

6 August 2015

Company Announcements Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Please find attached the following documents:

1. Appendix 4E – results for announcement to the market for the year ended 30 June 2015;
2. 2015 Annual Report;
3. Market release dated 6 August 2015;
4. Investor Presentation; and
5. Appendix 4G – Key to Disclosures Corporate Governance Principles and Recommendations.

Yours sincerely,
Downer EDI Limited



Peter Tompkins
Company Secretary

**Results for announcement to the market
for the year ended 30 June 2015**

Appendix 4E

	2015 \$'m	2014 \$'m	% change	
Revenue from ordinary activities	7,014.9	7,365.3		
Other income	5.0	6.3		
Total revenue and other income from ordinary activities	7,019.9	7,371.6	(4.8%)	
Total revenue including joint ventures and other income	7,430.1	7,734.6	(3.9%)	
Earnings before interest and tax	309.7	341.1	(9.2%)	
Profit from ordinary activities after tax attributable to members of the parent entity	210.2	216.0	(2.7%)	
	2015 cents	2014 cents	% change	
Basic earnings per share	46.6	48.3	(3.5%)	
Diluted earnings per share	44.9	46.0	(2.4%)	
Net tangible asset backing per ordinary share	258.0	315.2	(18.1%)	
Dividend	2015 Final	2014 Final		
Dividend per share (cents)	12.0	12.0		
Franked amount per share (cents)	12.0	12.0		
Dividend record date	20/08/2015	19/08/2014		
Dividend payable date	17/09/2015	17/09/2014		
Redeemable Optionally Adjustable Distributing Securities (ROADS)				
Dividend per ROADS (in Australian cents)	5.32	4.51		
New Zealand imputation credit percentage per ROADS	100%	100%		
ROADS payment date	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Instalment date FY2015	15/09/2014	15/12/2014	16/03/2015	15/06/2015
Instalment date FY2014	16/09/2013	16/12/2013	17/03/2014	16/06/2014
Downer EDI's Dividend Reinvestment Plan (DRP) has been suspended.				
For commentary on the results for the year and review of operations, please refer to the Directors' Report and separate media release attached.				

Annual Report **2015**



This Annual Report includes the Downer EDI Limited Directors' Report, the Annual Financial Report and Independent Audit Report for the financial year ended 30 June 2015. The Annual Report is available on the Downer website www.downergroup.com.

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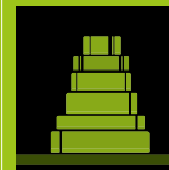
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Directors' Report

for the year ended 30 June 2015

The Directors of Downer EDI Limited submit the Annual Financial Report of the Company for the financial year ended 30 June 2015. In compliance with the provisions of the *Corporations Act 2001* (Cth), the Directors' Report is set out below.

Board of Directors

R M HARDING (66)

Chairman since November 2010, Independent Non-executive Director since July 2008

Mr Harding has held management positions around the world with British Petroleum (BP), including President and General Manager of BP Exploration Australia.

Mr Harding is currently the Chairman of Lynas Limited and a Director of Transpacific Industries Group Limited, a former Chairman of Roc Oil Company Limited and Clough Limited and a former Director of Santos Limited.

Mr Harding holds a Masters in Science, majoring in Mechanical Engineering.

Mr Harding lives in Sydney.

G A FENN (50)

Managing Director and Chief Executive Officer since July 2010

Mr Fenn has over 20 years' experience in operational and financial management as well as strategic development. He joined Downer in October 2009 as Chief Financial Officer and was appointed Chief Executive Officer in July 2010.

Prior to joining Downer, Mr Fenn had a 14 year career at Qantas Airways Limited during which he held a number of senior roles and was a Member of the Executive Committee for 10 years. These roles included Executive General Manager of Strategy and Investments and Executive General Manager – Associated Businesses, responsible for the Airports, Freight, Flight Catering and Qantas Holidays businesses.

He was also previously Chairman of Star Track Express and a Director of Australian Air Express.

Mr Fenn holds a Bachelor of Economics from Macquarie University and is a member of the Australian Institute of Chartered Accountants. He worked at KPMG for eight years before he joined Qantas.

Mr Fenn lives in Sydney.

S A CHAPLAIN (57)

Independent Non-executive Director since July 2008

Ms Chaplain is a former investment banker with extensive experience in public and private sector debt financing. She also has considerable experience as a Director of local and state government-owned corporations involved in road, water and port infrastructure.

Ms Chaplain is Chairman of Queensland Airports Limited and a Director of Export Finance and Insurance Corporation. Ms Chaplain is also a Director of a number of private companies, including, Keolis Downer Pty Ltd, a joint venture between Downer and Keolis SA and its subsidiaries KDR Gold Coast Pty Ltd and KDR Victoria Pty Ltd. Ms Chaplain is also Chairman of Canstar Pty Ltd, a financial services research and ratings company. Ms Chaplain is a former Director of PanAust Limited and Coal & Allied Industries Limited and a former member of the Board of Taxation.

A Fellow of the Australian Institute of Company Directors, Ms Chaplain holds a Bachelor of Arts degree majoring in Economics and Mandarin in addition to a Masters of Business Administration (MBA) from the University of Melbourne.

Ms Chaplain lives on the Gold Coast.

P S GARLING (61)

Independent Non-executive Director since November 2011

Mr Garling has over 35 years' experience in the infrastructure, construction, development and investment sectors. He was most recently the Global Head of Infrastructure at AMP Capital Investors, a role he held for nine years. Prior to this, Mr Garling was CEO of Tenix Infrastructure and a long term senior executive at the Lend Lease Group, including five years as CEO of Lend Lease Capital Services.

Mr Garling is currently Chairman of Tellus Holdings Limited and a Director of Charter Hall Limited and Networks NSW. Mr Garling is also the President of Water Polo Australia Limited. Mr Garling is the former Chairman of Australian Renewable Fuels Limited and the Asian Giants Infrastructure Fund and a former Director of DUET Group, of which he was inaugural Chairman for seven years.

Mr Garling holds a Bachelor of Building from the University of New South Wales and the Advanced Diploma from the Australian Institute of Company Directors. He is a Fellow of the Australian Institute of Building, Australian Institute of Company Directors and Institution of Engineers Australia.

Mr Garling lives in Sydney.

E A HOWELL (69)

Independent Non-executive Director since January 2012

Ms Howell has over 40 years' experience in the oil and gas industry in a number of technical and managerial roles. She was most recently Executive Vice President for Health, Safety & Security at Woodside Energy Ltd and served as Executive Vice President of North West Shelf at Woodside. Before joining Woodside she was Managing Director of Apache Energy Ltd.

Ms Howell is currently a Director of Mermaid Marine Australia Ltd, Buru Energy Ltd and EMR Resources Pty Ltd. She is also on the Senior Advisory Board of Miro Advisors Ltd.

She has previously served on a number of boards, including Tangiers Petroleum Limited where she held the position of Executive Chair, the Fremantle Port Authority, the Australian Petroleum Production & Exploration Association where she chaired the Environmental Affairs Committee and as a board member and President of the Australian Mines and Metals Association.

Ms Howell holds a Bachelor of Science (with Honours in Geology and Mathematics) from the University of London, an MBA from Edinburgh Business School and is a Graduate of the Australian Institute of Company Directors.

Ms Howell lives in Perth.

J S HUMPHREY (60)

Independent Non-executive Director since April 2001

Mr Humphrey is currently the Executive Dean of the Faculty of Law at Queensland University of Technology and a Legal Consultant to King & Wood Mallesons of which he is a former Deputy Chairman, and partner specialising in corporate, mergers and acquisitions and infrastructure 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 also a former member of the Australian Takeovers Panel.

Mr Humphrey holds a Bachelor of Laws from the University of Queensland.

Mr Humphrey lives in Brisbane.

C G THORNE (65)

Independent Non-executive Director since July 2010

Dr Thorne has over 36 years' experience in the mining and extraction industry, specifically in senior operational and executive roles across a broad range of product groups and functional activities in Australia and overseas. Dr Thorne has previously held a number of senior roles at Rio Tinto, including as a group executive reporting to the Chief Executive Officer, as head of its coal businesses in Indonesia and Australia, and as global head of its technology, innovation and project engineering functions. From 2006 to 2009, he was Group Executive Technology and Innovation and a member of Rio Tinto's Executive and Investment Committees.

Dr Thorne is a Director of JK Tech and a former Director of Queensland Energy Resources Limited. He is a Fellow of both the Australasian Institute of Mining and Metallurgy and the Australian Academy of Technological Science and Engineering. Dr Thorne also holds directorships with a number of private companies.

He holds Bachelor and Doctoral degrees in Metallurgy from the University of Queensland and is a Graduate of the Australian Institute of Company Directors.

Dr Thorne lives on the Sunshine Coast.

Directors' Report – continued

for the year ended 30 June 2015

Directors' shareholdings

The following table sets out each Director's relevant interest (direct and 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	Number of Fully Paid Ordinary Shares	Number of Fully Paid Performance Rights	Number of Fully Paid Performance Options
R M Harding	10,150	–	–
G A Fenn*	572,586	1,200,505	–
S A Chaplain	64,142	–	–
P S Garling	12,100	–	–
E A Howell	10,000	–	–
J S Humphrey	68,367	–	–
K G Sanderson	10,000	–	–
C G Thorne	59,230	–	–

* Mr Fenn's holding of ordinary shares comprises 30,769 shares acquired under the Company's accelerated renounceable rights offer and 324,896 shares that have met all vesting conditions being the first tranche of shares in his 2009 grant (64,767 shares), his sign-on grant that vested on 1 July 2011 (250,525 shares) and 9,604 shares under the 2011 Long-term Incentive Plan that vested on 15 January 2015. A further 216,921 shares have been purchased as Mr Fenn's long-term incentive and are held by CPU Share Plans Pty Ltd (Trustee of the Downer EDI Limited Deferred Employee Share Plan). These shares have met the relevant performance conditions but remain subject to a continued employment condition to 31 December 2015. Performance rights granted to Mr Fenn are subject to performance and/or service period conditions over the period 2013 to 2018. Further details regarding the conditions relating to these restricted shares and performance rights are outlined in sections 5.4 and 8 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 about corporate governance and gives practical effect to any decisions made by the Board.

Mr Peter Tompkins was appointed Company Secretary on 27 July 2011. He has qualifications in law and commerce from Deakin University and corporate governance from the Governance Institute of Australia and is an admitted solicitor in New South Wales. Mr Tompkins joined Downer in 2008 and was appointed General Counsel in 2010.

Mr Peter Lyons was appointed joint Company Secretary on 27 July 2011. A member of CPA Australia and the Governance Institute of Australia (formerly Chartered Secretaries Australia), he has qualifications in commerce from the University of Western Sydney and corporate governance from the Governance Institute of Australia. Mr Lyons was previously Deputy Company Secretary and has been in financial and secretarial roles at Downer for over 10 years.

Review of operations

Principal activities

Downer EDI Limited (Downer) is a leading provider of services to customers in markets including Transport, Technology and Communications, Utilities, Engineering, Construction and Maintenance (EC&M), Mining and Rail. Downer employs about 19,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa.

Divisional activities

In this Financial Report, and consistent with prior periods, Downer has reported its results by the operating segments of Infrastructure (Australia and New Zealand), Mining and Rail.

During the period Downer changed its segment reporting to reflect the new structure created to strengthen the Group's focus on customers, better align Downer to its end markets, maximise future opportunities and reduce costs. Accordingly, the Group has also reported under the following six service lines: Transport Services, Technology and Communications Services, Utilities Services, EC&M, Mining and Rail. Downer considers that this provides greater clarity on each of Downer's service offerings and aligns the business more closely with economic and market intelligence that is typically undertaken on a sectoral basis.

The table below shows a reconciliation between the historical and new reporting structures:

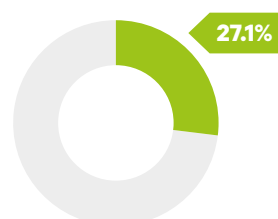
FY15 structure	FY16 structure
Infrastructure Australia (DI-AU) and New Zealand (DI-NZ)	Transport Services
	Technology and Communications Services
	Utilities Services
	Engineering, Construction and Maintenance (EC&M)
Mining	Mining
Rail	Rail

To further assist with understanding the new structure, the Group has presented the FY15 segment information (Note B1) under the historical and new structures (see page 59). Details of each service line is set out below.

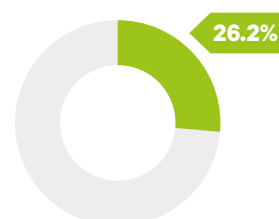
Transport Services (formerly part of DI-AU and DI-NZ)

The Transport Services division comprises Downer's road, rail, airport and port infrastructure businesses. It features a broad range of transport infrastructure services including earthworks, civil construction, asset management, maintenance, surfacing and stabilisation, supply of bituminous products and logistics, open space and facilities management and rail track signalling and electrification works.

Total revenue¹ (FY15)



EBIT (FY15)



■ Transport Services

Roads

Downer offers one of the largest non-government owned road infrastructure services businesses in Australia and New Zealand, maintaining more than 40,000 kilometres of road in Australia and more than 32,000 kilometres in New Zealand.

The Roads business units deliver a broad range of tailored pavement treatments and traffic control services and also provide high level capabilities in strategic and tactical asset management, network planning and intelligent transport systems. They continue to invest in state-of-the-art technology to drive innovation and performance, including asphalt plants that use more recycled products and substantially less energy. Downer's joint venture with Mouchel delivers a sophisticated road asset management service offering and was formed specifically to meet the changing needs of customers and markets.

Downer is also a leading manufacturer and supplier of bitumen based products and a provider of soil and pavement stabilisation, pressure injection stabilisation, pavement recycling, pavement profiling and asset management.

Customers include all of Australia's State road authorities, the New Zealand Transport Agency and the majority of local government councils and authorities in both countries.

Other transport infrastructure

Downer provides integrated services to its airport and port customers including pavement construction, facilities maintenance, communications technologies, open space and asset management and turnkey electrical and communication systems. It also provides whole-of-life asset solutions for associated infrastructure such as roads, rail lines and car parks.

Downer also provides rail infrastructure services including earthworks, civil and rail track construction and signalling and electrification works.

Customers include Transport for NSW, the Australian Rail Track Corporation and Hamilton International Airport.

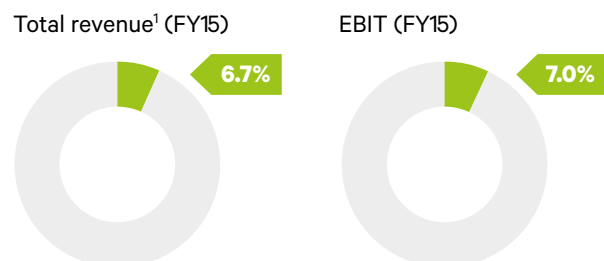
¹ Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated. Due to rounding, divisional percentages do not add up precisely to 100%.

Directors' Report – continued

for the year ended 30 June 2015

Technology and Communications Services (formerly part of DI-AU and DI-NZ)

The Technology and Communications Services division provides an end-to-end infrastructure service offering, comprising pre-feasibility, design, civil construction, remedial works, maintenance, disruption risk reduction and asset performance improvement, deployed across fibre, copper and radio networks throughout Australia and New Zealand.



Technology and Communications Services

Downer offers end-to-end critical infrastructure management solutions to customers in the technology and communications industry in both Australia and New Zealand. Its expertise in the pre-feasibility and design phases of the life cycle provides customers with a high level of assurance and reduces strategic uncertainty at the beginning of the investment process.

Downer brings automation technology expertise to reduce costs and enhance system functionality through comprehensive, innovative and practical technical communication solutions. Downer has delivered Australia's first fully integrated and multi-modal electronic fare payment system, and today continues to develop and deliver leading intelligent transport technology solutions.

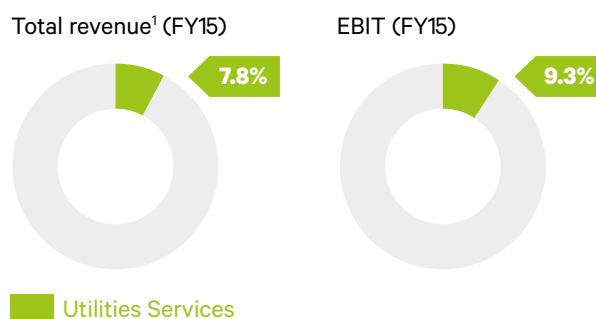
Comprehensive project and program management capabilities are supported by superior mechanical, electrical and technical capabilities. This allows Downer to deliver projects safely, cost effectively and on time.

Downer manages and delivers remedial works and proactive maintenance, and focuses on reducing the risk associated with disruption to asset operations and working towards improving asset performance in order to ensure equipment meets its life cycle expectations.

Customers include nbn™, Foxtel, Chorus and Vodafone.

Utilities Services (formerly part of DI-AU and DI-NZ)

The Utilities Services division provides complete lifecycle solutions to customers in the power, gas, water and renewable energy sectors.



Power and Gas

Downer offers customers a wide range of services including planning, designing, constructing, operating, maintaining, managing and decommissioning power and gas network assets.

Over the past three years, Downer has erected over 1,000 steel lattice transmission towers. It has designed and built over 100 substations and every year it connects 35,000 new power and gas customers. It also maintains over 62,000 kilometres of electricity and gas networks across more than 115,000 square kilometres.

Customers include United Energy, AusNet Services, Ergon Energy and Powerlink.

Water

Downer provides complete water lifecycle solutions for municipal and industrial water users, with expertise including waste and waste water treatment, pumping and water transfer, desalination and water re-use, and abstraction and dewatering.

Supporting its customers across the full asset lifecycle from the conceptual development of a project through design, construction, commissioning and optimisation, Downer also operates and maintains treatment, storage, pump station and network assets.

Customers include Logan City Council, Mackay Regional Council, Melbourne Water, Yarra Valley Water and Wagga Wagga City Council.

Renewable energy

Downer is one of Australia's largest and most experienced providers in the renewable energy market, offering design, build and maintenance services for:

- wind farms and wind turbine sites;
- solar farms;
- landfill methane generation plants;
- sugar cane waste (Bagasse) fired cogeneration plants; and
- other biomass fired cogeneration plants.

¹ Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated. Due to rounding, divisional percentages do not add up precisely to 100%.

Downer offers the services required for the entire asset life-cycle including procurement, assembly, construction and commissioning.

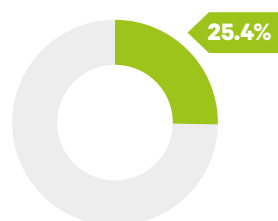
Downer's experience in wind farms includes Collgar (Western Australia), Boco Rock and Taralga (New South Wales), Lake Bonney (South Australia) and Mt Mercer (Victoria). In addition, Downer was recently awarded a contract for Ararat (Victoria).

Engineering, Construction and Maintenance (EC&M) (formerly part of DI-AU and DI-NZ)

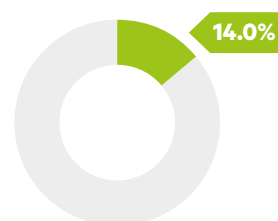
The EC&M division delivers a range of industry-leading services that maintain critical infrastructure for customers across the following sectors: oil and gas; commercial infrastructure; power generation; industrial minerals; coal; and iron ore.

These services include design, engineering, construction, maintenance and management of critical assets to ensure the successful delivery of operations and facilitation of future growth.

Total revenue¹ (FY15)



EBIT (FY15)



EC&M

EC&M's multi-disciplined teams self-execute civil, structural, mechanical, electrical and instrumentation services for greenfield and brownfield projects.

EC&M delivers the following core services:

- Electrical & Instrumentation – pre-eminent supplier of electrical and instrumentation services, delivering fully integrated electrical packages including: high voltage; services from 11kV to 500kV, including design, installation and commissioning; low voltage power reticulation; control and instrumentation; functions for critical plant uptime; and process instrumentation.
- Structural Mechanical & Piping – fully integrated structural, mechanical and piping service, including: pipework design and installation; heavy-lift rigging studies; exacting welding procedures; and fabrication.
- Maintenance Services – provider of a wide range of maintenance services from small ad hoc maintenance campaigns to long term partnerships and large periodic maintenance programs including: shutdowns, turnarounds and outages; condition monitoring; and operational readiness.

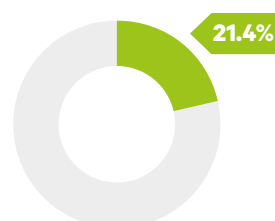
- Mineral Processing Solutions – through QCC Resources and Mineral Technologies, EC&M delivers end-to-end capabilities across all stages of the project life cycle for mineral processing operations worldwide.
- Civil Construction – leading provider of civil construction services across projects of all sizes and scope.
- Whole of Life Asset Management – provider of asset management services to help customers achieve optimal performance over the lifetime of assets within critical operational areas and across the broader business.

Customers include Chevron, Bechtel, Fluor Corporation, Wesfarmers, Origin, Santos and Alcoa.

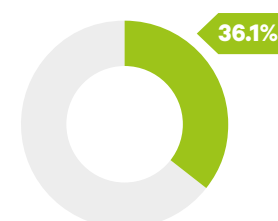
Mining

The Mining division provides a broad range of services through each stage of the mining lifecycle including open cut and underground mining, mine planning and design, civil construction, blasting, crushing, tyre management, mine rehabilitation and operational and exploration drilling.

Total revenue¹ (FY15)



EBIT (FY15)



Mining

The division has been successfully delivering contract mining and civil earthmoving services to its customers for over 90 years and is one of Australia's most diversified mining contractors. It employs approximately 3,500 people across 50 sites mainly in Australia and New Zealand but also in Papua New Guinea, South America and Southern Africa.

Downer's Mining division generates its revenues primarily from open cut mining and blasting services, with contributions also from tyre management and underground mining.

Customers include Fortescue Metals Group, Idemitsu Australia Resources, BHP Mitsubishi Alliance, Karara Iron Ore Project and Roy Hill Iron Ore.

¹ Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated. Due to rounding, divisional percentages do not add up precisely to 100%.

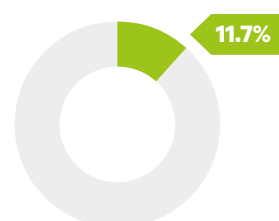
Directors' Report – continued

for the year ended 30 June 2015

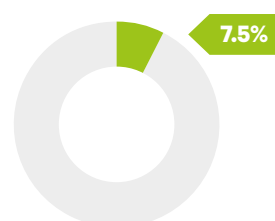
Rail

The Rail division provides total rail asset solutions including freight and passenger build, operations and maintenance, component overhauls and after-market parts.

Total revenue¹ (FY15)



EBIT (FY15)



Rail

Downer provides services to a range of public and private sector rail customers with capabilities spanning the provision, maintenance and overhaul of passenger and freight rolling stock, as well as importing and commissioning completed locomotive units for use in the resources sector.

Downer's Rail division has a strong national presence, particularly across Australia's eastern seaboard capital cities, with approximately 1,400 workers employed across 20 maintenance facilities. Downer operates two fleet control centres, focused on monitoring and management of passenger and freight fleets on behalf of its customers, and four manufacturing plants.

Downer has formed strategic joint ventures with leading technology and knowledge providers to support its growth objectives in the passenger and freight market. These include partnerships with Keolis, Bombardier and Electro-Motive Diesel (owned by Caterpillar).

The Keolis Downer joint venture is now Australia's largest privately-owned provider of multi-modal public transport solutions, with contracts to operate and maintain Yarra Trams in Melbourne and the Gold Coast Light Rail in Queensland. In April 2015, Keolis Downer acquired Australian Transit Enterprises (ATE), one of Australia's largest route, school and charter bus businesses. ATE operates a fleet of over 900 buses in South Australia, Western Australia and Queensland and generates around \$190 million in annual revenue.

Customers include Pacific National, BHP Billiton, Fortescue Metals Group, TasRail, Sydney Trains, Queensland Rail, Public Transport Authority (Western Australia) and Metro Trains Melbourne (Victoria)

Tenix acquisition

In October 2014, Downer acquired Tenix Holdings Australia Pty Limited (Tenix) for approximately \$300 million on a cash and debt free basis. This business is a leading provider of long-term operations and maintenance services to owners of electricity, gas, water, wastewater, industrial and resources assets in Australia and New Zealand. The revenue contribution from the Tenix business, for the eight month period from the completion of the acquisition on 31 October 2014 to 30 June 2015, was \$387.4 million. Excluding amortisation arising from customer-related intangibles and synergies, the EBIT contribution for the same period was \$23.2 million and is included in the Utilities Services division, as discussed earlier.

This business is a strong strategic fit for Downer with complementary operations, recurring revenue streams and long-term customer relationships. The acquisition is in line with Downer's strategy of increasing its infrastructure exposure and positions it for future opportunities in electricity distribution and maintenance.

Group financial performance

As outlined earlier, in this Financial Report, Downer has reported its results by the operating segments of Infrastructure (Australia and New Zealand), Mining and Rail as well as under the new service line structure. The table below shows the reconciliation between the two structures and Note B1 discloses segment information under both the FY15 and FY16 structures.

FY15 structure	FY16 structure
	Transport Services
	Technology and Communications Services
	Utilities Services
	Engineering, Construction and Maintenance (EC&M)
Infrastructure Australia (DI-AU) and New Zealand (DI-NZ)	
Mining	Mining
Rail	Rail

For the 12 months ended 30 June 2015, Downer reported declines in total revenue, earnings before interest and tax (EBIT) and net profit after tax (NPAT).

¹ Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated. Due to rounding, divisional percentages do not add up precisely to 100%.

Revenue

Total revenue for the Group decreased by 3.9%, or \$304.5 million, to \$7.4 billion.

Mining and Rail delivered lower revenue while Infrastructure's revenue increased 4.6% to \$5.0 billion, which included eight months' contribution from the Tenix business. Mining revenue fell 19.8% to \$1.6 billion and Rail revenue was down 12.9% to \$873.5 million.

Infrastructure's Australian revenue increased by 4.1% to \$3.8 billion while New Zealand revenue increased by 6.3% to \$1.2 billion. In New Zealand dollar terms, revenue was up 4.1%.

The reduction in Mining revenue was due to the continued deterioration of end-markets arising from the fall in commodity prices, the early termination of a contract at the Goonyella Riverside coal mine, the completion of the contract at the Daunia coal mine and reduced volumes on existing contracts. This was partially offset by an increase arising from the expanded mining services contract for the combined Christmas Creek operations, awarded to Downer in February 2015.

The Rail division's performance reflects the completion of several passenger manufacture contracts, including the Waratah Train Project Rolling Stock Manufacture (WTP RSM) contract in May 2014.

Expenses

Downer has taken proactive steps to "right-size" its business in alignment with market conditions. In FY15 Downer's total expenses declined by 4.6%, as total revenue declined by 3.9%.

Employee benefits expenses decreased by 0.9% to \$2.6 billion and represent 38.8% of Downer's cost base.

Subcontractor costs also decreased by 4.3% to \$1.6 billion and represent 23.3% of Downer's cost base. This decrease accords with the reduction in total revenue and a strategic intent by the Group to retain cost base variability, allowing the various businesses to ramp up or down more quickly via the utilisation of subcontract labour without imposing a permanent fixed cost structure on the business.

Raw materials and consumables expense was largely in line with prior year at \$1.3 billion and represents 19.1% of Downer's cost base.

Plant and equipment costs decreased by \$204.3 million to \$641.1 million and represents 9.6% of Downer's cost base. This largely reflects reduced reliance upon operating leased assets coupled with increased utilisation of owned assets, more efficient maintenance practices, a reduction in scope on some of Mining's contracts and an increase in free-issue materials (e.g. consumables).

Depreciation and amortisation decreased by 5.0% to \$253.1 million and represents 3.8% of Downer's cost base. This decrease reflects lower capital expenditure and the sale of mining equipment to customers as part of the arrangements to reduce volumes or the sale of equipment deemed surplus to

actual requirements as the business optimises asset utilisation. This reduction is partially offset by the amortisation of Tenix customer-related intangibles of \$6.6 million.

Other expenses, communication, travel, occupancy and professional fees have decreased by 3.5% to \$380.4 million and represent 5.7% of Downer's cost base.

Earnings

EBIT for the Group decreased by 9.2%, from \$341.1 million to \$309.7 million, due largely to reduced levels of activity in Australia and lower margins. Net Profit After Tax (NPAT) for the Group decreased by 2.7% to \$210.2 million.

Infrastructure's EBIT increased by 6.6% to \$203.7 million, with the Australian business (including eight months' contribution from the Tenix business) rising 12.9%. Excluding Tenix, EBIT in Downer Infrastructure's Australian business was down 5.2% to \$121.2 million due to project completions, tighter bid margins and losses incurred in the mining-related consultancy businesses.

Infrastructure's New Zealand business experienced a 6.2% decrease in EBIT to \$59.3 million, predominantly due to a \$5.9 million settlement of legacy "weather tight" building issue arising from a prior acquisition (see Note C9 for further detail). Excluding this settlement, EBIT would have been up 3.2%.

Mining's EBIT decreased by 22.6% to \$132.6 million as a result of contract completions, reduced volumes, the early termination of the Goonyella Riverside contract and fewer opportunities for the blasting business.

Rail's EBIT increased by 24.4% to \$27.5 million reflecting productivity improvements and lower restructuring costs.

The Group recognised \$25.1 million in Research and Development (R&D) incentives compared to \$11.7 million last year. The increase in the R&D incentives was attributable to \$15.1 million from FY14 projects finalised in the current year.

Corporate costs increased by \$7.6 million, or 12.3%, to \$69.2 million. The increase reflects costs related to the acquisition of Tenix, amortisation of customer-related intangibles and restructuring costs. Net finance costs reduced by \$13.1 million, or 30.5%, to \$29.9 million reflecting lower base interest rates and lower average net debt.

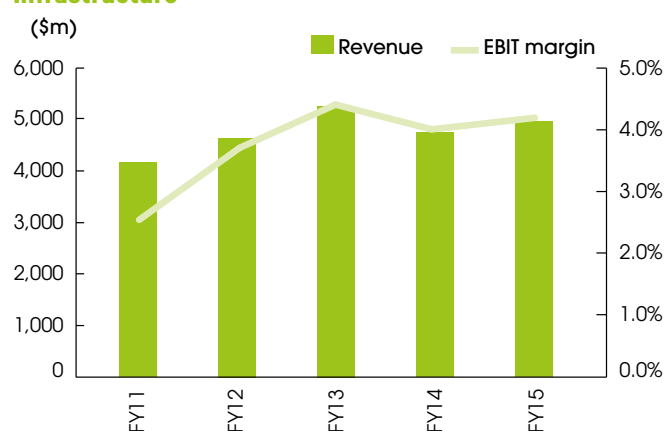
The effective tax rate of 24.9% is lower than the statutory rate of 30.0% due to non-assessable R&D incentives, non-taxable distributions from joint ventures and lower overseas tax rates.

Directors' Report – continued

for the year ended 30 June 2015

Divisional Financial Performance

Infrastructure



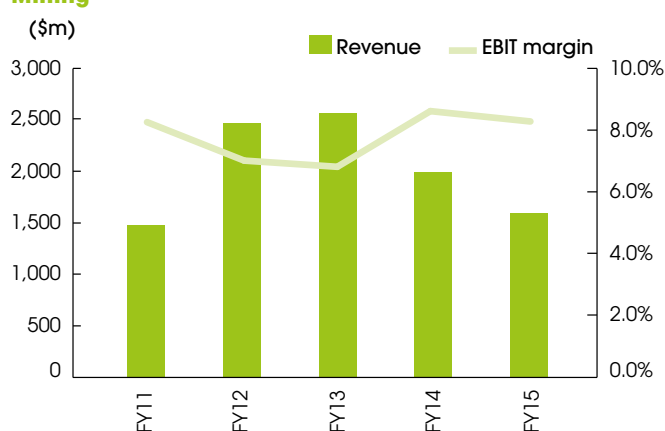
- Total revenue of \$5.0 billion, up 4.6%;
- EBIT of \$203.7 million, up 6.6%;
- EBIT margin of 4.1%, up 0.1 ppts;
- ROFE of 19.5%, down from 21.0%; and
- Work-in-hand of \$10.3 billion.

It was a challenging year for the Infrastructure division, due primarily to the reduction in mining related capital works.

Total revenue for Infrastructure's Australian business was up 4.1% on last year, including eight months' contribution from the Tenix business. However, excluding Tenix, EBIT for Infrastructure's Australian business was down 5.2% due to project completions, fewer opportunities in the resources sector and pressure on bid margins in a competitive tendering environment. The mining-related consultancy businesses were particularly impacted and experienced financial losses during the year. This had a significant impact on divisional earnings, particularly in the first half.

Infrastructure's New Zealand business performed strongly with a ramp up of projects, lower overheads and favourable foreign exchange movements, however EBIT was down 6.2% due to the \$5.9 million settlement of a legacy "weather tight" building issue.

Mining



- Total revenue of \$1.6 billion, down 19.8%;
- EBIT of \$132.6 million, down 22.6%;
- EBIT margin of 8.3%, down 0.3 ppts;
- ROFE of 17.2%, down from 20.9%; and
- Work-in-hand of \$3.1 billion.

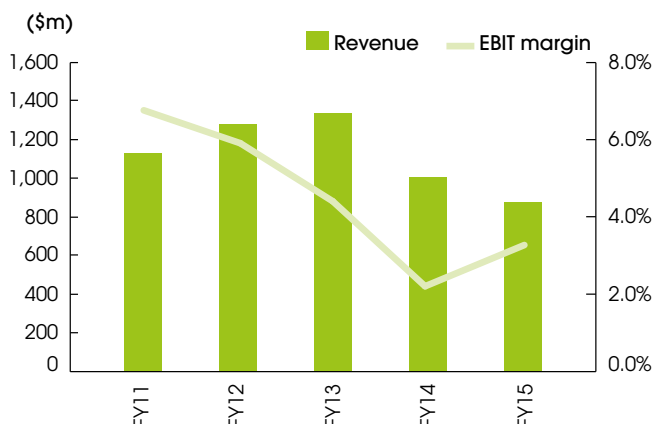
Mining's total revenue declined 19.8% to \$1.6 billion reflecting a number of contract completions, reduced volumes and the early termination of the Goonyella Riverside contract. There were also fewer opportunities for the blasting business and pricing pressure on Ammonium Nitrate supply, which placed further pressure on earnings.

During the year the Mining division was awarded the following contracts:

- a two-year contract extension with BHP Billiton Mitsubishi Alliance, valued at \$100 million, for the provision of mining services at the Blackwater coal mine in Queensland;
- a two-year contract with Cobar Management, valued at \$70 million, for underground mining services at the Cobar copper mine in New South Wales; and
- an expanded contract with Fortescue Metals Group, valued at approximately \$500 million per annum, for mining services at the Christmas Creek iron ore mine in Western Australia.

In December 2014, Downer received two Letters of Award from Adani Mining, valued at over \$2.0 billion, for mining services and construction of infrastructure at the Carmichael Coal Mine in Queensland. Both Letters of Award are subject to the parties executing binding contracts and have not been recognised as work-in-hand.

Rail



- Total revenue of \$873.5 million, down 12.9%;
- EBIT of \$27.5 million, up 24.4%;
- EBIT margin of 3.1%, up 0.9 ppts;
- ROFE of 6.5%, up from 4.7%; and
- Work-in-hand of \$5.1 billion.

Rail's total revenue was down 12.9% to \$873.5 million due primarily to the completion of a number of passenger manufacture contracts, including the WTP. This was partially offset by higher revenue from the WTP Through Life Support (TLS) contract and the Keolis Downer and Downer Bombardier joint ventures.

Rail's EBIT was up 24.4% to \$27.5 million due to productivity improvements and lower restructuring costs, as well as a strong contribution from the Keolis Downer joint venture.

The WTP TLS contract continued to perform strongly with many of the learnings derived from this project helping to improve performance on Downer's other rail maintenance contracts.

Keolis Downer delivered a 3.8% increase in revenue to \$236.9 million, due to a full-year contribution from Gold Coast Light Rail and two months' contribution from ATE.

On 4 February 2015, Downer announced it had signed a 10-year Locomotive Maintenance Agreement with Pacific National valued at approximately \$1.0 billion. Under the Agreement, Downer will provide a full suite of asset management services for over 300 Pacific National locomotives.

Group financial position

Funding, liquidity and capital are managed at Group level, with Divisions focused on working capital and operating cash flow management. The following financial position commentary relates to the Downer Group.

Operating cash flow

Operating cash flow was strong at \$486.5 million, though down 16.6% on last year. This reflects a higher cash inflow on the Waratah Train Project Rolling Stock Manufacture (WTP RSM) contract in the prior year and a more challenging environment for each of Downer's divisions. Operating cash flow/EBITDA conversion remained strong at 88.5%.

Investing cash flow

Total investing cash flow was \$498.2 million, up 78.7%, or \$219.4 million, on last year. This includes the acquisitions of Tenix, ATE and VEC Engineering, for a combined total of \$368.3 million (Tenix \$308.9 million, ATE \$50.0 million, VEC Engineering \$9.4 million).

The business continued to invest in capital equipment to support existing contracted operations resulting in net capital of \$98.3 million being invested, down 60.6% on last year. This investment principally represents maintenance capital. Payments for intangible assets increased by \$17.2 million, largely representing the Group's investment in IT systems.

Debt and bonding

During the year, the Group undertook the following material debt funding transactions:

- October 2014: a 12-month Bridge Loan was entered for an amount of \$300 million to fund the Tenix acquisition (this loan was fully repaid in April 2015);
- March 2015: a seven-year \$250 million Medium Term Note issue was completed with a maturity date of March 2022; and
- April 2015: the existing \$400 million Syndicated Bank Loan Facility was extended to a new maturity date of April 2019.

On 8 July 2015, the Group completed an issue of 10-year fixed rate US Private Placement Notes in two tranches for amounts of US\$100 million and \$30 million, with a maturity date of July 2025.

The Group's performance bonding facilities increased by \$51.3 million during the period to \$1,333.3 million and with \$524.9 million undrawn, there is material available capacity to support the ongoing operations of the Group.

As at 30 June 2015, Downer had liquidity of \$982.2 million comprising cash balances of \$372.2 million and undrawn committed debt facilities of \$610.0 million.

The Group continues to be rated BBB (Stable) by Fitch Ratings.

Directors' Report – continued

for the year ended 30 June 2015

Balance sheet

The net assets of Downer increased by 3.7% to \$2.0 billion.

Cash and cash equivalents decreased by \$59.6 million or 13.8% to \$372.2 million, reflecting debt repayments and the on-market share buy-back. Current trade and other receivables decreased by 5.9% or \$70.0 million to \$1.1 billion reflecting a decrease in revenue, continued focus on cash collections by all Divisions and the resolution of a number of customer disputes in both Infrastructure and Mining. Trade debtor days (excluding WIP) for the Group decreased by 2.9 days, from 28.6 to 25.7 days.

Trade debtor days (including WIP) for the Group was consistent with the prior year being 56.3 days at June 2014 and 56.7 days at June 2015.

Net debt increased from \$32.7 million at June 2014 to \$179.0 million at June 2015 mainly reflecting the acquisition of Tenix for \$300 million and ATE for \$50 million (Downer's share), repayment of debt and the on-market share buy-back (\$11.7 million).

Gearing (net debt to net debt plus equity) increased from 1.6% (June 2014) to 8.1%. Taking into account the reduction in the present value of operating lease commitments for plant and equipment from \$166.8 million to \$151.1 million, off balance sheet gearing increased from 9.2% (June 2014) to 14.0%.

Inventories balance was down \$32.1 million to \$352.6 million reflecting the sale of five standard gauge locomotives and reduction in tyre inventories. Other assets are substantially current prepayments and deposits.

Interest in joint ventures and associates increased by \$43.2 million due to the acquisition of ATE and Downer's share of net profits from joint ventures and associates net of distributions.

The net value of property, plant and equipment decreased by \$109.8 million principally due to reduced capital expenditure in Mining and Infrastructure in response to revenue decline.

Intangible assets increased by \$329.5 million primarily attributable to goodwill arising from the acquisition of Tenix and VEC of \$253.4 million and \$8.5 million respectively. Customer-related intangibles acquired as part of Tenix's acquisition also contributed to an increase of \$43.5 million with the remaining increase relating to the Group's investment in IT systems during the year.

Trade and other payables were largely in line with last year. Trade creditor days increased by 4.4 days from 30.8 to 35.2 days, which is well within Downer's terms of trade. Trade and other payables represent 54.6% of Downer's total liabilities.

Total drawn borrowings of \$538.6 million represent 27.4% of Downer's total liabilities and has increased by \$115.4 million as a result of the Tenix and ATE acquisitions and the on-market share buy-back, partially offset by the repayment of debt.

Other financial liabilities of \$18.1 million decreased by \$32.9 million and represents 0.9% of Downer's total liabilities. The decrease reflects the settlement of cross currency interest rate swap liabilities of \$28.9 million following the repayment of the USPP debt that was issued in 1999 and 2004.

Provisions of \$321.6 million decreased by 5.6%, or \$19.1 million, and represent 16.3% of Downer's total liabilities. Employee provisions (annual leave and long service leave) made up 80.1% of this balance with the remainder covering return conditions obligation for leased assets and property and warranty obligations.

Shareholder equity increased by \$73.3 million due predominantly to net profit after tax of \$210.2 million during the year partially offset by the \$11.7 million on-market share buy-back and \$114.8 million of dividend payments made during the year. Net foreign currency losses on translation of the New Zealand business resulted in a decrease in the foreign currency translation reserve by \$11.7 million.

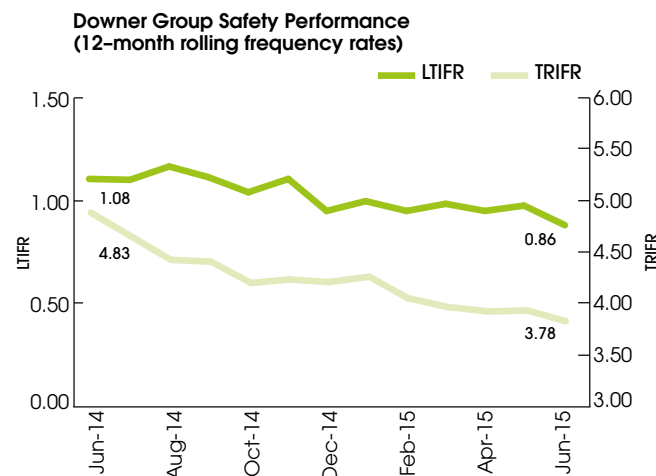
Dividends

The Downer Board resolved to pay a fully franked final dividend of 12.0 cents per share (12.0 cents per share pcpc), payable on 17 September 2015 to shareholders on the register at 20 August 2015.

The Board also determined to continue to pay a fully imputed dividend on the ROADS security, which having been reset on 15 June 2015 has a yield of 7.21% per annum payable quarterly in arrears, with the next payment due on 15 September 2015. As this dividend is fully imputed (the New Zealand equivalent of being fully franked), the actual cash yield paid by Downer will be 5.19% per annum for the next 12 months.

Zero Harm

Downer's Lost Time Injury Frequency Rate (LTIFR) reduced from 1.08 to 0.86 and Total Recordable Injury Frequency Rate (TRIFR) reduced from 4.83 to 3.78 per million hours worked.



Group business strategies, prospects and risks for future financial years

Downer is focused on improving business performance through a focus on safety, enhanced customer relationships, business transformation, cost efficiencies and productivity gains in response to changing economic conditions and the outlook for end markets. Downer's strategic objectives, prospects and risks that could adversely impact the achievement of these objectives are outlined in the table below.

For further information on Downer's risk management framework, refer to page 119 of the Corporate Governance Statement.

Strategic Objective	Prospects	Risk management
Maintain focus on Zero Harm	Downer is an industry leader but seeks to continually improve its performance to achieve its goal of zero work related injuries and environmental incidents.	Downer's activities can result in harm to people and the environment. Downer has sought to mitigate this risk by assessing, understanding and mitigating the "critical risks" facing Downer and implementing Downer's Cardinal Rules which provide direction and guidance on mitigating these critical risks.
Build core markets and capabilities	<p>Downer will continue to improve its existing business and build on its market leading positions, capabilities and Intellectual Property.</p> <p>Downer will pursue initiatives to achieve these objectives, including:</p> <ul style="list-style-type: none"> – developing and growing Asset Management capabilities; – focusing more closely on forward revenue opportunities in public transport (network construction, operations and maintenance), electricity networks (through State Government privatisations), passenger rail (heavy and light rail), outsourcing of road maintenance by State Governments and the NBN roll-out; – expanding into overseas markets selectively through existing customer relationships; – enhancing management capability to improve operational and financial performance; – adapting tendering model for large infrastructure projects; and – maintaining industry and geographical diversification to achieve greater resilience through economic cycles. 	<p>The achievement of these strategic objectives may be affected by macro-economic risks including global economic conditions, volatile commodity prices, reduced capital expenditure in the Australian resources sector, insourcing by key customers (e.g. rolling stock maintenance and mining services), early termination or scope reduction on existing contracts (e.g. contract mining) and increasing overseas competition. Downer will continue to manage its exposure to these risks through:</p> <ul style="list-style-type: none"> – forming strategic partnerships and joint ventures with leading technology and knowledge providers; – forming strategic partnerships and joint ventures with leading technology and knowledge providers and enhancing Downer's Customer Relationship Management (CRM) program; – identification, and rigorous review, of overseas opportunities; – a succession planning process for all leadership roles and a leadership development program; – bid governance process ensures i) there is a substantial level of risk assessment to inform Downer's decision on whether to bid, and the terms of the bid, and ii) there is a strong focus on bid costs throughout the tender process; and – growth and development strategies to diversify revenue sources, including through joint ventures.

Directors' Report – continued

for the year ended 30 June 2015

Strategic Objective	Prospects	Risk management
Strengthen customer relationships	Continuous improvement of the Company's engagement with customers, including working with them constructively to reduce costs and improve productivity.	Ongoing analysis of markets, customers and competitors to understand potential impacts and determine necessary action.
	Leveraging "cross-selling" opportunities.	Continuing to drive benefits from the new corporate structure and enhancing Downer's CRM tools.
	Engaging more closely with customers to understand their needs and play a more substantial role in their success.	Downer recently restructured its operational divisions to create better alignment with its customer base and also launched a new brand in March 2015, a major initiative to develop a more customer-focused organisation.
Drive efficiency and productivity	Downer has two key internal business initiatives: <ul style="list-style-type: none"> – Fit 4 Business Program: on track to achieve \$500 million in cost benefits over five years; and – Business Transformation Program: involves investment in core systems and the consolidation of business services. Downer has taken proactive steps to "right-size" its business in alignment with market conditions. In FY15 Downer's total expenses declined by 4.6%, as total revenue declined by 3.9%.	Failing to take proactive steps to reduce costs in line with forward revenue projections would jeopardise the ability to drive further improvements to business performance. The focus on business improvement, technological advancements and cost management is a fundamental part of Downer's formal planning processes, day-to-day management activities and governance activities.
	Continue to improve tender, contract and project risk management processes.	The corporate restructure in early 2015 was an important part of this strategic objective and it has enabled Downer to leverage its existing expertise more broadly and capitalise on growth opportunities.
	Continue to focus on asset utilisation and the appropriateness of the carrying value and allocation of non-current assets.	Rigorous tender, contract and project risk policies and procedures consistently across the Group.
Assess growth opportunities	Downer assesses merger and acquisition opportunities on an ongoing basis, including in new geographies, with a focus on the following key criteria: <ul style="list-style-type: none"> – strategic fit for Downer; – growth of capability; and – appropriate valuation. 	Detailed review of equipment, including age and valuation. Asset-specific maintenance plans and continued assessment to ensure equipment is allocated on a best fit-for-purpose basis.
		Downer undertakes rigorous analysis of potential opportunities to ensure they meet the key criteria and are structured to mitigate downside risks. The Company is also focused on ensuring it remains well within its financing covenant and credit rating metrics.
Capital management		Downer recently established a Strategy, Growth and Innovation function in Group Head Office.
	Downer intends to maintain strong balance sheet and financial metrics. It also intends to maintain an investment-grade external credit rating.	During the year Downer extended its \$400 million Syndicated Bank Loan Facility to April 2019 and completed a number of other debt transactions. The Group maintains ample capacity to support its ongoing operations.
		The Group continues to be rated BBB (Stable) by Fitch Ratings.

As discussed earlier, from 1 July 2015 Downer will change its segment reporting to the following six service lines: Transport Services; Technology and Communications Services; Utilities Services; EC&M; Mining; and Rail. The following table provides an overview of the key prospects relevant to each of these service lines and summarises Downer's intended strategic response across each sector to maximise the Company's performance and realise future opportunities.

Service line	Prospects	Downer's response
Transport Services	Potential for further outsourcing as Governments seek greater efficiency and smarter solutions.	<p>Downer has a sophisticated Road asset management offering through its joint venture with Mouchel. It is well positioned for potential opportunities in New South Wales, Queensland and other States/Territories.</p> <p>Downer has a vertically integrated Roads business with an end-to-end service offering, including asphalt production.</p>
Technology and Communications Services	Customers are developing new performance-based contracting models, based on closer collaboration between parties, which are generating longer term construction, operations and maintenance opportunities.	Downer was recently awarded a five-year contract by nbn™ to continue rolling out the national broadband network under the new Multi-technology Mix model. In 2014, Downer also entered a new service agreement with Chorus, the New Zealand telecommunications network operator, to continue the roll-out of its ultra-fast broadband.
Utilities Services	<p>The power, gas and water markets offer long-term operations and maintenance contract opportunities, with potential for growth through increased outsourcing.</p> <p>Legislation was recently passed on Australia's Renewable Energy Target, increasing the potential for new project development and contracting opportunities.</p>	<p>Downer holds a strong position in utilities markets due to its acquisition of Tenix in 2014. The Utilities Services business is well positioned to win outsourced work through the New South Wales power privatisation.</p> <p>Downer was recently awarded a contract on the Ararat wind farm in Victoria and is pursuing several other renewable energy opportunities.</p>
EC&M	EC&M activity in the minerals and metals resources sector is declining but is being offset by work in the oil and gas sector. In addition, EC&M opportunities are developing across different stages of the investment/asset life cycle.	<p>Downer is building on its leading, multi-discipline capability, working with customers to provide the best project management delivery mode, and developing its asset management capabilities to become a strategic solutions provider across the complete asset lifecycle.</p> <p>Downer is also focused on optimising its performance on existing LNG projects.</p>
Mining	Depressed commodity prices have led to reduced volumes and lower levels of investment, increasing the industry's focus on cost reduction. However, opportunities exist for mining contractors that can work collaboratively with customers to help drive productivity improvements and reduce production costs.	<p>Downer's Mining division continues to perform strongly by focusing on cost reduction, increased efficiencies and close collaboration with customers. During the year, it was awarded an expanded contract at Christmas Creek and contract extensions on other sites.</p> <p>The business continues to examine overseas opportunities.</p>

Directors' Report – continued

for the year ended 30 June 2015

Service line	Prospects	Downer's response
Rail	<p>Governments are seeking value through:</p> <ul style="list-style-type: none">– the procurement of large orders of passenger rolling stock and long-term maintenance contracts;– the franchising of operations and maintenance of heavy rail, light rail and bus transport networks; and– the development of multi-modal transport infrastructure solutions. <p>Freight customers are seeking continual improvements to fleet performance and reliability, with a strong focus on technology and innovation.</p>	<p>Downer's rail asset management model has a strong focus on "return on investment" – i.e. increasing fleet availability and reliability.</p> <p>Downer maintains strong strategic partnerships with leading global transport solutions providers and, through this model, is pursuing opportunities in rolling stock manufacture and maintenance and transport network operations and maintenance.</p> <p>The Keolis Downer joint venture is a leading Australian multi-modal transport operator, through its light rail and bus operations.</p>

Outlook

Downer's business mix has provided a sound base to navigate the current decline in our mining based markets. We are number one or two in virtually all of the markets in which we operate and we have a high proportion of Government related work in both Australia and New Zealand spanning Transport Services, Technology and Communications Services, Utilities Services, Rail and Mining.

However, providing guidance for the 2016 financial year has proven more difficult than in the past five years. There is weakness and a high degree of uncertainty in a number of our end markets, particularly resources based construction and mining.

We expect the current low levels of mining related capital expenditure to continue through 2016 and customers across the board to focus on costs and efficiency as the broader economy feels the impact of low commodity prices. In this environment, it is difficult to predict the flow of uncontracted revenue which is slightly higher than at this time last year.

Downer will continue to build and grow. We will invest in our existing businesses, including the major rolling stock and light rail opportunities, and look to expand through well targeted acquisitions or joint ventures.

The bid costs for the inter-city fleet project in New South Wales, the next generation, high capacity trains in Victoria and the light rail project in Canberra have not been expensed in the forecast 2016 guidance below. The costs of any unsuccessful bids will be written off in the period of notification of award. This may impact the 2016 result.

For the 2016 financial year, Downer is targeting NPAT of around \$190 million.

Subsequent events

There have been no matters or circumstances other than those referred to in the financial statements or notes thereto, that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

Environmental

Downer recognises its obligation to stakeholders – customers, shareholders, employees, contractors and the community – to operate in a way that advances sustainability and mitigates the Company's environmental impact. As a corporate citizen Downer respects the places and communities in which it operates. Downer's values and beliefs are the spirit that underpins everything it does and it is committed to conducting its operations in a manner that is environmentally responsible and sustainable.

The Board oversees the Company's environmental performance. It has established a sustainability charter and strategy and has allocated internal responsibilities for reducing the impact of its operations and business activities on the environment. In addition, all Downer Divisions conduct regular environmental audits by independent third parties.

The international environmental standards, AS41801, BS OHSAS 18001 and ISO 14001, are used as benchmarks in assessing, improving and maintaining the environmental integrity of its business management systems. The Company's Divisions also adhere to environmental management requirements established by customers in addition to all applicable licence and regulatory requirements.

Dividends

In respect of the financial year ended 30 June 2015, the Board:

- declared a fully franked interim dividend of 12.0 cents per share that was paid on 19 March 2015 to shareholders on the register at 19 February 2015; and
- declared a fully franked final dividend of 12.0 cents per share, payable on 17 September 2015 to shareholders on the register at 20 August 2015.

Due to the strength of Downer's balance sheet, the Company's Dividend Reinvestment Plan has been suspended.

As detailed in the Directors' Report for the 2014 financial year, the Board declared a fully franked final dividend of 12.0 cents per share, that was paid on 17 September 2014 to shareholders on the register at 19 August 2014.

Employee Discount Share Plan (ESP)

An ESP was instituted in June 2005. 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 six months service may be invited to participate.

No shares were issued under the ESP during the years ended 30 June 2015 or 30 June 2014.

There are no performance rights or performance options, in relation to unissued shares, that are outstanding.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of Board Committees) held during the 2015 financial year and the number of meetings attended by each Director (while they were a Director or Board Committee member). During the year, 11 Board meetings, six Audit and Risk Committee meetings, four Remuneration Committee meetings, three Zero Harm Committee meetings and two Nominations and Corporate Governance Committee meetings were held. In addition, 19 ad hoc meetings (attended by various Directors) were held in relation to various matters including tender reviews, treasury matters and the on-market share buy-back program.

Director	Board		Audit and Risk Committee		Remuneration Committee	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
R M Harding	11	11	–	–	4	4
G A Fenn	11	11	–	–	–	–
S A Chaplain	11	11	6	6	–	–
P S Garling	11	11	6	6	4	4
E A Howell	11	10	–	–	–	–
J S Humphrey ²	11	11	6	6	4	4
K G Sanderson	3	3	1	1	2	2
C G Thorne ³	11	11	6	6	–	–

Director	Zero Harm Committee		Nominations and Corporate Governance Committee	
	Held ¹	Attended	Held ¹	Attended
R M Harding	–	–	2	2
G A Fenn	3	3	–	–
S A Chaplain	3	2	2	2
P S Garling	–	–	–	–
E A Howell	3	3	–	–
J S Humphrey ²	–	–	2	2
K G Sanderson	–	–	1	1
C G Thorne ³	3	3	–	–

1 These columns indicate the number of meetings held during the period each person listed was a Director or member of the relevant Board Committee.

2 Mr Humphrey is also Chairman of the Disclosure Committee which meets on an unscheduled basis and is also Chairman of the Buy-back Committee.

3 Dr Thorne is also Chairman of the Tender Risk Evaluation Committee which meets on an unscheduled basis.

Directors' Report – continued

for the year ended 30 June 2015

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 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* (Cth).

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Downer's Constitution includes indemnities, to the extent permitted by law, for each Director and Company Secretary of Downer and its subsidiaries against liability incurred in the performance of their roles as officers. The Directors and the Company Secretaries listed on pages 2 to 3, individuals who act as a Director or Company Secretary of Downer's subsidiaries and certain individuals who formerly held any of these roles also have the benefit of the indemnity in the Constitution.

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.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Board endorses the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles). The Group's corporate governance statement is set out at pages 112 to 120 of this Annual Report.

Non-audit services

Downer is committed to audit independence. The Audit and Risk 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 Group. To ensure that there is no potential conflict of interest in work undertaken by Downer's external auditors, KPMG (2014: Deloitte Touche Tohmatsu), they may only provide services that are consistent with the role of the Company's auditor.

The Board has considered the position and, in accordance with the advice from the Audit and Risk 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* (Cth).

The Directors are of the opinion that the services as disclosed below do not compromise the external auditor's independence, based on advice received from the Audit and Risk 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 46 of this Annual Report.

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:

	June 2015 \$	June 2014 \$
Non-audit services		
Tax services	733,510	448,305
Audit related services	–	52,500
Sustainability assurance	106,000	103,000
Due diligence and other non-audit services	315,742	410,880
	1,155,252	1,014,685

Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/100, 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 whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars.

Remuneration Report – AUDITED

The Remuneration Report provides information about the remuneration arrangements for key management personnel (KMP), which means Non-executive Directors and the Group's most senior executives, for the year to 30 June 2015. The term "executive" in this Report means KMPs who are not Non-executive Directors.

The Report covers the following matters:

1. Remuneration policy, principles and practices;
2. Relationship between remuneration policy and company performance;
3. The Board's role in remuneration;
4. Description of Non-executive Director remuneration;
5. Description of executive remuneration;
6. Details of Director and executive remuneration required under the *Corporations Act 2001* (Cth);
7. Key terms of employment contracts; and
8. Prior equity-based remuneration plans.

Summary of changes to remuneration policy

Downer has continued to refine its remuneration policy during the period. The Board considered Company strategy, reward plans based on performance measurement, competitive position and stakeholder feedback. Changes to policy are noted in the relevant sections of this Report and are summarised in the table below. All of these changes were communicated to stakeholders in the 2014 Remuneration Report.

Policy	Change in policy from 2014
Short-term incentive (STI) plan	<ul style="list-style-type: none">– Addition of a new Zero Harm measure relating to the identification and management of critical environmental risks to reflect the Company's focus on critical risks to the environment and communities in which it operates.
Long-term incentive (LTI) plan	<ul style="list-style-type: none">– Transition of the LTI plan performance period to a financial year basis from a calendar year basis in order to improve transparency between performance and reward and ensure consistency with STI plan outcomes with the LTI plan;– Introduction of a third performance condition, 'Scorecard', based on three-year rolling average NPAT and Free Cash Flow (FFO) performance relative to budgeted targets to focus on performance sustainability, increase alignment with the STI plan and strengthen retention. The Scorecard measure applies to one third of the performance rights granted to each executive with equal weighting to NPAT and FFO. Further detail is provided in section 5.4.3; and– From 2015, the relative total shareholder return (TSR) and earnings per share (EPS) growth LTI plan measures each apply to one third (previously each one half) of the performance rights granted to each executive, reflecting the introduction of the Scorecard condition.

Directors' Report – continued

for the year ended 30 June 2015

1. Remuneration policy, principles and practices

1.1 Non-executive Director remuneration policy

Downer's Non-executive Director remuneration policy is to provide fair remuneration that is sufficient to attract and retain Directors with the experience, knowledge, skills and judgement to steward the Company.

1.2 Executive remuneration policy

Downer's executive remuneration policy and practices are summarised in the table below.

Policy	Practices aligned with policy
Retain experienced, proven performers, and those considered to have high potential for succession	<ul style="list-style-type: none">– Provide remuneration that is internally fair;– Ensure remuneration is competitive with the external market; and– Defer a substantial part of pay contingent on continuing service and sustained performance.
Focus performance	<ul style="list-style-type: none">– Provide a substantial component of pay contingent on performance against targets;– Focus attention on the most important drivers of value by linking pay to their achievement;– Require profitability to reach an acceptable level before any bonus payments can be made; and– Provide a LTI plan component that rewards consistent Scorecard performance over multiple years and over which executives have a clear line of sight.
Provide a Zero Harm environment	<ul style="list-style-type: none">– Incorporate measures that embody "Zero Harm" for Downer's employees, contractors, communities and the environment as a significant component of reward.
Manage risk	<ul style="list-style-type: none">– Encourage sustainability by balancing incentives for achieving both short-term and longer-term results, and deferring equity based reward vesting after performance has been initially tested;– Set stretch targets that finely balance returns with reasonable but not excessive risk taking and cap maximum incentive payments;– Do not provide excessive "cliff" reward vesting that may encourage excessive risk taking as a performance threshold is approached;– Diversify risk and limit the prospects of unintended consequences from focusing on just one measure in both short-term and long-term incentive plans;– Stagger vesting of deferred short term incentive payments to encourage retention and allow forfeiture of rewards that are the result of misconduct or material adjustments;– Retain full Board discretion to vary incentive payments, including in the event of excessive risk taking; and– Restrict trading of vested equity rewards to ensure compliance with the Company's Securities Trading Policy.
Align executive interests with those of shareholders	<ul style="list-style-type: none">– Provide that a significant proportion of pay is delivered as equity so part of executive reward is linked to shareholder value performance;– Provide a long-term incentive that is based on consistent Scorecard performance against challenging targets set each year that reflect sector volatility and prevailing economic conditions;– Maintain a guideline minimum shareholding requirement for the Managing Director;– Encourage holding of shares after vesting via a trading restriction for all executives and payment of LTI components in shares; and– Prohibit hedging of unvested equity and equity subject to a trading lock to ensure alignment with shareholder outcomes.
Attract experienced, proven performers	<ul style="list-style-type: none">– Provide a total remuneration opportunity sufficient to attract proven and experienced executives from secure positions in other companies and retain existing executives.

2. Relationship between remuneration policy and company performance

2.1 Company strategy and remuneration

Downer's business strategy includes:

- Maintaining focus on Zero Harm by continually improving health, safety and environmental performance to achieve Downer's goal of zero work-related injuries and environmental incidents;
- Driving growth in core markets through focusing on serving existing customers better across multiple products and service offerings, growing capabilities and expanding into overseas markets with current customers of the Company;
- Reducing risk and enhancing the Company's capability to withstand threats and take advantage of opportunities;
- Obtaining better utilisation of assets and improved margins through simplifying and driving efficiency;
- Identifying opportunities to manage the Downer portfolio that deliver long-term shareholder value; and
- Maintaining flexibility to be able to adapt to the changing economic and competitive environment to ensure Downer delivers shareholder value.

The Company's remuneration policy complements this strategy by:

- Incorporating company-wide performance requirements for both STI and LTI reward vesting to encourage cross-divisional collaboration;
- Incorporating performance metrics that focus on cash flow to reduce working capital and debt exposure;
- Setting NPAT and EBIT STI performance and gateway requirements based on effective application of funds employed to run the business for better capital efficiency;
- Employing Free Cash Flow (FFO) as the cash measure for the STI to provide more emphasis on control of capital expenditure;

- Deferring 50% of STI awards to encourage sustainable performance and a longer-term focus;
- Incorporating consistent financial performance in the LTIP Scorecard measure;
- Emphasis on Zero Harm measures in the STI; and
- Encouraging the development and retention of its people to help maintain a sustainable supply of talent.

2.2 Remuneration linked to performance

The link to performance is provided by:

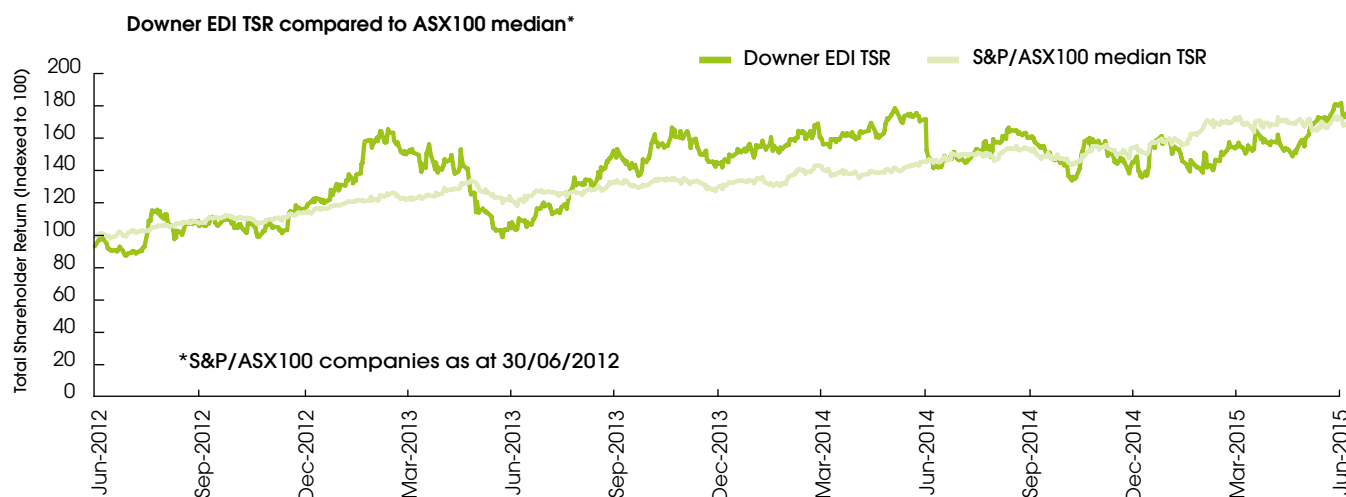
- Requiring a significant portion of executive remuneration to vary with short-term and long-term performance;
- Applying a profitability gateway to be achieved before an STI calculation for executives is made;
- Applying challenging financial and non-financial measures to assess performance; and
- Ensuring that these measures focus management on strategic business objectives that create shareholder value.

Downer measures performance on the following key corporate measures:

- Earnings per share (EPS) growth;
- Total shareholder return (TSR) relative to other ASX100 companies (excluding ASX "Financials" sector companies);
- Group NPAT;
- Divisional EBIT;
- FFO;
- Development of Downer's people; and
- "Zero Harm" measures of safety and environmental sustainability.

Remuneration for all executives varies with performance on these key measures.

The following graph shows the Company's performance compared to the median performance of the ASX100 over the three year period to 30 June 2015.



The table below shows the performance of Downer against key financial indicators over the last five years.

Directors' Report – continued

for the year ended 30 June 2015

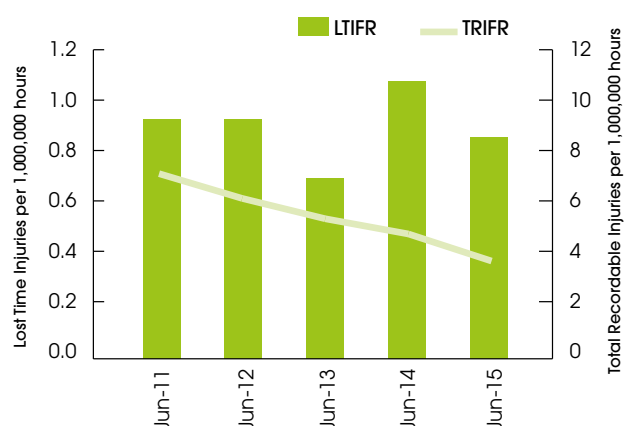
	2011 \$'m	2012 \$'m	2013 \$'m	2014 \$'m	2015 \$'m
Continuing and discontinued operations:					
Total revenue and other income	6,641.8	8,071.4	8,781.3	7,371.6	7,019.9
Share of sales revenue from joint ventures and associates	319.1	453.2	351.1	363.0	410.2
Total revenue including joint ventures and associates and other income ⁽ⁱ⁾	6,960.9	8,524.6	9,132.4	7,734.6	7,430.1
Earnings before interest and tax – continuing operations	3.7	261.2	358.8	341.1	309.7
Earnings before interest and tax – discontinued operations	22.0	3.0	–	–	–
Total earnings before interest and tax	25.7	264.2	358.8	341.1	309.7
Net interest expense	(64.3)	(71.5)	(67.1)	(43.0)	(29.9)
Income tax (expense)/benefit	10.9	(79.8)	(87.7)	(82.1)	(69.6)
Net profit/(loss) after tax	(27.7)	112.9	204.0	216.0	210.2
Total earnings before interest and tax	25.7	264.2	358.8	341.1	309.7
Individually significant items	266.5	82.3	11.5	–	–
Earnings before interest and tax (before individually significant items) ⁽ⁱⁱ⁾	292.2	346.5	370.3	341.1	309.7
Operating cash flow	185.6	364.5	448.1	583.4	486.5
Investing cash flow	(319.6)	(203.0)	(288.4)	(278.8)	(498.2)
Free cash flow	(134.0)	161.5	159.7	304.6	(11.7)
Share price at start of the year ⁽ⁱⁱⁱ⁾	3.48	3.70	3.13	3.59	4.52
Share price at end of the year	3.70	3.13	3.59	4.52	4.78
Interim dividend (cents per share)	–	–	10.0	11.0	12.0
Final dividend (cents per share)	–	–	11.0	12.0	12.0
Total Shareholder Return	6%	(15%)	21%	32%	11%
Basic earnings/(loss) (cents per share)	(10.5)	23.7	45.7	48.3	46.6
Earnings per share growth (%)	(338%)	326%	93%	6%	(4%)
Net profit/(loss) after tax growth rate (%)	(1,008%)	508%	81%	6%	(3%)

(i) Total revenue comprises revenue from ordinary activities, other income and sales revenue from joint ventures and associates. The Company considers Total Revenue to be an appropriate measure of revenue as joint venture models are seen as an appropriate industry response to meet the needs of engineering, procurement and construction (EPC) customers with regard to large scale integrated projects.

(ii) Earnings before interest and tax (before individually significant items) is determined as the statutory profit before interest and tax, excluding any items that have been classified as individually significant to the financial statements. The presentation of earnings before interest and tax (before individually significant items) is a non-International Financial Reporting Standards (IFRS) disclosure.

(iii) The opening value for 2011 has been adjusted to reflect the impact of the accelerated renounceable rights offer during the year.

The chart below illustrates Downer's performance on lost time injuries (LTIFR) and total recordable injuries (TRIFR) over the last five years.



3. The Board's role in remuneration

The Board engages with shareholders, management and other stakeholders as required, to continuously refine and improve executive and Director remuneration policies and practices.

Two Board Committees deal with remuneration matters. They are the Remuneration Committee and the Nominations and Corporate Governance Committee.

The role of the Remuneration Committee is to review and make recommendations to the Board in relation to executives in respect of:

- Executive remuneration and incentive policy;
- Remuneration of senior executives of the Company;
- Executive reward and its impact on risk management;
- Executive incentive plans;
- Equity-based incentive plans;
- Superannuation arrangements;
- Recruitment, retention, performance measurement and termination policies and procedures for all key management personnel and senior executives reporting directly to the Managing Director;
- Disclosure of remuneration in the Company's public materials including ASX filings and the Annual Report; and
- Retirement payments for all key management personnel and senior executives reporting directly to the Managing Director.

The Nominations and Corporate Governance Committee is responsible for recommending and reviewing remuneration arrangements for the Executive Director and Non-executive Directors of the Company.

Each Committee has the authority to engage external professional advisers without seeking approval of the Board or management. During the reporting period, the Remuneration Committee retained Guerdon Associates Pty Ltd as its adviser. Guerdon Associates Pty Ltd does not provide services to management and is considered to be independent.

4. Description of Non-executive Director remuneration

There has been no change to the basis of Non-executive Director fees since the prior reporting period.

Fees for Non-executive Directors are fixed and are not linked to the financial performance of the Company. The Board believes this is necessary for Non-executive Directors to maintain their independence.

Shareholders approved an annual aggregate cap of \$2.0 million for Non-executive Director fees at the 2008 AGM. The allocation of fees to Non-executive Directors within this cap has been determined after consideration of a number of factors, including the time commitment of Directors, the size and scale of the Company's operations, the skill sets of Board members, the

quantum of fees paid to Non-executive Directors of comparable companies and participation in Board Committee work.

The basis of fees and the fee pool are reviewed when new Directors are appointed to the Board, when the structure of the Board changes, or at least every three years. The next review of Board fees will be completed in FY16. Reference is made to individual Non-executive Director fee levels and workload (i.e. number of meetings and the number of Directors) at comparably sized companies from all industries other than the financial services sector, and the fee pools at these companies. In addition, an assessment is made on the extent of flexibility provided by the fee pool to recruit any additional Directors for planned succession after allocation of fees to existing Directors.

The Chairman receives a base fee of \$375,000 per annum (inclusive of all Committee fees) plus superannuation. The other Non-executive Directors each receive a base fee of \$150,000 per annum plus superannuation. Additional fees are paid for Committee duties: \$35,000 for the chair of the Audit & Risk Committee; and \$15,000 for the chair of each of the Zero Harm Committee, Remuneration Committee and Tender Risk Evaluation Committee.

Under his original terms of appointment in 2001, John Humphrey is eligible for certain retirement benefits. Consistent with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the right to these retirement benefits has been frozen and has been fully provided for in the financial statements. 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. Description of executive remuneration

5.1 Executive remuneration structure

Executive remuneration has a fixed component and a component that varies with performance.

The variable component ensures that a proportion of pay varies with performance. Performance is assessed annually for performance periods covering one year and three years. Payment for performance assessed over one year is an STI. Payment for performance over a three year period is an LTI.

In order for maximum STIs to be awarded, performance must achieve a stretch goal that is a clear margin above the planned budget for the period. This enables the Company to attract and retain better performing executives, and ensures pay outcomes are better aligned with shareholder returns.

Target STIs are less than the maximum STI. Target STI is payable on achievement of planned objectives. For executives the target STI is 75% of the maximum STI. The maximum total remuneration that can be earned by an executive is capped. The maximums are determined as a percentage of fixed remuneration. The proportions attributable to each incentive component are as shown in the following table.

Directors' Report – continued

for the year ended 30 June 2015

Executive position	Target STI % of fixed remuneration	Maximum STI % of fixed remuneration*	Maximum LTI % of fixed remuneration	Maximum total performance based pay as % of fixed remuneration
Managing Director	75	100	100	200
Executives appointed prior to 2011	75	100	75	175
Executives appointed from 2011	56.25	75	50	125

* Prior to the application of any individual performance modifier (IPM), which is described in section 5.3.2.

The proportions of STI to LTI take into account:

- Market practice;
- The service period before executives can receive equity rewards;
- The behaviours that the Board seeks to encourage through direct key performance indicators; and
- The guideline for the Managing Director to maintain a shareholding as a multiple of pay after long-term incentive rewards have vested.

5.2 Fixed remuneration

Fixed remuneration is the sum of salary and the direct cost of providing employee benefits, including superannuation, motor vehicles, car parking, living away from home expenses and fringe benefits tax.

The level of remuneration is set to be able to retain proven performers and when necessary to attract the most suitable external candidates from secure employment elsewhere.

Remuneration is benchmarked against a peer group of direct competitors and a sector peer group. While market levels of remuneration are monitored on a regular basis, there is no contractual requirement or expectation that any adjustments will be made.

No KMP received an adjustment to fixed remuneration in the 2015 financial year.

5.3 Short-term incentive

5.3.1 STI overview

The STI plan provides for an annual payment that varies with annual performance. This has been applied to performance measured over the Company's financial year to 30 June 2015.

The basis of the plan is designed to align STI outcomes with financial results. No STI is paid unless a minimum profit gateway is met. For corporate executives, the gateway is based on the Group budgeted profit target. For divisional executives, the gateway is based on the division budgeted profit target. Profit for this purpose is defined as NPAT for corporate executives and EBIT for divisional executives. This minimum must be of a materially sufficient size to justify the payment of STI to an executive, and deliver an acceptable return for the funds employed in running the business.

As noted in section 5.1, the maximum STI that can be earned is capped to minimise excessive risk taking.

Commencing with the 2014 financial year, the Board introduced deferral as part of the STI structure. Payment of 50% of the award is paid at the time of award in cash and the remaining 50% of the award earned is deferred over two years.

The first payment of 50% of the award will be in cash after finalisation of the annual audited results. The payment of the deferred component of the award will be in the form of two tranches, each to the value of 25% of the award.

The deferred components represent an entitlement to shares, subject to the satisfaction of a continued employment condition. The first tranche will vest one year following award and the second tranche will vest two years following award, provided an executive remains employed by the Group at the time of vesting.

The value of deferred components will be settled in shares, net of applicable personal tax. This is designed to encourage executive share ownership, and not adversely impact executives who have to meet their taxation obligations arising from the vesting of the deferred components.

No dividend entitlements are attached to the deferred components during the vesting period.

Where an executive ceases employment with the Group prior to the vesting date, the deferred components will be forfeited. However, the Board has retained the discretion to vest deferred awards, in the form of shares or cash, in their ordinary course where the executive is judged to be an eligible leaver.

In implementing STI deferral in 2014, the Board considered executive contractual entitlements to receive their STI payments in cash with no deferral. In 2015, the Board again considered the contractual entitlements of new KMP. In return for surrendering their contractual rights that prescribed a 100% cash STI with no deferral, the new KMP will retain the full cash element in the first year of operation only through a one-off transitional payment of 50% of the award, allowing for the application of the STI deferral policy.

The details of the arrangements are set out in section 5.3.4.

5.3.2 How STI payments are assessed

Target STI plan percentage of pay	An individual's target incentive under the STI plan is expressed as a percentage of fixed remuneration. The STI plan percentage is set according to policy tabulated in section 5.1.
Organisational or divisional scorecard result	As a principle, "target" achievement would be represented at budget. Thresholds and maximums are also set.
Individual performance modifier (IPM)	At the end of the plan year, eligible employees are provided with an IPM against their key performance indicators and relative performance. Individual key performance indicators are set between the individual and the Managing Director (if reporting to the Managing Director) or the Board (if the Managing Director) at the start of the performance period. IPMs must average to 1.
STI plan incentive calculation	Fixed remuneration x maximum STI plan percent x scorecard result x IPM.

5.3.3 STI performance requirements

Overall performance is assessed on NPAT, EBIT, FFO, Zero Harm and a measure of people development.

NPAT and EBIT include joint ventures and associates and includes, inter alia, changes in accounting policy, material asset sales, acquisitions or divestments.

FFO is defined as net cash from operating activities (i.e. EBIT plus non-cash items in operating profit plus distributions received from JVs or associates plus movements in working capital plus movements in operating assets less net interest less tax paid), less investing cash flow.

Zero Harm reflects Downer's commitment to safety and environmental, social and governance matters. The Zero Harm element includes safety and environmental measures, underscoring Downer's commitment to customers, employees, regulators and the communities in which it operates. For 2015, the Board has introduced an additional measure related to the identification and management of critical environmental risks in order to reward performance on lead indicator performance, reducing the weighting applied to the existing environmental measure.

The measures for the Zero Harm element of the scorecard are as follows:

Measure	Target
Safety	
TRIFR (total recordable injury frequency rate) LTIFR (lost time injury frequency rate)	Achieve a set reduction in the TRIFR at level of responsibility. Award pro rates linearly. TRIFR is calculated as the number of recordable injuries x 1,000,000/the hours worked in 12 months. In addition LTIFR must be retained below a threshold level for area of responsibility. LTIFR is calculated as the number of lost time injuries x 1,000,000/the hours worked in 12 months.
Critical risks	Assess critical risks and the integrity of controls for the area of responsibility.
Action close outs	Achieve minimum periods where there are zero actions that are overdue at the end of each month arising from Zero Harm incidents, covering high potentials and actual injuries (First Aid, Medical Treatment Injury and Lost Time Injury), recorded.
Environmental	
Critical risk	Identify critical risks for the area of responsibility, register these risks in the appropriate system and develop and implement risk mitigation plans for the area of control.
Sustainable development	Achieve greenhouse gas emission reductions and energy efficiency targets for the area of control.

Directors' Report – continued

for the year ended 30 June 2015

5.3.3 STI performance requirements – continued

Should a workplace fatality or serious environmental incident occur, the relevant safety or environmental portion of the STI is foregone.

People measures include targets for the completion of development and career reviews and succession plans.

Weightings applied to the 2015 STI scorecard measures for all executives, including the Managing Director, are set out in the table below.

Executive	Group NPAT	Divisional EBIT	Free cash flow	Zero Harm	People
Corporate	30%	–	30%	30%	10%
Business unit	7.5%	22.5%	30%	30%	10%
			(7.5% Group, 22.5% division)		

The Board has discretion to vary STI payments by up to + or – 100% from the payment applicable to the level of performance achieved, up to the maximum for that executive.

Specific details of STI performance requirements are set out in section 6.5.

5.3.4 STI tabular summary

The following table outlines the major features of the 2015 STI plan.

Purpose of STI plan	<ul style="list-style-type: none"> – Focus performance on drivers of shareholder value over 12 month period; – Improve “Zero Harm” and people related results; and – Ensure a part of remuneration costs varies with the Company’s 12 month performance.
Minimum performance “gateway” before any payments can be made	Achievement of a gateway based on budgeted Group NPAT for corporate executives and Division EBIT for divisional heads.
Maximum STI that can be earned	<ul style="list-style-type: none"> – KMP appointed pre 2011: up to 100% of fixed remuneration; and – KMP appointed from 2011: up to 75% of fixed remuneration.
Percentage of STI that can be earned on achieving target expectations	75% of the maximum. For an executive to receive more, performance in excess of target expectations will be required.
Individual performance modifier (IPM)	<ul style="list-style-type: none"> – An IPM may be applied based on an executive’s individual key performance indicators and relative performance; and – Moderate individual performance may result in an IPM of less than 1 or outstanding performance may result in an IPM greater than 1. The IPM must average 1 across all participants.
Discretion to vary payments	The Board, in its discretion, may vary STI payments by up to + or – 100% from the payment applicable to the level of performance achieved, up to the maximum for that executive.
Performance period	1 July 2014 to 30 June 2015.
Performance assessed	August 2015, following audit of accounts.
Additional service period after performance period for payment to be made	50% of the award is deferred with the first tranche of 25% vesting one year following award and the second tranche of 25% vesting two years following award.
Payment timing	August 2015 for the first cash payment of 50% of the award. The deferred components of the STI payments will be paid one and two years following the award, in equal tranches of 25% of the award.

Form of payment	<p>Cash for initial payment.</p> <p>The value of deferred components will be settled in cash or shares, net of personal tax. An eligible leaver's deferred components will be settled in shares or in cash in the sole and absolute discretion of the Board.</p>
Performance requirements	Group NPAT and divisional EBIT, FFO, Zero Harm and people measures.
Board discretion	<p>The Board may exercise discretion to:</p> <ul style="list-style-type: none"> – Reduce partly or fully the value of the deferred components that are due to vest in certain circumstances, including where an executive has acted inappropriately or where the Board considers that the financial results against which the STIP performance measures were tested were incorrect in a material respect or have been reversed or restated; and – Settle deferred components in shares or cash.
New recruits	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.
Terminating executives	There is no STI entitlement where an executive's employment terminates prior to the end of the financial year. Where an executive's employment terminates prior to the vesting date, the unvested deferred components will be forfeited. However, the Board has retained discretion to vest deferred awards, in the form of shares or cash, in their ordinary course where the executive is judged to be an eligible leaver.

The Board retains the right to vary from policy in exceptional circumstances. However, any variation from policy and the reasons for it will be disclosed.

The following variations from policy occurred during the year:

- Alternative arrangements were in place for D A Cattell as part of his fixed term contract. These are outlined in section 7.1; and
- In recognition of the significant effort and achievement in the transition of the Rail division, the Board exercised its discretion to make an STI award to R A Spicer, notwithstanding that the Rail division EBIT gateway was not met. The award represents 35% of Mr Spicer's maximum STI.

5.4 Long-term incentive

5.4.1 LTI overview

Executives participate in a LTI plan. This is an equity-based plan that provides for a reward that varies with Company performance over three year measures of performance. Three year measures of performance are considered to be the maximum reasonable time period for setting incentive targets for earnings per share and are generally consistent with market practice in the Company's sector.

The payment is in the form of performance rights. The performance rights do not have any dividend entitlements or voting rights. If all the vesting requirements are satisfied, the performance rights will vest and the executives will receive shares in the Company or cash at the discretion of the Board. For prior years' plans (2013 and earlier), for which payment is in the form of restricted shares held in trust until vesting, dividends on shares are held in trust and distributed to executives after all vesting conditions have been met, net of applicable taxes.

Directors' Report – continued

for the year ended 30 June 2015

5.4.1 LTI overview – continued

The 2015 LTI represents an entitlement to performance rights to ordinary shares exercisable subject to satisfaction of both a performance condition and a continued employment condition. Grants will be in three equal tranches, with each tranche subject to an independent performance requirement. The performance requirements for each tranche will share two common features:

- Once minimum performance conditions are met, the proportion of performance rights that qualify for vesting commences at 30% and gradually increases pro rata with performance. This approach provides a strong motivation for meeting minimum performance, but avoids a large “cliff” which may encourage excessive risk taking; and
- The maximum reward is capped at a “stretch” performance level that is considered attainable without excessive risk taking.

Performance for the 2015 LTI grants will be measured over the three year period to 30 June 2017.

The proportion of performance rights that can vest will be calculated in September 2017, but executives will be required to remain in service until 30 June 2018 to be eligible to receive any shares.

Where an executive ceases employment with the Group prior to the vesting date, the rights will be forfeited. However, the Board will retain the discretion to retain executives in the plan in certain circumstances such as the death, total and permanent disability or retirement of an executive. In these circumstances, the Board will also retain the discretion to vest awards in the form of cash.

After vesting, any shares will remain subject to a trading restriction that is governed by the Company's Securities Trading Policy.

All unvested performance rights will be forfeited if the Board determines that an executive has committed an act of fraud, defalcation or gross misconduct or in other circumstances at the discretion of the Board.

5.4.2 Performance requirements

One tranche of performance rights in the 2015 LTI grant will qualify for vesting subject to performance relative to other companies, while the other two tranches of performance rights will qualify for vesting subject to separate, independent absolute performance requirements.

The relative performance requirement applicable to the first tranche of performance rights is based on total shareholder return (TSR). TSR is calculated as the difference in share price over the performance period, plus the value of shares earned from reinvesting dividends received over this period, expressed as a percentage of the share price at the beginning of the performance period. If the TSR for each company in the comparator group is ranked from highest to lowest, the median TSR is the percentage return to shareholders that exceeds the

TSR for half of the comparison companies. The 75th percentile TSR is the percentage return required to exceed the TSR for 75% of the comparison companies.

Performance rights in the tranche to which the relative TSR performance requirement applies will vest pro rata between the median and 75th percentile. That is, 30% of the tranche vest at the 50th percentile, 32.8% at the 51st percentile, 35.6% at the 52nd percentile and so on until 100% vest at the 75th percentile.

The comparator group for the 2015 LTI grants will be the companies, excluding financial services companies, in the ASX100 index as at the start of the performance period on 1 July 2014. Consideration has been given to using a smaller group of direct competitors for comparison, however:

- Limiting the comparator group to a small number of direct competitors could result in very volatile outcomes from period to period; and
- Management's strong focus on improving the Company's ranking among ASX100 companies has become embedded in Company culture, so reinforcing this rather than trying to dislodge it with another focus was considered desirable.

The absolute performance requirement applicable to the second tranche of performance rights is based on Earnings per Share (EPS) growth over the three year performance period to 30 June 2017. The EPS measure is based on AASB 133 *Earnings per Share*.

The tranche of performance rights dependent on the EPS performance condition will vest pro rata between 5% compound annual EPS growth and 10% compound annual EPS growth.

Vesting applies on a pro rata basis from 30% upon meeting the minimum compound annual EPS growth performance level of 5% to 100% at 10% annual compound annual EPS growth. Capping reduces the tendency for excessive risk taking and volatility that may be encouraged if the annual compound EPS growth bar is set above 10%.

The absolute performance requirement applicable to the third tranche of performance rights is based on the Scorecard condition over the three year performance period to 30 June 2017. Further detail on the Scorecard condition is outlined in section 5.4.3.

5.4.3 Introduction of Scorecard condition in 2015

For grants from 2015, the Board resolved to introduce a third performance condition as part of the LTI structure. This decision was taken to:

- Strengthen retention through the setting of challenging targets on an annual basis that reflect prevailing market conditions, for a portion of LTI awards;
- Alignment with the STI plan to encourage a long-term approach to achieving annual financial performance targets;
- Improve the line of sight for executives so as to increase motivation and focus on consistent performance; and
- Focus on performance sustainability through reward of consistent achievement of absolute performance targets over the long term.

The Scorecard condition applies to one third of the performance rights granted to each executive.

The Scorecard condition is comprised of two independent absolute components of equal weighting. These components are based on Group NPAT and Group FFO.

The performance of each component will be measured over the three year period to 30 June 2017.

NPAT and FFO targets are set at the beginning of each of the three financial years. The performance of each component will be assessed each year relative to the targets. Performance of each component will be determined as the average of the annual performance assessments for the three years. The performance rights will vest on a pro-rata basis from 30% upon meeting the minimum three year average component performance level of 90% of target to 100% at the capped maximum three year average component performance level of 110% of target.

The processes and timing applicable for the Scorecard Measure are outlined below:

Timing	Actions
At the beginning of the plan	Weighting of components is determined. In 2015 the components are equally weighted.
At the beginning of each financial year	NPAT and FFO target performance levels are set.
At the end of each financial year	<ul style="list-style-type: none">– Calculate actual performance; and– Assess actual performance compared to target to determine performance percentage for the year.
At the end of 3 years	<ul style="list-style-type: none">– Calculate average annual performance for each component; and– Calculate award based on performance against the vesting range.
At the end of 3 years	Consider the continued service condition and determine vesting.

5.4.4 Post-vesting shareholding guideline

The Managing Director is required to continue holding shares after they have vested until the shareholding guideline has been attained. This guideline requires that the Managing Director holds vested long-term incentive shares equal in value to 100% of his fixed remuneration.

The Remuneration Committee has discretion to allow variations from this guideline requirement.

The guideline requirement has been developed to reinforce alignment with shareholder interests.

Directors' Report – continued

for the year ended 30 June 2015

5.4.5 LTI tabular summary

The following table outlines the major features of the 2015 LTI plan, which will apply for the transition grant that is designed to facilitate the move to a financial year basis for future grants.

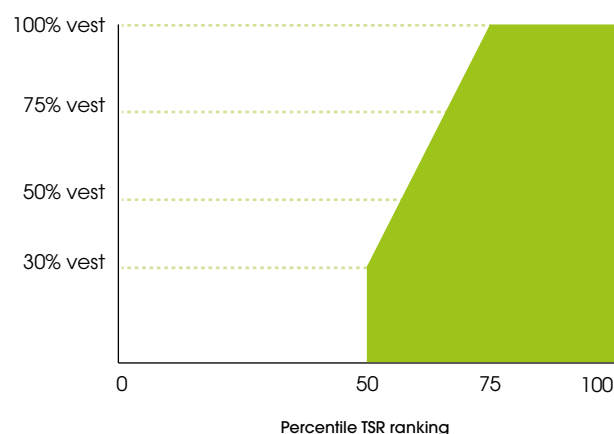
Purpose of LTI plan	<ul style="list-style-type: none"> – Focus performance on drivers of shareholder value over three year period; – Manage risk by countering any tendency to over-emphasise short-term performance to the detriment of longer-term growth and sustainability; and – Ensure a part of remuneration costs varies with the Company's longer-term performance.
Maximum value of equity that can be granted	<ul style="list-style-type: none"> – Managing Director: 100% of fixed remuneration; – KMP appointed pre-2011: 75% of fixed remuneration; and – KMP appointed from 2011: 50% of fixed remuneration.
Performance periods	1 July 2014 to 30 June 2017.
Performance assessed	September 2017.
Additional service period after performance period for shares to vest	Performance rights for which the relevant performance vesting condition is satisfied will not vest unless executives remain employed with the Group on 30 June 2018.
Performance rights vest	1 July 2018.
Form of award and payment	Performance rights.
Performance conditions	There are three performance conditions. Each applies to one third of the performance rights granted to each executive.

Relative TSR

The relative TSR performance condition is based on the Company's TSR performance relative to the TSR of companies comprising the ASX100 index, excluding financial services companies, at the start of the performance period, measured over the three years to 30 June 2017.

The performance vesting scale that will apply to the performance rights subject to the relative TSR test is shown in tabular and graphic forms below:

Downer EDI Limited's TSR Ranking	Percentage of performance rights subject to TSR condition that qualify for vesting
< 50th percentile	0%
50th percentile	30%
Above 50th and below 75th percentile	Pro rata so that 2.8% of the performance rights in the tranche will vest for every 1 percentile increase between the 50th percentile and 75th percentile
75th percentile and above	100%



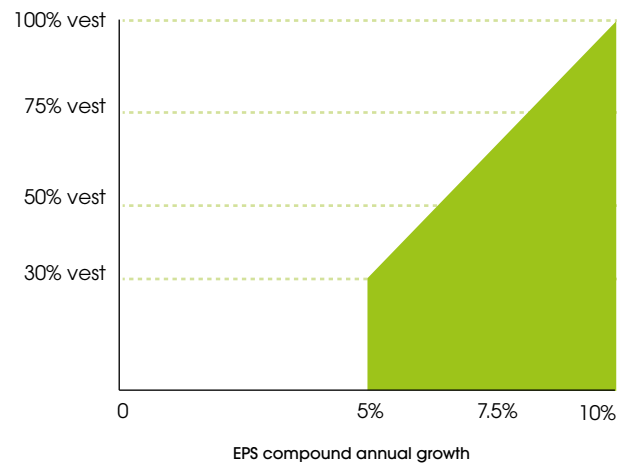
EPS growth

The EPS growth performance condition is based on the Company's compound annual EPS growth over the three years to 30 June 2017.

The performance vesting scale that will apply to the performance rights subject to the EPS growth test is shown in tabular and graphic forms below:

Downer EDI Limited's EPS compound annual growth	Percentage of performance rights subject to EPS condition that qualify for vesting
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< 5%	0%
5%	30%
Above 5% to < 10%	Pro rata so that 14% of the performance rights in the tranche will vest for every 1% increase in EPS growth between 5% and 10%
10% or more	100%



Directors' Report – continued

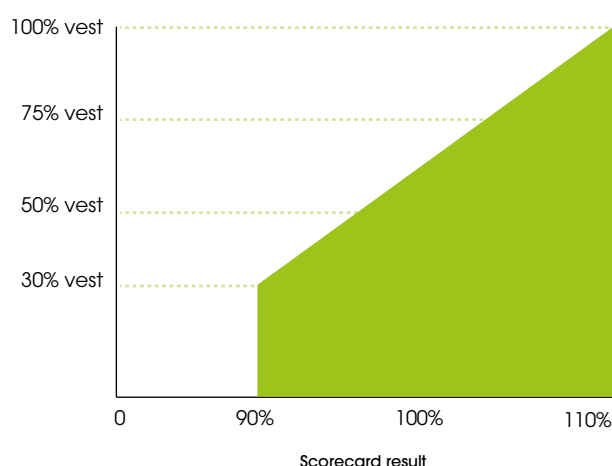
for the year ended 30 June 2015

Scorecard

The Scorecard performance condition is based on the Group's NPAT and FFO for each of the three years to 30 June 2017.

The performance vesting scale that will apply to the performance rights subject to the Scorecard test is shown in tabular and graphic forms below:

Scorecard result	Percentage of performance rights subject to Scorecard condition that qualify for vesting
< 90%	0%
90%	30%
Above 90% to < 110%	Pro rata so that 3.5% of the performance rights in the tranche will vest for every 1% increase in the Scorecard result between 90% and 110%
110% or more	100%



How performance rights and shares are acquired	<p>The rights are issued by the Company and held by the participant subject to the satisfaction of the vesting conditions.</p> <p>If the rights vest, executives can exercise them to receive shares that are normally acquired on-market.</p>
Treatment of dividends and voting rights on performance rights	Performance rights do not have voting rights or accrue dividends.
Restriction on hedging	Hedging of entitlements under the plan by executives is not permitted.
Restriction on trading	Vested shares arising from the rights may only be traded with the approval of the Remuneration Committee. Approval requires that trading comply with the Company's Securities Trading Policy.
New participants	<p>New executives (either new starts or promoted employees) are eligible to participate in the LTI on the first grant date applicable to all executives after they commence in their position.</p> <p>An additional pro-rata entitlement if their employment commenced after the grant date in the prior calendar year may be made on a discretionary basis.</p>
Terminating executives	Where an executive ceases employment with the Group prior to the vesting date, the rights will be forfeited. However, the Board will retain the discretion to retain executives in the plan in certain circumstances including the death, total and permanent disability or retirement of an executive. In these circumstances, the Board will also retain the discretion to vest awards in the form of cash.

Change of control	On the occurrence of a change of control event, and providing at least 12 months of the grants' performance period have elapsed, unvested performance rights pro rated with the elapsed service period are tested for vesting with performance against the relevant relative TSR, EPS growth or Scorecard requirements for that relevant period. Vesting will occur to the extent the performance conditions are met. Performance rights that have already been tested, have met performance requirements and are subject to the completion of the service condition, fully vest.
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The Board retains the right to vary from policy in exceptional circumstances. However, any variation from policy and the reasons for it will be disclosed.

There have been no variations from policy during this financial year.

6. Details of Director and executive remuneration required under the Corporations Act

6.1 Directors and executives

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

R M Harding (Chairman)
G A Fenn (Managing Director and Chief Executive Officer)
S A Chaplain
P S Garling
E A Howell
J S Humphrey
K G Sanderson AO (Retired 30 September 2014)
C G Thorne

The named persons held their current executive position for the whole of the most recent financial year:

C W Bruyn (Chief Executive Officer – Downer New Zealand, from 1 February 2015)
D A Cattell (Chief Executive Officer – Downer Infrastructure, to 31 January 2015, Group Head of Strategy, Growth & Innovation from 1 February 2015)
S Cinerari (Chief Executive Officer – Downer Infrastructure Services, from 1 February 2015)
K J Fletcher (Chief Financial Officer)
L Nucifora (Chief Executive Officer – Downer Engineering, Construction & Maintenance, from 1 February 2015)
D J Overall (Chief Executive Officer – Downer Mining)
R A Spicer (Chief Executive Officer – Downer Rail)

Directors' Report – continued

for the year ended 30 June 2015

6.2 Related party information

6.2.1 Transactions with other related parties

Transactions with other related parties are made on normal commercial terms and conditions. The following transactions with other related parties occurred during the financial year ended 30 June 2015.

KMP	Entity	Transaction type		
		Sponsorship \$'000	Sales of goods and services \$'000	Purchase of goods \$'000
G A Fenn	Australian Constructors Association Ltd	–	–	41
P S Garling	Ausgrid	–	408	246
	Endeavour Energy	–	47	10
	Essential Energy	–	–	9
R M Harding	Transpacific Industries Group Ltd	–	132	361
J S Humphrey	King & Wood Mallesons	–	–	49
D J Overall	Minerals Council of Australia	31	–	376
R A Spicer	EDI Rail Bombardier Transportation (Maintenance) Pty Ltd	–	227	405
	EDI Rail Bombardier Transportation Pty Ltd	–	30,122	116
S A Chaplain and R A Spicer	KDR Gold Coast Pty Ltd	–	66	–
	KDR Victoria Pty Ltd	–	1,347	–
	Keolis Downer Pty Ltd	–	454	3,252
C G Thorne	Downer Clough JV	–	87	–

6.2.2 Key management personnel equity holdings

KMP equity holdings in fully paid ordinary shares issued by Downer EDI Limited are as follows:

	Balance at 1 July 2014	Net change	Balance at 30 June 2015
2015	No.	No.	No.
R M Harding	10,150	–	10,150
G A Fenn	346,061	9,604	355,665
S A Chaplain	64,142	–	64,142
P S Garling	12,100	–	12,100
E A Howell	–	10,000	10,000
J S Humphrey	68,367	–	68,367
C G Thorne	59,230	–	59,230
C W Bruyn	30,786	2,601	33,387
D A Cattell	204,393	–	204,393
S Cinerari	800	2,601	3,401
K J Fletcher	20,000	3,201	23,201
L Nucifora	–	–	–
D J Overall	24,801	(21,199)	3,602
R A Spicer	5,242	5,000	10,242
Total	846,072	11,808	857,880

	Balance at 1 July 2013	Net change	Balance at 30 June 2014
2014	No.	No.	No.
R M Harding	9,680	470	10,150
G A Fenn	346,061	–	346,061
S A Chaplain	51,170	12,972	64,142
P S Garling	12,100	–	12,100
E A Howell	–	–	–
J S Humphrey	68,095	272	68,367
K G Sanderson	–	10,000	10,000
C G Thorne	56,486	2,744	59,230
D A Cattell	204,393	–	204,393
K J Fletcher	55,000	(35,000)	20,000
D J Overall	24,801	–	24,801
R A Spicer	5,000	242	5,242
Total	832,786	(8,300)	824,486

KMP equity holdings in performance rights issued by Downer EDI Limited are as follows:

	Balance at 1 July 2014	Net change	Balance at 30 June 2015
2015	No.	No.	No.
G A Fenn	445,682	754,823	1,200,505
C W Bruyn	119,373	242,016	361,389
D A Cattell	–	–	–
S Cinerari	140,390	237,769	378,159
K J Fletcher	163,788	277,397	441,185
L Nucifora	–	–	–
D J Overall	208,579	353,257	561,836
R A Spicer	–	–	–
Total	1,077,812	1,865,262	2,943,074

	Balance at 1 July 2013	Net change	Balance at 30 June 2014
2014	No.	No.	No.
G A Fenn	–	445,682	445,682
D A Cattell	–	–	–
K J Fletcher	–	163,788	163,788
D J Overall	–	208,579	208,579
R A Spicer	–	–	–
Total	–	810,049	810,049

Directors' Report – continued

for the year ended 30 June 2015

6.3 Remuneration received in relation to the 2015 financial year

Executives receive a mix of remuneration during the year, comprising fixed remuneration, an STI paid in cash and an LTI in the form of performance rights that vest four years later, subject to meeting performance and continued employment conditions.

The table below lists the remuneration actually received in relation to the 2015 financial year, comprising fixed remuneration, cash STIs relating to 2015, deferred STIs payable in 2015 in respect of prior years and the value of LTI grants that vested during the 2015 financial year. This information differs to that provided in the statutory remuneration table at section 6.4 which shows the accounting expense of LTIs for 2015 determined in accordance with accounting standards rather than the value of LTI grants that vested during the year.

	Fixed Remuneration ¹ \$	Cash Bonus paid or payable in respect of current year \$	Deferred Bonus paid or payable in respect of prior years \$	Other benefits \$	Total payments \$	Equity that vested during 2015 ⁴ \$	Total remun- eration received \$
Non-executive Directors							
R M Harding	410,625	–	–	–	410,625	–	410,625
S A Chaplain	202,575	–	–	–	202,575	–	202,575
J S Humphrey	164,250	–	–	–	164,250	–	164,250
P S Garling	180,675	–	–	–	180,675	–	180,675
E A Howell	180,675	–	–	–	180,675	–	180,675
K G Sanderson AO	41,063	–	–	–	41,063	–	41,063
C G Thorne	180,675	–	–	–	180,675	–	180,675
KMP executives							
G A Fenn ^{2,5}	2,041,349	800,000	399,702	–	3,241,051	42,354	3,283,405
C W Bruyn ³	347,712	234,486	–	–	582,198	11,470	593,668
D A Cattell ^{2,6}	1,607,563	–	–	1,170,000	2,777,563	–	2,777,563
S Cinerari ³	396,785	312,500	–	–	709,285	11,470	720,755
K J Fletcher ^{2,5}	1,037,490	392,000	195,855	–	1,625,345	14,116	1,639,461
L A Nucifora ³	299,885	196,595	–	–	496,480	–	496,480
D J Overall ^{2,5}	1,261,960	600,912	288,945	–	2,151,817	15,885	2,167,702
R A Spicer ^{2,5}	949,810	210,000	105,000	–	1,264,810	–	1,264,810
	9,303,092	2,746,493	989,502	1,170,000	14,209,087	95,295	14,304,382

1 Fixed remuneration comprises salary and fees, non-monetary benefits and superannuation payments.

2 Cash Bonus paid or payable in respect of current year represents cash payments in relation to the 2015 financial year. These comprise the 50% cash component of the award. The remaining 50% of the total award is deferred as described in sections 5.3.1 and 5.3.4.

3 Cash Bonus paid or payable in respect of current year represents cash payments in relation to the 2015 financial year. These comprise the 50% cash component of the award and the 50% transitional payment as described in sections 5.3.1 and 5.3.4. The remaining 50% of the total award is deferred as described in sections 5.3.1 and 5.3.4.

4 Represents the value of restricted shares granted in previous years that vested during the year, calculated as the number of restricted shares that vested multiplied by the closing market price of Downer shares on the vesting date.

5 Represents the deferred cash bonus amount to be paid in August 2015, being the first deferred component of the 2014 award.

6 Other Benefits represents the cash retention benefit paid on 1 July 2014 as described in section 7.1.

6.4 Remuneration of directors and key management personnel

2015	Short-term employee benefits			Post-employment benefits					Share-based payment transactions ⁵	Total
	Salary and fees	Cash Bonus paid or payable in respect of current year	Deferred Bonus paid or payable in respect of prior years ⁴	Non-monetary	Super-annuation	Other benefits	Subtotal			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors										
R M Harding	375,000	–	–	–	35,625	–	410,625	–	–	410,625
S A Chaplain ⁶	185,000	–	–	–	17,575	–	202,575	–	–	202,575
J S Humphrey	150,000	–	–	–	14,250	–	164,250	–	–	164,250
P S Garling ⁷	165,000	–	–	–	15,675	–	180,675	–	–	180,675
E A Howell ⁸	165,000	–	–	–	15,675	–	180,675	–	–	180,675
K G Sanderson AO	37,500	–	–	–	3,563	–	41,063	–	–	41,063
C G Thorne ⁹	165,000	–	–	–	15,675	–	180,675	–	–	180,675
KMP executives¹										
G A Fenn ²	1,876,216	800,000	399,702	146,350	18,783	–	3,241,051	454,161	–	3,695,212
C W Bruyn ³	334,909	234,486	–	12,803	–	–	582,198	50,168	–	632,366
D A Cattell ^{2,11}	1,525,000	–	–	47,563	35,000	762,589	2,370,152	–	–	2,370,152
S Cinerari ³	383,333	312,500	–	2,899	10,553	–	709,285	54,408	–	763,693
K J Fletcher ²	925,969	392,000	195,855	76,521	35,000	–	1,625,345	165,210	–	1,790,555
L A Nucifora ³	281,296	196,595	–	10,763	7,826	–	496,480	–	–	496,480
D J Overall ^{2,12}	1,229,217	600,912	288,945	13,960	18,783	406,665	2,558,482	208,347	–	2,766,829
R A Spicer ^{2,10}	778,086	210,000	105,000	152,941	18,783	–	1,264,810	–	–	1,264,810
	8,576,526	2,746,493	989,502	463,800	262,766	1,169,254	14,208,341	932,294	–	15,140,635

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

2 Cash Bonus paid or payable in respect of current year represents cash payments in relation to the 2015 financial year. These comprise the 50% cash component of the award.

3 Cash Bonus paid or payable in respect of current year represents cash payments in relation to the 2015 financial year. These comprise the 50% cash component of the award and the 50% transitional payment as described in sections 5.3.1 and 5.3.4. The remaining 50% of the total award is deferred as described in sections 5.3.1 and 5.3.4.

4 Amounts represent the first deferred component of the bonus awards in relation to the 2014 financial year, being 25% of the total 2014 award. The remaining 25% is subject to meeting the employment condition as described in sections 5.3.1 and 5.3.4.

5 Represents the value of vested and unvested equity expensed during the period including reversal for forfeited equity incentives and the probability of the incentives vesting, in accordance with AASB 2 *Share-based Payments*, related to grants made to the executive, as outlined in sections 6.6.1 and 6.6.2. Vesting of the majority of securities remains subject to significant performance and service conditions as outlined in sections 5.4.1 and 5.4.2.

6 S A Chaplain: comprised of \$150,000 Board fee and \$35,000 Audit and Risk Committee chair fee.

7 P S Garling: comprised of \$150,000 Board fee and \$15,000 Remuneration Committee chair fee.

8 E A Howell: comprised of \$150,000 Board fee and \$15,000 Zero Harm Committee chair fee.

9 C G Thorne: comprised of \$150,000 Board fee and \$15,000 Tender Risk Evaluation Committee chair fee.

10 Due to the nature of the Downer business, non-monetary benefits include living away from home expenses.

11 D A Cattell: Other benefits represents the accrual of the cash retention benefit payable on 1 July 2015 (\$762,589), being nine months' fixed remuneration.

12 D J Overall: Other benefits represents the accrual of the cash retention benefit payable on 21 May 2017 (\$406,665), being 12 months' fixed remuneration.

Directors' Report – continued

for the year ended 30 June 2015

2014	Short-term employee benefits			Post-employment benefits					
	Salary and fees \$	Cash Bonus paid or payable in respect of current year ² \$	Deferred Bonus paid or payable in respect of prior years ³ \$	Non-monetary \$	Super-annuation \$	Other benefits \$	Subtotal \$	Share-based payment transactions ⁴ \$	Total \$
Non-executive Directors									
R M Harding	375,000	–	–	–	27,534	–	402,534	–	402,534
S A Chaplain ⁵	185,000	–	–	–	17,113	–	202,113	–	202,113
J S Humphrey	150,000	–	–	–	13,875	–	163,875	–	163,875
P S Garling ⁶	165,000	–	–	–	15,263	–	180,263	–	180,263
E A Howell ⁷	165,000	–	–	–	15,263	–	180,263	–	180,263
K G Sanderson AO	150,000	–	–	–	13,875	–	163,875	–	163,875
C G Thorne ⁸	157,500	–	–	–	14,569	–	172,069	–	172,069
KMP executives ¹									
G A Fenn	1,877,225	1,598,810	–	135,201	17,775	–	3,629,011	290,175	3,919,186
D A Cattell ¹⁰	1,535,000	–	–	56,155	25,000	1,081,773	2,697,928	29,038	2,726,966
K J Fletcher	935,969	783,420	–	64,221	25,000	–	1,808,610	96,479	1,905,089
D J Overall	1,230,225	1,155,780	–	7,526	17,775	–	2,411,306	187,193	2,598,499
R A Spicer ⁹	782,225	420,000	–	189,093	17,775	–	1,409,093	–	1,409,093
	7,708,144	3,958,010	–	452,196	220,817	1,081,773	13,420,940	602,885	14,023,825

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

2 Amounts represent cash payments in relation to the 2014 financial year. These comprise the 50% cash component of the award and the 50% transitional payment described in sections 5.3.1 and 5.3.4.

3 The accounting disclosure made in respect of deferred short-term incentive awards has been altered to reflect amounts that have met all vesting conditions. Accordingly as the deferred component awarded in respect of the 2014 year remained subject to continued employment, those amounts have been removed.

4 Represents the value of vested and unvested equity expensed during the period including reversal for forfeited equity incentives and the probability of the incentives vesting, in accordance with AASB 2 *Share-based Payments*, related to grants made to the executive, as outlined in sections 6.6.1 and 6.6.2. Vesting of the majority of securities remains subject to significant performance and service conditions as outlined in sections 5.4.1 and 5.4.2.

5 S A Chaplain: comprised of \$150,000 Board fee and \$35,000 Audit and Risk Committee chair fee.

6 P S Garling: comprised of \$150,000 Board fee and \$15,000 Remuneration Committee chair fee.

7 E A Howell: comprised of \$150,000 Board fee and \$15,000 Zero Harm Committee chair fee.

8 C G Thorne: comprised of \$150,000 Board fee and \$7,500 Tender Risk Evaluation Committee chair fee from 1 January 2014.

9 Due to the nature of the Downer business, non-monetary benefits include living away from home expenses.

10 D A Cattell: other benefits represents the accrual of the cash retention benefit payable on 1 July 2014 (\$674,362) and at the end of Mr Cattell's fixed term contract on 1 July 2015 (\$407,411), being nine months' fixed remuneration in each case.

6.5 Performance related remuneration

The table below lists the proportions of remuneration paid during the year ended 30 June 2015 that are performance and non-performance related.

	Performance Related	Non-Performance Related
KMP executives	%	%
G A Fenn ¹	45	55
C W Bruyn ¹	45	55
D A Cattell	–	100
S Cinerari ¹	48	52
K J Fletcher ¹	42	58
L Nucifora	40	60
D J Overall ¹	47	53
R A Spicer ¹	25	75

¹ Performance related portion includes the reversal of expense for forfeited equity incentives described in section 5.3.1.

Weightings applied to the 2015 STI scorecard measures for executives are set out below:

Executive	Group NPAT	Divisional EBIT	Free cash flow	Zero Harm	People
Corporate	30%	–	30%	30%	10%
Division	7.5%	22.5%	30%	30%	10%
			(7.5% Group, 22.5% Division)		

The Zero Harm element of the scorecard comprised measures as follows:

Measure	Target
Safety	
TRIFR (total recordable injury frequency rate) and LTIFR (lost time injury frequency rate)	Achieve specified levels of TRIFR and LTIFR for the relevant area of responsibility.
Critical risk	Assessment of critical risks and the integrity of controls.
Action close outs	Achieve minimum periods where there are zero actions that are overdue by more than 60 days at the end of each month recorded, arising from Zero Harm incidents, covering High Potentials and actual injuries (First Aid, Medical Treatment Injury and Lost Time Injury).
Environmental	
Critical risk	Identify the top five environmental risks, record them in the Zero Harm critical risk register, develop an environmental risk management plan for each of the five risks and implement one of those environmental risk management plans.
Greenhouse gas reduction/energy efficiency	Set targets for a five-year plan and achieve specified annual savings identified in the plan for the 2015 year.

Specific STI financial and commercial targets at division and corporate levels remain commercially sensitive and so have not been reported.

In order for an STI to be paid, a minimum of 90% of the budgeted profit target must be met. For corporate executives, the hurdle is 90% of the Group budgeted profit target. Profit for this purpose is defined as NPAT. For divisional executives, the hurdle is 90% of the division budgeted profit target. Profit for this purpose is defined as EBIT.

Directors' Report – continued

for the year ended 30 June 2015

The following table summarises the average performance achieved by the KMP across each element of the scorecard.

		Group NPAT	Divisional EBIT	Free Cash Flow	Zero Harm	People
Weighting of scorecard element	Corporate	30.0		30.0	10.0	10.0
	Division	7.5	22.5	30.0	10.0	10.0
Performance as a percentage of the overall weighting ¹	Corporate	23.3		30.0	30.0	10.0
	Division	4.7	7.2	27.3	22.0	10.0

¹ Performance includes the results for each element, even if the NPAT or EBIT gateway was not achieved.

The following table shows the STIs that were earned during the year ended 30 June 2015 due to the achievement of the relevant performance targets.

Short-term Incentive in respect of 2015 financial year		
	Paid	Forfeited
KMP executives	%	%
G A Fenn	80	20
C W Bruyn	70	30
D A Cattell	–	100
S Cinerari	75	25
K J Fletcher	80	20
L Nucifora	70	30
D J Overall	96	4
R A Spicer	35	65

The table below summarises LTI performance measures tested and the outcomes for each executive.

Relevant executives	Relevant LTI measure	Performance outcome	% LTI tranche that vested
G A Fenn, C W Bruyn, S Cinerari, K J Fletcher, D J Overall	2012 plan		
	TSR tranche – percentile ranking of Downer's TSR relative to the constituents of the ASX100 over a three year period.	Actual performance ranked at the 62nd percentile.	48.0% became provisionally qualified.
	EPS tranche – compound annual earnings per share growth against absolute targets over a three year period.	Actual performance was 8.72%	45.3% became provisionally qualified.

6.6 Share-based payments

6.6.1 Options and rights

No performance options were granted or exercised during the year ended 30 June 2015.

As outlined in section 5.4.1, the LTI plan for the 2015 financial year is in the form of performance rights. Relief from certain regulatory requirements was applied for and has been received from the Australian Securities and Investments Commission. During the year, grants of performance rights were made to KMP in respect of the 2014 transitional period (1 January 2014 to 30 June 2014) and the 2015 financial year.

The following table shows the number of performance rights granted and percentage of performance rights that vested or were forfeited during the year for each grant that affects compensation in this or future reporting periods.

	2013 Plan			2014 Plan			2015 Plan		
	Number of performance rights ¹	% vested	% forfeited	Number of performance rights ²	% vested	% forfeited	Number of performance rights ³	% vested	% forfeited
KMP executives									
G A Fenn	445,682	–	–	243,576	–	–	511,247	–	–
C W Bruyn	119,373	–	–	74,242	–	–	167,774	–	–
D A Cattell	–	–	–	–	–	–	–	–	–
S Cinerari	140,390	–	–	76,726	–	–	161,043	–	–
K J Fletcher	163,788	–	–	89,514	–	–	187,883	–	–
L A Nucifora	–	–	–	–	–	–	–	–	–
D J Overall	208,579	–	–	113,993	–	–	239,264	–	–
R A Spicer	–	–	–	–	–	–	–	–	–

1 Grant date 15 October 2013. The fair value of shares granted was \$3.81 per share for the EPS tranche and \$2.26 per share for the TSR tranche.

2 Grant date 2 June 2015. The fair value of shares granted was \$4.45 per share for the EPS tranche and \$1.77 per share for the TSR tranche.

3 Grant date 2 June 2015. The fair value of shares granted was \$4.23 per share for the EPS and Scorecard tranches and \$1.70 per share for the TSR tranche.

The maximum number of performance rights that may vest in future years that will be recognised as share-based payments in future years is set out in the table below:

	Maximum number of shares for the vesting year			
	2016	2017	2018	2019
KMP executives				
G A Fenn	–	445,682	243,576	511,247
C W Bruyn	–	119,373	74,242	167,774
D A Cattell	–	–	–	–
S Cinerari	–	140,390	76,726	161,043
K J Fletcher	–	163,788	89,514	187,883
L A Nucifora	–	–	–	–
D J Overall	–	208,579	113,993	239,264
R A Spicer	–	–	–	–

The maximum value of performance rights that may vest in future years that will be recognised as share-based payments in future years is set out in the table below. The amount reported is the value of share-based payments calculated in accordance with AASB 2 *Share-based Payment* over the vesting period.

	Maximum value of shares for the vesting year		
	2016	2017	2018
KMP executives			
G A Fenn	1,349,246	1,138,622	563,155
C W Bruyn	408,841	352,427	184,808
D A Cattell	–	–	–
S Cinerari	425,012	358,666	177,394
K J Fletcher	495,847	418,443	206,959
L A Nucifora	–	–	–
D J Overall	631,446	532,875	263,557
R A Spicer	–	–	–

Directors' Report – continued

for the year ended 30 June 2015

6.6.2 Restricted shares

The table below shows the number of restricted shares granted and percentage of restricted shares that vested or were forfeited during the year for each grant that affects compensation in this or future reporting periods.

	2011 Plan			2012 Plan		
	Number of shares ¹	% vested	% forfeited	Number of shares ²	% vested	% forfeited
KMP executives						
G A Fenn	480,205	2%	–	464,996	–	53%
C W Bruyn	130,055	2%	–	117,392	–	53%
D A Cattell	–	–	–	–	–	–
S Cinerari	130,055	2%	–	154,999	–	53%
K J Fletcher	160,068	2%	–	154,999	–	53%
L A Nucifora	–	–	–	–	–	–
D J Overall	180,077	2%	–	232,498	–	53%
R A Spicer	–	–	–	–	–	–

1 Grant date 21 June 2011. The fair value of shares granted was \$3.72 per share for the EPS tranche and \$1.99 per share for the TSR tranche.

2 Grant date 22 June 2012. The fair value of shares granted was \$3.10 per share for the EPS tranche and \$1.85 per share for the TSR tranche.

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 in the table below:

	Maximum number of shares for the vesting year
	2016
KMP executives	
G A Fenn	464,996
C W Bruyn	117,392
D A Cattell	–
S Cinerari	154,999
K J Fletcher	154,999
L A Nucifora	–
D J Overall	232,498
R A Spicer	–

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 in the table below. The amount reported is the value of share-based payments calculated in accordance with AASB 2 *Share-based Payment* over the vesting period.

	Maximum value of shares for the vesting year (\$)
	2016
KMP executives	
G A Fenn	163,012
C W Bruyn	41,154
D A Cattell	–
S Cinerari	54,337
K J Fletcher	54,337
L A Nucifora	–
D J Overall	81,506
R A Spicer	–

6.7 Remuneration consultants

Guerdon Associates Pty Ltd was engaged by the Board Remuneration Committee to provide remuneration advice in relation to KMP, but did not provide the Board Remuneration Committee with remuneration recommendations as defined under Division 1, Part 1.2, 9B (1) of the *Corporations Act 2001* (Cth).

The Board was satisfied that advice received was free from any undue influence by key management personnel to whom the advice may relate, because strict protocols were observed and complied with regarding any interaction between Guerdon Associates Pty Ltd and management, and because all remuneration advice was provided to the Board Remuneration Committee chair.

7. Key terms of employment contracts

7.1 Notice and termination payments

Executives are on contracts with no fixed end date, other than the following:

- R A Spicer who is on a fixed term contract that ends on 13 April 2017.

The following table captures the notice periods applicable to termination of the employment of executives.

	Termination notice period by Downer	Termination notice period by employee	Termination payments payable under contract
Managing Director	12 months	6 months	12 months
Other Executives	12 months	6 months	12 months

There has been one variation from policy during this financial year:

- A fixed term contractual arrangement was entered into on 18 December 2013 with D A Cattell to ensure management continuity and to guide the Downer Infrastructure business through a period of significant transition in the sector. Mr Cattell received a cash payment equal to nine months fixed remuneration when that contract ended on 1 July 2015.

In accordance with his previous contract dated 5 October 2012, Mr Cattell received a cash payment equal to nine months fixed remuneration on 1 July 2014.

Mr Cattell was eligible participate in the STI plan for the 2014 and 2015 financial years, but the amount payable for each year was limited to the amount payable for performance that exceeds target. This means that the maximum STI he could receive for the 2015 financial year was 25% of fixed remuneration if performance on all measures was at or above the maximum (i.e. the stretch component up to a total maximum of 100%). In relation to both the 2014 and 2015 STI, there was no award to Mr Cattell.

In addition, Mr Cattell was not eligible to receive grants under any LTI plans.

On 23 April 2015, a new contractual arrangement was entered into with Mr Cattell for his new role as Group Head of Strategy, Growth & Innovation. This contract has no fixed term and entitles Mr Cattell to participate in the standard STI plan and LTI plan for 2016 onwards.

Termination payments are calculated based upon total fixed remuneration at the date of termination. No payment is made for termination due to gross misconduct.

Directors' Report – continued

for the year ended 30 June 2015

7.2 Managing Director and Chief Executive Officer of Downer's employment agreement

Mr Fenn was appointed as the Managing Director and Chief Executive Officer of Downer commencing on 30 July 2010. Mr Fenn's contract will continue until terminated by either party under the terms of the employment agreement as summarised below.

Mr Fenn's remuneration comprises fixed and variable components.

Mr Fenn's fixed remuneration is \$2.0 million per annum and this was unchanged during the 2015 financial year. This amount includes superannuation contributions and non-cash benefits and excludes Mr Fenn's home telephone rental and call costs, home internet costs and medical health, life and salary continuance insurance. Mr Fenn may also be accompanied by his wife when travelling on business, at the Chairman's discretion. There was no such travel during the year. It is reviewable annually in accordance with Downer's policies.

Mr Fenn is eligible to receive an annual STI and the maximum STI opportunity is 100% of fixed remuneration. Any entitlement to an STI is at the discretion of the Board, having regard to performance measures and targets developed in consultation with Mr Fenn including Downer's financial performance, safety, people, environmental and sustainability targets and adherence to risk management policies and practices. The Board also retains the right to vary the STI by + or – 100% (up to the 100% maximum) based on its assessment of performance. The STI deferral arrangements in place for KMP apply to Mr Fenn.

There is no STI entitlement where the Managing Director's employment terminates prior to the end of the financial year, other than in the event of a change in control or by mutual agreement.

Mr Fenn is eligible to participate in the annual LTI plan and the value of the award is 100% of fixed remuneration calculated using the volume weighted average price after each year's half yearly results announcement.

Mr Fenn's performance requirements have been described in section 5.

In the event of a change of control, providing at least 12 months of a grant's performance period have elapsed, unvested shares and performance rights pro rated with the elapsed service period are tested for vesting with performance against the relevant hurdles for that period and vest, as appropriate. Shares that have already been tested, have met performance requirements and are subject to the completion of the service condition, fully vest.

The Board retains the right to vary from policy in exceptional circumstances.

Mr Fenn can resign:

- (a) By providing six months' written notice; or
- (b) Immediately in circumstances where there is a fundamental change in his role or responsibilities. In these circumstances, Mr Fenn is entitled to a payment in lieu of 12 months' notice.

Downer can terminate Mr Fenn's employment:

- (a) Immediately for misconduct or other circumstances justifying summary dismissal; or
- (b) By providing 12 months' written notice.

When notice is required, Downer can make a payment in lieu of notice of all or part of any notice period (calculated based on Mr Fenn's fixed annual remuneration).

If Mr Fenn resigns because ill health prevents him from continuing his duties, he will receive a payment in recognition of his past services equivalent to 12 months' fixed remuneration. At the discretion of the Board, his shares under the LTI plan may also vest.

If Downer terminates Mr Fenn's employment on account of redundancy, in addition to the notice (or payment in lieu of notice) required to be given by Downer, Mr Fenn will receive a payment in recognition of his past services equivalent to 12 months' fixed remuneration.

If Mr Fenn resigns he will be subject to a six month post-employment restraint in certain areas where the Downer Group operates, where he is restricted from working for competitive businesses.

The agreement contains provisions regarding leave entitlements, duties, confidentiality, intellectual property, moral rights and other facilitative and ancillary clauses. It also contains provisions regarding corporate governance and a provision dealing with the *Corporations Act 2001* (Cth) limits on termination benefits to be made to Mr Fenn.

8. Prior equity-based remuneration plans

Prior Downer equity-based remuneration plans in which executives retained an interest during the reporting period are:


- 2012 executive share plan; and
- 2011 executive share plan.

Details of LTI plans from prior years are set out in the table below.

Plan name	Type of award	Performance requirements	Re-test	Service requirements	Vesting schedule
2012 executive share plans and 2011 executive share plans	Grant of restricted shares delivered in two equal tranches	<p>Tranche One: Percentile ranking of Downer's TSR relative to the constituents of the ASX100 (excluding the financial sector) as at the beginning of the performance test period.</p> <p>Tranche Two: EPS annual compound growth to be within 6% to 12%.</p> <p>The performance period for both tranches is three years.</p>	There is no re-test.	The service condition requires that the executive remains employed at all times for a period of 12 months from 31 December in the final year of the performance period for which the performance condition is satisfied.	<p>Tranche One: 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 ASX100. Shares vest pro rata between the median and 75th percentile. That is, 4% of the shares vest at the 51st percentile, 8% at the 52nd percentile and so on until 100% vest at the 75th percentile.</p> <p>Tranche Two: Pro rata from 6% to 12% EPS growth such that 16.67% of the restricted shares in the tranche vest for every 1% increase in EPS growth between 6% and 12%.</p>

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

On behalf of the Directors



R M Harding
Chairman

Sydney, 6 August 2015

Auditor's Independence Declaration



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Downer EDI Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'Martin Sheppard'.

Martin Sheppard
Partner

Sydney

6 August 2015

Independent Auditor's Report

for the year ended 30 June 2015



INDEPENDENT AUDITOR'S REPORT

To the Members of Downer EDI Limited

REPORT ON THE FINANCIAL REPORT

Opinion

We have audited the accompanying financial report of Downer EDI Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, Notes A to G, comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion-

- (a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note A.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Recognition of revenue

Refer to Note B2 'Revenue and other income'.

The Group's three largest revenue streams relate to rendering of services, mining services and construction contracts. Some of these streams have contracts that account for revenue and margin based on the stage of completion of individual contracts, calculated on the proportion of total costs incurred at the reporting date compared to management's estimation of total costs of the contract. It is these types of contracts that we have focused audit procedures on.

The accurate recording of revenue is highly dependent on the following key factors:

- Detailed knowledge of the individual characteristics and status of contracts such as industry, geography of project, contract length and type, for example lump sum versus time and material contracts;
- Management's contract process includes:
 - Estimating total cost to complete at initiation of the contract, including the estimation of cost

Our procedures included, amongst others:

- We evaluated management's process regarding existence and valuation of the Group's contract revenues. We tested that controls such as the preparation and authorisation of monthly project valuations and that the Tender and Contracting Committee (TCC) process were being used in line with Group policy;
- We undertook a sample of site visits (to both contract sites and commercial offices) across the Group's major divisions and geographies to obtain a detailed understanding of the Group's contract processes, their consistent application, and to understand the variety of risk elements of the contracts;
- We selected a sample of contracts for testing utilising Data Analytic routines based on a number of quantitative and qualitative factors, such as contracts with significant deterioration in margin, those contracts with significant variations, claims and other factors which indicate to us that a greater level of judgement is required in assessing the revenue recognition based on the estimates developed for current and forecast contract performance;

Independent Auditor's Report

for the year ended 30 June 2015



contingencies for uncertain risks like time slippage;

- Revisions for certain events or conditions that occur during the performance of the contract, or expected to occur to complete the contract; and
- Adjustments to these estimates, such as re-measures of quantities of materials required for the project completion could give rise to variances in the amount of revenue and profit/loss recognised; and

- Determination of variations and claims, including an assessment of when the Group believes it is probable that the amount will be approved and thus recovered from the customer.

We focused on this area as a key audit matter due to the number and type of estimation events over the course of the contract life, the wide variety of unique contract conditions, leading to complex and judgemental revenue recognition from contracts.

- For the sample selected, where appropriate, we performed the following procedures in relation to the key judgements in management's calculation of contract revenue:

- we read the contract terms and conditions to evaluate whether the individual characteristics of each contract were reflected in management's estimate;
- we assessed the forecast costs to complete through challenging Group finance, commercial and operational management assessments;
- we evaluated the Group's legal and external experts' reports received on contentious matters to identify conditions that may qualify for adjustments under Group policy;
- we tested the existence and valuation of variations and claims both within contract revenue and contract costs to supporting documentation, to check claims were in accordance with contract terms. For contracts that had significant variation and claim elements, we used our KPMG major project specialists to evaluate the claim elements for risk of non-recovery. Our major projects team are qualified engineers;
- we assessed the Group's ability to deliver contracts within budgeted margins by analysing the historical accuracy of forecasting margins and the relationship of cost versus billing status on contracts;
- we evaluated significant exposures to liquidated damages for late delivery of contract works by assessing the variation registers, which track the nature, quantum and status of current exposures; and
- we evaluated contract performance in the period since year end to audit opinion date to reflect on year end revenue recognition judgements.

Acquisition of Tenix Holdings Australia Pty Ltd

Refer to Note F2 'Acquisition of businesses'.

During the year the Group acquired Tenix Holdings Australia Pty Ltd (Tenix) for gross purchase consideration of \$333m. This was considered a significant purchase for the Group.

Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to goodwill and separately identifiable intangible assets such as customer contracts and relationships.

It is due to the size of the acquisition and the estimation process involved in accounting for it that this is a key area of audit focus.

Our procedures included, amongst others:

- We read the sale and purchase agreement to understand key terms and conditions;
- We evaluated the assumptions and methodology in management's value in use models, such as forecast revenues, operating costs and contributory assets, used to determine the value of Tenix customer contracts and relationships to the Group;
- We used our Corporate Finance and valuation specialists to compare these valuation assumptions with external benchmarks (for example discount rates) and to consider the assumptions based on our knowledge of the Group and its industries;
- We considered the Group's determination of the final fair value adjustments at 30 June 2015 and compared them to the provisionally reported values at 31 December 2014. We performed testing on certain fair value adjustments to confirm that they related to new information obtained about facts and circumstances that existed on acquisition date, therefore were eligible for recognition; and
- We assessed the adequacy of the Group's disclosures in respect of business acquisitions.



Impairment of goodwill

Refer to C7 'Intangible assets'.

At 30 June 2015 the Group's balance sheet includes goodwill amounting to \$781.7 million, contained within six cash generating units (CGUs).

The assessment of impairment of the Group's goodwill balances incorporated significant judgement in respect of factors such as discount rates, current work in hand and future contract wins, as well as economic assumptions such as, inflation and foreign currency rates.

The sectors in which the Group operated over the period have experienced the impacts of reductions in capital expenditure, constrained government spending, costs reduction mandates, project cancellations and deferrals, along with volatile commodity prices.

A key audit matter for us was whether the Group's value in use model for impairment included appropriate consideration of these factors on their significant estimates and judgements and the selection of key external and internal inputs.

Our procedures included, amongst others:

- We assessed management's determination of the Group's CGUs based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also analysed the internal reporting of the Group to assess how earnings streams are monitored and reported;
- We evaluated management's process regarding valuation of the Group's goodwill assets to determine any asset impairments. We tested controls were being performed, such as the preparation and review of forecasts. These forecasts take into consideration the impacts of the sector specific challenges that the Group faces;
- We challenged the Group's assumptions and estimates used to determine the recoverable value of its assets, including those relating to forecast revenue, cost, capital expenditure, discount rates and foreign exchange rates by adjusting for future events and corroborating the key market related assumptions to external data;
- We checked the mathematical accuracy of the cash flow models and agreed relevant data to the latest forecasts;
- We assessed the historical accuracy of forecasting of the Group;
- We performed sensitivity analysis in two main areas. These included the discount rate and terminal growth assumptions on the CGUs with a higher risk of impairment; and
- We also assessed whether assumptions, such as working capital and capital spend, had been determined and applied consistently across the Group.

Asset valuation – plant and equipment

Refer to Note C6 'Property, plant and equipment'.

Assessment of the carrying value of idle mining plant and equipment is a key audit matter. There are a number of judgements required in determining their carrying value due to the current economic conditions and potential contraction in the market as a consequence of volatile commodity prices. These judgements include assessing the remaining useful life of an idle asset and where appropriate, the current market value.

This resulted in increased challenge to assess the forecasted future use or sale, the timing thereof, and the related expected cash flows for now idle assets. The Group appointed external independent valuers to provide specialist advice on valuing aged idle assets.

Our procedures included, amongst others:

- We evaluated management's process to manage and allocate plant and equipment to current contracts and tenders. This process is designed to ascribe values to the Group's mining plant and equipment assets consistent with their specific use. We noted idle assets and the strategic assessment of their use. We tested controls such as the preparation and review of reporting of plant utilisation and allocation of assets to contracts; and
 - We evaluated external independent valuations obtained by the Group regarding the carrying value of aged idle assets at reporting date by assessing the valuation methodology adopted and competence of valuers.
-

Independent Auditor's Report

for the year ended 30 June 2015



Other information

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2015, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note A, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 of the financial report that gives a true and fair view 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 19 to 45 of the Directors' Report for the year ended 30 June 2015. 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.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Downer EDI Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Martin Sheppard
Partner

Sydney
6 August 2015







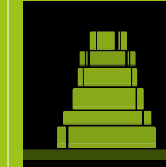
Malcolm Ramsay
Partner

Sydney
6 August 2015

Financial Statements

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	B1 Segment information	C1 Reconciliation of cash flow from operating activities	D1 Employee benefits	E1 Borrowings	F1 Joint arrangements and associate entities	G1 New accounting standards
	B2 Revenue and other income	C2 Trade and other receivables	D2 Key management personnel compensation	E2 Financing facilities	F2 Acquisition of businesses	G2 Capital and financial risk management
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2015

	Note	2015 \$'m	2014 \$'m
Revenue from ordinary activities	B2	7,014.9	7,365.3
Other income	B2	5.0	6.3
Total revenue and other income		7,019.9	7,371.6
Employee benefits expense	D1	(2,605.3)	(2,629.3)
Raw materials and consumables used		(1,282.7)	(1,277.0)
Subcontractor costs		(1,562.3)	(1,631.8)
Plant and equipment costs		(641.1)	(845.4)
Other expenses from ordinary activities		(380.4)	(394.0)
Depreciation and amortisation	C6,C7	(253.1)	(266.4)
Share of net profit of joint ventures and associates		14.7	13.4
		(6,710.2)	(7,030.5)
Earnings before interest and tax		309.7	341.1
Finance income		6.4	6.7
Finance costs		(36.3)	(49.7)
Net finance costs		(29.9)	(43.0)
Profit before income tax		279.8	298.1
Income tax expense	B4(a)	(69.6)	(82.1)
Profit after income tax		210.2	216.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences arising on translation of foreign operations		(11.7)	17.1
– Net gain/(loss) on foreign currency forward contracts taken to equity		2.2	(4.5)
– Net loss on cross currency interest rate swaps taken to equity		(0.3)	(0.5)
– Income tax relating to components of other comprehensive income		(0.5)	1.6
Other comprehensive income for the year (net of tax)		(10.3)	13.7
Total comprehensive income for the year		199.9	229.7
Earnings per share (cents)			
– Basic earnings per share	B3	46.6	48.3
– Diluted earnings per share	B3	44.9	46.0

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 57 to 107.

Consolidated Statement of Financial Position

as at 30 June 2015

	Note	30 June 2015 \$'m	30 June 2014 \$'m
ASSETS			
Current assets			
Cash and cash equivalents		372.2	431.8
Trade and other receivables	C2	1,123.4	1,193.4
Other financial assets	G3	11.5	11.6
Inventories	C4	352.6	384.7
Current tax assets		20.3	–
Prepayments and other assets		41.9	39.4
Total current assets		1,921.9	2,060.9
Non-current assets			
Trade and other receivables		15.9	16.0
Interest in joint ventures and associates	F1(a)	83.3	40.1
Property, plant and equipment	C6	1,037.1	1,146.9
Intangible assets	C7	919.0	589.5
Other financial assets	G3	19.6	6.7
Deferred tax assets	B4(b)	0.7	0.7
Prepayments and other assets		6.9	7.6
Total non-current assets		2,082.5	1,807.5
Total assets		4,004.4	3,868.4
LIABILITIES			
Current liabilities			
Trade and other payables	C5	1,066.5	1,063.9
Borrowings	E1	62.2	137.7
Other financial liabilities	G3	15.9	47.6
Employee benefits provision	D1	228.1	244.3
Provisions	C8	50.1	59.7
Current tax liabilities		0.7	10.0
Total current liabilities		1,423.5	1,563.2
Non-current liabilities			
Trade and other payables		9.7	5.7
Borrowings	E1	476.4	285.5
Other financial liabilities	G3	2.2	3.4
Employee benefits provision	D1	29.5	19.7
Provisions	C8	13.9	17.0
Deferred tax liabilities	B4(b)	13.9	11.9
Total non-current liabilities		545.6	343.2
Total liabilities		1,969.1	1,906.4
Net assets		2,035.3	1,962.0
EQUITY			
Issued capital	E4	1,449.1	1,457.9
Reserves		(15.8)	(2.5)
Retained earnings		602.0	506.6
Total equity		2,035.3	1,962.0

The consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 57 to 107.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2015

2015 \$'m	Issued capital	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Retained earnings	Total
Balance at 1 July 2014	1,457.9	(1.7)	(16.1)	15.3	506.6	1,962.0
Profit after income tax	–	–	–	–	210.2	210.2
Other comprehensive income for the year (net of tax)	–	1.4	(11.7)	–	–	(10.3)
Total comprehensive income for the year	–	1.4	(11.7)	–	210.2	199.9
Group on-market share buy-back	(11.7)	–	–	–	–	(11.7)
Vested executive incentive shares transactions	2.9	–	–	(2.9)	–	–
Share-based employee benefits expense	–	–	–	1.5	–	1.5
Income tax relating to share-based transactions during the year	–	–	–	(1.6)	–	(1.6)
Payment of dividends ⁽ⁱ⁾	–	–	–	–	(114.8)	(114.8)
Balance at 30 June 2015	1,449.1	(0.3)	(27.8)	12.3	602.0	2,035.3

(i) Payment of dividends relates to 2014 final dividend, 2015 interim dividend and ROADS dividends paid during the financial year.

2014 \$'m	Issued capital	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Retained earnings	Total
Balance at 1 July 2013	1,449.0	1.7	(33.2)	14.0	395.1	1,826.6
Profit after income tax	–	–	–	–	216.0	216.0
Other comprehensive income for the year (net of tax)	–	(3.4)	17.1	–	–	13.7
Total comprehensive income for the year	–	(3.4)	17.1	–	216.0	229.7
Contributions of equity ⁽ⁱ⁾	8.9	–	–	–	–	8.9
Share-based employee benefits expense	–	–	–	1.2	–	1.2
Income tax relating to share-based transactions during the year	–	–	–	0.1	–	0.1
Payment of dividends ⁽ⁱⁱ⁾	–	–	–	–	(104.5)	(104.5)
Balance at 30 June 2014	1,457.9	(1.7)	(16.1)	15.3	506.6	1,962.0

(i) Contributions of equity relate to shares issued as a result of Dividend Re-Investment Plan.

(ii) Payment of dividends relates to 2013 final dividend, 2014 interim dividend and ROADS dividends paid during the financial year.

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 57 to 107.

Consolidated Statement of Cash Flows

for the year ended 30 June 2015

	Note	2015 \$'m	2014 \$'m
Cash flows from operating activities			
Receipts from customers		7,916.4	8,446.5
Distributions from equity-accounted investees	F1(a)	8.0	26.3
Dividends received from external entities		–	0.4
Payments to suppliers and employees		(7,363.7)	(7,890.9)
Manufacture Delay Account interest received		–	86.1
Interest received		6.7	6.2
Interest and other costs of finance paid		(31.9)	(49.5)
Income tax paid		(49.0)	(41.7)
Net cash inflow from operating activities	C1	486.5	583.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		79.3	129.9
Payments for property, plant and equipment		(177.6)	(379.5)
Payments for intangible assets		(30.2)	(13.0)
Payments for investments		(50.1)	(0.4)
Advances to joint ventures		(3.0)	(15.1)
Repayments from other entities		–	0.6
Proceeds from sale of businesses		1.9	1.5
Payments for businesses acquired		(318.5)	(2.8)
Net cash used in investing activities		(498.2)	(278.8)
Cash flows from financing activities			
Group on-market share buy-back		(11.7)	–
Proceeds from borrowings		1,247.0	1,091.4
Repayments of borrowings		(1,167.3)	(1,352.3)
Dividends paid		(114.8)	(95.6)
Net cash used in financing activities		(46.8)	(356.5)
Net decrease in cash and cash equivalents		(58.5)	(51.9)
Cash and cash equivalents at the beginning of the year		431.8	479.9
Effect of exchange rate changes		(1.1)	3.8
Cash and cash equivalents at the end of the year		372.2	431.8

The consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 57 to 107.

Notes to the consolidated financial statements

for the year ended 30 June 2015



About this report

Statement of compliance

These financial statements represent the consolidated results of Downer EDI Limited (ABN 97 003 872 848). The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The Financial Report was authorised for issue by the Board of Directors on 6 August 2015.

Rounding of amounts

Downer is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, relating to the “rounding off” of amounts in the Director’s Report and consolidated financial statements. Unless otherwise expressly stated, amounts have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars in accordance with that Class Order. Amounts shown as \$– represent amounts less than \$50,000 which have been rounded down.

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. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation in the preparation of the Financial Report are consistent with those adopted and disclosed in Downer’s Annual Report for the financial year ended 30 June 2014, except in relation to the relevant amendments and their effects on the current period or prior periods as described in Note G1.

Accounting estimates and judgements

Preparation of the Financial Report requires management to make judgements, estimates and assumptions about future events. Information on material estimates and judgements considered when applying the accounting policies can be found in the following notes:

Accounting estimates and judgements	Note	Page
Revenue recognition	B2	63
Recovery of deferred tax assets	B4	66
Income taxes	B4	66
Capitalisation of tender/bid costs	C2	69
Impairment of assets	C7	73
Provisions	C8	75
Annual leave and long service leave	D1	78
Accounting for acquisition of businesses	F2	92

Significant accounting policies

Accounting policies are selected and applied in a manner that 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. Other significant accounting policies are contained in the notes to the consolidated financial statements to which they relate to.

(i) Principles of consolidation

The Financial Report incorporates the financial statements of the Company and entities controlled by the Group and its subsidiaries. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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, transactions, and unrealised profits arising within the consolidated entity, are eliminated in full.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

A. About this report – continued

(ii) Foreign currency

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liability	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation are recognised in the statement of profit or loss, except for qualifying cash flow hedges which are deferred to equity.

On consolidation the assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Reporting date

Foreign exchange differences resulting from translation are initially recognised in the foreign currency translation reserve and subsequently transferred to the profit or loss on disposal of the foreign operation.

(iii) Finance and borrowing costs

Finance costs comprise interest expense on borrowings, cost to establish financing facilities (which are expensed over the term of the facility), losses on ineffective hedging instruments that are recognised in profit or loss and finance lease charges.

(iv) 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 year.

**B****Business performance**

This section provides the information that is most relevant to understanding the financial performance of the Group during the financial year and, where relevant, the accounting policies applied and the critical judgements and estimates made.

B1. Segment information**B2. Revenue and other income****B3. Earnings per share****B4. Taxation****B5. Remuneration of auditors****B6. Subsequent events****B1. Segment information****Identification of reportable segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker in order to effectively allocate Group resources and assess performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Group CEO in assessing performance and in determining the allocation of resources. The operating segments are identified by the Group based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Group CEO on a recurring basis.

The reportable segments are based on a combination of operating segments determined by the similarity of the services provided, and outlines the sources of the Group's major risks that

could therefore have the greatest effect on the rates of return. Downer has determined that reportable segments are best represented as service lines.

During the period, Downer changed its reportable segments along the six service lines of Transport Services; Technology and Communications Services; Utilities Services; Engineering, Construction and Maintenance; Mining; and Rail.

The new structure was created to strengthen the Group's focus on customers, better align Downer to its end markets, maximise future opportunities and reduce costs. It will also provide greater clarity on each of Downer's service offerings and align the business more closely with economic and market intelligence that is typically undertaken on a sectoral basis.

For the financial year ended 30 June 2015, the Group has presented the segment information under the operational based (historical reportable segment) and service line based (new reportable segment) structure.

The operating segments identified within the Group are outlined below:

	Operational based	Service line based	Segment description
Downer Infrastructure Australia (DI-AU) and New Zealand (DI-NZ)		Transport Services	Construction, development, management and maintenance of infrastructure for road, rail, light rail, bus, port and airport assets for public and private sector customers in Australia and New Zealand.
		Technology and Communications Services (Tech&Comms Services)	End-to-end critical infrastructure management solutions for customers in the technology and communications industries in Australia and New Zealand.
		Utilities Services	Complete asset lifecycle services to customers in the power, gas, water and renewable energy industries in Australia and New Zealand.
		Engineering, Construction and Maintenance (EC&M)	Plant construction and maintenance service including electrical and instrumentation (E&I), structural, mechanical and piping (SMP); balance of plant services on greenfield and brownfield projects of all sizes and structures; and consulting services to minerals and metals customers (through Mineral Technologies and QCC Resources).
Mining		Mining	Provision of contract mining services to resource owners, including open-cut and underground operations, whole-of-lifecycle mine planning, explosives, tyre management, operational and exploration drilling and blasting.
Rail		Rail	Supply, maintenance, component overhaul and provision of after-market parts to the Australian freight and passenger rail sectors.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

B1. Segment information – continued

Operational based

2015 \$'m	DI-AU	DI-NZ	Mining	Rail	Un-allocated	Total
Revenue	3,669.4	1,202.0	1,532.4	611.6	10.6	7,026.0
Inter-segment sales	–	–	–	–	(6.1)	(6.1)
Total segment revenue	3,669.4	1,202.0	1,532.4	611.6	4.5	7,019.9
Share of sales revenue from joint ventures and associates ⁽ⁱ⁾	84.8	6.2	57.3	261.9	–	410.2
Total revenue including joint ventures and other income⁽ⁱ⁾	3,754.2	1,208.2	1,589.7	873.5	4.5	7,430.1
Share of net profit of joint ventures and associates	2.0	0.4	3.5	8.8	–	14.7
Research and development incentives	5.3	–	4.0	0.7	15.1	25.1
Depreciation and amortisation	47.4	24.2	155.8	10.3	15.4	253.1
Total reported segment results (EBIT)	144.4	59.3	132.6	27.5	(54.1)	309.7
Net finance costs						(29.9)
Total profit before tax						279.8
Acquisition of segment assets	378.3	25.9	117.2	60.9	25.2	607.5
Segment assets	1,725.4	477.7	960.1	589.7	251.5	4,004.4
Segment liabilities	729.8	188.4	353.3	154.0	543.6	1,969.1
Carrying value of equity accounted investees	10.9	3.8	8.9	59.7	–	83.3

Service line based

2015 \$'m	Transport Services	Tech&Comms Services	Utilities Services	EC&M	Mining	Rail	Un-allocated	Total
Revenue	1,953.5	495.5	583.5	1,858.9	1,532.4	611.6	14.3	7,049.7
Inter-segment sales	–	–	–	–	–	–	(29.8)	(29.8)
Total segment revenue	1,953.5	495.5	583.5	1,858.9	1,532.4	611.6	(15.5)	7,019.9
Share of sales revenue from joint ventures and associates ⁽ⁱ⁾	60.6	–	–	30.4	57.3	261.9	–	410.2
Total revenue including joint ventures and other income⁽ⁱ⁾	2,014.1	495.5	583.5	1,889.3	1,589.7	873.5	(15.5)	7,430.1
Share of net profit of joint ventures and associates	0.6	–	–	1.8	3.5	8.8	–	14.7
Research and development incentives	2.5	1.1	1.2	0.5	4.0	0.7	15.1	25.1
Depreciation and amortisation	43.3	4.6	9.5	14.0	155.8	10.3	15.6	253.1
Total reported segment results (EBIT)	96.2	25.7	34.0	51.5	132.6	27.5	(57.8)	309.7
Net finance costs								(29.9)
Total profit before tax								279.8
Acquisition of segment assets	46.5	4.6	292.2	52.7	117.2	60.9	33.4	607.5
Segment assets	986.0	165.6	442.2	597.3	960.1	589.7	263.5	4,004.4
Segment liabilities	343.5	58.8	163.3	347.2	353.3	154.0	549.0	1,969.1
Carrying value of equity accounted investees	4.0	–	–	10.7	8.9	59.7	–	83.3

(i) This is a non-statutory disclosure as it relates to Downer's share of revenue from equity accounted joint ventures and associates.

B1. Segment information – continued

Operational based

2014 \$'m	DI-AU	DI-NZ	Mining	Rail	Un-allocated	Total
Revenue	3,556.3	1,129.0	1,924.0	755.5	13.3	7,378.1
Inter-segment sales	–	–	–	–	(6.5)	(6.5)
Total segment revenue	3,556.3	1,129.0	1,924.0	755.5	6.8	7,371.6
Share of sales revenue from joint ventures and associates ⁽ⁱ⁾	49.4	7.3	58.9	247.4	–	363.0
Total revenue including joint ventures and other income⁽ⁱ⁾	3,605.7	1,136.3	1,982.9	1,002.9	6.8	7,734.6
Share of net profit of joint ventures and associates	0.9	0.4	3.6	8.5	–	13.4
Research and development incentives	–	–	–	–	11.7	11.7
Depreciation and amortisation	38.6	23.1	188.2	8.0	8.5	266.4
Total reported segment results (EBIT)	127.9	63.2	171.4	22.1	(43.5)	341.1
Net finance costs						(43.0)
Total profit before tax						298.1
Acquisition of segment assets	51.9	25.5	294.0	17.1	4.6	393.1
Segment assets	1,354.9	449.4	1,069.5	694.6	300.0	3,868.4
Segment liabilities	635.8	188.6	403.1	229.4	449.5	1,906.4
Carrying value of equity accounted investees	9.0	4.1	9.0	18.0	–	40.1

(i) This is a non-statutory disclosure as it relates to Downer's share of revenue from equity accounted joint ventures and associates.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

B1. Segment information – continued

Reconciliation of operational based segment net operating profit to net profit after tax:

	Note	Segment results	
		2015 \$'m	2014 \$'m
Segment net operating profit		363.8	384.6
Unallocated:			
Settlement of contractual claims		–	6.4
Research and development incentives		15.1	11.7
Corporate costs		(69.2)	(61.6)
Total unallocated		(54.1)	(43.5)
Earnings before interest and tax		309.7	341.1
Net finance costs		(29.9)	(43.0)
Profit before income tax		279.8	298.1
Income tax expense	B4(a)	(69.6)	(82.1)
Profit after income tax		210.2	216.0

	Total revenue ⁽ⁱ⁾		Segment assets		Acquisition of segment assets	
	2015 \$'m	2014 \$'m	2015 \$'m	2014 \$'m	2015 \$'m	2014 \$'m
By geographic location⁽ⁱⁱ⁾						
Australia	5,691.0	6,156.9	3,450.7	3,374.0	573.6	363.2
New Zealand and Pacific	1,270.5	1,148.6	507.6	448.9	32.8	25.8
Asia	2.9	12.4	8.3	10.3	–	0.1
Africa	34.7	27.0	17.9	12.0	0.5	1.2
South America	15.5	20.0	15.2	17.5	0.5	2.7
Other	5.3	6.7	4.7	5.7	0.1	0.1
Total	7,019.9	7,371.6	4,004.4	3,868.4	607.5	393.1

(i) Total revenue includes other income and inter-segment sales, recorded at amounts equal to competitive market prices charged to external customers for similar goods.

(ii) Revenue and assets are allocated based on geographical location of the legal entity.

B2. Revenue and other income

	2015 \$'m	2014 \$'m
Sales revenue		
Rendering of services	4,469.6	4,150.3
Mining services	1,479.4	1,887.7
Construction contracts	789.4	1,038.5
Sale of goods	232.7	261.5
Other revenue	43.8	27.3
Total revenue from ordinary activities	7,014.9	7,365.3
Other income	5.0	6.3
Total revenue and other income	7,019.9	7,371.6
Share of sales revenue from joint ventures and associates ⁽ⁱ⁾	410.2	363.0
Total revenue including joint ventures and associates and other income⁽ⁱ⁾	7,430.1	7,734.6

(i) This is a non-statutory disclosure as it relates to Downer's share of revenue from equity accounted joint ventures and associates.

Recognition and measurement

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised if it meets the criteria below.

(i) Rendering of services

The Group primarily generates service revenue from the following activities:

- Maintenance and management of transport infrastructure;
- Utilities infrastructure maintenance services (gas, power, water);
- Maintenance of infrastructure in the telecommunications sector;
- Industrial plant maintenance;
- Contract mining services, tyre management and blasting;
- Rolling stock maintenance and rail asset management services;
- Engineering and consultancy services; and
- Facilities management.

These services are provided either under a fixed price service contract or a time and materials contract. Time and materials contract revenue is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Other short-term service contracts are recognised when the services are completed in accordance with the terms of the contract. Service contracts that have a long-term duration are recognised in proportion to the stage of completion at balance sheet date.

(ii) Construction contracts

Construction contracts are contracts specifically negotiated for the construction of an asset or combination of assets (including rail and infrastructure assets). Revenue is recognised in proportion to the stage of completion of the contract at balance sheet date.

(iii) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

(iv) Other revenue

Other revenue primarily includes rental income and government grants relating to research and development incentives received by the Group. The Group elects to present the net amount in "Other revenue" as allowed under AASB120 *Accounting for Government grants and disclosure of Government assistance*.

Key estimate and judgement: Revenue recognition

Determining the stage of completion requires an estimate of expenses incurred to date as a percentage of total estimated costs. Where variations and claims are made to the contract, assumptions are made regarding the probability that the customer will approve the variations and claims and the amount of revenue that will arise. Changes in these estimation methods could have a material impact on the financial statements of Downer.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

B3. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding.

	2015	2014
Profit attributable to members of the parent entity (\$'m)	210.2	216.0
Adjustment to reflect ROADS dividends paid (\$'m)	(10.7)	(9.0)
Profit attributable to members of the parent entity used in calculating EPS (\$'m)	199.5	207.0
Weighted average number of ordinary shares (WANOS) on issue (m's) ⁽ⁱ⁾	428.1	428.6
Basic earnings per share (cents per share)	46.6	48.3

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares.

	2015	2014
Profit attributable to members of the parent entity (\$'m)	210.2	216.0
Weighted average number of ordinary shares – diluted		
Weighted average number of ordinary shares (WANOS) on issue (m's) ⁽ⁱ⁾⁽ⁱⁱ⁾	428.2	428.6
WANOS adjustment to reflect potential dilution for ROADS (m's) ⁽ⁱⁱⁱ⁾	39.8	40.5
WANOS used in the calculation of diluted EPS (m's)	468.0	469.1
Diluted earnings per share (cents per share)	44.9	46.0

(i) The WANOS on issue has been adjusted by the weighted average effect of on-market share buy-back and the unvested executive incentive shares.

(ii) For diluted earnings per share, the WANOS has been further adjusted by the potential vesting of executive incentive shares.

(iii) The WANOS adjustment is the value of ROADS that could potentially be converted into ordinary shares at the reporting date. It is calculated based on the issued value of ROADS in New Zealand dollars converted to Australian dollars at the spot rate prevailing at the reporting date, which was \$177.2 million (2014: \$185.9 million), divided by the average market price of the Company's ordinary shares for the period 1 July 2014 to 30 June 2015 discounted by 2.5% according to the ROADS contract terms, which was \$4.45 (2014: \$4.59).

B4. Taxation

a) Reconciliation of income tax expense

The prima facie income tax expense on profit before income tax reconciles to the income tax expense in the financial statements as follows:

	2015 \$'m	2014 \$'m
Profit before income tax	279.8	298.1
Tax using the Company's statutory tax rate	83.9	89.4
Effect of tax rates in foreign jurisdictions	(1.2)	(1.9)
Non-deductible expenses	2.3	0.6
Profits and franked distributions from joint ventures and associates	(6.9)	(5.8)
Non-taxable government grant	(7.5)	(3.5)
Other items	0.1	0.9
(Over)/under provision of income tax in previous year	(1.1)	2.4
Total income tax expense	69.6	82.1
Current tax expense	59.2	68.4
Deferred tax expense	10.4	13.7

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 year.

B4. Taxation – continued

b) Movement in Deferred tax balances

2015 \$'m	Net balance at 1 July	Charged to income statement	Charged to compre- hensive income and equity	Net foreign currency exchange differences	Tax losses utilised	Acquisition and disposal	Net balance at 30 June	Deferred tax assets	Deferred tax liabilities
Trade and other receivables	(94.5)	5.1	–	0.8	–	3.3	(85.3)	–	(85.3)
Inventories	(1.9)	(0.8)	–	(0.3)	–	–	(3.0)	–	(3.0)
Joint ventures and associates	(5.3)	2.5	–	–	–	–	(2.8)	–	(2.8)
Property, plant and equipment	(5.7)	(6.7)	–	0.3	–	0.1	(12.0)	–	(12.0)
Intangible assets	(7.6)	2.2	–	–	–	(15.0)	(20.4)	–	(20.4)
Trade and other payables	15.6	9.8	–	–	–	0.1	25.5	25.5	–
Employee benefits	79.0	(11.0)	–	(0.2)	–	5.6	73.4	73.4	–
Provisions	9.3	(10.9)	–	–	–	16.1	14.5	14.5	–
Other	(0.1)	(0.6)	(2.1)	(0.3)	–	–	(3.1)	–	(3.1)
Tax assets/ (liabilities) before set-off	(11.2)	(10.4)	(2.1)	0.3	–	10.2	(13.2)	113.4	(126.6)
Set off of DTA against DTL							–	(112.7)	112.7
Net tax assets/ (liabilities)							(13.2)	0.7	(13.9)
2014 \$'m	Net balance at 1 July	Charged to income statement	Charged to compre- hensive income and equity	Net foreign currency exchange differences	Tax losses utilised ¹	Acquisition and disposal	Net balance at 30 June	Deferred tax assets	Deferred tax liabilities
Trade and other receivables	(113.3)	19.9	–	(1.0)	–	(0.1)	(94.5)	–	(94.5)
Inventories	2.3	(4.6)	–	–	–	0.4	(1.9)	–	(1.9)
Joint ventures and associates	(10.8)	5.5	–	–	–	–	(5.3)	–	(5.3)
Property, plant and equipment	(15.7)	10.1	–	(0.1)	–	–	(5.7)	–	(5.7)
Intangible assets	(3.2)	(4.4)	–	–	–	–	(7.6)	–	(7.6)
Income tax losses	7.1	(4.7)	–	–	(2.4)	–	–	–	–
Trade and other payables	33.8	(18.2)	–	–	–	–	15.6	15.6	–
Employee benefits	84.8	(6.5)	–	0.7	–	–	79.0	79.0	–
Provisions	23.6	(14.3)	–	0.1	–	(0.1)	9.3	9.3	–
Other	(5.3)	3.5	1.7	–	–	–	(0.1)	–	(0.1)
Tax assets/ (liabilities) before set-off	3.3	(13.7)	1.7	(0.3)	(2.4)	0.2	(11.2)	103.9	(115.1)
Set off of DTA against DTL							–	(103.2)	103.2
Net tax assets/ (liabilities)							(11.2)	0.7	(11.9)

1 This includes other transfers from deferred tax balances to current tax payable.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

B4. Taxation – continued

Recognition and measurement

Current tax

Current tax assets and liabilities are measured at 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.

Deferred tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for:

- taxable temporary differences that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination which affects neither taxable income nor accounting profit;
- taxable temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply the year when the asset is utilised or liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised directly in equity and not in the income statement.

Offsetting deferred tax balances

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

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 have agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity.

Key estimate and judgement: Recovery of deferred tax assets

Deferred tax assets are only recognised for deductible temporary differences to the extent it is probable that sufficient future taxable profits will be available to utilise them. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Key estimate and judgement: Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes and in assessing whether deferred tax balances are recognised on the statement of financial position. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

B5. Remuneration of auditors

	2015 \$	2014 \$
Audit or review of financial reports:		
Auditor of the Group		
– Australia	2,596,000	2,966,420
– Overseas	490,000	584,580
	3,086,000	3,551,000
Non-audit services:		
Tax services	733,510	448,305
Audit related services	–	52,500
Sustainability assurance	106,000	103,000
Due diligence and other non-audit services	315,742	410,880
	1,155,252	1,014,685

The auditor of the Group is KPMG (2014: Deloitte Touche Tohmatsu).

B6. Subsequent events

At the date of this report there is no matter or circumstance other than the placement of the USD notes (refer to Note E2), that have arisen since the end of the financial year, that have significantly affected, or may significantly affect:

- a) The Group's operations in future financial years;
- b) The results of those operations in future financial years; or
- c) The Group's state of affairs in future financial years.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015



C

Operating assets and liabilities

This section provides information relating to the operating assets and liabilities of the Group. Downer has a strong focus on maintaining a strong balance sheet through continued focus on cash conversion. The Group's strategy also considers expenditure, growth and acquisition requirements.

C1. Reconciliation of cash flow from operating activities	C6. Property, plant and equipment
C2. Trade and other receivables	C7. Intangible assets
C3. Rendering of services and construction contracts	C8. Provisions
C4. Inventories	C9. Contingent liabilities
C5. Trade and other payables	

C1. Reconciliation of cash flow from operating activities

	Note	2015 \$'m	2014 \$'m
Profit after tax for the year		210.2	216.0
Adjustments for:			
Share of joint ventures and associates' profits net of distributions		(6.7)	12.9
Depreciation and amortisation of non-current assets	C6,C7	253.1	266.4
Amortisation of deferred costs		2.7	2.4
Net gain on sale of property, plant and equipment		(5.0)	(4.8)
Research and development incentives		(25.1)	(11.7)
Foreign exchange loss/(gain)		1.5	(1.4)
Decrease in income tax payable		10.1	24.3
Movement in deferred tax balances		10.4	16.1
Share-based employee benefits expense	D1	1.5	1.2
Other		1.9	1.3
		244.4	306.7
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
(Increase)/decrease in assets:			
Current trade and other receivables		121.3	341.8
Current inventories		40.2	(32.5)
Other current assets		(1.6)	6.2
Non-current trade and other receivables		(0.2)	(14.9)
Other non-current assets		0.7	(4.5)
Increase/(decrease) in liabilities:			
Current trade and other payables		(61.6)	(203.8)
Current provisions		(62.3)	(23.9)
Non-current trade and other payables		4.6	(1.1)
Non-current provisions		(9.2)	(6.6)
		31.9	60.7
Net cash generated by operating activities		486.5	583.4

C2. Trade and other receivables

	Note	2015 \$'m	2014 \$'m
Current			
Trade receivables		491.4	574.9
Allowance for doubtful debts		(4.4)	(4.6)
		487.0	570.3
Amounts due from customers under contracts and rendering of services	C3	591.1	557.4
Other receivables		45.3	65.7
		1,123.4	1,193.4
Ageing profile of trade receivables			
Neither past due nor impaired		402.5	454.6
Past due but not impaired		84.5	115.7
Impaired		4.4	4.6
		491.4	574.9

Recognition and measurement

Trade receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less an allowance for impairment. Trade receivables are normally due for settlement no more than 30 days from the date of recognition.

Fair value

Due to the short-term nature of these financial rights, their carrying amounts are estimated to represent their fair values.

Impairment of trade receivables

The Group has considered the collectability and recoverability of trade receivables. An allowance for doubtful debts has been made for the estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience.

Capitalisation of tender/bid costs

When it is probable that a contract will be awarded, the expenditure incurred in relation to tender/bid costs is capitalised. Capitalised costs are amortised over the term of the contract. Where a tender/bid is subsequently unsuccessful, the previously capitalised costs are immediately expensed. Tender/bid costs that have been expensed cannot be recapitalised in the subsequent financial year.

Key estimate and judgement: Capitalisation of tender/bid costs

Judgement is exercised in determining whether it is probable that the contract will be awarded. An error in judgement may result in capitalised tender/bid costs being recognised as an expense in the following financial year.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

C3. Rendering of services and construction contracts

	Note	2015 \$'m	2014 \$'m
Cumulative contracts in progress as at reporting date:			
Cumulative costs incurred plus recognised profits less recognised losses to date		10,987.1	13,355.3
Less: progress billings		(10,548.0)	(12,953.9)
Net amount		439.1	401.4
Recognised and included in the financial statements as amounts due:			
From customers under contracts	C2	591.1	557.4
To customers under contracts	C5	(152.0)	(156.0)
Net amount		439.1	401.4

Recognition and measurement

Services and construction 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 the 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.

C4. Inventories

	2015 \$'m	2014 \$'m
Current		
Raw materials	246.7	253.8
Work in progress	0.9	2.5
Finished goods	73.7	95.3
Components and spare parts	31.3	33.1
	352.6	384.7

Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

C5. Trade and other payables

	Note	2015 \$'m	2014 \$'m
Current			
Trade payables		369.8	348.1
Amounts due to customers under contracts and rendering of services	C3	152.0	156.0
Accruals		458.1	481.1
Other		86.6	78.7
		1,066.5	1,063.9

Recognition and measurement

Trade and other payables

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

Fair value

Due to the short-term nature of these financial obligations, their carrying amounts are estimated to represent their fair values.

C6. Property, plant and equipment

2015 \$'m	Freehold Land and Buildings	Plant and Equipment	Equipment under Finance Lease	Total
Carrying amount as at 1 July 2014	53.0	1,010.4	83.5	1,146.9
Additions	13.5	163.1	8.2	184.8
Disposals at net book value	(2.4)	(72.2)	(0.7)	(75.3)
Acquisition of businesses	0.2	18.7	0.4	19.3
Depreciation expense	(5.5)	(213.9)	(9.2)	(228.6)
Reclassifications at net book value	0.7	(1.1)	0.4	–
Reclassified as intangible assets ⁽ⁱ⁾	–	(3.0)	–	(3.0)
Net foreign currency exchange differences at net book value	(0.4)	(6.9)	0.3	(7.0)
Closing net book value as at 30 June 2015	59.1	895.1	82.9	1,037.1
Cost	80.9	2,060.9	138.3	2,280.1
Accumulated depreciation	(21.8)	(1,165.8)	(55.4)	(1,243.0)
2014				
Carrying amount as at 1 July 2013	55.4	956.3	139.1	1,150.8
Additions	0.2	366.9	8.9	376.0
Disposals at net book value	(0.3)	(80.3)	(44.5)	(125.1)
Acquisition of business	–	0.9	–	0.9
Disposals of business at net book value	–	(1.0)	–	(1.0)
Depreciation expense	(2.1)	(232.0)	(19.5)	(253.6)
Reclassifications at net book value	(0.7)	0.7	–	–
Reclassified as intangible assets ⁽ⁱ⁾	–	(10.4)	–	(10.4)
Net foreign currency exchange differences at net book value	0.5	9.3	(0.5)	9.3
Closing net book value as at 30 June 2014	53.0	1,010.4	83.5	1,146.9
Cost	70.6	2,120.7	131.5	2,322.8
Accumulated depreciation	(17.6)	(1,110.3)	(48.0)	(1,175.9)

(i) Refers to the reclassification of software from Capital Work in Progress to Intangible Assets.

Recognition and measurement

The value of property, plant and equipment is measured as the cost of the asset less accumulated depreciation and impairment.

The expected useful life and depreciation methods used are listed below:

Item	Useful life	Depreciation method
Freehold land	n/a	No depreciation
Buildings	20-30 years	Straight-line
Leasehold improvements	Life of lease	Straight-line
Plant and equipment – mining	Based on hours of use	
Plant and equipment – other	3-25 years	Straight-line
Equipment under finance lease	5-15 years	Straight-line – lease term

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

C7. Intangible assets

2015 \$'m	Goodwill	Customer contracts and relationships	Intellectual property, software and system development	Total
Carrying amount as at 1 July 2014	521.6	–	67.9	589.5
Purchases	–	–	32.2	32.2
Acquisition of business	261.9	50.1	9.2	321.2
Reclassifications at net book value ⁽ⁱ⁾	–	–	3.0	3.0
Amortisation expense	–	(6.6)	(17.9)	(24.5)
Net foreign currency exchange differences at net book value	(1.8)	–	(0.6)	(2.4)
Closing net book value as at 30 June 2015	781.7	43.5	93.8	919.0
Cost	857.7	50.1	200.4	1,108.2
Accumulated amortisation and impairment	(76.0)	(6.6)	(106.6)	(189.2)

2014

Carrying amount as at 1 July 2013	514.8	–	57.0	571.8
Purchases	–	–	13.0	13.0
Acquisition of business	3.2	–	–	3.2
Disposals of business at net book value	–	–	(0.2)	(0.2)
Reclassifications at net book value ⁽ⁱ⁾	–	–	10.4	10.4
Amortisation expense	–	–	(12.8)	(12.8)
Net foreign currency exchange differences at net book value	3.6	–	0.5	4.1
Closing net book value as at 30 June 2014	521.6	–	67.9	589.5
Cost	597.6	–	158.5	756.1
Accumulated amortisation and impairment	(76.0)	–	(90.6)	(166.6)

(i) Refers to the reclassification of software from Capital Work in Progress to Intangible Assets.

Recognition and measurement

Goodwill

Goodwill acquired in a business combination is measured at cost and subsequently measured at cost less any impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Customer contracts and relationships

Customer contracts and relationships acquired in a business combination are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intellectual property, software and system development

Intangible assets acquired by the Group, including intellectual property (purchased patents, trademarks and licences) and software are initially recognised at cost, and subsequently measured at cost less accumulated amortisation and any impairment losses. Internally developed systems are capitalised once the project is assessed to be feasible.

The costs capitalised include consulting, licensing and direct labour costs. Costs incurred in determining project feasibility are expensed as incurred.

Amortisation

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful lives of intangible assets. The estimated useful lives are generally:

Item	Useful life
Customer contracts and relationships	5–10 years
Software and system development	5–10 years
Other intangible assets (other than indefinite useful life intangible assets)	20 years

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

C7. Intangible assets – continued

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Allocation of goodwill to cash-generating units

Goodwill has been allocated, for impairment testing purposes, to CGUs that are significant individually or in aggregate, taking into consideration the nature of service, resource allocation, how operations are monitored and where independent cash inflows are identifiable. Six independent CGUs (by service line) have been identified across the Group against which impairment testing has been undertaken. Goodwill has been allocated to these CGUs as follows:

	Carrying value of consolidated goodwill	
	2015 \$'m	2014 \$'m
Transport Services	212.5	205.1
Technology and Communications Services	45.1	45.8
Utilities Services	226.8	11.3
EC&M	151.4	113.5
Mining	76.4	76.4
Rail	69.5	69.5
	781.7	521.6

Key estimate and judgement: Impairment of assets

Determination of potential impairment requires an estimation of the recoverable amount of the CGUs to which the goodwill and intangible assets with indefinite useful lives are allocated. The Group uses the "value in use" method to determine the recoverable amount. Key assumptions requiring judgement include projected cash flows, growth rate estimates, discount rates, working capital and capital expenditure.

Recoverable amount testing – Key assumptions

The table below shows the key assumptions utilised in the "value in use" calculations.

	Budgeted EBITDA ⁽ⁱ⁾	Long-term Growth rate	Discount rate
Transport Services	4.1%	2.5%	10.9%
Technology and Communications Services	5.2%	2.5%	10.9%
Utilities Services	16.3%	2.5%	10.9%
EC&M	2.3%	2.5%	10.9%
Mining	1.0%	2.5%	11.5%
Rail	11.3%	2.5%	11.0%

(i) Budgeted EBITDA used for impairment testing is expressed as the compound annual growth rates from FY16 to FY18 based on the business plans.

(i) Projected cash flows

The Group determines the recoverable amount based on a "value in use" calculation, using three years cash flow projections based on the 2015/16 (FY16) budget for the year ending 30 June 2016 and the business plan for the subsequent financial years ending 30 June 2017 (FY17) and 30 June 2018 (FY18) as discussed with the Board. For FY19 onwards, the Group assumes a long-term growth rate to allow for organic growth on the existing asset base.

Cash flow projections are determined utilising the budgeted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) less tax, capital maintenance spending and working capital changes, adjusted to exclude any uncommitted restructuring costs and future benefits to provide a "free cash flow" estimate. This calculated "free cash flow" is then discounted to its present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Budgeted EBITDA has been based on past experience and the Group's assessment of economic and regulatory factors affecting the industry within which the Downer businesses operate:

- Transport Services, Technology and Communications Services, Utilities Services, EC&M are expected to benefit from the development of strategic partnerships and an expected increase in activity in the oil and gas, transport infrastructure, utilities and telecommunications sectors. It will also benefit from recent restructuring and business improvement initiatives.
- Mining's revenue and EBITDA include assumptions that take into account the cyclical nature of the resources industry.
- Rail is expected to benefit from its completed business restructure and from growth in its maintenance, component and overhauls and after-market parts sales activities. In addition, strategic partnerships and investments are expected to continue to contribute to revenue and EBITDA growth.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

C7. Intangible assets – continued

(ii) Long-term growth rate

The future annual growth rates for FY18 onwards to perpetuity are based on the historical nominal GDP rates for the country of operation.

(iii) Discount rates

Post-tax discount rates of between 10.9% and 11.5% reflect the Group's estimate of the time value of money and risks specific to each CGU. In determining the appropriate discount rate for each CGU, consideration has been given to the estimated weighted average cost of capital (WACC) for the Group adjusted for country and business risks specific to that CGU, including benchmarking against relevant peer group companies. The post-tax discount rate is applied to post-tax cash flows that include an allowance for tax based on the respective jurisdiction's tax rate. This method is used to approximate the requirement of the accounting standards to apply a pre-tax discount rate to pre-tax cash flows.

(iv) Budgeted capital expenditure

The cash flows for capital expenditure are based on past experience and the amounts included in the terminal year calculation are for maintenance capital used for existing plant and replacement of plant as it is retired from service. The resulting expenditure has been compared against the annual depreciation charge to ensure that it is reasonable.

(v) Budgeted working capital

Working capital has been maintained to support the underlying business plus allowances for growth. It has been assumed to be in line with historic trends given the level of utilisation and operating activity.

Sensitivities

Other than as disclosed below, the Group believes that for all other CGUs, any reasonably possible change in the key assumptions would not cause the carrying value of the CGUs to exceed their recoverable amount.

For the Mining CGU, the Group has considered the current macro-economic challenges facing the resources sector. A number of scenarios, including further contract losses, pricing and volume reductions have been analysed. Based on the modelling and analysis performed, the recoverable amount is expected to be greater than the carrying value.

For the Rail CGU, the recoverable amount currently exceeds its carrying value. A reasonably possible change in the projected cash flows could result in the carrying value of the CGU exceeding its recoverable amount. Discussed below is the sensitivity analysis performed to determine what changes in the key assumptions used, if any, would lead to an impairment loss being recognised.

The valuation of the Rail CGU assumes increased efficiencies in its operations and improvement in financial performance of its maintenance business. The timing of the cash flows arising from these improvements may be affected by macro-economic risks including volatile commodity prices which may result in reduced capital expenditure in the Australian resources sector and insourcing by key customers for rolling stock maintenance. In the event that these risks cannot be mitigated and the terminal year forecast EBITDA is lower by 13% than planned, then the Rail CGU carrying value may exceed its recoverable amount.

C8. Provisions

2015 \$'m	Decomm- issioning	Warranties and Contract claims	Other	Total
At 1 July 2014	11.9	27.4	37.4	76.7
Additional provisions recognised	1.1	11.7	34.3	47.1
Unused provision reversed	(1.9)	(6.7)	(9.2)	(17.8)
Utilisation of provision	(0.6)	(25.7)	(39.6)	(65.9)
Acquisition of business	2.1	19.1	2.5	23.7
Net foreign currency exchange differences	–	0.2	–	0.2
At 30 June 2015	12.6	26.0	25.4	64.0
Current	4.3	24.0	21.8	50.1
Non-current	8.3	2.0	3.6	13.9

Recognition and measurement

Provisions

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that resources will be expended to settle the obligation; and
- the amount of the provision can be measured reliably.

(i) Decommissioning and restoration

Provisions for decommissioning and restoration are made for close down, restoration and environmental rehabilitation costs, including the cost of dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas.

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.

The provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(ii) Warranties and contract claims

Provisions for warranties and contract claims are made for the estimated liability on all products still under warranty at balance sheet date and known claims arising under service and construction contracts.

(iii) Other provisions

Other provisions primarily include return conditions for leased assets. The Group has leases that require the leased asset to be returned to the lessor in a certain condition.

Key estimate and judgement: Provisions

(i) Decommissioning and restoration

Judgement is required in determining the expected expenditure required to settle rectification obligations at the reporting date, based on current legal requirements and technology.

(ii) Warranties and contract claims

The provision is estimated having regard to previous claims experience.

(iii) Other provisions

The return condition provision is estimated based on the costs associated with returning leased assets to the lessor in certain condition.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

C9. Contingent liabilities

Bonding	2015 \$'m	2014 \$'m
The Group has bid bonds and performance bonds issued in respect of contract performance in the normal course of business for wholly-owned controlled entities	808.4	897.8

The Group is called upon to give guarantees and indemnities to counterparties, relating to the performance of contractual and financial obligations (including for controlled entities and related parties). Other than as noted above, these guarantees and indemnities are indeterminable in amount.

Other contingent liabilities:

- i) The Group is subject to 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.
- ii) The Group is subject to product liability claims. Provision is made for the potential costs of carrying out rectification works based on known claims and previous claims history. However, as the ultimate outcome of these claims cannot be reliably determined at the date of this report, contingent liability may exist for any amounts that ultimately becomes payable in excess of current provisioning levels.
- iii) Controlled entities have entered into various joint arrangements under which the controlled entity is jointly and severally liable for the obligations of the relevant joint arrangements.
- iv) The Group carries the normal contractor's and consultant's liability in relation to services, supply and construction contracts (for example, liability relating to professional advice, design, completion, workmanship, and damage), as well as liability for personal injury/property damage during the course of a project. Potential liability may arise from claims, disputes and/or litigation/arbitration by or against Group companies and/or joint venture arrangements in which the Group has an interest. The Group is currently managing a number of claims, arbitration and litigation processes in relation to services, supply and construction contracts as well as in relation to personal injury and property damage claims arising from project delivery.
- v) Several New Zealand entities in the Group have been named as co-defendants in seven "leaky building" claims. The leaky building claims where Group entities are co-defendants generally relate to water damage arising from historical design and construction methodologies (and certification) for residential and other buildings in New Zealand during the early-mid 2000s. The Directors are of the opinion that disclosure of any further information relating to the leaky building claims would be prejudicial to the interests of the Group.

- vi) Ground subsidence at the Waratah Train Maintenance Facility, located on Manchester Road, Auburn ("AMF") has been identified. The design and construction of the AMF formed part of the Waratah Train Project, with Reliance Rail contracting Downer to design and build the AMF. In turn, Downer subcontracted this work to John Holland Pty Ltd. The design and construction of the areas in which subsidence has been observed formed part of the subcontractor's design and construct obligations. Investigations into the causes of the subsidence, the cost of remediation and operational impacts are ongoing. While it is too early to reliably estimate the total cost of the remediation, in the opinion of the Directors, there is no material exposure to either Downer EDI Rail Pty Limited or Downer EDI PPP Maintenance Pty Limited arising from the subsidence, based on the fact that there are a range of recovery options being pursued.
- vii) On 27 February 2014, the Group announced that the IMF (Australia) Ltd (IMF) funded shareholder class action had been settled ("First Class Action").

Slater & Gordon has also advised that it reserves its position in relation to a second claim arising out of the second impairment to the Waratah Train Project announced on 27 January 2011, although no basis for this position has been provided.

On 27 March 2014, Downer was served with a second class action claim alleging breaches of Downer's continuous disclosure obligations in connection with the Group's \$190 million impairment to the Waratah Train Project announced on 1 June 2010 i.e. based on the same events as the First Class Action ("Second Class Action").

The Second Class Action has been commenced in the Victorian Supreme Court and the Directors are of the opinion that disclosure of any further information relating to this matter would be prejudicial to the interests of the Group.
- viii) The Group is defending a claim brought by Port Waratah Coal Services Limited and a cross claim by another defendant, Menard Bachy Pty Ltd in respect of alleged non-conforming excavation and civil work performed at Kooragang Island Coal Terminal by Downer and its joint venture partner, Daracon Contractors Pty Ltd. The value of the claim against Downer and Daracon is \$39 million. The Directors are of the opinion that disclosure of any further information relating to this matter would be prejudicial to the interests of the Group.

C9. Contingent liabilities – continued

- ix) In 2013, a subsidiary of Downer, Snowden Mining Industry Consultants Inc (an entity incorporated in Canada) ('Snowden') was joined as a party to two class action claims issued out of the Ontario Superior Court, Canada. The quantum of the two claims were CAD \$60 million and CAD \$250 million respectively against all defendants, with no specific amount sought against Snowden alone.
On 29 April 2015, Snowden entered into a Standstill Agreement with the claimants, which has the effect of immediately discontinuing the proceedings against Snowden but reserving the claimants' rights to recommence the proceedings in the future.
- x) Proceedings have been commenced against the Group in relation to alleged under-payments of employees' annual leave and other entitlements upon termination of employment. The dispute relates to calculation of leave entitlements and specifically the interpretation of the relevant Enterprise Bargaining Agreements and the Fair Work Act. The Directors are of the opinion that disclosure of any further information relating to this matter would be prejudicial to the interests of the Group.
- xi) Under the terms of the agreement reached between the New South Wales Government and Reliance Rail, the Group has a contingent commitment to pay Reliance Rail \$12.5 million in 2018 should it be required to refinance Reliance Rail's senior debt.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015



D

Employee benefits

This section provides a breakdown of the various programs Downer uses to reward and recognise employees and key executives, including Key Management Personnel (KMP). Downer believes that these programs reinforce the value of ownership and incentives and drive performance both individually and collectively to deliver better returns to shareholders.

D1. Employee benefits

D2. Key management personnel compensation

D3. Employee discount share plan

D1. Employee benefits

	2015 \$'m	2014 \$'m
Employee benefits provision:		
Current	228.1	244.3
Non-Current	29.5	19.7
Total	257.6	264.0

Recognition and measurement

The employee benefits liability represents accrued wages and salaries, leave entitlements and other incentives recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as workers compensation insurance, superannuation and payroll tax.

Key estimate and judgement: Annual leave and long service leave

Long-term employee benefits are measured at the present value of estimated future payments for the services provided by employees up to the end of the reporting period. This calculation requires judgement in determining the following key assumptions:

- Future increase in wages and salary rates;
- Future on-cost rates; and
- Expected settlement dates based on staff turnover history.

The liability is discounted using the Australian corporate bond rates which most closely match the terms to maturity of the entitlement.

	2015 \$'m	2014 \$'m
Employee benefits expense:		
– Defined contribution plans	140.6	135.7
– Share-based employee benefits expense	1.5	1.2
– Employee benefits	2,441.6	2,463.3
– Redundancy costs	21.6	29.1
Total	2,605.3	2,629.3

D2. Key management personnel compensation

	2015 \$	2014 \$
Short-term employee benefits	12,776,321	12,118,350
Post-employment benefits	1,432,020	1,302,590
Share-based payments	932,294	602,885
Total	15,140,635	14,023,825

Recognition and measurement

Equity settled transactions

Equity-settled share-based transactions are measured at fair value at the date of grant. The cost of the transactions is recognised in profit or loss and credited to equity. At each balance sheet date, the Group revises its estimates of the number of rights that are expected to vest. The expense recognised each year takes into account the most recent estimate.

The fair value at grant date is independently determined using an option pricing model and takes into account any market related performance conditions. Non-market vesting conditions are not considered when determining fair value, rather are included in assumptions about the number of rights that are expected to vest.

Cash settled transactions

The amount payable to employees in respect of cash-settled share-based payments is recognised as an expense with a corresponding increase in liabilities, over the period which the employees become unconditionally entitled to the payment. The liability is remeasured at each reporting date and at settlement date based on the fair value, with any changes in the liability being recognised in profit or loss.

D3. Employee discount share plan

No shares were issued under the Employee Discount Share Plan during the years ended 30 June 2015 and 30 June 2014.



E

Capital structure and financing

This section provides information relating to the Group's capital structure and its exposure to financial risk, how they affect the Group's financial position and performance, and how the risks are managed.

The capital structure of the Group consists of debt and equity. The Directors determine the appropriate capital structure of Downer, specifically how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the current and future activities of the Group. The Directors review the Group's capital structure and dividend policy regularly and do so in the context of the Group's ability to continue as a going concern, to invest in opportunities that grow the business and enhance shareholder value.

E1. Borrowings

E2. Financing facilities

E3. Commitments

E4. Issued capital

E5. Dividends

E1. Borrowings

	Note	2015 \$'m	2014 \$'m
Current			
Secured:			
– Finance lease liabilities	E3(c)	22.5	14.0
– Hire purchase liabilities	E3(d)	6.0	1.7
– Supplier finance		–	7.5
		28.5	23.2
Unsecured:			
– Bank loans		16.6	16.6
– AUD medium term notes (2009-1)		13.3	13.3
– AUD medium term notes (2010-1)		6.3	12.6
– USD notes		–	74.4
– Deferred finance charges		(2.5)	(2.4)
		33.7	114.5
Total current borrowings		62.2	137.7

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

E1. Borrowings – continued

	Note	2015 \$'m	2014 \$'m
Non-current			
Secured:			
– Finance lease liabilities	E3(c)	18.3	40.5
– Hire purchase liabilities	E3(d)	1.1	2.0
		19.4	42.5
Unsecured:			
– Bank loans		28.3	44.8
– USD notes		9.1	7.4
– AUD medium term notes (2009-1)		26.6	39.9
– AUD medium term notes (2010-1)		–	6.3
– AUD medium term notes (2013-1)		150.0	150.0
– AUD medium term notes (2015-1)		250.0	–
– Deferred finance charges		(7.0)	(5.4)
		457.0	243.0
Total non-current borrowings		476.4	285.5
Total borrowings		538.6	423.2

Recognition and measurement

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

	2015 \$'m	2014 \$'m
Total borrowings (excluding finance lease and hire purchase liabilities)	490.7	365.0
Fair value of total borrowings (excluding finance lease and hire purchase liabilities)	544.8	384.2

Fair value

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held or based on discounting expected future cash flows at market rates.

E2. Financing facilities

Financing facilities

At 30 June 2015, the Group had the following facilities that were not utilised at balance date:

	Note	2015 \$'m	2014 \$'m
Syndicated bank loan facility		400.0	400.0
Bilateral bank loan facilities		210.0	217.0
Total unutilised bank loan facilities		610.0	617.0
Bilateral bank and insurance company bonding facilities	C9	524.9	384.2
Total unutilised bonding facilities		524.9	384.2

Bank loans

Syndicated loan facility

The syndicated loan facility, totalling \$400.0 million, is unsecured and has a maturity date of April 2019. The facility is subject to certain Group guarantees.

Bilateral bank loans and overdrafts

These facilities are unsecured, are subject to certain Group guarantees and excluding those supported by guarantees from Export Credit Agencies, are due for renewal in multiple tranches between calendar years 2015 and 2017. Included in bank loans are amounts of \$44.9 million in aggregate, which are supported by Export Credit Agency guarantees and which amortise through even semi-annual instalments and with final maturity dates of May 2017, October 2017 and July 2019.

USD notes

USD unsecured private placement notes are on issue for a total amount of US\$7.0 million. The notes mature in September 2019. The USD principal and interest have been fully hedged against the Australian dollar. The notes are subject to certain Group guarantees.

AUD Medium Term Notes (MTNs)

The Group has the following MTNs on issue:

- Series 2009-1 amortises through even semi-annual instalments, until the final maturity date of April 2018 and has a balance of \$39.9 million;
- Series 2010-1 amortises through even semi-annual instalments until the final maturity date of September 2015 and has a balance of \$6.3 million;
- Series 2013-1 for an amount of \$150.0 million, which has a bullet maturity date of November 2018; and
- Series 2015-1 for an amount of \$250.0 million which has a bullet maturity date of March 2022.

The MTNs are subject to certain Group guarantees.

Finance lease facilities

The Group funds certain of its equipment under finance leases which amortise over periods of up to three years. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Hire purchase and lease facilities

Hire purchase facilities are secured by the specific assets financed.

Covenants on financing facilities

Certain of the Group's financing facilities contain undertakings including an obligation to comply at all times with financial covenants. This requires the Group to operate within certain financial ratios as well as ensuring that subsidiaries that contribute certain minimum threshold amounts of Group EBIT and Group Total Tangible Assets are guarantors under various facilities.

The main financial covenants which the Group is subject to are Net Worth, Interest Service Coverage (calculated as rolling 12 month EBIT to Net Interest Expense) and Leverage (calculated as Net Debt to Total Capitalisation).

Financial covenants testing is undertaken and reported to the Board on a monthly basis. Reporting of financial covenants to financiers occurs semi-annually for the rolling 12 month periods to 30 June and 31 December. The Group was in compliance with all its financial covenants as at 30 June 2015.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

E2. Financing facilities – continued

Bonding

The Group has \$1,333.3 million of bank guarantee and insurance bond facilities to support its contracting activities. \$534.2 million of these facilities are provided to the Group on a committed basis and \$799.1 million on an uncommitted basis.

The Group's facilities are provided by a number of different banks and insurance companies on an unsecured basis and are subject to certain Group guarantees. \$808.4 million (refer to Note C9) of these facilities were utilised as at 30 June 2015 with \$524.9 million unutilised. \$38.6 million of the current committed facilities relates to a non-revolving syndicated bonding facility referable to the Waratah Train Project which matures in March 2016 and is fully utilised. Excluding this syndicated facility, the Group's other facilities have varying maturity dates between calendar years 2015 and 2017.

The risk being assumed by the relevant financier under all bonds is Downer corporate credit risk, rather than project specific risk.

The Group has the flexibility in respect of certain committed facility amounts (shown as part of the unutilised bilateral bank loan facilities) which can, at the request of the Group, be utilised for bonding purposes.

Refinancing requirements

Where existing facilities approach maturity, the Group will seek to negotiate with existing and new financiers to extend the maturity date of those facilities. The Group's financial metrics, credit rating, state of the economy, conditions in financial markets and other factors may influence the outcome of those negotiations.

Credit ratings

The Group currently has an Investment Grade credit rating of BBB (Outlook Stable) from Fitch Ratings. Where the credit rating is reduced or placed on negative watch, customers and suppliers may be less willing to contract with the Group. Furthermore, banks and other lending institutions may demand more stringent terms (including increased pricing, reduced tenors and lower facility limits) on debt and bonding facilities to reflect the higher credit risk profile.

Subsequent event

USD notes

On 8 July 2015, the Group completed a placement of unsecured private placement notes of US\$100.0 million and A\$30.0 million. The notes mature in July 2025. The USD tranche has been fully hedged against the Australian dollar. The notes are subject to certain Group guarantees.

E3. Commitments

a) Capital expenditure commitments

	Note	2015 \$'m	2014 \$'m
Plant and equipment			
Within one year		24.9	17.6
		24.9	17.6

b) Operating lease commitments

Non-cancellable operating leases relate to premises with lease terms of one to 20 year(s).

Within one year		50.7	42.1
Between one and five year(s)		144.1	128.4
Greater than five years		157.4	149.9
		352.2	320.4

Non-cancellable operating leases relate to plant and equipment with lease terms of between one to seven year(s).

Within one year		66.2	75.1
Between one and five year(s)		83.9	104.5
Greater than five years		7.7	4.8
		157.8	184.4

c) Finance lease commitments

Finance leases relate to plant and equipment with lease terms of one to five year(s).

Within one year		24.4	16.8
Between one and five year(s)		19.2	43.2
Minimum finance lease payments		43.6	60.0
Future finance charges		(2.8)	(5.5)
Finance lease liabilities		40.8	54.5

Included in the financial statements as:

Current borrowings	E1	22.5	14.0
Non-current borrowings	E1	18.3	40.5
		40.8	54.5

d) Hire purchase liabilities

Within one year		6.1	1.9
Between one and five year(s)		1.2	2.2
Minimum hire purchase payments		7.3	4.1
Future finance charges		(0.2)	(0.4)
Hire purchase liabilities		7.1	3.7

Included in the financial statements as:

Current borrowings	E1	6.0	1.7
Non-current borrowings	E1	1.1	2.0
		7.1	3.7

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

E3. Commitments – continued

	2015 \$'m	2014 \$'m
Operating lease expenses relating to land and building	68.3	73.6
Operating lease expenses relating to plant and equipment ⁽ⁱ⁾	123.3	167.7
Total operating lease expenses	191.6	241.3

(i) Operating lease expenses do not include expenses relating to maintenance, insurance and taxes of \$18.0 million (2014: \$17.9 million).

Recognition and measurement

Leases

When the terms of a lease transfer substantially all the risks and rewards of ownership to the Group, the lease is classified as a finance lease. All other leases are classified as operating leases.

(i) Operating leases

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

(ii) Finance leases

Assets held under finance leases are initially recognised at an amount equal to the lower of their fair value or the present value of the minimum lease payments. Subsequently the assets are depreciated on a straight-line basis over the lesser of the estimated useful life or the lease term.

Finance lease payments are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to achieve a constant rate of interest on the remaining balance of the liability.

E4. Issued capital

	2015 \$'m	2014 \$'m
Ordinary shares		
432,683,214 ordinary shares (2014: 435,399,975)	1,296.7	1,308.4
Unvested executive incentive shares		
5,295,993 ordinary shares (2014: 6,038,698)	(26.2)	(29.1)
200,000,000 Redeemable Optionally Adjustable Distributing Securities (ROADS) (2014: 200,000,000)	178.6	178.6
	1,449.1	1,457.9

Fully paid ordinary share capital

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

	2015		2014	
	m's	\$'m	m's	\$'m
Fully paid ordinary share capital				
Balance at the beginning of the financial year	435.4	1,308.4	433.4	1,299.5
Issue of shares through Dividend Reinvestment Plan election	–	–	2.0	8.9
Group on-market share buy-back	(2.7)	(11.7)	–	–
Balance at the end of the financial year	432.7	1,296.7	435.4	1,308.4
Unvested executive incentive shares				
Balance at the beginning of the financial year	6.0	(29.1)	6.0	(29.1)
Vested executive incentive shares transactions ⁽ⁱ⁾	(0.7)	2.9	–	–
Balance at the end of the financial year	5.3	(26.2)	6.0	(29.1)

(i) 742,705 vested executive incentive shares (2014: nil) with a value of \$2,920,601 (2014: nil)

E4. Issued capital – continued

Unvested executive incentive shares are stock market purchases and are held by the Executive Employee Share Plan Trust under the Long Term Incentive (LTI) plan. From the 2011 LTI plan onwards, no dividends will be distributed on shares held in trust during the performance measurement and service periods. Accumulated dividends will be paid out to executives after all vesting conditions have been met. Otherwise, excess net dividends are retained in the trust to be used by the Company to acquire additional shares on the market for employee equity plans.

Redeemable Optionally Adjustable Distributing Securities (ROADS)	2015		2014	
	m's	\$'m	m's	\$'m
Balance at the beginning and at the end of the financial year	200.0	178.6	200.0	178.6

ROADS are perpetual, redeemable, exchangeable preference shares. In accordance with the terms of the ROADS preference shares, the dividend rate for the one year commencing 15 June 2015 is 7.21% per annum (2014: 7.95% per annum) which is equivalent to the one year swap rate on 15 June 2015 plus the Step-up margin of 4.05% per annum.

Share options and performance rights

During the financial year, 2,184,741 performance rights (2014: 1,589,143) in relation to unissued shares were granted to senior executives of the Group under the LTI plan. Further details of the Key Management Personnel (KMP) LTI plan are contained in the Remuneration Report.

Recognition and measurement

Ordinary Shares

Incremental costs directly attributed to the issue of ordinary shares are accounted for as a deduction from equity, net of any tax effects.

Executive incentive shares

When executive incentive shares subsequently vest to employees under the Downer employee share plans, the carrying value of the vested shares is transferred from issued capital to the employee benefits reserve.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

E5. Dividends

a) Ordinary shares

	2015 Final	2015 Interim	2014 Final	2014 Interim
Dividend per share (in Australian cents)	12.0	12.0	12.0	11.0
Franking percentage	100%	100%	100%	70%
Cost (in \$'m)	51.9	51.9	52.2	47.8
Payment date	17/09/2015	19/03/2015	17/09/2014	20/03/2014
Dividend record date	20/08/2015	19/02/2015	19/08/2014	18/02/2014

Recognition and measurement

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

The final 2015 dividend has not been declared at the reporting date and therefore is not reflected in the financial statements.

b) Redeemable Optionally Adjustable Distributing Securities (ROADS)

2015	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Dividend per ROADS (in Australian cents)	1.28	1.37	1.40	1.27	5.32
New Zealand imputation credit percentage	100%	100%	100%	100%	100%
Cost (in A\$m)	2.6	2.7	2.8	2.6	10.7
Payment date	15/09/2014	15/12/2014	16/03/2015	15/06/2015	

2014	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Dividend per ROADS (in Australian cents)	1.09	1.13	1.15	1.14	4.51
New Zealand imputation credit percentage	100%	100%	100%	100%	100%
Cost (in A\$m)	2.2	2.2	2.3	2.3	9.0
Payment date	16/09/2013	16/12/2013	17/03/2014	16/06/2014	

c) Franking credits

The franking account balance as at 30 June 2015 is nil (2014: \$3.9 million).



F

Group structure

This section explains significant aspects of Downer's group structure, including joint arrangements that the Group has interest in, its controlled entities and how changes have affected the Group structure. It also provides information on business acquisitions and disposals made during the financial year as well as information relating to Downer's related parties, the extent of related party transactions and the impact they had on the Group's financial performance and position.

F1. Joint arrangements and associate entities

F2. Acquisition of businesses

F3. Disposal of subsidiary

F4. Controlled entities

F5. Related party information

F6. Parent entity disclosures

F1. Joint arrangements and associate entities

a) Interest in joint ventures and associates

	2015 \$'m	2014 \$'m
Interest in joint ventures at the beginning of the financial year	13.6	23.1
– Share of net profit	7.8	6.0
– Share of distributions	(8.0)	(15.6)
– Additional interest in joint ventures	0.1	1.7
– Disposal of interest in joint ventures	–	(2.0)
– Foreign currency exchange differences	(0.2)	0.4
Interest in joint ventures at the end of the financial year	13.3	13.6
Interest in associates at the beginning of the financial year	26.5	29.8
– Share of net profit	6.9	7.4
– Share of distributions	–	(10.7)
– Additional interest in associates	36.6	–
Interest in associates at the end of the financial year	70.0	26.5
Interest in joint ventures and associates	83.3	40.1

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

F1. Joint arrangements and associate entities – continued

a) Interest in joint ventures and associates – continued

The Group has interests in the following joint ventures and associates which are equity accounted:

Name of arrangement	Principal activity	Country of operation	Ownership interest	
			2015 %	2014 %
Joint ventures				
Allied Asphalt Limited	Asphalt plant	New Zealand	50	50
Bitumen Importers Australia Joint Venture	Construction of bitumen storage facility	Australia	50	50
Bitumen Importers Australia Pty Ltd	Bitumen importer	Australia	50	50
EDI Rail-Bombardier Transportation Pty Ltd	Sale and maintenance of railway rolling stock	Australia	50	50
Emulco Limited	Emulsion plant	New Zealand	50	50
Green Vision Recycling Limited	Recycling	New Zealand	33	33
Isaac Asphalt Limited	Manufacture and supply of asphalt	New Zealand	50	50
RTL Mining and Earthworks Pty Ltd	Contract mining; civil works and plant hire	Australia	44	44
Stockton Alliance Limited ⁽ⁱ⁾	Mine operations	New Zealand	–	50
Associates				
MHPS Plant Services Pty Ltd ⁽ⁱⁱ⁾	Refurbishment, construction and maintenance of boilers	Australia	27	27
Keolis Downer Pty Ltd	Operation and maintenance of Gold Coast light rail, Melbourne tram network and bus operation	Australia	49	49
Reliance Rail Pty Ltd ⁽ⁱⁱⁱ⁾	Rail manufacturing and maintenance	Australia	49	49

(i) 50% interest was disposed on 31 March 2015 following completion of contract.

(ii) Formerly Clyde Babcock-Hitachi (Australia) Pty Ltd.

(iii) Downer previously wrote down its investment in Reliance Rail Pty Ltd to nil. The New South Wales Government has the right in February 2018 to acquire Downer's ownership of Reliance Rail Pty Ltd for nil consideration. As a consequence, Downer does not include Reliance Rail Pty Ltd in its equity accounted disclosure.

There are no material commitments held by joint ventures or associates.

Joint ventures and associates have a statutory reporting date of 30 June.

Recognition and measurement

Equity accounting

(i) Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting.

(ii) Investments in associates

Investments in entities over which the Group has the ability to exercise significant influence, but not control, are accounted for using equity method of accounting. The investment in associates is carried at cost plus post-acquisition changes in the Group's share of the associates' net assets, less any impairment in value.

Proportionate consolidation

Joint operations

Joint operations give the Group the right to the underlying assets and obligations for liabilities and are accounted for by recognising the share of those assets and liabilities.

F1. Joint arrangements and associate entities – continued

b) Interest in joint operations

The Group has interests in the following joint operations which are proportionately consolidated:

Name of joint operation	Principal activity	Country of operation	Ownership interest	
			2015 %	2014 %
BPL Downer Joint Venture	Building construction	Singapore	50	50
CDJV Construction Pty Ltd	Employment of labour force deployed in Clough Downer	Australia	50	50
Clough Downer Joint Venture	Gas compression facilities and pipelines	Australia	50	50
CMC and Downer Joint Venture	Road construction	Australia	50	50
Dampier Highway Joint Venture	Highway construction and design	Australia	50	50
Downer-Carey Mining JV	Management of run of mine and ore rehandling services	Australia	46	–
Downer Clough Joint Venture	Ammonium nitrate production	Australia	50	50
Downer CSS Joint Venture ⁽ⁱ⁾	Telecommunications	Thailand	60	60
Downer Daracon Joint Venture	Construction	Australia	50	50
Downer EDI Works Pty Ltd & Leighton Contractors Pty Ltd	Design and construction of rail works	Australia	50	50
Downer Electrical GHD JV ⁽ⁱ⁾	Traffic control infrastructure	Australia	90	90
Downer HEB Joint Venture	Design and build of the New Zealand National War Memorial Park	New Zealand	50	50
DownerMouchel ⁽ⁱⁱ⁾	Road maintenance	Australia	60	60
DownerMouchel Services Pty Ltd	Employment of labour force deployed in DownerMouchel in New South Wales	Australia	50	50
John Holland EDI Joint Venture	Research reactor	Australia	40	40
John Holland Pty Ltd & Downer Utilities Australia Pty Ltd Partnership	Operation of water recycling plant at Mackay	Australia	50	–
Karlayura ReGen Joint Venture	Road construction	Australia	50	–
Landloch ReGen Joint Venture	Rehabilitation works, earthworks and plant monitoring and maintenance	Australia	(iii)	–
LD&C Joint Venture	Design and construction of pipes and structures	Australia	37.5	37.5
Leighton Works Joint Venture	Road construction	New Zealand	50	50
Macdow Downer Joint Venture	Road construction	New Zealand	50	50
Organic Water Joint Venture	Design, construction and operation of water recycling plant	Australia	50	–
Synergy Joint Venture	Road and pavement construction	Australia	33	33
Thiess Downer EDI Works	Construction of coast to coast railway	Australia	25	25
Total Spaces Joint Venture	Roading, landscaping and earthworks	New Zealand	50	50
Wiri Train Depot Joint Venture	Construction of the Wiri train depot	New Zealand	50	50
York Civil Pty Ltd and Downer EDI Engineering Pty Ltd Joint Venture	Construction of water pump station	Australia	50	50

(i) Contractual arrangement prevents control despite ownership of more than 50% of these joint ventures.

(ii) The joint arrangement specifies 50% interest, except where an Integrated Service Arrangement (ISA) obligation is in place, whereby Downer EDI Limited has a 60% interest.

(iii) Joint control is effected through unanimous vote by joint venture partners to direct the joint arrangement's relevant activities however the Group's interest may vary based on discrete phases of works performed.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

F2. Acquisition of businesses

2015

Tenix

On 31 October 2014, the Group acquired 100% of Tenix Holdings Australia Pty Ltd and its subsidiaries (Tenix) for \$300 million on a cash and debt free basis. Adjusting for acquired cash, net working capital and other minor adjustments, the gross purchase consideration was \$333 million. The principal activity of Tenix is to provide design, construction, fabrication and installation, operation and maintenance services in the water, power and gas industries. Tenix is a leader in the electricity, gas and water sectors in Australia and New Zealand and the acquisition of Tenix is a strategic growth initiative for the Group.

a) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at acquisition date:

	Note	Fair values \$'m
Cash and cash equivalents	F2(c)	29.3
Trade and other receivables		80.3
Inventories		8.7
Other current assets		1.1
Property, plant and equipment		16.1
Intangible assets – software		8.8
Intangible assets – customer contracts and relationships		50.1
Net tax assets		9.3
Trade and other payables		(81.4)
Provisions		(42.3)
Borrowings		(0.4)
Total identifiable net assets acquired	F2(b)	79.6

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset acquired	Valuation technique
Trade and other receivables	Cost technique – considers the expected economic benefits receivable when due.
Property, plant and equipment	Market comparison technique and cost technique: the valuation model considers quoted market prices for similar items when available and depreciated replacement cost when appropriate.
Intangible assets	Multi-period excess earnings method: considered the present value of net cash flows expected to be generated by the customer contracts and relationships, excluding any cash flows related to contributory assets.
Trade and other payables	Cost technique – considers the expected economic outflow of resources when due.

The initial accounting and tax values for the acquisition of Tenix has been provisionally determined as at 30 June 2015. The tax values do not include any estimated tax liability on the acquisition of future deductible liabilities in accordance with announced but unenacted tax consolidation law changes.

F2. Acquisition of businesses – continued

2015 – continued

Tenix – continued

b) Goodwill

Goodwill arising from Tenix's acquisition has been recognised as follows:

	Note	\$'m
Gross purchase consideration		333.0
Fair value of identifiable net assets acquired	F2(a)	(79.6)
Goodwill arising from acquisition		253.4

The goodwill represents revenue growth opportunities, the skills and technical talent of Tenix's workforce and expected synergies to be achieved from integrating the company into the Group's existing business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

c) Purchase consideration – cash outflow

	Note	\$'m
Gross purchase consideration		333.0
Less: Cash balances acquired	F2(a)	(29.3)
		303.7
Acquisition related costs		5.2
Outflow of cash – investing activities		308.9

d) Impact of Tenix's acquisition on the result of the Group

In the eight months to 30 June 2015, Tenix contributed revenue of \$387.4 million and EBIT of \$23.2 million (excluding customer related intangibles and synergies) to the Group's results. Acquisition related costs of \$5.2 million are included in other expenses in the Group consolidated statement of profit or loss.

VEC

On 31 October 2014, the Group acquired 100% of VEC Civil Engineering Pty Ltd and VEC Plant & Equipment Pty Ltd (collectively known as "VEC") for \$11.5 million. The principal activity of VEC is to design and construct concrete structures. VEC is a leader in its field and provides a new capability for the Group. The acquisition of VEC complements the Group's existing Tasmanian business and enhances the Group's integrated service capability.

Total cash outflow for this acquisition was \$9.4 million, which comprises a consideration of \$11.5 million, net of \$1.4 million cash balances acquired and \$0.7 million deferred consideration. At the date of acquisition, the net asset value of VEC was \$3.0 million, resulting in a \$8.5 million goodwill being recognised. The goodwill represents expected revenue growth, technical talent and skills of VEC work force and benefit of expected synergies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

F2. Acquisition of businesses – continued

2014

On 1 July 2013, the Group acquired the business of Scarriff Pipelines and business assets of Scarriff Construction (collectively known as “Scarriff”) for \$4.0 million to provide a broader market offering of the Group’s water maintenance services. The principal activity of Scarriff is to maintain pipelines.

Total consideration for this acquisition was \$4.0 million, which includes a deferred consideration of \$1.2 million. At the date of the acquisition the net asset value of Scarriff was \$0.8 million, resulting in a \$3.2 million goodwill being recognised. The goodwill represents the benefit of expected synergies; the expected revenue growth; the future market development and the assembled workforce of Scarriff. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Recognition and measurement

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value. Acquisition-related costs are expensed as incurred in profit or loss.

Key estimate and judgement: Accounting for acquisition of businesses

Accounting for acquisition of businesses requires judgement and estimates in determining the fair value of acquired assets and liabilities. The relevant accounting standard allows the fair value of assets acquired to be refined for a window of a year after the acquisition date and judgement is required to ensure that the adjustments made reflect new information obtained about facts and circumstances that existed as of the acquisition date. The adjustments made on fair value of assets are retrospective in nature and have an impact on goodwill recognised on acquisition.

F3. Disposal of subsidiary

2015

The Group did not dispose any businesses during the financial year ended 30 June 2015.

2014

On 4 February 2014, the Group sold the Spiire NZ business to Brown Consulting (the civil and urban infrastructure services business of Calibre Group Limited) for its net tangible asset value of NZ\$2.2 million comprising cash and deferred consideration.

F4. Controlled entities

The controlled entities of the Group listed below were wholly owned during the current and prior year, unless otherwise stated:

Australia

Advanced Separation Engineering Australia Pty Ltd⁽ⁱⁱ⁾
Dean Adams Consulting Pty Ltd
Downer Australia Pty Ltd
Downer EDI Associated Investments Pty Ltd
Downer EDI Consulting Pty Ltd^(v)
Downer EDI Engineering Company Pty Limited
Downer EDI Engineering Construction (Australia) Pty Limited^(v)
Downer EDI Engineering CWH Pty Limited
Downer EDI Engineering Electrical Pty Ltd
Downer EDI Engineering Group Pty Limited
Downer EDI Engineering Holdings Pty Ltd
Downer EDI Engineering Power Pty Ltd
Downer EDI Engineering Pty Limited
Downer EDI Engineering Transmission Pty Ltd
Downer EDI Limited Tax Deferred Employee Share Plan
Downer EDI Mining Pty Ltd
Downer EDI Mining-Blasting Services Pty Ltd
Downer EDI Mining-Minerals Exploration Pty Ltd
Downer EDI Rail Pty Ltd
Downer EDI Resources Holdings Pty Limited^(v)
Downer EDI Services Pty Ltd
Downer EDI Works Pty Ltd
Downer Energy Systems Pty Limited
Downer Group Finance International Pty Ltd^(v)
Downer Group Finance Pty Limited
Downer Holdings Pty Limited
Downer Mining Regional NSW Pty Ltd
Downer PPP Investments Pty Ltd
Downer Utilities Australia Pty Ltd^(iv)
Downer Utilities Holdings Australia Pty Ltd^(iv)
Downer Utilities Networks Pty Ltd^(iv)
Downer Utilities New Zealand Pty Ltd^(iv)
Downer Utilities Projects Pty Ltd^(iv)
Downer Utilities SDR Australia Pty Ltd^(iv)
Downer Utilities SDR Pty Ltd^(iv)
EDI Rail PPP Maintenance Pty Ltd
EDICO Pty Ltd
Emoleum Partnership
Emoleum Road Services Pty Ltd
Emoleum Roads Group Pty Ltd
Emoleum Services Pty Limited
Evans Deakin Industries Pty Ltd
Faxgroove Pty. Limited
Locomotive Demand Power Pty Ltd
Lowan (Management) Pty. Ltd.
Mineral Technologies (Holdings) Pty Ltd
Mineral Technologies Pty Ltd
Otraco International Pty Ltd
Otracom Pty Ltd
Primary Producers Improvers Pty. Ltd.
QCC Resources Pty Ltd
Quality Coal Consulting Pty Ltd⁽ⁱⁱ⁾

Australia (continued)

Rail Services Victoria Pty Ltd
REJV Services Pty Ltd
Reussi Pty Ltd
Rimtec Pty Ltd
Roche Bros. Superannuation Pty. Ltd.
Roche Highwall Mining Pty Ltd^(v)
Roche Services Pty Ltd
RPC Roads Pty Ltd
SACH Infrastructure Pty Ltd
Snowden Holdings Pty Ltd
Snowden Mining Industry Consultants Pty Ltd
Snowden Technologies Pty Ltd
Southern Asphalters Pty Ltd
VEC Civil Engineering Pty Ltd^(iv)
VEC Plant and Equipment Pty Ltd^(iv)

New Zealand and Pacific

A F Downer Memorial Scholarship Trust
DGL Investments Limited
Downer Construction (Fiji) Limited
Downer Construction (New Zealand) Limited
Downer Construction PNG Limited
Downer EDI Engineering Limited^(vi)
Downer EDI Engineering Power Limited
Downer EDI Mining NZ Limited
Downer EDI Works Vanuatu Limited
Downer New Zealand Limited
Downer New Zealand Projects 1 Limited^(vii)
Downer New Zealand Projects 2 Limited^(viii)
Downer Professional Services Limited
Downer Utilities Alliance New Zealand Limited^(iv)
Downer Utilities New Zealand Limited^(iv)
Downer Utilities PNG Limited^(iv)
Richter Drilling (PNG) Limited
Roche Mining (PNG) Limited⁽ⁱⁱ⁾
Techtel Training & Development Limited⁽ⁱⁱⁱ⁾
TSE Wall Arlidge Limited^(v)
Underground Locators Limited
Waste Solutions Limited
Works Finance (NZ) Limited

Africa

Downer EDI Mining - Ghana Ltd^(iv)
MD Mineral Technologies SA (Pty) Ltd.
Otraco Botswana (Proprietary) Limited
Otraco Southern Africa (Pty) Ltd
Otraco Tyre Management Namibia (Proprietary) Limited
Snowden Mining Industry Consultants (Proprietary) Ltd
Snowden Training (Pty) Ltd
MD Mining and Mineral Services (Pty) Ltd⁽ⁱ⁾

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

F4. Controlled entities – continued

Asia

Chan Lian Construction Pte Ltd
Chang Chun Ao Da Technical Consulting Co Ltd
Downer EDI Engineering Holdings (Thailand) Limited
Downer EDI Engineering Thailand Ltd
Downer EDI Engineering (M) Sdn Bhd⁽ⁱ⁾
Downer EDI Engineering (S) Pte Ltd
Downer EDI Group Insurance Pte Ltd
Downer EDI Rail (Hong Kong) Limited
Downer EDI Works (Hong Kong) Limited
Downer Pte Ltd
Downer Singapore Pte Ltd
Duffill Watts Pte Ltd
Duffill Watts Vietnam Ltd⁽ⁱⁱ⁾
MD Mineral Technologies Private Limited
PT Duffill Watts Indonesia
PT Otraco Indonesia
Roche Bros. (Hong Kong) Limited⁽ⁱⁱⁱ⁾

Americas

DBS Chile SpA
Mineral Technologies Comercio de Equipamentos para
Processamento de Minerais LTD
Mineral Technologies, Inc.
Otraco Brasil Gerenciamento de Pneus Ltda
Otraco Chile SA
Rimtec USA Inc.^(iv)
Snowden Consultoria do Brasil Limitada
Snowden Mining Industry Consultants Inc.

United Kingdom

Sillars (B. & C.E.) Limited
Sillars (TMWD) Limited
Sillars Holdings Limited
Sillars Road Construction Limited
Snowden Mining Industry Consultants Limited
Works Infrastructure (Holdings) Limited
Works Infrastructure Limited

(i) 70% ownership interest.

(ii) Indicates entities currently undergoing liquidation.

(iii) Ownership interest as at 30 June 2015 is 100% (2014: 90%).

(iv) Indicates entities incorporated/acquired during the financial year ended 30 June 2015.

(v) Indicates entities liquidated during the financial year ended 30 June 2015.

(vi) Amalgamated into Downer New Zealand Limited.

(vii) Entity previously known as Works Infrastructure Cortex Resources Joint Venture Limited.

(viii) Entity previously known as Works Infrastructure Harker Underground Construction Joint Venture Limited.

F5. Related party information

a) Transactions within the wholly-owned Group

Aggregate amounts receivable from and payable to wholly-owned subsidiaries are included within total assets and liabilities balances as disclosed in Note F6. Amounts contributed to the defined contribution plan are disclosed in Note D1.

Other transactions occurred during the financial year between the parent entity and wholly-owned subsidiaries, as well as between entities in the wholly-owned Group are on normal arm's length commercial terms.

b) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note F4.

Equity interests in joint arrangements and associate entities

Details of interests in joint arrangements and associate entities are disclosed in Note F1.

c) Controlling entity

The parent entity of the Group is Downer EDI Limited.

F6. Parent entity disclosures

	Company	
	2015 \$'m	2014 \$'m
a) Financial position		
Assets		
Current assets	466.9	484.3
Non-current assets	890.0	933.9
Total assets	1,356.9	1,418.2
Liabilities		
Current liabilities	32.8	49.3
Non-current liabilities	5.3	1.8
Total liabilities	38.1	51.1
Net assets	1,318.8	1,367.1
Equity		
Issued capital	1,270.5	1,279.3
Retained earnings	36.0	72.5
Reserves		
Employee benefits reserve	12.3	15.3
Total equity	1,318.8	1,367.1
b) Financial performance		
Profit for the year	67.6	95.8
Total comprehensive income	67.6	95.8

c) Guarantees entered into by the parent entity in relation to debts of its subsidiaries

The parent entity has, in the normal course of business, entered into guarantees in relation to the debts of its subsidiaries during the financial year.

d) Contingent liabilities of the parent entity

The parent entity has no contingent liabilities as at 30 June 2015 (2014: nil) other than those disclosed in Note C9 to the financial statements.

e) Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity does not have any commitments for acquisition of property, plant and equipment as at 30 June 2015 (2014: nil).

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015



This section provides details on other required disclosures relating to the Group to comply with the accounting standards and other pronouncements including the Group's capital and financial risk management disclosure. This disclosure provides information around the Group's risk management policies and how Downer uses derivatives to hedge the underlying exposure to changes in interest rate and to foreign exchange rate fluctuations.

G1. New accounting standards

G2. Capital and financial risk management

G3. Other financial assets and liabilities

G1. New accounting standards

a) New and amended accounting standards adopted by the Group

In the current year, the Group has applied a number of new and revised accounting standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

The new and revised standards adopted by the Group for its annual reporting period beginning on 1 July 2014 are as follows:

Reference	Description
AASB 2014-1 <i>Amendments to Australian Accounting Standards</i> (Part C – Materiality)	Further to AASB 2013-9 Part B (refer below), AASB 2014-1 Part C makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 <i>Materiality</i> .
AASB 2013-9 <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> (December 2013) – Part B – Materiality	Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 <i>Materiality</i> and minor editorial amendments to various standards.
AASB 2012-3 <i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i> (Amendments to AASB 132)	Addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132 <i>Financial Instruments: Presentation</i> . Clarifies the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.
AASB 2013-4 <i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting</i>	Amends AASB 139 <i>Financial Instruments: Recognition and Measurement</i> to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.
AASB 2013-3 <i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	Narrow-scope amendments to AASB 136 <i>Impairment of Assets</i> addressing the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	Amends AASB 101 <i>Presentation of Financial Statements</i> to provide clarification regarding the disclosure requirements in AASB 101. Includes narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.

G1. New accounting standards – continued

b) New accounting standards and interpretations

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this Financial Report. The Group has not yet determined the potential effect of these standards on the Group's future Financial Report.

Reference	Description	Application of Standard	Application by Group
AASB 2013-9 <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> (December 2013) – Part C – <i>Financial Instruments</i>	Introduces a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities. Includes additional scope for component general hedge accounting. AASB 9 <i>Financial Instruments</i> is available for early adoption, with some conditions.	1 January 2018	1 July 2018
AASB 2015-3 <i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i>	Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.	1 July 2015	1 July 2015
AASB 2014-3 <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i>	Amends AASB 11 <i>Joint Arrangements</i> to provide guidance on the accounting for acquisitions of interests in a joint operation where the operation constitutes a business.	1 January 2016	1 July 2016
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.	1 January 2016	1 July 2016
AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i>	Amends AASB 127 <i>Separate Financial Statements</i> , to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: <ul style="list-style-type: none"> – at cost, – in accordance with AASB 9 <i>Financial Instruments</i>, or – using the equity method as described in AASB 128 <i>Investments in Associates and Joint Ventures</i>. The accounting policy option must be applied for each category of investment.	1 January 2016	1 July 2016

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

G1. New accounting standards – continued

b) New accounting standards and interpretations – continued

Reference	Description	Application of Standard	Application by Group
AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i>	Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle. Key amendments include: <ul style="list-style-type: none"> – AASB 5 – Change in methods of disposal; – AASB 7 – Servicing contracts and applicability of the amendments to AASB 7 to condensed interim financial statements; – AASB 119 – Discount rate: regional market issue; and – AASB 134 – Disclosure of information “elsewhere in the interim financial report”. 	1 January 2016	1 July 2016
AASB 9 <i>Financial Instruments</i> (December 2014)	The new AASB 9 <i>Financial Instruments</i> contains changes to the definitions, classifications, measurements and presentation of financial instruments including a new expected credit loss model for calculating impairment.	1 January 2019	1 July 2019
AASB 2010-7 <i>Amendments to AAS arising from AASB 9 (December 2010)</i>	Certain aspects of the standard may be early adopted but have not been as the changes therein are not expected to materially impact Downer, apart from some minor classification and disclosure changes in the financial statements as such.		
AASB 2014-1 <i>Amendments to AAS Part E – Financial Instruments</i>			
AASB 2014-7 <i>Amendments to AAS arising from AASB 9 (December 2014)</i>			
AASB 15 <i>Revenue from Contracts with Customers</i> ¹	AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 <i>Construction Contracts</i> , AASB 118 <i>Revenue</i> , Interpretation 13 <i>Customer Loyalty Programmes</i> , Interpretation 15 <i>Agreements for Construction of Real Estate</i> , Interpretation 18 <i>Transfer of Assets from Customers</i> and Interpretation 131 <i>Revenue-Barter Transactions involving Advertising Services</i> .	1 January 2017	1 July 2017
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB15</i>	The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.		

¹ The ISB has agreed to defer the mandatory application of IFRS 15 to years beginning on or after 1 January 2018. The AASB is yet to confirm this deferral.

G2. Capital and financial risk management

a) Capital risk management

The capital structure of the Group consists of debt and equity. The Group may vary its capital structure by adjusting the amount of dividends, returning capital to shareholders, issuing new shares or increasing or reducing debt.

The Group's objectives when managing capital are to safeguard its ability to operate as a going concern so that it can meet all its financial obligations when they fall due, provide adequate returns to shareholders and maintain an appropriate capital structure to optimise its cost of capital and ensure ongoing access to funding.

b) Financial risk management objectives

The Group's Treasury function manages the funding, liquidity and financial risks of the Group. These risks include foreign exchange, interest rate, commodity and counterparty credit risk.

The Group may enter into a variety of derivative financial instruments to manage its exposures including:

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

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. No material amounts with a right to offset were identified in the statement of financial position.

c) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. As a result, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters, utilising forward foreign exchange contracts, options and cross currency swaps.

The carrying amounts of the Group's material unhedged foreign currency denominated financial assets and financial liabilities at the reporting date are as follows:

	Financial assets ⁽ⁱ⁾		Financial liabilities ⁽ⁱ⁾	
	2015 \$'m	2014 \$'m	2015 \$'m	2014 \$'m
US dollar (USD)	25.2	30.1	21.0	22.9
New Zealand dollar (NZD)	0.2	0.8	0.1	0.3
Euro (EUR)	0.8	0.7	0.7	0.9
	26.2	31.6	21.8	24.1

(i) The above table shows foreign currency financial assets and liabilities in Australian dollar equivalent.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

G2. Capital and financial risk management – continued

Foreign currency forward contracts

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

Outstanding contracts	Weighted average exchange rate		Foreign currency		Contract value		Fair value	
	2015	2014	2015 FC'm	2014 FC'm	2015 \$'m	2014 \$'m	2015 \$'m	2014 \$'m
Buy USD/Sell AUD								
Less than 3 months	0.78540	0.9140	14.5	8.0	18.4	8.7	0.6	(0.3)
3 to 6 months	0.79913	0.9320	8.6	8.0	10.8	8.8	0.6	(0.2)
Later than 6 months	0.76593	0.9019	7.9	7.6	10.4	8.5	0.2	(0.2)
			31.0	23.6	39.6	26.0	1.4	(0.7)
Buy AUD/Sell USD								
Less than 3 months	0.8039	0.8343	4.7	2.4	5.9	2.9	(0.2)	0.3
3 to 6 months	0.7630	0.8722	0.5	0.9	0.7	1.0	–	0.1
Later than 6 months	0.7678	0.9156	0.8	2.1	1.0	2.3	–	–
			6.0	5.4	7.6	6.2	(0.2)	0.4
Buy EUR/Sell AUD								
Less than 3 months	0.6736	0.6594	3.0	1.0	4.5	1.5	(0.1)	(0.1)
3 to 6 months	0.6640	0.6785	1.7	0.2	2.5	0.3	(0.1)	–
Later than 6 months	0.6416	0.6726	3.2	0.5	5.0	0.8	(0.2)	–
			7.9	1.7	12.0	2.6	(0.4)	(0.1)
Buy AUD/Sell ZAR								
Less than 3 months	9.3219	10.0354	2.2	0.9	0.2	0.1	–	–
3 to 6 months	–	10.0748	–	1.0	–	0.1	–	–
			2.2	1.9	0.2	0.2	–	–
Buy NZD/Sell AUD								
Less than 3 months	1.2531	1.2292	0.7	0.7	0.6	0.6	0.1	0.1
3 to 6 months	1.2525	1.2339	0.7	0.4	0.6	0.3	0.1	–
Later than 6 months	1.2279	1.2491	0.1	3.0	0.1	2.4	–	0.3
			1.5	4.1	1.3	3.3	0.2	0.4
Buy AUD/Sell NZD								
Less than 3 months	1.0815	–	0.4	–	0.3	–	–	–
Later than 6 months	1.2569	–	0.1	–	0.1	–	–	–
			0.5	–	0.4	–	–	–
Buy GBP/Sell AUD								
Less than 3 months	0.4915	–	–	–	0.1	–	–	–
3 to 6 months	0.4894	–	–	–	0.1	–	–	–
Later than 6 months	0.4859	–	0.1	–	0.3	–	(0.1)	–
			0.1	–	0.5	–	(0.1)	–
Buy AUD/Sell GBP								
Less than 3 months	0.5156	–	0.1	–	0.2	–	(0.1)	–
			0.1	–	0.2	–	(0.1)	–

G2. Capital and financial risk management – continued

Cross currency interest rate swaps

Under cross currency interest rate swaps, the Group has agreed to exchange certain foreign currency loan principal and interest amounts at agreed future dates at fixed foreign exchange and interest rates. Such contracts enable the Group to eliminate the risk of adverse movements in foreign exchange rates and interest rates related to foreign currency denominated borrowings.

The following table details the Australian dollar equivalent of cross currency interest rate swaps outstanding as at reporting date:

Outstanding contracts	Weighted average interest rate (including credit margin)		Weighted average exchange rate		Contract value		Fair value	
	2015 %	2014 %	2015	2014	2015 \$'m	2014 \$'m	2015 \$'m	2014 \$'m
Buy USD/Sell AUD								
Less than 1 year	–	8.0	–	0.6787	–	103.1	–	(28.9)
1 to 5 year(s)	6.8	–	0.7220	–	9.7	–	(0.3)	–
5 years or more	5.9	6.8	0.7739	0.7220	129.2	9.7	(0.8)	(1.8)
					138.9	112.8	(1.1)	(30.7)

The above cross currency interest rate swap contracts are designated as effective cash flow hedges.

US\$100.0 million of the 2015 contract value amount relates to the USPP note transaction closed in July 2015. These swaps were entered in June 2015 at the same time the notes were priced and the mark-to-market is recorded in equity reserve.

Foreign currency sensitivity analysis

The Group is mainly exposed to United States dollar (USD), Euro (EUR) and New Zealand dollar (NZD).

The following table details the Group's sensitivity to movements in the Australian dollar against relevant foreign currencies. The percentages disclosed below represent the Group's assessment of the possible changes in spot foreign exchange rates (i.e. forward exchange points and discount factors have been kept constant). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a given percentage change in foreign exchange rates.

A positive number indicates a before-tax increase in profit and equity and a negative number indicates a before-tax decrease in profit and equity.

	Profit/(loss) ⁽ⁱ⁾		Equity ⁽ⁱⁱ⁾	
	2015 \$'m	2014 \$'m	2015 \$'m	2014 \$'m
USD impact				
– 15% rate change	0.7	1.3	5.7	3.4
+ 15% rate change	(0.5)	(0.9)	(4.2)	(2.5)
EUR impact				
– 15% rate change	–	–	1.7	0.4
+ 15% rate change	–	–	(1.7)	(0.4)
NZD impact				
– 15% rate change	–	0.1	0.2	0.7
+ 15% rate change	–	(0.1)	(0.1)	(0.5)

(i) This is mainly as a result of the changes in the value of forward foreign exchange contracts not designated in a hedge relationship, foreign currency investments, receivables and payables at year end.

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

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

G2. Capital and financial risk management – continued

d) Interest rate risk management

The Group is exposed to interest rate risk as entities borrow funds at 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 and the issue of fixed rate debt securities.

The Group's exposure to interest rates on financial assets and financial liabilities is detailed in the table below:

	Weighted average interest rate (including credit margin)			
	2015 %	2014 %	2015 \$'m	2014 \$'m
Floating interest rates – cash flow exposure				
Bank loans				
AUD	3.9	4.1	35.7	47.7
AUD medium term notes				
Series 2010-1	5.1	5.4	6.3	18.9
Cash and cash equivalents	2.3	2.7	(372.2)	(431.8)
Total cash flow exposure			(330.2)	(365.2)
Fixed interest rates – fair value exposure				
Bank loans				
AUD	5.6	4.9	9.4	21.7
USD notes ⁽ⁱ⁾	6.8	8.0	10.3	112.5
AUD medium term notes				
Series 2009-1	7.2	7.2	41.6	55.5
Series 2013-1 ⁽ⁱⁱ⁾	6.0	5.8	150.0	150.0
Series 2015-1 ⁽ⁱⁱ⁾	4.7	–	250.0	–
Finance lease and hire purchase liabilities	5.3	6.0	47.9	58.2
Total fair value exposure			509.2	397.9

(i) This excludes the USD notes closed on 8 July 2015 (refer Note E2 Subsequent event).

(ii) Weighted average interest rate is shown on a yield-to-maturity basis.

All interest rates in the above table reflect rates in the currency of the relevant loan other than USD notes where the AUD rate under the cross currency swap is used.

Interest rate swap contracts

The Group uses interest rate swap contracts to manage interest rate exposures. Under the interest rate swap contracts, the Group agrees to exchange the differences between fixed and floating rate interest amounts calculated on agreed notional principal amounts. The fair values of interest rate swaps are based on market values of equivalent instruments at the reporting date.

The following tables detail the interest rate swap contracts and related notional principal amounts as at the reporting date:

	Weighted average interest rate		Notional principal amount		Fair value	
	2015 %	2014 %	2015 \$'m	2014 \$'m	2015 \$'m	2014 \$'m
Outstanding floating for fixed swap contracts						
AUD interest rate swaps						
2 to 5 years	5.2	5.1	49.0	66.9	(2.0)	(2.8)

The above interest rate swap contracts are designated as effective cash flow hedges.

G2. Capital and financial risk management – continued

d) Interest rate risk management – continued

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and assuming that the rate change occurs at the beginning of the financial year and is then held constant throughout the reporting period.

The selected basis points increase or decrease represents the Group's assessment of the possible change in interest rates. A positive number indicates a before-tax increase in profit and equity and a negative number indicates a before-tax decrease in profit and equity.

Sensitivities have been based on an increase in interest rates by 75 basis points (2014: 75 basis points) and a decrease by 75 basis points (2014: 75 basis points) across the yield curve. No sensitivities have been taken in respect of USD interest rate risk given it is fully offset by the underlying USD notes and the cross currency interest rate swaps.

	2015 \$'m	2014 \$'m
Increase in rate +75bp (2014: +75 bp)		
Profit/(loss) ⁽ⁱ⁾	2.5	2.8
Equity ⁽ⁱⁱ⁾	0.7	0.9
Decrease in rate –75bp (2014: –75 bp)		
Profit/(loss) ⁽ⁱ⁾	(2.5)	(2.8)
Equity ⁽ⁱⁱ⁾	(0.7)	(0.9)

(i) This is mainly attributable to the floating rate valuation component of its interest rate swaps and to interest rate changes on cash and cash equivalents.

(ii) This is mainly on account of the change in the valuation of cross currency interest rate swaps held by the Group and designated as cash flow hedges arising from shifts in the interest rate curves of the relevant currency pairs.

e) Credit risk management

Credit risk refers to the risk that a financial counterparty will default on its contractual obligations, resulting in a loss to the Group. The Group's exposure and the credit ratings of its counterparties are continuously monitored and transactions are spread among approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables counterparties. Refer to Note C2 for details on credit risk arising from trade and other receivables.

The preferred credit risk on derivative financial instruments is to counterparties that have minimum long-term credit ratings from Standard & Poor's of no less than AA– (or equivalent from other rating agencies). Due to the general downward migration of the credit ratings of bank counterparties over recent years, the Group has exposure to banks below this rating threshold. Two bank counterparties are rated A+ and one is rated BBB+. Furthermore as a result of a global restructure, one counterparty is no longer rated by Standard & Poor's. The transactions with the BBB+ and unrated counterparties were entered into more than five years ago when these entities had ratings of at least AA–. From a commercial perspective, Downer has no current credit exposure as at 30 June 2015 to either the BBB+ or unrated counterparties as the underlying derivatives are out-the-money.

Credit risk arising from cash balances held with banks is managed by Group Treasury. Investments of surplus funds are generally only made with counterparties that have a minimum

AA– credit rating. On a specific approval basis, investments for limited amounts and short tenors are made on occasions with A rated counterparties.

Counterparty credit limits and the related credit acceptability of counterparties, are reviewed by the Board from time to time. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty default. No material exposure is considered to exist by virtue of the non-performance of any financial counterparty.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

f) Liquidity risk management

Liquidity risk arises from the possibility that the Group is unable to settle a financial transaction on the due date. The liquidity risk management is ultimately a Board's responsibility, which has built an appropriate risk management framework for the Group's funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate cash reserves and committed undrawn debt facilities, by continually monitoring forecast and actual cash flows and where possible by matching the maturity profiles of financial assets and liabilities. Included in Note E2 is a summary of committed unutilised bank loan facilities.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

G2. Capital and financial risk management – continued

f) Liquidity risk management – continued

Liquidity risk tables

The following tables detail the Group's contractual maturity for its financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on contractual maturities. The tables include both interest and principal cash flows.

\$'m	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
2015						
Financial liabilities						
Trade payables	369.8	–	–	–	–	–
Bank loans	18.0	14.4	7.0	5.8	2.8	–
USD notes	0.6	0.6	0.6	0.6	9.4	–
AUD medium term notes (2009-1)	14.8	14.3	13.8	–	–	–
AUD medium term notes (2010-1)	6.5	–	–	–	–	–
AUD medium term notes (2013-1)	8.6	8.6	8.6	154.3	–	–
AUD medium term notes (2015-1)	11.3	11.3	11.3	11.3	11.3	272.5
Total borrowings including interest	59.8	49.2	41.3	172.0	23.5	272.5
Finance lease and hire purchase liabilities	30.5	10.1	10.0	0.3	–	–
Derivative instruments⁽ⁱ⁾						
Cross currency interest rate swaps ⁽ⁱⁱ⁾						
— Receive leg ⁽ⁱⁱⁱ⁾	126.6	(6.5)	(6.5)	(6.5)	(15.4)	(162.8)
— Pay leg ⁽ⁱⁱⁱ⁾	(124.7)	8.3	8.3	8.3	17.6	171.1
Interest rate swaps	1.3	0.8	0.3	–	–	–
Foreign currency forward contracts	–	0.8	0.1	–	–	–
Total	463.3	62.7	53.5	174.1	25.7	280.8
2014						
Financial liabilities						
Trade payables	348.1	–	–	–	–	–
Supplier finance	7.7	–	–	–	–	–
Bank loans	18.8	18.2	14.6	7.1	5.8	2.8
USD notes	77.4	0.5	0.5	0.5	0.5	7.7
AUD medium term notes (2009-1)	15.6	15.1	14.5	13.9	–	–
AUD medium term notes (2010-1)	13.5	6.5	–	–	–	–
AUD medium term notes (2013-1)	8.6	8.6	8.6	8.6	154.3	–
Total borrowings including interest	141.6	48.9	38.2	30.1	160.6	10.5
Finance lease and hire purchase liabilities	18.7	25.1	10.1	10.0	0.2	–
Derivative instruments⁽ⁱ⁾						
Cross currency interest rate swaps ⁽ⁱⁱ⁾						
— Receive leg	(77.5)	(0.5)	(0.5)	(0.5)	(0.5)	(7.7)
— Pay leg	107.2	0.7	0.7	0.7	0.7	10.0
Interest rate swaps	1.5	1.0	0.5	0.2	–	–
Foreign currency forward contracts	–	(0.2)	–	–	–	–
Total	539.6	75.0	49.0	40.5	161.0	12.8

(i) Includes assets and liabilities.

(ii) Bond basis.

(iii) Amount in less than 1 year includes the front end principal cash flows under the cross currency interest rate swaps (refer Note E2 subsequent event) where Downer receives AUD and pay USD.

G2. Capital and financial risk management – continued

Recognition and measurement

Derivative financial instruments

Derivative financial instruments 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. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in profit or loss.

Hedge accounting

When the Group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as either fair value or cash flow hedges.

Fair value hedges

Fair value hedges are used to hedge the exposure to changes in the fair value of a recognised asset, liability or firm commitment. For fair value hedges changes in the fair value of the derivative, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk, are immediately recorded in profit or loss. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting.

Cash flow hedges

Cash flow hedges are used to hedge risks associated with contracted and highly probable forecast transactions. For cash flow hedges, the effective portion of changes in the fair value of the derivative is deferred in equity and the gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are transferred to profit or loss in the same periods the hedged item is recognised in profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred to form part of the initial measurement of the cost of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss. If the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting, any gain or loss deferred in equity remain in equity until the forecast transaction occurs.

Notes to the consolidated financial statements – continued

for the year ended 30 June 2015

G3. Other financial assets and liabilities

2015 \$'m	Financial Assets		Financial Liabilities	
	Current	Non-current	Current	Non-current
At amortised cost:				
Deferred consideration receivable	–	–	0.7	–
Other financial assets	9.8	13.4	–	–
Advances from joint ventures and associates	–	–	13.5	–
	9.8	13.4	14.2	–
At fair value:				
Level 2				
Foreign currency forward contracts – Cash flow hedge	1.6	–	0.7	0.1
Foreign currency forward contracts – Fair value through profit or loss	0.1	–	–	–
Cross currency and interest rate swaps – Cash flow hedge	–	–	1.0	2.1
	1.7	–	1.7	2.2
Level 3				
Unquoted equity investments – Available for sale	–	6.2	–	–
Total	11.5	19.6	15.9	2.2

2014 \$'m	Financial Assets		Financial Liabilities	
	Current	Non-current	Current	Non-current
At amortised cost:				
Deferred consideration receivable	0.6	1.4	–	–
Other financial assets	10.0	–	–	–
Advances from joint ventures and associates	–	–	16.5	–
	10.6	1.4	16.5	–
At fair value:				
Level 2				
Foreign currency forward contracts – Cash flow hedge	0.7	0.2	0.9	–
Foreign currency forward contracts – Fair value through profit or loss	0.3	–	0.1	–
Cross currency and interest rate swaps – Cash flow hedge	–	–	30.1	3.4
	1.0	0.2	31.1	3.4
Level 3				
Unquoted equity investments – Available for sale	–	5.1	–	–
Total	11.6	6.7	47.6	3.4

Reconciliation of Level 3 fair value measurements of financial assets

Level 3 investments increased by \$1.1 million from prior year (2014: \$1.3 million decrease) mostly due to revaluation of investment.

G3. Other financial assets and liabilities – continued

Recognition and measurement

Fair value measurement

The Group measures and recognises financial assets/liabilities at fair value through profit or loss on a recurring basis, including:

- Foreign currency forward contracts
- Unquoted equity investments

Valuation of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the methods used:

- Level 1: fair value is calculated using quoted prices in active markets for identical assets or liabilities;
- Level 2: fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: fair value is estimated using inputs for the asset or liability that are not based on observable market data.

During the year there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

The following table shows the valuation technique used in measuring Level 2 and 3 fair values, as well as significant unobservable inputs used:

Type	Valuation technique	Significant unobservable input
Cross currency and interest rate swaps	Calculated using the present value of the estimated future cash flows based on observable yield curves	Not applicable
Foreign currency forward contracts	Calculated using forward exchange rates prevailing at the balance sheet date	Not applicable
Unquoted equity investments	Calculated based on the Group's interest in the net assets of the unquoted entities	Assumptions are made with regard to future expected revenues and discount rates. Changing the inputs to the valuations to reasonably possible alternative assumptions would not significantly change the amounts recognised in profit or loss, total assets or total liabilities, or total equity.

Directors' Declaration

for the year ended 30 June 2015

In the opinion of the Directors of Downer EDI Limited:

- (a) The financial statements and notes set out on pages 53 to 107 are in accordance with the Australian *Corporations Act 2001* (Cth), 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 Limited will be able to pay its debts as and when they become due and payable;
- (c) The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* (Cth); and
- (d) The attached financial statements are in compliance with International Financial Reporting Standards, as noted in Note A to the financial statements.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the *Corporations Act 2001* (Cth).

On behalf of the Directors



R M Harding
Chairman

Sydney, 6 August 2015

Sustainability Performance Summary 2015

Downer's ability to understand and manage the sustainability of its activities is fundamental to its long-term success as a business, improving its safety and environmental performance and delivering value to Downer's stakeholders. Downer balances the need for short-term results against the long-term sustainability of the Company by optimising costs, improving efficiencies and maintaining systems without compromising the Company's performance. Downer's sustainability strategy and goal of Zero Harm requires continuous improvement focusing on the health and safety of its people, environmental sustainability and the advancement of the communities in which Downer operates.

Downer is committed to achieving the goal of Zero Harm. Zero Harm is overseen by the Board Zero Harm Committee who govern strategy and performance. Downer's Executive Management Team is delegated responsibility to manage the business to deliver these. The Executive Management Team ensures that Downer has systems and processes that will assist its people to deliver a Zero Harm environment, supported by a strong culture of continuous improvement. Through the Executive Zero Harm Committee and the functional Zero Harm Leadership Group Downer continues to link the respective roles at Group and Divisional levels, identify common projects, monitor trends, and ensure it captures and shares best practice and learnings. Downer celebrates its successes and shares learning experiences to enable it to perform better. In addition to meeting legal requirements, Downer's systems provide standards and accountabilities to ensure hazards are identified and risks are managed. While Downer's people are committed to its goals, accountabilities are defined in performance agreements and targets are set that are linked to remuneration via incentive schemes. All of Downer's divisions conduct regular safety and environmental audits by independent third parties. Downer uses relevant Australian and International standards such as AS41801, BS OHSAS 18001 and ISO 14001 as benchmarks in assessing, improving and maintaining the integrity of its management systems. Downer's Divisions also adhere to the Zero Harm requirements established by its customers in addition to all applicable licences and regulatory requirements.

Downer focuses on the risks and opportunities relevant to its business activities that are important for the Company and its stakeholders. Reviewing performance in the context of emerging global risks and opportunities enables Downer to adapt the way the Company delivers products and services and interacts with its supply chain. Sustainability performance is tracked and disclosed through the annual Sustainability Report, which is a supplement to the 2015 Annual Report.

Consistent with this, Downer has revisited its materiality assessment to ensure the appropriate material sustainability issues are included in the Sustainability Report. The Sustainability Report provides a summary of Downer's non-financial, sustainability-related performance for the year ended 30 June 2015 and will be available on the Downer website at www.downergroup.com later in 2015.

Health and safety

The health and safety of Downer’s people, including contractors, is the Company’s first priority as it is central to the success of the business. Downer believes that any injury is unacceptable and preventable. Downer aims to achieve this by continuing to improve its management systems, continual focus on managing risks that have the potential to cause serious harm, and positioning the Company’s culture where frontline teams have an enhanced commitment and capability to manage Zero Harm.

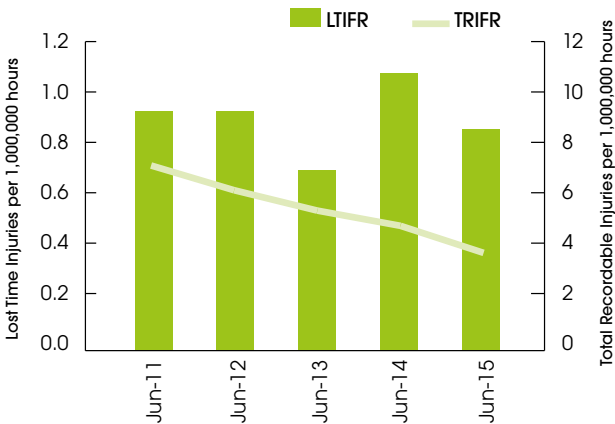
Downer’s managers lead by example and are held accountable for safety performance. They are expected to:

- Engage with the workforce around a message of personal commitment, active caring, critical risk management, control effectiveness, lead indicators, and data analysis;
- Enhance the capability of frontline teams to manage Zero Harm;
- Consolidate, enhance and focus work practices around critical risk controls and the simple things; and
- Strengthen resilience towards critical risks.

Employees and contractors are expected to take personal responsibility and be involved in setting and complying with safety standards and improvement initiatives. Downer’s Zero Harm culture involves leading and inspiring, re-thinking processes, learning lessons from what has worked well and tracking the progress of programs and initiatives to improve.

Safety risks that may cause serious harm to Downer’s people or operations include those arising from: working at height, electrical work, plant operation, plant maintenance, and underground services. The controls which are critical in the prevention and management of these risks have been identified and evaluated, and continue to be strengthened through certified management systems. The assurance and maintenance of these critical controls is a key focus across Downer.

Downer’s health and safety performance, as monitored through the measurement of Lost Time Injury Frequency Rate (LTIFR)¹, and Total Recordable Injury Frequency Rate (TRIFR)², improved in FY15. LTIFR decreased from 1.08 to 0.86 per million hours worked, and TRIFR reduced from 4.83 to 3.78³ per million hours worked. This represents a 20% improvement in injuries that result in time lost, and a 22% improvement in the number of recordable injuries. There were no fatalities.



As Downer’s performance levels continue to improve, focus needs to remain on mitigation strategies for the critical risks and high potential incidents that may arise. Downer attributes its ongoing improvement to a number of factors including sustained focus on managing critical risks, strengthening its systems, providing appropriate skills, leadership and training to employees and contractors, and learning from audit and incident investigation findings. In FY16 Downer will continue this approach, with an additional focus on greater contractor engagement, continuing to target areas of high potential incident frequency with improvement projects, strengthening lessons learned processes, and driving further consistency in the way the business manages Zero Harm. Downer will continue to review, measure and benchmark its performance across a range of lead and lag indicators to provide assurance that the business has the necessary processes in place to manage Zero Harm risks to minimise the number of incidents, and that these processes are being actively used.

1 Lost time injuries (LTIs) are defined as injuries that cause the injured person (employee or contractor) to be unfit to perform any work duties for one whole day or shift, or more, after the shift on which the injury occurred, and injury that results, directly or indirectly, in the death of the person. The LTIFR is the number of LTIs per million hours worked.

2 TRIFR is the number of lost-time injuries + medically treated injuries (employees and contractors) per million hours worked.

3 Published safety statistics may be subject to change due to updates in incident classifications and amendments to hours worked. This data will be subject to third party verification and will be published in the 2015 Sustainability Report.

Environmental sustainability

Downer tracks and reports its sustainability-related performance against three key areas covering compliance and risk management, minimising environmental impact and improving resource efficiency. Downer operates across a diverse range of industry sectors and manages its environmental and sustainability impacts through a risk-based approach which is supported by robust certified environmental management systems.

Downer continues to endeavour to minimise the impact of its operations and activities on the environment by implementing effective mitigation strategies through project planning that reduces the potential for and number of actual spills or other environmental incidents. Downer records all environmental incidents and ranks these according to a six-level severity rating. During FY15, Downer met its group-wide target of zero Level 5⁴ or Level 6⁵ environmental incidents. In addition there were no Level 4 (significant) environmental events and there were no environment related fines.

Downer has undertaken a program of identification and evaluation of the top five critical environmental risks across the varying business activities of each of the Divisions. Critical Environmental Risk Mitigation Plans have been developed for each of the top five risks within the Divisions and the implementation of one of these plans has commenced with the remaining plans scheduled for implementation in FY16.

Downer continues to refine its data management systems to ensure that they fulfil the needs of its regulatory compliance obligations, as well as providing its businesses with an effective tool for reporting energy, carbon and other environmental data. The collection and analysis of the data provides an important management tool for monitoring and improving the Company's carbon performance, as well as that of the supply chain – both upstream and downstream.

Downer operates within carbon-intensive industries and therefore key challenges are the effective management of carbon-related activities and the emission of greenhouse gases (GHG). Downer's response to carbon-related risks is an integrated approach to emission-related activities, focusing on compliance, business improvement and business development opportunities.

As Downer is largely a contract service provider, this strategy has been influenced by the issues which also have an impact on customers. Downer's ability to develop processes and technology to reduce emissions and overall energy consumption across a wide range of business activities such as mining and manufacturing asphalt assists its customers in managing the environmental sustainability challenges for their businesses.

During the year, Downer undertook 25 key projects as part of the implementation of the five-year GHG reduction and energy efficiency plans. The energy savings initiatives implemented during 2014-15 will deliver 295 Terajoules of annualised energy savings, equivalent to 29,000 tonnes of CO₂ abatement across Downer's Scope 1, 2 and 3 emissions profiles.

4 A Level 5 environmental incident is defined as any incident that causes significant impact or serious harm on the environment, where "material harm" has occurred and if costs in aggregate exceed \$50,000.

5 A Level 6 environmental incident is defined as an incident which results in catastrophic widespread impact on the environment resulting in irreversible damage.

Corporate governance

for the year ended 30 June 2015

Overview

Downer's corporate governance framework provides the platform from which:

- The Board is accountable to shareholders for the operations, performance and growth of the Company;
- Downer management is accountable to the Board;
- The risks to Downer's business are identified and managed; and
- Downer effectively communicates with its shareholders and the investment community.

Downer continues to enhance its policies and processes to promote leading corporate governance practices.

The Board endorses the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles).

Principle 1: Lay solid foundations for management and oversight

The Downer Board Charter sets out the functions and responsibilities of the Board and is available on the Downer website at www.downergroup.com.

The Board Charter states that the role of the Board is to provide strategic guidance and to effectively oversee management of the Company. Among other things, the Board is responsible for:

- Overseeing the Company, including its control and accountability systems;
- Appointing and removing the Group CEO and senior executives;
- Monitoring performance of the Group CEO and senior executives; and
- Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Before appointing a Director, the Board undertakes appropriate checks and provides shareholders with all material information which is relevant to the decision to elect or re-elect a Director.

Directors receive formal letters of engagement setting out the key terms, conditions and expectations of their engagement.

The Board Charter also describes the functions delegated to management, led by the Group CEO.

The primary goal set for management by the Board is to focus on enhancing shareholder value, which includes responsibility for Downer's economic, environmental and social performance.

The Group CEO is responsible for the day-to-day management of Downer and his authority is delegated and authorised by the Board.

Downer has written employment agreements with each of its senior executives and the performance of those senior executives is regularly reviewed against appropriate measures, including performance targets linked to the business plan and overall corporate objectives. In 2015, Downer's senior executives participated in periodic performance evaluations where they received feedback on progress against these targets.

The Company Secretary is responsible for supporting the effectiveness of the Board and is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Details of Downer's Directors and the Executive Leadership Team are available on the Downer website at www.downergroup.com.

Diversity at Downer

Downer is committed to ensuring that it has a diverse and inclusive workforce, which fulfils the expectations of its employees, customers and shareholders while building a sustainable future for its business. Downer has formalised its practices in a Diversity & Inclusiveness Policy, which sets out Downer's diversity initiatives and is reviewed on a regular basis to ensure currency. Downer's Diversity & Inclusiveness Committee continues to meet on a regular basis and is made up of senior executives across the Group.

The Diversity & Inclusiveness Policy and Downer's Sustainability Reports are available on the Downer website at www.downergroup.com.

ASX diversity recommendations – diversity statement

This diversity statement outlines Downer's performance throughout 2015 with respect to its broader diversity program, but with a particular focus on gender, and specifically includes:

- Details of Downer's key gender representation metrics;
- An overview of the gender diversity initiatives undertaken by Downer throughout 2015; and
- An outline of Downer's measurable gender diversity objectives for 2016.

Gender representation metrics

As at 30 June 2015, the gender representation metrics were as follows:

- Two of the seven Non-executive Directors on the Downer Board are women;
- Women currently make up 7.4% of Senior Executive¹ roles;
- 7.1% of Manager² roles are held by women; and
- Women constitute approximately 12% of Downer's workforce.

1 For present purposes, "Senior Executive" refers to CEO, KMP and Other Executives/General Managers as defined in the Workplace Gender Equality Agency Reference guide to the workplace profile and reporting questionnaire (WGEA Reference Guide).

2 For present purposes, "Manager" refers to CEO, KMP, Other Executives/General Managers, Senior Managers and Other Managers as defined in the WGEA Reference Guide.

Looking back: 2015 measurable objectives

Objective	Outcome
To have at least one female candidate on the shortlist for 25% of manager roles (currently 17%) to aim to increase the number of female managers in Downer from 6.0% (2014) to 6.5% in the future	<p>At least one female was interviewed for 24% of management roles.</p> <p>The number of female employees in the organisation has remained unchanged at 12%. The number of female executives (as measured by WGEA) has increased to 7.4% and the number of female managers within Downer has increased to 7.1%.</p> <p>Downer has expanded its continuing group-wide Downer Corporate Family Program to the New Zealand business in order to improve support for employees and to facilitate the progression of women to managerial positions.</p>
To complete the implementation of a job grading structure across Downer to enable a comprehensive gender pay review in the future	This project is ongoing and is expected to be completed in 2016.
Conduct a Diversity and Inclusiveness Survey which will expand upon the survey conducted in 2012 by targeting a broader audience and incorporating cultural and age diversity, not just gender diversity	<p>This survey was conducted late in 2014. Generally, Downer saw an improvement from the 2012 results. The Survey highlighted a number of areas for continued focus, including:</p> <ul style="list-style-type: none"> – flexible work arrangements; – creating an awareness of diversity for leaders; – pay equity; and – the number of female leaders within Downer. <p>These issues will continue to be the focus for 2016.</p>
Introduce a group-wide formal mentoring program with the initial focus being females in leadership roles	A group wide formal mentoring program was introduced, with the aim of 50% female participants. The program commenced late in 2014.
Promote awareness, utilisation and continuous improvement of flexible work opportunities to female employees	The Diversity and Inclusiveness Survey revealed that 61% of respondents believed they had access to flexible work arrangements and that overall Downer supported a flexible work environment. In the last year, procedures have been streamlined and associated toolkits have been produced to provide further information and education on flexible work with the aim of rolling these out across the Group to ensure consistency.
Consolidate and strengthen Downer's involvement in the Jawun program	<p>Downer employees participated in a pilot project late in 2013 and Downer has now entered into a formal partnership with Jawun until 2018. This partnership creates opportunities for selected Downer employees to make a contribution to Australia's indigenous community through various programs and initiatives. Downer will continue to strengthen this partnership through the development of solutions to provide greater financial self-sufficiency for Indigenous people and communities.</p> <p>Downer continues to engage in cultural community programs, including the successful piloting of an in-house marae based leadership program by Downer NZ – the program operated for 6 days over the year with 15 participants. The second cohort of this program is now underway with a further 15 participants. The business has received \$150k of funding from Te Puni Kokiri with 20 aspiring leaders participating in external marae based fully funded leadership programs.</p>
Continue to focus on the ageing workforce and the flexible work and retirement planning options available to employees transitioning to retirement, with a particular focus on developing and implementing the objectives and initiatives of the Corporate Champions program, and undertaking a group wide employee age profiling exercise	A group wide age profiling exercise was undertaken during FY15 and this program will be piloted within the Rail division in FY16.

Corporate governance – continued

for the year ended 30 June 2015

Looking ahead: 2016 measurable objectives

- Undertake a structural diversity review to ensure there is a complete and accurate understanding of Downer's diversity footprint.
- To continue to increase the number of female employees and female managers within Downer by ensuring that a female is shortlisted for every management role. The target for FY16 is 14% of employees to be female (currently 12%) and 9% female managers (currently 7.1%).
- To ensure every salaried female within Downer receives a performance and development review to enable the organisation to identify female talent and offer appropriate leadership development programs and/or input into succession planning.
- Completion of the job grading structure across Downer to enable a comprehensive gender pay review in the future.
- Increase the number of Indigenous employees across the Group by participation in the government's Employment Parity Initiative.
- Continue the association with Jawun in Australia and marae based leadership programs in New Zealand.
- Continue to focus on the ageing workforce by optimising and retaining the aged workforce by providing flexibility and retirement planning options.

Principle 2: Structure the Board to add value

Throughout the 2015 financial year, the Board was comprised of a majority of independent Directors.

The Board is currently comprised of the Chairman (Mike Harding, an independent, Non-executive Director), five other independent, Non-executive Directors and an Executive Director (the Group CEO, Grant Fenn). Details of the members of the Board, including their skills, experience, status and their term of office are set out in the Directors' Report on pages 2 to 3 and are also available on the Downer website at www.downergroup.com.

The composition of the Board is assessed by the Nominations and Corporate Governance Committee to ensure the Board is of a composition, size and commitment to effectively discharge its responsibilities and duties.

Directors are required to bring an independent judgement to bear on all Board decisions. To facilitate this, it is Downer's policy to provide Directors with access to independent professional advice at the Company's expense in appropriate circumstances.

Downer's Non-executive Directors recognise the benefit of conferring regularly without management present, and they do so at various times throughout the year.

The Board considers that an independent Director is a Non-executive Director who is not a member of management and who is free of any business or other relationship that could (or could reasonably be perceived to) materially interfere with the independent exercise of their judgement. The Board regularly assesses the independence of each Director to ensure that each Director has the capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Downer as a whole.

Downer's governance framework requires each Director to promptly disclose actual and possible conflicts of interest, any interests in contracts, other directorships or offices held, related party transactions and any dealing in the Company's securities.

At least one Director must retire from office at each Annual General Meeting (AGM). No Non-executive Director can serve more than three years without offering themselves for re-election.

The Chairman of the Board is an independent, Non-executive Director. He is responsible for leadership of the Board and for the efficient organisation and functioning of the Board. The Chairman is appointed by the Board to ensure that a high standard of values, governance and constructive interaction is maintained.

The Chairman facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Directors and the Board and management. He also represents the views of the Board to Downer's shareholders and conducts the AGM.

The roles of Chairman and Group CEO are not exercised by the same person and the division of responsibilities between the Chairman and the Group CEO have been agreed by the Board and are set out in the Board Charter and Downer's Delegations Policy.

The Board has established a number of committees to assist the Board to effectively and efficiently execute its responsibilities. A list of the main Board Committees and their membership is set out in the table below.

Board Committee	Chairman	Members
Audit and Risk Committee	S A Chaplain	P S Garling J S Humphrey C G Thorne
Zero Harm Committee	E A Howell	S A Chaplain G A Fenn C G Thorne
Nominations and Corporate Governance Committee	R M Harding	S A Chaplain J S Humphrey
Remuneration Committee	P S Garling	R M Harding J S Humphrey
Disclosure Committee	J S Humphrey	G A Fenn R M Harding
Tender Risk Evaluation Committee	C G Thorne	G A Fenn P S Garling R M Harding E A Howell

The names of members of each committee, the number of meetings and the attendances by each of the members of the various committees to which they are appointed is set out in the Directors' Report on page 17.

The Tender Risk Evaluation Committee's primary purpose is to oversee tenders and contracts that exceed the delegation of the Group CEO. The Tender Risk Evaluation Committee, is chaired by an independent Director and comprises five members, including the Group CEO. Meetings of the Tender Risk Evaluation Committee are convened as required to review tender opportunities.

The Board has established the Nominations and Corporate Governance Committee to oversee the practices for selection and appointment of Directors of the Company.

The Nominations and Corporate Governance Committee's primary purpose is to support and advise the Board on fulfilling its responsibilities to shareholders by ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors having regard to the law and leading governance practice.

The Nominations and Corporate Governance Committee has a charter which sets out its roles and responsibilities, composition, structure, membership requirements and the procedures for inviting non-committee members to attend meetings. The Nominations and Corporate Governance Committee Charter gives the Nominations and Corporate Governance Committee access to internal and external resources, including advice from external consultants and specialists. The Nominations and Corporate Governance Committee Charter is available on the Downer website at www.downergroup.com.

The Nominations and Corporate Governance Committee, all members of which are independent Directors, is chaired by an independent Director and has a minimum of three members.

The Committee's responsibilities include:

- Assessing the skills and competencies required on the Board;
- Assessing the extent to which the required skills are represented on the Board;
- Establishing processes for the review of the performance of individual Directors and the Board as a whole;
- Establishing processes for identifying suitable candidates for appointment to the Board (including undertaking a formal due diligence screening process); and
- Recommending the engagement of nominated persons as Directors.

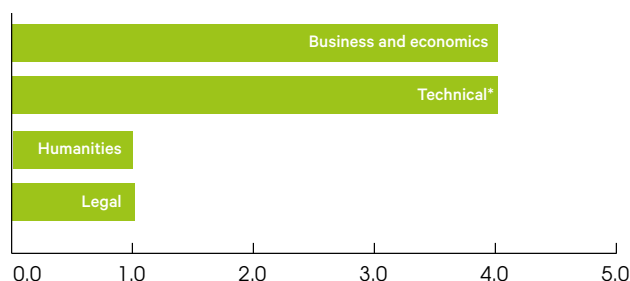
When appointing Directors, the Nominations and Corporate Governance Committee aims to ensure that an appropriate balance of skills, experience, expertise and diversity is represented on the Board. This may result in a non-executive Director with a longer tenure remaining in office so as to bring that experience and depth of understanding to matters brought before the Board.

Corporate governance – continued

for the year ended 30 June 2015

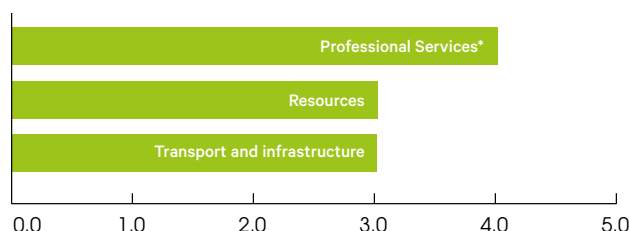
The chart below illustrates the balance achieved with the current Board composition. The Company recognises the value of diversity which has been a component of the appointment process over the past few years.

Professional qualifications



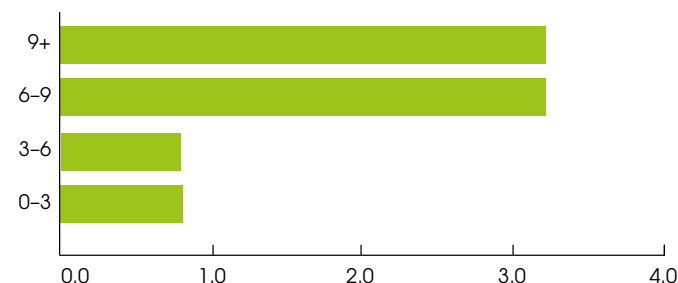
*Comprises construction, engineering, metallurgy and science.

Industry experience

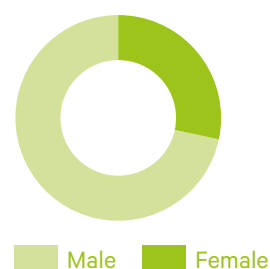


*Includes banking, finance and legal.

Tenure



Gender diversity



From time to time, Downer engages external specialists to assist with the selection process as necessary, and the Chairman, Board and Group CEO meet with nominees as part of the appointment process.

Nominations for re-election of Directors are reviewed by the Nominations and Corporate Governance Committee and Directors are re-elected in accordance with the Downer Constitution and the ASX Listing Rules.

As part of its commitment to leading corporate governance practice, the Board undertakes improvement programs, including externally facilitated periodic reviews of its performance and that of its Committees and Directors. The last review was completed during FY13 with planning currently underway for the next review.

The Company has formal induction procedures for both Directors and senior executives. These induction procedures have been developed to enable new Directors and senior executives to gain an understanding of:

- Downer's financial position, strategies, operations and risk management policies;
- The respective rights, duties and responsibilities and roles of the Board and senior executives; and
- Downer's culture and values.

Directors are given an induction briefing by the Company Secretary and an induction pack containing information about Downer and its business, Board and Committee charters and Downer Group policies. New Directors also meet with key senior executives to gain an insight into the Company's business operations and the Downer Group structure.

Directors are encouraged to continually build on their exposure to the Company's business and a formal program of Director site visits has been in place since 2009. Directors are also encouraged to attend appropriate training and professional development courses to update and enhance their skills and knowledge and the Company Secretary regularly organises governance and other continuing education sessions for the Board.

The Board is provided with the information it needs to discharge its responsibilities effectively. The Directors also have access to the Company Secretary for all Board and governance-related issues and the appointment and removal of the Company Secretary is determined by the Board. The Company Secretary is accountable to the Board, through the Chair, on all governance matters.

Principle 3: Promote ethical and responsible decision-making

Downer strives to attain the highest standards of behaviour and business ethics when engaging in corporate activity. The Downer Standards of Business Conduct sets the ethical tone and standards of the Company and deals with matters such as:

- Compliance with the letter and the spirit of the law;
- Workplace behaviour;
- Prohibition against bribery and corruption;
- Protection of confidential information;
- Engaging with stakeholders;
- Workplace safety;
- Diversity and inclusiveness;
- Sustainability; and
- Conflicts of interest.

Downer has a formal whistleblower policy and procedures for reporting and investigating breaches of the Standards of Business Conduct. This includes the Our Voice service, an external and independent reporting service which enables employees to anonymously report potential breaches of the Standards of Business Conduct, including misconduct or other unethical behaviour. Reports received through Our Voice are investigated where appropriate, with the Company Secretary overseeing the completion of any remedial action.

The Standards of Business Conduct applies to all officers and employees and is available on the Downer website at www.downergroup.com.

Downer endorses leading governance practices and has in place policies setting out the Company's approach to various matters, including:

- Securities trading (stipulating 'closed periods' for designated employees and a formal process which employees must adhere to when dealing in securities);
- The Company's disclosure obligations (including continuous disclosure);
- Communicating with shareholders and the general investment community; and
- Privacy.

Downer has an Anti-Bribery and Corruption Policy which expands upon the prohibition against bribery and corruption currently contained in the Standards of Business Conduct, and which addresses key issues such as working with government, political donations, human rights, conducting business internationally and gifts and benefits. As Downer has operations in foreign jurisdictions, Downer employees are confronted by the challenges of doing business in environments where bribery and corruption are real risks. However, regardless of the country or culture within which its people work, Downer is committed to compliance with the law, as well as maintaining its reputation for ethical practice.

These policies are available on the Downer website at www.downergroup.com.

Corporate governance – continued

for the year ended 30 June 2015

Principle 4: Safeguard integrity in financial reporting

The Company has in place a structure of review and authorisation which independently verifies and safeguards the integrity of its financial reporting.

The Audit and Risk Committee assists the Board to fulfil its responsibilities relating to:

- The quality and integrity of the accounting, auditing and reporting practices of the Company with a particular focus on the qualitative aspects of financial reporting to shareholders;
- The Company's risk profile and risk policies; and
- The effectiveness of the Company's system of internal control and framework for risk management.

The Audit and Risk Committee is structured so that it:

- Consists of only Non-executive Directors;
- Consists of a majority of independent Directors;
- Is chaired by an independent Chairman (who is not the Chairman of the Board); and
- Has at least three members.

The Audit and Risk Committee currently comprises only independent Directors, includes members who are financially literate and has at least one member who has relevant qualifications and experience.

The Audit and Risk Committee Charter sets out the Audit and Risk Committee's role and responsibilities, composition, structure and membership requirements and the procedures for inviting non-committee members to attend meetings.

The Board receives assurances from the Group CEO and the Group CFO that the declarations provided to it in relation to the annual and half-year financial statements, in accordance with sections 295A and 303(4) of the *Corporations Act 2001* (Cth) are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Downer's external auditor attends the Company's AGMs and is available to answer any questions which shareholders may have about the conduct of the external audit for the relevant financial year and the preparation and content of the Audit Report.

Information regarding the number of times the Audit and Risk Committee convened in FY15, together with the individual attendances of members at the meetings, is set out in the Directors' Report on page 17.

The Audit and Risk Committee Charter is available on the Downer website at www.downergroup.com.

Principle 5: Make timely and balanced disclosure

The Company's Disclosure Policy sets out processes which assist the Company to ensure that all investors have equal and timely access to material information about the Company and that Company announcements are factual and presented in a clear and balanced way. A copy of the Disclosure Policy is available on the Downer website at www.downergroup.com.

The Disclosure Policy also sets out the procedures for identifying and disclosing material and market-sensitive information in accordance with the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

Downer's Disclosure Committee consists of two independent, Non-executive Directors (one of which is the Chairman of the Board) and the Group CEO. The Disclosure Committee oversees disclosure of information by the Company to the market and the general investment community.

Principle 6: Respect the rights of shareholders

Downer empowers its shareholders by:

- Communicating effectively, openly and honestly with shareholders;
- Giving shareholders ready access to balanced and understandable information about the Company and its governance; and
- Making it easy for shareholders to participate in general meetings.

The Downer Communication Policy sets out the Company's approach to communicating with shareholders and is available on the Downer website at www.downergroup.com.

The Company publishes corporate information on its website (www.downergroup.com), including Annual and Half Year Reports, ASX announcements, investor updates and media releases.

Downer encourages shareholder participation at AGMs through its use of electronic communication, including by making notices of meetings available on its website and audio casting of general meetings and significant Group presentations.

The Directors and key members of management attend the Company's AGMs and are available to answer questions.

Principle 7: Recognise and manage risk

To mitigate the risks that arise through its activities, Downer has various risk management policies and procedures in place that cover (among other matters) interest rate management, foreign exchange risk management, credit risk management, tendering and contracting risk and project management.

Downer has controls at the Board, executive and business unit levels that are designed to safeguard Downer's interests and ensure the integrity of reporting (including accounting, financial reporting, environment and workplace health and safety policies and procedures). These controls are designed to ensure that Downer complies with legal and regulatory requirements, as well as community standards.

Downer has a Risk Management Framework in place to enable business risks to be identified, evaluated and managed. The Board ratifies Downer's approach to managing risk and oversees Downer's Risk Management Framework, including the Group risk profile and the effectiveness of the systems being implemented to manage risk. The last comprehensive review of the Risk Management Framework was completed in 2013. However, the Board reviews the Group risk profile twice each year, undertakes a facilitated risk workshop annually, and considers other risk matters, such as business resilience, tender review processes, risk appetite, and specific risk areas, on a regular basis, as well as regular reports from senior management, the internal audit team, and the external auditor. The next comprehensive review of the Risk Management Framework is in progress and expected to be completed by December 2015.

Downer's annual Sustainability Report provides a detailed overview of Downer's approach to managing its environmental sustainability and social sustainability risks. The 2014 Sustainability Report is available on the Downer website at www.downergroup.com.

The Company's internal audit function objectively evaluates and reports on the existence, design and operating effectiveness of internal controls. Downer's internal audit team is independent of the external auditor and reports to the Audit and Risk Committee.

Downer's Audit and Risk Committee assists the Board in its oversight of Downer's risk profile and risk policies, the effectiveness of the systems of internal control and Risk Management Framework and Downer's compliance with applicable legal and regulatory obligations. The Audit and Risk Committee Charter is available on the Downer website at www.downergroup.com.

Management reports regularly to the Audit and Risk Committee on the effectiveness of Downer's management of its material business risks and on the progress of mitigation treatments.

Corporate governance – continued

for the year ended 30 June 2015

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration Committee and has adopted the Remuneration Committee Charter which sets out its role and responsibilities, composition, structure and membership requirements and the procedures for inviting non-committee members to attend meetings.

The Remuneration Committee is responsible for reviewing and making recommendations to the Board about:

- Executive remuneration and incentive policies;
- The remuneration, recruitment, retention, performance measurement and termination policies and procedures for all senior executives reporting directly to the Group CEO;
- Executive and equity-based incentive plans; and
- Superannuation arrangements and retirement payments.

Remuneration of the Group CEO, executive directors and non-executive directors forms part of the responsibilities of the Nominations and Corporate Governance Committee.

Downer's remuneration policy is designed to motivate senior executives to pursue the long-term growth and success of the Company and prescribes a relationship between the performance and remuneration of senior executives.

The Remuneration Committee is structured so that it:

- Consists of a majority of independent Directors;
- Is chaired by an independent Director; and
- Has at least three members.

Currently no Executive Director is a member of the Remuneration Committee.

The maximum aggregate fee approved by shareholders that can be paid to Non-executive Directors is \$2.0 million per annum. This cap was approved by shareholders on 30 October 2008. Further details about remuneration paid to Non-executive Directors are set out in the Remuneration Report at page 19.

The Company's previous Constitution allowed for retiring Non-executive Directors to receive a retiring allowance, subject to the limitations set out in the *Corporations Act 2001* (Cth). Consistent with the ASX Principles, the right to retirement benefits was frozen in 2005. However, because remuneration arrangements for some Non-executive Directors were in place prior to 2005, information about any payments has been fully provided in the financial statements where such retirement benefits have been paid. Directors entitled to a retirement benefit were paid a reduced fee and once a Director's accumulated reduction in base fees reached the value of the retirement benefit, the applicable base fee reverted to the general fee level. This has been applied to Mr Humphrey from 1 July 2009. The retirement benefit has not been offered to Non-executive Directors appointed subsequently.

Non-executive Directors do not participate in any equity incentive schemes.

The remuneration structure for Executive Directors and senior executives is designed to achieve a balance between fixed and variable remuneration taking into account the performance of the individual and the performance of the Company. Executive Directors receive payment of equity-based remuneration as short and long-term incentives.

Executive Directors and senior executives are prohibited from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any of the Company's equity-based remuneration schemes.

Further details about the remuneration of Executive Directors and senior executives are set out in the Remuneration Report at page 19 and details of Downer shares beneficially owned by Directors are provided in the Directors' Report at page 4.

Information for Investors

for the year ended 30 June 2015

Downer shareholders

Downer had 20,278 ordinary shareholders as at 30 June 2015.

The largest shareholder, HSBC Custody Nominees (Australia) Limited, holds 24.98% of the 432,683,214 fully paid ordinary shares issued at that date. Downer has 18,279 shareholders with registered addresses in Australia.

Securities exchange listing

Downer is listed on the Australian Securities Exchange (ASX) under the "Downer EDI" market call code 3965, with ASX code DOW, and is secondary listed on the New Zealand Exchange with the ticker code DOW NZ.

Company information

The Company's website www.downergroup.com offers comprehensive information about Downer and its services. The site also contains news releases and announcements to the ASX and NZX, financial presentations, Annual Reports, Half Year Reports and company newsletters. Downer printed communications for shareholders include the Annual Report which is available on request.

Dividends

Dividends are determined by the Board having regard to a range of circumstances within the business operations of Downer including operating profit and capital requirements. The level of franking on dividends is dependent on the level of taxes paid to the Australian Taxation Office by Downer and its incorporated joint ventures.

International shareholders can use Computershare's Global Payments System to receive dividend payments in the currency of their choice at a nominal cost to the shareholder.

Dividend reinvestment plan

Downer's Dividend Reinvestment Plan (DRP) is a mechanism to allow shareholders to increase their shareholding in the Company without the usual costs associated with share acquisitions, such as brokerage. Details of the DRP are available from the Company's website or the Easy Update website at www.computershare.com.au/easyupdate/dow.

Share registry

Shareholders and investors seeking information about Downer shareholdings or dividends should contact the Company's share registry, Computershare Investor Services Pty Ltd (Computershare):

Level 5
115 Grenfell Street
Adelaide SA 5000

GPO Box 1903
Adelaide SA 5001

Tel: 1300 556 161 (within Australia)
+61 3 9415 4000 (outside Australia)

Fax: 1300 534 987 (within Australia)
+61 3 9473 2408 (outside Australia)

www.computershare.com

Shareholders must give their holder number (SRN/HIN) when making inquiries. This number is recorded on issuer sponsored and CHESS statements.

Updating your shareholder details

Shareholders can update their details (including bank accounts, DRP elections, tax file numbers and email addresses) online at www.computershare.com.au/easyupdate/dow.

Shareholders will require their holder number (SRN/HIN) and postcode to access this site.

Tax file number information

Providing your tax file number to Downer is not compulsory. However, for shareholders who have not supplied their tax file number, Downer is required to deduct tax at the top marginal rate plus Medicare levy from unfranked dividends paid to investors residing in Australia. For more information please contact Computershare.

Lost issuer sponsored statement

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

Information for Investors – continued

for the year ended 30 June 2015

Annual Report mailing list

Shareholders must elect to receive a Downer Annual Report by writing to Computershare Investor Services Pty Ltd at the address provided. Alternatively shareholders may choose to receive this publication electronically.

Change of address

So that we can keep you informed, and protect your interests in Downer, it is important that you inform Computershare of any change of your registered address.

Registered office and principal administration office

Downer EDI Limited Level 2, Trinita III
Trinita Business Campus
39 Delhi Road
North Ryde NSW 2113

Tel: +61 2 9468 9700

Fax: +61 2 9813 8915

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

Australian securities exchange information as at 30 June 2015

Number of holders of equity securities:

Ordinary share capital

432,683,214 fully paid listed ordinary shares were held by 20,278 shareholders. All issued ordinary shares carry one vote per share.

Substantial shareholders

The following shareholders have notified that they are substantial shareholders of Downer as at 30 June 2015.

Shareholders	Ordinary shares held	% of issued shares
Dimensional Fund Advisors	26,325,189	6.08
T.Rowe Price Associates, Inc	26,313,976	6.08
Schroder Investment Management Australia Limited	22,695,686	5.25
LSV Asset Management	21,874,362	5.06
Commonwealth Bank of Australia	21,816,975	5.04
Vinva Investment Management	21,792,439	5.04
Sumitomo Mitsui Trust Holdings Inc	21,665,910	5.01

Distribution of holders of quoted equity securities

Shareholder distribution of quoted equity securities as at 30 June 2015 is as follows.

Range of holdings	Number of shareholders	Shareholders %	Ordinary shares held	Shares %
1 – 1,000	11,092	54.70	4,919,180	1.14
1,001 – 5,000	7,277	35.89	16,561,003	3.83
5,001 – 10,000	1,162	5.73	8,304,803	1.92
10,001 – 100,000	698	3.44	15,393,451	3.56
100,001 and over	49	0.24	387,504,777	89.55
Total	20,278		432,683,214	100.00
Holding less than a marketable parcel of shares	1,010			

Twenty largest shareholders

Downer's 20 largest shareholders of ordinary fully paid shares as at 30 June 2015 are as follows.

Shareholders	Shares held	% of issued shares
HSBC Custody Nominees (Australia) Limited	108,094,869	24.98
J P Morgan Nominees Australia Limited	108,091,493	24.98
National Nominees Limited	56,898,856	13.15
Citicorp Nominees Pty Ltd	50,287,818	11.62
BNP Paribas Noms Pty Ltd	20,450,023	4.73
Citicorp Nominees Pty Limited – Colonial First State Inv A/C	6,940,408	1.60
CPU Share Plans Pty Ltd	6,519,507	1.51
HSBC Custody Nominees (Australia) Limited – NT-Comnwlth Super Corp A/C	4,667,717	1.08
AMP Life Ltd	3,044,665	0.70
Argo Investments Ltd	2,392,527	0.55
SBN Nominees Pty Limited	2,184,000	0.50
National Nominees Limited – N A/C	1,612,521	0.37
QIC Limited	1,541,504	0.36
UBS Nominees Pty Ltd	1,282,500	0.30
Masfen Securities Limited	1,171,647	0.27
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,131,209	0.26
Share Direct Nominees Pty Ltd	1,034,908	0.24
UBS Wealth Management Australia Nominees Pty Ltd	938,636	0.22
Mr Barry Sydney Patterson + Mrs Glenice Margaret Patterson	891,642	0.21
HSBC Custody Nominees (Australia) Limited – A/C 2	823,326	0.19
Total for top 20 shareholders	379,999,776	87.82

On-market share buy-back

On 5 August 2014, the Board resolved to undertake an ongoing share buy-back program that commenced on 20 August 2014. The total number of shares acquired as at 6 August 2015 is 2,716,761. The total number of shares to be purchased under the buy-back will depend on share price levels and capital requirements. The share buy-back program is part of Downer's ongoing capital management strategy and will be managed in conjunction with capital requirements for growth. Downer has a strong balance sheet and is in a good position to take advantage of growth opportunities, including mergers and acquisitions, but any prospect will be subject to robust risk assessment. Downer will focus on opportunities that are strategic, the right price and grow the Company's capability.



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Media/ ASX and NZX Release

6 August 2015

DOWNER REPORTS NET PROFIT AFTER TAX OF \$210.2 MILLION

- Net profit after tax (NPAT) of \$210.2 million, 2.7% lower than the prior period;
- Earnings before interest and tax (EBIT) of \$309.7 million, down 9.2%;
- Operating cash flow of \$486.5 million, with cash conversion of 88.5%;
- Gearing of 8.1% and net finance costs reduced by 30.5% to \$29.9 million;
- Strong performances from Transport Services and Technology and Communications Services;
- Utilities Services performed well despite limited High Voltage and Renewables construction. Significant opportunities created from the Tenix acquisition;
- Mining continues to deliver strong results despite reduced volumes and an extremely difficult market;
- Engineering, Construction and Maintenance had a challenging year due primarily to losses in the resources based consultancies and project underperformance in Western Australia;
- Improved performance from Rail with a number of major bids in the pipeline;
- Divisions restructured to improve customer focus and delivery;
- Successful relaunch of the Downer brand with “Relationships Creating Success”;
- Safety indicators continue to improve with TRIFR down 21.7% to 3.78;
- Fully franked final dividend of 12.0 cents per share; and
- Strong balance sheet available for growth opportunities.

Downer EDI Limited (Downer) today announced a net profit after tax (NPAT) of \$210.2 million for the 12 months to 30 June 2015, down 2.7% on the prior corresponding period. Earnings before interest and tax (EBIT) was \$309.7 million, down 9.2%.

Operating cash flow was once again strong at \$486.5 million, which represents a cash conversion of 88.5% of earnings before interest, tax, depreciation and amortisation (EBITDA).

At 30 June 2015, Downer's gearing was 8.1% with available liquidity of \$982.2 million comprising cash of \$372.2 million and undrawn committed facilities of \$610.0 million.

Downer's strong focus on cash and capital management has resulted in net finance costs reducing by 30.5% to \$29.9 million.

Downer's work-in-hand was \$18.5 billion at 30 June 2015, an increase of \$0.5 billion from 31 December 2014.

The Chief Executive Officer of Downer, Grant Fenn, said the 2015 financial year had been very tough to navigate.

"It has taken considerable effort, energy and focus from our people to deliver on our NPAT guidance of \$210.2 million," Mr Fenn said.

"This is a credible and very pleasing result achieved in a difficult environment. The flow-on impact of low commodity prices on business investment and operating expenditure has required us to work even more closely with our customers. We are becoming more efficient, better at what we do and we have continued to build our customer base."

During the year, Downer successfully relaunched its brand.

"Our Relationships Creating Success program has been received very positively by our customers and our people," Mr Fenn said. "Being customer-centric and helping our customers succeed has never been more important to our business."

In October 2014, Downer acquired Tenix Holdings Australia Pty Ltd (Tenix) for \$300 million on a cash and debt free basis. This business made an eight month contribution to this result, including \$387.4 million in revenue and \$16.6 million in EBIT (\$23.2 million when excluding amortisation).

Downer announced a restructure of its business in January 2015. For ease of analysis, Downer has reported its segment results in the Annual Report under both the former operating structure (Infrastructure, Mining, Rail) and the new service line structure (Transport Services; Technology and Communications Services; Utilities Services; Engineering, Construction and Maintenance; Mining; and Rail). The following commentary reflects the new service line structure with comparatives to unaudited 2014 results.

Performance Summary

Transport Services

Transport Services, which includes the Group's road, rail, airport and port infrastructure businesses, performed well during the period with revenue up 7.9% to \$2.0 billion and EBIT up 5.4% to \$96.2 million.

In Australia, strong performances by the New South Wales and Victorian road maintenance and surfacing businesses were offset by tougher conditions in Queensland, with significantly reduced volumes from the prior year, and rail infrastructure where project outcomes were below expectations.

In New Zealand, the business continued to improve as it adapted to a more competitive environment. Downer was successful in maintaining a strong market share with the New Zealand Transport Agency, as it tendered its network outcomes contracts (NOCs), and also winning targeted opportunities with local authorities.

Downer has been a market leader in road services in both Australia and New Zealand for a long time and is now building capability in light rail design and construction which is a new niche growth opportunity. The Keolis Downer joint venture is bidding for light rail opportunities across Australia and New Zealand.

Downer's consortium, ACTivate, has been short-listed to build, operate and maintain Canberra's new light rail system. The announcement of the preferred bidder is expected before the end of 2015. Downer is participating in the consortium as operator and maintainer through Keolis Downer and as the designer and constructor of the light rail system, including the depot. Light rail design and construction is an exciting new focus for the Group as cities in Australia and New Zealand increasingly look to light rail to solve their public transport needs. Downer's share of the bid costs is estimated at between \$10 million and \$15 million. These costs are being capitalised in accordance with Australian Accounting Standards and will be expensed in the event Downer is unsuccessful.

The capability of Transport Services was further enhanced during the year with the acquisition of VEC Civil Engineering, a specialist in construction and management of bridges and structures.

"We are excited about the opportunities for this business as we extend its service offering to State and Local Governments across Australia," Mr Fenn said.

Technology and Communications Services

Technology and Communications Services, comprising the Group's fibre, copper and radio network infrastructure businesses, also had an improved year. Revenue increased 7.8% to \$495.5 million and EBIT increased 43.6% to \$25.7 million.

In June 2015, Downer was awarded a new five year contract by nbnTM under the new Multi-technology Mix model. Work commenced in July 2015 and is valued at approximately \$100 million in the first year.

In New Zealand, Downer is the major supplier of technology and communications services to Chorus, Vodafone and Spark. During the year, Downer signed an additional agreement with Chorus to deliver Ultra-Fast Broadband fibre network connections for around 300,000 homes.

Utilities Services

Utilities Services, comprising the Group's power, gas and water network infrastructure and renewable energy businesses, grew substantially during the year. Including eight months' contribution from Tenix, revenue increased 62.6% to \$583.5 million and EBIT increased 21.4% to \$34.0 million.

"The privatisation of the NSW power distributors is a significant opportunity," Mr Fenn said. "We have played a leading role in driving efficiency from the electricity and gas networks in Victoria and South Australia and we are well placed to do the same in the other States. Regulators across the country are requiring the distributors to significantly improve the efficiency of their networks.

"Downer is actively seeking opportunities to participate in the upcoming privatisation as a key service provider. We are seen by the market as the leader in this field."

In April 2015, Logan City Council awarded a new program alliance to Downer for the delivery of up to \$180 million of water and wastewater infrastructure services for three years from 1 July 2015, with two one year extension options. One month later, United Energy awarded Downer a three

year contract valued at \$180 million to provide 24/7 network operations and maintenance and augmentation services covering 300,000 consumers.

“Water is a significant opportunity for the Group with water and wastewater treatment upgrades required in communities across the nation,” Mr Fenn said.

Downer is also a market leader in construction of renewable energy generation. In June 2015, Downer was awarded a contract for work on the Ararat Wind Farm Project in Victoria. Downer's scope of works is valued at approximately \$130 million.

Engineering, Construction and Maintenance (EC&M)

EC&M, comprising the Group's industrial and commercial construction and maintenance businesses, had a challenging year due primarily to losses in the resources based consultancy businesses (QCC and Mineral Technologies) and project underperformance in Western Australia.

Revenue was 7.4% lower at \$1.89 billion due to fewer opportunities and lower bid margins and EBIT reduced by 28.1% to \$51.5 million. QCC and Mineral Technologies experienced financial losses totalling \$11.4 million during the year.

The EC&M business has been restructured to operate nationally rather than by geographic region.

“This change means the EC&M business will be better able to manage along customer segments and it will reduce management layers and functional overheads,” Mr Fenn said.

In September 2014, Downer secured a contract for miscellaneous works on the Chevron-operated Gorgon Project in Western Australia. Downer is also mobilising for two electrical and instrumentation packages for the downstream portion of the Chevron-operated Wheatstone Project in Western Australia.

Mining

Mining's total revenue declined 19.8% to \$1.59 billion and EBIT was 22.6% lower at \$132.6 million reflecting a number of contract completions and volume reductions. There were also fewer opportunities for the blasting business and pricing pressure on Ammonium Nitrate supply, which placed further pressure on earnings.

During the year, the Mining division was awarded the following contracts:

- a two-year contract extension with BHP Billiton Mitsubishi Alliance, valued at \$100 million, for the provision of mining services at the Blackwater coal mine in Queensland;
- a two-year contract with Cobar Management, valued at \$70 million, for underground mining services at the Cobar copper mine in NSW; and
- an expanded contract with Fortescue Metals Group, valued at \$500 million per annum, for mining services at the Christmas Creek iron ore mine in WA.

The Mining business continues to work very closely with its customers and remains Australia's contract miner of choice. The Snowden consultancy now forms part of Downer's mining services offering, helping to expand its front end solutions capability. Downer is now also providing asset management services at a number of sites as customers look to improve their fleet utilisation.

Rail

Total Rail EBIT was up 24.4% despite total revenue declining 12.9% to \$873.5 million. Productivity improvements and lower restructuring costs as well as a strong contribution from Keolis Downer were the main contributors.

Rail's revenue declined due to the completion of a number of passenger manufacturing contracts, including the Waratah Train Project (WTP). This was partially offset by higher revenue from the WTP Through Life Support (TLS) contract and the Keolis Downer and Downer Bombardier joint ventures.

In February 2015, Downer announced a new 10 year Locomotive Maintenance Agreement with Pacific National valued at approximately \$1 billion. Under the agreement, Downer provides a full suite of asset management services for over 300 Pacific National locomotives. The Pacific National fleet is monitored by a new Fleet Control Centre which was launched during the year and provides customers with a 24 hour, one-stop-shop for technical support, fleet planning and asset management services.

Downer is one of four parties short-listed by Transport for NSW to supply and maintain a new inter-city fleet of approximately 520 passenger carriages. Downer will join with Changchun Railway Company (CRC) to develop the proposal and deliver the program should it be successful. This project represents a significant opportunity for the Group to capitalise on the expertise and IP created from the Waratah Train Project. Downer's share of the bid costs is estimated at between \$10 million and \$15 million. The contract is expected to be awarded in 2016. These costs are being capitalised in accordance with Australian Accounting Standards and will be expensed in the event the bid is unsuccessful.

Downer is also preparing an Expression Of Interest (EOI) for 37 next generation, high capacity trains for the Victorian Government. Downer will again join with CRC to develop the proposal and deliver the program should it be successful. This project will utilise proven CRC designs currently in operation in Hong Kong. Downer's share of the bid costs is estimated at between \$10 million and \$15 million. The contract is expected to be awarded in late 2016. These costs are being capitalised in accordance with Australian Accounting Standards and will be expensed in the event Downer is unsuccessful.

The Keolis Downer joint venture is now Australia's largest privately owned provider of multi-modal public transport solutions, with contracts to operate and maintain Yarra Trams in Melbourne and the Gold Coast Light Rail in Queensland. In April 2015, Keolis Downer acquired Australian Transit Enterprises (ATE), one of Australia's largest route, school and charter bus businesses with a fleet of over 900 buses in South Australia, Western Australia and Queensland. Keolis Downer is focused on growth in light rail, heavy rail and bus operations. It is a member of ACTivate, one of two consortia short-listed to deliver Canberra's new light rail system, and is partnering with KiwiRail in a bid to operate and maintain Wellington's regional passenger rail services from 2016.

Zero Harm

Downer's Total Recordable Injury Frequency Rate reduced 21.7% from 4.83 to 3.78 per million hours worked. The Lost Time Injury Frequency Rate of 0.86 remained below one incident per million hours worked.

Dividend

The Downer Board resolved to pay a fully franked final dividend of 12.0 cents per share (12.0 cents per share in the prior corresponding period), payable on 17 September 2015 to shareholders on the register at 20 August 2015. The company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Outlook

Downer's business mix has provided a sound base to navigate the current decline in our mining based markets. We are number one or two in virtually all of the markets in which we operate and we have a high proportion of Government related work in both Australia and New Zealand spanning Transport Services, Technology and Communications Services, Utilities Services, Rail and Mining.

However, providing guidance for the 2016 financial year has proven more difficult than in the past five years. There is weakness and a high degree of uncertainty in a number of our end markets, particularly resources based construction and mining.

We expect the current low levels of mining related capital expenditure to continue through 2016 and customers across the board to focus on costs and efficiency as the broader economy feels the impact of low commodity prices. In this environment, it is difficult to predict the flow of uncontracted revenue which is slightly higher than at this time last year.

Downer will continue to build and grow. We will invest in our existing businesses, including the major rolling stock and light rail opportunities, and look to expand through well targeted acquisitions or joint ventures.

The bid costs for the two rolling stock projects and the light rail project have not been expensed in the forecast 2016 guidance below. The costs of any unsuccessful bids will be written off in the period of notification of award. This may impact the 2016 result.

For the 2016 financial year, Downer is targeting NPAT of around \$190 million.

For further information please contact:

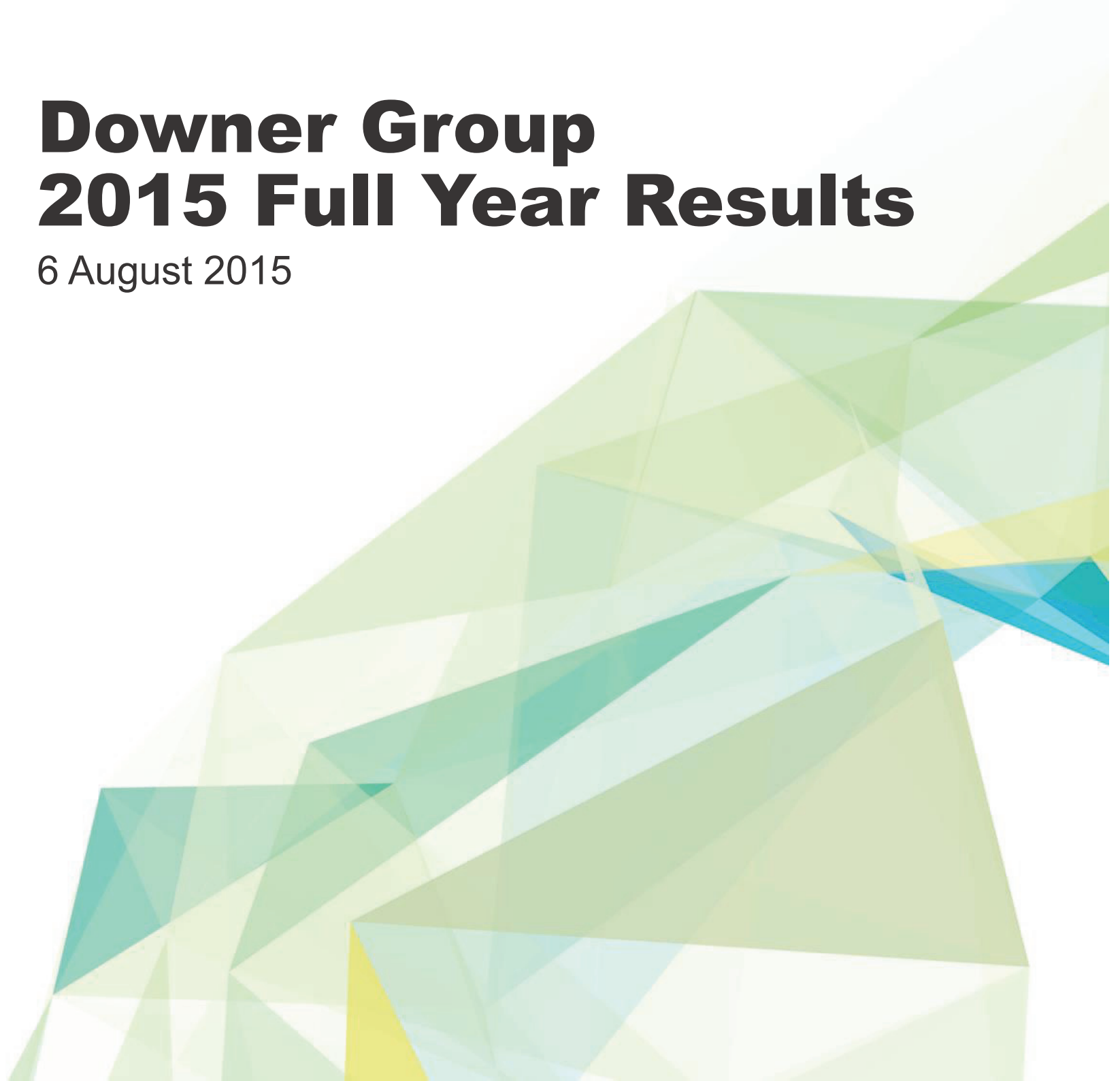
Michael Sharp, Group Head of Corporate Affairs and Investor Relations	+61 439 470145
Luke Thrum, Manager Investor Relations	+61 459 828720

Downer EDI Limited (Downer) is a leading provider of services to customers in markets including: Transport Services; Technology and Communications Services; Utilities Services; Engineering, Construction and Maintenance (EC&M); Mining; and Rail. Downer employs about 19,000 people, mostly in Australia and New Zealand but also in the Asia-Pacific region, South America and Southern Africa.



Downer Group 2015 Full Year Results

6 August 2015



Financial overview

Earnings

- Net Profit After Tax (NPAT) \$210.2 million, down 2.7%
- Earnings Before Interest and Tax (EBIT) \$309.7 million, down 9.2%
- Return on Funds Employed (ROFE) 14.7%, down from 16.8%

Revenue

- Total revenue¹ \$7,430.1 million, down 3.9%

Cash flow

- Operating cash flow \$486.5 million, EBITDA conversion 88.5%

Work in hand

- Work in hand² \$18.5 billion, up 5.1% from June 2014

Balance sheet

- Net debt³ \$179.0 million, up from \$32.7 million at June 2014
- Gearing⁴ 8.1% (14.0% including off-balance sheet debt)

Capital management

- Final dividend declared: 12 cps, 100% franked, no DRP

Zero Harm

- LTIFR of 0.86, down from 1.08 at June 2014
- TRIFR of 3.78, down from 4.83 at June 2014

¹ Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income. Note: the Company considers Total Revenue to be an appropriate measure due to an industry trend toward joint venture models to meet the needs of engineering, procurement and construction (EPC) customers with regard to large scale integrated projects.

² Work-in-hand numbers are unaudited.

³ Adjusted for the mark-to-market of derivatives and deferred finance charges.

⁴ Gearing = Net debt / net debt + equity. Gearing including off-balance sheet debt based on present value of plant and equipment operating leases discounted at 10% pa: \$151.1m (June 2014: \$166.8m).

New segment reporting

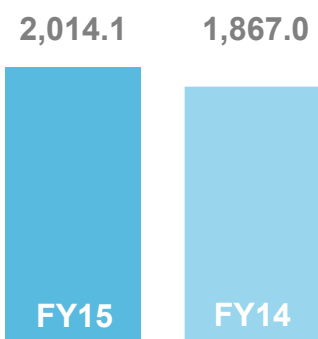
Downer announced a restructure of its business in January 2015. For ease of analysis, Downer has reported its segment results under both the former operating structure (Infrastructure, Mining, Rail) and the new service line structure (Transport Services; Technology and Communications Services; Utilities Services; Engineering, Construction and Maintenance; Mining; and Rail).

The table below shows a reconciliation between the former and new structures:

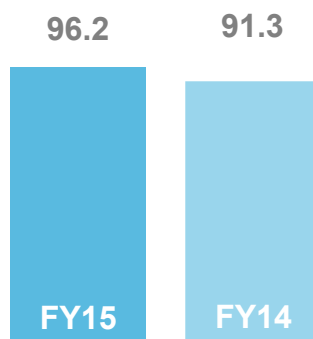
FY15 structure	FY16 structure
Infrastructure Australia (DI-AU) and New Zealand (DI-NZ)	Transport Services
	Technology & Communications Services
	Utilities Services
	Engineering, Construction & Maintenance (EC&M)
Mining	Mining
Rail	Rail

Transport Services

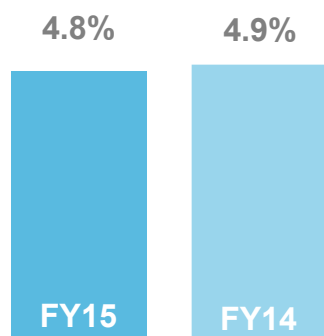
Total revenue¹ \$m



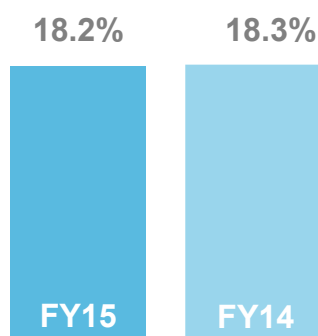
EBIT \$m



EBIT margin



ROFE²

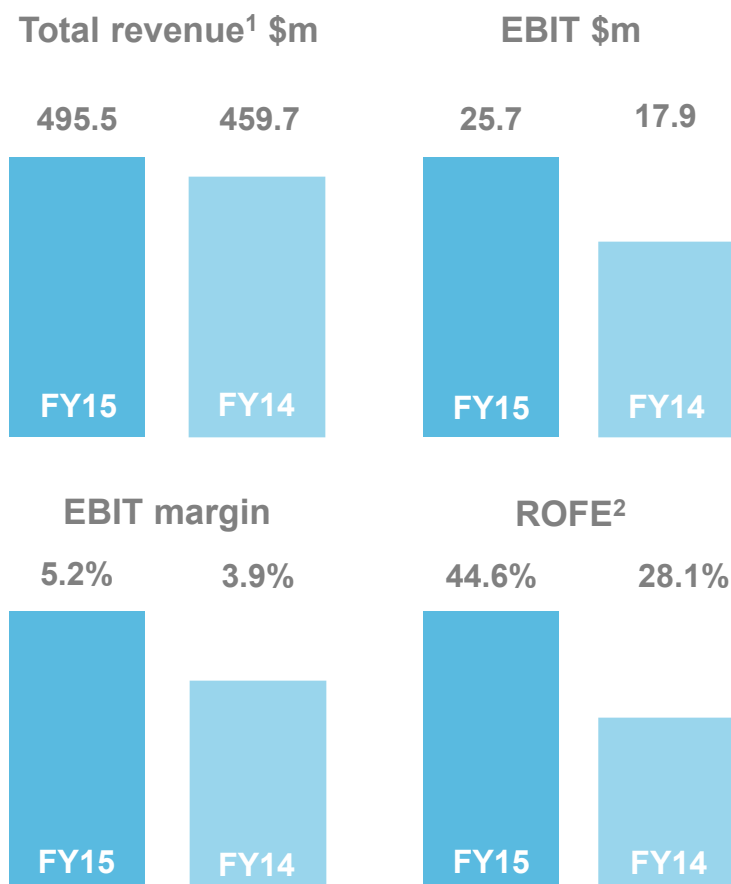


- Comprises the Group's road, rail, airport and port infrastructure businesses
- Strong performance by NSW and Victorian road services offset by tougher conditions for Queensland road services; rail infrastructure below expectations
- NZ continued to improve, adapting to a more competitive environment and maintaining a strong market share
- Acquired VEC Civil Engineering, a specialist in bridges and structures, to complement existing infrastructure projects offerings
- ACTivate consortium short-listed to build, operate and maintain Canberra's new light rail system

¹ Total revenue includes joint ventures and other income.

² ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Technology and Communications Services

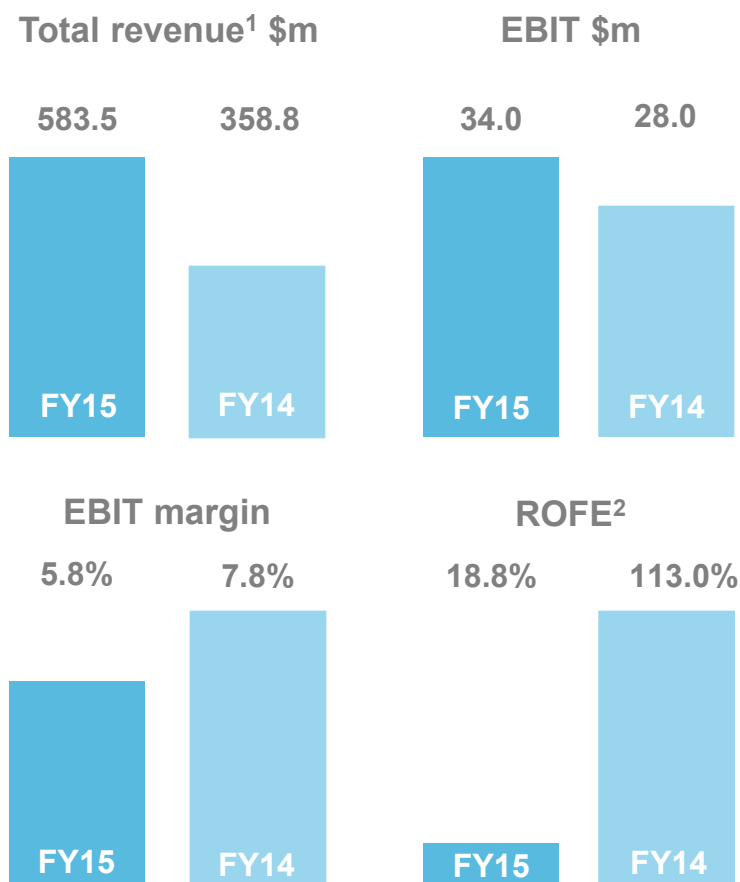


- Comprises the Group's fibre, copper and radio network infrastructure businesses
- Revenue up 7.8%, EBIT up 43.6%
- Awarded a new five-year contract by nbn™ in June 2015 to continue rolling out the NBN under the new Multi-technology Mix model. The contract is valued at around \$100 million in the first year.
- Signed a new agreement with Chorus (New Zealand) to deliver Ultra-Fast Broadband fibre network connections for around 300,000 homes

¹ Total revenue includes joint ventures and other income.

² ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Utilities Services

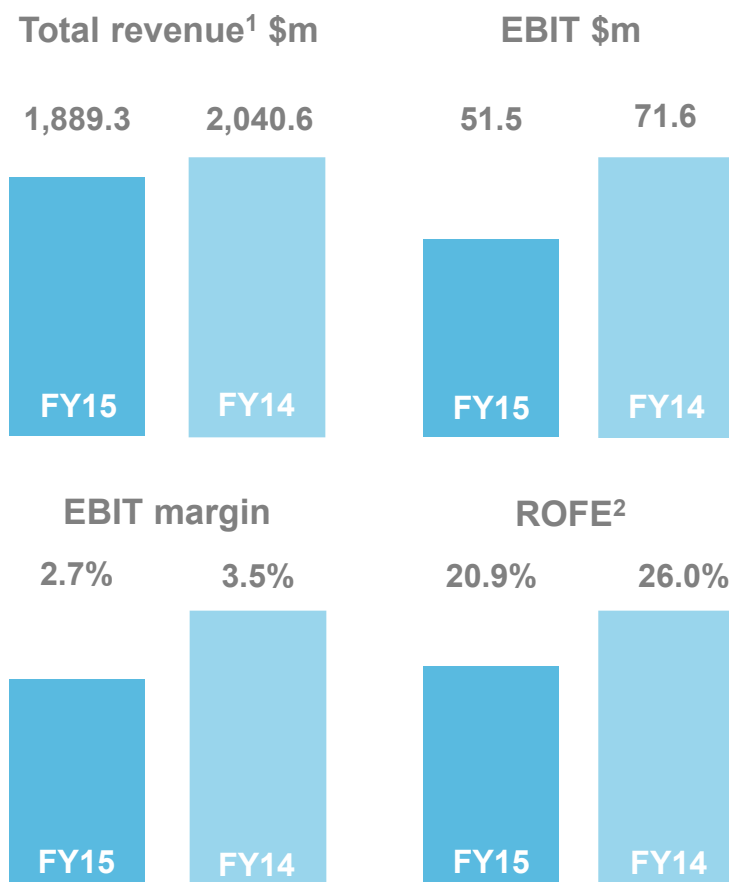


- Comprises the Group's power, gas and water network infrastructure and renewable energy businesses
- Includes eight months' contribution from Tenix - \$387.4 million revenue, \$16.6 million EBIT (\$23.2 million EBIT excluding amortisation)
- Awarded several significant contracts:
 - \$180 million contract extension with Logan City Council, for water/wastewater services
 - \$180 million contract extension with United Energy for operations and maintenance and augmentation services
 - \$130 million contract for electrical and construction services on Ararat Wind Farm, Victoria
- Significant opportunities from NSW privatisation of power distributors and the need for other States to significantly improve efficiency of networks

¹ Total revenue includes joint ventures and other income.

² ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Engineering, Construction & Maintenance



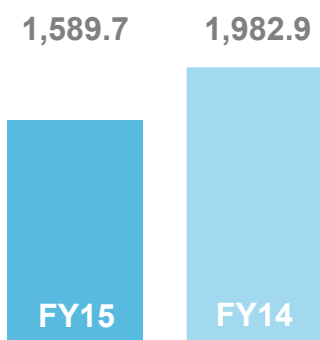
- Comprises the Group's industrial and commercial construction and maintenance businesses and resource based consultancies, QCC and Mineral Technologies (MT)
- Challenging year due primarily to \$11.4 million of losses for QCC and MT and project underperformance in WA
- Awarded contract in September 2014 for miscellaneous works on the Chevron-operated Gorgon LNG project, valued at up to \$170 million
- Also mobilising at Chevron-operated Wheatstone LNG project
- Business restructured to operate nationally rather than by geographic region – better aligned to customers, reduced management layers and functional overhead

¹ Total revenue includes joint ventures and other income.

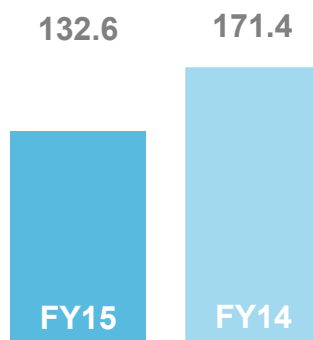
² ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Mining

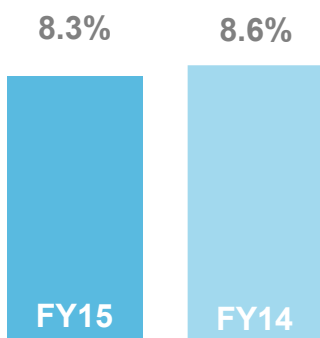
Total revenue¹ \$m



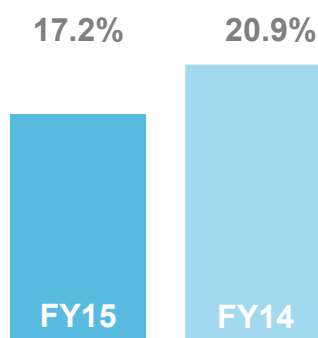
EBIT \$m



EBIT margin



ROFE²



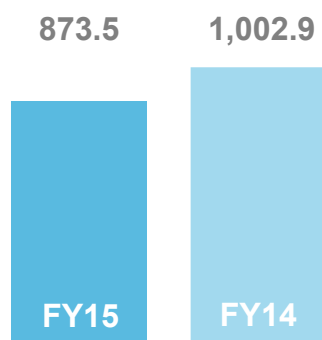
- Revenue and EBIT declines due to a number of contract completions and volume reductions
- Fewer opportunities for blasting business and pricing pressure on Ammonium Nitrate supply
- Several contract wins during the year:
 - Blackwater coal mine extension (BMA), \$100 million over two years
 - Cobar copper mine (Cobar Management), \$70 million over two years
 - Christmas Creek iron ore mine (Fortescue) expanded contract, c. \$500 million p.a.
- Snowden consultancy now part of Mining, expanding front end solutions capability

¹ Total revenue includes joint ventures and other income.

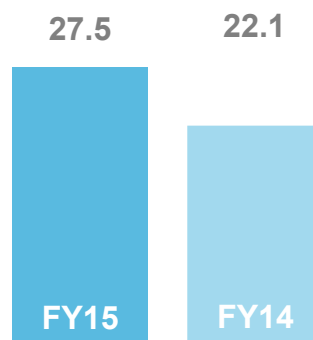
² ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Rail

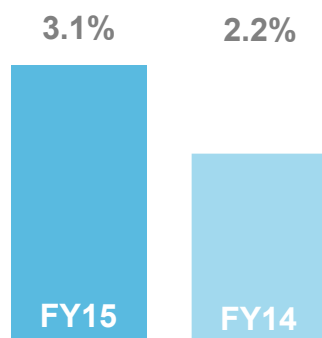
Total revenue¹ \$m



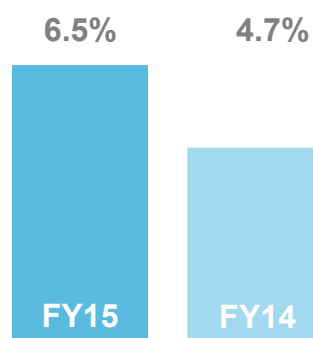
EBIT \$m



EBIT margin



ROFE²



- Lower revenue due to completion of passenger manufacture contracts
- Increased EBIT driven by productivity improvements, lower restructuring costs and strong contribution from Keolis Downer (Yarra Trams, Gold Coast Light Rail)
- Awarded 10 year, \$1.0 billion contract with Pacific National to provide full suite of asset management services for over 300 locomotives
- Keolis Downer acquired Australian Transit Enterprises, one of Australia's largest route, school and charter bus businesses
- ACTivate consortium short-listed to build, operate and maintain Canberra's new light rail system (bid costs \$10-15 million)
- Other major bids: Transport for NSW inter-city fleet (bid costs \$10-15 million); Victorian next generation trains (bid costs \$10-15 million)

¹ Total revenue includes joint ventures and other income.

² ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

Group financials



Financial performance

\$m	FY15	FY14	Change (%)
Total revenue ¹	7,430.1	7,734.6	(3.9)
EBITDA	562.8	607.5	(7.4)
EBIT	309.7	341.1	(9.2)
Net interest expense	(29.9)	(43.0)	30.5
Tax expense	(69.6)	(82.1)	15.2
Net profit after tax	210.2	216.0	(2.7)
EBIT margin	4.2%	4.4%	
Effective tax rate	24.9%	27.5%	
ROFE ²	14.7%	16.8%	
Dividend declared (cents per share)	24.0	23.0	4.3

1 Total revenue includes joint ventures and other income.

2 ROFE = EBIT divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt + Equity.

Summary of earnings

\$m	Total	Transport	Tech & Comm	Utilities	EC&M	Mining	Rail	Corp
Statutory EBIT	309.7	96.2	25.7	34.0	51.5	132.6	27.5	(57.8)
Add back unfavourable item:								
• Restructuring costs	21.6	5.4	0.9	2.6	0.8	5.6	3.7	2.6
• Tenix acquisition costs	5.2							5.2
• Consultancy losses	16.9				11.4	5.5		
Less favourable items:								
• R&D FY14 true up	(15.1)							(15.1)
• WTP MDA interest	(4.0)						(4.0)	
• Contract settlements	(14.8)							(14.8)
Adjusted EBIT (approx)	319.5	101.6	26.6	36.6	63.7	143.7	27.2	(79.9)

Operating cash flow

\$m	FY15	FY14
EBIT	309.7	341.1
Add: depreciation & amortisation	253.1	266.4
EBITDA	562.8	607.5
Operating cash flow	486.5	583.4
Add: Net interest paid ¹	25.2	43.3
Tax paid	49.0	41.7
Waratah Train Project net cash (inflow) ²	(62.6)	(93.0)
Adjusted operating cash flow	498.1	575.4
EBITDA conversion	88.5%	94.7%

1 Interest and other costs of finance paid minus interest received.

2 Unaudited.

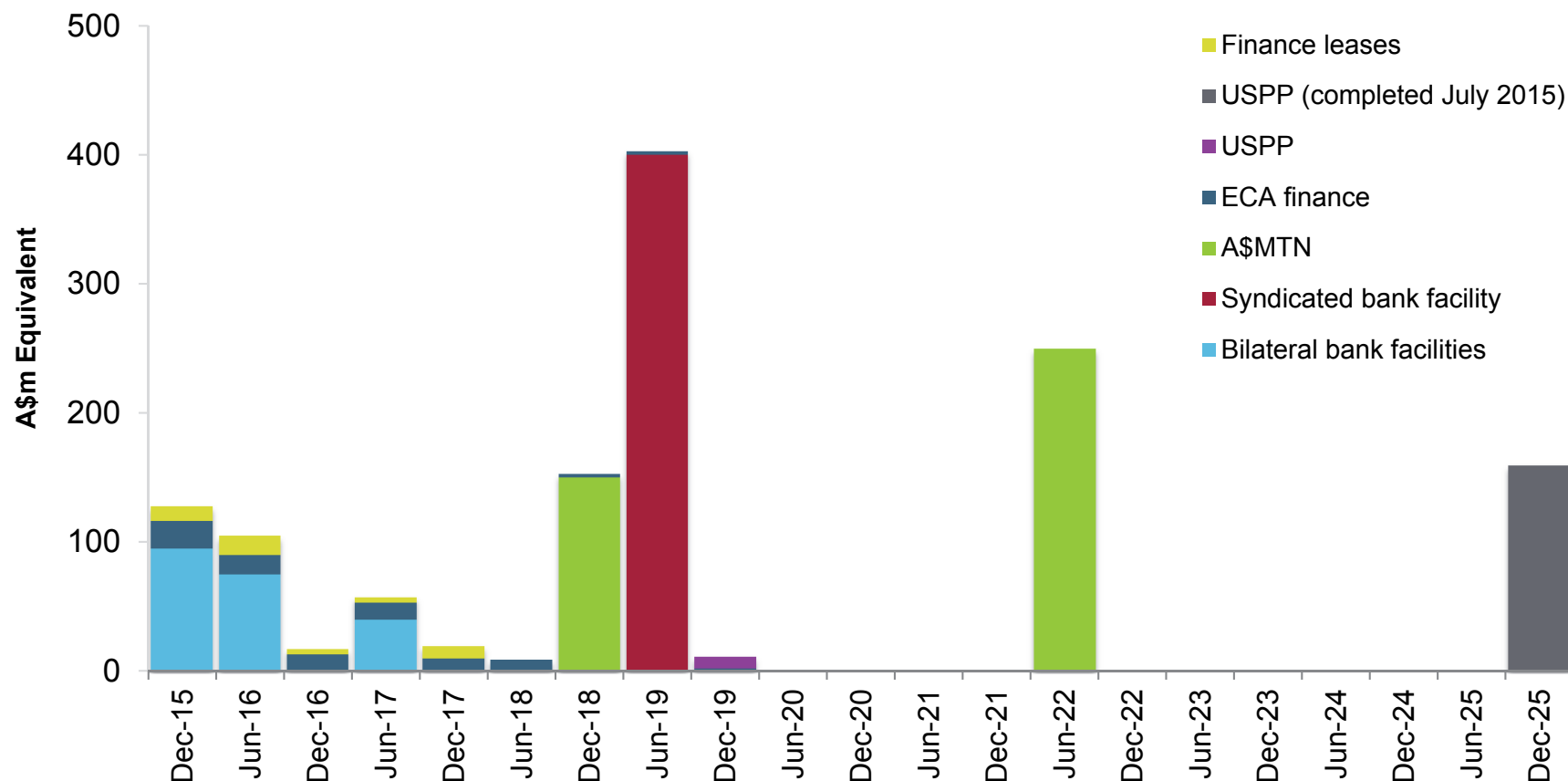
Cash flow

\$m	FY15	FY14
Total operating	486.5	583.4
Net capital expenditure	(98.3)	(249.6)
Tenix, ATE and VEC acquisitions	(368.3)	-
Other	(31.6)	(29.2)
Total investing	(498.2)	(278.8)
On-market share buy-back ¹	(11.7)	-
Net proceeds/(repayment) of borrowings	79.7	(260.9)
Dividends paid	(114.8)	(95.6)
Total financing	(46.8)	(356.5)
Net decrease in cash held	(58.5)	(51.9)
Cash at 30 June	372.2	431.8
Total liquidity²	982.2	1,048.8

¹ As at 30 June 2015, Downer had bought back 2.7 million shares, reducing the total number of shares outstanding to 432.7 million.

² Refer to slide 25 for details.

Debt maturity profile



Weighted average debt duration (30 June 2015): **3.5 years**

- Including new USPP maturing 2025¹: **4.3 years**

¹ On 8 July 2015, Downer completed a new issue of 10 year fixed rate senior unsecured US Private Placement Notes, in tranches of US\$100 million and A\$30 million.

Balance sheet and capital management

\$m	FY15	FY14
Total assets	4,004.4	3,868.4
Total shareholders' equity	2,035.3	1,962.0
Net debt ¹	179.0	32.7
Gearing: net debt to net debt plus equity	8.1%	1.6%
Gearing (including off balance sheet debt) ²	14.0%	9.2%
Adjusted net debt / adjusted EBITDAR ³	1.9	1.8
Interest cover	10.4	7.9

¹ Adjusted for the mark-to-market of derivatives and deferred finance charges.

² Includes the present value of plant and equipment operating leases discounted at 10% pa: \$151.1m (2014: \$166.8m).

³ Calculation based on statutory accounts. Adjusted Net Debt includes Net Debt plus 6x operating lease payments in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and operating lease rental expense (on a rolling 12 month basis).

Outlook



Work-in-hand: \$18.5 billion

By Division - old structure



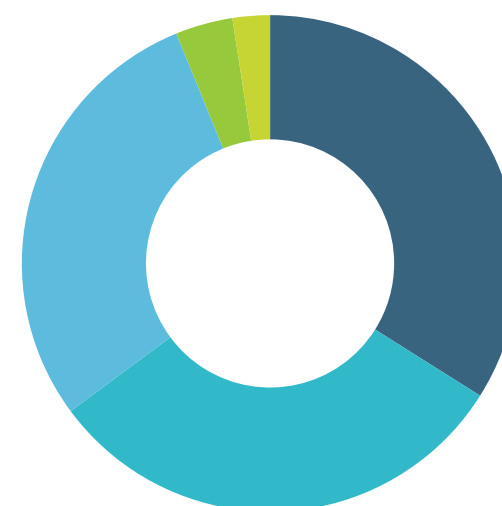
■ Infrastructure - AUS	\$7.6b (41%)
■ Infrastructure - NZ	\$2.7b (15%)
■ Mining	\$3.1b (17%)
■ Rail	\$5.1b (27%)

By Division¹ – new structure



■ Rail	\$5.1b (27%)
■ Transport Services	\$4.3b (24%)
■ Mining	\$3.1b (17%)
■ EC&M Services	\$2.8b (15%)
■ Utilities Services	\$2.1b (11%)
■ Technology and Communications Services	\$1.0b (6%)

By contract type¹



■ Fixed Price / Lump Sum	\$6.3b (34%)
■ Schedule of Rates	\$5.7b (31%)
■ Recurring / Annuities	\$5.3b (29%)
■ Alliance	\$0.7b (4%)
■ Cost Plus	\$0.4b (2%)

¹ Does not add up precisely to \$18.5 billion due to rounding.

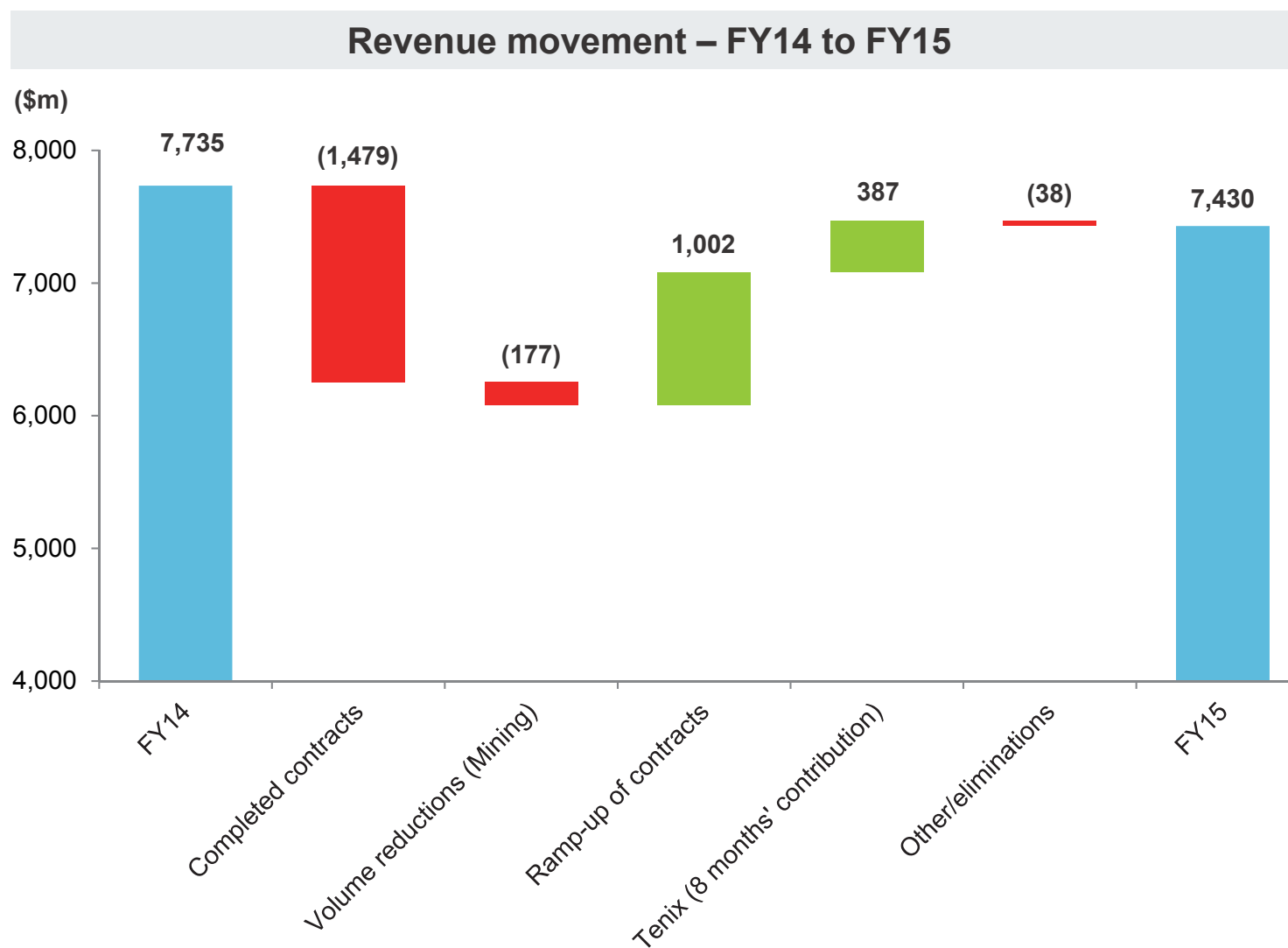
Outlook

- Downer's business mix has provided a sound base
- Providing guidance for the 2016 financial year has proven more difficult than in the past five years
- In this environment, it is difficult to predict the flow of uncontracted revenue, which is slightly higher than at this time last year
- For the 2016 financial year, Downer is targeting NPAT of around \$190 million.

Supplementary information



Group revenue – FY14 to FY15



FY15 audited segment reporting

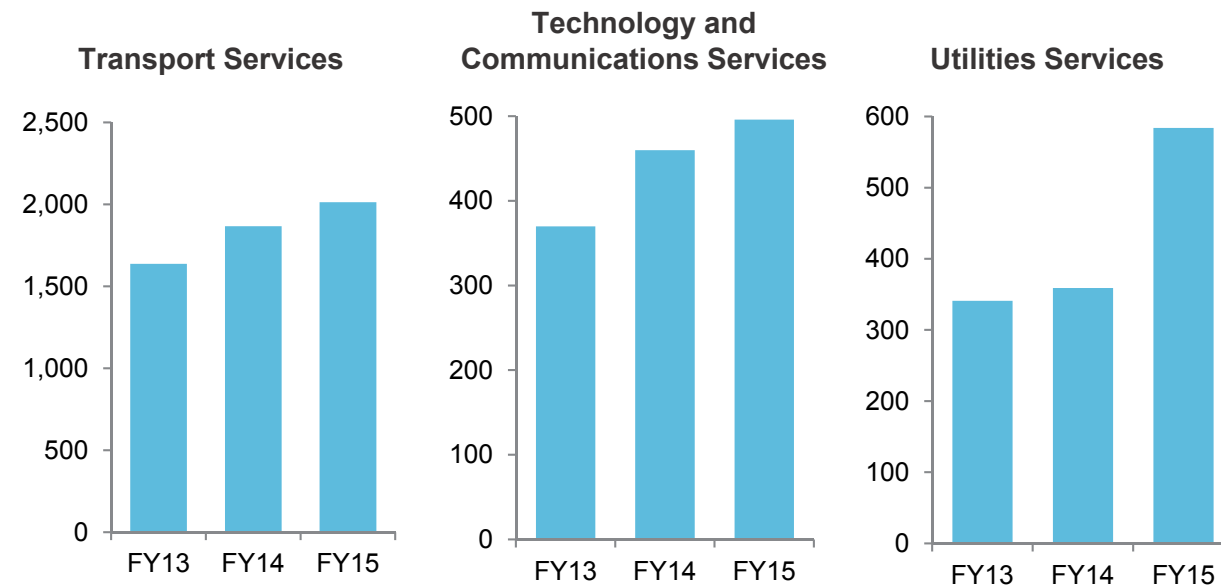
The tables below show FY15 revenue and EBIT under the former and new reporting structures.

HISTORICAL REPORTING STRUCTURE						
2015 \$m	Infrastructure Australia	Infrastructure New Zealand	Mining	Rail	Unallocated	Total
Segment revenue	3,669.4	1,202.0	1,532.4	611.6	4.5	7,019.9
Share of sales from JVs and Associates	84.8	6.2	57.3	261.9	-	410.2
Total revenue	3,754.2	1,208.2	1,589.7	873.5	4.5	7,430.1
EBIT	144.4	59.3	132.6	27.5	(54.1)	309.7
EBIT margin	3.8%	4.9%	8.3%	3.1%	-	4.2%

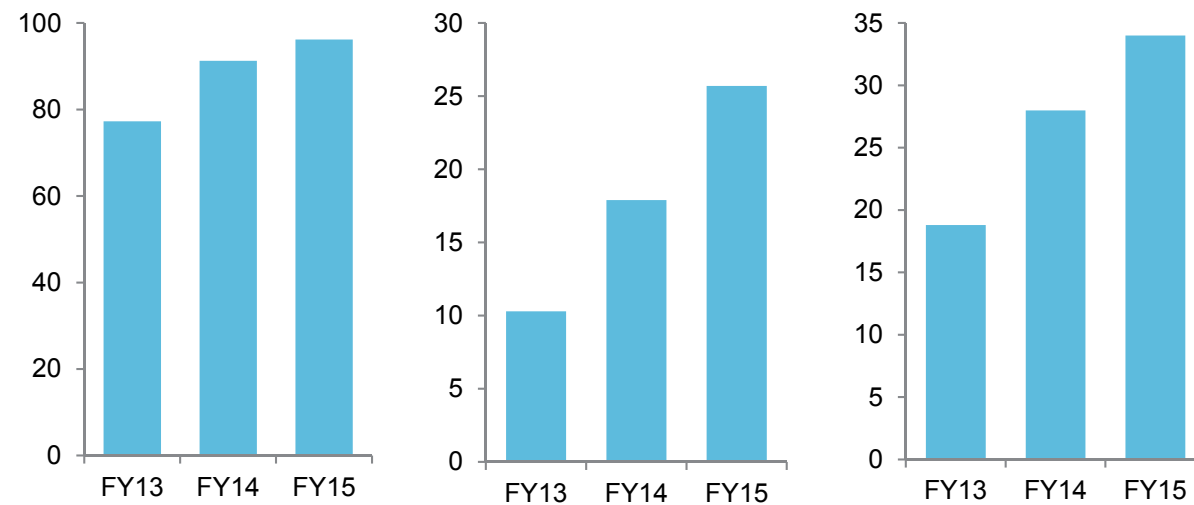
NEW REPORTING STRUCTURE								
2015 \$m	Transport Services	Technology and Communications Services	Utilities Services	EC&M	Mining	Rail	Unallocated	Total
Segment revenue	1,953.5	495.5	583.5	1,858.9	1,532.4	611.6	(15.5)	7,019.9
Share of sales from JVs and Associates	60.6	-	-	30.4	57.3	261.9	-	410.2
Total revenue	2,014.1	495.5	583.5	1,889.3	1,589.7	873.5	(15.5)	7,430.1
EBIT	96.2	25.7	34.0	51.5	132.6	27.5	(57.8)	309.7
EBIT margin	4.8%	5.2%	5.8%	2.7%	8.3%	3.1%	-	4.2%

New divisional structure – historical financials

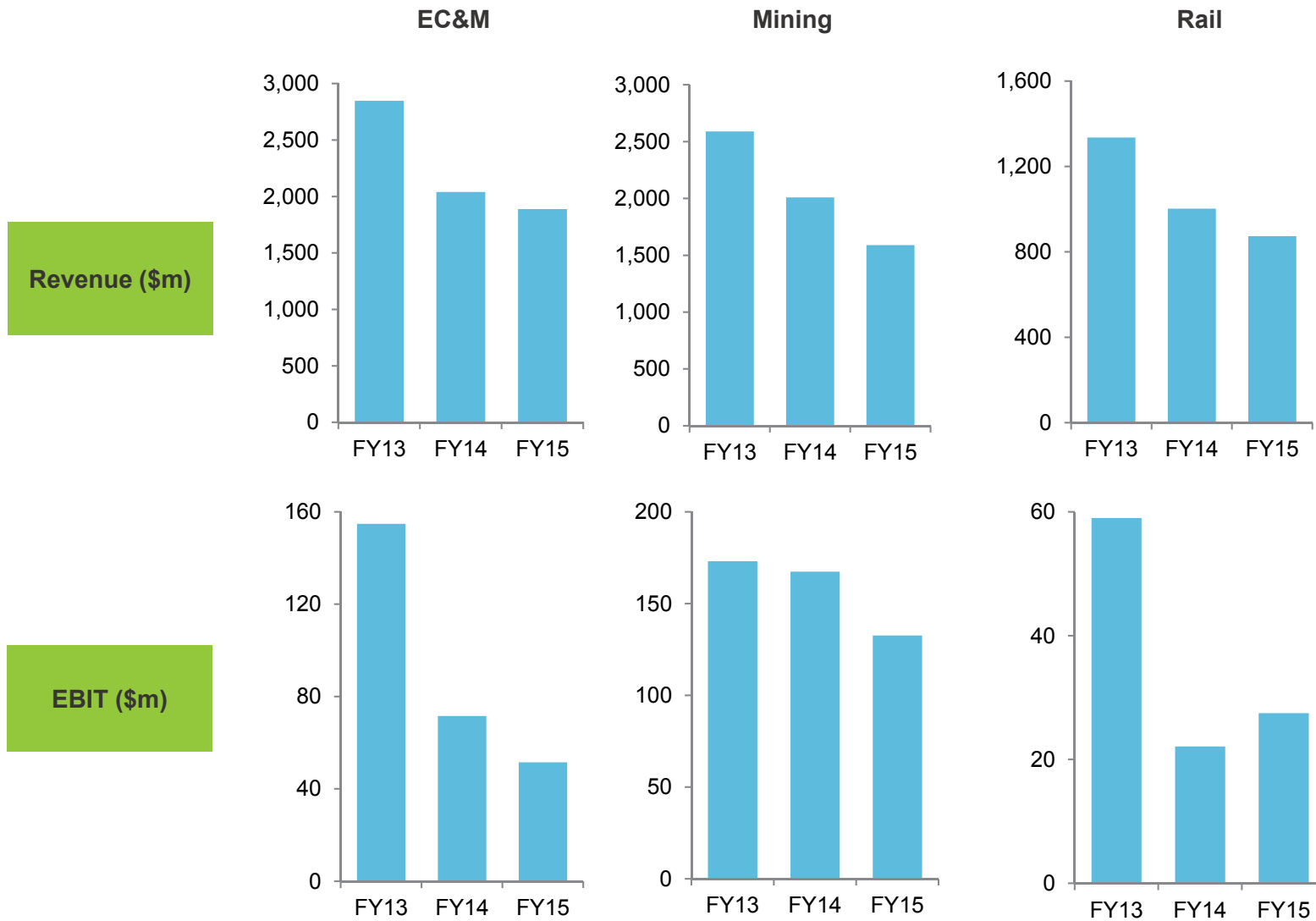
Revenue (\$m)



EBIT (\$m)



New divisional structure – historical financials



Debt and bonding facilities

Debt facilities	\$m
Total facilities	1,158.1
Drawn	548.1
Available facilities	610.0
Cash	372.2
Total liquidity	982.2

Debt facilities by type	%
Syndicated bank facility	34
A\$MTN	34
Bilateral bank facilities	18
ECA finance	9
Finance leases & other	4
USPP ²	1
	100

Bonding facilities	\$m
Total facilities	1,333.3
Drawn	808.4
Available facilities	524.9

Debt facilities by geography	%
Australia/NZ	64
Asia ¹	19
North America	12
Europe	5
	100

¹ Including A\$ Medium Term Notes sold to Asian domiciled investors measured at financial close of the transaction.

² Excludes USPP closed 8 July 2015.

Disclaimer

Reliance on third party information

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Forward looking statements

This Presentation may include forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, these statements are not guarantees or predictions of future performance, and involve both known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. As a result, actual results or developments may differ materially from those expressed in the statements contained in this Presentation. Investors are cautioned that statements contained in this Presentation are not guarantees or projections of future performance and actual results or developments may differ materially from those projected in forward-looking statements.

No liability

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Disclosure of non-IFRS financial information

Throughout this presentation, there are occasions where financial information is presented **not** in accordance with accounting standards. There are a number of reasons why the Company has chosen to do this including: to maintain a consistency of disclosure across reporting periods; to demonstrate key financial indicators in a comparable way to how the market assesses the performance of the Company; to demonstrate the impact that significant one-off items have had on Company performance. Where Company earnings have been distorted by significant items Management have used their discretion in highlighting these. These items are short-term in nature and considered to be outside the normal course of business. Unaudited numbers used throughout are labelled accordingly.

Rounding

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided.



Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Downer EDI Limited

ABN / ARBN:

97 003 872 848

Financial year ended:

30 June 2015

Our corporate governance statement² for the above period above can be found at:³

☒ These pages of our annual report: **Pages 112-120**

☐ This URL on our website:

The Corporate Governance Statement is accurate and up to date as at 5 August 2015 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date here: **6 August 2015**



Sign here:

Company Secretary

Print name:

Peter Tompkins

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at this location: http://www.downergroup.com/Resources/Documents/Board-Charter.pdf	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> at this location: 1.2(a) – Corporate Governance Statement 1.2(b) – 2015 Annual Report – Directors' Report; 2014 Notice of Annual General Meeting and Explanatory Memorandum http://www.downergroup.com/Resources/Documents/Investors/Annual-General-Meetings/2014/2014-NOM.pdf	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	... the fact that we have a diversity policy that complies with paragraph (a): <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and a copy of our diversity policy or a summary of it: <input checked="" type="checkbox"/> at this location:	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
	<p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>http://www.downergroup.com/Resources/Documents/Diversity/Diversity-and-Inclusiveness-Policy.pdf</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-and-Committees/Nomination-and-Corporate-Governance-Committee-Charter.pdf</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> at at this location:</p> <p>2.1(a)(4) – Corporate Governance Statement</p> <p>2.1(a)(5) - 2015 Annual Report – Directors' Report – Page 17</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2015 Annual Report – Directors' Report - Pages 2-3</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2015 Annual Report – Directors' Report – Page 34</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
	<p>explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2015 Annual Report – Directors’ Report - Pages 2-3</p>	
2.4	A majority of the board of a listed entity should be independent directors.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>... our code of conduct or a summary of it:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-Policies/Standards-of-Business-Conduct.pdf</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-and-Committees/Audit-and-Risk-Committee-Charter.pdf</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>4.1(a)(4) – 2015 Annual Report – Directors' Report - Pages 2-3</p> <p>4.1(a)(5) - 2015 Annual Report – Directors' Report - Page 17</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.3	<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
			<input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> at this location: http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-Policies/Disclosure-Policy.pdf	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at this location: http://www.downergroup.com/Investors-and-media/Corporate-governance/Corporate-Governance.aspx	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> at this location: 2015 Annual Report – Information for Investors - Page 118 and 122	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and	[If the entity complies with paragraph (a):] ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and a copy of the charter of the committee:	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
	<p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p><input checked="" type="checkbox"/> at this location: http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-and-Committees/Audit-and-Risk-Committee-Charter.pdf</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> at this location: 7.1(a)(4) – Corporate Governance Statement 7.1(a)(5) - 2015 Annual Report – Directors' Report – Page 17</p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: <input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at</p>	
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> <p>The last comprehensive review of the Risk Management Framework was completed in 2013. However, the Board reviews the Group risk profile twice each year, undertakes a facilitated risk workshop annually, and considers other risk matters, such as business resilience, tender review processes, risk appetite, and specific risk areas, on a regular basis, as well as receiving regular reports from senior management, the internal audit team, and the external auditor. The next comprehensive review of the Risk Management Framework is in progress and expected to be completed by December 2015.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
		<input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at	
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2015 Annual Report – Review of Operations – Pages 13-16</p> <p>http://www.downergroup.com/Resources/Documents/Sustainability/Reports/2014-2015-Sustainability-Report_FINAL.pdf</p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>http://www.downergroup.com/Resources/Documents/Investors/Corporate-Governance/Board-and-Committees/Remuneration-Committee-Charter.pdf</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>8.1(a)(4) – Corporate Governance Statement</p> <p>8.1(a)(5) – 2015 Annual Report – Directors’ Report – Page 17</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2015 Annual Report – Remuneration Report – Pages 19-45</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2015 Annual Report – Remuneration Report – Page 30</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
	(b) disclose that policy or a summary of it.		is therefore not applicable
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>