

Works Finance (NZ) Limited	
Results for announcement to the market	
Reporting Period	12 months to June 2019
Previous Reporting Period	12 months to June 2018

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$NZ12,782	1%
Profit (loss) from ordinary activities before tax attributable to security holder.	\$NZ12,713	1%
Net profit (loss) attributable to security holders.	\$NZ9,154	1%

Interim/Final Dividend	Amount per security	Imputed amount per security
NZ\$0.009882	NZ\$0.009882	\$0.003843

Record Date	5 September 2019
Dividend Payment Date	16 September 2019

Comments:	
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Works Finance (NZ) Limited

Annual Report 2019



Contents

Directors' Report

Page 3

Independent Auditor's Report

Page 4-5

Financial Statements






Page 6 Statement of Comprehensive Income

Page 7 Statement of Financial Position

Page 8 Statement of Changes in Equity

Page 9 Statement of Cash Flows

Notes to the Financial Statements

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
About this report	Business performance	Operating assets and liabilities	Capital structure	Other
Page 10	Page 11	Pages 12 - 13	Pages 14 - 15	Pages 16 - 18
				
	B1 Segment information	C1 Reconciliation of cash flow from operating activities	D1 Issued capital	E1 New accounting standards
	B2 Remuneration of auditors	C2 Advance - Downer New Zealand Limited	D2 Net tangible assets per security	E2 Financial instruments
	B3 Taxation	C3 Related parties	D3 Lease commitments	E3 Financial instruments risk management
	B4 Subsequent Events	C4 Contingent Liabilities		

Other Information

Pages 19 - 20 Information for Investors

Directors' Report

for the year ended 30 June 2019

The Directors of Works Finance (NZ) Limited ("the Company") submit herewith the annual report of the Company for the financial year ended 30 June 2019, including the audited financial statements on pages 6 to 18.

Directors

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

Ms J E Elrick (resigned 10 December 2018)

Mr G A Fenn

Mr M J Ferguson (appointed 14 December 2018)

Mr E C Jensen (appointed 14 December 2018)

Ms J C Johnson

Mr S L Killeen

Mr P J Tompkins (resigned 14 December 2018)

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 2017 to 6.05% per annum, on 15 June 2018 to 6.15% per annum and on 15 June 2019 to 5.49% per annum. The next reset date is 15 June 2020.

Review of operations

The Company reported total comprehensive income of \$9,153,575 (2018: \$9,047,983).

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 2019, dividends of \$8,856,000 were paid to the holders of ROADS (2018: \$8,712,000). Imputation credits were attached to the dividends. No dividends have been paid to the holders of ordinary shares during the year (2018: 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 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 (2018: nil). All audit fees were paid by the Company.

Financial Statements

The Board of Directors have approved and authorised the financial statements on pages 6 to 18.

On behalf of the Directors 27 August 2019:


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 6 to 18:

- i. present fairly in all material respects the company's financial position as at 30 June 2019 and its financial performance and cash flows for the year ended on that date; and
- ii. 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 2019;
- 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 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('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.



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.



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 **Jason Doherty**.

For and on behalf of



KPMG
Auckland

28 August 2019

Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Interest received	C3	12,782,048	12,632,470
Operating expenses		(68,749)	(65,827)
Profit before income tax expense		12,713,299	12,566,643
Income tax expense	B3	(3,559,724)	(3,518,660)
Profit after income tax expense and total comprehensive income		9,153,575	9,047,983

These financial statements should be read in conjunction with the notes to the financial statements on pages 10 - 18.

Statement of Financial Position


as at 30 June 2019

	Note	2019 \$	2018 \$
Current assets			
Advance to related party - Downer New Zealand Limited	C2	7,905,486	7,475,532
Total current assets		7,905,486	7,475,532
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		207,905,486	207,475,532
Current liabilities			
Cash and cash equivalents		107,012	105,020
Trade and other payables		26,383	25,620
Income tax payable		1,096,662	967,038
Total current liabilities		1,230,057	1,097,678
Total liabilities		1,230,057	1,097,678
Net assets		206,675,429	206,377,854
Equity			
Ordinary shares	D1	100	100
ROADS	D1	200,000,000	200,000,000
Retained earnings		6,675,329	6,377,754
Total equity attributable to equity holders of the Company		206,675,429	206,377,854

The Board of Directors have approved and authorised the financial statements on pages 6 to 18.

On behalf of the Directors


S L Killeen


E C Jensen

Dated: 27 August 2019

These financial statements should be read in conjunction with the notes to the financial statements on pages 10 - 18.

Statement of Changes in Equity

for the year ended 30 June 2019

	Share capital \$	ROADS \$	Retained earnings \$	Total \$
Balance at 30 June 2017	100	200,000,000	6,041,771	206,041,871
Profit for the year	-	-	9,047,983	9,047,983
Total comprehensive income	-	-	9,047,983	9,047,983
Distributions to owners				
Dividends paid - ROADS	-	-	(8,712,000)	(8,712,000)
Balance at 30 June 2018	100	200,000,000	6,377,754	206,377,854
Profit for the year	-	-	9,153,575	9,153,575
Total comprehensive income	-	-	9,153,575	9,153,575
Distributions to owners				
Dividends paid - ROADS	-	-	(8,856,000)	(8,856,000)
Balance at 30 June 2019	100	200,000,000	6,675,329	206,675,429

These financial statements should be read in conjunction with the notes to the financial statements on pages 10 - 18.

Statement of Cash Flows

for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Interest received - Downer New Zealand Limited	C3	12,782,047	12,632,440
Interest received - other		1	30
Advances to Downer New Zealand Limited		(429,954)	(85,243)
Payments to suppliers		(67,986)	(65,407)
Income taxes paid		(3,430,100)	(3,762,663)
Net cash generated by operating activities	C1	8,854,008	8,719,157
Cash flows from financing activities			
Dividends paid on ROADS		(8,856,000)	(8,712,000)
Net cash used in financing activities		(8,856,000)	(8,712,000)
Net (decrease) / increase in cash and cash equivalents		(1,992)	7,157
Cash and cash equivalents at the beginning of the year		(105,020)	(112,177)
Cash and cash equivalents at the end of the year		(107,012)	(105,020)

These financial statements should be read in conjunction with the notes to the financial statements on pages 10-18.

Notes to the Financial Statements

for the year ended 30 June 2019



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 27 August 2019.

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 2019



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

	2019 \$	2018 \$
KPMG		
Half year review	12,500	12,500
Auditing Annual Financial Report	22,677	21,660

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:

	2019 \$	2018 \$
Profit before income tax expense	12,713,299	12,566,643
Income tax expense calculated at 28% of profit before tax	3,559,724	3,518,660
Total tax expense	3,559,724	3,518,660

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 for the year

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

Imputation credit account balance

	2019 \$	2018 \$
Balance at the end of year	2,435,943	2,316,980

B4. Subsequent Events

On 27 August 2019, the Directors approved the payment of a fully imputed dividend of \$2,745,000 comprising a cash dividend of \$1,976,400 (0.9882 cents per ROADS security) and imputation credits of \$768,600 (0.3843 cents per ROADS security) to be paid on 16 September 2019. 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 2019



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

	2019 \$	2018 \$
Profit for the year	9,153,575	9,047,983
Adjustments for:		
(Increase) / decrease in assets		
Advance to related party - Downer New Zealand Limited	(429,954)	(85,243)
Increase / (decrease) in liabilities		
Trade and other payables	763	420
Income tax payable	129,624	(244,003)
Net cash generated from operating activities	8,854,008	8,719,157

C2. Advance - Downer New Zealand Limited

	2019 \$	2018 \$
Downer New Zealand Limited - current account	7,905,486	7,475,532
Downer New Zealand Limited	200,000,000	200,000,000
	207,905,486	207,475,532

The Downer New Zealand Limited current account is unsecured and repayable on demand. Interest has been paid at an average of 1.61% (2018: 1.65%) 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 27 August 2020. 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 2017 to 15 June 2018 was 6.25% per annum and from 15 June 2018 to 15 June 2019 6.35% per annum. On 15 June 2019 it was reset to 5.69% per annum. The next reset date is 15 June 2020.

Interest is payable monthly in arrears.

Notes to the Financial Statements

for the year ended 30 June 2019

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 impairment. NZ IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

NZ IFRS 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). The standard eliminates the existing NZ IAS 39 categories of held to maturity, loans and receivables and available for sale. The existing requirements for the classification of financial liabilities in NZ IAS 39 is retained resulting in no change in classification or measurement of financial liabilities on adoption of NZ IFRS 9. The adoption of NZ IFRS 9 has not had a significant effect on the Company's accounting policies related to financial assets.

Impairment

The expected credit loss impairment model applies to financial assets measured at amortised cost.

NZ IFRS 9 replaced the "incurred loss" model in NZ IAS 39 with a forward looking "expected credit loss" (ECL) model. The Company exercises considerable judgement about how changes in economic factors affect ECL, which is determined on a probability-weighted basis. 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.

This impairment model applies to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments). Under NZ IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: where there are ECLs that result from possible default events within 12 months from the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has applied the simplified approach to recognise lifetime expected credit losses for trade receivables, and finance lease receivables as permitted by NZ IFRS 9.

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.

	2019	2018
	\$	\$
Transactions with related parties		
Downer New Zealand Limited - interest received	12,782,047	12,632,440

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 (2018: nil).

C4. Contingent Liabilities

The Company has no contingent liabilities (2018: nil).

Notes to the Financial Statements

for the year ended 30 June 2019



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. Lease commitments

D2. Net tangible assets per security

D1. Issued capital

	2019	2018
	\$	\$
100 ordinary shares (2018: 100)	100	100
200,000,000 ROADS (2018: 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.

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.

For the period from 15 June 2017 to 15 June 2018 the rate was 6.05% per annum and from 15 June 2018 to 15 June 2019 6.15% per annum. The gross dividend rate from 15 June 2019 to the next reset date on 15 June 2020 is 5.49% 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 2019

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 \$12.3 million (2018: \$12.1 million), being 6.15c per security (2018: 6.05c per security).

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

D2. Net tangible assets per security

	2019	2018
	\$	\$
ROADS	1	1
Ordinary shares	2,079,055	2,074,755

D3. Lease commitments

The Company has no capital or lease commitments. (2018: nil)

Notes to the Financial Statements

for the year ended 30 June 2019



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 2018.

NZ IFRS 9 – Financial Instruments

This standard replaces NZ IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company has adopted NZ IFRS 9 from 1 July 2018 and has applied the exemption in relation to full retrospective application of NZ IFRS 9 and as a result, the Company's comparative information has not been restated to reflect the requirements of the new standard.

NZ IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. NZ IFRS 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). The standard eliminates the previous NZ IAS 39 categories of held to maturity, loans and receivables and available for sale; while the requirements for the classification of financial liabilities as per NZ IAS 39 was retained, resulting in no change in classification or measurement of financial liabilities on adoption of NZ IFRS 9.

As the loans and receivables classification is no longer permitted, trade and other receivables and cash and cash equivalents have been reclassified to the category of measured at amortised cost. There has been no material impact on the carrying amount of these balances resulting from either this change in classification or the new expected credit loss impairment model for financial assets carried at amortised cost and contract assets.

There were no further changes to the classification or measurement of financial assets or financial liabilities. The classification and measurement requirements of NZ IFRS 9 did not have a material impact on the opening retained earnings position of the Company and therefore, no adjustment to opening retained earnings at 1 July 2018 is required.

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 2019

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:

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$	\$	\$
As at 30 June 2019			
Assets			
Advances to related parties	207,905,486	-	207,905,486
Total financial assets	207,905,486	-	207,905,486
Liabilities			
Cash and cash equivalents	-	107,012	107,012
Trade and other payables	-	26,383	26,383
Total financial liabilities	-	133,395	133,395
As at 30 June 2018			
Assets			
Advances to related parties	207,475,532	-	207,475,532
Total financial assets	207,475,532	-	207,475,532
Liabilities			
Cash and cash equivalents	-	105,020	105,020
Trade and other payables	-	25,620	25,620
Total financial liabilities	-	130,640	130,640

Financial instruments carried in the statement of financial position include bank balances, advances, receivables, payables and accruals. As at 30 June 2019, the carrying amounts of bank balances, advances, receivables, payables and accruals approximated fair value.

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.

E3. Financial instruments risk management

a) Credit risk management

The most significant concentration of credit risk of the Company as at 30 June 2019 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 14 September 2018. 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 access to financing facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities.

Notes to the Financial Statements

for the year ended 30 June 2019

E3. Financial instruments risk management - Continued

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 2019	
Liabilities	
Cash and cash equivalents	(107,012)
Trade and other payables	(26,383)
	(133,395)
As at 30 June 2018	
Liabilities	
Cash and cash equivalents	(105,020)
Trade and other payables	(25,620)
	(130,640)

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 2018.

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 2019

Works Finance (NZ) Limited holders

Works Finance (NZ) Limited (Company Number 1909583) had 3,123 ROADS holders as at 1 August 2019.

The largest holder, Forsyth Barr Custodians Limited, held 18.2% of the 200,000,000 preference shares issued at that date. Works Finance (NZ) Limited had 3,098 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 2019, 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 June 2019 are provided below:

Country	Holders	Holding
New Zealand	3,098	199,541,000
Australia	11	195,000
Other	14	264,000
	3,123	200,000,000

Range	Number of Holders	Shareholder %	ROADS held	ROADS %
2,000 to 4,999	75	2.4%	247,153	0.1%
5,000 to 9,999	401	12.8%	2,327,643	1.2%
10,000 to 49,999	2,087	66.8%	41,514,206	20.8%
50,000 to 99,999	391	12.5%	21,892,367	10.9%
100,000 to 499,999	146	4.7%	20,602,174	10.3%
500,000 to 999,999	12	0.4%	7,165,587	3.6%
1,000,000 and above	11	0.4%	106,250,870	53.1%
	3,123	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 2019

Twenty largest ROADS Holders

The names and holdings of the 20 largest holders of ROADS in Works Finance (NZ) Limited as at 1 August 2019 are set out below:

Holder	ROADS %	ROADS held
Forsyth Barr Custodians Limited	18.2%	36,393,422
Custodial Services Limited	7.0%	13,926,627
FNZ Custodians Limited	5.4%	10,717,814
Custodial Services Limited	5.2%	10,458,800
Investment Custodial Services Limited	4.6%	9,229,443
Custodial Services Limited	4.5%	9,026,316
Custodial Services Limited	2.9%	5,849,750
National Nominees New Zealand Limited	2.1%	4,154,600
Masfen Securities Limited	1.3%	2,650,000
FNZ Custodians Limited	1.1%	2,186,452
Custodial Services Limited	0.8%	1,657,646
BNP Paribas Nominees (NZ) Limited	0.5%	981,087
Forsyth Barr Custodians Limited	0.4%	713,000
Custodial Services Limited	0.3%	668,000
Keith Ian Ronald Matheson & Clive Rowan Jackson	0.3%	630,000
Forsyth Barr Custodians Limited	0.3%	573,000
Ian Hedley Scott & Cyril Leslie Pickering	0.3%	542,000
Custodial Services Limited	0.3%	530,000
Custodial Services Limited	0.3%	528,500
Fletcher Building Educational Fund Limited	0.2%	500,000
Gem Limited	0.2%	500,000
Jarden Custodians Limited	0.2%	500,000
Oakwood Securities Limited	0.2%	500,000
Total for top 20 ROADS holders	56.7%	113,416,457