

Works Finance (NZ) Limited

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2011

Works Finance (NZ) Limited

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For the year ended 30 June 2011

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Works Finance (NZ) Limited

Statutory Information

For the year ended 30 June 2011

Directors	Cornelus Wihelmus Bruyn Andrew Arthur William Titter Peter Michael Dooley (resigned 29 June 2011) Bruce John Crane Grant Anthony Fenn Andrew Reid (appointed 29 June 2011)
Nature of Business	Issue of Redeemable Optionally Adjustable Distributing Securities ("ROADS"), issue of unsubordinated, unsecured debt securities ("Works Bonds"), investment in Downer New Zealand Limited (previously Downer EDI Works Limited) and advance to Downer EDI Group Finance (NZ) Limited.
Holding Company	Downer EDI Group Finance (NZ) Limited
Ultimate Holding Company	Downer EDI Limited (incorporated in Australia)
Auditors	Deloitte Touche Tohmatsu, Australia
Solicitors	Russell McVeagh Kensington Swan
Bankers	ANZ Banking Group (New Zealand) Limited
Company Number	1909583 (New Zealand)
Registered Office	14 Amelia Earhart Avenue Airport Oaks Mangere, Auckland New Zealand

Works Finance (NZ) Limited

Directors' Report

For the year ended 30 June 2011

The Directors are pleased to present the Annual Report of Works Finance (NZ) Limited for the year ended 30 June 2011, including the audited financial statements on pages 7 to 20.

Principal Activity

Works Finance (NZ) Limited ('the Company') is a wholly owned subsidiary of Downer EDI Limited and was formed for the purpose of issuing Redeemable Optionally Adjustable Distributing Securities ('ROADS'). The proceeds were invested in Redeemable Preference Shares ('RPS') in Downer New Zealand Limited.

In July 2009 the Company issued \$150,000,000 unsubordinated, unsecured debt securities ('Works Bonds') with the proceeds being advanced to Downer Group Finance (NZ) Limited on the same terms as the Works Bonds.

The proceeds from the ROADS and Works Bonds were advanced to other parts of the Downer Group to repay debt, reduce gearing levels and other general corporate purposes.

In April 2011 the Company redeemed its RPS investment in Downer New Zealand Limited. This was replaced by an advance of \$200,000,000 to Downer New Zealand Limited.

Dividends

During the year the following dividends were received and paid:

Date	Received from Downer New Zealand Limited	Paid to holders of ROADS
15 September 2010	3,500,000	3,430,000
15 December 2010	3,500,000	3,430,000
15 March 2011	3,500,000	3,430,000
15 June 2011	-	3,430,000
Total	\$10,500,000	\$13,720,000

Imputation credits were attached to the dividends.

No dividends have been paid to the holders of ordinary shares during the year.

Interests Register

There were no entries in the Interests Register.

Director Remuneration

No Director or former director received any remuneration or other benefits from the Company.

Employee Remuneration

Works Finance (NZ) Limited has no employees and accordingly no remuneration was paid.

Donations

Works Finance (NZ) Limited made no donations during the year (2010: nil).

Auditors

All audit fees, fees for the half year review and fees for other services provided by Deloitte are paid by Downer EDI Limited.

Financial Statements

The Board of Directors have approved and authorised the financial statements on pages 7 to 20.

For and on behalf of the Board



Director



Director

Dated: 31.08.11

Independent Auditor's Report to the Members of Works Finance (NZ) Limited

We have audited the accompanying annual report of Works Finance (NZ) Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information as set out on pages 7 to 20.

Directors' Responsibility for the Annual Report

The directors of the company are responsible for the preparation of the annual report that gives a true and fair view in accordance with generally accepted accounting practice in New Zealand and for such internal control as the directors determine is necessary to enable the preparation of the annual report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

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

Our firm carries out other assurance engagements for Works Finance (NZ) Limited. In addition to this, partners and employees of our firm deal with the company on normal terms within the ordinary course of trading activities of the business of the company. The firm has no other relationship with or interests in Works Finance (NZ) Limited.

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

Opinion

In our opinion the annual report of Works Finance (NZ) Limited:

- a. gives a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- b. complies with generally accepted accounting practice in New Zealand; and
- c. complies with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2011:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by Works Finance (NZ) Limited, as far as appears from our examination of those records.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 31 August 2011

Works Finance (NZ) Limited

Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Dividends received	2	10,500,000	14,000,000
Interest received	3	18,334,985	15,638,211
Total revenue from Continuing Operations		<u>28,834,985</u>	<u>29,638,211</u>
Operating expenses		62,957	78,068
Interest paid to Works Bond holders		14,475,021	14,884,353
Interest paid to Downer Group Finance International Pty Ltd		-	81,104
Total expenses		<u>14,537,978</u>	<u>15,043,525</u>
Profit before income tax expense		14,297,007	14,594,686
Income tax expense	4	1,139,102	176,653
Profit after tax and total comprehensive income attributable to members of the entity		<u><u>13,157,905</u></u>	<u><u>14,418,033</u></u>

These financial statements should be read in conjunction with the notes to the financial statements

Works Finance (NZ) Limited

Statement of Changes in Equity

For the year ended 30 June 2011

	Share capital	ROADS	Retained earnings	Total
	\$	\$	\$	\$
Balance at 30 June 2009	100	200,000,000	64,142	200,064,242
Profit for the year	-	-	14,418,033	14,418,033
Total profit after tax and total comprehensive income for the period	-	-	14,418,033	14,418,033
Dividends paid to: ROADS	-	-	(13,720,000)	(13,720,000)
Total dividends paid	-	-	(13,720,000)	(13,720,000)
Balance at 30 June 2010	100	200,000,000	762,175	200,762,275
Profit for the year	-	-	13,157,905	13,157,905
Total profit after tax and total comprehensive income for the period	-	-	13,157,905	13,157,905
Dividends paid to: ROADS	-	-	(13,720,000)	(13,720,000)
Total dividends paid	-	-	(13,720,000)	(13,720,000)
Balance at 30 June 2011	100	200,000,000	200,080	200,200,180

These financial statements should be read in conjunction with the notes to the financial statements

Works Finance (NZ) Limited

Statement of Financial Position

As at 30 June 2011

	Note	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents		25,414	60,095
Advances to Downer Group Finance International Pty Ltd		1,322,179	881,833
Advance to Downer New Zealand Limited	8	200,000,000	-
Total Current Assets		201,347,593	941,928
Non Current Assets			
Available for sale investments:			
Downer New Zealand Limited	6	-	200,000,000
Advance:			
Downer EDI Group Finance (NZ) Limited	7	150,000,000	150,000,000
Total Non Current Assets		150,000,000	350,000,000
Total Assets		351,347,593	350,941,928
Current Liabilities			
Trade and other payables		8,311	3,000
Income tax		1,139,102	176,653
Total Current Liabilities		1,147,413	179,653
Non Current Liabilities			
Works Bonds	9	150,000,000	150,000,000
Total Non Current Liabilities		150,000,000	150,000,000
Total Liabilities		151,147,413	150,179,653
Net Assets		200,200,180	200,762,275
Equity			
Ordinary shares	10	100	100
ROADS	11	200,000,000	200,000,000
Retained earnings		200,080	762,175
Total Deemed Equity		200,200,180	200,762,275

These financial statements should be read in conjunction with the notes to the financial statements

Works Finance (NZ) Limited

Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Dividends received		10,500,000	14,000,000
Interest received		18,310,676	15,620,209
Interest paid to Works Bond holders		(14,475,021)	(14,884,353)
Subvention Payment		(176,653)	-
Payments to suppliers		(47,336)	(138,170)
Net cash generated by operating activities	5	<u>14,111,667</u>	<u>14,597,686</u>
Cash flows from investing activities			
Advance to Downer EDI Group Finance (NZ) Limited		-	(150,000,000)
Advances to Downer Group Finance International Pty Ltd		(426,348)	(881,733)
Net cash used in investing activities		<u>(426,348)</u>	<u>(150,881,733)</u>
Cash flows from financing activities			
Proceeds from Works Bonds		-	150,000,000
Dividends paid on ROADS		(13,720,000)	(13,720,000)
Net cash used in financing activities		<u>(13,720,000)</u>	<u>136,280,000</u>
Net decrease in cash and cash equivalents		(34,681)	(4,047)
Cash and cash equivalents at the beginning of the year		60,095	64,142
Cash and cash equivalents at the end of the period		<u>25,414</u>	<u>60,095</u>

These financial statements should be read in conjunction with the notes to the financial statements

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2011

1 Summary of Accounting Policies

Statement of compliance

Works Finance (NZ) Limited (the Company) is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

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 as appropriate for profit-oriented entities. Works Finance (NZ) Limited is a profit oriented entity. The financial statements comply with International Financial Reporting Standards ('IFRS').

The Company was incorporated in New Zealand on 16 February 2007 and is domiciled in New Zealand.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the valuation of certain investments, as disclosed below. Cost is based on the fair values of the consideration given in exchange of assets. The reporting currency is New Zealand dollars.

Accounting policies are selected and applied in a manner which 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.

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.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

There are new standards and changes to existing standards which have not been implemented as they are not yet effective. These standards and amendments are not expected to have an impact on the Company.

Significant accounting policies

The classification of the ROADS as equity rather than as debt is deemed by the directors to be a significant accounting policy and an area of significant judgement. The Company has taken into account the key features of the ROADS, including the dividend stopper mechanism and the fact that the shares do not have to be redeemed, in arriving at this classification.

Standards and interpretations effective in the current year

The Company has adopted all of the new and revised Standards and Interpretations issued by the New Zealand Accounting Standards Review Board (ASRB) that are relevant to its operations and effective for the current reporting period.

New and revised Standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Company include:

- Annual Improvements Process 2010 effective 1 July 2010; and
- NZ IFRIC 19 Extinguishing Liabilities with Equity Instruments effective 1 July 2010.

The adoption of these amendments and interpretations did not have any significant impact on the financial position or performance of the Company.

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2011

1 Summary of Accounting Policies

Dividend Revenue

Dividend revenue is recognised on a receivable basis, when the shareholders' right to receive payment is established.

Interest income and expense

Interest income and expense is recognised using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and accumulated in, available-for-sale revaluation reserve, until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss in the available-for-sale revaluation reserve is included in the profit or loss for the year. Fair value has been assessed with reference to the market value of the NZX listed ROADS shares which have similar terms, as adjusted for the difference in interest rates.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as a distribution of profit consistent with the statement of financial position classification of the related debt or equity instruments.

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

Loans and receivables

Trade 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.

Taxation

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 year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is accounted for 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.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in profit or loss.

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2011

1 Summary of Accounting Policies

Goods and services tax

All balances are presented net of goods and services tax (GST), except for receivables and payables which are presented inclusive of GST.

Statement of Cash Flows

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. The following terms are used in the statement of cash flows:

Operating activities: are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.

Investing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities: are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Change in Accounting Policies

There have been no changes in accounting policies during the year and all policies have been applied on a consistent basis.

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2011

	2011 \$	2010 \$
2 Dividend Received		
Dividends received from Downer New Zealand Limited	10,500,000	14,000,000
3 Interest Received		
Interest received from Downer EDI Group Finance (NZ) Limited	14,475,000	14,882,586
Interest received from Downer New Zealand Limited	3,835,617	-
Interest received from Downer Group Finance International Pty Limited	24,308	18,002
Other interest received	60	737,623
	<u>18,334,985</u>	<u>15,638,211</u>
4 Income Taxes		
(a) Reconciliation from pre-tax accounting profit to tax expense		
Profit before income tax expense	14,297,007	14,594,686
Income tax expense at 30%	4,289,102	4,378,406
Prior year tax losses not recognised	-	(1,753)
Less : Non-assessable income arising from fully imputed dividends received	(3,150,000)	(4,200,000)
Tax expense	<u>1,139,102</u>	<u>176,653</u>
(b) Imputation credit account balances		
Balance at beginning of year	150,000	30,000
Attached to dividends received	4,500,000	6,000,000
Attached to dividends paid - ROADS	(5,880,000)	(5,880,000)
Balance at end of the year	<u>(1,230,000)</u>	<u>150,000</u>
5 Net cash flow from operating activities		
Profit for the year	13,157,905	14,418,033
Movements in working capital		
Increase in income tax provision	962,449	176,653
Increase in trade and other payables	5,311	3,000
Increase/Decrease in advance - Downer Group Finance International Pty Ltd	(13,998)	-
Net cash generated by operating activities	<u>14,111,667</u>	<u>14,597,686</u>

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2011

6 Available for Sale Investments - Downer New Zealand Limited

On 21 April 2011, the Company redeemed its 200,000,000 Redeemable Preference Shares ("RPS") in Downer New Zealand Limited, which were issued on 23 April 2007.

The Directors of Downer New Zealand Limited approved the redemption, with the consideration payable being \$1 for each share plus an additional amount calculated based on the market interest rates multiplied by the issue price for one quarter.

The RPS entitled the company to receive dividends from Downer New Zealand Limited at the fixed percentage rate of 10% (inclusive of imputation credits) of the issue price. Prior to redemption, the Directors of Downer New Zealand Limited elected not to pay a dividend.

The proceeds from the RPS redemption were invested in an advance to Downer New Zealand Limited (refer note 8). The draw down of the advance was effected by book entry in the inter company accounts of the Company and Downer New Zealand Limited with a contemporaneous book entry effecting payment of the redemption amount due from Downer New Zealand Limited to the Company in respect of the redemption of the 200,000,000 RPS in Downer New Zealand Limited. The redemption of the RPS and subsequent investment in the advance to Downer New Zealand Limited are considered to be non cash transactions and are therefore not included in the cash flow statement.

7 Advance - Downer EDI Group Finance (NZ) Limited

The Company has advanced \$150,000,000 to Downer EDI Group Finance (NZ) Limited under a loan agreement dated 13 July 2009. The terms of the loan are the same as the Works Bonds with the same interest rate and maturity date (refer note 9).

8 Advance - Downer New Zealand Limited

The Company has advanced \$200,000,000 to Downer New Zealand Limited under a loan agreement dated 21 April 2011. The advance is repayable on demand. The interest rate is to be agreed in writing between the parties from time to time and is currently 10% per annum.

9 WORKS BONDS

The Company issued 150,000,000 (at nominal value of \$1) unsubordinated, unsecured debt securities on 14th July 2009 called "Works Bonds". The bonds mature on 15th September 2012. The interest rate on the bonds is 9.65% per annum with interest payable on 15 December, 15 March, 15 June and 15 September each year. The proceeds are to be used for refinancing and general corporate purposes within the Downer EDI Limited Group.

Works Bonds carry an investment grade credit rating from Fitch Ratings of BBB- with a stable outlook. The rating is based on the Works Bonds being guaranteed by Downer EDI Limited and its subsidiaries representing at least 90% of the Consolidated Group EBIT and Consolidated Group Total Tangible Assets.

Works Bonds are debt securities and the bond holders have no right to receive notice of, attend or vote at meetings of shareholders. Works Bonds constitute unsecured and unsubordinated obligations of the Company, rank equally with each other and will also rank at least equally with all other unsecured and unsubordinated indebtedness of the Company, except indebtedness preferred by law.

Transaction costs in connection with the issue of Works Bonds were borne by other Downer EDI Limited group companies.

10 Ordinary Share Capital

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

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2011

11 ROADS

The Company has issued 200,000,000 fully paid Redeemable Optionally Adjustable Distributing Securities (ROADS) with a nominal value of \$1 each. The ROADS may be redeemed or exchanged for ordinary shares in Downer EDI Limited from 15 June 2012 or earlier in certain circumstances.

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 first step-up date of 15 June 2012, dividends are fixed at 9.8% inclusive of imputation credits.

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.

The Company may elect to redeem or exchange:

- All or some ROADS on a step-up date;
- All or some ROADS on any dividend payment date after a step-up date, if the step-up margin applies with effect from the step-up 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 group being exposed to significantly increased costs, or in the event of an acquisition of 50% or more of Downer EDI 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 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.

Prior to a step-up date, the Company may issue a remarketing process invitation to holders, notifying them that it would like to change certain terms of ROADS with effect from the step-up date. Through this process, the Company may change certain terms including the market rate, step-up percentage, exchange Company discount, the frequency and timing of dividend payment dates and the next step-up date. This process is subject to approval from holders, being active responses from at least 20% of the holders by value. If the remarketing process is unsuccessful, the Company may elect to redeem or exchange some or all of the ROADS. For any remaining ROADS in issue, the rate payable on the ROADS will become the one year swap rate. The first step-up date is 15 June 2012, and after that, on each fifth anniversary of that date.

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2011

11 ROADS (continued)

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 \$19.6 million, being 9.8c per share (2010: 9.8c per share).

There were no changes to the number of ordinary shares or ROADS in issue during the period.

12 Related Parties

The Company is wholly owned by Downer EDI Group Finance (NZ) Limited. The ultimate parent company is Downer EDI Limited, a company listed on the Australian Stock Exchange and with a secondary listing on the NZDX. The Company has advanced a loan to Downer New Zealand Limited, a fellow Group subsidiary, and receives interest at 10% as described in Note 8 to these financial statements. The transaction costs associated with the issue of ROADS and the Works Bonds, as well as the audit fees applicable to the Company, are 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.

The Company has advanced money to Downer EDI Group Finance (NZ) Limited on the same terms as the Works Bonds.

	2011 \$	2010 \$
Advances to related parties		
Downer Group Finance International Pty Ltd	1,322,179	881,833
Downer EDI Group Finance (NZ) Limited (note 7)	150,000,000	150,000,000
Downer New Zealand Limited (note 8)	200,000,000	-
Available for sale investments with related parties		
Downer New Zealand Limited (note 6)	-	200,000,000
Transactions		
Downer Group Finance International Pty Limited		
Interest paid	-	(81,104)
Interest received	24,308	18,002
Net interest received (paid)	24,308	(63,102)
Downer EDI Group Finance (NZ) Limited (note 3)		
Interest received	14,475,000	14,882,586
Downer New Zealand Limited (note 2 & 3)		
Dividends received	10,500,000	14,000,000
Interest received	3,835,617	-

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2011

12 Related Parties (continued)

The following Directors of the Company are also Directors of Downer EDI Group Finance (NZ) Limited.

Cornelus Wihelmus Bruyn

Andrew Arthur William Titter

Peter Michael Dooley (resigned 29 June 2011)

Bruce John Crane

Grant Anthony Fenn

Andrew Reid (appointed 29 June 2011)

All the Directors except Peter Michael Dooley are also Directors of Downer New Zealand Limited.

Key management personnel received no compensation from the company during the year (2010: nil)

13 Segmental Information

The only business of the Company is the issue of ROADS and Works Bonds to New Zealand residents and advances to Downer EDI Group Finance (NZ) Limited and Downer New Zealand Limited.

14 Contingent liabilities

There are no contingent liabilities as at 30 June 2011 (2010: nil)

15 Capital and lease commitments

The company has no capital or lease commitments as at 30 June 2011 (2010: nil)

16 Subsequent events

There are no subsequent events.

17 Financial Instruments

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

As at 30 June 2011, the carrying amounts and fair value of investments, bank balances, receivables, payables and accruals were the same.

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 which bear interest at 10% per annum (2010: intra-group Redeemable Preference Shares to the Company) with similar terms to those issued by the Company.

The most significant concentration of credit risk of the Company as at 30 June 2011 comprises the advance to Downer New Zealand Limited of \$200,000,000 and advance of \$150,000,000 to Downer EDI Group (NZ) Limited. These are expected to have a similar credit risk profile as Downer EDI Limited. Downer EDI Limited has a long-term issuer default rating of BBB- (stable) issued by Fitch Ratings. Issuers 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 amount of the Company's financial assets.

The Company is not directly exposed to foreign currency risk.

99.5% of ROADS and Works Bond holders are domiciled in New Zealand.

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2011

17 Financial Instruments (continued)

Categories of 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	Available for sale	Financial liabilities at amortised cost	Total
	\$	\$	\$	\$
As at 30 June 2011				
Assets				
Cash and cash equivalents	25,414	-	-	25,414
Advances to related parties	351,322,179	-	-	351,322,179
Available for sale investments	-	-	-	-
Total financial assets	351,347,593	-	-	351,347,593
Non-financial assets				-
Total assets				351,347,593
Liabilities				
Trade and other payables	-	-	8,311	8,311
Works Bonds	-	-	150,000,000	150,000,000
Total financial liabilities	-	-	150,008,311	150,008,311
Non-financial liabilities				1,139,102
Total liabilities				151,147,413
As at 30 June 2010				
Assets				
Cash and cash equivalents	60,095	-	-	60,095
Advances to related parties	150,881,833	-	-	150,881,833
Available for sale investments	-	200,000,000	-	200,000,000
Total financial assets	150,941,928	200,000,000	-	350,941,928
Non-financial assets				-
Total assets				350,941,928
Liabilities				
Trade and other payables	-	-	3,000	3,000
Works Bonds	-	-	150,000,000	150,000,000
Total financial liabilities	-	-	150,003,000	150,003,000
Non-financial liabilities				176,653
Total liabilities				150,179,653

Works Finance (NZ) Limited

Notes to the Financial Statements

For the year ended 30 June 2011

17 Financial Instruments (continued)

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 assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on contractual maturities. The tables include both interest and principal cash flows.

	Less than 1 Year	1 to 2 years	2 to 3 years
	\$	\$	\$
As at 30 June 2011			
Assets			
Cash and cash equivalents	25,414	-	-
Advances to related parties	1,322,179	-	-
Advance to Downer EDI Group Finance (NZ) Limited	14,475,000	153,053,630	-
Advance to Downer New Zealand Limited	204,219,178	-	-
Liabilities			
Trade and other payables	(8,311)	-	-
Works Bonds	(14,475,000)	(153,053,630)	-
	205,558,460	-	-
As at 30 June 2010			
Assets			
Cash and cash equivalents	60,095	-	-
Advances to related parties	881,833	-	-
Advance to Downer EDI Group Finance (NZ) Limited	14,475,000	14,475,000	153,053,630
Available for sale investments	14,000,000	214,000,000	-
Liabilities			
Trade and other payables	(3,000)	-	-
Works Bonds	(14,475,000)	(14,475,000)	(153,053,630)
	(14,938,928)	(214,000,000)	-

Works Finance (NZ) Limited

Other Information

For the year ended 30 June 2011

Twenty Largest Shareholders

The names and holdings of the 20 largest holders of ROADS in Works Finance (NZ) Limited as at 28 July 2011 are provided below:

Investment Custodial Services Limited	12,408,500
Custodial Services Limited	12,018,167
FNZ Custodians Limited	7,725,500
Custodial Services Limited	6,509,200
Masfen Securities Limited	5,797,000
Forsyth Barr Custodians Limited	5,789,833
Custodial Services Limited	4,742,500
Tea Custodians Limited	3,533,600
Forsyth Barr Custodians Limited	3,465,000
Custodial Services Limited	2,800,000
HSBC Nominees (New Zealand) Limited	2,518,500
Forsyth Barr Custodians Limited	2,097,740
Private Nominees Limited	1,639,500
ASB Nominees Limited	1,236,500
Custodial Services Limited	1,137,500
Tappenden Holdings Limited	1,028,000
Forsyth Barr Custodians Limited	935,000
Keith Ian Ronald Matheson & Clive Rowan Jackson	830,000
FNZ Custodians Limited	709,000
Tribal New Zealand Traders Limited	589,900

The names and holdings of the 20 largest holders of Works Bonds in Works Finance (NZ) Limited as at 28 July 2011 are provided below:

Investment Custodial Services Limited	12,367,000
FNZ Custodians Limited	11,638,000
Private Nominees Limited	10,370,000
Citibank Nominees (New Zealand) Limited	8,324,000
Forsyth Barr Custodians Limited	6,680,000
Forsyth Barr Custodians Limited	4,582,000
Te Ohu Kaimoana Custodian Limited	3,000,000
Tea Custodians Limited	2,809,000
NZ Guardian Trust Investment Nominees Limited	2,790,000
Forsyth Barr Custodians Limited	2,739,000
Custodial Services Limited	2,491,000
Southern Cross Medical Care Society Incorporated	2,000,000
Proteus Suncorp Wealth Management	1,854,000
Custodial Services Limited	1,533,000
Eastern Central Community Trust Inc	1,000,000
Invercargill Licensing Trust	1,000,000
NZPT Custodians (Grosvenor) Limited	1,000,000
Asteron Life Limited	900,000
Christine Joy Randell & Peter Wilifried Randell	830,000
Forsyth Barr Custodians Limited	624,000

Works Finance (NZ) Limited

Other Information

For the year ended 30 June 2011

Spread of Shareholders

Details of the spread of holders of ROADS as at 28 July 2011 are provided below:

Country	Holders	Holding
New Zealand	4,316	199,593,333
Australia	19	260,167
Other	14	146,500
	4,349	200,000,000

Range	Holders	Holding
2,000 to 4,999	96	310,650
5,000 to 9,999	505	2,866,667
10,000 to 49,999	2,947	59,003,460
50,000 to 99,999	594	32,593,600
100,000 to 499,999	184	25,066,350
500,000 to 999,999	8	5,063,900
1,000,000 and above	15	75,095,373
	4,349	200,000,000

Details of the spread of holders of Works Bonds as at 28 July 2011 are provided below:

Country	Holders	Holding
New Zealand	2,625	148,805,000
Australia	6	537,000
Other	11	658,000
	2,642	150,000,000

Range	Holders	Holding
2,000 to 4,999	105	342,000
5,000 to 9,999	439	2,450,000
10,000 to 49,999	1,657	30,888,000
50,000 to 99,999	291	15,677,000
100,000 to 499,999	130	18,848,000
500,000 to 999,999	7	4,138,000
1,000,000 and above	13	77,657,000
	2,642	150,000,000

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.

Works Finance (NZ) Limited

Other Information

For the year ended 30 June 2011

Corporate Governance

Works Finance (NZ) Limited is a wholly owned subsidiary of Downer EDI Limited, a company listed on the Australian Stock Exchange.

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 the ASX Listing Rules. The corporate governance policies and annual report of Downer EDI Limited are also available on its website at www.downeredi.com.au.

The corporate governance policies of Downer EDI Limited as set out in its annual report dated 30 June 2011, do not materially differ from the Corporate Governance Best Practice Code.

Independent Directors

All of the Directors of Works Finance (NZ) Limited are employees of Downer EDI Limited, and accordingly are not independent.