' by the Institute of Project Management.

Management appointments

With continued growth and business opportunities in rollingstock and the need to provide increased client service levels, the management team of EDI Rail was enhanced during the year with the appointment of Guy Wannop as Chief Executive Officer, Danny Broad as Group General Manager Freight and David Williamson as General Manager Passenger, reflecting the importance we place on focused leadership and management of these two business streams.

At Downer EDI head office, the senior management team has been expanded with the appointments of Carl Thompson as General Manager, Commercial and Company Secretary, Greg Pauline to the position of General Manager Business Development with a brief to further drive cross-selling opportunities for the Group, and Lynne Shori has been appointed to the position of Investor Relations Manager.

Outlook

The outlook for Downer EDI is positive for 2005. We expect a strong year and have targeted increases in gross revenue of 10%, with the prospects for growth particularly encouraging for infrastructure division (road and railtrack), rail division (rollingstock) and in the services provided by CPG in growing Asian markets.

Contracted sales for the 2005 financial year are already around 90% of forecast levels, up from 70% at the same time last year.

The economic outlook for Australia and New Zealand, our two major markets, is generally positive, and while the economic outlook for countries where we operate within Asia and South East Asia is mixed, we remain buoyed by the prospects in our target markets. In Singapore, the slump in the economy appears to have bottomed and we expect to see a 4-5 % growth in GDP.

Prospects for leveraging our strong presence in Singapore into the growing economies of Northern Asia, especially China and India, are particularly encouraging given the success of CPG to date in these and other markets in the region.

Demand for mining and resource services in the second half of the 2004 financial year has been strong and is expected to continue. Our focus is on improving margins and the return on capital of this business. The growth that needs to be managed in other parts of our business provides a rich opportunity to ration capital according to risk and return.

Earnings per share will continue to improve given our strengthening earnings outlook and lack of need for new capital to support further growth initiatives.

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

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