

Works Finance (NZ) Limited
Annual Report 2016



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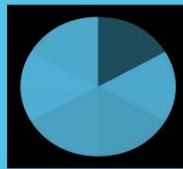



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Directors' Report

for the year ended 30 June 2016

The Directors of Works Finance (NZ) Limited ("the Company") submit herewith the annual report of the Company for the financial year ended 30 June 2016, including the audited financial statements on pages 5 to 17.

Directors

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

Mr C W Bruyn

Mr G A Fenn

Mr R W Jarrold

Mr P J Tompkins

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 re-set to 6.29% on 15 June 2016. The rate was reset on 15 June 2014 to 7.95% per annum, on 15 June 2015 to 7.21% per annum and on 15 June 2016 to 6.29% per annum. The next reset date is 15 June 2017.

Review of operations

The Company reported total comprehensive income of \$10,692,836 (2015: \$11,873,180).

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 2016, dividends of \$10,382,400 were paid to the holders of ROADS (2015: \$11,448,000). Imputation credits were attached to the dividends. No dividends have been paid to the holders of ordinary shares during the year (2015: 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.

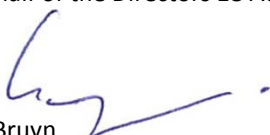
Interests register and other disclosures


There were no entries in the Interests register. Related party transactions are disclosed in 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 (2015: nil). All audit fees were paid by the Company.

Financial Statements

The Board of Directors have approved and authorised the financial statements on pages 5 to 17.

On behalf of the Directors 18 August 2016


C W Bruyn
Director


R W Jarrold
Director



Independent auditor's report

To the shareholder of Works Finance (NZ) Limited

We have audited the accompanying financial statements of Works Finance (NZ) Limited ("the company") on pages 5 to 17. The financial statements comprise the statement of financial position as at 30 June 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the 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 company's shareholder as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the financial statements

The directors are responsible on behalf of the company 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements on pages 5 to 17 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Works Finance (NZ) Limited as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

18 August 2016
Auckland

Statement of Comprehensive Income for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Interest received from Downer New Zealand Limited	C3	14,922,625	16,559,926
Operating expenses	B2	(71,615)	(69,398)
Profit before income tax expense		14,851,010	16,490,528
Income tax expense	B3	(4,158,174)	(4,617,348)
Profit after income tax expense and total comprehensive income attributable to members of the entity		10,692,836	11,873,180

These financial statements should be read in conjunction with the notes to the financial statements on pages 9 - 17.

Statement of Financial Position as at 30 June 2016

	Note	2016 \$	2015 \$
Current assets			
Advance to related party - Downer New Zealand Limited	C2	7,226,626	7,100,173
Total current assets		7,226,626	7,100,173
Non-current assets			
Advance to related party - Downer New Zealand Limited	C2	200,000,000	200,000,000
Total non-current assets		200,000,000	200,000,000
Total assets		207,226,626	207,100,173
Current liabilities			
Cash and cash equivalents		131,233	144,275
Trade and other payables		8,330	10,100
Income tax payable		1,360,897	1,530,068
Total current liabilities		1,500,460	1,684,443
Total liabilities		1,500,460	1,684,443
Net assets		205,726,166	205,415,730
Equity			
Ordinary shares	D1	100	100
ROADS	D1	200,000,000	200,000,000
Retained earnings		5,726,066	5,415,630
Total equity attributable to equity holders of the Company		205,726,166	205,415,730

The Board of Directors have approved and authorised the financial statements on pages 5 to 17.

On behalf of the Directors


C W Bruyn
Director


R W Jarrold
Director

Dated: 18 August 2016

These financial statements should be read in conjunction with the notes to the financial statements on pages 9 - 17.

Statement of Changes in Equity for the year ended 30 June 2016

	Share capital \$	ROADS \$	Retained earnings \$	Total \$
Balance at 30 June 2014	100	200,000,000	4,990,450	204,990,550
Profit for the year	-	-	11,873,180	11,873,180
Total comprehensive income	-	-	11,873,180	11,873,180
Distributions to owners				
Dividends paid - ROADS	-	-	(11,448,000)	(11,448,000)
Balance at 30 June 2015	100	200,000,000	5,415,630	205,415,730
Profit for the year	-	-	10,692,836	10,692,836
Total comprehensive income	-	-	10,692,836	10,692,836
Distributions to owners				
Dividends paid - ROADS	-	-	(10,382,400)	(10,382,400)
Balance at 30 June 2016	100	200,000,000	5,726,066	205,726,166

These financial statements should be read in conjunction with the notes to the financial statements on pages 9 - 17.

Statement of Cash Flows for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Interest received - Downer New Zealand Limited		14,922,625	16,332,058
(Advances to) / repayments from Downer New Zealand Limited		(126,453)	(389,715)
Payments to suppliers		(73,385)	(81,796)
Income taxes paid and net subventions paid		(4,327,345)	(4,412,865)
Net cash generated by operating activities	C1	10,395,442	11,447,682
Cash flows from financing activities			
Dividends paid on ROADS		(10,382,400)	(11,448,000)
Net cash (used in)/generated by financing activities		(10,382,400)	(11,448,000)
Net increase/(decrease) in cash and cash equivalents		13,042	(318)
Cash and cash equivalents at the beginning of the year		(144,275)	(143,957)
Cash and cash equivalents at the end of the year		(131,233)	(144,275)

These financial statements should be read in conjunction with the notes to the financial statements on pages 9-17.

Notes to the Financial Statements

for the year ended 30 June 2016



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 NZX debt exchange. 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 Company was incorporated in New Zealand on 16 February 2007.

The financial statements were authorised by the Directors for issue on 15 August 2016.

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 amendments and their effects on the current period or prior periods as described in Note E1. The comparative information shown in these financial statements has been restated, where necessary, to achieve consistency in disclosure with the current year.

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.

Information on material estimates and judgements considered when applying the accounting policies can be found in the following notes:

Accounting estimates and judgements	Note	Page
Downer New Zealand Limited advance classified as non-current	C2	12
ROADS classified as equity	D1	14

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 2016



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

	2016 \$	2015 \$
KPMG New Zealand		
Half year review	12,500	12,500
Auditing the financial report	20,820	22,500
Grant Thornton		
Audit of the compliance of the register of preference shares	1,910	1,910

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:

	2016 \$	2015 \$
Profit before income tax expense	14,851,010	16,490,528
Income tax expense calculated at 28% of profit before tax	4,158,283	4,617,348
Tax under/(over) provided in prior periods	(109)	-
Total tax expense	4,158,174	4,617,348

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 and deferred tax for the year

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

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Imputation credit account balance

	2016 \$	2015 \$
Balance at the end of year	2,066,843	1,946,178

Notes to the Financial Statements for the year ended 30 June 2016

B4. Subsequent Events

On 18 August, the Directors approved the payment of a fully imputed dividend of \$3,145,000 comprising a cash dividend of \$2,264,400 (1.1322 cents per ROADS security) and imputation credits of \$880,600 (0.4403 cents per ROADS security) to be paid on 15 September 2016. 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 2016



C

Operating assets and liabilities

This section provides information relating to the operating assets and liabilities of Works Finance (NZ) Limited.

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

	2016	2015
	\$	\$
Profit for the year	10,692,836	11,873,180
Adjustments for:		
(Increase) / decrease in assets		
Advance to related party - Downer New Zealand Limited	(126,453)	(617,583)
Increase / (decrease) in liabilities		
Trade and other payables	(1,770)	(12,400)
Income tax payable	(169,171)	204,485
Net cash generated from operating activities	10,395,442	11,447,682

C2. Advance - Downer New Zealand Limited

	2016	2015
	\$	\$
Downer New Zealand Limited - current account	7,226,626	7,100,173
Downer New Zealand Limited	200,000,000	200,000,000
	207,226,626	207,100,173

The Downer New Zealand Limited current account is unsecured and repayable on demand. Interest has been paid at an average of 2.5% (2015: 3.3%) 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 18 August 2017.

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 2014 to 15 June 2015 was 8.15% per annum and from 15 June 2015 to 15 June 2016, 7.41% per annum. On 15 June 2016 it was reset to 6.49% per annum. The next reset date is 15 June 2017.

Interest is payable monthly in arrears.

Recognition and measurement loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and Receivables are measured at amortised cost using the effective interest method less any impairment.

Key estimate and judgement: Advance - Downer New Zealand

The advance to Downer New Zealand Limited is treated as non-current as Downer EDI Limited has provided confirmation that neither it, or its subsidiaries, will take any action to demand or effect repayment within 12 months from 18 August 2016.

Notes to the Financial Statements for the year ended 30 June 2016

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 Stock Exchange 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.

	2016	2015
	\$	\$
Transactions with related parties		
Downer New Zealand Limited - interest received	14,922,625	16,559,926

All the Directors are also Directors of DGL Investments Limited and Downer New Zealand Limited and 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 (2015:nil).

C4. Contingent Liabilities

The Company has no contingent liabilities. (2015: nil)

Notes to the Financial Statements

for the year ended 30 June 2016



D

Capital Structure

This section provides information relating to Works Finance (NZ) Limited's capital structure. The capital structure of the Company consists of ROADS and ordinary shares.

D1. Issued capital

D3. Lease commitments

D2. Net tangible assets per security

D1. Issued capital

	2016	2015
	\$	\$
100 ordinary shares (2015: 100)	100	100
200,000,000 ROADS (2015: 200,000,000)	200,000,000	200,000,000
	200,000,100	200,000,100

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.

Key estimate and judgement : ROADS

ROADS are classified as equity as they bear discretionary dividends and are only redeemable at the option of the Company.

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. 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.

For the period 15 June 2012 to 15 June 2013 the gross dividend rate was set at 6.60% per annum, 15 June 2013 to 15 June 2014 6.82% per annum, from 15 June 2014 to 15 June 2015 7.95% per annum and from 15 June 2015 to 15 June 2016 7.21% per annum. The gross dividend rate from 15 June 2016 to the next reset date on 15 June 2017 is 6.29% 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.

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

Notes to the Financial Statements for the year ended 30 June 2016

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 \$14.4 million (2015: \$15.9 million), being 7.21c per security (2015: 7.95c per security).

There were no changes to the number of ROADS on issue during the period.

D2. Net tangible assets per security

	2016	2015
	\$	\$
ROADS	1	1
Ordinary shares	2,072,266	2,071,002

D3. Lease commitments

The Company has no capital or lease commitments. (2015: nil)

Notes to the Financial Statements for the year ended 30 June 2016



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

Standards and interpretations that are on issue but not yet effective

There are a number of new and revised standards and interpretations that are not effective yet. In particular:

- NZ IFRS 9 Financial Instruments, which is effective for accounting periods beginning on or after 1 January 2018.

These standards may impact on the financial statements of the Company. The impact of these standards has not yet been assessed but is expected to be minimal. The other revised standards and interpretations, not yet effective, are not expected to have a material impact on the financial statements of the Company.

Standards and interpretations that have being adopted during the financial year

No new standards or amendments have been adopted for the first time during the financial year beginning 1 July 2015.

E2. Financial instruments

The following material financial assets and liabilities, that potentially subject the Company to financial risk, have been recognised in the financial statements:

	Loans and Receivables \$	Financial liabilities at amortised cost \$	Total \$
As at 30 June 2016			
Assets			
Advances to related parties	207,226,626	-	207,226,626
Total financial assets	207,226,626	-	207,226,626
Liabilities			
Cash and cash equivalents	-	131,233	131,233
Trade and other payables	-	8,330	8,330
Total financial liabilities	-	139,563	139,563
As at 30 June 2015			
Assets			
Advances to related parties	207,100,173	-	207,100,173
Total financial assets	207,100,173	-	207,100,173
Liabilities			
Cash and cash equivalents	-	144,275	144,275
Trade and other payables	-	10,100	10,100
Total financial liabilities	-	154,375	154,375

Financial instruments carried in the statement of financial position include bank balances, advances, receivables, payables and accruals.

As at 30 June 2016, the carrying amounts and fair values of bank balances, advances, receivables, payables and accruals were the same.

Notes to the Financial Statements for the year ended 30 June 2016

E3. Financial instruments risk management

The Company was established by Downer EDI Limited for the purpose of issuing ROADS, and as such its exposure to liquidity risk and interest rate risk is managed by being passed back to other Group companies through issuing intra-group loan advances with similar terms to those issued by the Company.

a) Credit risk management

The most significant concentration of credit risk of the Company as at 30 June 2016 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 9 August 2016. 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. 99.2% 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 banking 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
\$

As at 30 June 2016

Liabilities

Cash and cash equivalents	(131,233)
Trade and other payables	(8,330)
	(139,563)

As at 30 June 2015

Liabilities

Cash and cash equivalents	(144,275)
Trade and other payables	(10,100)
	(154,375)

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 2015.

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 2016

Works Finance (NZ) Limited holders

Works Finance (NZ) Limited (Company Number 1909583) had 3,637 ROADS holders as at 31 July 2016.

The largest holder, Forsyth Barr Custodians Limited, held 14.61% of the 200,000,000 preference shares issued at that date. Works Finance (NZ) Limited had 3,607 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, 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

The corporate governance policies of Downer EDI Limited, as set out in its annual report dated 30 June 2016, 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 31 July 2016 are provided below:

Country	Holders	Holding
New Zealand	3,607	199,509,500
Australia	9	162,000
Other	21	328,500
	3,637	200,000,000

Range	Number of Holders	Shareholder %	ROADS held	ROADS %
2,000 to 4,999	80	2.2%	261,323	0.1%
5,000 to 9,999	438	12.0%	2,535,560	1.3%
10,000 to 49,999	2,485	68.3%	49,627,581	24.8%
50,000 to 99,999	454	12.5%	25,234,200	12.6%
100,000 to 499,999	162	4.5%	22,762,377	11.4%
500,000 to 999,999	7	0.2%	3,797,842	1.9%
1,000,000 and above	11	0.3%	95,781,117	47.9%
	3,637	100.0%	200,000,000	100.0%

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

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

Auditor

KPMG

18 Viaduct Harbour Ave

Auckland 1010

New Zealand

Information for Investors

for the year ended 30 June 2016

Twenty largest ROADS Holders

The names and holdings of the 20 largest holders of ROADS in Works Finance (NZ) Limited as at 31 July 2016 are set out below:

	ROADS %	ROADS held
Forsyth Barr Custodians Limited	14.6%	29,213,331
Custodial Services Limited	8.3%	16,643,377
Custodial Services Limited	4.7%	9,300,500
Investment Custodial Services Limited	4.3%	8,567,114
FNZ Custodians Limited	3.8%	7,579,000
Masfen Securities Limited	2.9%	5,747,000
Custodial Services Limited	2.8%	5,581,250
Custodial Services Limited	2.7%	5,472,300
National Nominees New Zealand Limited	2.2%	4,406,600
Custodial Services Limited	0.8%	1,527,646
FNZ Custodians Limited	0.6%	1,294,666
Keith Ian Ronald Matheson & Clive Rowan Jackson	0.3%	630,000
Investment Custodial Services Limited	0.3%	591,842
Custodial Services Limited	0.3%	576,000
Fletcher Building Educational Fund Limited	0.3%	500,000
Gem Limited	0.3%	500,000
Jarden Custodians Limited	0.3%	500,000
Oakwood Securities Limited	0.3%	500,000
FNZ Custodians Limited	0.2%	483,000
Forsyth Barr Custodians Limited	0.2%	383,000
Total for top 20 ROADS holders	50.0%	99,996,626