

# Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Updated as at 8 May 2019

Results for announcement to the market					
Name of issuer	Works Finance (NZ) Limited				
Reporting Period	12 months to 30 June 2020				
Previous Reporting Period	12 months to 30 June 2019				
Currency	NZD				
	Amount (000s)		Percentage change		
Revenue from continuing operations	\$11,341		(11.3%)		
Total Revenue	\$11,341		(11.3%)		
Net profit/(loss) from continuing operations	\$11,266		(11.4%)		
Total net profit/(loss)	\$8,112		(11.4%)		
Interim/Final Dividend					
Amount per Quoted Equity Security	\$0.00777600				
Imputed amount per Quoted Equity Security	\$0.00302400				
Record Date	7 September 2020				
Dividend Payment Date	15 September 2020				
	Current period		Prior comparable period		
Net tangible assets per Quoted Equity Security	ROADS \$1		ROADS \$1		
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to accompanying audited financial statements				
		2020 per security	2020 Net tangible assets	2019 per security	2019 Net tangible assets
		\$	\$	\$	\$
	200,000,000 ROADS (2019: 200,000,000)	1	200,000,000	1	200,000,000
	100 ordinary shares (2019: 100)	68,817	6,881,675	66,754	6,675,429
			206,881,675		206,675,429

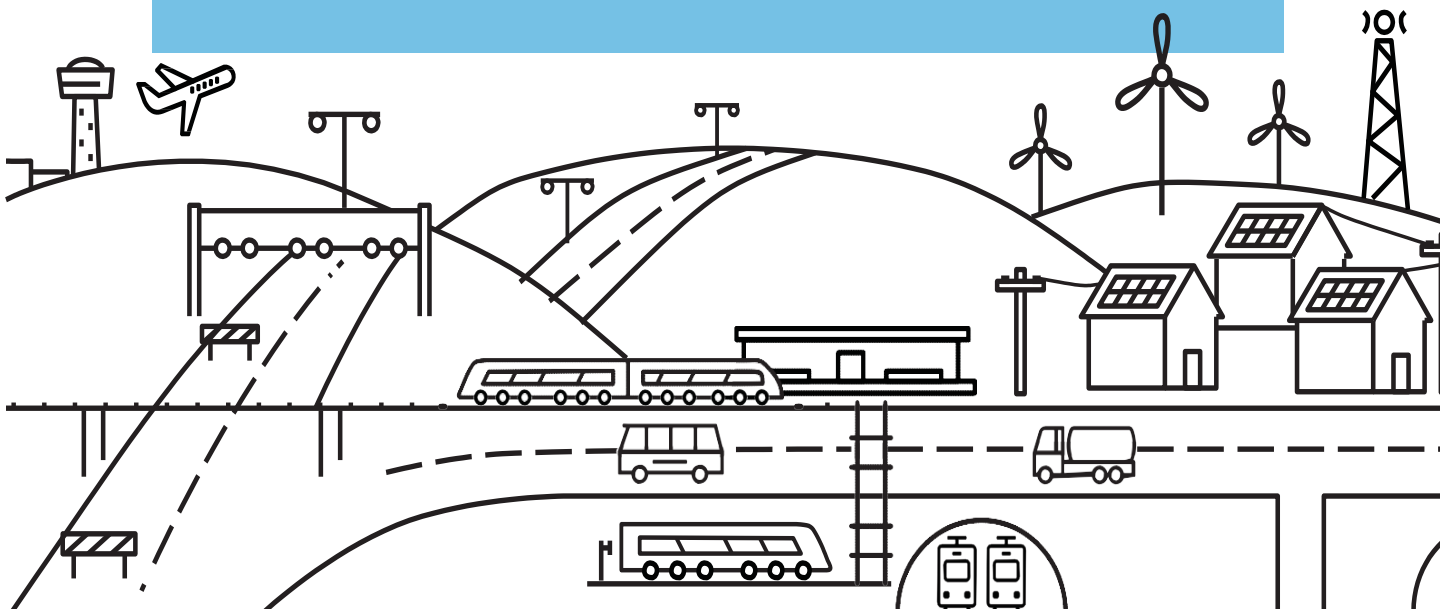
Authority for this announcement	
Name of person authorised to make this announcement	Peter Lyons
Contact person for this announcement	Peter Lyons
Contact phone number	00 61 2 9468 9700
Contact email address	<a href="mailto:info@downergroup.com">info@downergroup.com</a>
Date of release through MAP	28/08/2020

Audited financial statements accompany this announcement.



# Works Finance (NZ) Limited

Annual  
Report  
2020



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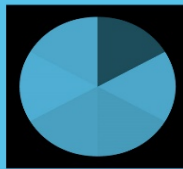



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## **Directors' Report**

### **for the year ended 30 June 2020**

The Directors of Works Finance (NZ) Limited ("the Company") submit herewith the annual report of the Company for the financial year ended 30 June 2020, including the audited financial statements on pages 7 to 18.

#### **Directors**

The names of the Directors of the Company during or since the end of the financial year are:

Mr G A Fenn

Mr M J Ferguson

Mr E C Jensen

Ms J C Johnson

Mr S L Killeen

#### **Principal activities**

The Company is a subsidiary of Downer EDI Limited and was formed for the purpose of issuing Redeemable Optionally Adjustable Distributing Securities ("ROADS"). The proceeds have been advanced to Downer New Zealand Limited.

Downer EDI Limited elected to leave the ROADS securities on issue on the Step-up Date of 15 June 2012. The margin was stepped-up in accordance with the terms of the "Prospectus and Investment Statement" dated 7 March 2007. The dividend rate was reset on 15 June 2018 to 6.15% per annum, on 15 June 2019 to 5.49% per annum and on 15 June 2020 to 4.32% per annum. The next reset date is 15 June 2021.

#### **Review of operations**

The Company reported total comprehensive income of \$8,111,847 (2019: \$9,153,575).

#### **Subsequent events**

There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the entity in subsequent financial years.

#### **Dividends**

In respect of the financial year ended 30 June 2020, dividends of \$7,905,601 were paid to the holders of ROADS (2019: \$8,856,000). Imputation credits were attached to the dividends. No dividends have been paid to the holders of ordinary shares during the year (2019: nil).

#### **Indemnification of officers and auditors**

During the financial year, the Company's ultimate parent entity (Downer EDI Limited) paid a premium in respect of a contract insuring its directors, company secretaries, and all executive officers of that company and of any related body corporate, against any liability incurred as a director, secretary or executive officer to the extent permitted by the Companies Act 1993. The contract of insurance prohibits disclosure of the nature of the liability insured and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company, or of any related body corporate against a liability incurred as an officer or auditor.

#### **Interests register and other disclosures**

S L Killeen holds 3,000 ROADS and J C Johnson holds 5,000 ROADS. There were no other entries in the Interests register. Related party transactions are disclosed in Note C3. No Director or former Director received any remuneration or other benefits from the Company. Works Finance (NZ) Limited has no employees and accordingly no remuneration was paid. No donations were made during the year (2019: nil). All audit fees were paid by the Company.

#### **Financial Statements**

The Board of Directors have approved and authorised the financial statements on pages 7 to 18.

On behalf of the Directors 28 August 2020:



S L Killeen  
Director



E C Jensen  
Director

# Independent Auditor's Report

To the shareholders of Works Finance (NZ) Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, the accompanying financial statements of Works Finance (NZ) Limited (the 'company') on pages 7 to 18:

present fairly in all material respects the company's financial position as at 30 June 2020 and its financial performance and cash flows for the year ended on that date; and

comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2020;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the company.



### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We have determined that there are no key audit matters to communicate in our report.



### Other information

The Directors, on behalf of the company, are responsible for the other information included in the entity's Annual Report. Other information includes the investors' and directors' report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

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## **Use of this independent auditor's report**

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

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## **Responsibilities of the Directors for the financial statements**

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
  - implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
  - assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.
- 



## **Auditor's responsibilities for the audit of the financial statements**

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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 ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>



This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is **Paul Herrod**.

For and on behalf of

A handwritten signature in black ink, appearing to read 'KPMG' in a stylized, cursive script.

KPMG  
Auckland  
28 August 2020



## Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	2020 \$	2019 \$
Interest received		11,341,490	12,782,048
Operating expenses		(75,036)	(68,749)
<b>Profit before income tax expense</b>		<b>11,266,454</b>	<b>12,713,299</b>
Income tax expense	B3	(3,154,607)	(3,559,724)
<b>Profit after income tax expense and total comprehensive income</b>		<b>8,111,847</b>	<b>9,153,575</b>
<b>Other comprehensive income for the year is attributable to:</b>			
- ROADS		7,905,601	8,856,000
- Ordinary shareholders		206,246	297,575
<b>Other comprehensive income for the year</b>		<b>8,111,847</b>	<b>9,153,575</b>

These financial statements should be read in conjunction with the notes to the financial statements on pages 11 - 18.

# Statement of Financial Position

as at 30 June 2020

	Note	2020 \$	2019 \$
<b>Current assets</b>			
Advance to related party - Downer New Zealand Limited	C2	8,832,492	7,905,486
<b>Total current assets</b>		<b>8,832,492</b>	<b>7,905,486</b>
<b>Non-current assets</b>			
Advance to related party - Downer New Zealand Limited	C2	200,000,000	200,000,000
<b>Total non-current assets</b>		<b>200,000,000</b>	<b>200,000,000</b>
<b>Total assets</b>		<b>208,832,492</b>	<b>207,905,486</b>
<b>Current liabilities</b>			
Cash and cash equivalents		59,405	107,012
Trade and other payables		26,980	26,383
Income tax payable		1,864,432	1,096,662
<b>Total current liabilities</b>		<b>1,950,817</b>	<b>1,230,057</b>
<b>Total liabilities</b>		<b>1,950,817</b>	<b>1,230,057</b>
<b>Net assets</b>		<b>206,881,675</b>	<b>206,675,429</b>
<b>Equity</b>			
Ordinary shares	D1	100	100
ROADS	D1	200,000,000	200,000,000
Retained earnings		6,881,575	6,675,329
<b>Total equity attributable to equity holders of the Company</b>		<b>206,881,675</b>	<b>206,675,429</b>

The Board of Directors have approved and authorised the financial statements on pages 7 to 18.

On behalf of the Directors



S L Killeen



E C Jensen

Dated: 28 August 2020

These financial statements should be read in conjunction with the notes to the financial statements on pages 11 - 18.

## Statement of Changes in Equity

for the year ended 30 June 2020

	Share capital \$	ROADS \$	Retained earnings \$	Total \$
<b>Balance at 30 June 2018</b>	100	200,000,000	6,377,754	206,377,854
Profit for the year	-	-	9,153,575	9,153,575
<b>Total comprehensive income</b>	-	-	9,153,575	9,153,575
<b>Distributions to owners</b>				
Dividends paid - ROADS	-	-	(8,856,000)	(8,856,000)
<b>Balance at 30 June 2019</b>	<b>100</b>	<b>200,000,000</b>	<b>6,675,329</b>	<b>206,675,429</b>
Profit for the year	-	-	8,111,847	8,111,847
<b>Total comprehensive income</b>	-	-	8,111,847	8,111,847
<b>Distributions to owners</b>				
Dividends paid - ROADS	-	-	(7,905,601)	(7,905,601)
<b>Balance at 30 June 2020</b>	<b>100</b>	<b>200,000,000</b>	<b>6,881,575</b>	<b>206,881,675</b>

These financial statements should be read in conjunction with the notes to the financial statements on pages 11 - 18.

## Statement of Cash Flows

for the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Interest received - Downer New Zealand Limited	C3	11,341,489	12,782,047
Interest received - other		1	1
Advances to Downer New Zealand Limited		(927,006)	(429,954)
Payments to suppliers		(74,439)	(67,986)
Income taxes paid		(2,386,837)	(3,430,100)
<b>Net cash generated by operating activities</b>	C1	<b>7,953,208</b>	<b>8,854,008</b>
<b>Cash flows from financing activities</b>			
Dividends paid on ROADS		(7,905,601)	(8,856,000)
<b>Net cash used in financing activities</b>		<b>(7,905,601)</b>	<b>(8,856,000)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>47,607</b>	<b>(1,992)</b>
Cash and cash equivalents at the beginning of the year		(107,012)	(105,020)
<b>Cash and cash equivalents at the end of the year</b>		<b>(59,405)</b>	<b>(107,012)</b>

These financial statements should be read in conjunction with the notes to the financial statements on pages 11 - 18.

# Notes to the Financial Statements

## for the year ended 30 June 2020



### A

#### About this report

#### Statement of compliance

Works Finance (NZ) Limited (the Company) is a profit-oriented entity incorporated and domiciled in New Zealand and listed on the New Zealand Exchange (NZX) debt market. The Company is a "FMC reporting entity" for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. These financial statements have been prepared in accordance with both of these Acts.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable financial reporting standards appropriate for a profit-orientated entity. The financial statements also comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised by the Directors for issue on 28 August 2020.

#### Basis of preparation

The Financial Report has been prepared on the basis of historical cost. Cost is based on the fair value of the consideration given in exchange of assets. The functional and presentation currency is New Zealand dollars.

The accounting policies and methods of computation in the preparation of these Financial Statements are consistent with those adopted and disclosed in the prior year, except in relation to the relevant new and amended accounting standards adopted by the Company as described in Note E1.

#### Accounting estimates and judgements

The preparation of the Financial Report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgements and associated assumptions are based on the historical experience of management and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these assumptions. The underlying assumptions are reviewed on an ongoing basis.

#### Significant accounting policies

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

# Notes to the Financial Statements

for the year ended 30 June 2020



# B

## Business performance

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

### B1. Segment information

### B3. Taxation

### B2. Remuneration of auditors

### B4. Subsequent events

## B1. Segment information

The Company operates in one reportable segment. The only business of the Company is the issue of ROADS to predominantly New Zealand residents and advances to Downer New Zealand Limited.

## B2. Remuneration of auditors

	2020 \$	2019 \$
<b>KPMG</b>		
Half year review	12,500	12,500
Auditing Annual Financial Report	23,381	22,677

### PWC

Audit of the compliance of the register of preference shares is completed by PricewaterhouseCoopers, as part of the Computershare Investor Services Limited registry audit. The cost is paid for by Downer EDI Limited.

## B3. Taxation

### Reconciliation of income tax expense

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

	2020 \$	2019 \$
Profit before income tax expense	11,266,454	12,713,299
Income tax expense calculated at 28% of profit before tax	3,154,607	3,559,724
<b>Total tax expense</b>	<b>3,154,607</b>	<b>3,559,724</b>

### Recognition and measurement

#### Current tax

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

Current tax is recognised as an expense or income in the Statement of Comprehensive Income.

### Imputation credit account balance

	2020 \$	2019 \$
Balance at the end of year	2,516,135	2,435,943

## B4. Subsequent events

On 28 August 2020, the Directors approved the payment of a fully imputed dividend of \$2,160,000 comprising a cash dividend of \$1,555,200 (0.7776 cents per ROADS security) and imputation credits of \$604,800 (0.3024 cents per ROADS security) to be paid on 15 September 2020. There has not been any other matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

## Notes to the Financial Statements

for the year ended 30 June 2020



C

### Operating assets and liabilities

This section provides information relating to the operating assets and liabilities of the Company.

#### C1. Reconciliation of cash flow from operating activities

#### C2. Advance - Downer New Zealand Limited

#### C3. Related parties

#### C4. Contingent liabilities

### C1. Reconciliation of cash flow from operating activities

	2020 \$	2019 \$
Profit for the year	8,111,847	9,153,575
Adjustments for:		
(Increase) / decrease in assets		
Advance to related party - Downer New Zealand Limited	(927,006)	(429,954)
Increase / (decrease) in liabilities		
Trade and other payables	597	763
Income tax payable	767,770	129,624
Net cash generated from operating activities	<b>7,953,208</b>	<b>8,854,008</b>

### C2. Advance - Downer New Zealand Limited

	2020 \$	2019 \$
Downer New Zealand Limited - current account	8,832,492	7,905,486
Downer New Zealand Limited	200,000,000	200,000,000
	<b>208,832,492</b>	<b>207,905,486</b>

The Downer New Zealand Limited current account is unsecured and repayable on demand. Interest has been paid at an average of 0.15% (2019: 1.61%) per annum.

The Company has advanced \$200,000,000 to Downer New Zealand Limited under a loan agreement dated 21 April 2011. Under the terms of the loan agreement, the advance is repayable on demand, however it has been provided in line with the terms of ROADS.

ROADS were stepped up on 15 June 2012, keeping the existing ROADS instrument in place with revised pricing. Downer EDI Limited and the Company have provided confirmation to Downer New Zealand Limited that neither Downer EDI Limited, or its subsidiaries, will take any action to demand or effect repayment of the loan during the period to 28 August 2021. The advance to Downer New Zealand Limited is therefore classified as non-current.

The interest rate is to be agreed in writing between the parties from time to time. The initial rate of interest was set at 10% per annum. In April 2013 it was agreed to reset this to the ROADS gross dividend rate plus a margin of 0.20%. The interest rate from 15 June 2018 to 15 June 2019 was 6.35% per annum, from 15 June 2019 to 15 June 2020 was 5.69% per annum. On 15 June 2020 it was reset to 4.52% per annum. The next reset date is 15 June 2021.

Interest is due for payment monthly in arrears.

## Notes to the Financial Statements

for the year ended 30 June 2020

### C2. Advance - Downer New Zealand Limited - Continued

#### Recognition and measurement financial assets: measured at amortised cost

The advance to Downer New Zealand Limited is a financial asset measured at amortised cost less any expected credit losses.

#### Impairment

The Company is required to recognise its expected credit loss ("ECL") for the advances to Downer New Zealand Limited in accordance with NZ IFRS 9.

There is consideration around the probability of default upon initial recognition and subsequent assessment as to whether there has been a significant increase in credit risk at each reporting period. The Company exercises judgement about how economic factors (such as the economic downturn triggered by the COVID-19 pandemic) affect this ECL and makes adjustments as deemed appropriate to the expected credit loss.

The Company considered the impact of the economic downturn on Downer New Zealand Limited as a counterparty. The business was generally resilient to the impact of COVID-19 outside of the brief period of level 4 restrictions, and is expected to continue to perform well into the foreseeable future. On this basis, no adjustment has been made for potential future credit losses.

### C3. Related parties

The Company's ordinary shares are wholly owned by DGL Investments Limited. The ultimate parent company is Downer EDI Limited, a company listed on the Australian Securities Exchange (ASX) with a secondary listing on the NZX.

The Company has advanced a loan to Downer New Zealand Limited, a fellow subsidiary, and receives interest as described in Note C2 to these financial statements. Transaction costs associated with the issue of ROADS were met by Downer EDI Limited. Under a Deed Poll entered into, Downer EDI Limited guarantees the payment by the Company of dividends on ROADS and of amounts payable on redemption of ROADS on an unsecured and subordinated basis.

The Directors of the Company or Downer EDI Limited may at any time determine that a dividend is not payable. If the Directors of the Company or Downer EDI Limited determine that a dividend is not payable, the relevant amount will not become payable by the Company and the guarantee by Downer EDI Limited will not apply. Accordingly, the guarantee will be effective only if the Directors of the Company (and in the case of a dividend, Downer EDI Limited) at their discretion, determine that payment should be made, but payment is not then made by the Company. As the guarantee is subordinated, the claims of holders under the guarantee rank behind the claims of all creditors of Downer EDI Limited.

	2020	2019
	\$	\$
<b>Transactions with related parties</b>		
Downer New Zealand Limited - interest received	11,341,489	12,782,047

S L Killeen, E C Jensen, and M J Ferguson are also Directors of DGL Investments Limited and Downer New Zealand Limited. All of the Directors are employees of Downer EDI Limited and its subsidiaries and accordingly are not independent. Key management personnel were employed and compensated by Downer New Zealand Limited and did not receive any compensation from the Company during the year (2019: nil).

### C4. Contingent liabilities

The Company has no contingent liabilities (2019: nil).



# Notes to the Financial Statements

for the year ended 30 June 2020



# D

## Capital Structure

This section provides information relating to the Company's capital structure. The capital structure of the Company consists of ROADS and ordinary shares.

### D1. Issued capital

### D3. Leases

### D2. Net tangible assets per security

## D1. Issued capital

	2020 \$	2019 \$
100 ordinary shares (2019: 100)	100	100
200,000,000 ROADS (2019: 200,000,000)	200,000,000	200,000,000
	<b>200,000,100</b>	<b>200,000,100</b>

The Company has 100 fully paid ordinary shares on issue with a nominal value of \$1 each. Fully paid ordinary shares carry equal rights in respect of voting, dividend payments and any surplus on winding up the Company.

The Company has issued 200,000,000 fully paid Redeemable Optionally Adjustable Distributing Securities (ROADS) with a nominal value of \$1 each. ROADS are classified as equity as they bear discretionary dividends, are only redeemable at the option of the Company, 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 the Company's equity instruments.

The ROADS offer quarterly, fixed rate, discretionary, non-cumulative dividends. Dividends are payable on 15 September, 15 December, 15 March and 15 June each year. Dividends are also payable on the date of redemption, repurchase, resale or exchange of the issued shares. Until the step-up date of 15 June 2012 (Step-up Date), dividends were fixed at 9.8% inclusive of imputation credits. This was based on the five year swap rate at the time, plus a margin of 2.05% per annum.

On the Step-up Date, the Company elected not to redeem any of the ROADS. The dividend rate on the ROADS is reset on 15 June each year and is equal to the one year swap rate on the reset date, plus a margin of 4.05% per annum, payable quarterly in arrears.

The rate for the period 15 June 2018 to 15 June 2019 was 6.15% per annum and from 15 June 2019 to 15 June 2020 was 5.49%. The gross dividend rate from 15 June 2020 to the next reset date on 15 June 2021 is 4.32% per annum.

It is possible that dividends will not be paid. Dividends will not be paid if the Directors of the Company or Downer EDI Limited determine that a dividend is not payable. Dividends are non-cumulative, which means that if a dividend is not paid, it does not accumulate and may never be paid.

Each ROADS confers on its holder:

- An equal right to payment of the issue price of \$1 in a liquidation of the Company between other holders of ROADS and holders of any other class of securities ranking equally with ROADS; and
- The right to payment of the issue price in a liquidation of the Company in priority to any other class of shares other than any preference shares ranking equally with ROADS.

## Notes to the Financial Statements

### for the year ended 30 June 2020

The ROADS rank for payment in a liquidation of the Company after all creditors of the Company.

The Company may elect to redeem or exchange:

- All or some ROADS on any dividend payment date;
- All (but not some) ROADS at any time, if certain specified events occur, including regulatory or legal changes which could lead to the Company or Downer EDI Group being exposed to significantly increased costs, or in the event of an acquisition of 50% or more of Downer EDI Limited ordinary shares;
- All or some ROADS on any dividend payment date after an acquisition of 50% or more of the Downer EDI ordinary shares has occurred; and/or
- All (but not some) ROADS at any time, if there is less than 50 million ROADS on issue.

If any ROADS are to be redeemed, the Company must pay to the holder in respect of each relevant ROADS an amount equal to the issue price.

If any ROADS are to be exchanged, the Company will request Downer EDI Limited to purchase those ROADS for a consideration consisting of ordinary shares and, if Downer EDI Limited agrees to do so, holders are required to transfer the relevant ROADS to Downer EDI Limited and Downer EDI Limited will issue to the relevant holders a number of ordinary shares at a 2.5% discount to the weighted average sale price of ordinary shares traded on the ASX during the 20 business days immediately preceding the date of exchange.

Holders of ROADS cannot request redemption or exchange in any circumstances. Holders have no right to receive notice of, attend or vote at meetings of shareholders of the Company, other than in respect of a proposal to amend or vary the terms of the ROADS to the detriment of a holder, or that otherwise affects any right attached to ROADS to the detriment of a holder. The full terms of the ROADS are set out in Appendix 1 to the Constitution of the Company. Transaction costs in connection with the issue of the ROADS were borne by Downer EDI Limited. The dividends paid in the year, gross of imputation credits, totalled \$10.98 million (2019: \$12.3 million), being 5.49c per security (2019: 6.15c per security).

#### D2. Net tangible assets per security

	2020	2019 Restated
	\$	\$
ROADS	1	1
Ordinary shares	68,817	66,754

#### D3. Leases

The Company has no leases. (2019: nil)

# Notes to the Financial Statements

for the year ended 30 June 2020



# E

Other

This section provides details on other required disclosures relating to the Company to comply with the accounting standards and other pronouncements including the Company's capital and financial risk management disclosure.

**E1. New accounting standards**

**E3. Financial instruments risk management**

**E2. Financial instruments**

## E1. New accounting standards

### a) New and amended accounting standards adopted by the Company

#### Changes in significant accounting policies

Except as described below, the accounting policies applied in the Annual Report are the same as those applied in the Company's Annual Report for the year ended 30 June 2019.

During the year, the Company has applied a number of new and revised accounting standards issued that are mandatorily effective for an accounting period that begins on or after 1 July 2019, as follows:

- *NZ IFRS 16 Leases*
- *NZ IFRS 10 and NZ IAS 28 - 2017 Omnibus Amendments*
- *Annual Improvements to NZ IFRSs 2015–2017 Cycle*
- *NZ IFRIC 23 Uncertainty over Income Tax Treatments*
- *Amendments to NZ IAS 28 (Long term interests in Associates and Joint Ventures)*
- *Amendments to NZ IAS 19 (Plan Amendment, Curtailment or Settlement)*

These new accounting standards and interpretations and revised accounting standards did not have a material impact on the financial statements of the Company.

#### Standards and interpretations that are on issue but not yet effective

There are no new accounting standards and interpretations that are on issue but not yet effective that would have a material impact on the financial statements of the Company.

# Notes to the Financial Statements

for the year ended 30 June 2020

## E2. Financial instruments

Financial assets and liabilities included in the Statement of Financial Position are carried at amortised cost in line with NZ IFRS 9. Financial assets include advances to related parties and financial liabilities include cash and cash equivalents and trade and other payables.

As at 30 June 2020, the carrying amounts and fair values of cash and cash equivalents, advances to related parties and trade and other payables approximated fair value.

## E3. Financial instruments risk management

### a) Credit risk management

The most significant concentration of credit risk of the Company as at 30 June 2020 comprises the advance to Downer New Zealand Limited of \$200,000,000. This is expected to have a similar credit risk profile as Downer EDI Limited. Downer EDI Limited has a long-term issuer default rating of BBB (outlook stable) issued by Fitch Ratings. This rating was affirmed on 12 September 2019. Issues rated BBB- or above (or the equivalent by other rating agencies) are described as "Investment Grade".

The maximum exposure to credit risk is the carrying value of the Company's financial assets. The Company is not directly exposed to foreign currency risk. 99.1% of ROADS holders are domiciled in New Zealand.

### b) Liquidity risk management

Liquidity risk arises from the possibility that the Company is unable to settle a transaction on the due date. The ultimate liquidity risk management rests with the Board of Directors, who have built an appropriate risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves and access to financing facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities.

### Liquidity risk tables

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

	Less than 1 Year \$
<b>As at 30 June 2020</b>	
<b>Liabilities</b>	
Cash and cash equivalents	(59,405)
Trade and other payables	(26,980)
	<b>(86,385)</b>
<b>As at 30 June 2019</b>	
<b>Liabilities</b>	
Cash and cash equivalents	(107,012)
Trade and other payables	(26,383)
	<b>(133,395)</b>

### c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members through the optimisation of the debt and equity balances. The Company's overall strategy remains unchanged from 2019.

The capital structure of the Company consists of cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital and ROADS as disclosed in Note D1 and retained earnings.

## Information for Investors

### for the year ended 30 June 2020

#### Works Finance (NZ) Limited holders

Works Finance (NZ) Limited (Company Number 1909583) had 2,970 ROADS holders as at 31 July 2020.

The largest holder, Forsyth Barr Custodians Limited, held 19.2% of the 200,000,000 ROADS issued at that date. Works Finance (NZ) Limited had 2,944 holders with registered addresses in New Zealand.

#### Securities exchange listing

Works Finance (NZ) Limited is listed on the NZX Debt Market (NZDX) under code WKSHA.

#### Registered office

130 Kerrs Road, Wiri, Auckland, 2104

#### Company information

The website of the Company's ultimate parent company Downer EDI Limited, [www.downergroup.com](http://www.downergroup.com), offers comprehensive information about Downer and its services. The site also contains news releases and announcements to the ASX and NZX, financial presentations, Annual Reports, Half Year Reports and company newsletters.

#### Waivers

The NZX has ruled that the ROADS are not Equity Securities as defined in, and for the purpose of, the NZDX Listing Rules. The NZX granted a waiver on 7 March 2007 relating to the minimum subscription amount for applications in respect of the offer of ROADS.

#### Corporate governance

Works Finance (NZ) Limited does not have any specific policies, practices or processes in respect of its corporate governance. However, where relevant, Works Finance (NZ) Limited, as a member of the Downer Group, is subject to the corporate governance policies of Downer EDI Limited.

The corporate governance policies of Downer EDI Limited are set out in its Annual Report, which is prepared in accordance with the requirements of ASX Listing Rules. The corporate governance policies and annual report are available on the Downer EDI Limited website at [www.downergroup.com](http://www.downergroup.com)

The corporate governance policies of Downer EDI Limited, as set out in its annual report dated 30 June 2020, do not materially differ from the Corporate Governance Best Practice Code.

#### Spread of ROADS Holders

Details of the distribution of holders of ROADS as at 30 July 2020 are provided below:

Country	Holders	Holding
New Zealand	2,944	199,511,000
Australia	10	187,000
Other	16	302,000
	<b>2,970</b>	<b>200,000,000</b>

Range	Number of Holders	Shareholder %	ROADS held	ROADS %
2,000 to 4,999	80	2.7%	268,153	0.1%
5,000 to 9,999	377	12.7%	2,184,643	1.1%
10,000 to 49,999	1,979	66.6%	39,304,506	19.7%
50,000 to 99,999	376	12.7%	21,069,367	10.5%
100,000 to 499,999	137	4.6%	19,550,269	9.8%
500,000 to 999,999	10	0.3%	5,939,000	3.0%
1,000,000 and above	11	0.4%	111,684,062	55.8%
	<b>2,970</b>	<b>100.0%</b>	<b>200,000,000</b>	<b>100.0%</b>

#### Share registry

ROADS holders seeking information about holdings or dividends should contact the Company's share registry, Computershare Investor Services Limited (Computershare):

Level 2, 159 Hurstmere Road  
Takapuna, Auckland 0622  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)  
Tel: +64 9 488 8777

#### Updating your holder details

ROADS holders can update their details, including bank accounts, payment instructions and view their investment portfolio and transactions at: [www.investorcentre.com/nz](http://www.investorcentre.com/nz)

#### Auditor

KPMG  
18 Viaduct Harbour Ave  
Auckland 1010  
New Zealand

## Information for Investors

### for the year ended 30 June 2020

#### Twenty largest ROADS Holders

The names and holdings of the 20 largest holders of ROADS in Works Finance (NZ) Limited as at 31 July 2020 are set out below:

Holder	ROADS %	ROADS held
Forsyth Barr Custodians Limited	19.2%	38,373,074
Custodial Services Limited	6.7%	13,388,627
Fnz Custodians Limited	5.9%	11,853,314
Custodial Services Limited	5.5%	10,942,483
Custodial Services Limited	5.3%	10,576,300
Investment Custodial Services Limited	4.3%	8,618,796
Custodial Services Limited	2.9%	5,823,750
National Nominees Limited - Nzcsd	2.1%	4,154,600
Masfen Securities Limited	1.3%	2,650,000
Fnz Custodians Limited	1.2%	2,433,452
Custodial Services Limited	0.7%	1,414,646
Bnp Paribas Nominees (Nz) Limited - Nzcsd	0.5%	948,687
Custodial Services Limited	0.4%	873,000
Forsyth Barr Custodians Limited	0.4%	788,000
Keith Ian Ronald Matheson + Clive Rowan Jackson	0.3%	630,000
Jbwere (Nz) Nominees Limited	0.3%	557,500
Custodial Services Limited	0.3%	548,500
Ian Hedley Scott + Cyril Leslie Pickering	0.3%	542,000
Fletcher Building Educational Fund Limited	0.3%	500,000
Gem Limited	0.2%	500,000
<b>Total for top 20 ROADS holders</b>	<b>58.1%</b>	<b>116,116,729</b>