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Annual Report 2024

Downer

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ACKNOWLEDGEMENT OF COUNTRY

Downer acknowledges Aboriginal and Torres Strait Islander peoples as the First Australians and the Traditional Custodians across Australia. We would like to acknowledge and pay our respects to the Elders of the past, present and future in maintaining the culture, Country and their spiritual connection to the land.

WHAKATAUKĪ

Ko te whānau, ko te manaaki, ko te kairangatira, ko te ngākau pono ngā tikanga tuku iho hei korowai mo tatou. Ko te Kauri i whakawhiwhi haumaru, ko te Rimu i whakawhiwhi taonga, ko te Tōtara i whakawhiwhi whanaungatanga, ko te Kahikatea i whakawhiwhi whakaaro matakite.

Ngā pou e wha i aumangea ai te whakatauki 'Mā te whanaungatanga ka angitū'. Hui e! Taiki e!

We are held together by our closely held values of family and relationships, care and respect, excellence and integrity.

The Kauri connects us to Safety, the Rimu connects us to Delivery, the Tōtara connects us to Relationships and the Kahikatea connects us to Thought Leadership. These are our four Pillars upon which we build 'Relationships creating success'. United and ready to move forward!

Important notice and disclaimer

The information in this report has been prepared by Downer EDI Limited ABN 97 003 872 848 (Downer or the Company). This report may contain statements that are, or may be deemed to be, forward-looking statements. Such statements can generally be identified by the use of words such as "likely", "looking-forward", "expect", "predict", "will", "may", "intend", "seek", "would", "continue", "plan", "objective", "estimate", "potential", "anticipate", "believe", "risk", "aim", "forecast", "assumption", "projection", "forecast", "target", "goal", "outlook", "guidance" and similar expressions. Indications of plans, strategies, management and company objectives, potential transactions, sales and financial performance are also forward-looking statements. Such statements are not guarantees of future performance, and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are outside the control of the Company. No representation is made or will be made that any forward-looking statements will be achieved or will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements, particularly in the light of the current economic climate and the significant volatility and uncertainty, and the Company assumes no obligation to update such statements. Past performance information in this report is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Forward-looking statements and statements regarding other information contained in this report may also be made – verbally and in writing – by members of the Company's management in connection with this report. Such statements are also subject to the same limitations, uncertainties and assumptions which are set out in this report.

This report contains certain climate-related statements which are subject to uncertainties, limitations, risks and assumption associated with climate-related information and the ever-changing environment we operate in. The information in this report should be read in conjunction with the qualifications and guidance included in this report as well as Downer's 2024 Sustainability Report available at www.downergroup.com.

The information contained in this report may include information derived from publicly available sources that have not been independently verified. Certain financial data included in this report is 'non-IFRS financial information'. The Company believes that this non-IFRS financial information provides useful insight in measuring the financial performance and condition of Downer. Readers are cautioned not to place undue reliance on any non-IFRS financial information included in this report. These measures have not been subject to audit or review.

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Highlights

Total Revenue[1]

$12.0bn

Statutory EBITA

$203.6m

Underlying[2] EBITA

$380.8m

Statutory NPAT

$82.1m

Underlying[2] NPATA

$210.1m

Underlying normalised cash conversion[2]

104.4%

Operating cash flow

$544.1m

1. Total revenue is a non-statutory disclosure and includes revenue from joint ventures, other alliances and other income.
2. Underlying EBITA, NPATA and normalised cash conversion are non-IFRS measures that are used by management to assess the performance of the business. They have been calculated from the statutory measures and defined in the Directors' Report Group Financial Performance section on pages 15 and 16.

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About Downer

Downer is a leading provider of integrated services in Australia and New Zealand. Our purpose is to enable communities to thrive, delivering essential infrastructure services that improve the lives of millions of people every day, while leaving a positive lasting legacy for future generations.

Downer is one of Australia and New Zealand's largest employers, with a workforce of more than 30,000 people. Downer operates in sectors that are closely connected to the investment that is being driven by population growth, urbanisation, national security and decarbonisation – including roads, rail, ports and airports, power, gas, water, telecommunications, health, education, defence, and other government sectors.

For more information visit downergroup.com.

Employees

30,000+

Sites and locations where Downer has a presence

700+

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Chairman and CEO message

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Downer commenced Financial Year 2024 with a business transformation plan, which included the following priorities:

- Developing an enterprise-wide strategy and performance culture program
- Embedding the new trans-Tasman operating model to simplify our structure
- Enhancing our risk management and governance framework
- Returning the Utilities business to profitability
- Improving EBITA margin and cash conversion
- Strengthening our balance sheet
- Delivering $100 million of overhead reductions
- Simplifying our portfolio.

We're proud of the achievements and progress made by our team over the past 12 months. And while there is still work to do, we can see a bright future ahead of us.

Improved financial performance

With our simplified operating model implemented at the start of the financial year and a clear focus on delivery, Downer's results across the Group showed improvements in all key financial metrics.

Our focus on EBITA margin improvement and quality of earnings is evident in the result, having achieved a pro forma (excluding divestments) margin of 3.3% in FY24, compared to 2.6% in FY23. Importantly, this included a second half margin of 4.0%, compared to 3.0% for the prior corresponding period.

EBITA and NPATA growth was backed by strong normalised cash conversion. Underlying EBITA of $380.8 million increased 17.7%, driven by a recovery in Utilities, growth in Facilities, and benefits realised from our cost-out program. Underlying NPATA increased 20.6% to $210.1 million.

Normalised cash conversion of 104.4% was a significant improvement on 62.6% in FY23 and Downer's balance sheet has strengthened considerably, with net debt to EBITDA of 1.4x (down from 2.0x).

Through the period we achieved $130 million of cost-out, ahead of our initial $100 million target. Management's focus is now on realising the full $175 million of cost-out benefits (including the additional $75 million announced in February 2024) during FY25.

An important marker occurred in May 2024, with Fitch Ratings revising the outlook on Downer's Long Term Issuer Default Rating (IDR) from negative to stable. Fitch also affirmed Downer's IDR and senior unsecured investment grade credit rating at BBB (investment grade). The revision reflects an expectation of our ability to deliver the identified cost savings and continued margin improvement and balance sheet strength.

In a challenging operating environment punctuated by some macroeconomic uncertainty, labour shortages and persistent cost pressures, this is a pleasing result.

The Downer Board has declared a final ordinary dividend of 11.0 cents per share (cps), taking the total dividend for the year of 17.0 cps, which represents a payout ratio of 58%.

A year of transition

The new operating model and structure of the organisation has substantially redefined roles, authorities, and accountability for performance. To support the operating model and to drive achievement of strategic priorities, the Group's leadership team has been renewed, including the addition of several senior external appointments, namely, Chief Risk Officer, Chief Information Officer, Group Executive General Manager Finance, and Chief Operating Officer Energy & Utilities.

The governance structure at a Board and management level has also been redefined and reset. The structure, timing and depth of management reviews of Business Units and contracts has been strengthened. Improved capital allocation and investment approval disciplines and governance processes have been implemented. A new enterprise-wide IT strategy and governance model has been developed and is being implemented under our new CIO with corresponding capacity and capability uplift. As highlighted in last year's report, the new Board Project Governance Committee and the redefined People and Culture Committee have been in place for the full year.

On 1 July 2024, we launched our new Purpose, 'Enabling communities to thrive', which articulates the value of the work Downer delivers and our role within the communities where we operate. It has resonated strongly with our people and customers, and formed the foundation of the strategic and high performance cultural plans that were developed during the year.

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We also continued to strengthen tendering and risk governance processes in FY24. We have been disciplined in the application of our enhanced risk appetite guardrails, and we are prioritising bidding opportunities that allow us to aim for higher margins with customers who value our technical capability.

We still have a lot to do, however, the transformational changes we have implemented over the past 12 months have been significant. Downer's financial performance in FY24 demonstrates the positive impact that the Group's leadership changes, new strategy and culture, and turnaround priorities are having on the performance of the business.

Health and safety

Tragically, we lost three people to workplace incidents in FY24. On behalf of Downer's Board and management team, we extend our deepest sympathies to those affected.

Keeping our people safe is Downer's highest priority, and we are determined to learn from these tragic events. While Downer's lag indicators improved in FY24 (Lost Time Injury Frequency Rate was below our target of <0.90 at 0.88 and lower than the FY23 result of 0.90, and Total Recordable Injury Frequency Rate was also below the target of <3.00 at 2.54 and lower than the FY23 result of 2.68), we are committed to improving safety performance. Management's single most important priority in FY25 remains the safety of our people and the elimination of serious incidents across our operations.

Looking ahead

Downer's FY24 results emphasise the progress we are making in our turnaround and demonstrate the organisation's ability to deliver earnings and EBITA margin improvement in varied market conditions within our enhanced risk guardrails. They also highlight the diversified nature of our business portfolio and progress against our business improvement plan to achieve efficiencies across our operations.

We have good momentum and growing confidence entering FY25.

Our priorities for FY25 are to continue executing our transformation strategy, underpinned by a back to basics approach with a steadfast focus on project delivery, Zero Harm and risk management.

We are confident Downer is on the right path to becoming a more sustainable, high-performing organisation that delivers long-term value for shareholders and success for our customers.

Mark Menhinnitt
Downer Chairman

Peter Tompkins
Chief Executive Officer

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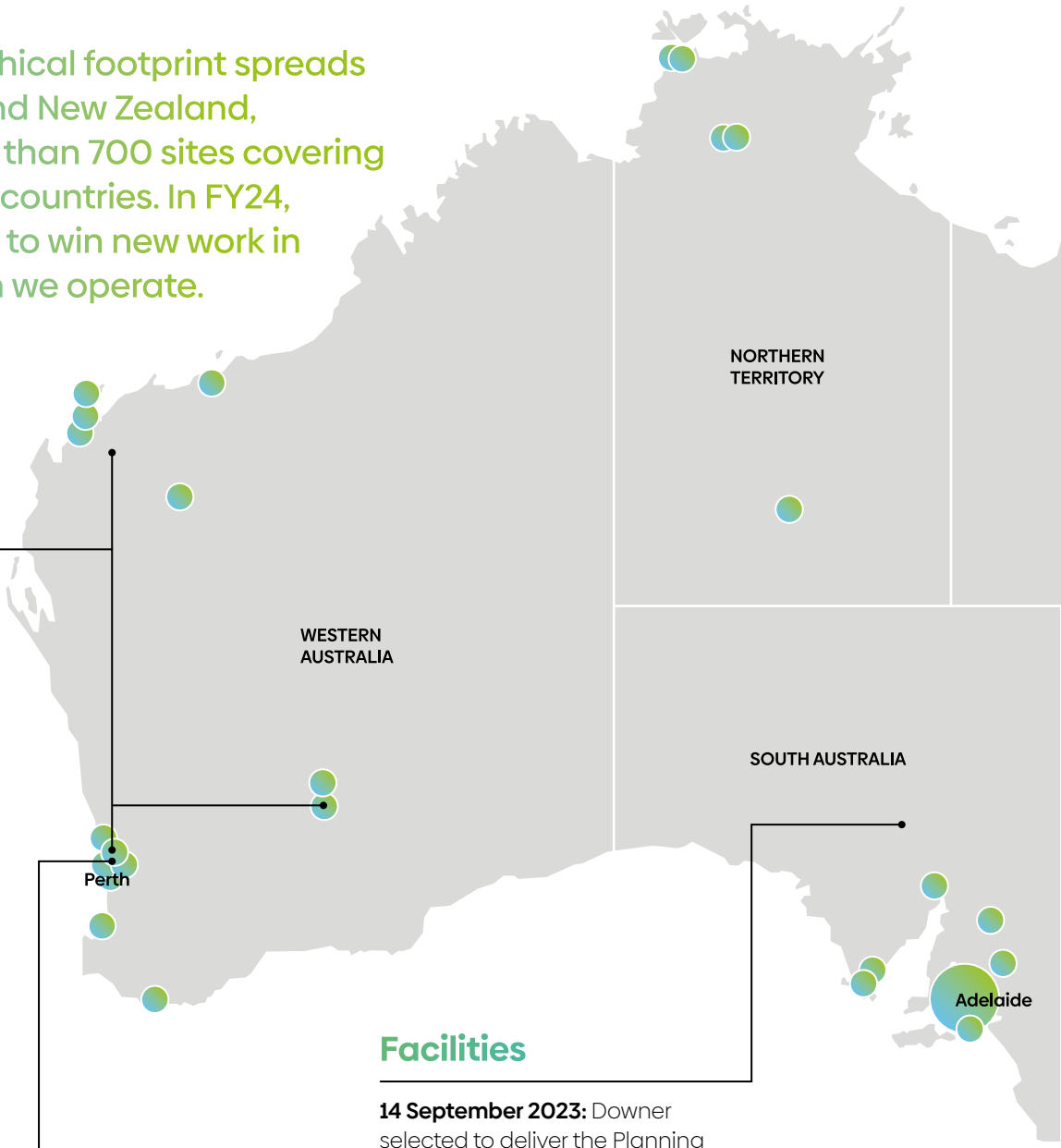
Significant size, scale and breadth of capability

Downer's geographical footprint spreads across Australia and New Zealand, operating at more than 700 sites covering all corners of both countries. In FY24, Downer continued to win new work in all sectors in which we operate.



Facilities

Downer secured contract extensions to deliver maintenance, shutdown and sustaining capital services to industrial and energy customers including BHP, Chevron and WesCEF.

Facilities

14 September 2023: Downer selected to deliver the Planning Phase of the Australian Defence Force's proposed Woomera Redevelopment Program in South Australia.

Utilities

6 June 2024: Downer awarded contract by Western Power to deliver meter reading and replacements in Western Australia.

Transport

18 April 2024: Downer awarded Hobart Airport Airfield Upgrade Project contract.

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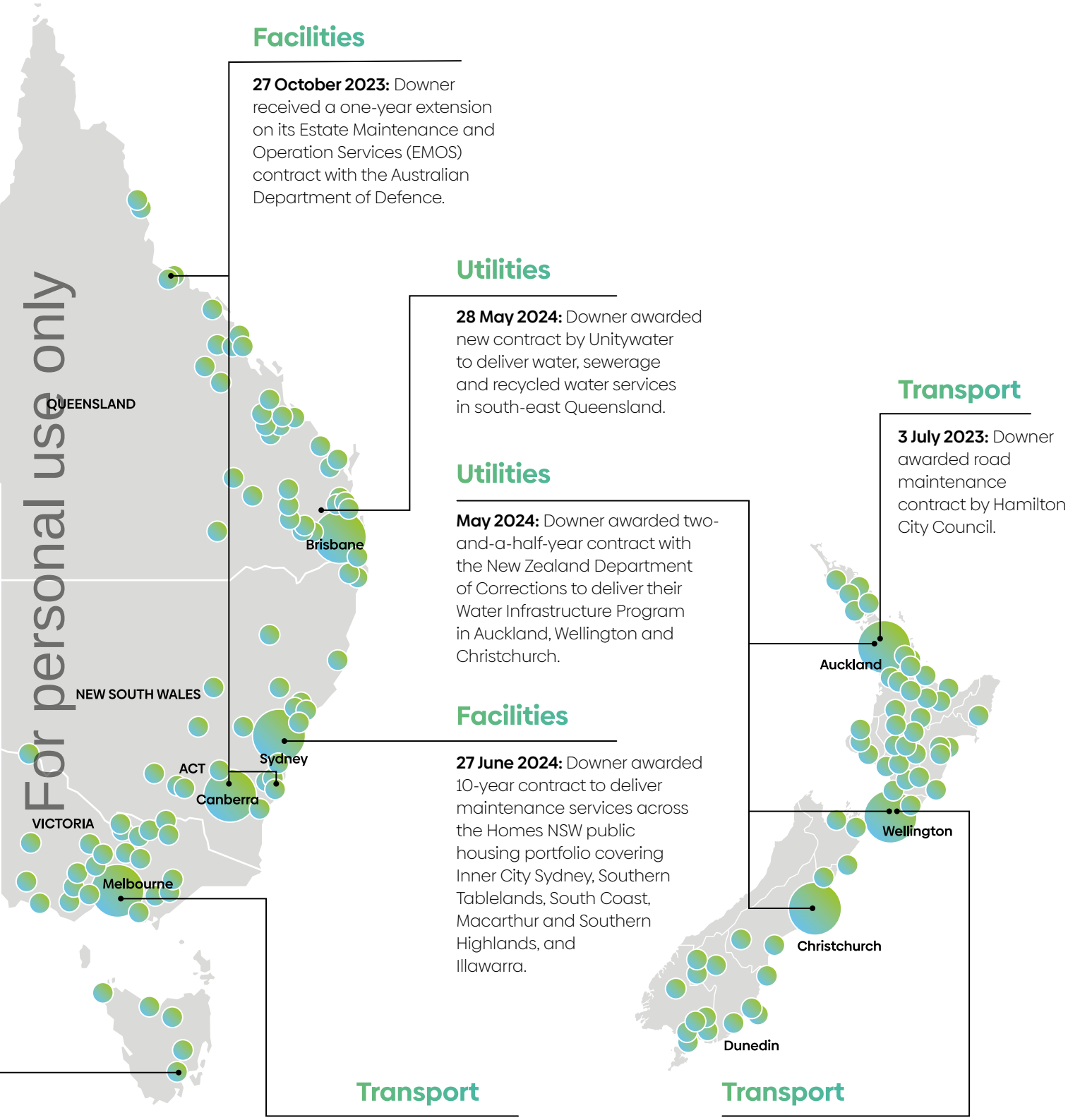

Facilities

27 October 2023: Downer received a one-year extension on its Estate Maintenance and Operation Services (EMOS) contract with the Australian Department of Defence.

Utilities

28 May 2024: Downer awarded new contract by Unitywater to deliver water, sewerage and recycled water services in south-east Queensland.

Utilities

May 2024: Downer awarded two-and-a-half-year contract with the New Zealand Department of Corrections to deliver their Water Infrastructure Program in Auckland, Wellington and Christchurch.

Facilities

27 June 2024: Downer awarded 10-year contract to deliver maintenance services across the Homes NSW public housing portfolio covering Inner City Sydney, Southern Tablelands, South Coast, Macarthur and Southern Highlands, and Illawarra.

Transport

3 July 2023: Downer awarded road maintenance contract by Hamilton City Council.

Transport

10 April 2024: Downer awarded road maintenance contract by Victoria's Department of Transport and Planning.

Transport

18 June 2024: Downer chosen to deliver new highway and walking and cycling paths for the Ōtaki to north of Levin highway upgrade project by NZ Transport Agency Waka Kotahi.

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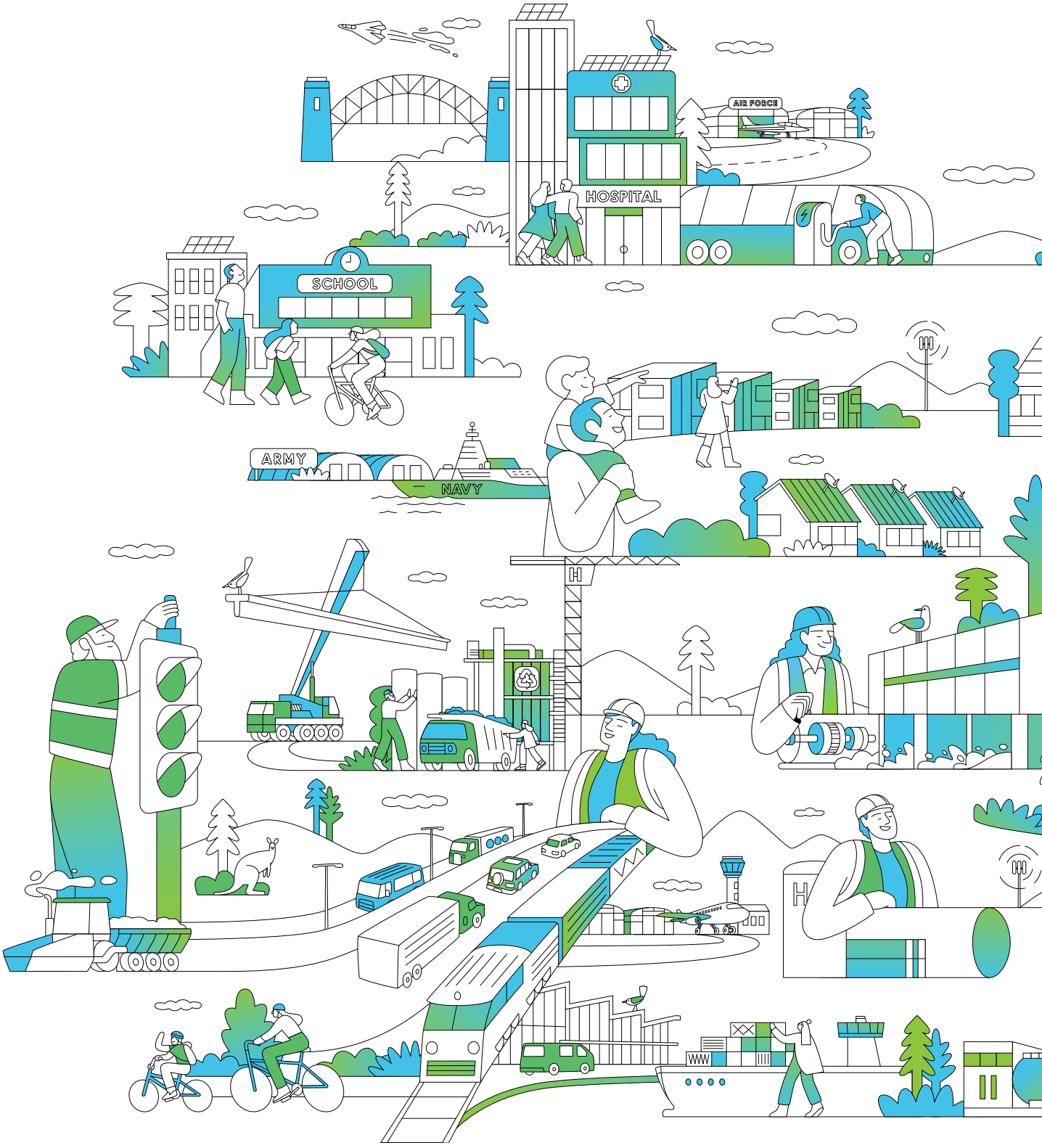


The Downer ecosystem

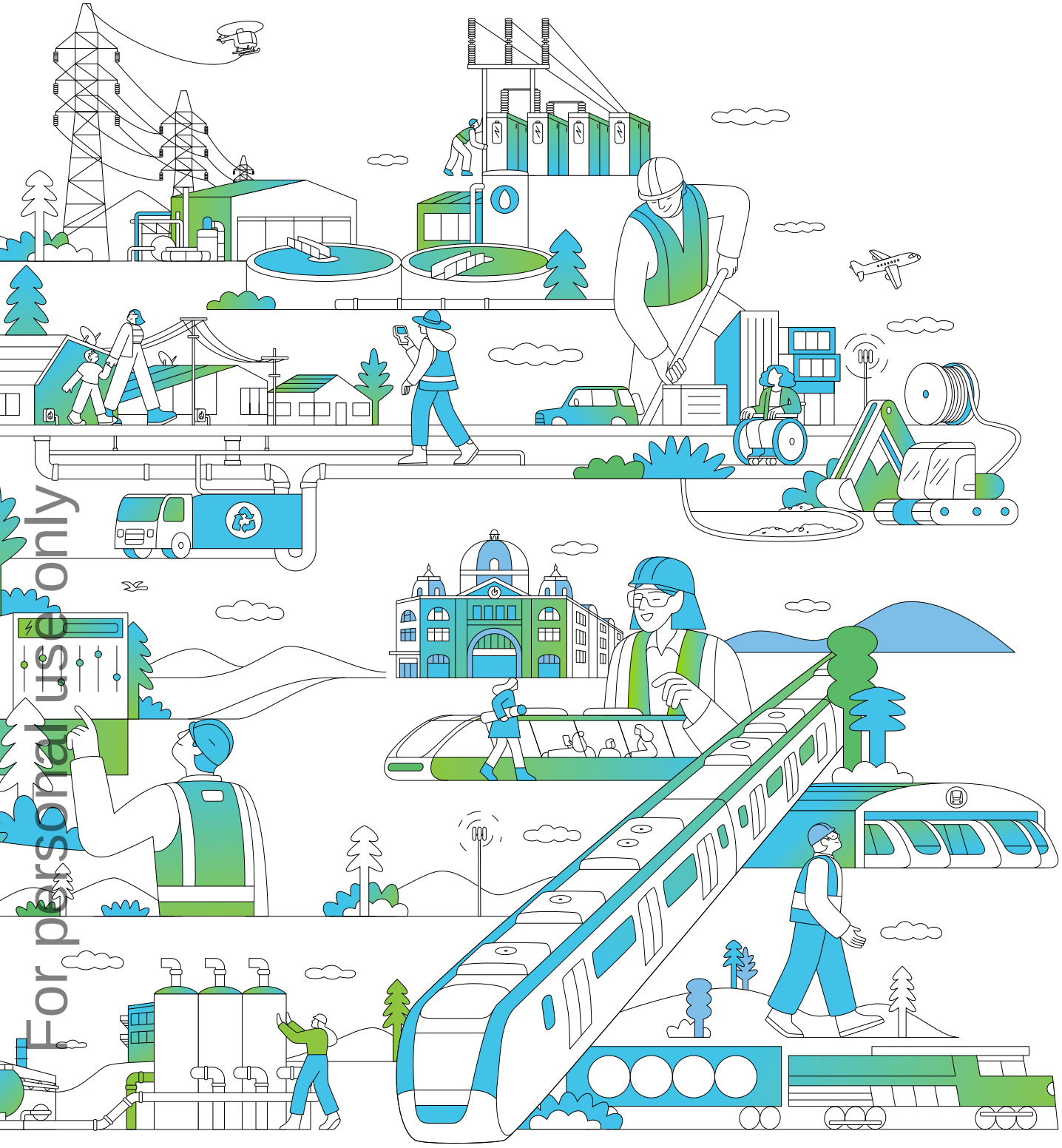
Downer delivers essential services to our customers in the Transport, Utilities and Facilities sectors across Australia and New Zealand.

These services touch the lives of millions of people every day, and enable communities to thrive.

Transport

Downer's Transport segment comprises its Road Services, Rail & Transit Systems and Projects businesses.

Downer delivers multi-disciplined solutions to customers across the transport sector in Australia and New Zealand, with our capabilities including road services, transport infrastructure, rail, airports, and end-to-end transport solutions and asset management.



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Utilities

Downer's Utilities businesses provide services and solutions that connect communities to essential networks and infrastructure.

We provide a range of end-to-end services and solutions for utilities asset owners across Australia and New Zealand.

We design, build, operate and maintain today's critical assets and networks, delivering services across the water, energy and telecommunications sectors.

Facilities

The Facilities segment operates in Australia and New Zealand across a range of industry sectors including education, health, government, defence and industrial and energy. We deliver asset management services to facilities and estates that cover maintenance, expansion and frontline services for social and economic infrastructure.

Downer's expertise covers a broad range of asset types including universities, schools and hospitals, social housing, corrections, defence estates and supporting defence capability. Downer is also a leading provider of end-to-end asset lifecycle and specialist services to the power generation, future energy, oil, gas, industrial and mineral processing sectors.

Directors' Report

for the year ended 30 June 2024

The Directors of Downer EDI Limited submit the Annual Financial Report of the Company for the financial year ended 30 June 2024. In compliance with the provisions of the *Corporations Act 2001* (Cth), the Directors' Report is set out below.

Board of Directors

Mark Menhinnitt (59)

Chairman since March 2023
Independent Non-executive Director
since March 2022

Mr Menhinnitt is an experienced director and former senior executive with extensive domestic and international experience in large infrastructure development and urban regeneration, investment management, construction, asset services, operations and maintenance.

Mr Menhinnitt held several senior roles over a 30-year career with Lendlease, including as Chief Executive Officer of Lendlease Australia.

Mr Menhinnitt is currently a Non-executive Director of The GPT Group and Chairman of Fluent Property Pty Ltd.

Mr Menhinnitt holds a Bachelor of Engineering (Mechanical) and Master of Business (Applied Finance), both from the Queensland University of Technology. He is a member of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

Mr Menhinnitt lives on the Sunshine Coast.

Peter Tompkins (45)

Managing Director and Chief Executive Officer
since February 2023

Mr Tompkins was formerly Chief Operating Officer of Downer and prior to that was CEO and Managing Director of Spotless Group Holdings Limited.

Mr Tompkins has extensive experience in infrastructure, construction and maintenance services, both as an operational and Group executive.

Mr Tompkins joined Downer in 2008 and was appointed General Counsel in 2010.

Mr Tompkins holds a Bachelor of Laws and Bachelor of Commerce from Deakin University.

Mr Tompkins lives in Sydney.

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Teresa Handicott (61)

Independent Non-executive Director
since September 2016

Ms Handicott is a former corporate lawyer with over 30 years' experience in mergers and acquisitions, capital markets and corporate governance. She was a partner of national law firm Corrs Chambers Westgarth for 22 years, serving as a member of its National Board for seven years including four years as National Chairman. She also has extensive experience in governance of local and State government organisations.

Ms Handicott was the Chair of listed company PWR Holdings Limited until October 2023 and a Council Member of the Queensland Division of the Australian Institute of Company Directors for nine years until stepping down in July 2024 having served two years as the State President.

Ms Handicott is a former Director of CS Energy Limited, a former member of the Queensland University of Technology (QUT) Council, the Takeovers Panel and Corporations and Markets Advisory Committee and a former Associate Member of the Australian Competition and Consumer Commission.

A Senior Fellow of FINSIA, Fellow of the Australian Institute of Company Directors and Member of Chief Executive Women, Ms Handicott holds a Bachelor of Laws (Hons) degree from the Queensland University of Technology.

Ms Handicott lives in Brisbane.

Nicole Hollows (53)

Independent Non-executive Director
since June 2018

Ms Hollows has over 25 years' experience in the resources sector in a number of senior managerial roles across both the public and private sectors, including in mining, utilities and rail. Her experience spans operational management, mine development, people and culture, accounting and finance, mergers and acquisitions, capital management and corporate governance.

Ms Hollows is the Non-executive Chair of Jameson Resources Limited, Director and Chair of the Finance Audit Risk Committee of Chief Executive Women and is a former Non-executive Director of Qube Holdings Limited.

Ms Hollows was formerly the Chief Executive Officer of SunWater Limited, a Queensland Government owned corporation, the Chief Financial Officer and subsequently Chief Executive Officer of Macarthur Coal Limited and Managing Director of AMCI Australia and South East Asia.

A Fellow of the Australian Institute of Company Directors and a Member of Chief Executive Women and the Institute of Chartered Accountants, Ms Hollows holds a Bachelor of Business – Accounting and a Graduate Diploma in Advanced Accounting (Distinction) from the Queensland University of Technology and is a Graduate of Harvard Business School's Program for Management Development.

Ms Hollows lives in Brisbane.

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Dr Adelle Howse (54)

Independent Non-executive Director
since April 2022

Dr Howse has extensive senior executive and non-executive experience in the infrastructure, energy and resources, construction, data centres, telecommunications and property sectors.

Dr Howse held several senior roles with CIMIC, including Chief Strategy Officer.

Dr Howse is currently a Non-executive Director of Macquarie Technology Group, Sydney Desalination Plant Pty Limited and BAI Communications.

Dr Howse has previously served on the boards of Design Studio Group, Ventia, Nextgen Holdings and Manila North Tollroads Corporation.

Dr Howse holds a Bachelor of Science and Doctor of Philosophy (Mathematics) from the University of Queensland, an executive MBA from IMD, Switzerland and a Graduate Diploma of Applied Finance and Investment. She is a member of the Australian Institute of Company Directors.

Dr Howse lives in Sydney.

Steven MacDonald (63)

Independent Non-executive Director
since September 2023

Mr MacDonald was formerly the Managing Director of Zinfra and prior to that held several senior executive roles in Transfield Services Limited, including Chief Executive Officer for Marketing and Investments where he led mergers and acquisitions including their integration and transformation, Chief Executive Officer of Transfield Services Infrastructure Fund and Chief Strategy Officer.

Mr MacDonald is currently a Non-executive Director of Ausgrid, Chair of ERIC Alpha Holdings and its subsidiaries, Chair of Intera Renewables and a member of Palisade Investment Partners Investment committee and the Water NSW Asset Advisory Group.

Mr MacDonald holds a Bachelor of Civil Engineering (Hons) from Melbourne University and is a member of the Australian Institute of Company Directors.

Mr MacDonald lives in Sydney.

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Sheridan Broadbent (56)

Independent Non-executive Director
since October 2023

Ms Broadbent is an experienced Non-executive Director and senior executive with a background in business strategy, technology, business development, and health and safety in the utilities and telecommunications sectors. Having worked in both Australia and New Zealand and being based in Auckland, Ms Broadbent brings a deep understanding of the New Zealand market.

Ms Broadbent has held Chief Executive and senior executive roles in the energy, telecommunications and engineering sectors in the Asia Pacific region, including with Downer in Australia and New Zealand from 2007 to 2011.

Ms Broadbent is currently a Non-executive Director of NZX-listed firms Spark New Zealand and Manawa Energy and is the Deputy Chair of the Business Leaders' Health & Safety Forum in New Zealand.

Ms Broadbent has previously served as the Chair of Kordia Group, Chair of Pipeline and Civil Ltd, Non-executive Director of Transpower, Kaingaroa Timberlands and Waka Kotahi New Zealand Transport Authority, and as a member of the New Zealand Government's Cyber Security Advisory Committee.

Ms Broadbent holds a Bachelor of Commerce from the University of Auckland and is a graduate of Harvard Business School's Advanced Management Program and the Australian Institute of Company Directors and is a Chartered Member of the Institute of Directors in New Zealand.

Ms Broadbent lives in Auckland.

Peter Barker (56)

Independent Non-executive Director
since July 2024

Mr Barker is an experienced Non-executive Director and senior executive with experience in finance, risk management, corporate structuring including mergers, acquisitions and divestments, and systems transformation in complex multi-jurisdictional environments in the engineering, services and technology sectors.

Mr Barker has 14 years' experience as a Chief Financial Officer of ASX-listed multinational companies including Computershare Ltd and Cardno Ltd. Prior to this he held senior financial leadership positions with global corporations including BHP and Cisco Systems.

Mr Barker is currently a Non-executive Director of Workpac Group and Metarock Group Limited. Mr Barker has previously served as a Non-executive Director of Independent Cement & Lime Group.

Mr Barker holds a Bachelor of Commerce from the University of Queensland, a Master of Business Administration from Heriot-Watt University and is a graduate of the Wharton School of the University of Pennsylvania's Advanced Management Program. He is a member of the Australian Institute of Company Directors and is a Fellow of CPA Australia.

Mr Barker lives in Brisbane.

Retired Directors

Peter Watson

Independent Non-executive Director since May 2019. Retired 30 September 2023.

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
Mark Menhinnitt	92,748	–	–
Peter Tompkins[1]	330,483	808,606	–
Peter Barker	–	–	–
Sheridan Broadbent	590	–	–
Teresa Handicott	31,000	–	–
Nicole Hollows	50,538	–	–
Adelle Howse	15,000	–	–
Steven MacDonald	11,848	–	–

1. Performance rights granted to Mr Tompkins are subject to performance and/or service period conditions over the period 2020 to 2026. Further details regarding the conditions relating to these restricted shares and performance rights are outlined in sections 6.5 and 9.2 of the Remuneration Report.

Company Secretary

The Company Secretarial function assists the Company to comply 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 Robert Regan was appointed Group General Counsel and Company Secretary in January 2019. He has qualifications in law from the University of Sydney and is an admitted solicitor in New South Wales. Mr Regan was formerly a partner of a major commercial law firm and has over 30 years of experience in legal practice.

Mr Peter Lyons was appointed Company Secretary in July 2011. A member of CPA Australia and the Governance Institute of 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 20 years.

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Operating and Financial Review

Principal activities

Downer EDI Limited (Downer) is a leading provider of integrated services in Australia and New Zealand. Downer employs approximately 30,000 people, mostly in Australia and New Zealand.

Downer operates in sectors that are closely connected to the investments that are being driven by population growth, recognition by Governments that they must ensure equitable improvements in standards of living for all citizens, decarbonisation, and urbanisation. The sectors where Downer operates and is exposed to tailwinds include roads, rail, power, gas, water, telecommunications, health, education, social housing, defence and other government sectors.

These sectors are served by Downer's Transport, Utilities and Facilities segments.

Group financial performance

Group financials ($m)	Statutory			Underlying[3] (excl. ISI)			Pro forma[4] (excl. divestments)		
	FY24	FY23	Change	FY24	FY23	Change	FY24	FY23	Change
Total Revenue[1]	11,967.6	12,619.7	(5.2%)	11,967.6	12,619.7	(5.2%)	11,743.4	11,133.4	5.5%
EBITA[2]	203.6	(227.3)	>100%	380.8	323.4	17.7%	384.1	286.4	34.1%
EBITA[2] %	1.7%	(1.8%)	3.5pp	3.2%	2.6%	0.6pp	3.3%	2.6%	0.7pp
NPATA[2]	98.3	(367.3)	>100%	210.1	174.2	20.6%	212.3	146.0	45.4%
EBIT	180.5	(253.5)	>100%	357.7	297.2	20.4%	361.0	260.2	38.7%
NPAT	82.1	(385.7)	>100%	193.9	155.8	24.5%	196.1	127.6	53.7%

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.
2. Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense.
3. The underlying result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.
4. Pro forma reflects the statutory results adjusted for ISIs and the revenue and EBITA contribution relating to completed divestments to provide a like for like comparison at 30 June 2024. The pro forma result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.

Pro forma revenue of $11.7 billion increased by 5.5%. On a statutory basis, which includes the impact of divestments made during the period, total revenue decreased 5.2% in FY24. Pro forma revenue growth was driven by Transport, and particularly the contribution from the Queensland Train Manufacturing Project (QTMP) in the Rail & Transit Systems Business Unit, together with Telecommunications within Utilities.

Underlying EBITA of $380.8 million increased 17.7%, or 34.1% on a pro-forma basis. The recovery in earnings from the Utilities business and a strong performance in the Facilities business, together with the benefit of the cost-out program were the primary drivers of this improved performance. In Transport, the turnaround in the New Zealand Road Services and Projects business units, together with increased contribution from Rail & Transit Systems (primarily QTMP mobilisation), was offset by reduced Road Services Transport Agency spend in Victoria, and lower contribution from the Keolis Downer joint venture.

Statutory EBITA of $203.6 million included individually significant items (ISI) of $177.2 million loss before interest and tax for the year and reflects a positive turnaround from the prior year Statutory EBITA loss of $227.3 million. Refer to additional information provided in the Operating and Financial Review and in Note B3 to the Financial Report.

Statutory EBIT of $180.5 million, and statutory NPAT of $82.1 million compares to a loss in the prior period of $253.5 million and $385.7 million respectively.

During the period, cash conversion (operating cash flow excluding interest and tax over underlying EBITDA) of 90.3% was a significant improvement on FY23 cash conversion of 64.9%. Normalised cash conversion, adjusting for payments associated with FY23 and FY24 ISI (together $75.9 million), and the Australian Transport Projects GST payment of $23.5 million disclosed in the FY23 Consolidated Statement of Cash Flows, equates to 104.4%. Cash conversion was favourably impacted by cash flow phasing, on a material project in delivery phase, which will unwind in FY25.

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As a result of the divestment proceeds, earnings improvement and strong operating cash flow during the period, net debt to EBITDA reduced to 1.4x, an improvement from 2.0x at 30 June 2023.

Net finance costs increased by $0.7 million, or 0.8%, to $88.7 million which was impacted by a higher average cost of debt offset by the reduction in net debt balances.

The underlying effective tax rate of 27.9% is lower than the statutory corporate tax rate of 30.0% primarily due to the impact of non-taxable distributions from joint ventures and lower tax rates in overseas jurisdictions (e.g. New Zealand).

Underlying EBITA and reconciliation to Statutory NPAT

Underlying[1] EBITA ($m)	Reporting segment	FY24	FY23	Change
Transport	Transport	250.4	288.9	(13.3)%
Utilities	Utilities	55.6	(10.3)	>100%
Facilities	Facilities	177.3	162.1	9.4%
Corporate	Unallocated	(102.5)	(117.3)	12.6%
Group underlying EBITA[2]		**380.8**	**323.4**	**17.7%**
Amortisation of acquired intangibles (pre-tax)		(23.1)	(26.2)	11.8%
Underlying EBIT		**357.7**	**297.2**	**20.4%**
Net interest expense		(88.7)	(88.0)	(0.8)%
Tax expense		(75.1)	(53.4)	(40.6)%
Underlying NPAT		**193.9**	**155.8**	**24.5%**
Amortisation of acquired intangibles (post tax)		16.2	18.4	(12.0)%
Underlying NPATA[2]		**210.1**	**174.2**	**20.6%**
Total individually significant items		(177.2)	(550.7)	67.8%
Tax effect on individually significant items		65.4	9.2	>100%
Statutory NPATA		**98.3**	**(367.3)**	**>100%**
Amortisation of acquired intangibles (post tax)		(16.2)	(18.4)	(12.0)%
Statutory NPAT		**82.1**	**(385.7)**	**>100%**

1. The underlying result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.
2. Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense.

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Statutory earnings

Statutory earnings before interest and tax (EBIT) of $180.5 million, up from a loss of $253.5 million.

Statutory EBITA of $203.6 million, up from a loss of $227.3 million. The statutory results were impacted by ISI of $177.2 million loss before interest and tax.

Underlying EBITA of $380.8 million, up 17.7% from $323.4 million.

A reconciliation of the FY24 underlying result to the statutory result is provided below:

$m	EBITA	Net finance costs	Tax expense	NPATA	Amortisation of acquired intangibles (post-tax)	NPAT
Underlying result	**380.8**	**(88.7)**	**(82.0)**	**210.1**	**(16.2)**	**193.9**
Fair value on Downer Contingent Share Options (DCSO)	3.7	–	–	3.7	–	3.7
Net gain on divestments and exit costs	21.7	–	5.5	27.2	–	27.2
Transformation and restructure costs	(61.6)	–	18.0	(43.6)	–	(43.6)
Regulatory reviews and legal matters	(23.3)	–	6.8	(16.5)	–	(16.5)
Impairment and other asset write-downs	(117.7)	–	35.1	(82.6)	–	(82.6)
Total individually significant items	**(177.2)**	**–**	**65.4**	**(111.8)**	**–**	**(111.8)**
Statutory result	**203.6**	**(88.7)**	**(16.6)**	**98.3**	**(16.2)**	**82.1**

Refer to Note B3 to the Financial Report for further details.

Fair value movement on Downer Contingent Share Options (DCSO) liability

As part of the consideration to acquire the shares in Spotless that it did not already own, the Group granted three tranches of 2.5 million share options to the previous minority interest shareholders on 12 August 2020 which are exercisable within four years of issue on achievement of three prescribed share price targets (the Downer Contingent Share Options or DCSO). The fair value at issue date of these options was recognised as a liability arising on the acquisition of the shares. The DCSO are classified as a liability, with subsequent changes in the fair value recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Since 30 June 2023, the fair value of the DCSO liability has decreased by $3.7 million, with a gain recognised through 'Other income' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the year.

Divestments during the reporting period

Downer made significant progress in the period against its strategic priority of portfolio simplification:

- Completed the sale of the remaining part of its Australian Mechanical and Electrical Commercial Projects business (Asset & Development Services). The Asset & Development Services business' financial performance is reported under the Facilities segment for the period
- Announced and completed the sale of its 45% interest in Repurpose It, a resource recovery joint venture business operating in Victoria
- Completed other smaller transactions as part of the ongoing strategy to simplify the business and focus on core markets
- Obtained all remaining outstanding consents required to complete the divestment of its Australian Transport Projects business to Gamuda Berhad.

Refer to Note F7 for further detail on divestments.

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Net gain on divestments and exit costs

During the period, divestment and exit costs were recognised in relation to a number of transactions. Refer to Note F7 for further details on the individual transactions.

The material elements of the net gain on divestments and exit costs include:

- $36.1 million net pre-tax gain (including disposal costs) across the divestments
- $14.4 million pre-tax transaction-related expenses and provisions associated with Downer's ongoing obligations and risks associated with divestments
- Capital losses on which a deferred tax asset has not been previously recognised have been used to fully offset capital gains arising on divestments during the year. A deferred tax asset has not been recognised on remaining carried forward capital losses of $28.4 million at 30 June 2024 as it is not probable that a future capital gain will arise.

Transformation and restructure costs

Transformation and restructure costs represent costs incurred following Downer's commencement of the Transformation program to restructure its operating model and review of IT strategy. The material elements of the costs associated with the transformation and restructure are as follows:

- Redundancy and severance costs associated with implementing the new operating model
- Transformation program implementation costs including external advisor costs
- Software-as-a-Service (SaaS) implementation costs.

Regulatory reviews and legal matters

Regulatory review and legal matters costs were incurred in relation to defending the shareholder class actions filed against Downer during the prior financial year, responding to regulatory reviews, undertaking business conduct review and investigations, and settlement of the 'leaky buildings' claim (for further information see 2023 Financial Statements Note C9 Contingent Liabilities (vi)).

The shareholder class actions claims have been disclosed as a contingent liability in Note C9.

Impairment and other asset write-downs

Impairment and other asset write-downs relates to:

- Three asphalt plants following review of the carrying value
- Accelerated amortisation and write-downs in relation to IT assets and discontinuation of IT development programs, and resulting onerous licence contract provisions recognised, where the ongoing usage has been reviewed as part of the cost reduction program and aligned with the Group's new operating model.

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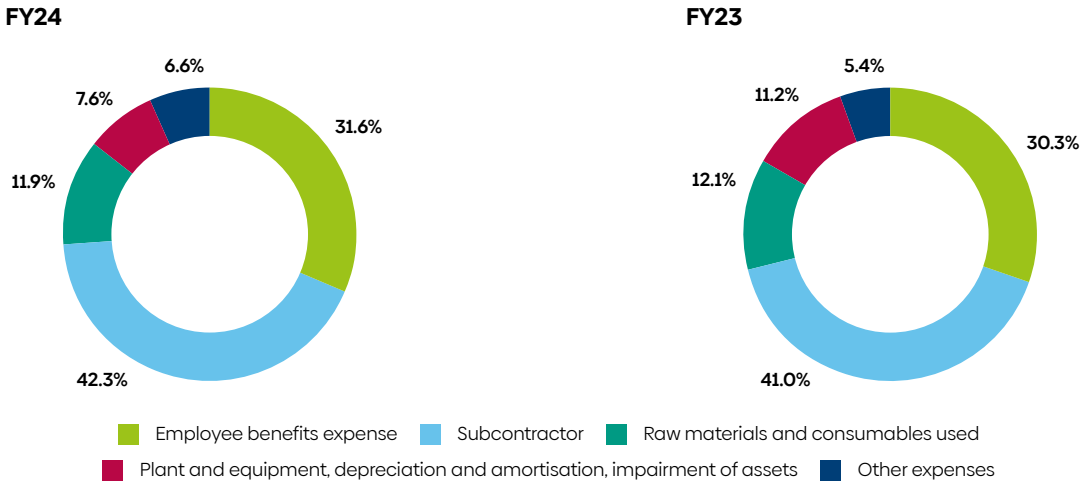
Expenses

The transformation program, including operating model changes and various cost reduction initiatives, achieved $130 million in gross annualised cost out as part of a targeted $175 million cost out program. The gross annualised cost out target was updated in Downer's HY24 results disclosures from $100 million to $175 million, with the remaining $45 million planned to be achieved by 30 June 2025.

Total expenses of $10.9 billion decreased by 9.4% compared to $12.0 billion in the prior corresponding period (pcp). Included in total expenses is $217.0 million[1] of ISI ($605.1 million in the pcp). Excluding the impact of ISIs, total expenses decreased 6.5%, compared to a reduction in revenue of 5.2%.

Downer's cost base (including ISI) by expense type:



Employee benefits expenses decreased by 5.7%, or $209.2 million, to $3.4 billion and represents 31.6% of Downer's cost base (30.3% in the prior year). The decrease in labour expenses is broadly consistent with the 5.2% reduction in revenue and the impact of the cost out program. Subcontractor costs decreased by 6.3%, or $309.6 million, to $4.6 billion and represents 42.3% of Downer's cost base (41.0% in the prior year). The decrease in subcontractor costs as a percentage of overall expenses was primarily due to the higher use of subcontractors in the divested Australian Transport Projects business. Whilst some labour markets have challenges and specialised skills in key segments are in high demand, a trend of stabilisation has generally improved employee retention and reduced recruitment activities.

Raw materials and consumables costs decreased by 10.9%, or $158.9 million, to $1.3 billion and represents 11.9% of Downer's cost base (12.1% in the prior year). The decline was predominantly due to the decrease in construction activities following the divestment of the Australian Transport Projects and Asset and Development Services businesses.

Plant and equipment costs decreased by 13.2% or $61.9 million to $0.4 billion, as a result of the divestment of Australian Transport Projects. Total depreciation and amortisation increased by 2.9%, or $9.8 million, to $0.3 billion. Impairment of non-current assets expense of $69.1 million primarily relates to three asphalt plants. Refer to Note B3 for additional information.

The movement in other expenses is primarily attributable to the ISI recognised in the current and comparative periods. Refer to Note B3 of the Financial Report for additional information.

1. Total ISI before tax of $177.2 million excluding gain on DCSO of $3.7 million and net gain on divestments of $36.1 million

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Cash flow

Operating cash flow

Operating cash flow of $544.1 million represents a substantial improvement on the prior year, with an underlying cash conversion of 90.3%. Normalised cash conversion, adjusting for payments associated with FY23 and FY24 ISIs (together $75.9 million), and the Australian Transport Projects GST payment of $23.5 million disclosed in the FY23 Consolidated Statement of Cash Flows, equates to 104.4%. Cash conversion was favourably impacted by cash flow phasing, on a material project in delivery phase, which will unwind in FY25.

During the period, there has been an enhanced and disciplined focus on working capital management, cash collections and resolution of contractual variations and claims.

Investing cash flow

Total investing cash outflow of $29.3 million includes $68.5 million proceeds from the disposal of businesses during the period, net of cash disposed. Refer to note F7 for details.

Excluding proceeds from the disposal of businesses, investing cash outflow decreased by 60.4% or $149.4 million to $97.8 million largely due to the completion of Downer's investment in a number of asphalt plant upgrades in FY23 and approximately $32 million of one-off proceeds from the sale of property in 2H24.

Debt and bonding

The Group's performance bonding facilities totalled $2,104.0 million at 30 June 2024 with $785.6 million undrawn. During the year, surplus limits were rationalised resulting in a $130 million reduction of undrawn committed bonding facility limits. There is sufficient capacity to support the existing pipeline and the ongoing operations of the Group.

At 30 June 2024, the Group had liquidity of $2.1 billion comprising cash balances of $837.6 million and undrawn committed debt facilities of $1,265.0 million. Net debt (excluding lease liabilities) reduced from $703.7 million at 30 June 2023 to $469.5 million at 30 June 2024. Management reported a reduced net debt to EBITDA (which includes lease liabilities) of 1.4x at 30 June 2024 from 2.0x at 30 June 2023.

During the period, the Group refinanced $745 million of bilateral and syndicated debt facilities including an extension of the maturity of the $500 million tranche of the $1.4 billion syndicated bank loan facility maturing in November 2024 to November 2027 ($200 million) and November 2028 ($300 million).

In May 2024, the outlook on the Group's external credit rating was revised by Fitch Ratings from BBB (Outlook Negative) to BBB (Outlook Stable) reflecting an expectation of improved earnings margins, strengthened balance sheet and leverage metrics, and resolution of outstanding governance matters. The stabilisation of our investment grade credit rating is positive for our customers and suppliers when they contract with the Group. Furthermore, banks and other lending institutions will have more confidence in our stabilised credit risk profile which positively impacts their assessment of pricing, tenor and facility limits on financing facilities.

Dividends

The Downer Board resolved to pay a final dividend of 11.0 cents per share, 50% franked, payable on 15 October 2024 to shareholders on the register at 16 September 2024. The portion of the unfranked dividend amount that will be paid out of Conduit Foreign Income (CFI) is 88%.[2]

The total dividend for FY24 of 17.0 cents per share represented a payout ratio of 58%.

The Company's Dividend Reinvestment Plan remains suspended.

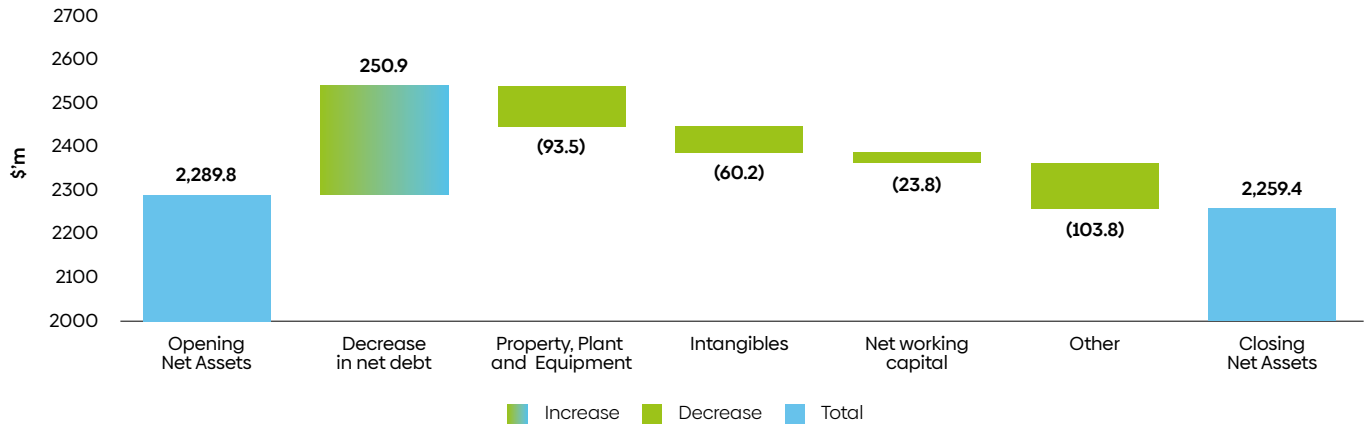
The Board also determined to continue to pay a fully imputed dividend on the ROADS security, which having been reset on 15 June 2024 has a yield of 9.43% per annum payable quarterly in arrears, with the next payment due on 15 September 2024. As this dividend is fully imputed (the New Zealand equivalent of being fully franked), the actual cash yield paid by Downer will be 6.79% per annum until the next reset date.

2. This is relevant only for non-resident shareholders. The effect is that the portion of the unfranked dividend paid out of CFI is not subject to Australian dividend withholding tax.

Balance sheet

Since 30 June 2023, the net assets of the Group reduced by $30.4 million.

Movement in Net Assets ($m)



Net debt, calculated as borrowings (excluding lease liabilities) less cash and cash equivalents, decreased by $250.9 million driven by cash generated by operations and cash proceeds collected from divestments (net divestment proceeds of $68.5 million).

Property, plant and equipment (PP&E) decreased by $93.5 million to $0.8 billion, largely attributable to the sale of the Metering Services business' assets and contracts (Refer to Note F7), asset disposals in the Transport segment, combined with impairments recognised as ISI which were partially offset by capital expenditure.

Intangibles declined by $60.2 million to $2.1 billion, primarily due to the amortisation of software and system development assets totalling $46.5 million and impairment of $13.2 million as outlined in Note B3.

Net working capital, which includes current trade receivables and contract assets, in addition to current trade payables and contract liabilities, decreased by $23.8 million, reflecting the impact of divestments in the period and improved working capital management.

Other, of $103.8 million, is primarily associated with the ISI recognised in the period.

Total equity decreased by $30.4 million, largely as a result of the statutory profit after tax of $82.1 million, offset by dividends paid during the period of $107.0 million.

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Zero Harm

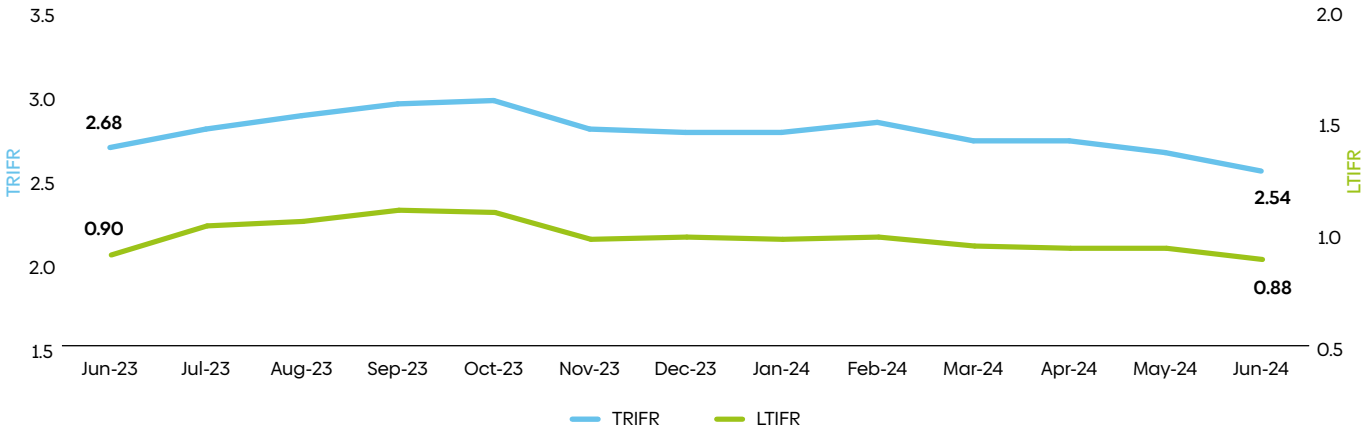
Downer remains steadfastly committed to Zero Harm. Protecting our people, communities and the environment is Downer's number one priority.

Tragically, during the year, three workplace fatalities occurred within Downer's operations. Our Board and management team have extended condolences to these workers' families, colleagues, and employers and provided support following these incidents. Downer operates in some sectors that are exposed to high-risk activities and we are determined to learn from these tragic events. We are committed to continuous improvement of our systems and processes including our focus on critical control effectiveness. In response to these incidents, Downer instituted a Group-wide 'Safety reset' – a call-out to our operational leaders to take action and implement programs that would be of most benefit to the unique profile of their operations. We understand that improving safety performance requires a comprehensive approach involving the combination of active leadership, accountability, discipline, a positive safety-focused workplace culture, and effective risk controls.

Since 30 June 2023, Downer's Lost Time Injury Frequency Rate (LTIFR) decreased to 0.88 from 0.90, and its Total Recordable Injury Frequency Rate (TRIFR) decreased to 2.54 from 2.68 per million hours worked[3]. The slight improvement in the performance of these lagging indicators in FY24 is due to a renewed focus on incident reporting, timely support to injured workers, and learning lessons from previous incidents.

Downer's LTIFR performance is better than industry benchmarks published by SafeWork Australia[4] for all industries in which Downer operates. Management's number one priority in FY25 remains the safety of our people and the elimination of serious and fatal incidents across our operations.

Group safety performance (12-month rolling frequency rates)



For further information refer to our 2024 Sustainability Report.

3. 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 any injury that results, directly or indirectly, in the death of the person. The Lost Time Injury Frequency Rate (LTIFR) is the number of LTIs per million hours worked. Total Recordable Injuries (TRIs) are the number of LTIs plus medically treated injuries (MTIs) for employees and contractors. Total Recordable Injury Frequency Rate (TRIFR) is the number of TRIs per million hours worked.
4. 2023 Safe Work Australia Industry Benchmarks.

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Sustainability

Downer's Purpose is 'Enabling communities to thrive'. Downer's services positively impact millions of people each day, underscoring the importance of sustainable operations for our people, partners, shareholders, customers, and the communities where we operate. We are conscious of the impact our activities have on individuals, communities and the environment.

Safety and sustainability is a foundational pillar of our strategy. To Downer, sustainability means working to reduce our impact on the environment; as well as prioritising the safety of our people, building trusted relationships and having a diverse and inclusive workforce, which, combined with our financial performance, contributes to the value that Downer provides to its shareholders.

Leveraging our market presence, capabilities and our sustainability commitment strategically positions Downer for future growth by supporting our customers on their pathways to a low-carbon economy.

Details on Downer's sustainability-related performance for the financial year ended 30 June 2024 can be found in our 2024 Sustainability Report.

Downer EDI Limited is a climate reporting entity for the purposes of the Financial Markets Conduct Act 2013 (NZ). This report contains Downer EDI Limited's first climate-related disclosures, which comply with the Aotearoa New Zealand Climate Standards (NZ CS) issued by the External Reporting Board. These disclosures inform stakeholders about Downer's governance of climate-related risks and opportunities, scenario analysis and our climate related plans including metrics and targets.

Our sustainability commitments are outlined in policies available at **www.downergroup.com**.

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Segment financial performance

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Transport

Road Services

Rail & Transit Systems

Projects

Transport comprises Downer's Road Services, Rail & Transit Systems and Projects businesses.

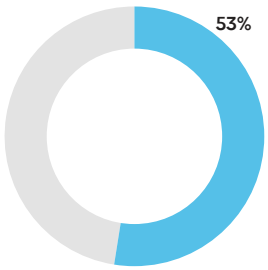
Downer delivers multi-disciplined solutions to customers across the transport sector in Australia and New Zealand, with our capabilities including road services, transport infrastructure, rail, and end-to-end transport solutions and asset management.

	Underlying		Pro forma[1]	
	FY24	Change	FY24	Change
Revenue	6,222.0	(9.2%)	6,042.4	7.8%
EBITA	250.4	(13.3%)	252.8	5.0%
EBITA %	4.0%	(0.2pp)	4.2%	(0.1pp)

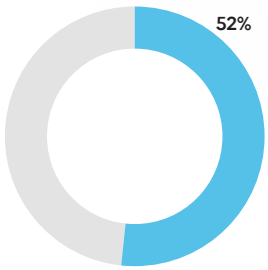
Downer successfully completed a number of Transport business divestments in the period (Australian Transport Projects, VEC Contracting, and Repurpose It joint venture). Excluding the contribution from these divestments, pro forma Transport revenue and earnings grew 7.8% and 5.0% respectively. This growth was led by a turnaround in the NZ Transport business, increased project activity in the Rail & Transit Systems business (primarily the ramp up of QTMP which more than offset the wind down of the HCMT build project, with the 70th and final trainset now delivered and in passenger service), and overall margin improvement. The revenue and earnings growth was offset by reduced Transport Agency spend in Victoria and South Australia impacting Road Services, and lower contribution from the Keolis Downer joint venture.

% of total segment

Total revenue[2] (FY24)



EBITA[3] (FY24)



1. Pro forma reflects the statutory results adjusted for ISI and excludes the revenue and EBITA contribution relating to completed divestments to provide a like for like comparison at 30 June 2024.
2. Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated.
3. Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense.

Approximately **50,000km** of road networks managed across Australia and New Zealand

More than **3.2 million tonnes** of combined volume asphalt produced

1.2 million m² airfield pavements maintained and upgraded in Australia, New Zealand and the Pacific annually

Road Services

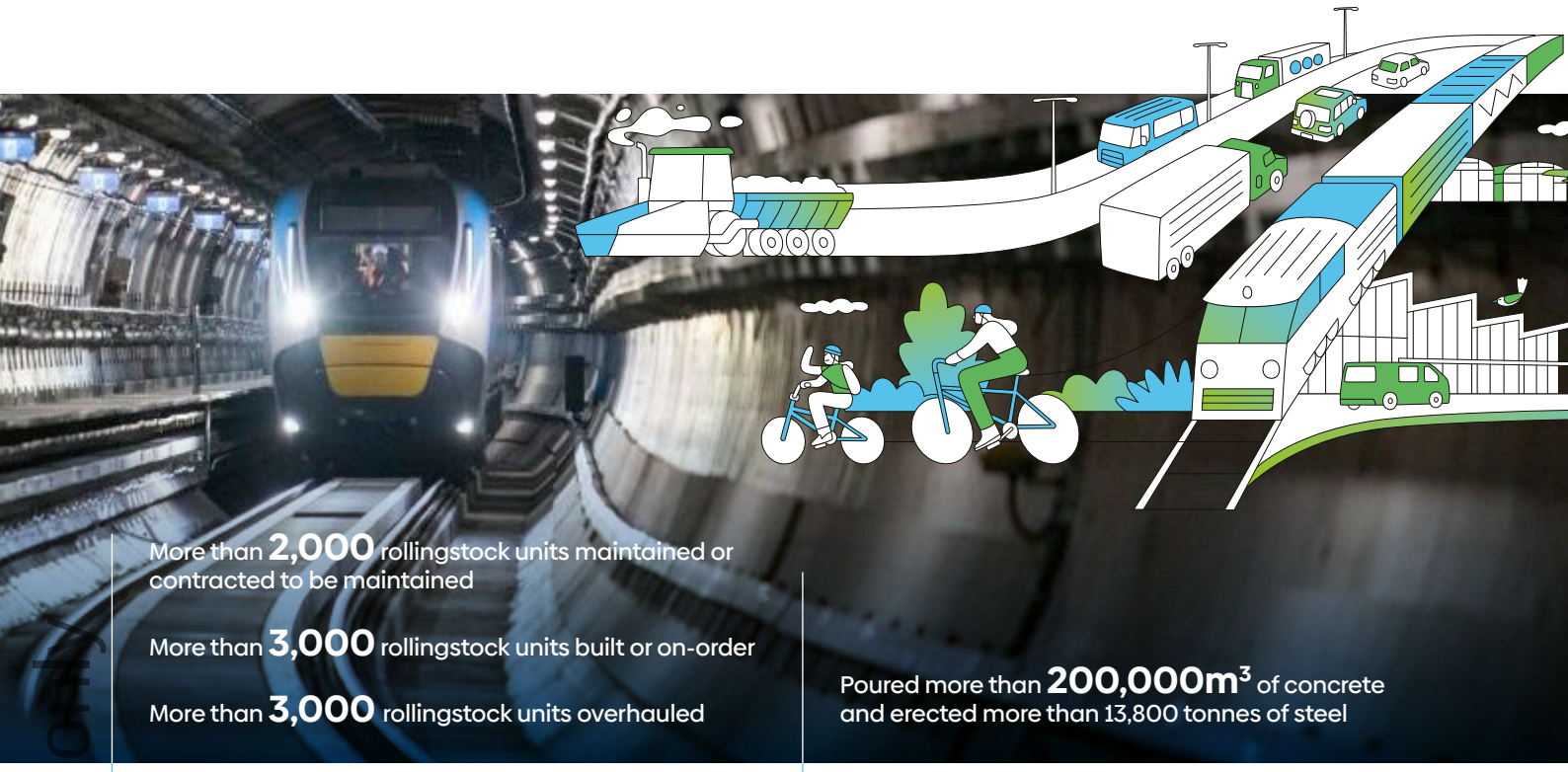
Downer manages and maintains road networks across Australia and New Zealand and manufactures and supplies products and services to enable safe, efficient and reliable journeys. Downer is one of the few companies with a mature, integrated offering across the Road Services value chain.

We deliver solutions to our customers' challenges through strategic asset management and a leading portfolio of products and services. We are a leading manufacturer of bitumen-based products and an innovator in the sustainable asphalt industry, using recycled products and environmentally sustainable methods to produce asphalt.

Downer also has an extensive history of delivering airport infrastructure and surfacing projects across Australia, New Zealand, and the Pacific Islands.

FY24 highlights

- Downer was awarded a road maintenance contract by Victoria's Department of Transport and Planning on 10 April 2024, valued at an estimated $320 million over a maximum term of eight years.
- On 3 July 2023, Downer was awarded a road maintenance contract by Hamilton City Council, valued at up to $540 million over a maximum term of 10 years.
- Downer was awarded the Hobart Airport Airfield Upgrade Project contract on 18 April 2024. The upgrades will allow for wide-body international aircraft, such as the Boeing 787 and the Airbus A350, to operate at Hobart Airport.
- On 10 November 2023, Downer announced the sale of its 45% interest in Repurpose It, a resource recovery business operating in Victoria with a focus on recycling infrastructure spoil and organics.



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Rail & Transit Systems

Downer is a leading provider of rollingstock asset management services in Australia.

We have more than 150 years' experience delivering innovative transport solutions designing, building and maintaining flagship rollingstock projects across the country. Downer has capabilities in infrastructure, rail systems, operation and maintenance, and system integration by leveraging its trusted partnerships with international OEMs.

Downer is not only one of Australia's largest providers of rollingstock asset management services for passenger rail, we are also a partner for the freight rail market. Downer offers customers design, manufacture and maintenance, as well as decarbonisation and digital solutions that have been developed from Downer's extensive datasets from building and maintaining passenger fleets in Queensland, New South Wales, Victoria and Western Australia.

FY24 highlights

- The 70th and final High Capacity Metro Train (HCMT) entered passenger service, marking the completion of the largest single order of trains in Victoria's history.
- Queensland Train Manufacturing Program (QTMP) team fully mobilised, with the Ormeau rail facility site and Torbanlea train manufacturing sites both into the earthworks phase. The design for the 65 six-car passenger trains is progressing well, with engagement with various user groups underway.
- RTS Digital – Downer's rail digital consulting, software, and services business expanded, delivering programs and digital capabilities into new markets.

Projects

Downer delivers multi-disciplined infrastructure solutions to customers within the transport sector in New Zealand and the Pacific. Services include the design and construction of light rail, heavy rail, signalling, track and station works, rail safety technology, bridges, roads and vertical construction (through Downer's Hawkins business).

Downer has a long history of delivering infrastructure projects under a variety of contracting models and collaborative partnerships.

Downer's integrated capabilities enable intelligent transport solutions, road network management and maintenance.

FY24 highlights

- On 18 June 2024, Downer, as part of a consortium with McConnell Dowell, Beca and Tonkin+Taylor, signed an interim alliance agreement with NZ Transport Agency Waka Kotahi to deliver new highway and walking and cycling paths for the Ōtaki to north of Levin highway upgrade project in Wellington.
- Hawkins successfully delivered Tōtara Haumaru, North Shore Hospital project, with the new building officially opening in June 2024.
- The Link Alliance reached almost 20 million work hours on Auckland's City Rail Link project. In FY24, the Link Alliance completed the network-wide signalling system and rail tracks inside the tunnels, and progressed the fit-out of new station buildings and facades.

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Utilities

Power & Gas

Water

Telecommunications

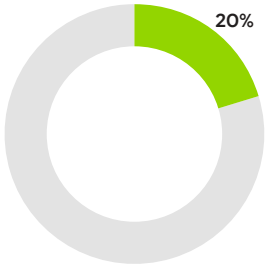
Downer provides services and solutions that connect communities to essential networks and infrastructure. We design, build, operate and maintain today's critical assets and networks, delivering services across the water, energy and telecommunications sectors.

	Underlying		Pro forma[1]	
	FY24	Change	FY24	Change
Revenue	2,400.7	6.3%	2,395.3	6.5%
EBITA	55.6	>100%	54.5	>100%
EBITA %	2.3%	2.8pp	2.3%	2.8pp

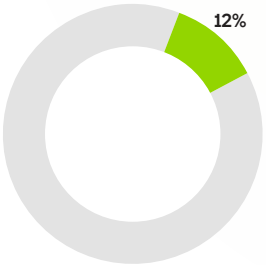
Downer successfully completed the divestment of Metering Services during the period. Excluding the contribution from this divestment, pro forma Utilities revenue grew 6.5%, while EBITA increased to $54.5 million from a loss of $10.7 million in the prior year. The Utilities turnaround was a key focus area in FY24. The commercial reset of the Power Maintenance Contract continued in FY24, reaching breakeven in the second half. In addition, the portfolio of water construction projects continued to run-off after losses in FY23 with good progress made on resolving outstanding commercial matters.

% of total segment

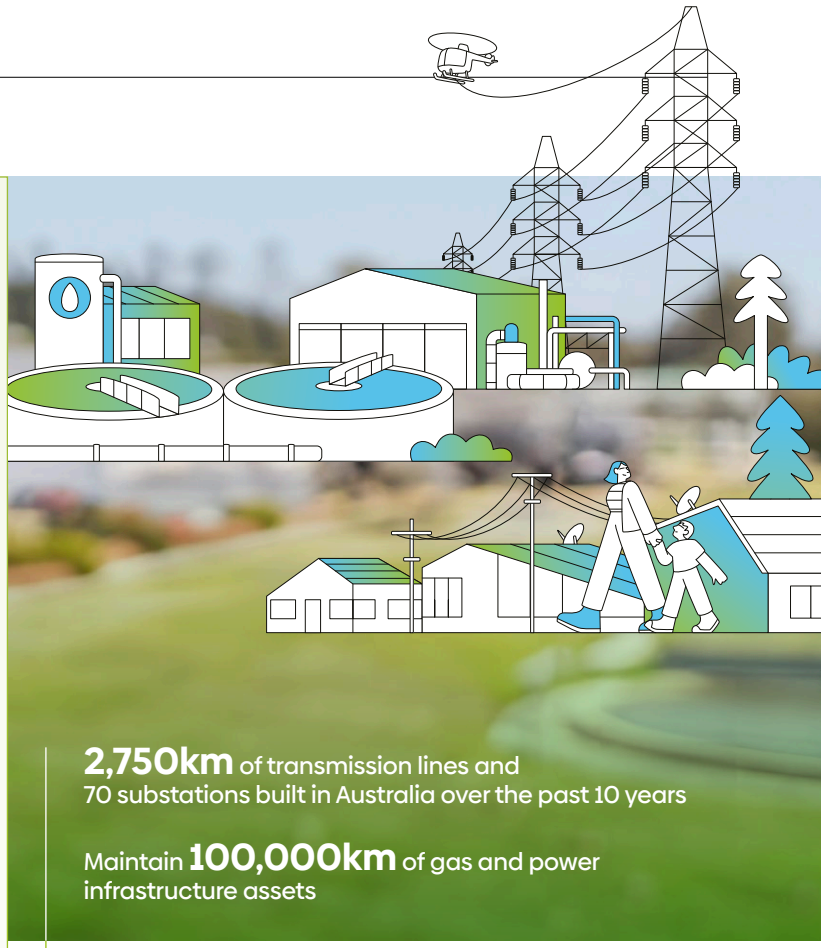
Total revenue[2] (FY24)



EBITA[3] (FY24)



1. Pro forma reflects the statutory results adjusted for ISI and excludes the revenue and EBITA contribution relating to completed divestments to provide a like for like comparison at 30 June 2024.
2. Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated.
3. Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense



2,750km of transmission lines and 70 substations built in Australia over the past 10 years

Maintain **100,000km** of gas and power infrastructure assets

Power & Gas

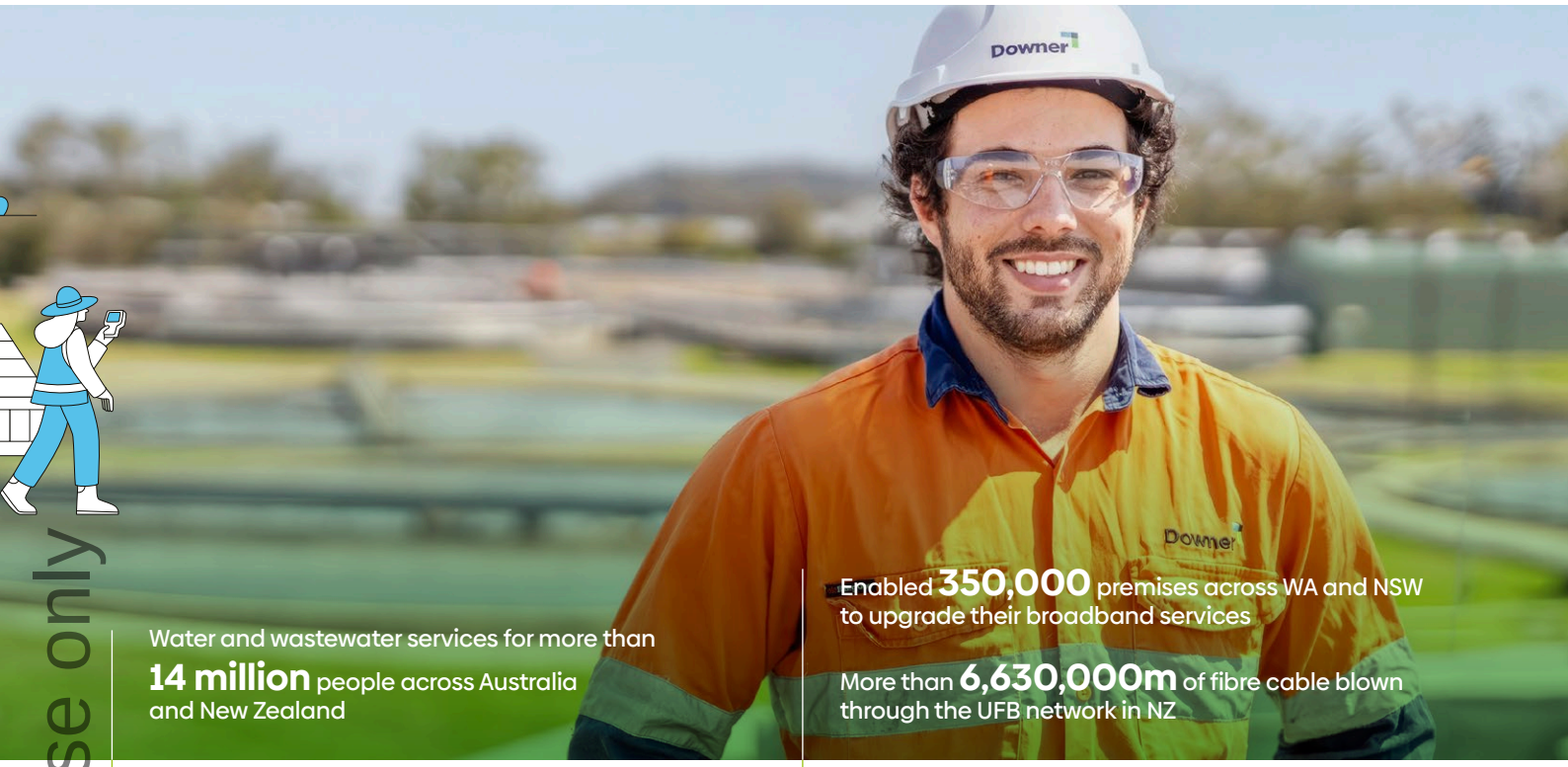
Downer's services include planning, designing, constructing and maintaining transmission and distribution power assets as well as gas network assets.

Downer provides end-to-end services to owners of utility assets. Downer constructs and maintains electricity and gas networks, provides asset inspection and monitoring services, connects tens of thousands of new power and gas customers each year and provides metering technology for efficient energy consumption for governments, utilities and corporations.

The business is well positioned to support the energy transition with a strong opportunity pipeline emerging. Downer will maintain a disciplined approach to our participation, with our focus areas leveraging our proven capabilities within commercial models that appropriately share risk.

FY24 highlights

- Power Maintenance contract turnaround progressing to plan, reaching breakeven in the second half.
- Downer completed a landmark project for ElectraNet in December 2023, delivering the South Australian component of Project EnergyConnect, which covers more than 200 kilometres of transmission line, making it one of the longest ever constructed between Australian States.



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Water

Downer delivers complete water lifecycle solutions for municipal and industrial water users. In Australia, Downer supports water and wastewater services to approximately 13 million Australians – which equates to approximately half the Australian population.

Downer's expertise includes water treatment, wastewater treatment, water and wastewater network design, construction, maintenance and rehabilitation, desalination and biosolids treatment.

As a provider of asset management services, Downer supports its customers across the full asset lifecycle from conceptual development through to design, construction, commissioning and into operations and maintenance.

FY24 highlights

- Downer was awarded a new contract by Unitywater on 28 May 2024 to deliver water, sewerage and recycled water services in south-east Queensland. The contract commenced in May 2024, with an initial five-year term plus three two-year extension options. The contract is valued at an estimated $600 million to Downer over the initial five-year term.
- Downer was awarded a two-and-a-half-year contract with the New Zealand Department of Corrections in May 2024 to deliver their Water Infrastructure Program in Auckland, Wellington and Christchurch.
- Downer reached agreement on open commercial matters in late-FY24 addressing contractual claims on loss making water construction portfolio. All but one project is now substantially complete with the remaining project forecast to complete in FY25.

Telecommunications

Downer is a leading provider of end-to-end technology and communications service solutions, working with Australia and New Zealand's largest telecommunications providers to build and strengthen their networks and infrastructure.

Downer's expertise includes integrated civil construction, electrical, fibre, copper and radio network deployment capability. Key capabilities include design, engineering, consulting, maintenance and smart meter installation.

FY24 highlights

- On 19 June 2024, Downer was awarded a new contract by NBN Co Limited, with an estimated value of more than $100 million over the initial three-year term. The Business Deployment Module contract begins in October 2024 and includes a two-year extension option. Under this contract, Downer will augment the nbn network through network extension and the connection of full fibre technology to businesses in large parts of Western Australia, South Australia, the Northern Territory and New South Wales.
- On 6 September 2023, Downer was awarded a contract for the Indara Mobile Network Infrastructure Expansion Program.
- Downer awarded a contract by Western Power on 6 June 2024 to deliver meter reading and replacements in Western Australia.

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Facilities

Government and Health & Education

Defence

Industrial & Energy

The Facilities segment operates in Australia and New Zealand across a range of industry sectors including education, health, government, defence and industrial and energy.

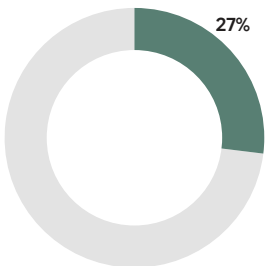
Downer delivers asset management services to facilities and estates that cover maintenance, expansion and frontline services for social and economic infrastructure. Downer's expertise covers a broad range of asset types including universities, schools and hospitals, social housing, corrections, defence estates and supporting defence capability. Downer's services help to optimise critical assets, supporting them to operate reliably and cost effectively. Downer is also a leading provider of end-to-end asset lifecycle and specialist services to the power generation, future energy, oil, gas, industrial and mineral processing sectors.

	Underlying		Pro forma[1]	
	FY24	Change	FY24	Change
Revenue	3,198.4	(6.3%)	3,159.2	(0.7%)
EBITA	177.3	9.4%	179.3	3.3%
EBITA %	5.5%	0.8pp	5.7%	0.2pp

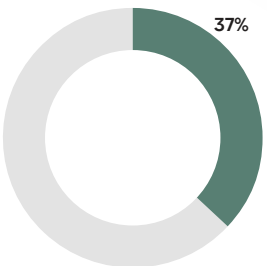
Downer successfully completed two Facilities business divestments in the period (Asset and Development Services and AE Smith New Zealand). Excluding the contribution from these divestments, pro forma Facilities revenue declined 0.7%, while EBITA increased 3.3%. As a result, EBITA margin increased 0.2% to 5.7%. Margin improvement across the portfolio of long-term contracts in the Government and Health & Education businesses, together with increased profitability in the Industrial & Energy business, contributed to the strong Facilities result.

% of total segment

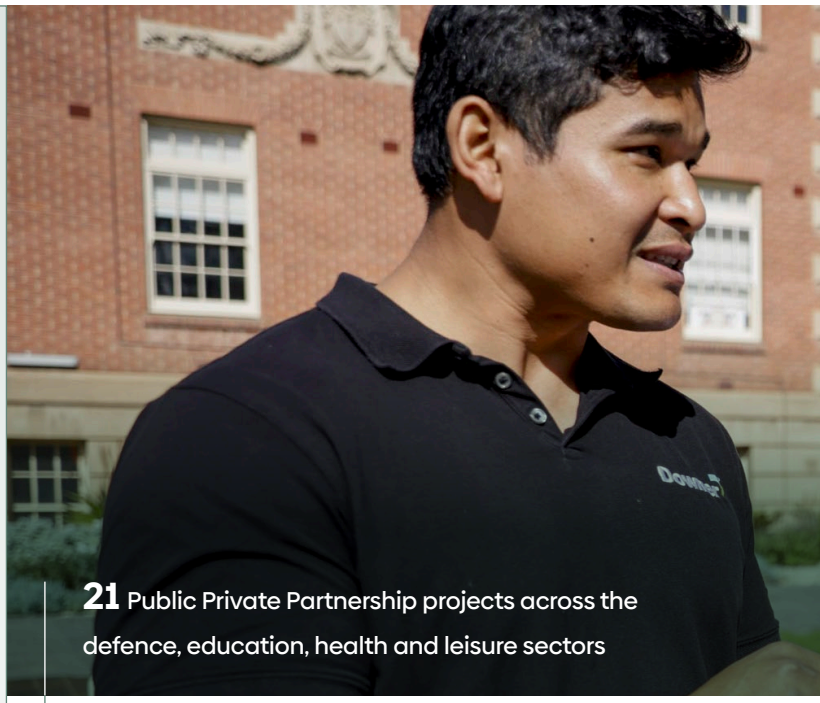
Total revenue[2] (FY24)



EBITA[3] (FY24)



1. Pro forma reflects the statutory results adjusted for ISI and excludes the revenue and EBITA contribution relating to completed divestments to provide a like for like comparison at 30 June 2024.
2. Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated.
3. Downer calculates EBITA by adjusting EBIT to add back acquired intangibles amortisation expense.



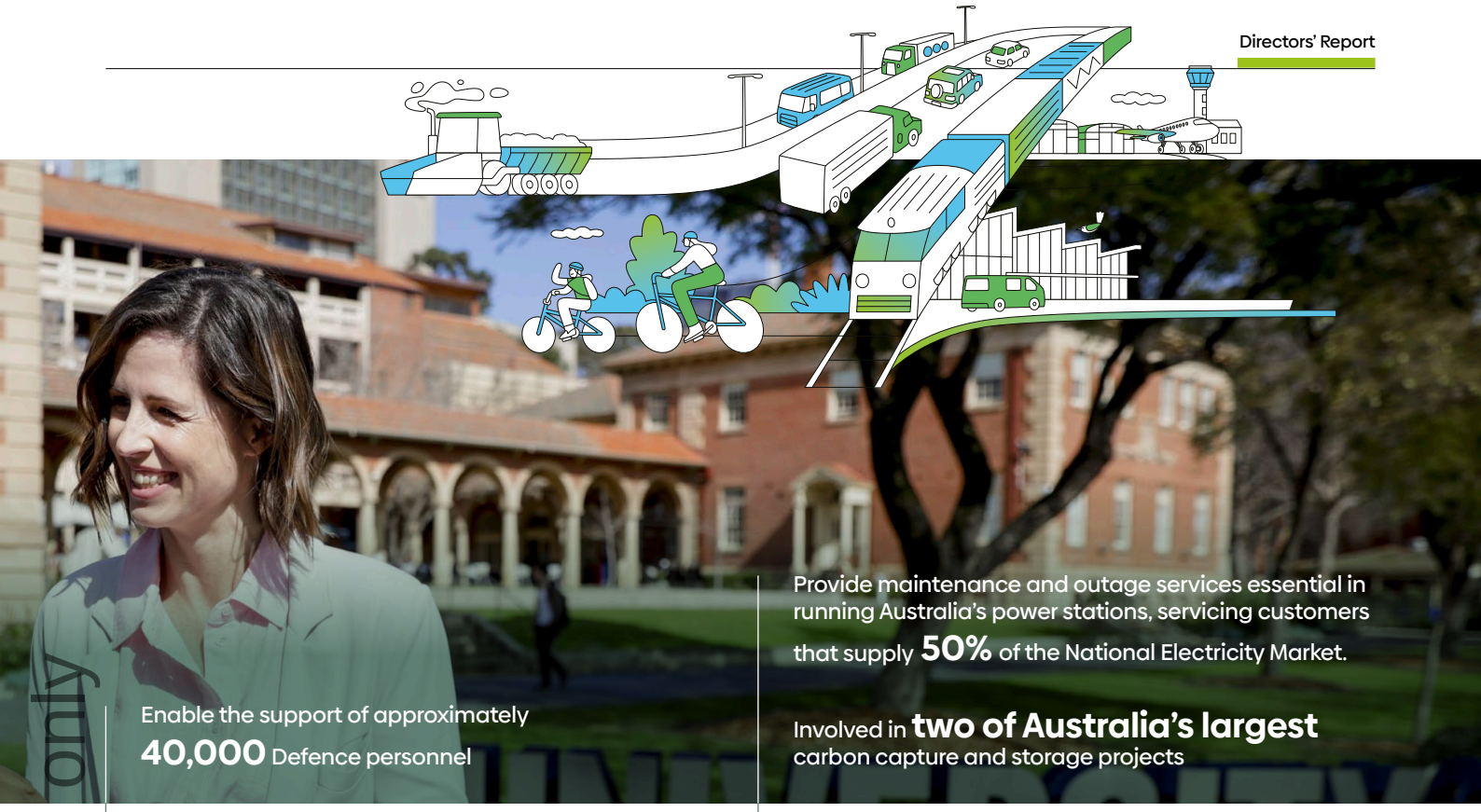
21 Public Private Partnership projects across the defence, education, health and leisure sectors

Government and Health & Education

Downer is one of the largest integrated facilities management services providers in Australia and New Zealand, delivering property and facilities management services to government departments, agencies and authorities at the Federal, State and municipal levels. Downer provides management of its customers' assets across their lifecycle. Downer has a 40-year history of supporting the daily operations of hospitals across Australia and New Zealand, delivering a range of services that create a safe environment for hospital staff, patients and their guests. At leading schools and tertiary institutions, Downer helps to enhance learning environments through integrated services such as catering, building and grounds maintenance, conserving energy with air-conditioning and lighting solutions and supporting a secure environment.

FY24 highlights

- Completed the divestments of Asset and Development Services and AE Smith New Zealand.
- On 27 June 2024, Downer was awarded a new contract to deliver maintenance services across the Homes NSW public housing portfolio covering Inner City Sydney, Southern Tablelands, South Coast, Macarthur and Southern Highlands, and Illawarra. The contract to deliver responsive and programmed maintenance services commenced on 1 July 2024 and is valued at approximately $860 million for a maximum term of 10 years.



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Defence

Downer provides a broad range of professional services, base and estate management and estate development and base upgrade services to the Australian Defence Force, the New Zealand Defence Force and other government agencies. We have a comprehensive Defence Capability Life Cycle offering and mindset. Our Sovereign Industry Capability delivers to the needs of Defence and other government agencies.

FY24 highlights

- On 27 October 2023, Downer received an extension on its Estate Maintenance and Operation Services (EMOS) contract with the Australian Department of Defence. The 12-month extension will commence in August 2024 and run through to 31 July 2025, generating revenue to Downer of approximately $400 million.
- On 14 September 2023, Downer was selected to deliver the Planning Phase of the Australian Defence Force's proposed Woomera Redevelopment Program in South Australia. The Downer CPB joint venture commenced the Planning Phase in September 2023, with development activities for the project (estimated value, $500 million to $750 million – subject to further Government review) that will form the basis of Defence's submission for Government approval.
- In partnership with Downer's Roads Services business, Downer Defence completed an airfield works project to deliver infrastructure upgrades at RAAF Base Williamtown and Newcastle Airport.

Industrial & Energy

Downer is a leading provider of end-to-end asset lifecycle and specialist services to Australia's critical economic infrastructure including the power generation, future energy, oil, gas, industrial, and mineral processing sectors.

Our key capabilities cover a full range of services including maintenance, shutdowns, turnaround and outage delivery, equipment overhauls and modifications, sustaining capital programs, manufacturing, project development and commissioning services. Through our Mineral Technologies business, Downer is a leading provider of fine physical mineral separation solutions.

FY24 highlights

- Downer's customer, Santos, achieved mechanical completion on the CO_2 first injection components for its Moomba Carbon Capture and Storage Project in South Australia in June 2024. Downer provided civil, mechanical and electrical construction and commissioning services for the project, which is nearing completion.
- In November 2023, Downer delivered the major outage of Unit One of AGL's Bayswater Power Station in the Hunter Valley, completing the refurbishment of mechanical plant including scaffolding, mechanical, electrical and instrumentation, and multiple works to the external sections of the unit.
- Strengthened long-term relationships to deliver maintenance, shutdown and sustaining capital services in the Western region, securing contract extensions and expanding services provided to customers such as BHP, Chevron and WesCEF.

Strategic objectives and future opportunities

Downer's core Transport, Utilities and Facilities segments hold strong trans-Tasman market positions with key capabilities delivering to evolving customer needs. Our business is supported by solid fundamentals to target resilient and high quality earnings growth in pursuit of our Purpose of 'Enabling communities to thrive'.

Our core capabilities, relationships and scale:

- Position us to provide critical infrastructure services for long-term, government and blue chip customers
- Align with favourable sectors benefiting from supportive tailwinds and strong growth prospects
- Aim to deliver predictable and stable operational performance
- Generate cash returns with reduced capital intensity.

Downer's Purpose, Promise and Pillars

Our Purpose is: Enabling Communities to Thrive – Te whakaahei hapori momoho.

Our Promise is: Our customers' success is our success.

Our Pillars represent the foundations of how we think, plan and solve problems together:

- Safety and sustainability – We aim to leave a positive legacy for future generations, and we are committed to Zero Harm for our people, communities and the environment
- Delivery – We build trust by delivering on our promises with excellence while focusing on safety, value for money and efficiency
- Relationships – We collaborate to build and sustain enduring relationships with our customers, our people and our communities, based on trust and integrity
- Thought leadership – We remain at the forefront of our industry by employing the best people and having the courage to challenge the status quo.

Strategies to realise long-term value for shareholders

During the year, Downer undertook an in-depth strategic planning process to develop enterprise level strategic, business unit full potential, and functional support plans, which included assessing the historic drivers of performance, the future growth potential of the markets we operate in and our organisational capabilities and service offerings required to achieve our strategic objectives. We also launched our new aspirational culture framework, The Downer Difference, in July 2024. Distilled across our Strategic Focus Areas, the outputs of the strategic planning process support our immediate priority to implement our back to basics transformation program.

The program incorporates targeted initiatives to:

- Enhance leadership capability and drive a performance culture
- Focus our businesses on where to play and how to win
- Implement enhanced risk protocols through tendering and governance with an emphasis on reassessing our risk appetite, permitted services, acceptable commercial models and terms, and minimum return hurdles
- Improve project delivery capabilities to support project margin growth
- Streamline our operating model for efficiency
- Simplify our portfolio.

These coordinated actions provide the pathway to achievement of a management target EBITA margin of more than 4.5%.[1]

1. The EBITA margin target of more than 4.5% is a management target that is incorporated into Downer's long-term incentive plan and is not provided as guidance.

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The macro settings that have shaped our strategy include:

- Growing and ageing populations, along with the expansion of government services to support and enhance equitable living standards for all citizens
- The energy transition towards net zero, which is driving an unprecedented step change in energy investment
- Geopolitical shifts, that are necessitating material investment in new Defence capabilities, including sustainment of existing assets and significant infrastructure upgrades
- A renewed emphasis by Federal and State Governments on reducing reliance on global supply chains, highlighting the importance of local industry participation, skills and building robust domestic supply chain and capability.

Within our strategy, we have chosen clear priorities to align and respond to these trends, to enhance our capabilities, customer relationships and industry partnerships necessary to achieve and sustain market leading positions.

Downer's strategy is underpinned by the following focus areas:

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Strategic focus area	
Safety – maintain focus on Zero Harm	A dedicated Zero Harm culture is essential to achieve ongoing success, to build relationships with our people, customers and communities and to deliver industry-leading health, safety and environmental performance. Our commitment to achieving our Zero Harm goal resonates throughout the organisation. We promote our people's safety, health and wellbeing, enable environmentally sustainable business activities and include safe practices through our operations. Downer's Integrated Management System, The Downer Standard, supports consistent management of Zero Harm risk and performance. Downer holds third-party accreditation to the International Standards ISO 45001 (Safety), ISO 9001 (Quality), and ISO 14001 (Environment) providing a system for safety, quality and environmental management, along with a framework for developing, implementing, and monitoring. This allows Downer to deliver best practice information and work processes to its frontline employees, enhancing their ability to manage risk and adapt to changing work environments.
Sustainability – address climate-related risks and position for growth opportunities through decarbonisation	Downer seeks to include sustainability practices in the way it delivers services and operates our business. Our skills, experience and technical capabilities position us to play a role in delivering high-value solutions that support our customers in navigating the energy transition and progressing to a lower emissions future. Achieving our own emissions reduction pathway is essential to establishing credibility for the services and solutions we provide. Downer supports the science on climate change and is committed to taking action to decarbonise its operations to help play its part in reducing global temperature rise. Downer has set a near-term Scope 1 and 2 GHG emissions reduction target, utilising the SBTi's Corporate Near Term Target Setting tool and a net zero Scope 1 and 2 GHG emissions reduction target, utilising the SBTi's Corporate Net Zero Tool (noting the below discussion regarding Downer's Scope 3 targets has necessitated a review of this component of the target). Downer's near-term Scope 3 target and Scope 3 component of its Net Zero target is under review. Downer undertook a pre-assurance engagement to assess the robustness of its approach, as well as the completeness and accuracy of data produced for Scope 3 emissions. As a result of this exercise, Downer found that emissions resulting from Scope 3 Category 9 and Category 11 required further review of assumptions and methodologies used which were not finalised before the publication of this report. Downer has utilised Adoption Provisions 4 and 5 of NZ CS 2 in not disclosing these categories in FY24. Downer's near term Scope 3 target, and the Scope 3 component of its Net Zero target is being remeasured with the aim to communicate our ambition in FY25.

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Strategic focus area	
Sustainability – address climate-related risks and position for growth opportunities through decarbonisation *continued*	Downer's near term Scope 1 and 2 GHG emissions commitments are aligned with a 1.5°C pathway and support the transition to net zero emissions by 2050. Downer's GHG emissions reduction targets are: ■ 50% reduction by 2032 across absolute Scope 1 and 2 emissions against a 2020 baseline ■ Net zero by 2050 across Scope 1, 2 emissions against a 2020 baseline (noting that Downer's near-term Scope 3 target and Scope 3 component of its Net zero target is under review). To achieve net zero, Downer aims to reduce its Scope 1, 2 emissions by 90% from a 2020 baseline, with the residual 10% being covered by the purchase of neutralising/carbon removal offsets. We anticipate, based on our Decarbonisation pathway modelling, that these may be purchased in the 2040s, subject to Downer reducing its emissions to 90% from a 2020 baseline. We intend that these will be certified carbon removal/neutralising offsets in the form of Australian Carbon Credit Units (ACCUs), or equivalent, however this will be dependent on prevailing market conditions. It is noted that the market for carbon removal offsets is rapidly evolving, which Downer will monitor as it aims to track towards its target. Examples of our progress include a continued focus on energy efficiency and GHG emissions reductions, efforts to decarbonise our fixed assets with new technology and fuel switching, further decarbonising Downer's fleet through electric and alternate fuel vehicles, increasing the use of renewable energy sources both on and off the grid, and incorporating low emissions materials into our products. Further details relating to Downer's response to climate-related risks and opportunities are outlined in the Climate Statement contained within our 2024 Sustainability Report.
Leadership and culture – driving a performance culture	Culture is a key enabler to achieve our strategic objectives. At the core of Downer's transformative journey and strategy lies a commitment to fostering a high-performance culture. 'The Downer Difference' is our new cultural framework focused on high performance and leadership capability. This centres around three pivotal areas: accountability (We own the outcomes); customer-centricity (We do it for our customers); and a safe, inclusive and purpose-led workplace (We stand for each other); and is underpinned by a set of behaviours that guide the actions and attitudes of our people. The operating model and structure of the organisation has substantially redefined roles, authorities, and accountability for performance. To support the new operating model and to drive achievement of strategic priorities, the Group's leadership team has been renewed with 75% of the Executive Leadership Team either new to Downer or new to their leadership role. These appointments include our Chief Risk Officer, Chief Information Officer, Chief Operating Officer Energy & Utilities, Group Executive General Manager Finance, Group Executive General Manager Business Serices Centre, and Group Executive General Manager Zero Harm.
Focus on project margins – tendering and governance	Effective assessment and management of risks and opportunities is fundamental to enhancing project margins with consistent and predictable outcomes for Downer and our customers. In FY24, Downer established a new Executive role of Chief Risk Officer. Downer has continued to refine tendering and risk governance processes including the establishment of a Board Project Governance Committee (PGC). The PGC's primary purpose is to approve tender opportunities that are above defined value and risk thresholds at defined stage gates (pursue, prepare, submit tender and execute contract) and monitor overall performance of the portfolio of projects. The PGC is chaired by an independent Director and comprises six members, including the CEO. Our immediate priority is to focus on the quality of revenue and to pursue work which aligns with our capabilities with commercial models that appropriately balance risk and return and working with customers that value our technical skills and reliable service delivery. Included in our risk management framework are dynamic and iterative governance controls aimed at enhancing earnings resilience to protect and create long-term value.

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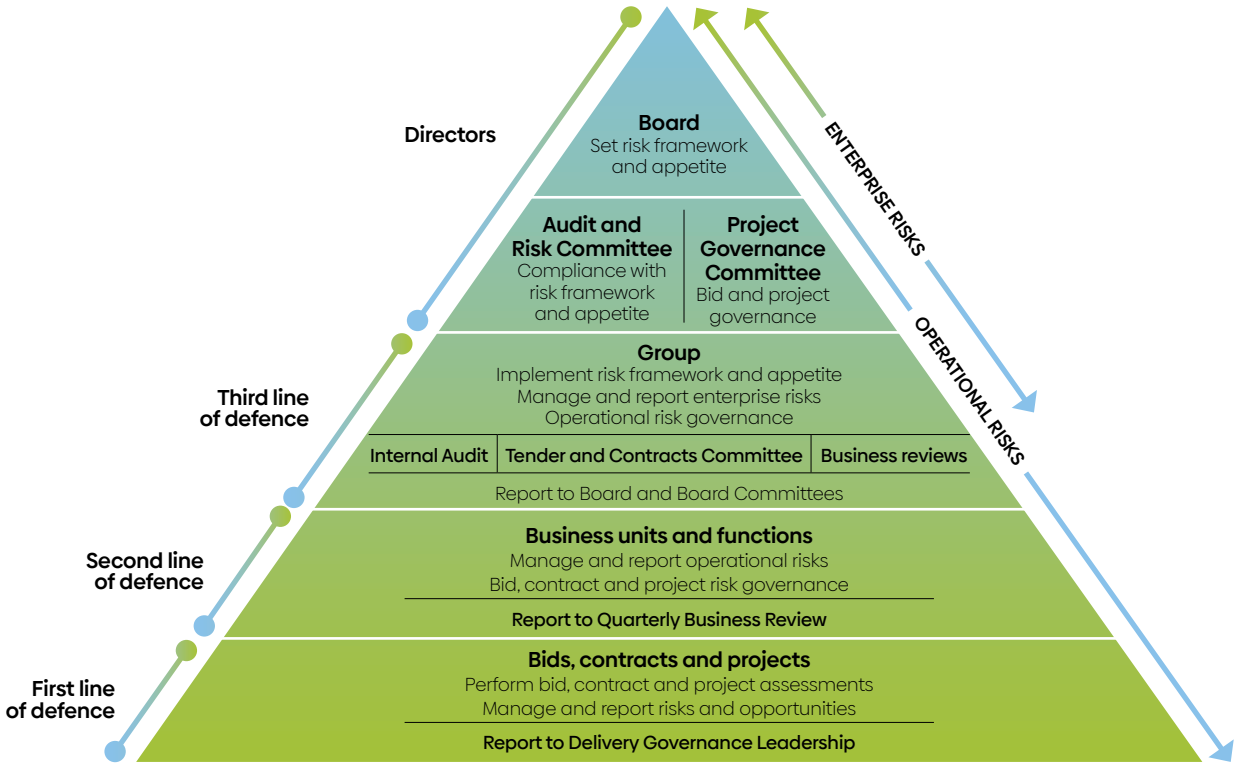
Strategic focus area	
Focus on project margins – tendering and governance *continued*	The Downer Standard (TDS) provides a policy framework and guardrails to strive for consistency in risk management. To support selective tendering and disciplined execution, Downer's Delivery Management Methodology (DMM) guides all stages of the delivery lifecycle with a structured and repeatable framework. Our 5C framework clearly defines our contract risk guardrails and risk appetite. Our Three Lines of Defence model incorporates organisational accountability and promotes the consistent application of TDS and DMM. Operational management delivers our first line of defence, Business Unit leadership provides oversight and performance requirements for the second line, and risk assurance monitoring and reporting to Executive and ultimately the Downer Board deliver the third line of defence.
Focus on project margins – project delivery	The needs of Downer's customers continue to grow and evolve. This requires reliable, digitally enabled cost-effective asset management and service delivery. In response, Downer is focused on uplifting our operational excellence and project delivery capability to achieve customer outcomes safely while meeting or exceeding tendered margins. Strengthening our critical capabilities supports improved decision making, the disciplined execution of essential business practices, implementing critical project controls and identifying, managing, and optimising risk and opportunity through the project delivery life cycle. We are focused on implementing our back to basics contracting disciplines and embracing new technology and better utilisation of data to uplift our project delivery.
Operating model enhancement – reshaping of central functions and delivery support	Downer has successfully transitioned to a trans-Tasman operating model with a focus on improved project delivery, resource and capability sharing, and enhanced customer outcomes. Our ongoing transformation activities – including a reshaping of the role of corporate and Business Unit support functions – continue to deliver significant reductions in operating cost and stabilise the platform for enhanced business efficiency, standardisation and delivery support for projects. This includes work to standardise overhead reporting and recharge models, the rationalisation and update of our IT systems, an enhancement of our capital allocation framework and a resetting of risk management guardrails for improved tendering, governance and project delivery outcomes. Refinement of management and leadership structures and enhanced risk and performance governance has supported improved accountability for project delivery performance outcomes aligned to The Downer Difference framework. Further refinements and optimisation of organisational support models are progressing through FY25 to deliver additional cost efficiencies and enhanced portfolio performance.
Portfolio refinement – simplify, reduce risk and maximise shareholder value	Downer's core Transport, Utilities and Facilities portfolio has strong foundations and is oriented to growth markets with attractive long-term characteristics. During FY24, six divestments were completed as part of an ongoing strategic process to refine Downer's optimal portfolio aligned to key market tailwinds and divest non-core and underperforming businesses. Portfolio simplification and refinement continues, with a focus on non-core underperforming assets and reducing risk to align with our enterprise risk appetite. Further portfolio changes continue to be explored which will be dependent upon market conditions, maximising shareholder value, and capital allocation to businesses which meet our strategic, financial and risk parameters.

Refer to Our Approach to Risk Management for further details on risks associated with the pursuit of Downer's strategic objectives and future opportunities.

Our approach to risk management

We manage risk across all levels of our organisational risk hierarchy.



At the Group level, we actively manage a range of risks which could have a material impact on our ability to achieve strategic objectives. We apply a risk management framework to identify, assess and manage these risks.

Downer's risk mitigation and management strategies relating to material enterprise risks, including general business, operational and macroeconomic risks, are outlined below.

Overview of risk and potential impact	Risk mitigation and management strategies
Key contracts, competition and customer retention	
There is a risk that material contracts may be cancelled, not renewed or renewed on less favourable terms. Operating in highly competitive markets, increased competition and market changes can impact our ability to renew or secure new contracts. Such events could lead to reduced work-in-hand, profitability, and earnings. Additionally, some of our contracts have fixed or capped pricing exposing us to potential losses due to cost escalations that cannot be recovered from customers.	■ We prioritise maintaining strong relationships with customers across a range of different markets. ■ We focus on delivering successful outcomes for our customers, strategic partnerships, and joint ventures with high-quality services, leading technology, thought leadership, and knowledge providers. ■ Our Customer Relationship Management (CRM) system helps us effectively manage our diverse customer base. ■ We apply rigorous bid governance processes for tendering projects within our risk appetite. We maintain a strong emphasis on cost control, supply chain management and project oversight. ■ Our Tender and Contracts Committee and Board Project Governance Committee (established in FY24) provide oversight for bid and project governance, contract and tender evaluation and the Quarterly Business Review process oversees the performance of projects and contracts. ■ We continue to focus on risk management and operational excellence with strategies in place aimed at improving performance, delivering tendered and budget margins, and reducing variability.

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Overview of risk and potential impact	Risk mitigation and management strategies
Organisational culture	
Failure to create and maintain a culture which supports our core behaviours, ethics, principles, and values can impact our ability to execute our strategy and maintain our social licence to operate.	■ We updated our Purpose, Promise and Pillars to better align with our people, our customers, and the communities we operate in. ■ Focus groups were held with our employees to understand Downer's current culture and define what we want our target culture to be. From this we are implementing a high-performance culture program, called The Downer Difference. ■ Our cultural re-set, The Downer Difference, was launched in July 2024 to leverage our strengths and shape our identity as a high-performance organisation that delivers for our customers and embraces different perspectives.
Brand and reputation	
Our reputation is crucial to winning and retaining work, attracting and retaining employees, accessing capital markets and maintaining our social licence to operate. Building and maintaining trust among stakeholders is vital for our business. A failure to uphold this trust could result in negative media attention, damaging our reputation and impacting stakeholder support. Reputational damage could also jeopardise contract renewals and our ability to participate in new tenders.	■ Our Standards of Business Conduct applies to all officers and employees, and we endorse leading governance practices, along with training, reporting processes and consequence management. ■ We regularly engage and correspond with our customers to provide assurance on our commitment to the highest standards of conduct. ■ We continue to strengthen our culture and organisational compliance to protect our reputation and strengthen our position in the marketplace. For example, we have implemented a Source-to-Contract application to strengthen the vendor prequalification process and rolled out tailored ethics training. ■ We communicate regularly with all our people across Downer to foster a strong and constructive culture to deliver upon our common Purpose and Promise.
Delivery management performance and bid governance	
Inadequate project performance can affect portfolio returns and erode value. Given the industries we operate in and the scale of some of our contracts, there is a risk of significant losses if bid governance processes and project delivery are not properly followed.	■ Our integrated management system, The Downer Standard (TDS), provides policy framework, governance, and consistency in our approach to risk and opportunity management. ■ Our delivery lifecycle is managed and underpinned by the TDS, our Opportunity and Bid Management, Delivery Management Methodology and business performance management frameworks. ■ We have established organisational capability uplift programs and quarterly business reviews to focus on driving delivery performance, reviewing key projects and managing operational risks. ■ We maintain project risk management processes and systems across our business, as well as specific bid governance processes relating to tenders for large projects to evaluate strategic rationale, cost, time and risk. Internal Audit provides independent assurance of design and operational effectiveness of these processes and systems. ■ Our enhanced risk framework and its guiding principles – capacity, capability, counterparty, contract, compensation – prioritises the projects we pursue, selectively focusing on those that offer improved margins and align with customers who value our technical capability. ■ Key governance forums – the Tender and Contracts Committee, the Board Project Governance Committee – provide oversight for bid and project governance, contract and tender evaluation, and monitoring, so we have the capability to deliver outcomes effectively while managing appropriate levels of risk.

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Overview of risk and potential impact	Risk mitigation and management strategies
Key suppliers, subcontractors and partners	
Reliance on a limited number of specialist suppliers or subcontractors can affect project outcomes particularly if performance issues arise. Where suppliers or subcontractors fail to meet contractual obligations or choose not to renew contracts, our ability to complete projects and secure new work could be compromised. We maintain long-term relationships with certain suppliers and partners critical to our business activities, and any changes in these relationships could negatively impact our financial performance. Additionally, conflicts of interest, fraud or corruption within our suppliers, subcontractors or partners could have adverse effects on our operations, reputation and performance.	■ We work with key suppliers to assess and manage supply chain resilience. ■ Our standardised Procurement Framework is closely aligned to the principles of ISO 20400 – Sustainable Procurement and is supported by tools and platforms. This is designed to assist in engaging suppliers and subcontractors to seek alignment to sustainability objectives defined in our framework. ■ In FY24, we implemented a new vendor management system, Felix, to enhance our prequalification and onboarding controls, directly addressing advice from independent procurement and probity experts to further improve our practices in line with AS8001:2021, Fraud and Corruption Control.
Macroeconomic and geopolitical conditions including government expenditure	
Changes in macroeconomic conditions through deterioration in the economy may impact the industries in which we operate and could have a material negative impact on our operational and financial performance. We must remain agile and responsive to global and local events, including changes in government policy, trade tensions, geopolitical conditions and rising economic uncertainty and volatility. Public authorities and Government departments in Australia and New Zealand are major customers of Downer. Changes in prioritisation of, or restrictions on, government expenditure may impact our earnings.	■ Our Board and Executive Management consider external economic conditions and geopolitical risks when developing strategy and plans to build resiliency and responsiveness in the business should events occur. ■ We gain perspectives from external subject matter experts, our customers, and key stakeholders. ■ We maintain a diversified book of secured work with long-term contracts, which underpins earnings from these projects. ■ We operate in diversified markets and with government centric customers to mitigate the impact of budgetary and expenditure reductions or changes in key customer spending profiles. ■ We deliver essential maintenance services to critical infrastructure assets. The essential nature of these services helps mitigate both the impact of changing government spending priorities and the duration of any decline in spending.

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Overview of risk and potential impact	Risk mitigation and management strategies
Financial markets and treasury	
We are subject to various forms of financial market risk including liquidity, interest rate and foreign exchange risk. Capital market volatility may impact our ability to transact and access suitable capital on acceptable terms due to factors outside of our control including perceptions of our credit rating, our carbon intensity, the global supply of credit and the level of credit defaults. Therefore, we may not be able to undertake ordinary business operations, potential acquisitions, growth opportunities, or develop new business or respond to competitive pressures. Rising interest rates may adversely impact our interest payments on our floating rate borrowings. Disruptions in financial markets may affect the availability and cost of hedging, which may have a material adverse impact on our financial performance and position. We operate internationally and are exposed to foreign exchange rate risks associated with foreign currency denominated debt, input costs and offshore earnings.	■ We have a Treasury Risk Management Standard which defines the management of the Group's financial assets and liabilities, and financial market risks giving consideration to the impact on our reputation, financial counterparties, credit ratings, shareholders, customers and suppliers. ■ Financial markets risk is governed by a Board approved Treasury Policy, which sets strict parameters to manage liquidity, interest rate and foreign exchange risks by: – Access to diverse funding sources across global capital markets on competitive terms and tenors – Stipulating minimum and maximum hedging requirements for floating rate borrowings and foreign exchange exposures that reduces exposure to interest rate volatility and exchange rate fluctuations – Selecting interest rate hedge counterparties based on credit strength and market capability to allow continued access to efficient hedging sources – Establishing committed term funding from investment grade rated banks that is spread over a variety of tenors to minimise refinancing risk – Aiming to retain an investment grade credit rating – Maintaining a liquidity buffer and financial covenant compliance. ■ We engage with existing and potential equity and debt investors to regularly update them about the business.
Cost escalation	
As an integrated service provider, we are exposed to cost escalation and inflationary pressures which may be above budgeted levels across elements of our cost base. If we are unable to offset these cost pressures through contractual inflation recovery mechanisms or planned cost out, this could adversely impact our profitability and financial performance.	■ Escalation clauses, where included in customer contracts, provide a degree of protection against increasing costs of service delivery through indexation (e.g. CPI, WPI) or other cost escalation mechanisms. ■ Alliance, commercial models with pain/gain share clauses are another form of contract model, which we include where possible in customer contracts to offset the risk of cost escalation above budgeted amounts. ■ We perform commercial management reviews of our contracts for appropriateness given prevailing market conditions, including inflation pressures, supply shortages and other potentially disruptive events which may increase costs. ■ We have targeted to reduce our exposure to fixed price lump sum contracts. In instances where we do fixed price work, we often see early contractor involvement (ECI) contracting models which enables the contractor to become involved before design is completed and enables enhanced transparency over pricing subcontractor and trades for cost estimates with the aim of reducing risk. ■ We employ disciplined cost management of both project and overhead costs.

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Overview of risk and potential impact	Risk mitigation and management strategies
Talent, labour and employee relations	
Attracting and retaining talent, workforce engagement, upskilling and growing capability is critical to achieve our strategic objectives. Our growth and profitability may be limited by the loss of key management, the inability to attract suitably qualified personnel, a decline in labour productivity or by increases in costs associated with recruiting and retaining personnel. In certain functions and operations, we rely on the availability of skilled personnel to deliver our services, making access to labour a potential risk. The majority of Downer's workforce is covered by a variety of industrial instruments; collective agreements in New Zealand and enterprise agreements and modern awards in Australia. Consequently, we may be exposed to the risk of industrial action which can adversely impact operations and customer experience of our services.	■ We are committed to fostering a workplace environment that prioritises inclusion and belonging, supports the health and wellbeing of our people, and provides opportunities for their professional growth and development. ■ Downer launched Core People Processes and a new IT system, HRCore, which is directed at the consistent application of best practice people processes. ■ Several initiatives are in place to foster a positive workplace, including Own Different (Inclusion and Belonging), Own Respect (Workplace Behaviours), THRIVE (Diversity and Equity) and Indigenous inclusion and awareness programs. ■ Talent attraction and retention strategies include career progression pathways, remuneration and other incentives, investment in learning and internal development opportunities. ■ Downer mitigates the risk of industrial action by aiming to effectively engage and consult with our employees and employee representatives to negotiate collective and enterprise agreements, address issues and grievances promptly and comply with workplace laws. ■ Further details relating to the management of talent, labour availability and employee retention risks, and related performance, are outlined in our 2024 Sustainability Report.
Employment arrangements	
The majority of Downer's workforce is covered by industrial instruments; collective agreements in New Zealand and enterprise agreements and modern awards in Australia. These industrial instruments are complex and require interpretation to accurately determine payments and accrual of employee benefits. The application of industrial instruments is subject to change as a consequence of developments in legislation and case law and the requirement to renegotiate and renew them periodically. The complexity and volume of industrial instruments that apply to Downer could result in issues leading to reputational damage, disruption to operations and an increase in direct and indirect labour costs. All of which may have a negative impact on our financial performance.	■ We have established an Employment Compliance function in our Business Service Centre that focuses on providing assurance across processes and controls supporting employee payments. ■ A dedicated Industrial Relations function, comprised of industrial relations specialists and employment lawyers, provides interpretation, advice, and active management of changes to workplace landscape and specific industrial relations risk. ■ Downer is currently reviewing its Workforce Management processes with a commitment to continuously improving the end-to-end activities associated with employee time capture and payments.

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Overview of risk and potential impact	Risk mitigation and management strategies
Climate-related risks	
Climate change exposes our business, customers and communities to a range of acute and chronic physical risks, and exposes society and Downer to transition risks. Physical risks resulting from climate change can be event driven (acute) such as increased severity of extreme weather events (for example, cyclones, droughts, floods and fires) or relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (for example, sea level rise). Potential impacts could include disrupted works and/or damaged assets, which could result in loss of revenue and increased capital costs for repairs. Exposure to chronic physical risks could see increasing difficulties in Downer to be able to secure insurance for frequent weather-related events. Transition risks result from the transition to a lower-carbon global economy and include those that relate to policy and legal actions, technology changes, market responses, and reputational considerations. Potential impacts could include increased capital and operating costs, loss of revenue opportunities and legal action.	■ Downer's decarbonisation pathway considers commercially viable options to reduce our exposure to carbon-related liability. Downer is continuously monitoring developments to enable timely pivots in response to market and technological changes. This aims to mitigate Downer's exposure to transition risks resulting from policy and legal actions, technology changes and market responses, as well as maintain our reputation. ■ Downer's diverse revenue stream in the sectors we serve helps to mitigate exposure to transition risk stemming from market responses. ■ Downer is committed to the Environmental Product Declaration process for the road surfacing products it provides to enhance transparency of the environmental outcomes of these products, to help mitigate transition risk stemming from reputational concerns. ■ Downer has insurance against losses from some extreme weather and climate-related events (for example, flood coverage is included in the majority of Downer locations). This does not extend to all impacts stemming from climate-related events (for example, prolonged wet weather that causes demand for asphalt to reduce is not covered). ■ Downer continues to assess contractual arrangements and commercial terms with respect to physical impacts of climate change (acute and chronic weather events) for appropriate mitigation measures are in place, including force majeure clauses and cost pass through mechanisms. ■ For further details regarding Downer's assessment of climate-related risks, refer to Downer's climate-related disclosure (compliant with the Aotearoa New Zealand Climate Standards (NZ CS) issued by the External Reporting Board) in our 2024 Sustainability Report, pages 16-32.
Workplace health and safety	
Downer works in several sectors regarded as high risk. We are committed to providing an environment where our employees, contractors, customers, and the public are safe at all times. Our ability to meet our corporate and social responsibilities relies on our focus on promoting health, safety and wellbeing. We recognise that our activities carry risks that could result in serious injury or death. Workplace fatalities or significant injuries not only harm individuals but also negatively impact our operations, employees, and the communities we serve. Furthermore, failure to comply with applicable health and safety regulations could result in penalties and compensation obligations.	■ We are committed to the safety, health and wellbeing of our people and our communities through safe practices, identifying critical risks and controls and continuous improvement of our safety performance. ■ We continually assess, understand, and mitigate critical risks and high potential incidents applying directions and implementing guidance included in our Cardinal Rules. ■ We promote our Zero Harm commitment across the organisation through our integrated management system, The Downer Standard. ■ We maintain third-party certifications to internationally recognised standards. ■ Our Own Respect initiative is a holistic strategy to appropriately adopt recommendations made by the Australian Human Rights Commission Respect@Work Report. ■ We identify, assess and implement controls for drivers of psychosocial risk in the workplace including bullying and harassment. We encourage employees to raise complaints and have those complaints dealt with appropriately and without reprisal. ■ Further details relating to the management of health and safety risks and related performance are outlined in our 2024 Sustainability Report.

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Overview of risk and potential impact	Risk mitigation and management strategies
Cybersecurity, system continuity and reliance on information technology	
We rely on the efficient and uninterrupted operation of core technologies, IT infrastructure and systems, which may be vulnerable to system failures, computer viruses, cyberattacks, power outages and human error. Our dependence on third-party service and software providers adds to this risk. Any disruption could impact our ability to deliver services resulting in customer loss, revenue decline, reputational damage and a weakened competitive position. A cyberattack, inadvertent data breach or failure to protect confidential information could lead to data loss, legal breaches, system outages and affect our reputation and financial performance.	■ We have established Technology and Cyber Risk management practices and have a framework in place to mitigate and reduce the negative impact of information security and technology risks. The Audit and Risk Committee provide oversight of technology, data and cyber related risks. ■ We maintain an ISO 27001 certified Information Security Management System describing the standards, controls, and procedures relating to the confidentiality, integrity and continuity of critical information assets. ■ Our digital strategy focuses on delivering technology solutions that support business performance. This includes a strategic roadmap for our digital future, incorporating automation, digitisation, standardisation and generative AI to improve efficiency and delivery. ■ We continue to invest in and maintain key controls in threat and vulnerability management including a Security Operations Centre with a focus on security incident response and planning, user awareness and simulation, management and mitigation of third-party risk, back-ups and resilience for key systems, and IT assurance regimes. ■ Further details relating to the management of cybersecurity risks and related performance are outlined in our 2024 Sustainability Report.
Guarantees, indemnity and liability	
At times we are required to provide guarantees and indemnities for the performance of counterparties, including controlled entities and related parties, regarding their contractual and financial obligations. There is a risk that we may fail to meet our obligations related to the quality of our products or services, potentially leading to claims for contractual damages or statutory penalties. Certain entities within Downer are subject to standard design liability for completed design and construction projects. This liability may include claims, disputes, and litigation against Downer and joint ventures in which we have an interest; as well as the obligation to rectify design defects at our own expense.	■ We have diversified bonding facilities for providing guarantees related to performance addressing underlying customer credit risk. ■ The Group also maintains insurance policies to cover potential liabilities. However, the availability of insurance on suitable terms and at a reasonable cost is not guaranteed and it is possible that certain events may not be fully covered or covered at all. ■ We take legal advice in respect of claims and include relevant provisions in our financial statements to fulfill our statutory and contractual obligations including quality assurances in the project delivery. We have standards, management reviews and verification processes to address this risk as set out in The Downer Standard.

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Overview of risk and potential impact	Risk mitigation and management strategies
Regulatory compliance and licence to operate	
Our business is affected by Government Policy. Changes to industry-specific requirements, general legal and regulatory arrangements and taxation policy can have an adverse effect on our financial performance. Further, any major shift in regulatory policy or reform may impact the profitability of Downer and its customers. Non-compliance with legislative or regulatory requirements can impact our licence to operate.	■ We have dedicated Legal and Compliance personnel who partner with the business to advise on and monitor legal, regulatory and public policy changes, in addition to legal issues and claims. ■ We have compliance frameworks, operational compliance plans and assurance programs in place which support and monitor conformity with relevant regulatory requirements. ■ Our whistleblower policy supports the reporting of breaches of our Standards of Business Conduct including any inappropriate, unethical, corrupt or illegal behaviour, misconduct, or any other improper situations or circumstances. We maintain both internal and external processes that allow for the reporting of breaches, including Our Voice, which is an external and independent service that allows employees to anonymously report such potential breaches. ■ We encourage our employees, subcontractors and partners to voice their concerns if they identify potentially unethical practices. We do not tolerate victimisation of a whistleblower and are committed to providing support and protection against any reprisal for reporting a breach or potential breach. Any employee found to have victimised another will be subject to disciplinary action. ■ We continue to maintain and enhance The Downer Standard and employee compliance training programs to enable our people to act with the highest ethical standards and comply with relevant obligations. ■ We have undertaken external reviews of our ethics frameworks and established improvement initiatives to drive improved culture and organisational behaviours.
Transformation	
We continue to undergo an enterprise-wide transformation program to position us for long-term sustainable success. We are focused on: ■ Enhancing our leadership capability and creating a performance culture ■ Resetting our operating model by integrating our Australian and New Zealand operations ■ Improving our tendering, risk management, and project delivery ■ Simplifying our portfolio Failure to successfully manage, execute and deliver the initiatives identified in this transformation program could adversely impact our business operations, strategic objectives, profitability, shareholder returns, credit rating and market confidence.	■ An Enterprise Project Management Office has been established to oversee and coordinate Group-wide transformation projects, to support initiatives that align with our ambitions and targets. ■ Ownership and accountability for executing transformation initiatives sits with the respective Business Units and functional leaders which have dedicated teams to oversee the delivery of improvement projects. ■ We are driving effectiveness by building transformation capabilities across the business, fostering Group-wide learning and promoting accountability for delivering change initiatives. ■ An Investment Committee has been established, which as part of its remit oversees and approves funding and related business cases for strategic initiatives. ■ We work with external business transformation experts as required to implement our new operating model. ■ Further details relating to Downer's transformation are outlined in our 2024 Sustainability Report.

Overview of risk and potential impact	Risk mitigation and management strategies
Exogenous events	
We operate in an ever-changing landscape and are not immune to unexpected and unpredictable events that have significant negative impacts on both our short-term and long-term goals and objectives. These unpredictable events include, but are not limited to, pandemics, extreme weather events, changes in climatic conditions, geo-political instability, supply chain disruption, and military conflicts.	■ We have experience in responding to crises and unpredictable events. ■ By reflecting on past experiences, we continually improve our crisis response and build resilience and agility into our business to manage future uncertainties. ■ Through our risk management processes we aim to identify potential risks and vulnerabilities, allowing us to implement appropriate plans and mitigation strategies should such events occur.

Outlook

There is building momentum and we have growing confidence entering FY25.

We will continue to focus on enhancing the quality of revenue and targeting continued improvement in EBITA margin towards our management target of more than 4.5%.[2]

We will give a further update at Downer's Annual General Meeting (AGM) in November 2024.

Subsequent events

On 21 August 2024, the DCSO (refer to Note B3) conditions for the Tranche 2 and Tranche 3 series were not satisfied and have lapsed.

Outside the above, at the date of this report, there is no other matter or circumstance that has arisen since the end of the financial year, that has 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 management

Downer is committed to managing the impacts of its activities on the natural and built environment. The Company strives to help its customers succeed by developing and delivering environmentally responsible and sustainable solutions, enabling resilient and thriving communities. These commitments are outlined in Downer's Environmental Sustainability Policy, available on its website at **www.downergroup.com/board-policies**.

Downer's environmental management system, accredited to AS/NZ ISO14001:2015, is part of The Downer Standard, a Group-wide integrated management system. This standard enables a consistent approach to identifying and controlling environmental risks and managing environmental performance. The system undergoes internal and external audits by independent third parties to provide oversight and assurance.

Downer's 10 Environmental Principles provide guidance to employees and stakeholders, promoting awareness of environmental commitments, and aiming for compliance with The Downer Standard and environmental laws. Effective management of environmental risks is integral to Downer's service delivery, with a focus on implementing effective controls through its critical risk program and a commitment to continuous improvement. The Company leverages lessons learned to protect and sustain the natural environment.

2. The EBITA margin target of more than 4.5% is a management target that is incorporated into Downer's long-term incentive plan and is not provided as guidance.

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Qualified environment and sustainability professionals are in each business unit to provide support. Business units have planned initiative and actions that support compliance and performance enhancement, along with a customised Climate Change and Decarbonisation Plans. These plans assign responsibilities for implementing actions and deliverables, with progress monitored regularly and reported throughout the year. This performance assessment is linked to the business unit's annual performance and the short-term incentive program.

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-time 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 2024 or 30 June 2023.

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 2024 financial year and the number of meetings attended by each Director (while they were a Director or Board Committee member). During the year, eight scheduled Board meetings, six unscheduled Board meetings, seven Audit and Risk Committee meetings, eight People and Culture Committee meetings, nineteen Project Governance Committee meetings, five Zero Harm Committee meetings and four Nominations Committee meetings were held in addition to three ad hoc meetings attended by various Directors in relation to tender reviews and major projects.

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	Board – Scheduled		Board – Unscheduled	
Director	**Eligible[1]**	**Attended**	**Eligible[1]**	**Attended**
Mark Menhinnitt (Chair)	8	8	6	6
Peter Tompkins	8	8	6	6
Sheridan Broadbent[3, 11]	6	6	4	3
Teresa Handicott	8	8	6	6
Nicole Hollows	8	8	6	6
Adelle Howse	8	8	6	6
Steven MacDonald[2]	7	7	4	4
Peter Watson[4]	2	2	2	2

	Audit and Risk Committee – Scheduled		Audit and Risk Committee – Unscheduled	
Director	**Eligible[1]**	**Attended**	**Eligible[1]**	**Attended**
Teresa Handicott	6	6	1	1
Nicole Hollows (Chair)	6	6	1	1
Adelle Howse	6	6	1	1
Steven MacDonald[2, 6]	5	5	0	0
Peter Watson[4]	1	1	1	1

	People and Culture Committee – Scheduled		People and Culture Committee – Unscheduled	
Director	**Eligible[1]**	**Attended**	**Eligible[1]**	**Attended**
Mark Menhinnitt	4	4	4	4
Sheridan Broadbent[3]	3	3	2	2
Teresa Handicott[7]	2	2	3	3
Nicole Hollows	4	4	4	4
Adelle Howse (Chair)	4	4	4	4
Peter Watson[4]	1	1	2	1

	Project Governance Committee – Scheduled		Project Governance Committee – Unscheduled	
Director	**Eligible[1]**	**Attended**	**Eligible[1]**	**Attended**
Mark Menhinnitt (Chair)	10	10	9	9
Peter Tompkins[9]	10	9	9	9
Sheridan Broadbent[5, 10]	5	5	7	6
Nicole Hollows[12]	10	10	9	8
Steven MacDonald[2, 13]	8	8	9	8
Peter Watson[4]	3	3	1	1

	Zero Harm Committee		Nominations Committee	
Director	**Eligible[1]**	**Attended**	**Eligible[1]**	**Attended**
Mark Menhinnitt (Chair of Nominations Committee)	5	5	4	4
Peter Tompkins	5	5	–	–
Sheridan Broadbent (Chair of Zero Harm Committee from October 2023)[3]	3	3	–	–
Teresa Handicott[8]	2	2	4	4
Nicole Hollows	–	–	4	4
Adelle Howse	–	–	4	4
Steven MacDonald[2]	4	4	–	–
Peter Watson (Chair of Zero Harm Committee, to September 2023)[4]	2	2	–	–

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1. These columns indicate the number of meetings eligible during the period each person listed was a Director or member of the relevant Board Committee.
2. Mr MacDonald joined the Board on 1 September 2023.
3. Ms Broadbent joined the Board on 2 October 2023.
4. Mr Watson retired on 30 September 2023.
5. Ms Broadbent appointed as a member of the Project Governance Committee, effective from 1 December 2023.
6. Mr MacDonald appointed as a member of the Audit and Risk Committee, effective from 1 December 2023.
7. Ms Handicott ceased as a member of the People and Culture Committee, effective from 5.00pm on 31 December 2023.
8. Ms Handicott appointed as a member of the Zero Harm Committee, effective from 1 January 2024.
9. Mr Tompkins was an apology for one scheduled Project Governance Committee meeting due to an urgent business matter.
10. Ms Broadbent was an apology for one unscheduled Project Governance Committee meeting that was convened at short notice due to pre-existing commitments.
11. Ms Broadbent was an apology for one unscheduled Board meeting that was convened at short notice due to pre-existing commitments.
12. Ms Hollows was an apology for one unscheduled Project Governance Committee meeting whilst on leave of absence.
13. Mr MacDonald was an apology for one unscheduled Project Governance Committee meeting convened at short notice due to pre-existing commitments.

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, 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 10 to 14, 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

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 178 to 193 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 judgement, they are independent of the Group. So that there is no potential conflict of interest in work undertaken by Downer's external auditors, they may only provide services that are consistent with the role of the Company's auditor.

KPMG was the Group's auditor during the financial year until cessation, having identified a conflict of interest after the Group filed a defence in the shareholder class action (refer to Note C9) and pleaded a proportionate liability defence against KPMG on 4 March 2024. Non-audit remuneration of KPMG whilst auditor during the financial year was $42,447.

PricewaterhouseCoopers (PwC) was appointed during the financial year in April 2024.

The Board has considered the position of audit independence 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). This included consideration of services provided by PwC during the year prior to their appointment as our external auditor and cessation of services deemed incompatible with the role of external auditor.

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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 so that they do not impact the integrity and objectivity of the auditor
- 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 and 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 78 of this Annual Report.

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

Auditor	PwC	KPMG	PwC	KPMG
Non-audit services	2024 $	2024 $	2023 $	2023 $
Tax services	150,681	42,447	158,749	24,150
Advisory services	214,377	–	411,216	16,694
Other services and agreed upon procedures	85,000	–	–	–
	450,058	**42,447**	**569,965**	**40,844**

PwC's fees for Non-audit services during the financial year included $295,653 for engagements entered prior to PwC appointment as auditors (2023: $569,965).

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and consolidated financial statements. Unless otherwise 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.

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Remuneration Report

Chairman's Letter

Dear Fellow Shareholders,

On behalf of the Board, we are pleased to present Downer's 2024 Remuneration Report.

The 2024 financial year has been a year of turn-around and transformation. The business reset is progressing to plan and there are proof points that the new executive team and strategy is having a positive impact on business performance.

At the last Annual General Meeting in November 2023, 91.45% of votes cast by shareholders were in favour of the 2023 Remuneration Report. The structure of the 2024 Remuneration Report has been prepared with the same objective of providing readers with a transparent view of how performance has been linked to reward outcomes for the 2024 financial year.

FY24: A year of transformation and turnaround

FY24 was the first full financial year of a transformation program that was initiated in the second half of FY23. In August 2023, the Chief Executive Officer outlined the transformation priorities for the FY24 financial year which were to:

- Commence the new fully integrated trans-Tasman operating structure to remove organisational silos
- Focus on EBITA margin improvement through a focus on consistent project delivery, risk management and overhead efficiency
- Achieve the $100 million cost out program
- Introduce enhanced tendering governance processes with an enhanced focus on risk allocation in contracts
- Make enhancements to the Group's procurement controls in response to an ICAC enquiry
- Improve the quality of earnings, with higher focus on cash collection and conversion
- Complete under-performing, low margin water construction contracts in the Utilities business and return the Business Unit to profitability
- Strengthen the balance sheet and stabilise Downer's Fitch investment grade credit rating (which was on negative watch)
- Develop and implement enterprise-level strategic, full potential and high-performance culture plans
- Increase organisational capability through an uplift in people, systems and processes.

FY24: Performance

Peter Tompkins (Managing Director and CEO) and Malcolm Ashcroft (CFO) completed their first full financial year as KMP in FY24. In this period, the operating model and structure of the organisation has substantially redefined roles, authorities, and accountability for performance. To support the new operating model and to drive achievement of strategic priorities, the Group's leadership team has been renewed, including the addition of several senior external appointments, namely Chief Risk Officer, Chief Information Officer, Group Executive Business Services, Group Executive General Manager Finance, and Chief Operating Officer Energy & Utilities.

The governance structure at Board and Management levels has also been redefined and reset. At a management level, the structure, timing and depth of management reviews of Business Units and contracts has been strengthened. Improved capital allocation and investment approval disciplines and governance processes have been implemented. A new enterprise-wide IT strategy and governance model has been developed and is being implemented under our new CIO, with a corresponding capacity and capability uplift. As highlighted in last year's report the new Board Project Governance Committee and the redefined People and Culture Committee have been in place for the full year.

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The financial performance achieved in FY24 demonstrates that the Group's leadership changes, new strategy, culture and transformation program priorities outlined above are having a positive impact on the performance of the business. Key highlights of Downer's FY24 financial performance include:

- An increase in statutory NPAT to $82.1 million, up from $385.7 million loss in FY23.
- An increase in underlying NPATA to $210.1 million, a 21% improvement from the previous financial year.
- An increase in operating cash flow by 71% to $544.1 million.
- Strong normalised cash conversion of 104.4% (compared to 62.6% in the prior corresponding period).
- Continued EBITA margin improvement of 3.3% on a pro forma basis for FY24 compared to 2.6% for FY23 (4.0% for the second half on a pro forma basis, compared to 2.9% for the prior corresponding period).
- Achievement of the $100 million cost out program, with an additional $75 million target announced in February 2024.
- Net Debt/EBITA of 1.4x at June 2024 (compared to 2.0x at June 2023).
- A three-year decarbonisation plan being implemented.

In the Utilities business (loss making in FY23), enhanced tender risk guardrails helped the business target new opportunities that have acceptable risk characteristics, with low margin water construction projects complete or nearing completion. With these and other initiatives reducing costs and driving efficiencies, the Utilities business delivered positive earnings growth in FY24 and, importantly, has the foundations in place for continued earnings growth.

A further turnaround proof point occurred in May 2024, with Fitch Ratings revising the outlook on Downer's Long Term Issuer Default Rating (IDR) from negative to stable. Fitch also affirmed Downer's IDR and senior unsecured investment grade credit rating at BBB (investment grade). The revision reflects Fitch's view of our ability to deliver the identified cost savings to return our EBITDA margin to above 5% for FY25.

Tragically, during the year, there were three workplace fatalities. The Board and Management team's deepest sympathies are extended to those affected. Keeping our people safe is Downer's highest priority. While our systems and processes are sound, we are elevating our focus on critical control improvement. A Group-wide safety reset to focus our teams' attention on critical control effectiveness has commenced. Downer's Lost Time Injury Frequency Rate (LTIFR) for FY24 at 0.88 was below our target of <0.90 and FY23 result of 0.90. Our Total Recordable Injury Frequency Rate (TRIFR) at 2.54 was below the target of <3.00 and lower than our FY23 result of 2.68. These lagging indicators confirm Downer's performance remains superior to industry benchmarks published by SafeWork Australia for all industries in which Downer operates. Management's single most important priority in FY25 remains the safety of our People and the elimination of serious incidents across our operations. This has been reflected in the changes to our remuneration framework for FY25 (see below).

FY24: Remuneration outcomes

Short-term incentive (STI) outcomes

The STI outcomes in FY24 reflect the intended operation of the remuneration framework and appropriately represent the underlying performance of the business and progress against the Group's transformation program goals. Several enhancements were made to the STI plan for FY24, reflecting feedback from investors and improving alignment with the operating model. This included the addition of an additional 'one-off' transformation measure which increased the weighting of financial measures in the scorecard from 60% to 70%, an increased focus on employee engagement, and increasing the rigour of our safety KPIs. Details of FY24 enhancements are outlined in section 1.

The financial gate (NPATA) for the scorecard was achieved, thereby opening the Group scorecard for both financial and non-financial KPIs (apart from Safety).

The Board considered these results in the tragic context of the three fatalities that occurred during the year. The Board has determined that, in addition to the Safety scorecard outcome of zero, downward discretion should apply to the full Zero Harm element of the scorecard. As a result, the sustainability scorecard (which had otherwise been achieved) has been assessed as zero. As a result, 0% of the Zero Harm component of the FY24 STI Scorecard has been achieved (20% of the total scorecard). Further detail can be found at section 7.3.2.

The overall scorecard result after the Board's modification was 72.03% of target (54.02% of maximum). As per the plan rules, 50% of the STI award is deferred over two years.

Based on the progress made in FY24, the Board is confident Downer is on the right path to becoming a more sustainable, high-performing organisation that delivers long-term value for shareholders.

2022 Long-term incentive (LTI) outcomes and 2024 LTI changes

Testing of the 2022 LTI Plan was performed in August 2024. Relative Total Shareholder Return (RTSR), Earnings per Share (EPS), Earnings, Net Profit After Tax and Amortisation (NPATA) and Funds from Operations (FFO) hurdles were not met, resulting in performance rights being forfeited. Further detail can be found at section 7.3.4.

As highlighted in last year's remuneration report, the Board, in accordance with the Company policy, re-based the FY23 EPS value to be used as the baseline for the EPS component of the 2024 LTI Plan, from which performance will be measured. The Board determined that the base value for FY23 EPS be increased to 30 cents per share so that any future reward will be tested against an appropriately challenging starting point that is aligned with shareholders.

For alignment with Downer's focus on achieving a higher quality of earnings through a sustained improvement in EBITA margin across the business and the 4.5% EBITA margin target, the Board introduced a 'gate' requiring an average EBITA margin outcome of at least 4.5% across FY25 and FY26 for the purpose of the balanced scorecard component of the FY24 LTI plan. This included a minimum EBITA margin threshold of 4.2% in FY25. Further details of the plan enhancements are disclosed in section 1.

Assessment of Individually Significant Items (ISI)

Each year, in accordance with policy, the Board considers the impact of matters including acquisitions, impairments, divestments and importantly for FY24, the impact of decisions made in the business turn-around transformation program that impact FY24 financial outcomes.

For FY24, multiple ISIs were identified to have a significant impact on NPATA with a lesser impact on FFO (cashflow) and considered qualitatively non-underlying and/or one-off in nature as part of the transformation. This included divestment and exit costs, regulatory reviews and legal matters, transformation and restructuring costs, and impairment and asset write downs.

In assessing each ISI, the overarching focus of the Board is appropriate accountability for delivery of budgets and business plans while not creating a barrier to tough transformation decisions that set the organisation up for longer-term value creation. With FY24 being a year of significant business reset and transformation, the Board has assessed a wide range of matters impacting NPATA and ISIs to reflect the underlying performance of management and the business.

The details of the matters which affected the FY24 statutory result which were adjusted by the Board based on the above principles are set out in sections 7.4.1, 7.4.2 and 7.4.3 of this report.

Non-executive Director (NED) succession and remuneration

Board renewal has continued to be a key area of focus, with the following changes to the composition of the Board occurring in FY24:

- Peter Watson retired from the Board on 30 September 2023
- Steven MacDonald appointed as a Non-executive Director, effective from 1 September 2023
- Sheridan Broadbent appointed as a Non-executive Director, effective from 2 October 2023.

Both Mr MacDonald and Ms Broadbent joined Downer as Independent Directors.

Peter Barker joined the Board as a Non-executive Director from 1 July 2024 as an Independent Director and will stand for election at the Annual General Meeting in November 2024.

There were no changes to either the NED fee pool or fee levels in FY24.

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Remuneration framework for FY25

The FY24 STI scorecard included a one-off transformation initiative component with a 20% weighting. This was so that appropriate prioritisation of initiatives that would set the organisation up for longer-term success. For FY25, this measure has been removed to reflect the Board's expectation that transformation and optimisation will now be measured through their impact on other financial metrics. The 20% transformation measure has been reallocated, establishing a 65% financial and 35% non-financial weighting:

- Given our commitment to safety of our people and disappointing safety outcomes in FY24, the Board has increased the weighting of the Safety measure within the STI scorecard to 15% (up from 10%). For FY25, if the safety 'gate' (zero fatalities) is not passed, the entire Safety measure will be forfeited
- The NPATA component has been increased by 10% to 35% and FFO increased by 5% to 30% reflecting the criticality of sustained financial performance to the generation of shareholder value.

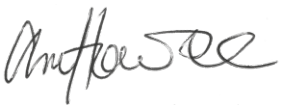
To increase the focus on achieving a higher quality of earnings through a sustained improvement in EBITA margin across the business and the 4.5% EBITA average margin target across FY25 and FY26, the Board has introduced an EBITA margin performance modifier to the NPATA component within the existing STI framework to further incentivise Executives to deliver higher quality of earnings. Details are provided in section 1.

The Board will continue to review and refine the existing remuneration framework to:

- Consider feedback and expectations of key stakeholders
- Continue to align with our strategy, including our multi-year Transformation program
- Reward performance that is aligned with the long-term interests of shareholders.

We thank you for your support and welcome feedback from shareholders and other key stakeholders at our 2024 AGM.

Mark Menhinnitt
Board Chair



Adelle Howse
People and Culture Committee Chair

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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 2024. The term 'executive' in this Report means KMPs who are not Non-executive Directors.

The Report covers the following matters:

1. Summary of changes to remuneration policy
2. Details of Key Management Personnel
3. Remuneration Policy, Principles and Practices
4. Relationship between Remuneration Policy and Company Performance
5. The Board's Role in Remuneration
6. Description of Executive Remuneration
7. Details of Executive Remuneration
8. Executive Equity Ownership
9. Key Terms of Employment Contracts
10. Related Party Information
11. Description of Non-executive Director Remuneration

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1. Summary of changes to Remuneration Policy

Downer has continued to refine its remuneration framework during the period informed by Company strategy, competitive position and stakeholder feedback. Changes to policy are noted in the relevant sections of this Report and are summarised in the table below.

Policy	Enhancements in 2024
Short-term incentive (STI) plan	The overall structure of the STI plan was enhanced following feedback from investors and to improve alignment to the operating model with some changes to relative weightings and the introduction of an additional financial (transformation) measure. ■ Weighting to Portfolio and Performance (financial) measures increased from 60% to 70% for the FY24 year. This allowed the inclusion of an additional 'one-off' Portfolio and Performance measure focused on net financial benefits derived from measurable transformation initiatives. The transformation initiatives measure represents 20% of the scorecard alongside the profitability measure (NPATA) of 25% and a Cash measure of 25%. ■ The Transformation measure was calculated as the financial benefit gained from specific transformation initiatives in FY24 less certain implementation costs and aiming to achieve recurring transformation benefits beyond FY24. ■ The Learning and Development measure was replaced with an increased focus on Employee Engagement with the people measure of 10% based fully on the Employee Engagement survey outcomes as an indicator of progress in the culture initiatives and transformation. ■ Financial and Zero Harm gateways remained unchanged.
Long-term incentive (LTI) plan	The overall structure of the LTI plan continued with some changes to the performance hurdles. ■ The relative TSR measure now requires absolute TSR to be positive. ■ The EPS growth baseline was adjusted for elements of underperformance in FY23. ■ The balanced scorecard measure was enhanced with the inclusion of a minimum EBITA margin achievement measure for FY25 and FY26 in order to be eligible for any vesting under the Scorecard condition.
Policy	**Enhancements in 2025**
Short-term incentive (STI) plan	With the changes to the operating model now completed, the one-off transformation measure implemented for FY24 has been removed, and as a result the NPATA measure weighting will increase from 25% to 35% and FFO measure weighting will increase from 25% to 30%. ■ Improving EBITA margins is an important driver of delivering value for shareholders. To continue to drive the improvements in the quality of earnings, as evidenced by the material improvement in percent margins delivered in FY24, the Board has introduced an EBITA margin performance modifier to the NPATA component of the STI. The scorecard outcome for the NPATA component will increase if an EBITA margin greater than 4.2% to a maximum of 4.6% EBITA is achieved. The Board believes that achieving a higher EBITA margin percentage will have sustained benefits into future years. The application of the EBITA margin modifier is balanced with the following controls: – The Financial gateway (threshold NPATA) still must be achieved for any payment to trigger; – EBITA margin of 4.2% has to be reached before there is any enhancement; and – The maximum payment under the existing NPATA scorecard component cannot be exceeded.

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Policy	Enhancements in 2025
Short-term incentive (STI) plan *continued*	■ The Safety weighting will increase from 10% to 15% reflecting the importance of safety within the business, and if the safety 'gate' (zero fatalities) is not passed, the entire Safety measure will be forfeited. The Sustainability component will remain at 10% with a separate gate relating to environmental incidents. ■ The People measure will continue to be focused on employee engagement but as part of a transition to a new employee engagement assessment aligned to the transformation, for FY25 the measure will require a significant increase in participation as well as successful execution of employee engagement improvement initiatives.
Long-term incentive (LTI) plan	Shareholder and proxy advisor feedback has been incorporated into the FY24 plan. The Board will continue to review the LTI framework so it is aligned with the long-term interests of shareholders.

2. Details of Key Management Personnel

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

Director	Role
M J Menhinnitt	Chairman, Independent Non-executive
P J Tompkins	Managing Director and Chief Executive Officer
P A Barker	Independent Non-executive Director (commenced 1 July 2024)
S Broadbent	Independent Non-executive Director (commenced 2 October 2023)
T G Handicott	Independent Non-executive Director
N M Hollows	Independent Non-executive Director
A M Howse	Independent Non-executive Director
S J MacDonald	Independent Non-executive Director (commenced 1 September 2023)
P L Watson	Independent Non-executive Director (retired 30 September 2023)

2.1. Executive KMP

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

Executive	Role
P J Tompkins	Managing Director and Chief Executive Officer
M R Ashcroft	Chief Financial Officer

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3. Remuneration Policy, Principles and Practices

3.1. 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	■ Provide remuneration that is internally fair ■ Remuneration is competitive with the external market ■ Defer a substantial part of pay contingent on continuing service and sustained performance.
Focus performance	■ 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 a challenging level before any bonus payments can be made ■ 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	■ Incorporate measures that embody Zero Harm for Downer's employees, contractors, communities and the environment as a significant component of reward.
Manage risk	■ 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 ■ Restrict trading of vested equity rewards for compliance with the Company's Securities Trading Policy.

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Policy	Practices aligned with policy
Align executive interests with those of shareholders	■ 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 as well as relative TSR and earnings per share measures directly related to shareholder value ■ Maintain a guideline minimum shareholding requirement for the MD & CEO equal to 12 months' fixed remuneration ■ Exclude the short-term impact of opportunistic acquisitions and divestments from performance assessment to encourage agility and responsiveness ■ Encourage holding of shares after vesting via a trading restriction for all executives and payment of LTI components in shares ■ Prohibit hedging of unvested equity and equity subject to a trading lock for alignment with shareholder outcomes.
Attract experienced, proven performers	■ Provide a total remuneration opportunity sufficient to attract proven and experienced executives from secure positions in other companies and retain existing executives.

4. Relationship between Remuneration Policy and Company Performance

4.1. Company strategy and remuneration

Downer's business strategy has been refreshed and reflected in our operating model and includes:

- A focus on driving a performance and risk management culture across the organisation
- A simplified operating model with efficient overheads and a continuous improvement approach to year-on-year cost reductions
- Implementation of The Downer Difference which prioritises Capability, Process and Technology enhancements to drive a higher level of satisfaction for staff and customers
- Managing risk and opportunities within an approved 'risk appetite' framework and enhancing the Company's capability to deliver more consistent project and contract margins through the application of The Downer Standard.

The Company's remuneration policy complements this strategy by:

- Focusing on Financial and Portfolio is appropriately balanced with non-financial measures that underpin Downer's purpose of Enabling Communities to Thrive – Safety, Sustainability and People
- Incorporating Company-wide performance requirements for earnings (NPATA), Funds from Operations (FFO) and Quality of Earnings (EBITA margin percentage) in the STI and LTI scorecards
- Incorporating performance metrics that focus on FFO to provide a strong emphasis on capital allocation, capital efficiency and financial discipline
- Excluding the short-term impacts of opportunistic acquisitions and divestments on incentive outcomes to encourage flexibility, responsiveness and growth consistent with strategy
- Deferring 50% of STI awards to encourage sustainable performance and a longer-term focus
- Incorporating consistent financial performance in the LTIP Scorecard measure
- Encouraging engagement with, and the development and retention of, its people to help maintain a sustainable supply of talent.

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4.2. 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 reward is made
- Safety and environmental gateways to be achieved before calculating any reward for safety and sustainability performance
- Applying challenging financial and non-financial measures to assess performance
- Focusing management on strategic business objectives that create shareholder value
- Delivering a significant proportion of payment in equity for alignment with shareholder interests.

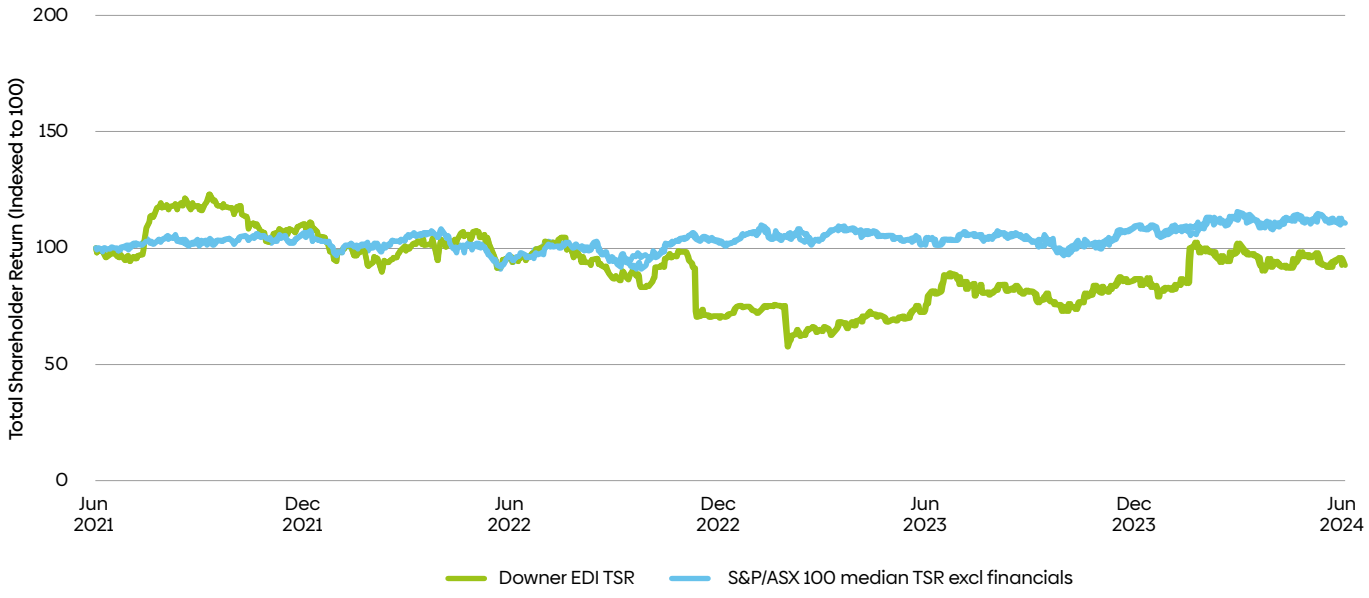
Downer measures performance on the following key corporate measures:

- Earnings per share (EPS) growth
- Total shareholder return (TSR) relative to other ASX 100 companies (excluding ASX 'Financials' sector companies) with a minimum requirement of positive TSR
- Group NPATA
- Divisional EBITA
- EBITA margin
- Transformation net cost benefits (for FY24 only)
- Funds from operations (FFO)
- Engagement with Downer's people
- 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 ASX 100 (excluding financials) over the three-year period to 30 June 2024. Relative TSR is a measure in Downer's LTI plan. Performance is reflected in TSR outcomes of the 2021 and 2022 LTI plans, where this measure was not achieved. Further detail is at section 7.3.4.

Downer EDI TSR compared to S&P/ASX 100 median excluding 'Financials' sector*



* S&P/ASX 100 companies as at 1 July 2021.

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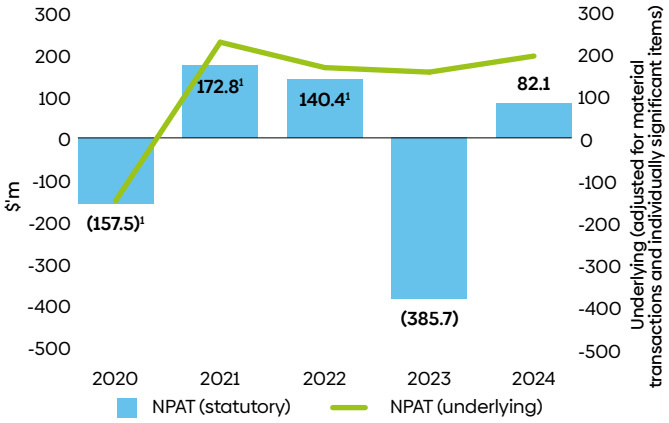
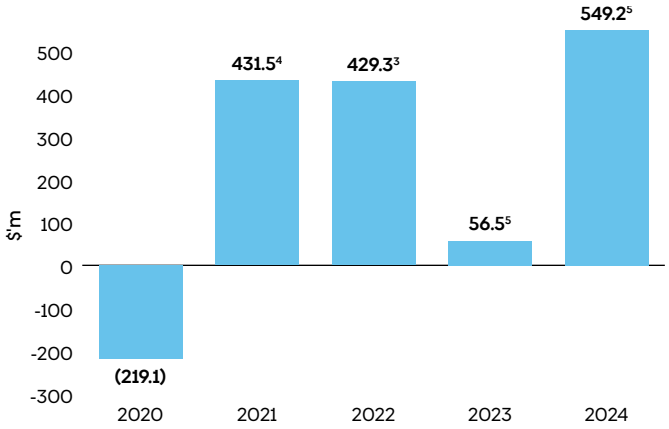
The graphs below illustrate Downer's performance against key financial and non-financial performance indicators over the last five years.

In 2023, Downer has identified certain accounting adjustments in its Australian Utilities business involving historical misreporting of revenue and contract assets in one of Downer's maintenance contracts as outlined in prior reports. As a consequence, the Group identified accounting adjustments to prior periods, including financial years 2020, 2021 and 2022 in relation to the measure of progress. The adjustments have been corrected by restating each of the affected financial statement line items for prior periods.

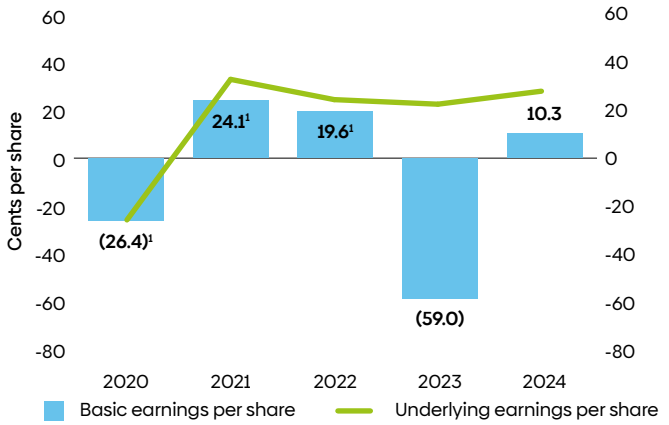
Net profit after tax



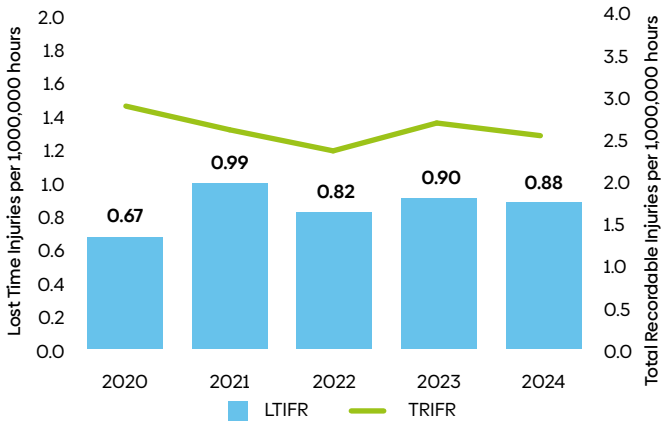
Funds from operations[2]



Basic earnings per share



Safety



1. Restated for certain accounting adjustment in its Australian Utilities business (refer to Note A to the consolidated financial statements).
2. Following the adoption of AASB 16 *Leases* which resulted in a change in accounting policy from FY20, historical FFO was not restated.
3. Adjusted for material transactions. 2022: $104.5 million net decrease and 2023: $184.0 million net decrease related to the divestment of the Australian Transport Project Business.
4. Adjusted for material transactions, including the payment for Spotless shares. 2021: $313.1 million net decrease.
5. Adjusted for cash impact of Individually Significant Items. 2023 prior year disclosure of $47.5 million amended to $56.5 million to take into account cash impact of Individually Significant Items. 2024 Funds from operations of $549.2 million is Operating cash flow $544.1 million less investing cash flow ($29.3 million), adjusted to add $34.4 million of ISI cash flows.

5. 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 People and Culture Committee and the Nominations Committee.

The interaction with the Board, other committees, management, and other stakeholders is shown in the diagram below.

Consultation with shareholders and other stakeholders

- Management may seek its own independent advice with respect to information and recommendations relevant to remuneration.

Board

The Board is responsible for:

- Approving Downer's remuneration strategy
- Determining the quantum of remuneration for Non-executive Directors and MD & CEO.

The Board has overarching discretion with respect to any awards made under the Company's incentive plans.

Remuneration consultants and other external advisors

- Provide independent advice, information and recommendations relevant to remuneration decisions
- The PCC may seek independent advice from external advisors on various remuneration-related matters
- Any advice provided by external advisors is used to assist the Board – it is not a substitute for the Board and PCC procedures
- Each Committee has the authority to engage external professional advisors without seeking approval of the Board or management.

Management

- Provides information relevant to the remuneration decisions and makes recommendations to the PCC
- Obtains remuneration information from external advisors to assist the PCC (i.e. market data, legal, tax and accounting advice).

People and Culture Committee (PCC)

The PCC is delegated responsibility by the Board to review and, where relevant, make recommendations on:

- 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 plans
- Superannuation arrangements
- Recruitment, retention, performance and termination policies and procedures for all Key Management Personnel and senior executives reporting directly to the MD & CEO
- Disclosure of remuneration in the Company's public materials including ASX filings and the Annual Report
- Retirement payments for all Key Management Personnel and senior executives reporting directly to the MD & CEO.

During the period, the PCC retained Guerdon Associates and Sodali & Co as its advisors. Guerdon Associates do not provide services to management and are considered to be independent.

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

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6. Description of Executive Remuneration

6.1. Executive remuneration structure

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

The variable component means 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 is aimed at aligning pay outcomes 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.

Executive position	Target STI % of fixed remuneration	Maximum STI % of fixed remuneration	Maximum LTI % of fixed remuneration	Maximum total performance-based pay as a % of fixed remuneration
MD & CEO – Peter Tompkins	75	100	130	230
CFO – Malcolm Ashcroft	56.25	75	75	150

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
- The guideline for the MD & CEO to maintain a shareholding as a multiple of pay after long-term incentive rewards have vested.

6.2. Remuneration benchmarking

Remuneration is benchmarked against roles of similar scope and complexity in relevant industries, using a variety of independent sources of market data. This market data is regularly updated and reviewed. The benchmarking approach is designed to consider the size and nature of Downer's businesses and will take into account global markets for talent where appropriate for key roles, as well as individual factors, such as location, economic environment and remuneration trends. This enables Downer to remain competitive in setting remuneration for executives.

Downer is a diverse Company operating in many market sectors. This means that identifying a select group of peers of comparable size and nature is challenging. The TSR comparator group under the LTI plan includes the companies, excluding financial services companies, in the ASX 100 index. 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
- Management's strong focus is on returning the Company's ranking amongst the ASX 100 companies.

While market levels of remuneration are monitored on a regular basis, there is no contractual requirement or expectation that any adjustments will be made.

6.3. 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.

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6.4. Short-term Incentive

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 2024.

The basis of the plan is designed to align STI outcomes with financial results.

6.4.1. STI tabular summary

The following table outlines the major features of the 2024 STI plan.

Purpose of STI plan	■ Focus performance on drivers of shareholder value over a 12-month period ■ Improve Zero Harm and people-related results ■ That remuneration varies with the Company's 12-month performance.
Minimum performance 'gateways' before any payments can be made	■ Achievement of a gateway based on 90% of budgeted Group NPATA for corporate executives and Divisional EBITA for divisional heads ■ This minimum is set at a challenging level to justify the payment of STI to an executive and deliver an acceptable return for the funds employed in running the business ■ Positive and negative impacts from material but opportunistic transactions are excluded from gateway assessment. Whether to exclude the impact of significant items (positive or negative) is considered on a case by case basis ■ Further independent gateways apply to the Zero Harm element ■ Should a workplace fatality or serious environmental incident occur, 50% of the Zero Harm element is foregone, with 100% foregone should both occur.
Maximum STI that can be earned	■ MD & CEO: up to 100% of fixed remuneration ■ CFO: 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)	■ An IPM may be applied based on an executive's individual key performance indicators and relative performance ■ 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 no greater than 1 across all participants ■ Application of an IPM cannot result in an award greater than the maximum STI% level set out in section 6.1.
Performance period	1 July 2023 to 30 June 2024.
Performance assessed	August 2024.
STI Deferral	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 subject to the satisfaction of a continued employment condition. This requires the executive to remain employed at the time of payment.

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Payment timing	September 2024 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	Cash for initial payment. ■ The value of deferred components will be settled in shares or cash, net of personal tax ■ Deferred components may be settled in shares. 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. However, the Board retains the discretion to vest deferred awards, in the form of shares or cash, and will generally have regard to an executive's individual circumstances and existing level of equity ownership ■ An eligible leaver's deferred components will be settled in shares or in cash at the sole and absolute discretion of the Board.
Dividend equivalent payments	No dividend entitlements are attached to the deferred components during the vesting period.
Board discretion	The Board may exercise 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 ■ 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 STI performance measures were tested were incorrect in a material respect or have been reversed or restated ■ Settle deferred components in shares or cash, with the intended default approach being shares ■ Vary from policy in exceptional circumstances. However, any variation from policy and the reasons for it will be disclosed.
Malus and clawback	All or part of the deferred components that are due to vest may be reduced in value 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.
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.
Performance requirements	Zero Harm, People and Portfolio and Performance measures.

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Zero Harm	Zero Harm reflects Downer's commitment to its customers, employees, regulators and the communities it serves. Performance is assessed on the following measures: *Safety Lag Indicators* ■ Total Recordable Injury Frequency Rate (TRIFR): the number of recordable injuries per million hours calculated over 12 months ■ Lost Time Injury Frequency Rate (LTIFR): the number of lost time injuries per million hours calculated over 12 months. *Critical Risk Assurance and Action Management* ■ Achievement of critical risk observation targets and maintenance of an active program of audits and inspections ■ Completion of all actions arising from high potential incidents within a defined timeframe. Communities of Practice ■ Leading a Group-wide Community of Practice (CoP) focusing on implementing changes to better control of one critical risk. The CoP must deliver a set of minimum deliverables identified in the STI Guide. *Decarbonisation* ■ Development of a three-year Climate Change and Decarbonisation Plan, to support GHG emissions reductions to achieve Downer's near-term GHG emissions targets for Scope 1 and 2 ■ Achievement of a set percentage of absolute Scope 1 and 2 GHG emissions targets.
People	■ Performance is assessed on measures of employee engagement ■ Employee engagement requires the achievement of an overall engagement score against a defined range in the annual Group-wide employee engagement survey ■ This measure was selected to drive a focus that seeks to achieve a high performance culture.
Financial	Performance is assessed on Group NPATA or Divisional EBITA, Transformation Initiatives and FFO performance against the budget. NPATA and EBITA provide transparency on operational business performance, align with how Downer presents its results to the market and allow for easier understanding of alignment between performance and remuneration outcomes. The Board considers this approach to be appropriate as: ■ The Board is the ultimate decision maker for transactions that give rise to acquired intangibles that result in the amortisation expense ■ The impact of amortisation of acquired intangibles, which in nature relate to long-term strategic decisions, remains reflected in incentive outcomes through the EPS measure in the LTI plan FFO is defined as net cash from operating activities less investing cash flow. The Transformation Initiatives are calculated as the in-year FY24 financial benefits specifically attributable to transformation initiatives that have recurring future value.

STI plan incentive calculation								
	Fixed remuneration	X	Maximum STI opportunity	X	Scorecard result	X	Individual Performance Modifier	=	STI payment

Weightings applied to the 2024 STI scorecard measures for all executives, including the MD & CEO, are set out in the table below.

Executive	Group NPATA	Divisional EBITA	Funds from Operations	Transformation	Zero Harm	People
Corporate	25%	–	25%	20%	20%	10%
Business Unit	7.5%	17.5%	25% (7.5% Group, 17.5% Division)	20% (10% Group, 10% Division)	20%	10%

6.5. Long-term Incentive

6.5.1. LTI tabular summary

The following table outlines the major features of the 2024 LTI plan.

Purpose of LTI plan	■ Focus performance on drivers of shareholder value over a three-year period ■ Manage risk by countering any tendency to over-emphasise short-term performance to the detriment of longer-term growth and sustainability ■ Vary a part of remuneration with the Company's longer-term performance.
Maximum value of equity that can be granted	■ MD & CEO: 130% of fixed remuneration ■ CFO: 75% of fixed remuneration.
Performance period	1 July 2023 to 30 June 2026. Performance assessed August 2026.
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 2027.
Performance rights vest	July 2027.
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 ASX 100 index, excluding financial services companies, at the start of the performance period on 1 July 2023, measured over the three years to 30 June 2026. In addition, the absolute TSR must be greater than 0 to be eligible for any vesting under the TSR condition.

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Performance conditions *continued*

The performance vesting scale that will apply to the performance rights subject to the relative TSR test is shown in the table 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% 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 2026. For FY24, the EPS baseline was adjusted upwards to 30 cents per share so that any future reward will be tested against an appropriately challenging starting point aligned to shareholders' expectations.

The performance vesting scale that will apply to the performance rights subject to the EPS growth test is shown in the table below:

Downer EDI Limited's EPS compound annual growth	Percentage of performance rights subject to EPS condition that qualify for vesting
< 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%

Scorecard

The Scorecard performance condition is based on the Group's NPATA and FFO for each of the three years to 30 June 2026. As these measures are considered to be key drivers of shareholder value, they have been included in the LTI plan to reward consistent and sustainable financial performance.

The performance vesting scale that will apply to the performance rights subject to the Scorecard test is shown in the table 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%

NPATA 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. In addition, the Scorecard condition is subject to achieving a minimum EBITA margin gate. The Margin Gate requires that Downer achieve:

- a minimum Group EBITA margin of 4.2% for the 2025 financial year; and
- a minimum average Group EBITA margin of 4.5% across the 2025 and 2026 financial years.

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Performance conditions *continued*	**Scorecard** *continued* The Scorecard condition is designed to: ■ Strengthen retention through the setting of challenging targets on an annual basis that reflect prevailing market conditions, for a portion of LTI awards ■ Focus on consistent measures aligned with the STI plan and 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 ■ Focus on performance sustainability through reward of consistent achievement of absolute performance targets over the long term.
Treatment of dividends and voting rights on performance rights	Performance rights do not have voting rights or accrue dividends.
How performance rights and shares are acquired	The rights are issued by the Company and held by the participant subject to the satisfaction of the vesting conditions. The number of rights held may be adjusted pro-rata, consistent with ASX adjustment factors, for any capital restructures. If the rights vest, executives can exercise them to receive shares that are normally acquired on-market. The Board retains the discretion to vest awards in the form of cash.
Restriction on hedging	Hedging of entitlements under the plan by executives is not permitted.
Restriction on trading	After vesting, any shares will remain subject to a trading restriction that is governed by the Company's Securities Trading Policy.
New participants	New participants (either new starters 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. 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.
Ceasing 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.
Malus and clawback	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.

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6.5.2. Post-vesting shareholding guideline

The MD & CEO is required to continue to hold shares after they have vested until the shareholding guideline has been attained. This guideline requires that the MD & CEO holds vested long-term incentive shares equal in value to 100% of his fixed remuneration. The MD & CEO's shareholding is currently 92% of the guideline level.

The guideline requirement has been developed to reinforce alignment with shareholder interests. The People and Culture Committee has discretion to allow variations from this guideline requirement.

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.

6.6. Treatment of major transactions

Downer has a long history of strategic mergers, acquisitions and divestments. On each occasion, the Board considers the impact of these transactions. Where a transaction is both material and unbudgeted, the Board considers whether it is appropriate to adjust for its impact on the key performance indicators on which executive performance is measured. The objective of any adjustment is that opportunities to add value through an opportunistic divestment or acquisition should not be fettered by consideration of the impact on incentive payments. That is, executives should be 'no better or worse off' as a result of the transaction. No adjustments are made for market reactions to a transaction as the Board believes that management is accountable for those outcomes.

The Board considers this approach to be appropriate so that:

- Executives and the Board consider these transactions solely based on the best interests of Downer
- Executives remain accountable for transaction execution and post-transaction performance from the next budget cycle
- Executives complete opportunistic transactions that are in the long-term interests of shareholders
- It is consistent with the Board's long-term view when considering the value of major transactions to Downer's shareholders
- Downer remains agile and responsive in managing its portfolio by pursuing opportunities as and when they emerge rather than being constrained by the annual budget process.

In assessing Zero Harm performance of executives, the results of acquired businesses are excluded for a period of 12 months post acquisition so management is accountable for the objectives set in the annual business planning process and in recognition that an integration period during which Downer's Zero Harm framework (including systems, processes, definitions and measurement and reporting methods) is implemented through the acquired business is appropriate provided it is delivered within approved parameters. Where this transition to Downer's framework takes place over a longer period due to the complexity of the implementation or the maturity profile of the acquired business, the Board will consider an extension to a more appropriate period.

6.7. Treatment of significant items

From time to time, Downer's performance is impacted by significant items, including importantly for FY24, the impact of decisions made in the transformation program that impact FY24 outcomes but set the organisation up for longer-term success and shareholder value. Where these occur, the Board considers whether to adjust for their impact (positive or negative) on a case by case basis, having regard to the circumstances relevant to each item.

The Board considers this approach to be appropriate so that executives are held accountable for the delivery of the annual budget and business plan and that executives and the Board make decisions solely based on the best interests of Downer. Decisions made in relation to business reorganisation and restructuring are assessed appropriately in a transformation period so that executives responsible for transformation programs are not penalised for making decisions in the longer-term best interests of the Company and shareholders.

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7. Details of Executive Remuneration

7.1. Remuneration received in relation to the 2024 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 2024 financial year, comprising fixed remuneration, cash STIs relating to 2024, deferred STIs payable in 2024 in respect of prior years and the value of LTI grants that vested during the 2024 financial year. This information differs to that provided in the statutory remuneration table at section 7.2 which shows the share-based payment accounting expense for LTIs and deferred STIs 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[2] $	Deferred Bonus paid or payable in respect of prior years[3] $	Other Benefits[4] $	Total payments $	LTI that vested during 2024[5] $	Total remuneration received $
P J Tompkins	1,555,504	418,655	–	30,356	2,004,515	–	2,004,515
M R Ashcroft	927,137	182,318	–	29,608	1,139,063	–	1,139,063
	2,482,641	**600,973**	**–**	**59,964**	**3,143,578**	**–**	**3,143,578**

1. Fixed remuneration comprises salary and fees, payment of leave entitlements, non-monetary benefits and superannuation payments.
2. Cash Bonus paid or payable in respect of current year represents cash payments in relation to the 2024 financial year.
3. Deferred Bonus represents the deferred bonus amount to be paid in September 2024, being the second deferred component of the 2022 award, adjusted as set out in section 7.3.3. P J Tompkins chose to voluntarily forgo his 2023 deferred components, each of which is valued at $121,875. There was no deferred component payable for the 2023 award as no STI award was paid to P J Tompkins.
4. Other benefits represent movements of leave accruals.
5. Represents the fair value of performance rights granted in previous years that vested during the year, calculated as the number of performance rights that vested multiplied by the closing market prices of Downer shares on the vesting date.

7.2. Remuneration of executive key management personnel required under the *Corporations Act 2001* (Cth)

	Short-term employee benefits			Long-term employee benefit	Post-employment benefits					
2024	Salary and fees $	Cash Bonus paid or payable in respect of current year[1] $	Non-monetary $	Other long-term benefits[2] $	Super-annuation $	Other benefits $	Termin-ination benefits $	Subtotal $	Share-based payment trans-actions[3] $	Total $
P J Tompkins	1,498,574	418,655	29,531	24,852	27,399	–	–	1,999,011	770,483	2,769,494
M R Ashcroft	872,601	182,318	27,137	2,772	27,399	–	–	1,112,227	223,230	1,335,457
	2,371,175	**600,973**	**56,668**	**27,624**	**54,798**	**–**	**–**	**3,111,238**	**993,713**	**4,104,951**

1. Cash Bonus paid or payable in respect of current year represents cash payments in relation to the 2024 financial year. These comprise the 50% cash component of the award.
2. This includes the net movement in Long Service Leave provision over the reporting period.
3. This represents AASB 2 Share-based payments relating to deferred shares of P Tompkins of $174,440 and M R Ashcroft of $75,966 and performance rights. Performance rights represent the fair value of vested and unvested equity expensed during the period including reversal for forfeited equity incentives and the probability of the incentives vesting, related to grants made to the executive, as outlined in section 8.2. Vesting of the majority of securities remains subject to significant performance and service conditions as outlined in section 6.5.

	Short-term employee benefits			Long-term employee benefit	Post-employment benefits					
2023	Salary and fees $	Cash Bonus paid or payable in respect of current year[2] $	Non-monetary $	Other long-term benefits[4] $	Super-annuation $	Other benefits $	Termination benefits $	Subtotal $	Share-based payment transactions[3] $	Total $
P J Tompkins	1,166,842	–	154,532	153,487	25,292	–	–	1,500,153	145,667	1,645,820
G A Fenn[1]	1,308,244	–	52,365	21,646	18,969	–	–	1,401,224	(262,778)	1,138,446
M R Ashcroft[1]	72,892	–	5,432	1,178	6,323	–	–	85,825	–	85,825
M J Ferguson	961,645	–	37,903	16,243	25,292	–	–	1,041,083	(463,644)	577,439
	3,509,623	**–**	**250,232**	**192,554**	**75,876**	**–**	**–**	**4,028,285**	**(580,755)**	**3,447,530**

1. Amounts represent the payments relating to the period during which the individuals were Key Management Personnel (KMP). G A Fenn ceased as a member of the KMP on 27 February 2023. M R Ashcroft became a member of the KMP on 1 June 2023.
2. Cash Bonus paid or payable in respect of current year represents cash payments in relation to the 2023 financial year. These comprise the 50% cash component of the award.
3. This represents AASB 2 Share-based payments relating to deferred shares of G A Fenn of $60,721 (cash settled), P Tompkins of $48,663 and M J Ferguson of $34,344 (cash settled) and performance rights. Performance rights represent the fair value of vested and unvested equity expensed during the period including reversal for forfeited equity incentives and the probability of the incentives vesting, related to grants made to the executive, as outlined in section 8.2. Vesting of the majority of securities remains subject to significant performance and service conditions as outlined in section 6.5.
4. This includes the net movement in Long Service Leave provision over the reporting period.

7.3. Performance related remuneration

7.3.1. Performance outcomes required under the *Corporations Act 2001* (Cth)

The table below lists the proportions of remuneration paid during the year ended 30 June 2024 that are performance and non-performance related and the proportion of STIs that were earned during the year ended 30 June 2024 due to the achievement of the relevant performance targets.

	Proportion of 2024 remuneration		2024 Short-term incentive	
	Performance Related[1] %	Non-performance Related %	Paid %	Forfeited %
P J Tompkins	43	57	54	46
M R Ashcroft	30	70	54	46

1. Performance related portion includes the reversal of expense for forfeited equity incentives described in section 6.5.

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7.3.2. 2024 Group STI Scorecard and Outcomes

Performance is assessed for each scorecard measure based on the actual outcomes compared to the performance levels defined below.

The scorecard measures are Downer's priorities and performance requirements are set at challenging levels to drive organisational performance and continued improvement of the business.

The minimum earnings performance gateway was achieved by KMP, meaning the STI scorecard opened for FY24. The STI outcome achieved for each measure is set out in the table below. The Safety gate (zero fatalities) was not met for KMP, meaning that the combined Safety and Sustainability results would normally be reduced by 50%. This was further reduced to 0% reflecting the disappointing performance outcomes in the year.

Element	Measure	Description	Weighting %	Min	Target	Max	Modified Outcome %
Safety[1]	Achieve Defined Safety KPIs	Achieve TRIFR below 3.0	10				0
		Achieve LTIFR below 0.9					
		Critical Risk Assurance and Action Management					
		Communities of Practice (Critical Control Improvement and Effectiveness)					
Sustainability[1]	Decarbonisation	Group's Scope 1 and 2 GHG emissions performance	10				0
People	Employee engagement	Achieve an overall Employee Engagement Score between 68% and 72%	10				0
Portfolio and Performance	Net Profit After Tax and before Amortisation of acquired intangibles	Achieve NPATA of $207.0 million to $276.0 million with a target of $230.0 million	25				9.02
	Funds from operations	Achieve FFO of $351.1 million to $468.1 million with a target of $390.0 million	25				25
	Transformation initiatives	Achieve Transformation of $85.5 million to $114 million with a target of $95.0 million	20				20

1. Safety and Sustainability reduced to zero due to three fatalities.

For 2024, the IPM applied to each member of the KMP remained at 1.

7.3.3. Deferred STI Outcomes

The MD & CEO and CFO did not receive a 2023 STI award, accordingly no deferred components are payable in 2024. The current MD & CEO voluntarily forwent his FY22 deferred components. The Board has determined that for the former CEO and former CFO, no payment of the second deferred component of the FY22 plan will be made.

7.3.4. LTI performance outcomes

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

Relevant executives[1]	Relevant LTI measure	Performance outcome	% LTI tranche that vested
P J Tompkins	**2021 plan – performance period 1 July 2020 to 30 June 2023**		
	TSR tranche – percentile ranking of Downer's TSR relative to the constituents of the ASX 100 over a three-year period.	Actual performance ranked at the 15th percentile based on a TSR result of –5.03%.	0% became provisionally qualified. 100% were forfeited.
	EPS tranche – compound annual earnings per share growth against absolute targets over a three-year period.	Actual performance was –9.88%.	0% became provisionally qualified. 100% were forfeited.
	Scorecard tranche – sustained NPATA and FFO performance against budget over a three-year period.	Actual performance was 84.4% for NPATA and 118.2% for FFO.	16.7% became provisionally qualified and remain subject to Board approval. 83.3% were forfeited.
P J Tompkins	**2022 plan – performance period 1 July 2021 to 30 June 2024**[2]		
	TSR tranche – percentile ranking of Downer's TSR relative to the constituents of the ASX 100 over a three-year period.	Actual performance ranked at the 24th percentile based on a TSR result of –5.84%.	0% became provisionally qualified. 100% were forfeited.
	EPS tranche – compound annual earnings per share growth against absolute targets over a three-year period.	Actual performance was -5.98%.	0% became provisionally qualified. 100% were forfeited.
	Scorecard tranche – sustained NPATA and FFO performance against budget over a three-year period.	Actual performance was 75.9% for NPATA and 82.1% for FFO.	0% became provisionally qualified. 100% were forfeited.

1. Relevant executives refers to members of the KMP who are participants in the plan tested.
2. Test outcomes for the 2022 plan are provisional and will be confirmed following release of the Company's audited 2024 results. Accordingly, the outcomes are not reflected in the disclosures in section 8.

7.4. Major transactions and significant items

During the year there were individually significant items that included major transactions and individual items that had a significant impact that are one-off or non-recurring in nature. The Board considers such items at the end of each performance period and whether it is appropriate to adjust for their impact on incentive outcomes. These items, identified as qualitatively non-underlying and/or one-off in nature including those that form part of the transformation, highlight the importance of striking the right balance to enable management to progress strategy implementation and transformation to set the business up for sustainable growth, despite short-term cost and capital implications.

7.4.1. Major transactions

During the year, there were six major transactions as part of portfolio simplification strategy being divestment and exit costs for the Australian Transport Project business, Asset & Development Services business, Repurpose It, VEC construction contracting business, AE Smith New Zealand and Metering Services Australia.

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7.4.2. Significant items

During the year, there were several significant items categorised as follows:

Item	Description
Regulatory reviews and legal matters	Costs incurred in relation to significant regulatory and legal matters consistent with treatment in FY23.
Transformation and restructuring costs	Costs incurred in relation to the Group's transformation program including restructuring and redundancy costs associated with the new operating model, cost out program, site rationalisation, external consulting costs and Software-as-a-Service (SaaS) implementation costs.
Asset Impairments	Impairment charges that relate to asphalt plants in the Transport segment, including one plant established in 2022 following a compulsory acquisition process funded by the acquiring authority resulting in a gain of $60.1 million (post tax) treated as an Individually Significant Item in FY22 STI scorecard, and impairment and other costs associated with software projects terminated as a result of IT cost reduction program and IT strategic review.

In assessing performance, the Board exercises its judgement in evaluating the quality of results including the nature of significant items and whether there should be any adjustments considered for remuneration purposes. See Note B3 of the Annual Report and the Investor Presentation for a reconciliation between statutory and underlying results.

7.4.3. Impacts from Individually Significant Items

With FY24 being a year of significant business reset and transformation, the Board examined a wide range of matters impacting NPATA and FFO to determine ISI's that reflect the underlying performance of management and the business. This approach aligns to the principle that the executives are 'no better or worse off' as a result of the transactions and significant items so that performance is measured against delivery of the Company's strategy and business plan.

The following table summarises the ISIs:

Measure	Adjustment
NPATA	Exclusion of $(177.2) million before tax (refer Note B3 for further details on Individually Significant Items) comprising: ■ $3.7 million fair value movement on Downer Contingent Share Options (DCSO) liability. ■ $21.7 million net gain on divestments and exit costs. ■ $(23.3) million regulatory reviews and legal matters. ■ $(61.6) million transformation and restructuring costs, comprising: $(28.7) million employee benefits expense; $(31.6) million other expenses; and, $(1.3) million restructuring costs of an equity accounted associate. ■ $(117.7) million impairment and other asset write-downs, comprising: $(69.1) million impairment charges; $(11.2) million accelerated amortisation; and $(37.4) million of other expenses. Exclusion of associated tax benefit of $65.4 million. Total adjustment to NPATA of $(111.8) million.
FFO	Exclusion of cash inflows and outflows before tax: ■ Net inflow $45.0 million for divestment gains and exit costs with net proceeds $68.5 million less $23.5 million GST payment outflow. ■ Outflow $(13.8) million for regulatory reviews and legal matters ■ Outflow $(51.9) million for transformation and restructuring costs. ■ Outflow of $(13.7) million for assets impaired and written down. Total adjustment to FFO of outflow $(34.4) million.
EPS	The use of NPAT adjusted as set out above.
TSR	No adjustments were made.

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7.4.4. Future periods

For major transactions completed in 2024, the impact on operational performance is included in the 2025 budget and accordingly no adjustments are expected in respect of FY25 operational performance.

7.5. Variations from policy

There were no variations from policy in 2024.

8. Executive Equity Ownership

8.1. Ordinary shares

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

	Ordinary shares			Performance rights		
	Balance at 1 July 2023 No.	Net Change No.	Balance at 30 June 2024 No.	Balance at 1 July 2023 No.	Net Change No.	Balance at 30 June 2024 No.
P J Tompkins	286,004	20,132	306,136	239,758	-121,732	118,026
M R Ashcroft	–	–	–	–	–	–

8.2. Performance rights

As outlined in section 6.5.1, the LTI plan for the 2024 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, the LTI plans for the 2023 and 2024 financial years were approved as outlined in section 6.5 of this report, however grants of performance rights were made in early July 2024. This means that grants in relation to 2023 and 2024 for Peter Tompkins will be made during the 2025 financial year.

The following table shows the number of performance rights granted by Downer EDI Limited 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.

	2021 Plan			2022 Plan		
	Number of performance rights[1]	Vested %	Forfeited %	Number of performance rights[2]	Vested %	Forfeited %
Current Executives						
P J Tompkins	146,079	16.7	83.3	93,679	–	100.0
M R Ashcroft	–	–	–	–	–	–
Former Executives						
G A Fenn	584,317	16.7	83.3	374,714	–	100.0

1. Grant date 30 September 2021. Expiry date is 1 July 2024. The fair value of shares granted was $5.73 per share for the EPS and Scorecard tranches and $3.86 per share for the TSR tranche.
2. Grant date 30 September 2022. Expiry date is 1 July 2025. The fair value of shares granted was $3.85 per share for the EPS and Scorecard tranches and $1.80 per share for the TSR tranche.

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	2023 Plan			2024 Plan		
	Number of performance rights	Vested %	Forfeited %	Number of performance rights	Vested %	Forfeited %
Current Executives						
P J Tompkins	234,479[1]	–	–	480,448[3]	–	–
M R Ashcroft	–	–	–	160,944[3]	–	–
Former Executives						
G A Fenn	466,625[2]	–	–	–	–	–

1. Grant date 4 July 2024 being FY25. Expiry date is 1 July 2026. The fair value of shares granted was $4.30 per share for the EPS and Scorecard tranches and $1.17 per share for the TSR tranche.
2. Grant date 31 May 2023. Expiry date is 1 July 2026. The fair value of shares granted was $2.94 per share for the EPS and Scorecard tranches and $0.57 per share for the TSR tranche.
3. Grant date 4 July 2024 being FY25. Expiry date is 1 July 2027. The fair value of shares granted was $4.09 per share for the EPS and Scorecard tranches and $2.80 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 performance rights for the vesting year for current Executive

	2025	2026	2027
P J Tompkins	–	234,479	480,448
M R Ashcroft	–	–	160,944

The maximum expense for 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. As detailed in section 8.2, the 2023 and 2024 grants were made on 4 July 2024.

	2025 $	2026 $	2027 $
P J Tompkins	644,567	630,515	439,610
M R Ashcroft	147,264	147,264	147,264

8.3. Remuneration consultants

Guerdon Associates and Sodali & Co were engaged by the Board's People and Culture Committee to provide remuneration advice in relation to KMP, but did not provide the Board's People and Culture 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 KMP to whom the advice may relate, because strict protocols were observed and complied with regarding any interaction between the advisors and management, and because all remuneration advice was provided to the Board Chairman or People and Culture Committee Chairman.

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9. Key Terms of Employment Contracts

9.1. Notice and termination payments

Executives are on contracts with no fixed end date.

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
MD & CEO	12 months	12 months	12 months
CFO	6 months	6 months	6 months

Downer can elect to either require executives to provide service during their notice period or make a payment in lieu.

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

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

9.2.1. P J Tompkins

Mr Tompkins was appointed as the MD & CEO of Downer commencing on 27 February 2023. The following table sets out the key terms of the Managing Director's employment agreement.

Term	Until terminated by either party.
Fixed remuneration	$1.55 million per annum. Fixed remuneration includes superannuation and non-cash benefits.
STI opportunity	Mr Tompkins 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 Tompkins 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 Tompkins. There is no STI entitlement where the MD & CEO'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.
LTI opportunity	Mr Tompkins is eligible to participate in the annual LTI plan and the value of the award is 130% of fixed remuneration. Mr Tompkins' performance requirements have been described in section 6.5. 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.

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Termination	Mr Tompkins can resign: (a) By providing 12 months' written notice; or (b) By providing 30 days' written notice in circumstances where there is a fundamental change in his role or responsibilities. In these circumstances, Mr Tompkins is entitled to a payment in lieu of 12 months' notice. Downer can terminate Mr Tompkins' 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 Tompkins' fixed annual remuneration). If Mr Tompkins resigns he will be subject to a 12-month post-employment restraint in certain areas where the Downer Group operates, where he is restricted from working for competitive businesses.
Other	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 Tompkins.

10. Related Party Information

10.1. Transactions with other related parties

Transactions entered into during the year with Directors of Downer EDI Limited and the Group are within normal employee, customer or supplier relationships on terms and conditions no more favourable than dealings in the same circumstances on an arm's length basis and included:

- The receipt of dividends from Downer EDI Limited
- Participation in the Long-Term Incentive Plan
- Terms and conditions of employment
- Reimbursement of expenses.

A number of Directors of the Company hold directorships in other entities. Several of these entities transacted with the Group on terms and conditions no more favourable than those available on an arm's length basis.

11. Description of Non-executive Director Remuneration

11.1. 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.

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.

Non-executive Directors are not entitled to retirement benefits. Shareholders last approved an annual aggregate cap of $2.4 million for Non-executive Director fees at the 2022 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. 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.

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There have been no base or committee fee increases during FY24. The total fees paid in FY24 was $1.6 million (FY23: $1.7 million).

The Board Chair receives a fee of $454,000 per annum (inclusive of all Committee fees). The other Non-executive Directors each receive a base fee of $180,000 per annum.

Additional fees are paid for Committee duties:

- $43,500 for the Chair of the Audit and Risk Committee; and $35,000 for the Chair of each of the People and Culture Committee, Project Governance Committee and Zero Harm Committee
- $20,000 for members of the Audit and Risk Committee; and $17,500 for the members of each of the People and Culture Committee, Project Governance Committee and Zero Harm Committee.

11.2. Non-executive Director minimum securityholding policy

The Board introduced a minimum securityholding policy for Non-executive Directors effective from 1 July 2023.

Under the policy, each Non-executive Director is required to establish and maintain a minimum security holding equal to or greater than 100% of their annual base fee. The requirement is to be met within four years after the latter of the date of their appointment or the commencement of the Policy.

The guideline requirement has been developed to reinforce alignment with shareholder interests. The Board retains the right to vary from policy in exceptional circumstances.

11.3. Non-executive Directors' remuneration

The table below sets out the remuneration paid to Non-executive Directors for the 2024 and 2023 financial years.

		Short-term benefits			Post-employment benefits	
	Year	Board fee $	Committee fee $	Total fees $	Super-annuation $	Total $
M J Menhinnitt	2024	426,601	–	426,601	27,399	454,000
	2023	252,853	22,834	275,687	22,861	298,548
M P Chellew[1]	2024	–	–	–	–	–
	2023	290,465	–	290,465	18,969	309,434
M J Binns[1]	2024	–	–	–	–	–
	2023	95,023	20,765	115,788	2,694	118,482
S Broadbent[1]	2024	131,151	48,170	179,321	5,263	184,584
	2023	–	–	–	–	–
T G Handicott	2024	162,162	33,784	195,946	21,554	217,500
	2023	162,896	43,175	206,071	21,637	227,708
N M Hollows	2024	162,162	70,721	232,883	25,617	258,500
	2023	162,896	71,041	233,937	24,563	258,500
A M Howse	2024	162,162	49,550	211,712	23,288	235,000
	2023	162,896	40,535	203,431	21,360	224,791
S J MacDonald[1]	2024	135,135	36,787	171,922	18,911	190,833
	2023	–	–	–	–	–
P L Watson[2]	2024	40,541	16,329	56,870	6,256	63,126
	2023	162,896	76,587	239,483	24,945	264,428

1. Amounts represent the payments relating to the period during which the individual was a Non-executive Director.
2. P L Watson ceased to be Non-executive Director on 30 September 2023.

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11.4. Equity held by Non-executive Directors

The table below sets out the equity in Downer held by Non-executive Directors for the 2024 financial year.

	2024		
	Balance at 1 July 2023	Net change	Balance at 30 June 2024
M J Menhinnitt	71,748	21,000	92,748
S Broadbent	–	590	590
T G Handicott	31,000	–	31,000
N M Hollows	40,538	10,000	50,538
A M Howse	5,000	10,000	15,000
S MacDonald	–	11,848	11,848
P L Watson[1]	17,933	–	17,933

1. Balance as at 30 June 2024 for P L Watson represents the number of shares held as at retirement date.

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.

Mark Menhinnitt

Chairman

Sydney, 30 August 2024

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Auditor's Independence Declaration

for the year ended 30 June 2024

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Auditor's Independence Declaration

As lead auditor for the audit of Downer EDI Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Downer EDI Limited and the entities it controlled during the period.

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
30 August 2024

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

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Independent Auditor's Report

for the year ended 30 June 2024

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Independent auditor's report

To the members of Downer EDI Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Downer EDI Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated statement of financial position as at 30 June 2024
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the consolidated entity disclosure statement as at 30 June 2024
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
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Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Audit scope	*Key audit matters*
• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • Component audit teams operating under the Group audit team's instructions conducted an audit of the most significant components of the Group. The components were selected due to their significance to the Group, either by individual size or by risk. The Group audit team performed audit procedures over shared service functions as well as centrally managed areas such as, but not limited to, the impairment assessment of goodwill, share based payments, and the consolidation process. In addition, selected component audit teams performed targeted audit or specified procedures on selected financial statement line items. Combined, the work carried out gave us sufficient evidence to express an opinion on the financial statements as a whole.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Recognition of revenue and related contract assets – Carrying value of goodwill • These are further described in the *Key audit matters* section of our report.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

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Key audit matter	*How our audit addressed the key audit matter*
Recognition of revenue and related contract assets *Refer to note B2 Revenue, and note C2 Trade receivables and contract assets* As described in Note B2 to the consolidated financial statements, the Group recognises revenue from rendering of services, construction contracts and sale of goods across the Group. For construction contracts and some rendering of services, the Group recognises revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation over time. There are certain key estimates that drive the measurement of the Group's revenue and resulting contract assets and their recognition in the consolidated financial statements. These key estimates include: • determining the stage of completion based on a percentage of costs to complete, which requires an estimate of expenses incurred to date as a percentage of total estimated cost; • recognition of contract modifications, such as variations and claims and in particular unapproved variations to the extent they are approved or enforceable under the contract and the amount of revenue is recognised to the extent it is highly probable that a significant reversal will not occur; • variable consideration which the Group recognises as revenue only when it is highly probable that a significant reversal of that revenue will not occur, in accordance with AASB 15 Revenue from contracts with customers; and • impacts of any termination for convenience clauses in customer contracts on the revenue recognised and associated contract assets. Auditing these judgements requires significant judgement given the estimation uncertainty and significant complexity involved in estimating the costs or extent of progress towards completion of work. In addition, revenue and contract assets are significant balances to the financial statements. Therefore, recognition of revenue and contract assets on rendering of services and construction contracts	Our audit procedures, included but were not limited to the following: • Developed an understanding of the key systems underpinning the accounting for rendering of services and construction contract revenue and the related contract assets, and the relevant business process controls; • Considered the appropriateness of the Group's accounting policy in relation to the recognition and measurement of revenue against the requirements of the Australian Accounting Standards; • For a selection of projects based on qualitative and quantitative factors, we performed the following procedures amongst others: ○ Conducted visits to a selection of sites to see physical evidence of progress; ○ Inspected the signed contract agreements to develop an understanding of key contract terms; ○ Held meetings with project managers and senior management to develop an understanding of the status of contracts and key changes in estimates since previous years; ○ Assessed the cost to complete estimate, by performing look back procedures on the Group's historical ability to forecast costs to complete, including performing sensitivity analysis and/or comparison of cost estimates to prior year costs incurred. Some key forecast assumptions were traced back to the source of information, such as agreements with subcontractors and wage agreements with employees. ○ Assessed the measure of progress by challenging the nature of the goods or services that the Group has promised to transfer to the customer, and assessing whether a reliable measure of progress had

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Key audit matter	How our audit addressed the key audit matter
was a focus of our audit and considered to be a key audit matter.	been used; ○ Tested the cost to complete estimate by assessing the reasonableness of the foreseeable project loss provisions recorded as of the year end for a selection of projects; ○ Obtained evidence to support variations and claims recognised against the criteria of AASB 15. This included assessment of correspondence with the customer, the Group's legal basis for variations and claims, external legal opinions and qualified professionals where necessary, and analysis of the amounts the Group considers to meet the highly probable requirement; ○ Recalculated the revenue based on the input method for fixed price projects to assess the calculation of revenue recorded; and ○ Assessed the reasonableness of the judgement made by management for contracts with a termination for convenience clause, including the impact of any associated termination payments. • Tested the allocation of both labour and non-labour costs to project costs to assess the accuracy of project margins; • Tested a sample of payments and transactions recorded post year end to supporting evidence to assess completeness of costs recorded during the year; • For a selection of project related balances as of the year end, tested the subsequent billing of unbilled contract revenue; and • Assessed the reasonableness of the Group's disclosures against the requirements of Australian Accounting standards, including disclosures with respect to significant estimates and judgements.

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Key audit matter	*How our audit addressed the key audit matter*
Carrying value of goodwill *Refer to note C7 Intangible assets* Under Australian Accounting Standards, the Group is required to test goodwill annually for impairment at the cash-generating unit (CGU) level. This process is inherently complex and requires judgement in forecasting the operational cash flows and determining discount and growth rates used in the cash flow models (the models). The Group has prepared value in use (VIU) models based on discounted cash flow forecasts to calculate the recoverable amount for each of the six groups of CGUs. Key assumptions in the VIU models include revenue growth, EBIT margin, long-term growth rate, and discount rate. The recoverable amount of goodwill was a key audit matter given the: • Financial significance of goodwill in the consolidated statement of financial position; and • Significant judgement applied by the Group in determining the recoverable amount of each group of CGUs.	Our audit procedures, included but were not limited to the following: • Developed an understanding of the key controls associated with the preparation of the discounted cash flow models used to calculate the recoverable amount of the groups of CGUs; • Assessed the appropriateness of the Group's identification of, and allocation of goodwill to, the groups of CGUs; • Assessed whether the groups of CGUs included directly attributable assets, liabilities, and cash flows and a reasonable allocation of corporate assets and overheads; • Assessed the appropriateness of cash flow forecasts included in the models with reference to historical results, Board approved budgets and forecasts, economic and industry forecasts and contracted commitments; • Tested the mathematical calculations within the models; • Assessed the appropriateness of the discount rates, long-term growth rates and valuation methodology, with the assistance of PwC valuation experts; • Assessed the Group's ability to forecast future cash flows for CGUs by comparing historical budgets with reported actual results; • Considered the sensitivity of the models by varying key assumptions, such as terminal growth rates, discount rates, and margins; and • Assessed the reasonableness of the disclosures made in note C7, including those disclosures regarding key assumptions and sensitivities to changes in such assumptions, against the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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 on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, including giving a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 responsibilities for the audit of the financial report

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 the 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2024.

In our opinion, the remuneration report of Downer EDI Limited for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
30 August 2024

Financial Statements

for the year ended 30 June 2024

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2024

	Note	2024 $'m	2023 $'m
Revenue	B2	10,979.5	11,640.4
Other income	B2	71.3	88.6
Total revenue and other income		**11,050.8**	11,729.0
Employee benefits expense	D1	(3,430.8)	(3,640.0)
Subcontractor costs		(4,608.2)	(4,917.8)
Raw materials and consumables used		(1,299.3)	(1,458.2)
Plant and equipment costs		(406.7)	(468.6)
Depreciation on leased assets	C6	(153.3)	(154.9)
Other depreciation and amortisation	C5,C7	(192.7)	(181.3)
Impairment of non-current assets	C5,C6,C7	(69.1)	(539.5)
Other expenses from ordinary activities		(720.2)	(652.0)
Total expenses		**(10,880.3)**	(12,012.3)
Share of net profit of joint ventures and associates	F1(a)	10.0	29.8
Earnings before interest and tax		**180.5**	(253.5)
Finance income		11.6	7.8
Lease finance costs		(25.4)	(22.9)
Other finance costs		(74.9)	(72.9)
Net finance costs		**(88.7)**	(88.0)
Profit/(loss) before income tax		**91.8**	(341.5)
Income tax expense	B5(a)	(9.7)	(44.2)
Profit/(loss) after income tax		**82.1**	(385.7)
Profit/(loss) for the year is attributable to:			
– Non-controlling interest[(i)]		13.0	10.7
– Members of the parent entity[(i)]		69.1	(396.4)
Profit/(loss) for the year		**82.1**	(385.7)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
– Actuarial movement on net defined benefit plan obligations	D2	2.1	2.6
– Income tax effect of actuarial movement on defined benefit plan obligations		(0.6)	(0.8)
– Change in fair value of unquoted equity investments		0.8	0.2
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		(3.5)	8.5
– Net (loss)/gain on foreign currency forward contracts taken to equity		(1.4)	0.3
– Net loss on cross currency and interest rate swaps taken to equity		(6.4)	(6.6)
– Income tax effect of items above		2.3	1.9
Other comprehensive (loss)/income for the year (net of tax)		**(6.7)**	6.1
Total comprehensive income/(loss) for the year (net of tax)		**75.4**	(379.6)
Earnings per share (cents)			
Basic earnings per share	B4	10.3	(59.0)
Diluted earnings per share[(ii)]	B4	10.3	(59.0)

(i) Comparative information has been revised to reflect the changes in presentation detailed in Note A.

(ii) At 30 June 2024, the ROADS were deemed anti-dilutive and consequently, diluted EPS remained at 10.3 cents per share (2023: loss of 59.0 cents per share).

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 91 to 170.

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Consolidated Statement of Financial Position

as at 30 June 2024

	Note	2024 $'m	2023 $'m
ASSETS			
Current assets			
Cash and cash equivalents	C1(c)	837.6	889.1
Trade receivables and contract assets[(i)]	C2	1,862.7	2,005.3
Other financial assets	G3	20.1	10.7
Inventories	C3	210.5	234.8
Current tax assets		0.4	7.2
Prepayments and other assets		69.6	68.9
Assets classified as held for sale	F8	10.6	92.2
Total current assets		**3,011.5**	3,308.2
Non-current assets			
Trade receivables and contract assets	C2	145.1	138.8
Equity accounted investments	F1(a)	121.8	159.2
Property, plant and equipment	C5	841.2	934.7
Right-of-use assets	C6	412.9	428.5
Intangible assets	C7	2,120.1	2,180.3
Other financial assets	G3	46.1	51.5
Deferred tax assets	B5(b)	19.6	3.3
Prepayments and other assets		29.9	20.9
Total non-current assets		**3,736.7**	3,917.2
Total assets		**6,748.2**	7,225.4
LIABILITIES			
Current liabilities			
Trade payables and contract liabilities[(i)]	C4	2,041.1	2,183.5
Lease liabilities	E3	126.9	135.2
Other financial liabilities	G3	13.2	15.0
Current tax liabilities		26.4	2.6
Employee benefits provision	D1	274.1	268.2
Other provisions	C8	158.9	66.3
Liabilities associated with assets classified as held for sale	F8	10.6	112.9
Total current liabilities		**2,651.2**	2,783.7
Non-current liabilities			
Trade payables and contract liabilities	C4	60.6	61.1
Borrowings	E1	1,294.0	1,596.4
Lease liabilities	E3	385.0	402.0
Other financial liabilities	G3	21.4	5.7
Deferred tax liabilities	B5(b)	22.4	36.7
Employee benefits provision	D1	24.3	22.7
Other provisions	C8	29.9	27.3
Total non-current liabilities		**1,837.6**	2,151.9
Total liabilities		**4,488.8**	4,935.6
Net assets		**2,259.4**	2,289.8
EQUITY			
Issued capital[(i)]	E5	2,463.9	2,463.8
Reserves	E6	13.4	19.0
Accumulated losses		(396.5)	(371.6)
Equity attributable to the parent interests		**2,080.8**	2,111.2
Non-controlling interest[(i)]		178.6	178.6
Total equity		**2,259.4**	2,289.8

(i) Comparative information has been revised to reflect the changes in presentation detailed in Note A.

The consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 91 to 170.

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Consolidated Statement of Changes in Equity

for the year ended 30 June 2024

2024 $'m	Note	Issued capital	Reserves	Accumulated losses	Total attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 July 2023		2,463.8	19.0	(371.6)	**2,111.2**	178.6	**2,289.8**
Profit after income tax		–	–	69.1	**69.1**	13.0	**82.1**
Other comprehensive loss for the year (net of tax)		–	(6.7)	–	**(6.7)**	–	**(6.7)**
Total comprehensive income/ (loss) for the year		**–**	**(6.7)**	**69.1**	**62.4**	**13.0**	**75.4**
Vested executive incentive share transactions		0.1	(0.1)	–	**–**	–	**–**
Share-based employee benefits expense		–	3.2	–	**3.2**	–	**3.2**
Income tax relating to share-based transactions during the year		–	(2.0)	–	**(2.0)**	–	**(2.0)**
Payment of dividends[(i)]	E7	–	–	(94.0)	**(94.0)**	(13.0)	**(107.0)**
Balance at 30 June 2024		**2,463.9**	**13.4**	**(396.5)**	**2,080.8**	**178.6**	**2,259.4**

(i) Relates to the 2023 final dividend, 2024 interim dividend and $13.0 million ROADS dividends paid during the financial year.

2023 $'m	Issued capital	Reserves	(Accumulated losses)/ retained earnings	Total attributable to owners of the parent	Non-controlling interest	Total
Balance at 30 June 2022	2,660.2	12.1	139.5	2,811.8	–	2,811.8
Reclassification of ROADS[(ii)]	(178.6)	–	–	(178.6)	178.6	–
Revised balance at 1 July 2022	2,481.6	12.1	139.5	2,633.2	178.6	2,811.8
Loss after income tax[(ii)]	–	–	(396.4)	(396.4)	10.7	(385.7)
Other comprehensive income for the year (net of tax)	–	6.1	–	6.1	–	6.1
Total comprehensive (loss)/income for the year	–	6.1	(396.4)	(390.3)	10.7	(379.6)
Share-based employee benefits income	–	(0.8)	–	(0.8)	–	(0.8)
Income tax relating to share-based transactions during the year	–	1.6	–	1.6	–	1.6
Group on-market share buy-back	(17.8)	–	–	(17.8)	–	(17.8)
Payment of dividends[(ii),(iii)]	–	–	(114.7)	(114.7)	(10.7)	(125.4)
Revised balance at 30 June 2023	2,463.8	19.0	(371.6)	2,111.2	178.6	2,289.8

(ii) Comparative information has been revised to reflect the changes in presentation detailed in Note A.
(iii) Relates to the 2022 final dividend, 2023 interim dividend and $10.7 million 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 91 to 170.

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Consolidated Statement of Cash Flows

for the year ended 30 June 2024

	Note	2024 $'m	2023 $'m
Cash flows from operating activities			
Receipts from customers[i]		12,333.6	12,776.3
Payments to suppliers and employees[i]		(11,693.4)	(12,422.2)
GST proceeds on disposal of business[ii]		(23.5)	23.5
Distributions from equity accounted investees	F1(a)	18.9	33.4
Net cash generated by operating cash flow before interest and tax		**635.6**	411.0
Interest received		12.2	7.1
Interest paid on lease liabilities		(25.4)	(22.9)
Interest and other costs of finance paid		(67.7)	(70.0)
Income tax paid		(10.6)	(7.0)
Net cash generated by operating activities	C1(a)	**544.1**	318.2
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		54.5	25.2
Payments for property, plant and equipment		(124.3)	(230.6)
Payments for intangible assets		(22.0)	(32.4)
Payments for acquisition of businesses (net of cash acquired)	F6	(1.3)	(0.1)
Net proceeds from sale of business (net of cash disposed)	F7	68.5	160.5
Receipts from/(payments for) investments	G3	1.0	(8.1)
Net advances to equity accounted investments		(5.7)	(1.2)
Net cash used in investing activities		**(29.3)**	(86.7)
Cash flows from financing activities			
Group on-market share buy-back	E5	–	(17.8)
Proceeds from borrowings[i]		6,033.0	7,251.0
Repayments of borrowings[i]		(6,329.1)	(7,023.5)
Payment of principal of lease liabilities	C1(b)	(163.5)	(165.0)
Dividends paid		(107.0)	(125.4)
Net cash used in financing activities		**(566.6)**	(80.7)
Net (decrease)/increase in cash and cash equivalents		**(51.8)**	150.8
Cash and cash equivalents at the beginning of the year		889.1	738.5
Effect of exchange rate changes		0.3	(0.2)
Cash and cash equivalents at the end of the year	C1(c)	**837.6**	889.1

(i) Comparative information has been revised to reflect the changes in presentation detailed in Note A.
(ii) $23.5 million GST proceeds on the disposal of the Australian Transport Project business in FY23, which was subsequently remitted to the Australian Taxation Office in July 2023.

The consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 91 to 170.

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Notes to the consolidated financial statements

for the year ended 30 June 2024

A__About this report

Statement of compliance

These general purpose financial statements (Financial Report) of Downer EDI Limited (the Company) (ABN 97 003 872 848) have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Cth). The Financial Report also complies with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements comprise the Parent company and its controlled entities (together the Group). The Group is a for-profit entity.

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The Financial Report was authorised for issue by the Board of Directors.

Rounding of amounts

Downer is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' 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 Instrument. Amounts shown as $- represent amounts less than $50,000 which have been rounded down. In some instances, totals may not add due to rounding.

Basis of preparation

The Financial Report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments measured at fair value, assets held for sale and non-current assets measured at the lower of carrying value and fair value less costs to sell and defined benefit plans measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars which is the Company's functional and presentation currency.

Certain comparative balances have been reclassified for consistency with the classification in the 30 June 2024 Financial Report.

The accounting policies used in the preparation of the Financial Report are consistent with those adopted and disclosed in Downer's Financial Report for the financial year ended 30 June 2023, except in relation to the relevant new and amended accounting standards adopted by the Group and their effects on the current period or prior periods as described in Note G1.

Accounting estimates and judgements

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the Financial Statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgements, estimates and assumptions on historical experience on other factors including expectations of future events management believes to be reasonable under the circumstances.

The following table provides an overview of the areas that involved a higher degree of judgement or complexity. Detailed information about each of these judgements is included in the following notes:

Accounting judgements	Note	Page
Revenue recognition	B2	102
Income taxes	B5	108
Useful lives	C6	119
Impairment of assets	C7	123
Other provisions	C8	128
Contingent liabilities	C9	129
Employee benefits obligations	D1	130
Lease liabilities	E3	136

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Information about assumptions and estimation uncertainty at the reporting date that has a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year is included in the following notes:

Accounting estimates	Note	Page
Revenue recognition	B2	102
Recognition of deferred tax assets	B5	108
Credit risk	C2	115
Useful lives	C5 to C7	118 to 123
Recoverable value of right-of-use assets	C6	119
Intangible assets	C7	123
Other provisions	C8	128
Employee benefits obligations	D1	130
Lease liabilities	E3	136

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Material accounting policies

Accounting policies are selected and applied in a manner such that the resulting financial information satisfies the concepts of relevance and reliability, thereby the substance of the underlying transactions or other events is reported. Other material accounting policies are contained in the notes to the Financial Report to which they relate.

(i) Principles of consolidation

The Financial Report incorporates the financial statements of Downer EDI Limited (the Company/Downer) and entities it controlled. Downer EDI Limited and its subsidiaries together are referred to in the Financial Report as the 'Group'. 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 date as control of the subsidiary ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity of the consolidated entity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

(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	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	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 Consolidated Statement of Profit or Loss and Other Comprehensive Income, except for qualifying cash flow hedges which are deferred to equity.

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

Foreign operations	Applicable exchange rate
Income and expenses	Average exchange rate
Monetary assets and liabilities	Reporting date
Equity	Historical 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, unwind of discounts on provisions, 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.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the asset.

Other borrowing costs are expensed in the period in which they are incurred.

Revised comparative balances

(a) Changes in presentation within Equity

During the year ended 30 June 2024, the Group revised the presentation within Equity on the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity. Previously the ROADS securities have been presented as part of Issued Capital. The ROADS securities have been reclassified from 'Issued Capital' to 'Non-Controlling Interest' on the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity to represent the nature of the ROADS securities as equity instruments issued by a subsidiary.

This change has been applied retrospectively and impacted the prior period financial statements of the Group such that the Group's Issued Capital attributable to owners of Downer EDI Limited for the year ended 30 June 2023 and 30 June 2022 decreased by $178.6 million (2023 from $2,642.4 million to $2,463.8 million), and Non-Controlling Interest of the corresponding amount being recognised for 30 June 2023 and 30 June 2022. There is no change in the total Equity balance or in earnings per share for the Group for 30 June 2023 and 30 June 2022. Refer to Note E5 for further disclosures provided regarding the ROADS securities.

(b) Changes in presentation of proceeds and repayments of borrowings

The Group revised the presentation within the consolidated statement of cash flows for the year ended 30 June 2023 to exclude net settled rollover of borrowings which did not give rise to any cash flows. As a result, proceeds from borrowings and repayments of borrowings both decreased by $8,867.0 million, with no change to net cash used in financing activities.

(c) Changes in presentation within the consolidated statement of financial position

The consolidated statement of financial position has been revised to offset current contract assets and current contract liabilities related to the same contracts in New Zealand. The impact of this change being a decrease in trade receivables and contract assets and a decrease in trade payables and contract liabilities of $88.9 million at 30 June 2023, respectively. There has been no change in net current assets.

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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
B3. Individually significant items
B4. Earnings per share
B5. Taxation
B6. Remuneration of auditor
B7. Subsequent events

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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 Group CEO is identified as the Chief Operating Decision Maker. The operating segments are identified by the Group based on the nature of the services provided. Financial information about each of these segments and additional information on operating businesses within each segment is reported to the Group CEO on a regular basis.

The reportable segments are based on a combination of operating businesses determined by the similarity of the services provided, the sources of the Group's major risks that could therefore have the greatest effect on the rates of return and their quantitative contribution to the Group's results.

The reportable segments identified within the Group are outlined as follows:

Segment	Segment description
Transport	Comprises the Group's road services businesses across Australia and New Zealand, rail businesses in Australia and projects businesses in New Zealand. Downer's road services include: road network management; routine road maintenance; asset management systems; spray sealing; asphalt laying; manufacture and supply of bitumen-based products and asphalt products; the use of recycled products and environmentally sustainable methods to produce asphalt; and landfill diversion solutions. The Rail business spans all light rail and heavy rail sectors, from rollingstock to infrastructure; from design and manufacture to through-life-support including fleet maintenance, operations and comprehensive overhaul of assets. Transport also provides building and construction solutions across a variety of sectors in New Zealand including signalling, track and station works, bridges, airports and roads. Through the Hawkins business, Downer also delivers vertical construction to customers in New Zealand.
Utilities	Comprises the Group's power, gas, water and telecommunications businesses. This includes: planning, designing, constructing, operating, maintaining, managing and decommissioning power and gas network assets; providing complete water lifecycle solutions for municipal and industrial water users including water and wastewater treatment, network construction and rehabilitation; and end-to-end technology and communications solutions including design, civil construction, network construction, operations and maintenance across fibre, copper and radio networks.

Segment	Segment description
Facilities	Facilities provides outsourced facility services to customers across a diverse range of industry sectors including: Defence; education; government; healthcare; industrial; resources; and energy. Facilities provides technical and engineering services; maintenance and asset management services including shutdowns, turnaround and outage delivery; operations maintenance, refrigeration solutions and ongoing management of strategic assets across a range of sectors. It also provides feasibility studies; engineering design; procurement and construction; commissioning and decommissioning services; and design and manufacture of mineral process equipment.

2024 $'m	Transport	Utilities	Facilities	Unallocated	Total
Segment revenue and other income	**5,402.3**	**2,400.7**	**3,198.4**	**49.4**	**11,050.8**
Share of sales revenue from joint ventures and associates[(i)]	819.7	–	–	97.1	**916.8**
Total revenue including joint ventures, associates and other income[(i) (ii) (iii)]	**6,222.0**	**2,400.7**	**3,198.4**	**146.5**	**11,967.6**
Share of net profit/(loss) from joint ventures and associates	13.5	–	–	(3.5)	**10.0**
Depreciation and amortisation	220.6	29.5	34.7	61.2	**346.0**
Total reported segment results – EBIT before amortisation of acquired intangibles (EBITA)	**250.4**	**55.6**	**177.3**	**(279.7)**	**203.6**
Amortisation of acquired intangibles	(1.1)	(0.3)	(4.6)	(17.1)	**(23.1)**
Earnings before interest and tax (EBIT)	249.3	55.3	172.7	(296.8)	**180.5**
Net finance costs					**(88.7)**
Total profit before income tax					**91.8**
Acquisition of segment assets	110.2	7.6	11.8	16.5	**146.1**
Segment assets	3,178.8	1,111.9	1,940.9	516.6	**6,748.2**
Segment liabilities	1,529.9	537.6	753.1	1,668.2	**4,488.8**
Carrying value of equity accounted investees	96.4	–	–	25.4	**121.8**

(i) This is a non-statutory disclosure as it relates to Downer's share of revenue from equity accounted joint ventures and associates.
(ii) Included in FY24 total revenue is $224.2 million (2023: $1,486.3 million) in relation to divested businesses.
(iii) The Group did not derive revenue greater than 10% of the Group's total revenue from a single major customer.

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2023 $'m	Transport	Utilities	Facilities	Unallocated	Total
Segment revenue and other income	6,050.1	2,258.2	3,413.0	7.7	11,729.0
Share of sales revenue from joint ventures and associates[i]	802.4	–	–	88.3	890.7
Total revenue including joint ventures, associates and other income[i]	6,852.5	2,258.2	3,413.0	96.0	12,619.7
Share of net profit from joint ventures and associates	29.4	–	–	0.4	29.8
Depreciation and amortisation	217.4	30.7	41.6	46.5	336.2
Total reported segment results – EBIT before amortisation of acquired intangibles (EBITA)	288.9	(10.3)	162.1	(668.0)	(227.3)
Amortisation of acquired intangibles	(4.5)	(0.3)	(5.0)	(16.4)	(26.2)
Earnings before interest and tax (EBIT)	284.4	(10.6)	157.1	(684.4)	(253.5)
Net finance costs					(88.0)
Total loss before income tax					(341.5)
Acquisition of segment assets	205.7	13.6	17.9	32.5	269.7
Segment assets[ii]	3,434.7	1,174.8	2,019.1	596.8	7,225.4
Segment liabilities[ii]	1,596.7	570.0	792.1	1,976.8	4,935.6
Carrying value of equity accounted investees	130.4	–	–	28.8	159.2

(i) This is a non-statutory disclosure as it relates to Downer's share of revenue from equity accounted joint ventures and associates.
(ii) Comparative information has been revised to reflect the changes in presentation detailed in Note A.

Reconciliation of segment EBIT to net profit after tax:

	Note	Segment results 2024 $'m	2023 $'m
Segment EBIT before Unallocated		477.3	430.9
Unallocated:			
Fair value movement on DCSO liability	B3	3.7	10.0
Net gain on divestments and exit costs	B3	21.7	20.8
Transformation and restructure costs	B3	(61.6)	(25.4)
Regulatory reviews and legal matters	B3	(23.3)	(6.5)
Impairment and other asset write-downs	B3	(117.7)	(549.6)
Amortisation of Spotless and Tenix acquired intangible assets		(17.1)	(16.4)
Corporate costs		(102.5)	(117.3)
Total unallocated		**(296.8)**	(684.4)
Earnings before interest and tax		180.5	(253.5)
Net finance costs		(88.7)	(88.0)
Profit/(loss) before income tax		**91.8**	(341.5)
Income tax expense	B5(a)	(9.7)	(44.2)
Profit/(loss) after income tax		**82.1**	(385.7)

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Segment assets by geographical location

	Segment assets Non-current[ii]		Acquisition of segment assets Non-current	
	2024 $'m	2023 $'m	2024 $'m	2023 $'m
Geographical location[i]				
Australia	2,954.6	3,147.4	84.0	197.7
New Zealand and Pacific	558.4	566.9	61.8	71.5
Rest of the world	1.1	0.9	0.3	0.5
Total	**3,514.1**	3,715.2	**146.1**	269.7

(i) Assets are allocated based on the geographical location of the legal entity.
(ii) Total of non-current assets other than deferred tax assets, financial instruments, post-employment benefit assets and trade and other receivables.

B2. Revenue

Revenue and other income

2024 $'m	Transport	Utilities	Facilities	Unallocated	Total
Rendering of services	3,004.2	1,791.8	3,103.0	0.8	**7,899.8**
Construction contracts	2,071.1	599.4	11.9	–	**2,682.4**
Sale of goods	297.0	8.6	81.2	–	**386.8**
Total revenue from contracts with customers	**5,372.3**	**2,399.8**	**3,196.1**	**0.8**	**10,969.0**
Other revenue	8.2	–	0.1	2.2	**10.5**
Total revenue	**5,380.5**	**2,399.8**	**3,196.2**	**3.0**	**10,979.5**
Government grants[i]	0.1	0.5	0.7	–	**1.3**
Insurance recoveries	7.9	–	–	–	**7.9**
Gain on sale of property, plant and equipment	4.3	–	0.8	–	**5.1**
Net gain on disposal of business	–	0.4	–	35.7	**36.1**
Other	9.5	–	0.7	10.7	**20.9**
Other income	**21.8**	**0.9**	**2.2**	**46.4**	**71.3**
Total revenue and other income	**5,402.3**	**2,400.7**	**3,198.4**	**49.4**	**11,050.8**

(i) Government grants represents incentives received in relation to the apprenticeship wage subsidies and hiring incentive scheme and research and development tax incentive.

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2023 $'m	Transport	Utilities	Facilities	Unallocated	Total
Rendering of services	3,240.6	1,892.4	3,340.0	–	8,473.0
Construction contracts	2,456.9	358.1	–	–	2,815.0
Sale of goods[ii]	268.6	6.8	72.1	–	347.5
Total revenue from contracts with customers	5,966.1	2,257.3	3,412.1	–	11,635.5
Other revenue	7.2	0.1	–	(2.4)	4.9
Total revenue	5,973.3	2,257.4	3,412.1	(2.4)	11,640.4
Government grants[iii]	0.5	0.4	0.1	–	1.0
Insurance recoveries	13.1	–	–	0.1	13.2
Gain on sale of property, plant and equipment	19.2	0.3	0.7	–	20.2
Gain on disposal of businesses	44.4	–	–	–	44.4
Other	(0.4)	0.1	0.1	10.0	9.8
Other income	76.8	0.8	0.9	10.1	88.6
Total revenue and other income	6,050.1	2,258.2	3,413.0	7.7	11,729.0

(ii) The Group reclassified for consistency with current presentation revenue from rendering of services to sale of goods for the year ended 30 June 2023 to reflect the appropriate categorisation of the nature of the goods and services provided.

(iii) Government grants represents incentives received under the New Zealand Government's COVID leave support scheme available to eligible businesses impacted by the COVID-19 pandemic, as well as in relation to the New Zealand Government's apprentice boost scheme.

Revenue from contracts with customers by geographical location

2024 $'m	Transport	Utilities	Facilities	Unallocated	Total
Geographical location[i]					
Australia	2,938.2	1,860.3	2,787.9	0.4	**7,586.8**
New Zealand and Pacific	2,434.0	539.5	357.0	0.4	**3,330.9**
Rest of the world	0.1	–	51.2	–	**51.3**
Total revenue from contracts with customers	**5,372.3**	**2,399.8**	**3,196.1**	**0.8**	**10,969.0**

2023 $'m	Transport	Utilities	Facilities	Unallocated	Total
Geographical location[i]					
Australia	3,590.5	1,732.9	3,031.2	–	8,354.6
New Zealand and Pacific	2,375.6	524.4	342.8	–	3,242.8
Rest of the world	–	–	38.1	–	38.1
Total revenue from contracts with customers	5,966.1	2,257.3	3,412.1	–	11,635.5

(i) Revenue is allocated based on the geographical location of the legal entity.

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Recognition and measurement

Revenue

The Group recognises revenue when a customer obtains control of the goods or services, in accordance with AASB 15 *Revenue from Contracts with Customers* (AASB 15). Revenue is measured at the consideration received or receivable. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Group enters into client contracts with relatively long-term durations under various contract types including schedules of rates, lump sum and cost-reimbursable. Various contractual terms and conditions determine the mechanism of pricing and revenue recognition. 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 and water)
- Maintenance and installation of infrastructure in the telecommunications sector
- Industrial plant maintenance
- Rollingstock maintenance and rail asset management services
- Engineering and consultancy services
- Facilities management

Typically, under the performance obligations of service contracts, the customer consumes and receives the benefit of the service as it is provided. As such, service revenue is recognised over time as the services are provided.

(ii) Construction contracts

The contractual terms and the way in which the Group operates its construction contracts are derived from projects predominantly containing one performance obligation. Under these performance obligations, performance either creates or enhances an asset that the customer controls as the asset is created, or performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Therefore, revenue is recognised over time based on stage of completion of the contract.

(iii) Sale of goods

Revenue is recognised at a point in time when the customer obtains control of goods, which is generally at the time of purchase or delivery to the customer.

(iv) Other revenue

Other revenue primarily includes rental income.

(v) Other income

Other income primarily includes insurance recoveries, government grants, gains on sale of property, plant and equipment, and net gain on disposal of businesses.

Insurance recoveries relate to insurance refunds received for claims lodged that met the recognition criteria of being 'virtually certain' following confirmation of indemnity received from insurers.

Government grants relate to income received under the apprenticeship wage and hiring incentive scheme and research and development tax incentive. The Group elects to present these subsidies in 'Other income' as allowed under AASB 120 *Accounting for Government grants and disclosure of Government assistance*.

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Principal versus agent

In some instances where the Group is acting as an agent in arrangements that invoice on behalf of another contractor as part of the commercial contractual terms and conditions, the revenue recognised is limited to the gross margin that the Group is entitled to, not the total amount billed.

For contracts where a third party (for example, subcontractors) is involved in providing services, the Group determines whether it is acting as a principal or an agent. The Group acts as a principal if it controls the specified good or service before that service is transferred to a customer.

Contract modifications

For services and construction contracts, revenue from variations and claims is recognised to the extent they are approved or enforceable under the contract. The amount of revenue is then recognised to the extent it is highly probable that a significant reversal of revenue will not occur.

In making this assessment, the Group considers a number of factors including nature of the claim, formal or informal acceptance by the customer of the validity of the claim, stage of negotiations, or the historical outcome of similar claims to determine whether the enforceable and the 'highly probable' thresholds have been met.

Revenue in relation to modifications, such as a change in the scope of the contract, will only be included in the transaction price when it is approved by the parties to the contract or the modification is enforceable and the amount becomes highly probable. Modifications may also be recognised when client instruction has been received in line with customary business practice for the customer.

Contract costs (tender costs)

Costs incurred during the tender/bid process are expensed, unless they are incremental to obtaining the contract and the Group expects to recover those costs or where they are explicitly chargeable to the customer regardless of whether the contract is obtained.

Performance obligations and contract duration

Revenue is allocated to each performance obligation and recognised as the performance obligation is satisfied which may be at a point in time or over time.

AASB 15 requires a granular approach to identify the different revenue streams (i.e. performance obligations) in a contract by identifying the different activities that are being undertaken and then aggregating only those where the different activities are significantly integrated or highly interdependent. Revenue will be recognised, on certain contracts over time, as a single performance obligation when the services are part of a series of distinct goods and services that are substantially integrated with the same pattern of transfer.

AASB 15 provides guidance in respect of the term over which revenue may be recognised and is limited to the period for which the parties have enforceable rights and obligations. When the customer can terminate a contract for convenience (without a substantive penalty), the contract term and related revenue is limited to the period.

The Group has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

Measure of progress

The Group recognises revenue using the measure of progress that best reflects the Group's performance in satisfying the performance obligation over time. The different methods of measuring progress include an input method (e.g. costs incurred) or an output method (e.g. time elapsed). The same method of progress will be consistently applied to similar performance obligations.

As a practical expedient where the Group has a right to invoice the customer at an amount that corresponds directly with its performance to date, then the Group recognises revenue at that amount.

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Remaining performance obligations

As of 30 June 2024, the aggregate amount of the transaction price allocated to the remaining performance obligations is $20,000.5 million (2023: $19,458.2 million). The Group will recognise this revenue when the performance obligations are satisfied. Approximately ~42% of remaining performance obligations are expected to occur within the next five years; with the remaining ~58% related to long-term service/maintenance contracts ranging up to 38 years.

The remaining performance obligations balances for both 30 June 2024 and 30 June 2023 presented above relate to the revenue expected to be recognised from ongoing contracts with an expected duration of more than 12 months.

Variable consideration

Variable consideration that is contingent on the Group's performance, including key performance payments, liquidated damages and abatements that offset revenue under the contract, is recognised only when it is highly probable that a reversal of that revenue will not occur.

In addition, where the identified revenue stream is determined to be a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (e.g. maintenance services), variable consideration is recognised in the period/(s) in which the series of distinct goods or services subject to the variable consideration are completed.

Loss-making contracts

Loss-making contracts are recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as onerous contracts.

In making this assessment, the Group considers the performance of a contract cumulatively life to date, in the most recent reporting period, and updates the final forecast at completion.

In circumstances where contracts have incurred losses, either cumulatively life to date or in the reporting period, and the final forecast margin anticipates improvements in contract performance to deliver an overall profitable outcome on the contract, detailed reviews are completed to assess the basis and reasonableness of the expected turnaround. In these circumstances an onerous contract is not recognised.

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Key estimate and judgement: Revenue recognition

Measure of Progress

Management uses judgement in selecting an appropriate measure of progress towards completing satisfaction of an obligation. The selected method considers the nature of the good or service that the Group has promised to transfer to the customer.

Stage of completion

Determining the stage of completion based on a percentage of costs to complete requires an estimate of expenses incurred to date as a percentage of total estimated costs. Significant judgement is required to determine the remaining costs to be incurred in delivering the remainder of the project.

Modifications

When a contract modification exists and the Group has an approved enforceable right to payment, revenue in relation to claims and variations is only included in the transaction price when the amount claimable becomes highly probable. Management uses judgement in determining whether an approved enforceable right exists and determining when amount is highly probable.

Variable consideration

Determining the amount of variable consideration requires an estimate based on either the 'expected value' or the 'most likely amount'. The estimate of variable consideration can only be recognised to the extent it is highly probable that a significant revenue reversal will not occur in future. Significant judgement is required in determining whether revenue should be constrained for variations and claims to customers and potential liquidated damages.

Termination for convenience clauses

When a contract provides that a customer can terminate for convenience, management must determine whether or not termination penalties payable by the customer to the Group on termination are substantive. This determination impacts whether the Group accounts for the customer contract as a long-term contract over the stated term or as a short-term contract over the non-cancellable period. The assessed contract term impacts the determination and allocation of the transaction price to performance obligations, and ultimately when revenue is recognised.

Defects and warranty

Contracts for rendering of services and construction may include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and associated costs are estimated and included in the total costs of the contracts. Where required, obligations for defects and warranty are recognised as a provision, refer to Note C8 Other provisions.

Changes in these estimates or judgements could have a material impact on the financial statements of the Group.

B3. Individually significant items

The following material items of income and expense, forming part of the unallocated segment, are relevant to an understanding of the Group's financial performance:

2024 $'m	Fair value movement on DCSO liability	Net gain on divestments and exit costs	Transformation and restructure costs	Regulatory reviews and legal matters	Impairment and other asset write-downs	Total
Other income	3.7	–	–	–	–	**3.7**
Net gain on disposal of businesses	–	36.1	–	–	–	**36.1**
Employee benefits expense	–	–	(28.7)	–	–	**(28.7)**
Other depreciation and amortisation	–	–	–	–	(11.2)	**(11.2)**
Impairment of non-current assets	–	–	–	–	(69.1)	**(69.1)**
Other expenses from ordinary activities	–	(14.4)	(31.6)	(23.3)	(37.4)	**(106.7)**
Share of net profit of joint venture and associates	–	–	(1.3)	–	–	**(1.3)**
Total significant items before interest and tax	**3.7**	**21.7**	**(61.6)**	**(23.3)**	**(117.7)**	**(177.2)**
Income tax benefit	–	5.5	18.0	6.8	35.1	**65.4**
Total significant items after income tax	**3.7**	**27.2**	**(43.6)**	**(16.5)**	**(82.6)**	**(111.8)**

Fair value movement on Downer Contingent Share Options (DCSO) liability

As part of the consideration to acquire the shares in Spotless that it did not already own, the Group granted three tranches of 2.5 million share options to the previous minority interest shareholders on 12 August 2020 which are exercisable within four years of issue on achievement of three prescribed share price targets (the Downer Contingent Share Options or DCSO). The fair value at issue date of these options was recognised as a liability arising on the acquisition of the shares. The DCSO are classified as a liability, with subsequent changes in the fair value recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Since 30 June 2023, the fair value of the DCSO liability has decreased by $3.7 million, with a gain recognised through 'Other income' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the year.

Net gain on divestments and exit costs

During the period, divestment and exit costs were recognised in relation to a number of transactions. Refer to Note F7 for further details on the individual transactions.

The material elements of the net gain on divestments and exit costs include:

- $36.1 million net pre-tax gain (including disposal costs) across the divestments
- $14.4 million pre-tax transaction-related expenses and provisions associated with Downer's ongoing obligations and risks associated with divestments
- Capital losses on which a deferred tax asset has not been previously recognised have been used to fully offset capital gains arising on divestments during the year. A deferred tax asset has not been recognised on remaining carried forward capital losses of $28.4 million at 30 June 2024 as it is not probable that a future capital gain will arise.

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Transformation and restructure costs

Transformation and restructure costs represent costs incurred following Downer's commencement of the Transformation program to restructure its operating model and review of IT strategy. The material elements of the costs associated with the transformation and restructure are as follows:

- Redundancy and severance costs associated with implementing the new operating model
- Transformation program implementation costs including external advisor costs
- Software-as-a-Service (SaaS) implementation costs.

Regulatory reviews and legal matters

Regulatory review and legal matters costs were incurred in relation to defending the shareholder class actions filed against Downer during the prior financial year, responding to regulatory reviews, undertaking business conduct review and investigations, and settlement of the 'leaky buildings' claim (for further information see 2023 Financial Statements Note C9 Contingent Liabilities (vi)).

The shareholder class actions claims have been disclosed as a contingent liability in Note C9.

Impairment and other asset write-downs

Impairment and other asset write-downs relates to:

- Three asphalt plants following review of the carrying value
- Accelerated amortisation and write-downs in relation to IT assets and discontinuation of IT development programs, and resulting onerous licence contract provisions recognised, where the ongoing usage has been reviewed as part of the cost reduction program and aligned with the Group's new operating model.

Prior Year

The Group recognised the following items as individually significant items as at 30 June 2023:

2023 $'m	Fair value movement on DCSO liability	Divestments and exit costs	Portfolio restructure costs	Regulatory reviews and shareholder class action related costs	Impairment and other asset write-downs	Total
Other income	10.0	–	–	–	–	10.0
Gain on disposal of business	–	44.4	–	–	–	44.4
Impairment of non-current assets	–	(0.7)	–	–	(538.8)	(539.5)
Employee benefits expense	–	(10.4)	(9.7)	–	–	(20.1)
Raw materials and consumables used	–	–	–	–	(5.0)	(5.0)
Other expenses from ordinary activities	–	(12.5)	(15.7)	(6.5)	(5.8)	(40.5)
Total significant items before interest and tax	10.0	20.8	(25.4)	(6.5)	(549.6)	(550.7)
Income tax benefit/(expense)	–	(18.6)	7.6	1.9	18.3	9.2
Total significant items after income tax	10.0	2.2	(17.8)	(4.6)	(531.3)	(541.5)

Fair value movement on Downer Contingent Share Options (DCSO) liability

Since 30 June 2022, the fair value of the DCSO has decreased by $10.0 million, which has been recognised through 'Other income' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. This income is driven by the decrease in Downer's share price from $5.05 at 30 June 2022 to $4.11 at 30 June 2023.

Divestments and exit costs

In prior year, divestment and exit costs were recognised in relation to Australian Transport Projects – On 20 June 2023, Downer completed the sale of its Australian Transport Projects business to DT Infrastructure Pty Ltd, a Gamuda Berhad group company (Gamuda). There remained a number of customer consents outstanding at the date of completion, some of which remained outstanding as at the date of prior year financial report. These contracts remained with Downer until the consents were received.

In addition to transaction-related costs incurred, assets previously utilised by the business which will no longer be required by the Group have been written off. The material elements of divestment and exit costs include:

- $44.4 million pre-tax gain (including disposal costs) from the disposal of the Australian Transport Project business. Refer to Note F7
- $23.6 million pre-tax exit costs, relating to impairments of IT infrastructure and applications, transaction-related employee benefit expenses, costs provision for defect liability periods and other exit costs
- A net income tax expense of $18.6 million mainly arising on the gain on divestments and includes the tax impact of non-deductible goodwill disposed.

Portfolio restructure costs

Represents restructuring costs incurred in prior year following Downer's commencement of the Transformation program to restructure its operating model and includes restructuring expenses, redundancy and costs associated with establishing and running the Transformation program.

Regulatory reviews and shareholder class action related costs

Regulatory review and shareholder class action related costs of $6.5 million were incurred in relation to:

- Responding to regulatory reviews by certain regulatory authorities
- The review of the Australian Utilities maintenance contract
- Defending the shareholder class actions filed against Downer during prior financial year. These claims have been disclosed as a contingent liability. Refer to Note C9.

Impairment and other assets write-downs

Following the identification of possible impairment indicators, the Group undertook an assessment of the carrying value of the Utilities Australia and Facilities Group of CGUs. As a result of this assessment, a goodwill impairment of $483.0 million ($133.0 million related to Utilities Australia and $350.0 million related to Facilities) was recognised as at 30 June 2023.

Impairment of assets by $66.6 million (pre-tax) relates to adjustment in the carrying value of:

- Carrying value of fixed assets and inventory in the Rail business
- Shut down, relocation and consolidation of asphalt plants in Australia
- IT and other assets that will no longer be utilised or provide future economic benefit as a result of business restructuring, divestments and transformation
- Office space being surplus to requirements and vacated as a result of business restructuring, divestments and transformation.

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B4. Earnings per share

Basic earnings per share

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

	2024	2023
Profit/(loss) attributable to members of the parent entity used in calculating basic EPS ($'m)	69.1	(396.4)
Weighted average number of ordinary shares (WANOS) on issue (m's)[i]	670.4	671.5
Basic earnings per share (cents)	**10.3**	(59.0)

Diluted earnings per share

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

	2024	2023
Profit/(loss) attributable to members of the parent entity used in calculating basic EPS ($'m)	69.1	(396.4)
Adjustment of earnings for ROADS dividend paid ($'m)	13.0	10.7
Profit/(loss) attributable to members of the parent entity used in calculating diluted EPS ($'m)	82.1	(385.7)
Weighted average number of ordinary shares		
– Weighted average number of ordinary shares (WANOS) on issue (m's)[i][ii]	670.4	671.5
– Adjustments for calculation of diluted earnings per share due to ROADS (m's)[iii]	42.5	44.3
WANOS used in the calculation of diluted EPS (m's)	712.9	715.8
Diluted earnings per share (cents)[iv]	**10.3**	(59.0)

(i) The WANOS on issue has been adjusted by the weighted average effect of unvested executive incentive shares and additionally in 2023, the on-market share buy-back.

(ii) For diluted EPS, 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 $183.0 million (2023: $183.8 million), divided by the average market price of the Company's ordinary shares for the period 1 July 2023 to 30 June 2024 discounted by 2.5% according to the ROADS contract terms, which was $4.30 (2023: $4.15).

(iv) At 30 June 2024, the ROADS were deemed anti-dilutive and consequently, diluted EPS remained at 10.3 cents per share (2023: loss of 59.0 cents per share).

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B5. Taxation

(a) Reconciliation of income tax expense

The prima facie income tax expense/(benefit) on the pre-tax result for the year reconciles to the income tax expense in the financial statements as follows:

	2024 $'m	2023 $'m
Profit/(loss) before income tax	91.8	(341.5)
Tax using the Company's statutory tax rate	27.5	(102.5)
Effect of tax rates in foreign jurisdictions	(1.1)	(0.9)
Non-deductible expenses	0.4	0.7
Profits and franked distributions from joint ventures and associates	(1.3)	(7.3)
Non-assessable income	(1.1)	(3.0)
Impairment of goodwill	–	144.9
Tax effect of divestments	(12.1)	14.0
Tax effect of previously unrecognised capital losses	–	(2.3)
Benefit of unrecognised temporary differences	–	(0.5)
Other items	(0.4)	3.3
Over-provision of income tax in previous year	(2.2)	(2.2)
Total income tax expense	**9.7**	44.2
Current tax expense	41.2	35.9
Deferred tax (benefit)/expense	(31.5)	8.3

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.

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; this 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 income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

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

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

- 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, and does not give rise to equal taxable and deductible temporary differences

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- Temporary differences relating 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
- Taxable temporary differences arising from goodwill.

A capital loss of $104.4 million arose on the sale of the Asset and Development Services business to a Management Buy Out Consortium on 31 August 2023. During the year ended 30 June 2024, a capital gain of $76.0 million arose on the sale of Downer's interest in Repurpose It and was reduced to nil via the recoupment of capital losses. A deferred tax asset has not been recognised on the remaining $28.4 million capital losses as it is not probable that a future capital gain will arise.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply in 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 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/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

Downer EDI Limited and its wholly owned Australian 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 agreement and a tax sharing agreement with the head entity. Under the terms of the tax funding agreement, 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.

International Tax Reform – Pillar Two Model Rules

As a large multinational enterprise, the Group is subject to the Pillar Two rules, which have been enacted in New Zealand and draft legislation has been announced in Australia, being the two main jurisdictions in which the Group operates. The rules will apply in New Zealand for fiscal years beginning from 1 January 2025 and are expected to apply in Australia from 1 January 2024. Other jurisdictions in which the Group operates are also considering implementation of the Pillar Two rules. Specifically, the Pillar Two rules are designed to ensure large multinational enterprises pay a minimum level of tax on the profits arising in each of the jurisdictions in which they operate, imposing an additional tax on profits where the effective tax rate in that jurisdiction falls below the minimum rate of 15 per cent.

Based on current information available for all jurisdictions in which the Group operates, the Group does not expect a potential exposure to Pillar Two taxes, and management is not currently aware of any circumstances under which this might change.

The Group has applied the temporary mandatory relief under amendments to AASB 112 on 27 June 2023 from deferred tax accounting for the impacts of the Pillar Two rules at 30 June 2024.

Key estimates and judgements:

Recognition of deferred tax assets

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

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required to determine the worldwide provision for income taxes and to assess 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.

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(b) Movement in deferred tax balances

2024 $'m	At 30 June 2023	Recognised in profit or loss	Recognised in other comprehen-sive income and equity	Net foreign currency exchange differences	Disposal	Net balance at 30 June 2024	Deferred tax assets	Deferred tax liabilities
Trade receivables and contract assets	(134.5)	(11.5)	–	0.2	–	**(145.8)**	–	(145.8)
Property, plant and equipment	(33.0)	43.3	–	(0.1)	0.1	**10.3**	10.3	–
Right-of-use assets	(124.9)	4.5	–	–	–	**(120.4)**	–	(120.4)
Lease liabilities	156.9	(7.4)	–	–	–	**149.5**	149.5	–
Intangible assets	(67.9)	7.3	–	–	–	**(60.6)**	–	(60.6)
Tax losses and other attributes	13.6	(5.3)	–	–	–	**8.3**	8.3	–
Trade payables and contract liabilities	17.8	6.3	–	–	–	**24.1**	24.1	–
Employee benefits and other provisions	132.1	8.9	(0.6)	(0.1)	(0.3)	**140.0**	140.0	–
Other	6.5	(14.6)	(0.2)	0.1	–	**(8.2)**	–	(8.2)
Net deferred tax assets/(liabilities)	**(33.4)**	**31.5**	**(0.8)**	**0.1**	**(0.2)**	**(2.8)**	**332.2**	**(335.0)**
Set-off of DTA against DTL							(312.6)	312.6
Net tax assets/(liabilities)						**(2.8)**	**19.6**	**(22.4)**

2023 $'m	At 30 June 2022	Recognised in profit or loss	Recognised in other comprehen-sive income and equity	Net foreign currency exchange differences	Acquisition and disposal	Assets held for sale	Net balance at 30 June 2023	Deferred tax assets	Deferred tax liabilities
Trade receivables and contract assets	(122.3)	(11.8)	–	(0.4)	–	–	(134.5)	–	(134.5)
Property, plant and equipment	(60.7)	27.1	0.1	0.2	–	0.3	(33.0)	–	(33.0)
Right-of-use assets	(127.3)	1.8	–	–	–	0.6	(124.9)	–	(124.9)
Lease liabilities	159.1	(1.5)	–	–	–	(0.7)	156.9	156.9	–
Intangible assets	(76.0)	8.2	–	(0.1)	–	–	(67.9)	–	(67.9)
Tax losses and other attributes	50.4	(36.8)	–	–	–	–	13.6	13.6	–
Trade payables and contract liabilities	13.4	5.7	–	(0.2)	–	(1.1)	17.8	17.8	–
Employee benefits and other provisions	150.8	(12.8)	(0.8)	0.3	(3.5)	(1.9)	132.1	132.1	–
Other	(8.7)	11.8	3.4	–	–	–	6.5	6.5	–
Net deferred tax assets/(liabilities)	(21.3)	(8.3)	2.7	(0.2)	(3.5)	(2.8)	(33.4)	326.9	(360.3)
Set-off of DTA against DTL								(323.6)	323.6
Net tax assets/(liabilities)							(33.4)	3.3	(36.7)

B6. Remuneration of auditor

	2024 $'000	2023 $'000
(a) Auditors of the Group – PwC and related network firms		
Audit or review of financial reports	5,324	83
Assurance services:		
Other assurance services	359	–
Total assurance services	**359**	–
Other services:		
Tax services	151	159
Advisory services	214	411
Other services and agreed upon procedures	85	–
Total other services	**450**	570
(b) Auditors of the Group – KPMG and related network firms		
Audit or review of financial reports	1,791	5,219
Assurance services:		
Regulatory assurance services	38	66
Other assurance services	76	254
Total assurance services	**114**	320
Other services:		
Tax services	42	24
Advisory services	–	17
Total other services	**42**	41

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The auditor of the Group was PricewaterhouseCoopers (PwC) for the full year and KPMG for the half year (2023: KPMG).

PwC's fees for Other Services during the financial year included the following amounts for engagements entered prior to PwC's appointment as auditor of the Group in April 2024: Assurance Services nil and Other Services of $295,653.

KPMG was auditor during the financial year until cessation, having identified a conflict of interest after the Group filed a defence in the shareholder class action (refer to Note C9) and pleaded a proportionate liability defence against KPMG on 4 March 2024. The change in our external auditors during the financial year (post half year reporting) has resulted in additional duplicated costs being incurred by the Group in the period. The transition costs to a new auditor are estimated at $1,300,000 (2023: nil).

Remuneration of KPMG whilst auditor during the financial year were Assurance Services $114,609 and Other Services $42,447.

B7. Subsequent events

On 21 August 2024, the DCSO (refer Note B3) conditions for Tranche 2 and Tranche 3 series were not satisfied and have lapsed.

Outside the above, at the date of this report, there is no other matter or circumstance that has arisen since the end of the financial year, that has 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.

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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 and cash equivalents
C2. Trade receivables and contract assets
C3. Inventories
C4. Trade payables and contract liabilities
C5. Property, plant and equipment
C6. Right-of-use assets
C7. Intangible assets
C8. Other provisions
C9. Contingent liabilities

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C1. Reconciliation of cash and cash equivalents

(a) Reconciliation of cash flows from operating activities

	Note	2024 $'m	2023 $'m
Profit/(loss) after tax for the year		82.1	(385.7)
Adjustments for:			
Share of joint ventures and associates' profits net of distributions	F1(a)	8.9	3.6
Depreciation on leased assets	C6	153.3	154.9
Depreciation and amortisation of other non-current assets	C5,C7	192.7	181.3
Impairment of other non-current assets		69.1	539.5
Amortisation of deferred borrowing costs		4.0	3.9
Net gain on sale of property, plant and equipment		(5.0)	(20.2)
Net gain on disposal of businesses	F7	(21.7)	(44.4)
Movement in current tax balances		29.6	28.7
Movement in deferred tax balances		(30.9)	8.3
Movements on net defined benefit plan obligation	D2	1.4	1.5
Share-based employee benefits expense/(income)	D1	3.2	(0.8)
Other		(1.5)	1.0
		403.1	857.3
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
(Increase)/decrease in assets:			
Current trade receivables and contract assets		91.7	(200.5)
Current inventories		19.1	(26.6)
Other current assets		(0.3)	(10.6)
Non-current trade receivables and contract assets		(6.3)	(17.1)
Other non-current assets		(9.3)	(10.7)
Increase/(decrease) in liabilities:			
Current trade payables and contract liabilities		(134.4)	97.4
Current financial liabilities		(20.4)	(14.4)
Current provisions		103.5	(2.1)
Non-current trade payables and contract liabilities		(4.4)	15.4
Non-current financial liabilities		15.8	0.8
Non-current provisions		3.9	15.0
		58.9	(153.4)
Net cash generated by operating activities		**544.1**	318.2

(b) Reconciliation of liabilities arising from financing activities

2024 $'m	1 July 2023	Net cash flows[i]	Lease net additions and remeasure[ii]	Other non-cash changes	Disposal of businesses and held for sale	30 June 2024
Interest bearing loans	1,596.4	(296.1)	–	(6.3)	–	**1,294.0**
Lease liabilities	537.2	(163.5)	150.6	(12.0)	(0.4)	**511.9**
Total liabilities from financing activities	**2,133.6**	**(459.6)**	**150.6**	**(18.3)**	**(0.4)**	**1,805.9**

2023 $'m	1 July 2022	Net cash flows[i]	Lease net additions and remeasure[ii]	Other non-cash changes	Disposal of businesses and held for sale	30 June 2023
Interest bearing loans	1,361.7	227.5	–	7.2	–	1,596.4
Lease liabilities	543.9	(165.0)	159.4	3.8	(4.9)	537.2
Total liabilities from financing activities	1,905.6	62.5	159.4	11.0	(4.9)	2,133.6

(i) Gross cash flow movements are disclosed in the cash flow statement.
(ii) Remeasurement amount is disclosed in Note C6.

(c) Cash and cash equivalents

	2024 $'m	2023 $'m
For the purpose of the statement of cash flows, cash and cash equivalents comprises:		
Cash	768.7	861.9
Short-term deposits	68.9	27.2
Total cash and cash equivalents	**837.6**	889.1

Cash and short-term deposits includes $52.2 million (2023: $48.0 million) relating to demand deposits for retentions in accordance with Australian and New Zealand contractual requirements. This cash is not available for general use.

C2. Trade receivables and contract assets

	2024 $'m	2023 $'m
Trade receivables	613.8	677.8
Contract assets[i] [ii]	1,352.4	1,385.7
	1,966.2	2,063.5
Other receivables	62.3	113.8
Loss allowance on trade receivables and contract assets arising from contracts with customers	(20.7)	(33.2)
Total trade receivables and contract assets	**2,007.8**	2,144.1
Included in the financial statements as:		
Current[i] [ii]	1,862.7	2,005.3
Non-current	145.1	138.8

(i) Current contract assets: $1,208.1 million (2023: $1,247.6 million).
(ii) Comparative information has been revised to reflect the changes in presentation detailed in Note A.

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Allowance for credit losses:

The Group's trade receivables and contract assets are disaggregated based on their expected credit risks between Government and Private (non-government) customers. An analysis of the balances and loss allowance is presented below:

	2024 $'m	2023 $'m
Government – not due[(i)]	834.5	860.2
Government – less than 90 days past due	25.8	30.5
Government – more than 90 days past due	5.2	7.8
Private – not due[(i)]	1,029.5	1,102.7
Private – less than 90 days past due	49.5	44.5
Private – more than 90 days past due	21.7	17.8
Total gross carrying amount	**1,966.2**	2,063.5
Credit impaired – specific allowance	18.2	29.0
Not credit impaired – lifetime expected credit loss	2.5	4.2
Loss allowance on trade receivables and contract assets arising from contracts with customers	**20.7**	33.2

(i) Comparative information has been revised to reflect the changes in presentation detailed in Note A.

The Group has policies to manage its overall exposure to credit risk as set out in Note G2(e).

In assessing lifetime expected credit losses (ECL) as at 30 June 2024, the Group has considered the risk arising from the general economic environment such as persistent inflation, rising interest rates and potential defaults occurring within the construction environment in which Downer partially operates. The Group has assessed ECLs by segmenting the portfolio of trade receivables and contract assets by customer (i.e. Government and Private) to better assess inherent credit risk. The Group defines counterparties as 'Government' if the contract is with a Federal, State or Local Government body. Any counterparties other than those defined as 'Government', are classified as 'Private', and include sectors heavily regulated by Government organisations (such as Gas and Electricity), Blue-Chip listed companies, contracts run under the Public-Private-Partnership model ((PPPs) for which Government organisations are often the end customer), large multinational companies, network infrastructure companies, as well as other private sector businesses.

The credit risk associated with Government balances is considered to be negligible (2023: negligible) due to the high creditworthiness of the counterparties. No 'Government' related balances are currently in default.

For 'Private' balances, the Group has assessed the potential credit risk of default on key customers utilising credit ratings provided by financial institutions. For those 'Private' receivables/contract assets that are ultimately backed by the Government or a Government body, the credit risk is considered to be low or negligible. For those counterparties that are currently in default or a risk of default is determined, the Group has recognised specific impairment/credit allowances. As at 30 June 2024, the $20.7 million (2023: $33.2 million) loss allowance includes a specific provision, against balances not due, of $18.1 million (2023: $28.4 million) in relation to Probuild Pty Ltd as this customer went into administration in 2022.

Based on the above methodology and in reference to past default experience, the ECLs have decreased from $4.2 million at 30 June 2023 to $2.5 million at 30 June 2024.

Credit losses on 'Private' counterparty balances have historically averaged less than 1%. The allowance for credit losses, excluding specific provisions, is 0.2% (2023: 0.3%) of the trade receivables and contract assets.

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Recognition and measurement

Trade receivables

Trade receivables and other receivables are held with the objective of collecting contractual cash flows and are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less an allowance for impairment.

Contract assets

Contract assets primarily relate to the Group's rights to consideration for work performed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights have become unconditional. This usually occurs when the Group issues an invoice in accordance with contractual terms to the customer.

Payments from customers are received based on a billing schedule/milestone basis, as established in our contracts.

Costs to obtain or fulfil contracts

Costs incremental to obtaining a contract and that are expected to be recovered or are explicitly chargeable to the customer regardless of whether the contract is obtained are capitalised.

Financial assets and liabilities

AASB 9 *Financial Instruments* (AASB 9) contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Fair value

Due to the short-term nature of these financial rights, the carrying amounts of trade receivables and contract assets are considered to represent their fair values.

Impairment

The Group has applied the simplified approach to recognise lifetime expected credit losses for trade receivables and contract assets as permitted by AASB 9.

The Group considers the relevant credit risk associated with disaggregated portions of the financial assets and after considering specific provisions against counterparties and defaults, applies an expected credit loss (ECL) percentage derived from recorded historic credit losses associated with specific population. The key disaggregation of the balances is between those that are backed by Government funding and those that are not and between those that are current or are overdue less than 90 days or become more than 90 days overdue. The Group exercises considerable judgement about how economic factors (such as rising interest rates and inflation) affect the ECL of each of the disaggregated balances independently, and applies a premium as deemed appropriate to adjust the historically determined default rates to present the total expected credit losses on the current balances.

This impairment model applies to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments).

Key estimate: Credit risk

Credit risk represents the risk that a counterparty will fail to perform an obligation causing a financial loss to the Group. The Group minimises credit risk by undertaking transactions with a large number of customers in various industries and geographical areas. A credit risk management policy is in place and exposure to credit risk is monitored on an ongoing basis.

The Group uses historical information as a basis for the estimation of expected credit losses and then adjusts its assessment of credit risk based on current macro/micro-economic conditions; however, judgement is applied in doing this assessment.

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C3. Inventories

	2024 $'m	2023 $'m
Current		
Raw materials	43.8	46.1
Work in progress	6.6	5.3
Finished goods	43.8	59.2
Components and spare parts[(i)]	116.3	124.2
Total inventories	**210.5**	234.8

(i) In the prior year, there was a write-down of inventories to their net realisable value at one of Transport's maintenance facilities.

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. The Group has considered the net realisable value of inventories at reporting date. An inventory provision is recognised where the net realisable value from the sale of inventory is estimated to be lower than carrying value.

C4. Trade payables and contract liabilities

	2024 $'m	2023 $'m
Trade payables	766.6	817.4
Contract liabilities[(i)]	246.5	270.6
Accruals	882.3	931.6
Other payables	206.3	225.0
Total trade payables and contract liabilities	**2,101.7**	2,244.6
Included in the financial statements as:		
Current[(i)]	2,041.1	2,183.5
Non-current	60.6	61.1

(i) Comparative information has been revised to reflect the changes in presentation detailed in Note A.

Recognition and measurement

Trade payables, accruals and other payables

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

Contract liabilities

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when work is performed under the contract.

If the net amount of the Group's rights to consideration for work performed after deduction of progress payments received is negative, the difference is recognised as a liability and included as part of Contract liabilities.

Of the Contract liabilities balance of $359.5 million at 30 June 2023, substantially all of this revenue has been recognised in the current year.

Fair value

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

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C5. Property, plant and equipment

2024 $'m	Note	Freehold land and buildings	Plant, equipment and leasehold improvements	Total
Balance as at 1 July 2023		137.7	797.0	**934.7**
Additions		3.3	119.2	**122.5**
Disposals at net book value		–	(17.6)	**(17.6)**
Disposal of businesses	F7	(0.1)	(18.8)	**(18.9)**
Depreciation expense		(2.7)	(120.4)	**(123.1)**
Impairment charge[(i)]	B3	–	(54.5)	**(54.5)**
Transferred to disposal group assets held for sale	F8	–	(1.0)	**(1.0)**
Net foreign currency exchange differences at net book value		(0.1)	(0.8)	**(0.9)**
Net book value as at 30 June 2024		**138.1**	**703.1**	**841.2**
Cost		173.4	1,703.7	**1,877.1**
Accumulated depreciation and impairment		(35.3)	(1,000.6)	**(1,035.9)**

2023 $'m	Freehold land and buildings	Plant, equipment and leasehold improvements	Total
Balance as at 1 July 2022	87.5	836.9	924.4
Additions	77.6	151.8	229.4
Disposals at net book value	(25.0)	(6.9)	(31.9)
Disposal of businesses	–	(36.7)	(36.7)
Depreciation expense	(2.2)	(126.1)	(128.3)
Impairment charge[(ii)]	–	(25.2)	(25.2)
Transferred to disposal group assets held for sale	–	(0.4)	(0.4)
Net foreign currency exchange differences at net book value	(0.2)	3.6	3.4
Net book value as at 30 June 2023	137.7	797.0	934.7
Cost	170.8	1,751.7	1,922.5
Accumulated depreciation and impairment	(33.1)	(954.7)	(987.8)

(i) Impairment recognised following review of the carrying value of three Asphalt plants in the Transport segment. Refer to Note B3.
(ii) Impairment relates to the adjustment to the carrying value of assets at one of Transport's maintenance facilities, and to other assets in Australia following a strategic review.

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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 to 50 years	Straight-line
Leasehold improvements	Lease term	Straight-line
Plant and equipment – power and gas	Working hours	Based on hours of use
Plant and equipment – other	3 to 25 years	Straight-line

Key estimate: Useful lives

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leasehold improvements) and turnover policies. In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life. The residual value and useful life of assets is reviewed at least at each financial year end.

C6. Right-of-use assets

The Group leases many assets including property, motor vehicles and plant and equipment. Information about leased assets for which the Group is a lessee is presented below:

2024 $'m	Note	Leasehold property	Motor vehicles	Plant and equipment	Total
Balance as at 1 July 2023		230.0	110.9	87.6	**428.5**
Additions		23.7	58.6	27.9	**110.2**
Remeasure		19.2	10.7	10.5	**40.4**
Depreciation expense		(49.3)	(65.6)	(38.4)	**(153.3)**
Impairment charge[(i)]	B3	–	–	(1.4)	**(1.4)**
Transferred to disposal group assets held for sale	F8	–	(0.1)	–	**(0.1)**
Disposals at net book value		(4.5)	(3.8)	(2.3)	**(10.6)**
Disposal of businesses	F7	–	(0.2)	–	**(0.2)**
Net foreign currency exchange differences at net book value		(0.3)	(0.1)	(0.2)	**(0.6)**
Net book value as at 30 June 2024		**218.8**	**110.4**	**83.7**	**412.9**
Cost		466.5	303.8	217.5	**987.8**
Accumulated depreciation and impairment		(247.7)	(193.4)	(133.8)	**(574.9)**

(i) Impairment recognised following review of the carrying value of three Asphalt plants in the Transport segment. Refer to Note B3.

2023 $'m	Leasehold property	Motor vehicles	Plant and equipment	Total
Balance as at 1 July 2022	242.3	110.1	83.8	436.2
Additions	23.7	67.7	30.9	122.3
Remeasure	25.3	(1.3)	21.8	45.8
Depreciation expense	(53.1)	(62.1)	(39.7)	(154.9)
Impairment charge[(i)]	(7.8)	–	–	(7.8)
Transferred to disposal group assets held for sale	(1.5)	(1.0)	(0.1)	(2.6)
Disposals at net book value	(0.2)	(1.3)	(10.5)	(12.0)
Disposal of businesses	(0.3)	(1.4)	–	(1.7)
Net foreign currency exchange differences at net book value	1.6	0.2	1.4	3.2
Net book value as at 30 June 2023	230.0	110.9	87.6	428.5
Cost	453.4	283.6	204.9	941.9
Accumulated depreciation and impairment	(223.4)	(172.7)	(117.3)	(513.4)

(i) Impairment recognised largely as a result of consolidating the Group's property footprint.

Recognition and measurement

The right-of-use assets are initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives and any initial direct costs incurred by the lessee
- An estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset.

Subsequently the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is depreciated over the shorter period of the lease term and the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflect that the Group will exercise a purchase option, the asset will be depreciated from the commencement date to the end of the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Where the initially anticipated lease term is subsequently reassessed, any changes are reflected in a remeasurement of the lease liability and a corresponding adjustment to the asset.

If the recoverable amount of a right-of-use asset is less than its carrying value, an impairment charge is recognised in the profit or loss, and the carrying value of the asset is written-down to its recoverable amount. Should the recoverable amount increase in future periods the carrying value may be adjusted to the lower of the recoverable value or the amortised cost of the asset had it not been impaired.

Key estimate and judgement:

Useful lives (lease terms)

The estimation of the useful lives has been based on the assets' lease terms. There are a number of judgements made in determining the lease terms as noted in the Key estimates and judgements section of Note E3.

The expected useful life of the asset includes a judgement as to whether available extension changes will be exercised. Changes to this assessment are reflected as a remeasurement, with a corresponding adjustment for the liability.

Recoverable value

In assessing whether a right-of-use asset is impaired, estimation is required to determine the recoverable value of the asset. For corporate right-of-use assets, impairment is assessed against the recoverable amount of cash-generating units to which they are allocated.

For surplus and vacated right-of-use assets an impairment test is performed for the individual right-of-use asset, including consideration of estimated sub-lease income.

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C7. Intangible assets

2024 $'m	Note	Goodwill	Customer contracts and relationships	Brand names on acquisition	Intellectual property on acquisition	Software and system development	Total
Balance as at 1 July 2023		1,762.8	150.3	55.0	1.4	210.8	**2,180.3**
Additions		–	–	–	–	23.6	**23.6**
Amortisation expense		–	(19.0)	(3.9)	(0.2)	(46.5)	**(69.6)**
Impairment charge[(i)]	B3	–	–	–	–	(13.2)	**(13.2)**
Disposal of businesses	F7	–	(0.4)	–	–	–	**(0.4)**
Net foreign currency exchange differences at net book value		(0.5)	–	–	–	(0.1)	**(0.6)**
Net book value as at 30 June 2024		**1,762.3**	**130.9**	**51.1**	**1.2**	**174.6**	**2,120.1**
Cost		2,562.7	515.2	78.8	2.4	507.0	**3,666.1**
Accumulated amortisation and impairment		(800.4)	(384.3)	(27.7)	(1.2)	(332.4)	**(1,546.0)**

2023 $'m	Goodwill	Customer contracts and relationships	Brand names on acquisition	Intellectual property on acquisition	Software and system development	Total
Balance as at 1 July 2022	2,285.0	172.5	58.7	1.5	223.7	2,741.4
Additions	–	–	–	–	40.3	40.3
Amortisation expense	–	(22.2)	(3.9)	(0.1)	(26.8)	(53.0)
Impairment charge[(ii)]	(483.0)	–	–	–	(23.5)	(506.5)
Disposal of businesses	(41.3)	–	–	–	(2.8)	(44.1)
Net foreign currency exchange differences at net book value	2.1	–	0.2	–	(0.1)	2.2
Net book value as at 30 June 2023	1,762.8	150.3	55.0	1.4	210.8	2,180.3
Cost	2,563.2	515.2	78.8	2.4	529.4	3,689.0
Accumulated amortisation and impairment	(800.4)	(364.9)	(23.8)	(1.0)	(318.6)	(1,508.7)

(i) $13.2 million impairment of IT assets associated with discontinued IT development programs in the Transport and Unallocated segment.

(ii) $483.0 million impairment is as a result of assessment of the carrying value of the Group's CGUs.
$23.5 million relates to IT assets that will no longer be utilised or provide future economic benefit as a result of business restructuring, divestments and transformation.

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.

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Customer contracts and relationships on acquisition

Customer contracts and relationships acquired as part of a business combination are recognised separately from goodwill and are carried at fair value at date of acquisition less accumulated amortisation and any accumulated impairment losses.

Brand names on acquisition

Brand names acquired as part of a business combination are recognised separately from goodwill and are carried at fair value at date of acquisition less accumulated amortisation and any accumulated impairment losses.

Intellectual property on acquisition

Intellectual property acquired as part of a business combination is recognised separately from goodwill and is carried at fair value at date of acquisition 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 and trademarks) and software are initially recognised at cost, and subsequently measured at cost less accumulated amortisation and any impairment losses.

Development costs that are directly attributable to the design and testing of an identifiable internally generated intangible asset controlled by the Group are recognised as an intangible asset where the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use
- Management intends to complete the intangible asset and use or sell it
- There is an ability to use or sell the intangible asset
- It can be demonstrated how the internally generated intangible asset will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the intangible asset are available, and
- The expenditure attributable to the intangible asset during its development and testing can be reliably measured.

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date.

For SaaS arrangements, the Group assesses if the contract will provide a resource that it can 'control' to determine whether an intangible asset is present. If the Group cannot determine control of the software, the arrangement is deemed a service contract and any implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when incurred. SaaS development costs have been specified as individually significant items. Refer Note B3.

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Amortisation

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

Item	Useful life
Customer contracts and relationships	1-20 years
Brand names	20 years
Intellectual property acquired	15-20 years
Software and system development(i)	1-15 years
Other intangible assets	20 years

(i) Certain software and system development asset useful lives have been revised during the period and accelerated amortisation recognised. Refer Note B3.

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

Impairment of assets

The Group assesses at each reporting date, whether there are any indicators that assets may be impaired. If any indicators exist, the Group estimates the recoverable amount of the asset.

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.

Goodwill impairment testing is discussed below.

In relation to the Group's other assets, a number of impairment indicators were identified prior to the testing of CGUs. These assets were, therefore, tested individually for impairment. The impairment charges recognised are described in Note B3.

Allocation of goodwill to Groups of Cash-Generating units (CGUs)

Goodwill has been allocated for impairment testing purposes to Groups of CGUs that represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

No changes in the Group's CGUs are required. The goodwill allocation to each of the Groups of CGUs is consistent with prior year and presented below:

		Carrying value of consolidated goodwill	
CGU	Segment	2024 $'m	2023 $'m
Transport Australia	Transport	327.1	327.0
Rail & Transit Systems	Transport	55.3	55.3
Utilities Australia	Utilities	350.8	350.8
Social Infrastructure & Citizen Services	Facilities	813.7	813.7
Industrial & Energy	Facilities	154.4	154.0
NZ Building	Transport	61.0	62.0
		1,762.3	1,762.8

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Key estimates and judgements: Intangible assets

Impairment of assets

Determination of potential impairment requires an estimation of the recoverable amount of each of the CGUs to which the goodwill and intangible assets with indefinite useful lives are allocated. Key assumptions requiring judgement include projected cash flows, discount rates, budgeted revenue growth rate, EBIT margin, and long-term growth rate.

Projected cash flows include assumptions on:

- contract awards, extensions and renewals, including potentially significant individual contracts (refer to separate key estimate and judgement below)
- contracts assumed to continue to term with no exercise of termination for convenience clauses in contracts
- inflation including wage inflation, where the Group's exposure to inflationary pressures in labour and other costs in its contracts is partially mitigated by contractual mechanisms and allowances for price movements
- no change in government regulation, including in relation to carbon emissions.

Contract awards, extensions and renewals or continuation

Estimated cash flows include assumptions on:

- new contract awards from projects being tendered or expected to be tendered in the future and assumptions on future win rates of projects not specifically identified
- contracts with existing customers are extended via exercise of options in existing contracts or negotiated extension or renewal on reasonably consistent terms
- contracts assumed to continue to term with clauses allowing customers to terminate for convenience assumed not be exercised, noting customers may not be able to find alternative suppliers and the Group does not currently expect any terminations.

The assumptions above may include significant individual contracts that if not won, extended or renewed, or if terminated early, it is reasonably possible that this may result in an adjustment to the carrying amount of CGUs.

Social Infrastructure & Citizen Services has made assumptions in relation to new contract awards and contract extensions where it is reasonably possible that in the event Social Infrastructure & Citizen Services is not successful that adjustment to the respective CGUs' carrying value could be required.

Estimation of useful life

The estimation of the economic useful life of software is initially determined based on historical experience. The useful lives of intangible assets recognised on business combinations are independently determined based on detailed reviews of similar assets and underlying factors. These useful lives are regularly reassessed for indicators of any change to the initial assessments. If the economic useful lives are determined to have changed, the amortisation of the assets is adjusted to reflect the new expected useful life, impacting the future amortisation recognised.

Impairment indicators

Management noted that the impairment indicators identified in 2023 have largely dissipated with marginal decrease in discount rates (WACC) and the Group's net asset value not exceeding market capitalisation at any time during the year, and below budget performance for some CGUs.

Recoverable amount testing

The recoverable amount is defined as the higher of a cash-generating unit's fair value less costs of disposal (FVLCD) and its value in use (VIU).

The recoverable amounts of all of the CGUs have been assessed using a VIU methodology in 2024. In 2023, the recoverable amount of the Transport & Infrastructure, Rail & Transit Systems, Social Infrastructure & Citizen Services, Industrial & Energy and New Zealand Building CGUs were determined on a VIU basis.

The recoverable amount of Utilities was determined using FVLCD in 2023 as this provided the higher recoverable amount.

For more information on 2023 goodwill impairment testing, refer to the 2023 Annual Report.

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Value in use calculation

In assessing VIU, the estimated future cash flows are discounted to their present value using a discount rate that uses current market assessments of the time value of money and the risks specific to the CGU.

Cash flow projections are determined utilising budgeted Earnings Before Interest and Tax (EBIT) less capital maintenance spending, corporate cost allocation, tax payments and working capital changes 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 with consideration given to the estimated Weighted Average Cost of Capital for the Group, adjusted for busines-specific risks of the CGU.

In the current year, the Group has determined the recoverable amount using cash flow projections based on the FY25 budget and business plan for FY26 and FY27 as approved by the Board. For FY27 onwards, the Group assumes a long-term growth rate of 2.5% that does not exceed the long-term growth rates of the industry (2023: FY26 onwards 2.5%).

Results of impairment testing

For all CGUs, the recoverable values are greater than the carrying value of their operating assets. No impairment has been identified.

For the Social Infrastructure & Citizen Services CGU, due to the size of the headroom and impairment in the prior year, further review has been undertaken as discussed below. Based on VIU testing and additional sensitivity analyses performed, the CGU's carrying value has been assessed as not impaired.

Social Infrastructure & Citizen Services CGU

Consistent with the prior year, the forecast cash flows for the Social Infrastructure & Citizen Services CGU are being impacted by uncertainties associated with the renewal profile of existing contracts and unsecured contract pipeline.

Last year's changes in Defence spending priorities are impacting our level of programmatic work in the short to medium term. In light of this information, strategic divestments associated with low margin businesses were executed, significant reduction in fixed overheads was achieved with further reductions expected and continued sustainable profit improvement initiatives were undertaken in 2024. These recurring impacts have improved the forecast performance in the cash flow modelling and increased the CGU's forecast free cash flow. Further strategic initiatives and divestments, including assets held for sale at 30 June 2024 (refer to Note F8), are underway and factored into the forecasts where committed.

Recoverable amount testing – Key assumptions

The table below summarises the key assumptions utilised in the VIU discounted cash flow models.

	2024				2023			
	Revenue Growth[(i)]	EBIT margin[(ii)]	Long-term growth rate	Discount rate (post-tax)[(iv)]	Revenue Growth[(iii)]	EBIT margin[(ii)]	Long-term growth rate	Discount rate (post-tax)
Transport & Infrastructure	1.8%	8.1%	2.50%	8.9%	(0.6%)	8.0%	2.50%	9.0%
Rail & Transit Systems	(3.2%)	8.0%	2.50%	8.7%	1.8%	5.6%	2.50%	9.1%
Utilities	3.0%	6.7%	2.50%	9.0%	2.9%	4.7%	2.50%	9.5%
Social Infrastructure & Citizen Services	1.1%	5.1%	2.50%	8.7%	2.1%	5.1%	2.50%	9.3%
Industrial & Energy	5.2%	7.0%	2.50%	9.0%	6.3%	6.8%	2.50%	9.3%
NZ Building	(0.7%)	2.9%	2.50%	9.1%	(2.7%)	2.1%	2.50%	9.7%

(i) Budgeted revenue for 2024 is expressed as the compound annual growth rate (CAGR) from FY24 to terminal year forecast based on the CGU's business plan.

(ii) EBIT margin represents the terminal year forecast margin based on the CGU's business plan.

(iii) Budgeted revenue for 2023 is expressed as the compound annual growth rates (CAGR) from FY23 to terminal year forecast based on the CGU's business plan.

(iv) Pre-tax discount rates are 12.2% (Transport & Infrastructure, Industrial & Energy and NZ Building), 11.6% (Rail & Transit Systems), 12.3% (Utilities) and 11.8% (Social Infrastructure & Citizen Services).

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(i) Projected cash flows – including budgeted revenue and EBIT margin

Value in use calculations

Cash flow forecasts

The cash flow projections through to the terminal year are based on the Group's past experience and assessment of economic and regulatory factors affecting the business in which the Downer businesses operate.

In preparing the impairment models in 2024, the Group considered the experience in the last 12-months results in developing the cash flow forecasts.

Specifically, for each CGU, the Group considered the following:

- **Transport & Infrastructure** performance has been impacted by challenging market conditions with New Zealand government change and reprioritisation of infrastructure expenditure and project pipeline, reduced Transport agency expenditure in Australia that were partially offset by the one-off New Zealand storm recovery activity in FY24. The increase in forecast revenue is driven by an ongoing strong pipeline of large infrastructure projects, a recovery in the historically low levels of State investment in road maintenance in Australia that are expected to be partially offset by normalisation in New Zealand as storm recovery works come to an end. EBIT margin growth is expected to increase as the focus on margin improvement continues in the medium term and cost optimisation initiatives result in greater productivity, rework reduction and minimisation of discretionary spend.
- **Rail & Transit Systems** outlook is expected to benefit from a range of opportunities resulting in a change in the portfolio mix with increasing contribution from QTMP, reduction in relatively lower margin Passenger Refurbishment works and relatively higher margin Emerging Market projects.
- **Utilities** cash flow forecast outlook remains relatively consistent as the business turn-around from loss making to profitable is being executed with growth expected in major transmission projects and broader infrastructure investment in renewables as well as the water services portfolio. The margin is expected to improve as a result of overhead cost reduction initiatives and project margin recoveries in the pipeline as underperforming/loss making contracts are completed.
- **Social Infrastructure & Citizen Services** has performed well and in line with expectations. The revenue growth rate has been impacted by the executed and planned divestments of underperforming businesses. The EBIT margin is consistent with prior year reflecting the focus of margin improvements within the CGU that commenced in 2024 with the aforementioned divestments, cost reductions and profit improvement initiatives. Assumptions have been made about renewal of significant contracts at expected market pricing.
- **Industrial & Energy** sector is well placed to capitalise on the opportunities the energy transition will bring, such as the decarbonisation of energy generators as well as from opportunities linked to long-term relationships with key customers and further customer diversification.
- **New Zealand Building** cash flows forecast reflects the expected impact of right-sizing of the business and coming off a period of high revenues in the medium term with partial revenue recovery at the tail end of the forecast. EBIT margin is expected to increase marginally as the immediate focus on risk guardrails and margin improvement comes to fruition.

(ii) Long-term growth rates

The long-term annual growth rates, applicable for the periods after which detailed forecasts have been prepared, are based on the long-term expected GDP rates for the country of operation, adjusted as necessary to reflect industry-specific considerations. The Group assumes a long-term growth rate of 2.50% (FY23: 2.50%) to allow for organic growth on the existing asset base.

(iii) Discount rates

Discount rates reflect the Group's estimate of the time value of money and risks associated with 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. 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.

Compared to 2023, WACCs have decreased between 10 to 60 basis points for the Australian CGUs and 60 basis points for the New Zealand group of CGUs. This resulted in 2024 post-tax discount rates to be between 8.7% and 9.1% (June 2023: between 9.0% and 9.7%). The decrease is due to assessed decrease in equity market risk premium being partially offset by increase in risk free rate and reduction in assessed observable Beta.

(iv) Budgeted capital expenditure

The expected cash flows for capital expenditure are based on planned future purchases and current asset profile. The amounts included in the terminal year calculation are for maintenance capital and leases 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 confirm that it is reasonable.

(v) Budgeted working capital

Working capital has been maintained at a level required to support the business activities of each CGU, considering changes in the business cycle. It has been assumed to be in line with historic trends given the level of operating activity.

(vi) Corporate costs

Corporate costs, as well as corporate assets, have been applied across each CGU.

Impact of climate change

The Group's approach to Environmental, Social and Governance (ESG) risks including those related to climate change is discussed in Downer's Climate Statement contained in the 2024 Sustainability Report.

For impairment assessment the Group has assessed the following:

- Physical risks to Downer's non-current assets, including key sites and locations, arise from events such as extreme heat, and increased frequency and severity of bushfires and flooding. The Group estimates physical climate change impact, principally due to flooding, to be immaterial to the Group's future cash flows. Whilst prolonged periods of wet weather can impact short-term prospects, the assessment indicates Downer is resilient to physical risks due to the Group operating across multiple industries and diverse locations, insurance coverage and contract pass through mechanisms.
- Transition risks are primarily associated with the Group's current emissions profile. The principal sources of Scope 1 and 2 carbon emissions are liquid fuels (including subcontractor usage) and asphalt plant burners (79%), gas for asphalt plants and ancillary use (10%) and electricity (11%). Transition risks include the impact of carbon pricing legislation, direct price increases of equipment and fuel usage.
- Vehicle emissions stem from both internal operations and logistics suppliers. The Group's strategy to reduce these emissions focuses on the potential use of lower emission fuels and a phased transition to alternative fuel (lower emissions) vehicles. This transition will occur gradually, with replacements aligned with lease renewals and procurement for new contracts. Light vehicles are expected to transition sooner than heavy vehicles, contingent on the availability of alternative fuels or recharging infrastructure, especially in remote areas, and advances in heavy vehicle technology. The Group assesses that any additional cost as a result of a requirement by customers to specify use of low or no emission vehicles in advance of wider adoption would be recoverable from the customer. There is no material impact on current carrying value of existing vehicle fleet.
- Emissions from fuel, gas and electricity are primarily generated by asphalt production. The Group continues to introduce solar panels and explore the use of alternative fuels in asphalt production. However, the transition to alternative fuels will depend on technological advancements and availability at scale. Currently, asphalt plants are not covered by the Australian Safeguard Mechanism, meaning they are not required to reduce emissions below a decreasing baseline, which would otherwise impose additional direct costs or necessitate purchasing carbon credits. The Group anticipates that any customer-driven requirements to offset and/or reduce emissions would be recoverable from the customer. Furthermore, the Group is confident that any customer demand for increased use of Reclaimed Asphalt Pavement (RAP) in production can be met, as the majority of existing plants are equipped for RAP integration. There is no material impact on the current carrying value of asphalt plants.

The Group has identified that capturing opportunities relating to the energy transition and decarbonisation is a core component of its strategic plan.

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Sensitivities

For all CGUs, the base line modelling was subject to sensitivity analyses around discount rate, long-term growth rate and cash flow assumptions as discussed below.

Should the scale of any CGU decline as a result of change in a key assumption, it is likely that the Group would review the corporate and overhead structures to ensure they are appropriate for the scale of business and opportunities available.

For all CGUs, except Social Infrastructure & Citizen Services, management believe that any reasonable change in the key assumptions would not cause the carrying value of the CGUs to exceed their recoverable amount.

For Social Infrastructure & Citizen Services, following the impairment in the prior year it is reasonably possible that a change in the key assumptions would cause the CGU's carrying amount to exceed its recoverable amount. The forecast cash flows include significant existing contracts that are subject to tender processes in the short to medium term. These contract renewal risks and/or potential risk of scope modifications could result in an impairment.

The recoverable amount exceeds its carrying amount by $29.3 million. A change in the key assumptions listed above to the following amounts would result in the recoverable amount equalling the carrying value:

- Long term growth rate change to 2.27%.
- Discount rate change to 8.81%.

C8. Other provisions

2024 $'m	Note	Decommissioning and restoration	Onerous contracts	Warranties and other	Total
Balance as at 1 July 2023		23.2	15.7	54.7	**93.6**
Additional provisions recognised		14.2	43.4	89.2	**146.8**
Unused provisions reversed		(4.6)	–	(3.4)	**(8.0)**
Utilisation of provisions		(2.8)	(14.4)	(26.0)	**(43.2)**
Disposal of businesses	F7	–	–	(0.2)	**(0.2)**
Net foreign currency exchange differences		–	–	(0.2)	**(0.2)**
Balance as at 30 June 2024		**30.0**	**44.7**	**114.1**	**188.8**
Included in the financial statements as:					
Current		8.9	43.9	106.1	**158.9**
Non-current		21.1	0.8	8.0	**29.9**

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.

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(ii) Onerous contracts

Provisions include amounts recognised in relation to onerous customer contracts.

The onerous contract 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. The onerous contract provision is measured using the full cost method, based on incremental costs and an allocation of other direct costs.

(iii) Warranties and other

Provisions primarily includes amounts recognised for warranties and divestment-related provisions. Warranty provisions are made for the estimated liability on all products still under warranty and provisions for defect liabilities at balance sheet date.

Key estimates and judgements: Other provisions

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, technology and estimates of inflation.

Onerous contracts

These provisions have been calculated based on management's best estimate of net cash outflows required to fulfil the contracts. The status of these contracts and the adequacy of provisions are assessed at each reporting date. Any change in the assessment of provisions impacts the results of the business.

Warranties and other

The provision is estimated having regard to previous claims experience. For further explanation of judgements on warranty provisions refer to Note B2.

C9. Contingent liabilities

Bonding	Note	2024 $'m	2023 $'m
The Group has bid bonds and performance bonds issued in respect of contract performance in the normal course of business for controlled entities	E2	**1,318.4**	1,517.2

In addition, 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, 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. It is not possible to reliably estimate these claims and 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 ongoing fitness for purpose and defect liability obligations in relation to contracts. It is not possible to reliably estimate these obligations.

(iii) 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.

(iv) 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.

(v) The Group carries the normal contractors' and consultants' 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 and dispute processes in relation to services, supply and design and construction contracts as well as in relation to personal injury and property damage claims arising from project delivery.

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(vi) In the ordinary course of business, contingent liabilities exist in respect of claims and potential claims against entities in the consolidated entity. The consolidated entity does not consider that the outcomes of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position.

(vii) In December 2022, Downer received correspondence notifying an alleged stray current defect in the depot constructed by Downer for the High Capacity Metro Trains Project and has received subsequent correspondence alleging that Downer is responsible for the costs of rectification. 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) In early 2023, four competing shareholder class actions were filed against Downer following announcements it published with ASX on 8 December 2022 and 27 February 2023. Each class action alleged a breach of Downer's continuous disclosure obligations and that it engaged in misleading or deceptive conduct by making and/or failing to correct or qualify various statements in connection with a maintenance contract in its Australian Utilities business and Downer's financial performance.

On 1 March 2024, Downer filed its defence to the plaintiffs' claim (which included a proportionate liability defence identifying Downer's former auditor as a concurrent wrongdoer) and a third party claim against the former auditor. On 9 August 2024, Downer filed amendments to those pleadings which included additional claims against its former auditor, which is yet to file a defence.

On 8 May, the Court of Appeal heard Quinn Emanuel's application to appeal the decision awarding carriage of the class action to the consolidated proceeding led by Maurice Blackburn. The Court has reserved judgement.

Downer intends to vigorously defend whichever class action ultimately proceeds.

Key judgements: Contingent liabilities

Obligation

Judgement is required in determining if a possible obligation or present obligation arises from past events.

Probability of outflow

Judgement is required in determining if the probability of outflow is between remote, where no disclosure is required, and probable, where provision recognition is required.

Reliability of measurement

Judgement is required in determining if an obligation cannot be measured with sufficient reliability for disclosure as a contingent liability.

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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. Defined benefit plan
D3. Key management personnel compensation
D4. Employee discount share plan

D1. Employee benefits

	2024 $'m	2023 $'m
Employee benefits expense:		
– Defined contribution plans costs	194.6	207.3
– Share-based employee benefits expense/(income)[(i)]	3.2	(0.8)
– Employee benefits	3,204.7	3,421.1
– Redundancy costs	26.9	10.9
– Defined benefit plan costs	1.4	1.5
Total employee benefits expense	**3,430.8**	3,640.0
Employee benefits provision:		
– Current	274.1	268.2
– Non-current	24.3	22.7
Total employee benefits provision	**298.4**	290.9

(i) Share-based payments net benefit for prior year includes the reversal for the 2021 and 2022 Long-Term Incentive Plan performance rights due to forfeiture.

Recognition and measurement

The employee benefits liability represents accrued wages and salaries, leave entitlements and other incentives recognised in respect of employees' services and redundancy costs 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 estimates and judgements: Employee benefits obligations

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
- 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.

For New Zealand employees the liability is discounted using long-term government bond rates given there is no deep corporate bond market.

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D2. Defined benefit plan

The Group participates in the Equipsuper Defined Benefit Scheme which provides participants (<100 employees) with a lump sum benefit on retirement, death, disablement or withdrawal. The scheme operates under the Superannuation Industry legislation, and is governed by The Scheme Trustees, in compliance with Australian Prudential Regulation Authority framework. The scheme is closed to new employees.

As at 30 June 2024, the fair value of plan assets (comprising Investment Funds) was $65.4 million. The plan obligation balance was $53.6 million. The net asset of $11.8 million (2023: $8.4 million) is included in Non-current prepayments and other assets. These balances were subject to an independent actuarial review as at 30 June 2024.

The main movements during the year were $1.4 million of services costs expensed to the profit and loss, $0.5 million of net interest, $2.1 million of actuarial gains on the obligation recorded were recorded in equity, and the Group contributions of $2.3 million (all pre-tax amounts).

Key actuarial assumptions used in determining the values were a discount rate of 5.4% and an expected salary increase rate of 3.0%. Sensitivity analysis shows a 0.5 percentage point reduction in the discount rate would increase the obligation by 3.3%, and a 0.5 percentage point increase in the expected salary increase rate would increase the obligation by 2.8%.

D3. Key management personnel compensation

	2024 $'000	2023 $'000
Short-term employee benefits	4,504	5,468
Post-employment benefits	183	213
Other long-term benefits	28	192
Share-based payments[(i)]	994	(724)
Total	**5,709**	5,149

(i) Share-based payments net benefit for the prior year includes the reversal for the 2021 and 2022 Long-Term Incentive Plan performance rights due to forfeiture.

Recognition and measurement

Equity-settled transactions

Equity-settled share-based transactions are measured at fair value at the date of grant. The cost of these transactions is recognised in profit or loss and credited to equity over the vesting period. At each balance sheet date, the Group revises its estimates of the number of rights that are expected to vest for service and non-market performance conditions. 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 value; however they 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 during 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.

D4. Employee Discount Share Plan

No shares were issued under the Employee Discount Share Plan during the years ended 30 June 2024 and 30 June 2023.

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E__Capital structure and financing

This section provides information relating to the Group's capital structure and its exposure to financial risks, 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. Lease liabilities
E4. Commitments
E5. Issued capital and non-controlling interest
E6. Reserves
E7. Dividends

E1. Borrowings

	2024 $'m	2023 $'m
Non-current		
Unsecured:		
– Bank loans	522.0	812.0
– USD private placement notes	151.0	150.8
– AUD private placement notes	30.0	30.0
– AUD medium term notes	504.2	506.4
– JPY medium term notes	93.8	104.3
– Deferred finance charges	(7.0)	(7.1)
Total non-current borrowings	**1,294.0**	1,596.4
Total borrowings	**1,294.0**	1,596.4
Fair value of total borrowings(i)	1,300.3	1,603.2

(i) Excludes lease liabilities.

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.

Fair value

The cash flows under the Group's debt instruments are discounted using current market base interest rates and adjusted for current market credit default swap spreads for companies with a BBB credit rating.

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E2. Financing facilities

At reporting date, the Group had the following facilities that were unutilised:

	2024 $'m	2023 $'m
Syndicated loan facilities	1,100.0	830.0
Bilateral loan facilities	165.0	145.0
Total unutilised loan facilities	**1,265.0**	975.0
Syndicated bank guarantee facilities	104.6	75.1
Bilateral bank guarantee and insurance bonding facilities	681.0	652.2
Total unutilised bonding facilities	**785.6**	727.3

Summary of borrowing arrangements

The Group's borrowing arrangements are as follows:

Bank loan facilities

Bilateral loan facilities:

The Group has a total of $387.0 million (2023: $387.0 million) in bilateral loan facilities which are unsecured, committed facilities.

Syndicated loan facilities:

The Group has $1,400.0 million (2023: $1,400.0 million) of syndicated bank loan facilities which are unsecured, committed facilities.

USD private placement notes

USD unsecured private placement notes are on issue for a total amount of US$100.0 million with a maturity date of July 2025. The USD denominated principal and interest amounts have been fully hedged against the Australian dollar through cross-currency interest rate swaps.

AUD private placement notes

AUD unsecured private placement notes are on issue for a total amount of $30.0 million with a maturity date of July 2025.

Medium Term Notes (MTNs)

The Group has the following unsecured MTNs on issue:

- $500.0 million maturing April 2026
- JPY 10.0 billion maturing May 2033

The carrying value of the AUD MTNs maturing April 2026 includes a premium of $4.2 million over the face value owing to the differential between the coupon rate for that instrument and the prevailing market interest rate at the date of issue.

The JPY denominated principal and interest amounts have been fully hedged against the Australian dollar through a cross-currency interest rate swap.

The above loan facilities and note issuances are supported by guarantees from certain Group subsidiaries.

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The maturity profile of the Group's borrowing arrangements by financial year is represented in the below table by facility limit:

Maturing in the period $'m	Bilateral Loan Facilities	Syndicated Loan Facilities	USD Private Placement Notes	AUD Private Placement Notes	Medium Term Notes	Total
1 July 2025 to 30 June 2026	192.0	–	151.0	30.0	500.0	**873.0**
1 July 2026 to 30 June 2027	195.0	600.0	–	–	–	**795.0**
1 July 2027 to 30 June 2028	–	500.0	–	–	–	**500.0**
1 July 2028 to 30 June 2029	–	300.0	–	–	–	**300.0**
1 July 2032 to 30 June 2033	–	–	–	–	93.8	**93.8**
Total	**387.0**	**1,400.0**	**151.0**	**30.0**	**593.8**	**2,561.8**

Covenants on financing facilities

Downer Group's financing facilities contain undertakings to comply with financial covenants so that Group guarantors of these facilities collectively meet certain minimum threshold amounts of Group EBITA and Group Total Tangible Assets.

The main financial covenants which the Group is subject to are Net Worth, Interest Service Coverage and Leverage.

Financial covenants testing is undertaken monthly and reported at the Downer Board meetings. Reporting of financial covenants to financiers occurs semi-annually for the rolling 12-month periods to 30 June and 31 December. Downer Group was in compliance with all its financial covenants as at 30 June 2024.

Bank guarantees and insurance bonds

The Group has $2,104.0 million (2023: $2,244.5 million) of bank guarantee and insurance bond facilities to support its contracting activities. $1,224.2 million (2023: $1,341.8 million) of these facilities are provided to the Group on a committed basis and $879.8 million (2023: $902.7 million) on an uncommitted basis.

The Group's facilities are provided by a number of banks and insurance companies on an unsecured and revolving basis. $1,318.4 million (2023: $1,517.2 million) (refer to Note C9) of these facilities were utilised as at 30 June 2024 with $785.6 million (2023: $727.3 million) unutilised. These facilities have varying maturity dates that occur between financial years 2025, 2026, 2027 and 2028.

The underlying risk being assumed by the relevant financier under all bank guarantees and insurance bonds is corporate credit risk rather than project-specific risk.

The Group has flexibility in respect of certain committed facility amounts (shown as part of the unutilised bilateral loan facilities) which can, at the election of the Group, be utilised to provide additional bank guarantee capacity.

Refinancing requirements

The Group will negotiate with existing and, where required, new financiers to extend the maturity date or refinance facilities maturing within the next 12 months. The Group's financial metrics and credit rating as well as conditions in financial markets and other factors may influence the outcome of these negotiations. As at 30 June 2024, the Group has no debt facilities maturing within the 12 months to 30 June 2025.

Credit ratings

In May 2024, the outlook on the Group's external credit rating was revised by Fitch Ratings from BBB (Outlook Negative) to BBB (Outlook Stable) reflecting an expectation of improved earnings margins, strengthened balance sheet and leverage metrics, and resolution of outstanding governance matters. The stabilisation of our investment grade credit rating is positive for our customers and suppliers when they contract with the Group. Furthermore, banks and other lending institutions will have more confidence in our stabilised credit risk profile which positively impacts their assessment of pricing, tenor and facility limits on financing facilities.

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E3. Lease liabilities

	2024 $'m	2023 $'m
Contractual undiscounted cash flows		
– Within one year	149.3	156.7
– Between one and five years	305.6	309.3
– Greater than five years	143.4	156.4
Total undiscounted lease liabilities	**598.3**	622.4
– Current	126.9	135.2
– Non-current	385.0	402.0
Total lease liabilities	**511.9**	537.2

Recognition and measurement

Lease liabilities

The lease liability is initially measured at the present value of future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if this rate cannot be readily determined the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option
- The amount expected to be payable under a residual value guarantee
- Payments of penalties for termination of the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments not included in the initial measurement of the lease liability are recognised directly in profit or loss.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in the amount expected to be payable under a residual value guarantee
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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The expense charged to profit or loss for low value and short-term leases (excluded from lease liabilities and right-of-use assets), and variable lease expenses is outlined below:

	2024 $'m	2023 $'m
Lease expenses		
Land and buildings		
– Short-term	3.0	3.2
Plant and equipment		
– Low value	4.3	5.2
– Short-term	29.8	18.6
– Variable	12.1	15.9
Total lease expenses	**49.2**	42.9

Key estimate and judgement: Lease liabilities

Extension option

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Incremental borrowing rate

In determining the present value of the future lease payments, the Group discounts the lease payments using an incremental borrowing rate (IBR). The IBR reflects the financing characteristics and duration of the underlying lease. Once a discount rate has been set for a leased asset (or portfolio of assets with similar characteristics), this rate will remain unchanged for the term of that lease. When a lease modification occurs, and it is not accounted for as a separate lease, a new IBR will be assigned to reflect the new characteristics of the lease.

E4. Commitments

	2024 $'m	2023 $'m
Capital expenditure commitments[(i)]		
Plant and equipment and other		
– Within one year	33.8	30.1
– Between one and five years	0.3	3.7
– Greater than five years	0.2	–
Total	**34.3**	33.8
Catering rights		
Catering rights relates to exclusive secured catering rights arrangements with customers.		
– Within one year	1.6	1.7
– Between one and five years	4.1	6.9
Total	**5.7**	8.6

(i) Includes commitments for joint ventures. Refer also to Note F1(a).

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E5. Issued capital and non-controlling interest

	2024		2023	
	No.	$'m	No.	$'m
Ordinary shares	671,573,679	2,471.1	671,573,679	2,471.1
Unvested executive incentive shares	1,173,846	(7.2)	1,193,978	(7.3)
Total		**2,463.9**		2,463.8

(a) Fully paid ordinary share capital

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

	2024		2023	
	m's	$'m	m's	$'m
Fully paid ordinary share capital				
Balance at the beginning of the financial year	671.6	2,471.1	675.4	2,488.9
Group on-market share buy-back	–	–	(3.8)	(17.8)
Balance at the end of the financial year	**671.6**	**2,471.1**	671.6	2,471.1

(b) Unvested executive incentive shares

	2024		2023	
	m's	$'m	m's	$'m
Unvested executive incentive shares				
Balance at the beginning of the financial year	1.19	(7.3)	1.19	(7.3)
Vested executive incentive share transactions[(i)]	(0.02)	0.1	–	–
Balance at the end of the financial year	**1.17**	**(7.2)**	1.19	(7.3)

(i) June 2024 figures relate to the second deferred component of the 2021 STI award of 20,132 vested shares for a value of $101,578.

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.

(c) Non-controlling interest – Redeemable Optionally Adjustable Distributing Securities (ROADS)

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interest (NCI), before any intra-Group eliminations.

		Revised[(i)]
	2024 $'m	2023 $'m
200,000,000 ROADS (2023: 200,000,000)	(178.6)	(178.6)
Total	**(178.6)**	(178.6)

(i) Comparative information has been revised to reflect the changes in presentation detailed in Note A.

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The non-controlling interest relates to the issue of 200,000,000 fully paid Redeemable Optionally Adjustable Distributing Securities (ROADS) with a nominal value of NZ$1 each in Works Finance (NZ) Limited. ROADS are classified as equity as they bear discretionary dividends, are only redeemable into shares of the Company at the option of Works Finance (NZ) Limited, holders cannot request redemption, they do not contain any contractual obligations to deliver cash or financial assets and do not require settlement in a variable number of equity instruments of Works Finance (NZ) Limited.

In accordance with the terms of the ROADS preference shares, the dividend rate for the one year commencing 15 June 2024 is 9.43% per annum (2023: 9.81% per annum) which is equivalent to the one year swap rate on 17 June 2024 of 5.38% per annum plus the step-up margin of 4.05% per annum. ROADS distribution net of imputation credit of 28% is 6.79% (2023: 7.06%).

(d) Share options and performance rights

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. On 4 July 2024 2,111,832 performance rights (2023: 2,711,709) in relation to unissued shares were granted to senior executives of the Group under the LTI plan. There are three performance conditions applicable to the 2022, 2023 and 2024 LTI plan years.

- Total shareholder return (TSR) – this condition is based on the Company's TSR performance relative to the TSR of companies comprising the ASX 100 index, excluding financial services companies, at the start of the performance period, measured over the three years to exercise date. The performance rights 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.
- Earnings per share (EPS) – this condition is based on the Company's compound annual EPS growth over the three years to exercise date. The performance rights 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 10% and 100% at 10% compound annual EPS growth.
- Scorecard – this condition is based on the Group's net profit after tax and amortisation (NPATA) and funds from operations (FFO) for each of the three years to exercise date. The 2024 LTI plan also introduced a margin gate based on the Group achieving a minimum EBITA margin performance target. The performance rights will vest on a pro-rata basis from 30% upon meeting the minimum three-year average component performance level of 90% to 110% of target and 100% at the capped maximum three-year average component performance level of 110% or more of target.

The variables in the table below are used as inputs into the model to determine the fair value of performance rights.

	2024 Plan	2023 Plan[iii]	2022 Plan
Grant date[i]	4 July 2024	31 May 2023	30 September 2022
Performance period	1 July 2023 to 30 June 2026	1 July 2022 to 30 June 2025	1 July 2021 to 30 June 2024
Exercise date	1 July 2027	1 July 2026	1 July 2025
Expected volatility[ii]	32%	30%	30%
Expected dividend yield	4.90%	6.50%	6.23%
Risk-free interest rate	4.11%	3.71%	3.53%
Share price at grant date	$4.74	$3.59	$4.57
Fair value per right	EPS $4.09, TSR $2.80 and Scorecard $4.09	EPS $2.94, TSR $0.57 and Scorecard $2.94	EPS $3.85, TSR $1.80 and Scorecard $3.85

(i) Grant date represents the date of shared understanding of the Option Deed between parties.

(ii) The expected volatility is based on the volatility of Downer's share price calculated based on the historical three-year normalised rolling volatility.

(iii) The 2023 LTI Plan for the CEO was granted on 4 July 2024 applying expected volatility at 32%, expected dividend yield at 4.90%, risk-free interest rate at 4.18%, share price at grant date $4.74, fair value per right: EPS $4.30, TSR $1.17 and Scorecard $4.30.

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.

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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.

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 the Employee benefits reserve.

E6. Reserves

2024 $'m	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Equity reserve	Fair value through OCI reserve	Total attributable to owners of the parent
Balance at 1 July 2023	3.0	(30.6)	23.3	25.5	(2.2)	**19.0**
Foreign currency translation difference	–	(3.5)	–	–	–	**(3.5)**
Actuarial movement on net defined benefit plan obligations	–	–	2.1	–	–	**2.1**
Income tax effect of actuarial movement on defined benefit plan obligations	–	–	(0.6)	–	–	**(0.6)**
Change in fair value of cash flow hedges (net of tax)	(5.5)	–	–	–	–	**(5.5)**
Change in fair value of unquoted equity investments	–	–	–	–	0.8	**0.8**
Total comprehensive income/(loss) for the year	**(5.5)**	**(3.5)**	**1.5**	**–**	**0.8**	**(6.7)**
Vested executive incentive share transactions	–	–	(0.1)	–	–	**(0.1)**
Share-based employee benefits expense	–	–	3.2	–	–	**3.2**
Income tax relating to share-based transactions during the year	–	–	(2.0)	–	–	**(2.0)**
Balance at 30 June 2024	**(2.5)**	**(34.1)**	**25.9**	**25.5**	**(1.4)**	**13.4**

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2023 $'m	Hedge reserve	Foreign currency translation reserve	Employee benefits reserve	Equity reserve	Fair value through OCI reserve	Total attributable to owners of the parent
Balance at 1 July 2022	7.4	(39.1)	20.7	25.5	(2.4)	12.1
Foreign currency translation difference	–	8.5	–	–	–	8.5
Actuarial movement on net defined benefit plan obligations	–	–	2.6	–	–	2.6
Income tax effect of actuarial movement on defined benefit plan obligations	–	–	(0.8)	–	–	(0.8)
Change in fair value of cash flow hedges (net of tax)	(4.4)	–	–	–	–	(4.4)
Change in fair value of unquoted equity investments	–	–	–	–	0.2	0.2
Total comprehensive (loss)/income for the year	(4.4)	8.5	1.8	–	0.2	6.1
Share-based employee benefits income	–	–	(0.8)	–	–	(0.8)
Income tax relating to share-based transactions during the year	–	–	1.6	–	–	1.6
Balance at 30 June 2023	3.0	(30.6)	23.3	25.5	(2.2)	19.0

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to future transactions.

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of operations where their functional currency is different to the presentation currency of the Group.

Employee benefits reserve

The employee benefits reserve is used to recognise the fair value of share-based payments issued to employees over the vesting period, and to recognise the value attributable to the share-based payments during the reporting period. This reserve also includes the actuarial gain/loss arisen on the defined benefit plan (refer to Note D2).

Equity reserve

The equity reserve accounts for the difference between the fair value of, and the amounts paid or received for, equity transactions with non-controlling interests.

Fair value through OCI reserve

The fair value through OCI reserve comprises the cumulative net change in the fair value of equity investments designated as FVOCI.

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E7. Dividends

(a) Ordinary shares

	2024 Final	2024 Interim	2023 Final	2023 Interim
Dividend per share (in Australian cents)	11.0	6.0	8.0	5.0
Franking percentage	50%	0%	0%	0%
Cost (in $'m)	73.9	40.3	53.7	33.6
Dividend record date	16/9/24	14/3/24	24/8/23	13/3/23
Payment date	15/10/24	11/4/24	21/9/23	11/4/23

Recognition and measurement

A liability is recognised 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 sheet date.

The final 2024 dividend has not been declared at the reporting date and therefore is not reflected in the consolidated financial statements.

(b) Redeemable Optionally Adjustable Distributing Securities (ROADS)

2024	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Dividend per ROADS (in Australian cents)	1.64	1.64	1.62	1.62	**6.52**
New Zealand imputation credit percentage	100%	100%	100%	100%	**100%**
Cost (in A$'m)	3.3	3.3	3.2	3.2	**13.0**
Payment date	15/9/23	15/12/23	15/3/24	17/6/24	

2023	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Dividend per ROADS (in Australian cents)	1.29	1.37	1.37	1.35	5.38
New Zealand imputation credit percentage	100%	100%	100%	100%	100%
Cost (in A$'m)	2.6	2.7	2.7	2.7	10.7
Payment date	15/9/22	15/12/22	15/3/23	15/6/23	

(c) Franking credits

The franking account balance as at 30 June 2024 is $45.6 million (2023: $10.7 million).

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F__Group structure

This section explains significant aspects of Downer's Group structure, including joint arrangements where 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. Controlled entities
F3. Related party information
F4. Parent entity disclosures
F5. Deed of cross guarantee
F6. Acquisition of businesses
F7. Disposal of businesses
F8. Disposal group held for sale

F1. Joint arrangements and associate entities

(a) Interest in joint ventures and associate entities

	Note	2024 $'m	2023 $'m
Interest in joint ventures at the beginning of the financial year		39.1	31.9
Share of net profit[(i)]		10.9	20.0
Share of distributions		(11.5)	(12.8)
Interest in joint venture divested	F7	(28.5)	–
Interest in joint ventures at the end of the financial year		**10.0**	39.1
Interest in associates at the beginning of the financial year		120.1	130.9
Share of net (loss)/profit[(i)]		(0.9)	9.8
Share of distributions		(7.4)	(20.6)
Interest in associates at the end of the financial year		**111.8**	120.1
Total interest in joint ventures and associates		**121.8**	159.2

(i) The share of net profit is equal to the share of total comprehensive income for all joint ventures and associates.

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

Name of arrangement	Principal activity	Principal place of business	Ownership interest 2024 %	Ownership interest 2023 %
Joint Ventures				
Allied Asphalt Limited	Asphalt plant	New Zealand	50	50
Bitumen Importers Australia Joint Venture	Bitumen importer	Australia	50	50
Bitumen Importers Australia Pty Ltd	Bitumen importer	Australia	50	50
EDI Rail-Alstom Transport Pty Ltd	Sale and maintenance of railway rollingstock	Australia	50	50
Emulco Limited	Emulsion plant	New Zealand	50	50
Isaac Asphalt Limited	Manufacture and supply of asphalt	New Zealand	50	50
Repurpose It Holdings Pty Ltd(i)	Waste recycling	Australia	–	45
Associates				
Keolis Downer Pty Ltd	Operation and maintenance of Gold Coast light rail, Melbourne tram network, Adelaide metro, and bus operations	Australia	49	49
HT HoldCo Pty Ltd	Laundries services	Australia	30	30

(i) Downer's interest in this joint venture was disposed of during the year ended 30 June 2024.

Commitments for joint ventures	2024 $'m	2023 $'m
– Within one year	6.2	3.9
– Between one and five years	0.2	3.7
– Greater than five years	0.2	–
Total	**6.6**	7.6

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

Information relating to joint ventures and associates that are material to the consolidated entity is set out below, adjusted for fair value adjustments at acquisition and differences in accounting policies:

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Material associates

Keolis Downer (at 100%)	2024 $m	2023 $m
Revenue	1,391.2	1,259.8
Profit before income tax	12.9	26.9
Total comprehensive income for the year (100%)	**5.3**	19.0
Percentage ownership interest	49%	49%
Group's share of total comprehensive income for the year (49%)	**2.6**	9.3
Share of distributions	7.4	20.6
Current assets	463.5	439.3
Non-current assets	225.6	244.1
Current liabilities	(325.9)	(303.1)
Non-current liabilities	(185.9)	(204.3)
Net assets (100%)	**177.3**	176.0
Group's share of net assets (49%)	**86.9**	86.2
Adjustment to align accounting policies and other	(0.6)	4.9
Carrying amount of interest in associate (49%)	**86.3**	91.1
Reconciliation of the consolidated entity's carrying amount		
Interest in associates at the beginning of the financial year	91.1	102.4
Share of net profit	2.6	9.3
Share of distributions	(7.4)	(20.6)
Interest in associates at the end of the financial year	**86.3**	91.1

The Group does not disclose the details of the other individual joint ventures and associates on the basis these are individually immaterial.

The carrying amounts of interests in individually immaterial joint ventures are $10.0 million and associates are $25.5 million (2023: $39.1 million and $29.0 million). The aggregate share of profit and total comprehensive income of joint ventures are $10.9 million (2023: $20.0 million) and of associates are $3.5 million share of net loss (2023: share of net profit $0.5 million).

Recognition and measurement

Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the Consolidated Statement of Profit or Loss, and the Group's share of movements of the investee's other comprehensive income in the Consolidated Statement of Other Comprehensive Income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

(i) Investments in joint ventures

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

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(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 the 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.

(b) Interest in joint operations

The Group recognises its interest in the assets, liabilities, revenue and expenses of joint operations.

			Ownership interest	
Name of joint operation	Principal activity	Principal place of business	2024 %	2023 %
Ausenco Downer Joint Venture	Enabling works for Carrapateena Project	Australia	**50**	50
Bama Civil Pty Ltd & Downer EDI Works Pty Ltd	Civil Infrastructure design and/or construction activities	Australia	**50**	50
Cameron Road Joint Venture	Cameron Road construction	New Zealand	**50**	50
China Hawkins Construction JV	Building construction	New Zealand	**50**	50
City Rail JV	Enabling works for Auckland City Rail Link	New Zealand	**50**	50
Confluence Water JV	Sydney Water services	Australia	**43**	43
CPB Contractors Pty Ltd & Spotless Facility Services Pty Ltd	Riverina Redevelopment Program	Australia	**50**	50
CPB Downer Joint Venture	Parramatta Light Rail construction	Australia	**50**	50
CRL Construction Joint Venture	Construction of the City Rail Link Alliance Project	New Zealand	**30**	30
Dampier Highway Joint Venture	Highway construction and design	Australia	**50**	50
Downer BMD Joint Venture	West Camden Water Recycling Plant Upgrade	Australia	**50**	50
Downer EDI Works Pty Ltd & CPB Contractors Pty Ltd[iii]	Warringah Freeway Upgrade Project	Australia	**–**	33
Downer EDI Works Pty Ltd & McConnell Dowell Constructors (Aust) Pty Ltd[iii]	Waurn Ponds Duplication	Australia	**–**	50
Downer Electrical GHD JV[ii]	Traffic control infrastructure	Australia	**90**	90
Downer FKG JV	Major civil and roadworks	Australia	**50**	50
Downer HEB Joint Venture (Te Ara Tupua)	Te Ara Tupua Alliance	New Zealand	**50**	50
Downer Fulton Hogan Higgins Joint Venture (Transport Recovery East Coast)[i]	Transport Recovery East Coast	New Zealand	**33**	–
Downer Fulton Hogan Joint Venture (Wakatipu Transport Alliance)	Wakatipu Transport Alliance	New Zealand	**50**	50
Downer HEB Joint Venture (iRex Project)	iRex Ferry Construction project	New Zealand	**50**	50
Downer HEB Joint Venture (Memorial Park Alliance)	Design and build of the New Zealand National War Memorial Park	New Zealand	**50**	50
Downer HEB Joint Venture (Mt Messenger Project)	Design and build of the Mt Messenger Project	New Zealand	**50**	50

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Name of joint operation	Principal activity	Principal place of business	Ownership interest 2024 %	Ownership interest 2023 %
Downer MCD Wynyard Edge JV (Americas Cup Project)	Design and build on Americas Cup Project	New Zealand	**50**	50
Downer Seymour Whyte JV	Road construction	Australia	**50**	50
Downer Utilities Australia Pty Ltd & Ventia Utility Services Pty Ltd (Gold Coast Infrastructure Solutions)	Gold Coast Asset Lifecycle Services	Australia	**50**	50
Downtown Infrastructure Development Project JV[iii]	Downtown infrastructure development program	New Zealand	**-**	33
HCMT Supplier JV	Rail build supplier	Australia	**50**	50
John Holland Pty Ltd & Downer Utilities Australia Pty Ltd Partnership	Operation of water recycling plant at Mackay	Australia	**50**	50
Macdow Downer Joint Venture (Connectus)	Rail construction	New Zealand	**50**	50
Macdow Downer Joint Venture (CSM2)	Road construction	New Zealand	**50**	50
Macdow Downer Joint Venture (Russley Road)	Road construction	New Zealand	**50**	50
NEWest Alliance[iii]	Construction activities as part of Perth's METRONET program	Australia	**-**	50
North Canterbury Transport Infrastructure Economic Recovery Alliance 'NCTIER' JV	Kaikoura earthquake works	New Zealand	**25**	25
Rollingstock JV[i]	Rail build supplier	Australia	**14**	-
Safety Focused Performance JV	Water and sewerage capital works	Australia	**45**	45
Thiess VEC Joint Venture	Highway construction	Australia	**50**	50
Utilita Water JV	Plant maintenance	Australia	**50**	50
VEC Shaw Joint Venture	Road construction	Australia	**50**	50
Wiri Train Depot Joint Venture	Construction of the Wiri train depot	New Zealand	**50**	50

(i) Joint operation entered into during the year ended 30 June 2024.
(ii) Contractual arrangement prevents control despite ownership of more than 50% of this joint operation.
(iii) Joint operation terminated/novated during the year ended 30 June 2024.

Recognition and measurement

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

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F2. Controlled entities

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

Australia

A E Smith & Son (NQ) Pty Ltd[v] [vi]
A E Smith & Son (SEQ) Pty Ltd[v] [vi]
A.E. Smith & Son Proprietary Limited[v] [vi]
AE Smith Building Technologies Pty Ltd[v] [vi]
A.E. Smith Service (SEQ) Pty Ltd[v] [vi]
A.E. Smith Service Holdings Pty Ltd[v] [vi]
A.E. Smith Service Pty Ltd[v] [vi]
ACN 009 173 040 Pty Ltd
Airparts Fabrication Pty Ltd[v] [vi]
Airparts Fabrication Unit Trust[v] [vi]
Airparts Holdings Pty Ltd[v] [vi]
Aladdin Group Services Pty Limited
Aladdin Laundry Pty Limited
Aladdin Linen Supply Pty Limited
Aladdins Holdings Pty. Limited
ASPIC Infrastructure Pty Ltd
Asset Services (Aust) Pty Ltd
Berkeley Challenge (Management) Pty Limited
Berkeley Challenge Pty Limited
Berkeley Railcar Services Pty Ltd
Berkeleys Franchise Services Pty Ltd
Bonnyrigg Management Pty. Limited
Cleandomain Proprietary Limited
Cleanevent Australia Pty. Ltd.
Cleanevent Holdings Pty. Limited
Cleanevent International Pty. Limited
Cleanevent Technology Pty Ltd
Concrete Pavement Recycling Pty Ltd
DM Roads Services Pty Ltd
DMH Electrical Services Pty Ltd
DMH Maintenance and Technology Services Pty Ltd
DMH Plant Services Pty Ltd
Downer Australia Pty Ltd
Downer EDI Associated Investments Pty Ltd
Downer EDI Engineering Company Pty Limited
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 Limited Tax Deferred Employee Share Plan
Downer EDI Mining Pty Ltd
Downer EDI Mining-Minerals Exploration Pty Ltd
Downer EDI Rail Pty Ltd
Downer EDI Services Pty Ltd
Downer EDI Works Pty Ltd
Downer Energy Systems Pty Limited
Downer Group Finance Pty Limited
Downer Holdings Pty Limited
Downer Investments Holdings Pty Ltd
Downer Mining Regional NSW Pty Ltd
Downer PipeTech Pty Limited
Downer PPP Investments Pty Ltd
Downer Professional Services Pty Ltd
Downer QTMP Pty Ltd[iii]
Downer Utilities Australia Pty Ltd
Downer Utilities Holdings Australia Pty Ltd
Downer Utilities New Zealand Pty Ltd
Downer Utilities SDR Pty Ltd
Downer Victoria PPP Maintenance Pty Ltd
EDI Rail PPP Maintenance Pty Ltd
EDICO Pty Ltd
Emerald ESP Pty Ltd[v] [vi]
Emoleum Partnership
Emoleum Road Services Pty Ltd
Emoleum Roads Group Pty Ltd
Envar Engineers and Contractors Pty Ltd[v] [vi]
Envar Holdings Pty Ltd[v] [vi]
Envar Installation Pty Ltd[v] [vi]
Envar Service Pty Ltd[v] [vi]
Envista Pty Limited
Errolon Pty Ltd
Evans Deakin Industries Pty Ltd
Fieldforce Services Pty Ltd
Fowlers Asphalting Pty. Limited
Gippsland Asphalt Pty. Ltd.
Infrastructure Constructions Pty Ltd
International Linen Service Pty Ltd
LNK Group Pty Ltd
Lowan (Management) Pty. Ltd.
Maclab Services Pty Ltd
Mineral Technologies (Holdings) Pty Ltd
Mineral Technologies Pty Ltd
Monteon Pty Ltd
Nationwide Venue Management Pty Limited
New South Wales Spray Seal Pty Ltd
NG-Serv Pty Ltd[v] [vi]
Nuvogroup (Australia) Pty Ltd[v] [vi]
Pacific Industrial Services BidCo Pty Ltd
Pacific Industrial Services FinCo Pty Ltd
Primary Producers Improvers Pty. Ltd.
Rail Services Victoria Pty Ltd
Riley Shelley Services Pty Limited
Roche Services Pty Ltd
RPC Roads Pty Ltd

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Australia *continued*

RPQ Asphalt Pty. Ltd.
RPQ Mackay Pty Ltd
RPQ North Coast Pty. Ltd.
RPQ Pty Ltd
RPQ Services Pty. Ltd.
RPQ Spray Seal Pty. Ltd.
Skilltech Consulting Services Pty. Ltd.
Skilltech Metering Solutions Pty Ltd.
Smarter Contracting Pty Ltd
Southern Asphalters Pty Ltd
Sports Venue Services Pty Ltd
Spotless Defence Services Pty Ltd
Spotless Facility Services Pty Ltd
Spotless Financing Pty Limited
Spotless Group Holdings Limited
Spotless Group Limited
Spotless Investment Holdings Pty Ltd
Spotless Management Services Pty Ltd
Spotless Property Cleaning Services Pty Ltd
Spotless Securities Plan Pty Ltd
Spotless Services Australia Limited
Spotless Services International Pty Ltd
Spotless Services Limited
Spotless Treasury Pty Limited
SSL Asset Services (Management) Pty Ltd
SSL Facilities Management Real Estate Services Pty Ltd
SSL Security Services Pty Ltd
Tarmac Linemarking Pty Ltd
Taylors Two Two Seven Pty Ltd
Trenchless Group Pty Ltd
Trico Asphalt Pty. Ltd.
UAM Pty Ltd
Utility Services Group Holdings Pty Ltd
Utility Services Group Limited
VEC Civil Engineering Pty Ltd
VEC Plant & Equipment Pty Ltd

New Zealand and Pacific

DGL Investments Limited
Downer Construction (Fiji) Pte Limited
Downer Construction (New Zealand) Limited
Downer EDI Engineering PNG Limited
Downer EDI Engineering Power Limited
Downer EDI Works Vanuatu Limited
Downer New Zealand Limited
Downer New Zealand Projects 1 Limited
Downer New Zealand Projects 2 Limited
Downer Utilities New Zealand Limited
Green Vision Recycling Limited
Hawkins Limited
Hawkins Projects 1 Limited
ITS Pipetech Pacific (Fiji) Pte Limited
Richter Drilling (PNG) Limited
Spotless Facility Services (NZ) Limited
Spotless Holdings (NZ) Limited
Techtel Training & Development Limited
The Roading Company Limited
Waste Solutions Limited
Works Finance (NZ) Limited

Africa

Downer EDI Mining – Ghana Limited
MD Mineral Technologies Africa (Pty) Ltd
MD Mining and Mineral Services (Pty) Ltd[i]

Asia

Chang Chun Ao Hua Technical Consulting Co Ltd
Cleanevent Middle East FZ-LLC[ii]
Downer EDI Engineering (S) Pte. Ltd.
Downer EDI Engineering Holdings (Thailand) Limited
Downer EDI Engineering Thailand 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.
MD Mineral Technologies Private Limited
PT Duffill Watts Indonesia

Americas

Mineral Technologies Comercio de Equipamentos para Processamento de Minerais LTDA
Mineral Technologies Inc.[iii]
Mineral Technologies, Inc.

United Kingdom and Channel Islands

KHSA Limited
Sillars (B. & C.E.) Limited[iv]
Sillars (TMWD) Limited[iv]
Sillars Holdings Limited[iv]
Sillars Road Construction Limited[iv]
Works Infrastructure (Holdings) Limited[iv]
Works Infrastructure Limited[iv]

(i) 70% ownership interest.
(ii) Entity is currently undergoing liquidation/dissolution.
(iii) Entity incorporated during the financial year ended 30 June 2024.
(iv) Entity dissolved/de-registered during the financial year ended 30 June 2024.
(v) Entity disposed during the financial year ended 30 June 2024.
(vi) These Spotless controlled entities did not form part of the tax-consolidated group of which Downer EDI Limited is the head entity.

F3. Related party information

(a) Transactions with controlled entities

Aggregate amounts receivable from and payable to controlled entities by the parent entity are included within total assets and liabilities balances as disclosed in Note F4.

(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 F2.

Equity interests in joint arrangements and associate entities

Details of interests in joint arrangements and associate entities are disclosed in Note F1. The business activities of a number of these entities are conducted under joint venture arrangements. Associated entities conduct business transactions with various controlled entities. Such transactions include purchases and sales, dividends and interest.

(c) Other related party transactions

The aggregate transactions with related parties is set out below:

	2024 $'000	2023 $'000
Sales of goods and services		
Joint Ventures	31,540	34,703
Associates	60,235	65,504
Purchases of goods and services		
Joint Ventures	104,970	124,973
Associates	7,463	6,102
Receivables from related parties		
Joint Ventures	2,030	2,287
Associates	6,991	10,036
Payables to related parties		
Joint Ventures	6,542	12,930
Associates	386	843
Loans and other advances from related parties		
Joint Ventures	2,490	3,550
Loans and other advances to related parties		
Joint Ventures	8,799	4,208
Associates	16,660	16,660

All transactions were made on normal commercial terms and conditions and at market rates. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

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F4. Parent entity disclosures

(a) Financial position

	Company	
	2024 $'m	2023 $'m
Assets		
Current assets	25.6	8.7
Non-current assets	2,664.4	2,665.1
Total assets	**2,690.0**	2,673.8
Liabilities		
Current liabilities	23.3	10.2
Non-current liabilities	6.8	–
Total liabilities	**30.1**	10.2
Net assets	**2,659.9**	2,663.6
Equity		
Issued capital	2,463.9	2,463.8
Retained earnings	166.1	171.1
Reserves		
Employee benefits reserve	13.9	12.7
Equity reserve	16.0	16.0
Total equity	**2,659.9**	2,663.6

In 2023, the parent entity was in a net current liabilities position largely due to the recognition of the fair value on the Downer Contingent Share Options (DCSO) of $3.7 million financial instrument at reporting date which would be settled in equity. The parent entity can meet all its financial obligations when they fall due since it has the ability to control the timing of the funding from its controlled entities.

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(b) Financial performance

	Company	
	2024 $'m	2023 $'m
Profit for the year	89.0	32.3
Total comprehensive income	**89.0**	32.3

(c) Guarantees entered into by the parent entity in relation to the 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 2024 (2023: 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 2024 (2023: nil).

F5. Deed of cross guarantee

The following entities entered into a deed of cross guarantee with Downer EDI Limited under which each company guarantees the debts of the others:

Downer Australia Pty Ltd
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 Rail Pty Ltd
Downer EDI Services Pty Ltd
Downer EDI Works Pty Ltd
Downer Group Finance Pty Limited
Downer Holdings Pty Limited
Downer Professional Services Pty Ltd
Downer QTMP Pty Ltd
Downer Utilities Australia Pty Ltd
Downer Utilities Holdings Australia Pty Ltd
Downer Victoria PPP Maintenance Pty Ltd
EDI Rail PPP Maintenance Pty Ltd
EDICO Pty Ltd
Evans Deakin Industries Pty Ltd
Mineral Technologies (Holdings) Pty Ltd
Mineral Technologies Pty Ltd
New South Wales Spray Seal Pty Ltd
Pacific Industrial Services Bidco Pty Ltd
Pacific Industrial Services Finco Pty Ltd
RPQ Mackay Pty Ltd
RPQ Spray Seal Pty. Ltd.
Skilltech Consulting Services Pty. Ltd.
Spotless Facility Services Pty Ltd
Spotless Group Holdings Limited
Spotless Group Limited
Spotless Services Australia Limited
Spotless Services Limited
Spotless Treasury Pty Limited
UAM Pty Ltd
Utility Services Group Holdings Pty Ltd
Utility Services Group Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' reports under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Downer EDI Limited, they also represent the 'Extended Closed Group'.

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Set out below is a Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position of the 'Closed Group'.

(a) Consolidated Statement of Profit and Loss

	2024 $'m
Revenue	7,459.8
Other income	105.2
Total revenue and other income	**7,565.0**
Employee benefits expense	(2,381.5)
Subcontractor costs	(3,101.8)
Raw materials and consumables used	(899.4)
Plant and equipment costs	(250.0)
Depreciation on leased assets	(74.2)
Other depreciation and amortisation	(147.7)
Impairment of non-current assets	(69.1)
Other expenses from ordinary activities	(595.8)
Total expenses	**(7,519.5)**
Share of net profit of joint ventures and associates	6.5
Earnings before interest and tax	**52.0**
Finance income	40.0
Lease finance costs	(13.7)
Other finance costs	(95.8)
Net finance costs	**(69.5)**
Loss before income tax	**(17.5)**
Income tax benefit	2.5
Loss after income tax	**(15.0)**
Other comprehensive income	
Items that will not be reclassified subsequently to profit or loss:	
– Actuarial movement on net defined benefit plan obligations	2.1
– Income tax effect of actuarial movement on defined benefit plan obligations	(0.6)
– Change in fair value of unquoted equity investments	0.8
Items that may be reclassified subsequently to profit or loss:	
– Net loss on foreign currency forward contracts taken to equity	(1.5)
– Net loss on cross currency and interest rate swaps taken to equity	(6.4)
– Income tax effect of items above	2.4
Other comprehensive loss for the year (net of tax)	**(3.2)**
Total comprehensive loss for the year (net of tax)	**(18.2)**
Summary of movements in retained earnings	
Opening retained earnings brought forward	166.6
Loss after income tax	(15.0)
Dividends paid	(94.0)
Retained earnings at reporting date	**57.6**

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(b) Consolidated Statement of Financial Position

	2024 $'m
ASSETS	
Current assets	
Cash and cash equivalents	604.2
Trade receivables and contract assets	1,377.0
Other financial assets	16.5
Inventories	159.2
Prepayments and other assets	43.6
Total current assets	**2,200.5**
Non-current assets	
Trade receivables and contract assets	138.2
Equity accounted investments	29.2
Property, plant and equipment	615.8
Right-of-use assets	231.9
Intangible assets	1,669.5
Other financial assets	1,747.7
Deferred tax assets	12.4
Prepayments and other assets	29.1
Total non-current assets	**4,473.8**
Total assets	**6,674.3**
LIABILITIES	
Current liabilities	
Trade payables and contract liabilities	1,473.5
Lease liabilities	66.1
Other financial liabilities	10.9
Current tax liabilities	19.0
Employee benefits provision	216.8
Other provisions	126.4
Total current liabilities	**1,912.7**
Non-current liabilities	
Trade payables and contract liabilities	46.5
Borrowings	1,294.0
Lease liabilities	235.1
Other financial liabilities	565.4
Employee benefits provision	22.4
Other provisions	26.2
Total non-current liabilities	**2,189.6**
Total liabilities	**4,102.3**
Net assets	**2,572.0**
EQUITY	
Issued capital	2,463.9
Reserves	50.5
Retained earnings	57.6
Total equity	**2,572.0**

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F6. Acquisition of businesses

Current year acquisitions

There have been no acquisitions during the year ended 30 June 2024.

During the year, deferred consideration payments of $1.3 million (2023: nil) were made in relation to acquisitions completed in previous periods.

Prior year acquisition

Concrete Pavement Recycling Pty Ltd

On 14 April 2023, the Group acquired the remaining 50.5% interest in Concrete Pavement Recycling Pty Ltd (CPR).

The acquisition accounting for CPR was provisionally accounted at 30 June 2023, and is now finalised at 30 June 2024.

Goodwill from acquisition

The goodwill resulting from the above acquisition represents the future market development, expected revenue growth opportunities, technical talent and expertise, and the benefits of expected synergies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Measurement of fair values

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

Asset/liability acquired	Valuation technique
Trade receivables and contract assets	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 current replacement cost when appropriate.
Intangible assets	Multi-period excess earnings method – considers the present value of net cash flows expected to be generated by the customer contracts and relationships, intellectual property and brand names, excluding any cash flows related to contributory assets. For the valuation of certain brand names, discounted cash flow under the relief from royalty valuation methodology has been utilised.
Trade payables and other payables	Cost technique – considers the expected economic outflow of resources when due.
Borrowings	Cost technique – considers the expected economic outflow of resources when due.
Provisions	Cost technique – considers the probable economic outflow of resources when the obligation arises.

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Recognition and measurement

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the Group
- Fair value of any asset or liability resulting from a contingent consideration arrangement
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

(i) Acquisition achieved in stages

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of or control of the acquiree obtained.

(ii) Contingent consideration

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

(iii) Non-controlling interest

The Group can elect, on an acquisition by acquisition basis, to recognise non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's share of the acquired entity's net identifiable assets/(liabilities).

F7. Disposal of businesses

Current year divestments

Transport Projects

On 20 June 2023, Downer announced it had completed the sale of its Australian Transport Projects business to DT Infrastructure Pty Ltd, a Gamuda Berhad group company (Gamuda). The remaining number of contracts with customer consents that were outstanding at the date of completion have been received in the period, the contracts have been novated and deferred settlement paid.

As at June 2024, a net payment on the first completion (inclusive of transaction costs) of $23.3 million, and a net payment on the second completion (after transactions costs) of $2.3 million has been paid with a $1.2 million pre-tax gain on disposal recognised.

As part of the divestment, Downer's interest in the following joint operations has been novated in the period:

- Downer EDI Works Pty Ltd & CPB Contractors Pty Ltd
- NEWest Alliance.

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Asset and Development Services

Downer completed the agreement to sell the remaining part of the Asset and Development Services business to a Management Buy Out Consortium on 31 August 2023. As at June 2024, a net payment (after transactions costs) of $11.4 million has been paid with a $19.2 million pre-tax loss on disposal recognised.

The following controlled entities have been divested as part of the transaction:

- A.E. Smith & Son Proprietary Limited
- A.E. Smith Service Holdings Pty Ltd
- A.E. Smith Service Pty Ltd
- A.E. Smith Service (SEQ) Pty Ltd
- AE Smith Building Technologies Pty Ltd
- A E Smith & Son (SEQ) Pty Ltd
- A E Smith & Son (NQ) Pty Ltd
- Airparts Holdings Pty Ltd
- Airparts Fabrication Pty Ltd
- Airparts Fabrication Unit Trust
- Emerald ESP Pty Ltd
- Envar Installation Pty Ltd
- Envar Service Pty Ltd
- Envar Holdings Pty Ltd
- Envar Engineers and Contractors Pty Ltd
- Nuvogroup (Australia) Pty Ltd
- NG-Serv Pty Ltd

Downer's interest in Repurpose It

During the period, Downer completed the sale of its 45% interest in Repurpose It Holdings Pty Ltd, to Australian infrastructure investment manager, Palisade Impact Pty Ltd and its affiliates (Palisade). As at June 2024, net proceeds (after transaction costs) of $84.4 million has been received with a $55.9 million pre-tax gain on disposal.

VEC Contracts

On 30 November 2023, Downer completed the sale of all current contracts, assets and the transfer of employees for VEC Civil Engineering Pty Ltd to Hazell Bros Group Pty Ltd and Hazell Bros Resources Pty Ltd. The sale consideration for this transaction is $1.2 million. As at June 2024, net proceeds of $1.2 million had been received.

AE Smith New Zealand

On 30 November 2023, Downer completed the sale of its AE Smith New Zealand contracts to a member company of the Horizon Energy Group. As at June 2024, a net payment (after transactions costs) to the purchaser of $1.4 million has been paid with a $2.3 million pre-tax loss on disposal.

Metering Services

On 22 December 2023, Downer completed an agreement for the sale of its Advance Metering (smart meter) assets and contracts to Intellihub Australia Pty Ltd. As at June 2024, net proceeds of $21.3 million have been received.

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The below table summarises the impact of divestments during the 2024 financial year:

2024 $'m	Note	Transport Projects[ii]	Asset and Development Services	Downer's interest in Repurpose It	VEC Contracts	AE Smith New Zealand	Metering Services	Total
Proceeds on disposal (net of transaction costs)		**28.5**	**2.2**	**84.4**	**1.2**	**(1.4)**	**21.3**	**136.2**
Less cash disposed		(30.8)	(11.9)	–	–	–	–	**(42.7)**
Deferred settlement paid and transaction costs		(23.3)	(1.7)	–	–	–	–	**(25.0)**
Net proceeds (as per the Consolidated Statement of Cash Flows)		**(25.6)**	**(11.4)**	**84.4**	**1.2**	**(1.4)**	**21.3**	**68.5**
Deferred consideration		–	(0.9)	–	–	(2.0)	–	**(2.9)**
Total net proceeds on disposal		**(25.6)**	**(12.3)**	**84.4**	**1.2**	**(3.4)**	**21.3**	**65.6**
Consideration for divested business (net of transaction costs)		**22.1**	**(0.4)**	**84.4**	**1.2**	**(3.4)**	**21.3**	**125.2**
Cash and cash equivalents		30.8	11.9	–	–	–	–	**42.7**
Trade receivables and contract assets		40.8	50.9	–	–	0.2	–	**91.9**
Equity accounted investments	F1	–	–	28.5	–	–	–	**28.5**
Property, plant and equipment[i]	C5	–	0.3	–	1.5	0.3	17.2	**19.3**
Right-of-use assets[i]	C6	0.6	0.8	–	–	0.2	–	**1.6**
Intangible assets	C7	–	0.4	–	–	–	–	**0.4**
Inventories		–	0.2	–	0.1	0.1	3.6	**4.0**
Current tax assets		–	2.5	–	–	–	–	**2.5**
Deferred tax assets[i]	B5(b)	1.0	2.2	–	0.2	–	–	**3.4**
Prepayments and other assets		0.6	0.3	–	–	–	–	**0.9**
Assets disposed		**73.8**	**69.5**	**28.5**	**1.8**	**0.8**	**20.8**	**195.2**
Trade payables and contract liabilities		48.3	40.6	–	0.4	0.6	–	**89.9**
Lease liabilities	C1(b)	0.6	0.8	–	–	0.3	–	**1.7**
Employee benefits provision		3.2	7.8	–	0.2	1.0	–	**12.2**
Other provisions[i]	C8	0.8	1.1	–	–	–	–	**1.9**
Deferred tax liabilities[i]	B5(b)	–	0.4	–	–	–	–	**0.4**
Liabilities disposed		**52.9**	**50.7**	**–**	**0.6**	**1.9**	**–**	**106.1**
Net assets disposed		**20.9**	**18.8**	**28.5**	**1.2**	**(1.1)**	**20.8**	**89.1**
Gain/(loss) on disposal before tax	B3	**1.2**	**(19.2)**	**55.9**	**–**	**(2.3)**	**0.5**	**36.1**
Other exit-related costs		–	–	(4.5)	–	(9.4)	(0.5)	**(14.4)**
Gain/(loss) on disposal after exit costs before tax	**B3**	**1.2**	**(19.2)**	**51.4**	**–**	**(11.7)**	**–**	**21.7**

(i) The assets and liabilities that were classified as Assets/Liabilities Held for Sale at 30 June 2023 may have been disposed at a different value due to business as usual transactions occurring between 1 July 2024 and date of divestment.

(ii) Transport Projects represents the net impact of deferred cash flows of $23.3 million associated with the first stage completion (transaction completed and recognised in FY23), together with the disposal and associated cash flows with the second stage completion (transaction completed and recognised in FY24).

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Prior year divestments

Transport Projects

On 20 June 2023, Downer completed the sale of its Australian Transport Projects business to DT Infrastructure Pty Ltd, a Gamuda Berhad group company (Gamuda). The sale price represents an enterprise value of $212 million. There remained a number of customer consents outstanding at the date of completion and these contracts will remain with Downer until the consents are received and Downer has agreed to defer $20.0 million of the proceeds until the remaining customer consents are received and the contracts novated. As at June 2023, net proceeds (after transaction costs) of $160.5 million had been received with a $44.4 million pre-tax gain on disposal.

The below table summarises the impact of divestments during the 2023 financial year:

2023 $'m	Transport Projects
Proceeds on disposal (net of transaction costs)	214.9
Less cash disposed	(54.4)
Proceeds net of disposal costs	160.5
Proceeds on disposal (net of transaction costs)	164.9
Cash and cash equivalents	54.4
Trade receivables and contract assets	70.5
Property, plant and equipment	36.7
Right-of-use assets	1.7
Intangible assets	44.1
Inventories	0.9
Deferred tax assets	3.5
Assets disposed	211.8
Trade payables and contract liabilities	77.7
Lease liabilities	1.8
Employee benefits provision	11.8
Liabilities disposed	91.3
Net assets disposed	120.5
Profit on disposal before tax	44.4

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F8. Disposal group held for sale

Current year

Catering NZ

At the financial year end, assets and liabilities relating to Catering NZ in the Facilities segment have been classified as assets and liabilities held for sale. The assets are expected to be sold after receipt of customer consent expected within 12 months.

At 30 June 2024, the disposal groups were stated at the lower of their carrying amount and fair value less costs of disposal, and consisted of the following assets and liabilities:

2024 $'m	Note	Catering NZ
Trade receivables and contract assets		8.1
Inventories		1.2
Prepayments and other assets		0.2
Property, plant and equipment	C5	1.0
Right-of-use assets	C6	0.1
Assets held for sale		**10.6**
Trade payables and contract liabilities		8.3
Lease liabilities		0.1
Employee benefits provision		2.2
Liabilities held for sale		**10.6**

Prior year

Transport Projects

On 20 June 2023, Downer announced it had completed the sale of its Australian Transport Projects business to DT Infrastructure Pty Ltd, a Gamuda Berhad group company (Gamuda). There remained a number of contracts with customer consents outstanding at the date of completion, some of which remained outstanding as at 30 June 2023.

Asset & Development Services

Downer had entered into an agreement to sell the remaining part of its Australian Mechanical and Electrical Commercial Projects business ('Asset & Development Services') to existing managers of the business.

The assets and liabilities of the contracts to be divested were reclassified as current assets and liabilities held for sale at 30 June 2023.

Recognition and measurement

Disposal groups are recognised when a sale is considered highly probable. The assets and liabilities of these disposal groups are disclosed separately on the basis that their value is expected to be realised through a sale event rather than continued use. Disposal group assets are presented at the lower of their carrying value or the value expected to be realised through the sale. Any impairment to the carrying value of the assets is recognised through the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The Assets held for sale do not include any recognition of divestment and exit costs.

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G__Other

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 rates 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

During the 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 July 2023, as follows:

- AASB 17 *Insurance Contracts and associated amendments*
- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules.*

Amendments to AASB 112 'Income Taxes' (AASB 112)

At 30 June 2024, the Group has adopted amendments to AASB 112 issued by the IASB and AASB on 23 May 2023 and 27 June 2023, respectively, in relation to the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two income tax. The amendments introduced a temporary exception to the requirements of AASB 112 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed Pillar Two model rules.

Refer to Note B5 'income tax expense' for more information.

None of the above new and amended accounting standards have had a significant impact on the Group's consolidated financial statements.

(b) New accounting standards and interpretations not yet adopted

The following new or amended Accounting Standards or Interpretations that are not yet mandatory and have not been early adopted.

The following are not expected to have a material impact on the Group's financial report on adoption and may result in additional disclosure in the financial statements:

- Amendments to AASB 101 *Classification of liabilities as current or non-current*
- AASB 18 *Presentation and Disclosures in Financial Statements.*

Management is still in the process of determining the impact of the following:

- ASRS 1 *General Requirements for Disclosure of Sustainability-related Financial Information*
- ASRS 2 *Climate-related Disclosures.*

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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, maintain an appropriate capital structure to optimise its cost of capital and maintain an investment grade credit rating for ongoing access to funding.

(b) Financial risk management objectives

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

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

(i) Forward foreign exchange contracts 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

(iii) Interest rate swaps to manage interest rate risk

(iv) Commodity forward contracts to manage commodity price movements in contracts.

The Group does not enter into or trade 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 Consolidated 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 and cross-currency swaps.

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

	Financial assets[(i)]		Financial liabilities[(i)]	
	2024 $'m	2023 $'m	2024 $'m	2023 $'m
US Dollar (USD)	3.1	2.3	0.1	0.2
Euro (EUR)	0.9	0.5	0.6	0.1
Japanese Yen (JPY)	0.4	0.3	0.5	–
Western Samoa Tala (WST)	1.5	–	–	–
Chinese Yuan (CNY)	–	–	0.3	–
Solomon Island Dollar (SBD)	0.1	–	0.2	–
South Africa Rand (ZAR)	1.6	0.3	–	–

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

Foreign currency forward contracts

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

	Weighted average exchange rate		Foreign currency		Contract value		Fair value	
Outstanding contracts	2024	2023	2024 FC'm	2023 FC'm	2024 $'m	2023 $'m	2024 $'m	2023 $'m
Buy USD/Sell AUD								
Less than 3 months	0.6704	0.6807	4.4	3.1	6.5	4.6	0.1	0.1
3 to 6 months	0.6646	0.7287	5.0	2.1	7.5	2.9	–	0.3
Later than 6 months	0.6610	0.6929	8.9	3.9	13.5	5.6	(0.1)	0.2
			18.3	9.1	**27.5**	13.1	**–**	0.6
Sell USD/Buy AUD								
Less than 3 months	0.6491	0.6768	2.4	0.9	3.7	1.3	0.1	–
3 to 6 months	0.6357	0.6888	5.4	8.2	8.6	11.8	0.4	(0.4)
Later than 6 months	0.6685	0.6514	1.0	7.6	1.5	11.6	–	0.3
			8.8	16.7	**13.8**	24.7	**0.5**	(0.1)
Buy EUR/Sell AUD								
Less than 3 months	0.6156	0.6328	1.6	0.8	2.6	1.3	–	0.1
3 to 6 months	0.6047	0.6198	2.2	0.5	3.7	0.9	(0.1)	–
Later than 6 months	0.5928	0.6201	7.9	0.6	13.4	1.0	(0.3)	–
			11.7	1.9	**19.7**	3.2	**(0.4)**	0.1
Buy JPY/Sell AUD								
Less than 3 months	100.79	85.32	489.2	435.1	4.9	5.1	(0.3)	(0.6)
3 to 6 months	98.05	87.65	510.5	164.6	5.2	1.9	(0.3)	(0.1)
Later than 6 months	87.13	84.48	636.7	560.9	7.3	6.6	(1.1)	(0.4)
			1,636.4	1,160.6	**17.4**	13.6	**(1.7)**	(1.1)
Sell JPY/Buy AUD								
Less than 3 months	96.11	90.50	49.3	25.0	0.5	0.3	–	–
3 to 6 months	90.84	80.88	80.8	70.2	0.9	0.9	0.1	0.1
Later than 6 months	92.15	87.83	66.1	21.4	0.7	0.2	0.1	–
			196.2	116.6	**2.1**	1.4	**0.2**	0.1
Buy NZD/Sell AUD								
Less than 3 months	1.0836	1.0854	**190.0**	40.0	**175.4**	36.9	**(1.5)**	(0.1)
Sell NZD/Buy AUD								
Less than 3 months	**–**	1.0895	**–**	20.0	**–**	18.4	**–**	–
Buy GBP/Sell AUD								
Less than 3 months	0.5189	–	0.5	–	0.9	–	–	–
Later than 6 months	0.5208	–	2.1	–	4.1	–	–	–
			2.6	–	**5.0**	–	**–**	–

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Outstanding contracts	Weighted average exchange rate 2024	Weighted average exchange rate 2023	Foreign currency 2024 FC'm	Foreign currency 2023 FC'm	Contract value 2024 $'m	Contract value 2023 $'m	Fair value 2024 $'m	Fair value 2023 $'m
BUY CNY/Sell AUD								
Less than 3 months	4.8117	–	2.6	–	0.5	–	–	–
3 to 6 months	4.7104	4.6580	13.6	21.1	2.9	4.5	(0.1)	(0.1)
Later than 6 months	4.5417	–	46.5	–	10.2	–	(0.2)	–
			62.7	21.1	**13.6**	4.5	**(0.3)**	(0.1)
BUY ZAR/Sell AUD								
Less than 3 months	12.4584	12.8198	14.5	3.4	1.2	0.3	–	–
3 to 6 months	12.6895	12.8855	19.3	5.6	1.5	0.4	–	–
			33.8	9.0	**2.7**	0.7	**–**	–
Total							**(3.2)**	(0.6)

Cross-currency interest rate swaps

Under cross-currency interest rate swaps, the Group is committed 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 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 the reporting date:

Outstanding contracts	Weighted average AUD equivalent interest rate (including credit margin) 2024 %	Weighted average AUD equivalent interest rate (including credit margin) 2023 %	Weighted average exchange rate 2024	Weighted average exchange rate 2023	Contract value 2024 $'m	Contract value 2023 $'m	Fair value 2024 $'m	Fair value 2023 $'m
Buy USD/Sell AUD								
1 to 5 years	5.9	5.9	0.7739	0.7739	129.2	129.2	19.2	17.3
Buy JPY/Sell AUD								
5 years or more	5.2	5.2	83.12	83.12	120.3	120.3	(25.4)	(9.9)

The above cross-currency interest rate swaps are designated as effective cash flow hedges.

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Foreign currency sensitivity analysis

The Group is mainly exposed to the movement in United States dollar (USD), New Zealand dollar (NZD), Euro (EUR), Chinese Yuan (CNY) and Japanese Yen (JPY) arising from cross-border trade and intercompany flows.

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 rate change indicates an appreciation or depreciation of the Australian dollar spot exchange rate against the foreign currency of the exposure.

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)]	
	2024 $'m	2023 $'m	2024 $'m	2023 $'m
USD impact				
- 15% rate change	0.5	0.4	2.4	(1.9)
+ 15% rate change	(0.4)	(0.3)	(1.8)	1.4
NZD impact				
- 15% rate change	–	–	30.7	6.5
+ 15% rate change	–	–	(22.7)	(4.8)
EUR impact				
- 15% rate change	0.1	–	3.1	–
+ 15% rate change	–	–	(2.3)	–
JPY impact				
- 15% rate change	–	–	2.4	1.9
+ 15% rate change	–	–	(1.8)	(1.4)
CNY impact				
- 15% rate change	–	–	2.2	–
+ 15% rate change	–	–	(1.6)	–
ZAR impact				
- 15% rate change	0.3	–	(0.4)	–
+ 15% rate change	(0.2)	–	0.3	–

(i) This is mainly as a result of the changes in the value of unhedged foreign currency denominated financial assets and liabilities.
(ii) This is as a result of the changes in the value of forward foreign exchange contracts designated as cash flow hedges.

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(d) Interest rate risk management

The Group is exposed to interest rate risk as entities borrow funds at floating interest rates. Management of this risk is governed by a Board approved Treasury Policy that requires an appropriate mix of fixed and floating rate borrowings and hedging be maintained utilising cross-currency interest rate swaps and interest rate swap contracts and the issue of long-term 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 AUD equivalent interest rate (including credit margin)		Liability/(asset)	
	2024 %	2023 %	2024 $'m	2023 $'m
Floating interest rates – income and cash flow exposure				
Bank loans[(i) (ii)]	5.3	5.3	522.1	587.0
Cash and cash equivalents	3.7	2.3	(837.6)	(889.1)
Total cash flow exposure			**(315.5)**	(302.1)
Fixed interest rates – fair value exposure				
Bank loans[(i) (ii)]	–	5.0	–	221.8
USD private placement notes[(ii)]	5.9	5.9	131.8	133.5
AUD private placement notes	5.8	5.8	30.0	30.0
Medium term notes[(ii)]	3.6	3.6	623.4	620.5
Total fair value exposure			**785.2**	1,005.8

(i) Swaps currently in place cover approximately 100% (30 June 2023: 28%) of the variable loan principal outstanding. The swaps's maturity range from July 2024 to March 2025. The fixed interest rates of the swaps range between 3.23% and 4.68% (30 June 2023: 3.23% and 3.45%) and the variable rates of the loans are set at a margin above the relevant floating rate.

(ii) The marked to market values of the interest rate and cross-currency swaps have been included in the debt amounts.

All interest rates in the above table reflect rates in the currency of the relevant loan other than USD private placement notes and JPY medium term notes, where the AUD rates under the relevant cross-currency swaps are used.

The table above relates to amounts that are drawn. The Group has a number of undrawn facilities, which if utilised would be on a floating rate basis.

The Group uses cross-currency interest rate swaps and interest rate swap contracts to manage interest rate exposures. Under these contracts, the Group commits to exchange the difference between fixed and floating rate interest amounts calculated on notional principal amounts. The principal and interest amounts on USD private placement notes and JPY medium term notes have been fully hedged against the Australian dollar through cross-currency interest rate swaps. The fair values of interest rate swaps are based on market values of equivalent instruments at the reporting date.

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

	Weighted average interest rate		Notional principal amount		Fair value	
Outstanding floating to fixed swap contracts	2024 %	2023 %	2024 $'m	2023 $'m	2024 $'m	2023 $'m
AUD interest rate swaps						
Less than 1 year	4.1	3.3	525.0	225.0	0.1	3.2

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Interest rate sensitivity analysis

The sensitivity analysis 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.

Sensitivities have been based on a movement in interest rates of 100 basis points across the yield curve of the relevant currencies. The selected basis point increase or decrease represents the Group's assessment of the possible change in interest rates based on the current observable market environment for variable rate instruments, cross-currency interest rate swaps and interest rate swaps. An increase or decrease in interest rates of 100 basis points on the unhedged position (mostly cash and cash equivalents) will decrease or increase net interest expense by $4.8 million (2023: $3.0 million) respectively for the next 12 months based on the closing cash and floating rate debt balances and assuming no changes to the existing rate hedges.

For hedged positions designated as cash flow hedges, an increase and decrease in interest rates of 100 basis points will generate an increase and decrease in equity of $1.3 million (2023: $1.4 million) and $1.2 million (2023: $1.2 million) respectively.

(e) Credit risk management

Credit risk refers to the risk that a financial counterparty will default on its contractual obligations in respect of a financial instrument, resulting in a potential loss to the Group.

Trade receivables and contract assets arise from a large number of customers, spread across diverse industries and geographical areas. A credit risk assessment is performed at the onset of material contracts to assess the financial condition of the counterparty and reviewed annually to take account of any changes in the risk profile of the counterparty. Where possible, a bank guarantee or performance bond, or parent guarantee from a creditworthy counterparty, is sought to secure a counterparty's contractual payment obligations. Refer to Note C2 for details on credit risk arising from trade receivables and contract assets.

Financial counterparty credit limits and the related credit acceptability of financial counterparties are set by a Board approved Treasury Policy that is subject to annual review to remain relevant to the external environment and reflects the Group's risk appetite at all times. The Treasury Policy sets clear parameters for determining acceptable financial counterparties and limits the exposure the Group may have at any one time to any financial counterparties to mitigate financial loss due to a default by a counterparty. No material exposure is considered to exist by virtue of the non-performance of any financial counterparty.

Credit risk on derivative financial instruments and cash balances held with financial counterparties is managed by Group Treasury with transactions only made with approved counterparties that have a minimum investment grade rating from Standard & Poor's of A- (or equivalent from Moody's or Fitch rating agencies). In limited circumstances, surplus cash may be held in foreign jurisdictions with financial counterparties that do not meet the minimum rating threshold where there is no other alternative.

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 is the risk that the Group is unable to meet its financial obligations as and when they fall due. The Group's liquidity risk is managed under a Board approved Treasury Policy that sets clear parameters governing the Group's continued access to liquidity.

The Group manages liquidity risk by maintaining a minimum level of liquidity to meet the Group's financial obligations in the form of available liquid cash balances and access to committed undrawn debt facilities and other forms of capital, monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The Group seeks to mitigate its exposure to liquidity risk by using debt facilities provided by strong investment grade rated financial counterparties and by the early refinancing of debt facilities for continued access to capital over the medium term.

As at 30 June 2024, the Group has no debt facilities maturing within the 12 months to 30 June 2025. The maturity profile and quantum of the Group's debt facilities will continue to be monitored and refinanced in advance subject to credit market conditions and the support of its financial counterparties. Included in Note E2 is a summary of committed undrawn bank loan facilities.

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Liquidity risk tables

The following tables detail the contractual maturity of the Group's financial liabilities. The tables are based on the undiscounted cash flows of financial liabilities and include both interest and principal cash flows.

2024 $'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
Bank loans[(i)]	31.0	166.2	99.6	307.4	–	–
USD notes	6.9	154.4	–	–	–	–
AUD notes	1.7	30.9	–	–	–	–
Medium term notes	19.5	519.5	1.0	1.0	1.0	98.0
Total borrowings including interest	**59.1**	**871.0**	**100.6**	**308.4**	**1.0**	**98.0**
Cross-currency interest rate swaps	5.9	(16.2)	5.2	5.2	5.2	47.3
Interest rate swaps	(0.5)	–	–	–	–	–
Foreign currency forward contracts	21.6	4.0	4.1	1.1	–	–
Total derivative instruments[(ii)]	**27.0**	**(12.2)**	**9.3**	**6.3**	**5.2**	**47.3**
Trade and other payables	1,826.0	14.9	7.7	0.6	0.3	5.7
Lease liabilities	149.3	112.1	85.1	62.8	45.6	143.4
Total financial liabilities	**2,061.4**	**985.8**	**202.7**	**378.1**	**52.1**	**294.4**

2023 $'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
Bank loans[(i)]	45.7	403.9	162.2	18.0	307.4	–
USD notes	6.9	6.9	154.3	–	–	–
AUD notes	1.7	1.7	30.9	–	–	–
Medium term notes	19.7	19.7	519.7	1.2	1.2	110.0
Total borrowings including interest	74.0	432.2	867.1	19.2	308.6	110.0
Cross-currency interest rate swaps	5.8	5.8	(16.2)	5.1	5.1	41.5
Interest rate swaps	(2.5)	(0.9)	–	–	–	–
Foreign currency forward contracts	4.8	0.2	–	–	–	–
Total derivative instruments[(ii)]	8.1	5.1	(16.2)	5.1	5.1	41.5
Trade and other payables	1,944.4	15.4	7.0	1.3	0.7	5.2
Lease liabilities	156.7	115.0	86.1	63.0	45.2	156.4
Total financial liabilities	2,183.2	567.7	944.0	88.6	359.6	313.1

(i) $522 million (2023: $812 million) of the bank loan liabilities relate to loan principal obligations with the balance relating to interest obligations for the current drawn profile. These interest obligations are set by reference to the relevant quarterly or monthly floating interest rate at the reporting date. Note that the principal and interest obligations are subject to change based on the actual drawn profile and changes in market interest rate.

(ii) Includes assets and liabilities. The derivative instruments are subject to change as interest rates and exchange rates change.

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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 re-measured at 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. These are presented as current assets or liabilities to the extent they are expected to settle within 12 months after the end of the reporting period. There were no fair value hedges in the year ended 30 June 2024.

Hedge accounting

AASB 9 aligns the accounting for hedging instruments closely with the Group's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. The Group has elected to adopt the general hedge accounting model in AASB 9. AASB 9 includes requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting.

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 period 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 remains in equity until the forecast transaction occurs.

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G3. Other financial assets and liabilities

2024 $'m	Financial assets		Financial liabilities	
	Current	Non-current	Current	Non-current
At amortised cost[(i)]:				
Level 1				
Other financial assets	13.2	5.7	–	–
Advances to/from joint ventures and associates	5.9	2.9	2.5	–
Deferred consideration	–	–	2.0	–
	19.1	**8.6**	**4.5**	**–**
At fair value:				
Level 2				
Foreign currency forward contracts – Cash flow hedge	0.7	0.1	3.6	0.5
Cross-currency and interest rate swaps – Cash flow hedge	0.3	19.6	5.1	20.9
	1.0	**19.7**	**8.7**	**21.4**
Level 3				
Unquoted equity investments – Fair value through OCI	–	17.8	–	–
	–	**17.8**	**–**	**–**
Total	**20.1**	**46.1**	**13.2**	**21.4**

(i) Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different from their carrying amounts.

2023 $'m	Financial assets		Financial liabilities	
	Current	Non-current	Current	Non-current
At amortised cost[(i)]:				
Level 1				
Other financial assets	3.4	14.4	–	–
Advances to/from joint ventures and associates	4.2	–	3.6	–
Deferred consideration	–	–	1.3	–
	7.6	14.4	4.9	–
At fair value:				
Level 2				
Foreign currency forward contracts – Cash flow hedge	0.8	0.5	1.5	0.3
Cross-currency and interest rate swaps – Cash flow hedge	2.3	18.6	4.9	5.4
Downer Contingent Share Options (DCSO) financial instrument	–	–	3.7	–
	3.1	19.1	10.1	5.7
Level 3				
Unquoted equity investments – Fair value through OCI	–	18.0	–	–
	–	18.0	–	–
Total	10.7	51.5	15.0	5.7

(i) Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different from their carrying amounts.

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Reconciliation of Level 3 fair value measurements of financial assets

The fair value of Level 3 investments has decreased by $0.2 million from prior year (2023: $8.3 million increase) due to revaluation and return on investment.

Recognition and measurement

Fair value measurement

When a derivative is designated as the cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

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)
- 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.

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Consolidated entity disclosure statement

for the year ended 30 June 2024

Basis for preparation

The consolidated entity disclosure statement has been prepared in accordance with the *Corporations Act 2001* (Cth), includes information for each entity that was part of the consolidated entity as at 30 June 2024 and has regard to the Australian Taxation Office's Practical Compliance Guidance 2018/9.

Determination of tax residency

Section 294(3A)(vi) of the *Corporations Act 2001* (Cth) defines tax residency as having the meaning in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgement as there are different interpretations that could be adopted and which could give rise to a different conclusion on residency.

In determining residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied the current legislation and guidance including having regard to the Australian Taxation Office's public guidance in Tax Ruling TR 2018/5.

Foreign tax residency

The consolidated entity has applied current legislation and relevant revenue authority guidance in the determination of foreign tax residency.

Partnerships and trusts in Australia

Australian tax law generally does not contain corresponding residency tests for partnerships and trusts and these entities are typically taxed on a flow-through basis.

		Bodies Corporate		Tax residency	
Entity name	Entity type	Place incorporated or formed	Ownership interest	Australian or foreign	Foreign Jurisdiction
Downer EDI Limited (the Parent)	Body Corporate	Australia	100%	Australian	N/A
ACN 009 173 040 Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Aladdin Group Services Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Aladdin Laundry Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Aladdin Linen Supply Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Aladdins Holdings Pty. Limited	Body Corporate	Australia	100%	Australian	N/A
ASPIC Infrastructure Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Asset Services (Aust) Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Berkeley Challenge (Management) Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Berkeley Challenge Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Berkeley Railcar Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Berkeleys Franchise Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Bonnyrigg Management Pty. Limited	Body Corporate	Australia	100%	Australian	N/A
Chang Chun Ao Hua Technical Consulting Co Ltd	Body Corporate	China	100%	Foreign	China
Cleandomain Proprietary Limited	Body Corporate	Australia	100%	Australian	N/A
Cleanevent Australia Pty. Ltd.	Body Corporate	Australia	100%	Australian	N/A
Cleanevent Holdings Pty. Limited	Body Corporate	Australia	100%	Australian	N/A

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		Bodies Corporate		Tax residency	
Entity name	Entity type	Place incorporated or formed	Ownership interest	Australian or foreign	Foreign Jurisdiction
Cleanevent International Pty. Limited	Body Corporate	Australia	100%	Australian	N/A
Cleanevent Middle East FZ-LLC	Body Corporate	United Arab Emirates (Dubai)	100%	Foreign	United Arab Emirates (Dubai)
Cleanevent Technology Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Concrete Pavement Recycling Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
DGL Investments Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
DM Roads Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
DMH Electrical Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
DMH Maintenance and Technology Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
DMH Plant Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer Australia Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer Construction (Fiji) Pte Limited	Body Corporate	Fiji	100%	Foreign	Fiji
Downer Construction (New Zealand) Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Downer EDI Associated Investments Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Engineering (S) Pte. Ltd.	Body Corporate	Singapore	100%	Foreign	Singapore
Downer EDI Engineering Company Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Engineering CWH Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Engineering Electrical Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Engineering Group Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Engineering Holdings (Thailand) Limited	Body Corporate	Thailand	100%	Foreign	Thailand
Downer EDI Engineering Holdings Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Engineering PNG Limited	Body Corporate	Papua New Guinea	100%	Foreign	Papua New Guinea
Downer EDI Engineering Power Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Downer EDI Engineering Power Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Engineering Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Engineering Thailand Ltd	Body Corporate	Thailand	100%	Foreign	Thailand
Downer EDI Group Insurance Pte. Ltd.	Body Corporate	Singapore	100%	Foreign	Singapore
Downer EDI Limited Tax Deferred Employee Share Plan	Trust	N/A	N/A	N/A	N/A
Downer EDI Mining - Ghana Limited	Body Corporate	Ghana	100%	Foreign	Ghana
Downer EDI Mining Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Mining – Minerals Exploration Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Rail (Hong Kong) Limited	Body Corporate	Hong Kong	100%	Foreign	Hong Kong

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		Bodies Corporate		Tax residency	
Entity name	Entity type	Place incorporated or formed	Ownership interest	Australian or foreign	Foreign Jurisdiction
Downer EDI Rail Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer EDI Works (Hong Kong) Limited	Body Corporate	Hong Kong	100%	Foreign	Hong Kong
Downer EDI Works Pty Ltd	Body Corporate – Partner in Partnership	Australia	100%	Australian	N/A
Downer EDI Works Vanuatu Limited	Body Corporate	Vanuatu	100%	Foreign	Vanuatu
Downer Energy Systems Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Downer Group Finance Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Downer Holdings Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Downer Investments Holdings Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer KHSA JV	Partnership	Australia	N/A	N/A	N/A
Downer Mining Regional NSW Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer New Zealand Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Downer New Zealand Projects 1 Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Downer New Zealand Projects 2 Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Downer PipeTech Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Downer PPP Investments Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer Professional Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer Pte. Ltd.	Body Corporate	Singapore	100%	Foreign	Singapore
Downer QTMP Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer Singapore Pte. Ltd.	Body Corporate	Singapore	100%	Foreign	Singapore
Downer Utilities Australia Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer Utilities Holdings Australia Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer Utilities New Zealand Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Downer Utilities New Zealand Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer Utilities SDR Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Downer Victoria PPP Maintenance Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
EDI Rail PPP Maintenance Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
EDICO Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Emoleum Partnership	Partnership	Australia	N/A	N/A	N/A
Emoleum Road Services Pty Ltd	Body Corporate – Partner in Partnership	Australia	100%	Australian	N/A
Emoleum Roads Group Pty Ltd	Body Corporate – Partner in Partnership	Australia	100%	Australian	N/A
Envista Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Errolon Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Evans Deakin Industries Pty Ltd	Body Corporate	Australia	100%	Australian	N/A

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		Bodies Corporate		Tax residency	
Entity name	Entity type	Place incorporated or formed	Ownership interest	Australian or foreign	Foreign Jurisdiction
Fieldforce Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Fowlers Asphalting Pty. Limited	Body Corporate	Australia	100%	Australian	N/A
Gippsland Asphalt Pty. Ltd.	Body Corporate	Australia	100%	Australian	N/A
Green Vision Recycling Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Hawkins Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Hawkins Projects 1 Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Infrastructure Constructions Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
International Linen Service Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
ITS Pipetech Pacific (Fiji) Pte Limited	Body Corporate	Fiji	100%	Foreign	Fiji
KHSA Limited	Body Corporate – Partner in Partnership	Jersey	100%	Australian	N/A
LNK Group Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Lowan (Management) Pty. Ltd.	Body Corporate	Australia	100%	Australian	N/A
Maclab Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
MD Mineral Technologies Africa (Pty) Ltd	Body Corporate	South Africa	100%	Foreign	South Africa
MD Mineral Technologies Private Limited	Body Corporate	India	100%	Foreign	India
MD Mining and Mineral Services (Pty) Ltd	Body Corporate	South Africa	70%	Foreign	South Africa
Mineral Technologies (Holdings) Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Mineral Technologies Comercio de Equipamentos para Processamento de Minerais LTDA	Body Corporate	Brazil	100%	Foreign	Brazil
Mineral Technologies Inc.	Body Corporate	Canada	100%	Foreign	Canada
Mineral Technologies Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Mineral Technologies, Inc.	Body Corporate	USA	100%	Foreign	USA
Monteon Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Nationwide Venue Management Pty Limited	Body Corporate	Australia	100%	Australian	N/A
New South Wales Spray Seal Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Pacific Industrial Services BidCo Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Pacific Industrial Services FinCo Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Primary Producers Improvers Pty. Ltd.	Body Corporate	Australia	100%	Australian	N/A
PT Duffill Watts Indonesia	Body Corporate	Indonesia	100%	Foreign	Indonesia
Rail Services Victoria Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Richter Drilling (PNG) Limited	Body Corporate	Papua New Guinea	100%	Foreign	Papua New Guinea
Riley Shelley Services Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Roche Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
RPC Roads Pty Ltd	Body Corporate	Australia	100%	Australian	N/A

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		Bodies Corporate		Tax residency	
Entity name	Entity type	Place incorporated or formed	Ownership interest	Australian or foreign	Foreign Jurisdiction
RPQ Asphalt Pty. Ltd.	Body Corporate – Partner in Partnership	Australia	100%	Australian	N/A
RPQ JV	Partnership	Australia	N/A	N/A	N/A
RPQ Mackay Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
RPQ North Coast Pty. Ltd.	Body Corporate	Australia	100%	Australian	N/A
RPQ Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
RPQ Services Pty. Ltd.	Body Corporate	Australia	100%	Australian	N/A
RPQ Spray Seal Pty. Ltd.	Body Corporate	Australia	100%	Australian	N/A
Skilltech Consulting Services Pty. Ltd.	Body Corporate	Australia	100%	Australian	N/A
Skilltech Metering Solutions Pty Ltd.	Body Corporate	Australia	100%	Australian	N/A
Smarter Contracting Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Southern Asphalters Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Sports Venue Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Spotless Defence Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Spotless Facility Services (NZ) Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Spotless Facility Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Spotless Financing Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Spotless Group Holdings Limited	Body Corporate	Australia	100%	Australian	N/A
Spotless Group Limited	Body Corporate	Australia	100%	Australian	N/A
Spotless Holdings (NZ) Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Spotless Investment Holdings Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Spotless Management Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Spotless Property Cleaning Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Spotless Securities Plan Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Spotless Services Australia Limited	Body Corporate	Australia	100%	Australian	N/A
Spotless Services International Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Spotless Services Limited	Body Corporate	Australia	100%	Australian	N/A
Spotless Treasury Pty Limited	Body Corporate	Australia	100%	Australian	N/A
SSL Asset Services (Management) Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
SSL Facilities Management Real Estate Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
SSL Security Services Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Tarmac Linemarking Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Taylors Two Two Seven Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Techtel Training & Development Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
The Roading Company Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand

		Bodies Corporate		Tax residency	
Entity name	Entity type	Place incorporated or formed	Ownership interest	Australian or foreign	Foreign Jurisdiction
Trenchless Group Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Trico Asphalt Pty. Ltd.	Body Corporate – Partner in Partnership	Australia	100%	Australian	N/A
UAM Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Utility Services Group Holdings Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Utility Services Group Limited	Body Corporate	Australia	100%	Australian	N/A
VEC Civil Engineering Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
VEC Plant & Equipment Pty Ltd	Body Corporate	Australia	100%	Australian	N/A
Waste Solutions Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand
Works Finance (NZ) Limited	Body Corporate	New Zealand	100%	Foreign	New Zealand

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Directors' Declaration

for the year ended 30 June 2024

In the opinion of the Directors of Downer EDI Limited:

(a) The financial statements and notes set out on pages 87 to 170 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);

(d) The attached financial statements are in compliance with International Financial Reporting Standards, as noted in Note A to the financial statements; and

(e) The consolidated entity disclosure statement is true and correct.

At the date of this declaration, there are reasonable grounds to believe that the Company and the companies to which ASIC Corporations (Wholly owned Companies) Instrument 2016/785 applies, as detailed in Note F5 to the financial statements will, as a group, be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee.

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

Mark Menhinnitt
Chairman

Peter Tompkins
Managing Director and Chief Executive Officer

Sydney, 30 August 2024

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Corporate Governance

for the year ended 30 June 2024

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
- 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
- Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Before appointing a Director or senior executive, the Board undertakes appropriate checks.

The Board 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.

As part of its commitment to leading corporate governance practice, The Board undertakes improvement programs, including externally facilitated periodic reviews of its performance and effectiveness, and that of its Committees and Directors. The last review was completed during FY22. A review is currently underway and will be completed during 2024. The review includes consideration of the skills and knowledge of Directors, the role of the Board and its Committees and their effectiveness, the role of management and relationship with the Board and the effectiveness of the Board's governance framework and processes.

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 with authority to act 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 2024, 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 Chair, 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**.

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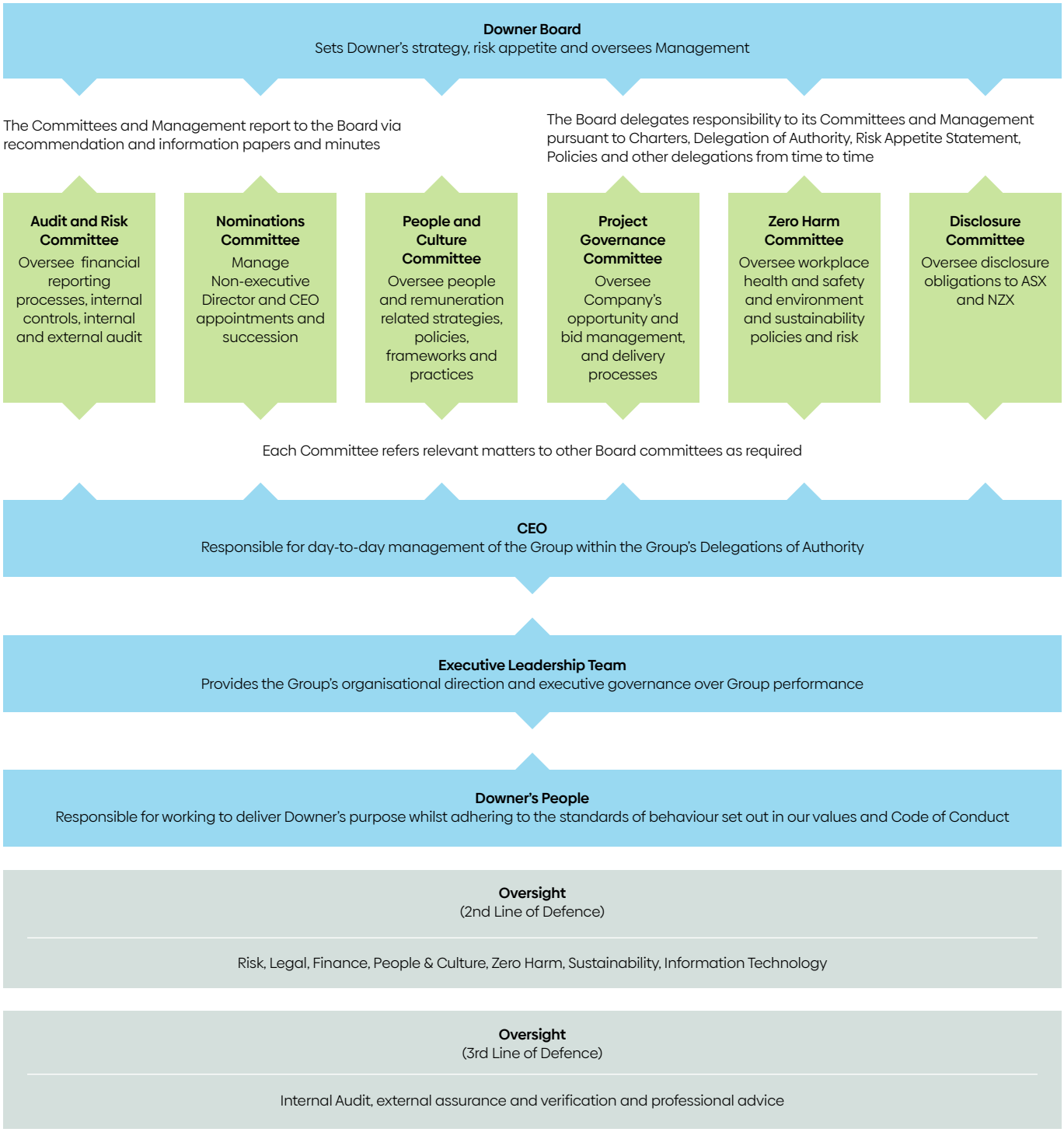
Corporate Governance Framework



Further information on Downer's approach to risk management can be found on page 34.

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Inclusion and Belonging at Downer

Downer is committed to a diverse and inclusive workforce, which fulfils the expectations of its employees, customers and shareholders while building a sustainable future for its business. This is formalised through the Downer Inclusion & Belonging (I&B) Policy which outlines the Company's commitment to developing a diverse and inclusive workforce.

The I&B Policy is available on the Downer website at **www.downergroup.com**.

ASX diversity recommendations – diversity statement

This diversity statement outlines Downer's performance throughout 2024 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 2024
- An outline of Downer's measurable gender diversity objectives for 2024.

Gender representation metrics

As of 30 June 2024, Downer's female gender representation metrics were as follows:

Board	57%
Senior Executive[1]	19%
Management[2]	21%
Workforce	30%

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, 'Management' refers to CEO, KMP, Other Executives/General Managers, Senior Managers and Other Managers as defined in the WGEA Reference Guide.

Looking back: 2024 measurable objectives

Focus area	Objective	Targets	Initiatives	FY24 Outcomes
Inclusion and Belonging Guiding Frameworks	Develop and maintain an overall approach to Inclusion & Belonging that creates sustainable change	Own Different Inclusion & Belonging Strategy and Action Plan reset for FY25-27	Update Strategy and Plan for FY25-27	Strategy and Action Plan for Inclusion and Belonging FY25 – FY27 has been approved. The new strategic plan has three key focus areas being Gender, Indigenous and Inclusion.
			Continue to embed Own Different into on-going employee communications and as a part of culture development	The Downer Difference (new culture platform) now embodies Own Different under the 'We Stand for Each Other' culture focus area. The three culture behaviours focused on achievement, customer centricity and an inclusive, purpose driven workplace – Own It, Do It, Make the Difference.
			Launch Inclusion & Belonging SharePoint as a central hub of resources, particularly to support the broader focus areas of I&B	The Inclusion & Belonging SharePoint hub has been redeveloped to centrally locate resources that support broad I&B focus areas including: ■ Employee Networks ■ EmpowHER (women's network) ■ Inclusion and Belonging ■ Summer of Pride ■ Downer Giving ■ Indigenous Resources Hub ■ THRIVE (Women's development) ■ Wāhine Kotahitanga and StandOut in NZ Share&Learn series recommenced.

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Focus area	Objective	Targets	Initiatives	FY24 Outcomes
Inclusion and Belonging Guiding Frameworks *continued*			Each Business Unit to have an active Inclusion & Belonging Committee with a Plan that aligns with overall Strategy but reflects the issues and opportunities in their business	Individual Business Units have an Inclusion & Belonging Action Plan which they govern, through a specific I&B Committee or existing management structure. Business Units report within their BU. Group initiatives are reported through Group reporting.
Aboriginal, Torres Strait Islander and Māori peoples	Develop and lead an Employment Program for Aboriginal and Torres Strait Islander peoples at Downer Partner with Indigenous businesses to build relationships, promote Best Practice procurement and increase supplier diversity Streamline data collection and reporting and communication of ISG Strategy, outcomes and metrics internally and externally	3% Aboriginal and Torres Strait Islander employees	Develop an internal overarching approach to achieve employment target. This will encompass processes and resources for talent acquisition, onboarding, career development, mentoring and retention – delivered through the Downer Indigenous Employment Program (DIEP)	A framework approach aligned to the Operating Model for the DIEP will be submitted to the Executive for endorsement in Q1 2025. The proposed DIEP framework is designed to support and empower all Business Units with the required resources and information to develop employment pathways and opportunities for Aboriginal and Torres Strait Islander peoples.
			Develop and deliver a series of information sessions, awareness packs and other resources to the business about Aboriginal, Torres Strait Islander and Māori history and cultures, such as Cultural Learning Bites	The Indigenous Resources Hub redesigned and updated with resources and information to support and educate all employees. The ICAT learning module promoted and automatically assigned to all new starters. Cultural Awareness Share and Learn sessions have been organised for June and July 2024 linking to NAIDOC week and Matariki.
			Establish and maintain mutually beneficial relationships with Aboriginal and Torres Strait Islander stakeholders and organisations. Promote and share outcomes and achievements with the business	Renewed partnership agreements with NRL Cowboys House, STARS Foundation and Kinaway to support Downer's Reconciliation Action Plan and initiatives. Partnership agreements and strong relationships with Supply Nation and Reconciliation Australia. Various engagements are promoted and highlighted via news stories.
			Develop an Indigenous Business Inclusion Strategy to increase spend and build meaningful relationships enabling greater Supplier Diversity	Indigenous Procurement Statement has been developed and will be published on the Indigenous Resources Hub. Indigenous Business Directory is available for all Downer employees to find Indigenous suppliers to engage in all areas – currently 593 active suppliers listed (as of June 2024). In New Zealand, we engaged with Amotai to deliver Maturity Matrix for Supplier Diversity to increase awareness.
			Continue to deliver Downer's Māori Leadership Development program, Te Ara Whanake	Te Ara Whanake, Te Hā (wāhine only) and senior Māori Leadership Ake programs had 68 participants complete and another group of 22 starting in May.

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Focus area	Objective	Targets	Initiatives	FY24 Outcomes
Aboriginal, Torres Strait Islander and Māori peoples *continued*			Continue to deliver the Te Ara Maramatanga program to non-Māori leaders which gives them a deeper understanding of Māori history, culture and Tikanga. Provide this opportunity to Australian-based leaders as well	Te Ara Māramatanga was delivered to 116 participants for FY24.
			Deliver Indigenous Cultural Awareness training for all NZ-based CEO-2 in trans-Tasman business	ICAT training has been rolled out across Senior Leaders with trans-Tasman responsibility.
Gender Diversity	To improve opportunities for women to reach their potential through an inclusive work environment while positioning Downer Group as a preferred employer for women	40% women in the workforce by 2026 25% women in management positions by 2026 25% women in executive positions by 2026 30% women Directors on the Board	Analyse the WGEA reporting data and provide to each of the I&B Committees to use the learnings as key inputs to develop ongoing strategy, programs and initiatives	WGEA Action Plan has been developed so that obligations and commitments are met. EmpowHER, an enterprise-wide women's networking group launched as part of International Women's Day. Current membership interest is at 200 across the business. The EmpowHER Committee, led by Executive sponsor Murray Robertson, comprises of women and allies across Downer. EmpowHER will be a sounding board/community to explore gender equality issues and solutions. New recruitment targets included as part of the I&B Strategy and Action Plan FY25-27 to improve gender ratios at all levels. Executive Mentoring Program launched in June 2024 providing mentoring by Executive and Senior Leaders for high potential women at CEO 2 and 3 level. Work180 partnership in Australia renewed to support attraction and retention of women to Downer.
			Support the Wahine Kotahitanga female network group and provide opportunity to share learnings across NZ and AU	This employee-led network has several initiatives to drive awareness and grow their network base. A few committee members had their profiles featured for this year's International Women's Day celebrations. They are participating in the 'Check your language' campaign and a resilience workshop for onsite wāhine across the business.
			Continue to deliver THRIVE, our women's personal and professional growth program, encompassing AU and NZ participants	The 2024 THRIVE program commenced with four cohorts (104 participants) in Brisbane, Sydney, Melbourne and Auckland. The revamped program focuses on accelerating growth of female talent.
			Establish the THRIVE Alumni framework	THRIVE Alumni established November 2023 and connected online to share insights, learning bites and content. THRIVE Alumni will be involved in providing mentorship for the 2024 participants.

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Focus area	Objective	Targets	Initiatives	FY24 Outcomes
Generational Diversity	To establish Downer Group as a sought-after employer for all age groups and as an organisation that builds a talent pipeline of thought leaders and continues to value experience	Increase the number of graduate and apprentice employees year-on-year	Engage a new sourcing channel to attract youth	Partnership in New Zealand with Zeil – a mobile based app developed for youth attraction – commenced in October 2023.
			Develop a flexible working framework that supports retention of employees approaching retirement age	Through our Corporate Social Outcomes Team, we have had 28 Tētēkura participants graduate this program. It targets Māori rangatahi (16 to 24 years old) NEETS (not in education, employment or training). This is funded through our partnership with Te Puni Kōkiri. Flexible working that supports employee retention approaching retirement is incorporated into the individual Business Units' Inclusion & Belonging plans.
			Continue to build a talent pipeline by investing in entry-level programs that align to our generational diversity focus and priority areas, including: ■ Graduate Development Programs ■ Cadetships and further undergraduate programs ■ Apprenticeships and traineeships (mature-age opportunities, recognition of prior learning for experienced workers without formal qualifications) ■ Internships ■ CSO pre-employment programs	Continual investment in our youth and entry level programs managed within Business Units. Programs include: ■ Internships, cadetships, traineeships and apprenticeships and Graduates ■ In NZ, under the CSO team, the partnership with the Ministry of Social Development, placed 24 people through our Road and Water Ready programs and into full-time employment.
LGBTIQA+	Create a welcoming and safe environment for all employees who identify as lesbian, gay, bisexual, transgender, intersex, queer, asexual and other diverse genders, sexes and sexualities	Increase confidence of employees to identify as LGBTIQA+	Develop and deliver information sessions, awareness packs and other resources to the business in relation to LGBTIQA+ communities, leveraging relationship with the Rainbow Tick	Downer Summer of Pride, our annual trans-Tasman recognition and celebration of Pride month, was launched in February 2024 including a Share and Learn session on the Rainbow communities. Training was rolled out through our partnership with Rainbow Tick within New Zealand to enhance awareness and inclusivity. StandOut members have presented to multiple teams on rainbow community matters and New Zealand Kaitaiki presented on StandOut at the Senior Leaders Forum. Downer received recognition at the New Zealand Rainbow Excellence Awards, achievements including earning a high commendation for The ASB Emerging Award; StandOut's collective efforts resulted in securing fourth place in the Overall Supreme Award categories.

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Focus area	Objective	Targets	Initiatives	FY24 Outcomes
LGBTIQA+ *continued*			Identify new partnerships and opportunities for sourcing and recruiting employees from the LGBTIQA+ community	Downer Group signed up to Pride Pledge and the Rainbow Tick has been renewed for New Zealand. Sponsorship of Rainbow Engineering Network benefiting LGBTIQA+ engineering students at Waipapa Taumata Rau, The University of Auckland. This sponsorship supports students through community connection events and education initiatives, with StandOut members engaging at their events.
			Leverage the work of the StandOut forum in NZ by providing wider access to their SharePoint site and initiatives	Updated internal StandOut SharePoint site. 197 members and allies on our StandOut Support Register. SharePoint page total views 2,084.

Looking ahead: 2025 measurable objectives

Focus area	Objective	Targets	Initiatives
Inclusion	Continue to drive Inclusion & Belonging as a key focus for the organisation to support Downer culture and an inclusive workplace, identifying initiatives that create sustainable change	Own Different Inclusion & Belonging Strategy and Action Plan reset for FY25-27	Update I&B Strategy and Plan and identify key group initiatives that support the three focus areas – Inclusion, Gender and Indigenous (Aboriginal, Torres Strait Islander and Māori peoples).
		Downer Difference is embedded in the organisation with >80% of the workforce having at least one touchpoint of exposure	Full roll-out of the project and communication plan for The Downer Difference across the organisation to support culture transformation. Design and development of the annual CEO Awards for launch in July 2024 recognising and reinforcing the three culture focus areas. Design and development of the Family Scholarships program for launch in 2024. Relaunch of Own Career = Own Performance and Own Development framework for salaried employees – a Company-wide approach to performance management – with the aim of >80% of the salaried workforce completing the full performance cycle. Design and develop Downer's Employee Value Proposition articulating our culture, employee benefits and career opportunities – to improve attraction, retention and employee engagement across all demographics.
	Create a welcoming and safe environment for all employees who identify as lesbian, gay, bisexual, transgender, intersex, queer, asexual and other diverse genders, sexes and sexualities	Increase confidence of employees to identify and/or actively support LGBTIQA+, evidenced through increased participation and allyship of the network group(s)	Launch an LGBTIQA+ employee network across the whole of Downer – targeting 200 members initially with growing participation year on year.

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Focus area	Objective	Targets	Initiatives
Aboriginal, Torres Strait Islander and Māori peoples	Develop and lead an Employment Program for Aboriginal and Torres Strait Islander peoples at Downer	3% Aboriginal and Torres Strait Islander employees	Development of a framework that supports the employment of Aboriginal and Torres Strait Islander peoples at Downer. The Downer Indigenous Employment Program (DIEP) will provide Business Units with central resources and tools to support talent acquisition, onboarding, career development, mentoring and retention – with the aim of achieving the 3% target by 2026. Establishment of an Indigenous Employee Network that supports the engagement and connection of our Aboriginal and Torres Strait Islander peoples at Downer – with growing participation year on year. Development of mutually beneficial engagement plans that leverage key partnerships with Aboriginal and Torres Strait Islander organisations including STARS Foundation, NRL Cowboys House and Kinaway.
	Partner with Indigenous businesses to build relationships, promote Best Practice procurement, and increase supplier diversity		
	Streamline data collection and reporting and communication of ISG Strategy, outcomes and metrics internally and externally		Implementation of our new Reconciliation Action Plan for 2024 to 2026, outlining new initiatives and commitments to continue Downer's support and impact on Aboriginal and Torres Strait Islander peoples, communities and businesses, with a strong focus on strengthening Downer's position as an employer of choice to attract, develop and retain Aboriginal and Torres Strait Islander peoples to achieve delivery of the RAP commitments by 2026. Design and roll out anti-racism learning module across the Company – targeting >80% of the workforce completing the appropriate training.
	Māori development programs	Continue to deliver the current Māori Leadership Development program, Te Ara Whanake, Te Hā (wāhine leadership only) and Te Ara Whanake Ake (Senior Māori leadership programs) and Te Ara Māramatanga	Continue to deliver Downer's Māori leadership development program, Te Ara Whanake, Te Hā (wāhine leadership only) and Te Ara Whanake Ake (Senior Māori leadership program). Maintaining year-on-year participant numbers. Continue to deliver the Te Ara Māramatanga program to non-Māori leaders, which provides a deeper understanding of the Te Ao Māori (Māori worldview), Tikanga and protocols through noho-mara immersion. Maintaining year-on-year participation numbers. Attendance required from our Australian-based leaders responsible for trans-Tasman responsibility, where/when possible.
Gender Diversity	To improve opportunities for women to reach their potential through an inclusive work environment while positioning Downer Group as a preferred employer for women	40% women in the workforce by 2026 25% women in management positions by 2026 28% women in executive positions by 2026 40% women Directors on the Board	Continue to refresh and refine THRIVE program – our personal and professional growth program to support women in Downer – achieving >80% satisfaction from participants. Continue to deliver Sexual Harassment training to build knowledge and awareness of bullying and sexual harassment in the workforce – targeting >80% of the workforce completing the appropriate training. Launch the Executive Mentoring Program for Women at CEO 2 and 3 and develop ongoing framework that supports the second year of the program for FY26, targeting >80% satisfaction from mentees and mentors. Build on the launch of the EmpowHER network with scheduled events and connection to drive engagement of women at Downer – maintaining year-on-year increase in membership and participation in events. Implement recruitment targets to promote the employment of women across all levels of the organisation – including but not limited to: ■ 50% shortlist representation for management and professional roles ■ 30% shortlist targets for frontline Graduate and Apprenticeship roles and professional Graduate roles.

Principle 2: Structure the Board to be effective and add value

Throughout the 2024 financial year, the Board was comprised of a majority of independent Directors.

The Board is currently comprised of the Chair (Mark Menhinnitt, an independent, Non-executive Director), six other independent, Non-executive Directors and an Executive Director (the Group CEO, Peter Tompkins). 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 10 to 13 and are also available on the Downer website at **www.downergroup.com**.

The composition of the Board is reviewed and assessed by the Nominations Committee so that the Board is of a composition, size and commitment to effectively discharge its responsibilities and duties.

Directors are required to bring their 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 so that each Director has the capacity to bring 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 Chair of the Board is an independent, Non-executive Director. The Chair is responsible for the leadership of the Board and for the efficient organisation and functioning of the Board.

The Chair is appointed by the Board so that a high standard of values, governance and constructive interaction is maintained.

The Chair facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Directors and the Board and management. The Chair also represents the views of the Board to Downer's shareholders and conducts the AGM.

The roles of Chair and Group CEO are not exercised by the same person and the division of responsibilities between the Chair and the Group CEO have been agreed by the Board and are set out in the Board Charter and Downer's Delegations Policy.

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The Board has established a number of committees to assist the Board to effectively and efficiently execute its responsibilities. A list of the Board Committees and their current membership is set out in the table below.

Board Committee	Chair	Members
Audit and Risk	Nicole Hollows	Peter Barker Teresa Handicott Adelle Howse Steven MacDonald
Disclosure	Teresa Handicott	Mark Menhinnitt Peter Tompkins
Nominations	Mark Menhinnitt	Teresa Handicott Nicole Hollows Adelle Howse
People and Culture	Adelle Howse	Sheridan Broadbent Nicole Hollows Mark Menhinnitt
Project Governance	Mark Menhinnitt	Peter Barker Sheridan Broadbent Nicole Hollows Steven MacDonald Peter Tompkins
Zero Harm	Sheridan Broadbent	Teresa Handicott Steven MacDonald Mark Menhinnitt Peter Tompkins

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 44.

The role of the Audit and Risk Committee is set out under Principle 7 on page 192 of this statement.

The Board has established the Nominations Committee to oversee the practices for selection and appointment of Directors of the Company.

The Nominations Committee's primary purpose is to support and advise the Board on fulfilling its responsibilities to shareholders so 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 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 Committee Charter gives the Nominations Committee access to internal and external resources, including advice from external consultants and specialists. The Nominations Committee Charter is available on the Downer website at **www.downergroup.com**.

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The Nominations 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, Board Committees 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)
- Recommending the engagement of nominated persons as Directors.

When appointing Directors, the Nominations Committee aims for 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 to bring that experience and depth of understanding to matters brought before the Board.

Given the breadth of Downer's service offerings across a range of markets, the Board seeks to maintain an appropriate range of technical skills and executive experience across engineering and construction disciplines as well as services activities, and professional services when considering the appointment of a new Director.

Downer's Board renewal program is ongoing. The Board identified engineering and operational expertise in utilities, in particular power and water infrastructure, maintenance and services, financial and accounting expertise and experience, experience in senior executive roles, as well as knowledge and experience of the New Zealand markets, as key skills required for the future.

On 1 September 2023, Steven MacDonald joined the Board as a Director. Mr MacDonald is an experienced Non-executive Director and senior executive with extensive experience in the water and power sectors delivering engineering maintenance, services and major infrastructure projects ranging from power plants to tunnels to freeways and rail and has worked in both Australia and New Zealand.

On 2 October 2023, Sheridan Broadbent joined the Board as a Director. Ms Broadbent is an experienced Non-executive Director and senior executive with experience in business strategy, technology, business development, and health and safety in the utilities and telecommunications sectors. Having worked in both Australia and New Zealand and being based in Auckland, Ms Broadbent brings a deep understanding of the New Zealand market.

Peter Barker joined the Board as a Director on 1 July 2024. Mr Barker is an experienced Non-executive Director and senior executive with experience in finance, risk management, corporate structuring including mergers, acquisitions and divestments, and systems transformation in complex multi-jurisdictional environments in the engineering, services and technology sectors.

From time to time, Downer engages external specialists to assist with the selection process as necessary, and the Chair, Board and Group CEO meet with candidates as part of the appointment process.

Nominations for re-election of Directors are reviewed by the Nominations Committee and Directors are re-elected in accordance with the Downer Constitution and the ASX Listing Rules.

The role of the People and Culture Committee is set out under Principle 8 on page 193 of this statement.

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The Project Governance Committee's primary purpose is to approve tender opportunities that are above defined value and risk thresholds at defined stage gates (pursue, prepare, submit tender and execute contract) and monitor overall performance of the portfolio of projects. The Committee is chaired by an independent Director and comprises six members, including the Group CEO.

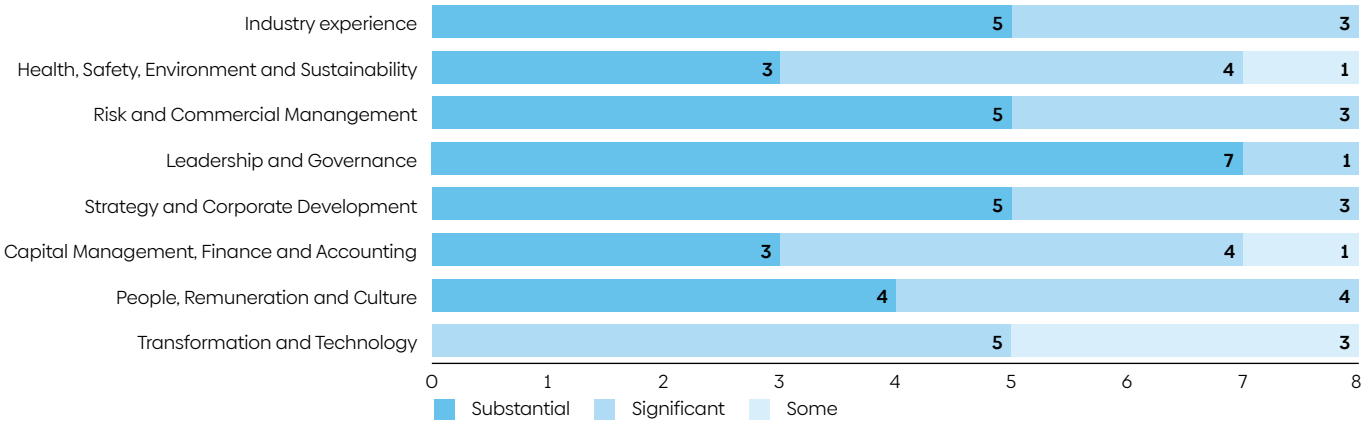
The Zero Harm Committee's purpose is to assist the Board in its oversight of the Company's compliance with its health, safety, environment and sustainability commitments, including Zero Harm, and its legal and regulatory obligations.

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:

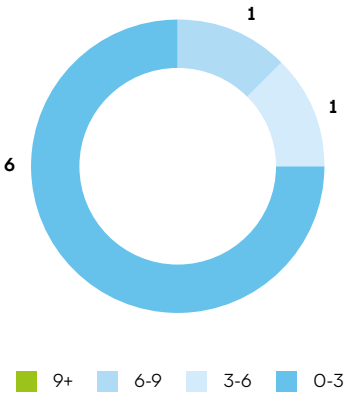
- Downer's financial position, strategies, operations and risk management policies
- The respective rights, duties and responsibilities and roles of the Board and senior executives
- Downer's culture and values.

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.

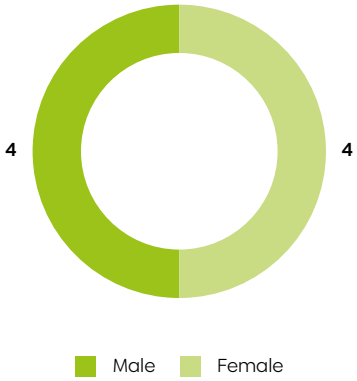
Skills



Tenure (years)



Gender Diversity



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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 regular governance and; other continuing education sessions are organised 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: Instil a culture of acting lawfully, ethically and responsibly

Downer's Purpose is to enable communities to thrive, and Downer's Promise is that our customers' success is our success. Downer's Purpose and Promise are founded on the Pillars of Safety and Sustainability, Delivery, Relationships and Thought Leadership and define the way it manages its business and are the foundations that support Downer's culture. An overview of the Purpose, Promise and Pillars can be found on the Downer website at **www.downergroup.com**.

Downer strives to attain the highest standards of behaviour and business ethics when engaging in corporate activity. Downer's 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
- Inclusion and belonging
- Sustainability
- 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, contractors, suppliers, consultants, or service providers 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 senior leaders overseeing the completion of any remedial action. The Board is informed of material breaches of the Standards of Business Conduct through reporting of incidents reported under the whistleblower policy, investigations of allegations of fraud and breaches of Downer's Zero Harm Cardinal Rules.

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
- 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. The Board is informed of material breaches of the Anti-Bribery and Corruption Policy.

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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.

All employees receive training on the Standards of Business Conduct, Downer's Purpose, Promise and Pillars, workplace behaviour and Zero Harm on commencement of employment as well as routine refresher training thereafter. Further specific training is also provided depending on the function of particular roles.

These policies are available on the Downer website at **www.downergroup.com**.

Principle 4: Safeguard the integrity of corporate reports

The Company has in place a structure of review and authorisation which independently verifies and safeguards the integrity of its financial reporting.

An external limited assurance engagement is performed on selected sustainability information in Downer's Annual Sustainability Report. Downer also follows a comprehensive internal verification process to provide assurance over the integrity of the Sustainability Report and other periodic corporate reports which are not audited or reviewed by the external auditor, including the Directors' Report, Corporate Governance Statement, and Information for Investors. This process involves review of reporting by relevant subject matter experts across the organisation so that it is materially accurate, balanced and provides investors with appropriate information.

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
- 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 Chair (who is not the Chair of the Board)
- Has at least three members.

The Audit and Risk Committee 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. To support these declarations, management has established the Financial and Corporate Governance Self-Assessment (FCGSA) process, which involves the completion of an online survey by the key operational and functional executives of the Company, which covers accounting and financial matters, fraud, policy compliance and Zero Harm, from which a summary of responses is provided to the Board and informs the declarations.

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 FY24, together with the individual attendances of members at the meetings, is set out in the Directors' Report on page 44.

The Audit and Risk Committee Charter is available on the Downer website at **www.downergroup.com**.

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Principle 5: Make timely and balanced disclosure

The Company's Disclosure Policy sets out processes which assist the Company so 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. It includes that new and substantive investor or analyst presentations are released on the ASX Market Announcements Platform ahead of the presentation.

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. The Board receives copies of all material market announcements promptly after they have been made.

Downer's Disclosure Committee consists of two independent, Non-executive Directors (one of which is the Chair 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 security holders

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
- Making it easy for shareholders to participate in general meetings
- Giving shareholders the option to receive communications from, and send communications to, the Company and its security registry electronically.

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 members' meetings 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. All substantive resolutions at meetings of shareholders are conducted by poll.

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, Board Committees, executive and business unit levels that are designed to safeguard Downer's interests and the integrity of reporting (including accounting, financial reporting, environmental and workplace health and safety policies and procedures). These controls are directed at compliance 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 review of the Risk Management Framework was completed in 2024. The Board reviews the Group risk profile twice each year 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.

Downer's annual Sustainability Report provides a detailed overview of Downer's approach to managing its environmental and social risks. The Sustainability Report is available on the Downer website at **www.downergroup.com/sustainability**.

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.

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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.

Principle 8: Remunerate fairly and responsibly

The Board has established a People and Culture Committee and has adopted the People and Culture 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 People and Culture Committee is responsible for reviewing and making recommendations to the Board about:

- People, culture and conduct
- Talent management and succession
- Inclusion and belonging
- 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
- Superannuation arrangements and retirement payments.

Remuneration of the Non-executive Directors forms part of the responsibilities of the Nominations 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 People and Culture Committee is structured so that it:

- Consists of a majority of independent Directors
- Is chaired by an independent Director
- Has at least three members.

The Executive Director is not a member of the People and Culture Committee.

The maximum aggregate fee approved by shareholders that can be paid to Non-executive Directors is $2.4 million per annum.

This cap was approved by shareholders on 3 November 2022. Further details about remuneration paid to Non-executive Directors are set out in the Remuneration Report at page 76.

Retirement benefits, other than superannuation, are not paid to Non-executive Directors.

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-term and long-term incentives.

Executive Directors and senior executives are prohibited from entering transactions in associated products which limit the economic risk of participating in unvested entitlements under any of the Company's equity-based remuneration schemes, as set out in the Securities Trading Policy. A copy of the Securities Trading Policy is available on the Downer website at **www.downergroup.com**.

Further details about the remuneration of Executive Directors and senior executives are set out in the Remuneration Report at page 67 and details of Downer shares beneficially owned by Directors are provided in the Directors' Report at page 77.

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Information for Investors

for the year ended 30 June 2024

Downer shareholders

Downer had 22,039 ordinary shareholders as at 30 June 2024, of which 20,424 shareholders had a registered address in Australia.

The largest shareholder, HSBC Custody Nominees (Australia) Limited, held 30.49% of the 671,573,679 fully paid ordinary shares issued at that date.

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 a foreign exempt issuer on the New Zealand Exchange with the ticker code DOW.

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 news. 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.

Dividends are paid in Australian dollars, other than for shareholders with a registered address in New Zealand, who receive dividends in New Zealand dollars unless an election is made to receive payment in Australian dollars by providing Australian bank account details.

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 at **www.computershare.com.au/investor**.

The Company's Dividend Reinvestment Plan remains suspended.

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):

6 Hope St
Ermington NSW 2115
GPO Box 2975
Melbourne VIC 3000

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 banking and tax information, DRP elections and communication preferences) online at **www.computershare.com/investor**. Simply log-in or sign up to create your investor centre account.

Shareholders will require their holder number (SRN/HIN) and postcode to access this site.

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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.

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, Triniti III,
Triniti Business Campus
39 Delhi Road
North Ryde NSW 2113

Tel: +61 2 9468 9700
Fax: +61 2 9813 8915

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo
Sydney NSW 2000

Australian securities exchange information as at 31 July 2024

Number of holders of equity securities: 21,780

Ordinary share capital

671,573,679 fully paid listed ordinary shares were held by 21,780 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 31 July 2024.

Shareholders	Ordinary shares held	% of issued shares
Ubique Asset Management Pty Ltd	65,069,751	9.69
L1 Capital Pty Ltd and L1 Capital Strategic Equity Management Pty Ltd	64,771,386	9.64
Allan Gray Australia Pty Ltd and its related bodies corporate	61,621,897	9.18
Host-Plus Pty Limited as trustee of the Hostplus Pooled Superannuation Trust	43,626,396	6.50
The Vanguard Group, Inc. and its controlled entities	40,966,780	6.10
T Rowe Price Associates, Inc.	40,961,899	6.09
Pendal Group Limited	41,010,826	6.07
State Street Corporation and subsidiaries	40,558,929	6.04
Dimensional Fund Advisors LP and its related bodies corporate	40,335,725	6.00

Distribution of holders of quoted equity securities

Shareholder distribution of quoted equity securities as at 31 July 2024 is as follows.

Range of holdings	Number of Shareholders	Shareholders %	Ordinary shares held	Shares %
1 – 1,000	12,262	56.30	5,027,877	0.75
1,001 – 5,000	7,002	32.15	16,492,041	2.46
5,001 – 10,000	1,485	6.82	10,779,623	1.61
10,001 – 100,000	981	4.50	21,497,630	3.20
100,001 and over	50	0.23	617,776,508	91.98
Total	**21,780**	**100.00**	**671,573,679**	**100.00**
Holding less than a marketable parcel of shares	1,377			

Twenty largest shareholders

Downer's 20 largest shareholders of ordinary fully paid shares as at 31 July 2024 are as follows.

Shareholders	Shares Held	% of shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	204,122,817	30.39
CHASE MANHATTAN NOMINEES LIMITED	185,029,341	27.55
CITICORP NOMINEES PTY LIMITED	158,621,100	23.62
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING A/C >	16,230,936	2.42
NATIONAL NOMINEES LIMITED	15,133,430	2.25
ARGO INVESTMENTS LTD	12,815,059	1.91
BNP PARIBAS NOMS PTY LTD	5,908,789	0.88
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,773,287	0.41
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,891,420	0.28
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,763,803	0.26
BNP PARIBAS NOMS (NZ) LTD	1,616,079	0.24
CPU SHARE PLANS PTY LIMITED	1,059,758	0.16
GLENICE MARGARET PATTERSON	891,642	0.13
CITICORP NOMINEES PTY LIMITED <143212 NMMT LTD A/C>	869,422	0.13
BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS>	854,131	0.13
MR JOHN WILLIAM HARBOT	612,922	0.09
BUTTONWOOD NOMINEES PTY LTD	541,937	0.08
BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD	452,574	0.07
LSND SUPER PTY LTD	450,000	0.07
IOOF INVESTMENT SERVICES LIMITED <IPS SUPER FUND A/C>	422,033	0.06
Total for top 20 shareholders	**612,060,480**	**91.14**

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