



Works Finance (NZ) Limited
Condensed half-year financial report
31 December 2016

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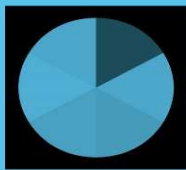



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Directors' Report

for the half-year ended 31 December 2016

The Directors of Works Finance (NZ) Limited ("the Company") submit herewith the condensed financial report of the Company for the half-year ended 31 December 2016, including the financial statements on pages 5 to 12.

Directors

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

Mr C W Bruyn (ceased 16 January 2017)

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 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 \$4,724,625 (2015: \$5,412,667).

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 half-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 half-year to 31 December 2016, dividends of \$4,528,801 were paid to the holders of ROADS (December 2015: \$5,191,200). Imputation credits were attached to the dividends. No dividends have been paid to the holders of ordinary shares during the half-year to 31 December 2016 (December 2015: nil).

Interests register and other disclosures

There were no entries in the Interests register. Related party transactions are disclosed in C1. 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 half-year (December 2015: nil). All audit fees were paid by the Company.

Financial Statements

The Board of Directors have approved and authorised the condensed half-year financial statements on pages 5 to 12.

On behalf of the Directors 9 February 2017



R W Jarrold
Director



P J Tompkins
Director



Independent review report

To the shareholder of Works Finance (NZ) Limited

We have completed a review of the half-year financial statements of Works Finance (NZ) Limited on pages 5 to 12 which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

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

Directors' responsibilities

The directors of the company are responsible for the preparation and fair presentation of half-year financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the half-year financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the half-year financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the half-year financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting*. As the auditor of the company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of half-year financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditors we have no relationship with or interests in company.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these half-year financial statements of Works Finance (NZ) Limited do not present fairly, in all material respects, the financial position of the company as at 31 December 2016, and of its financial performance and its cash flows for the period ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting*.

9 February 2017
Auckland

Condensed Statement of Comprehensive Income

for the half-year ended 31 December 2016

		Unaudited 31-Dec 2016 \$	Unaudited 31-Dec 2015 \$
	Note		
Interest received from Downer New Zealand Limited	C1	6,610,723	7,569,676
Operating expenses		(48,744)	(52,234)
Profit before income tax expense		6,561,979	7,517,442
Income tax expense	B2	(1,837,354)	(2,104,775)
Profit after income tax expense and total comprehensive income attributable to members of the entity		4,724,625	5,412,667

These condensed financial statements should be read in conjunction with the accompanying notes on pages 9 - 12.


Condensed Statement of Financial Position

as at 31 December 2016

		Unaudited 31-Dec 2016 \$	Audited 30-Jun 2016 \$
	Note		
Current assets			
Advance to related party - Downer New Zealand Limited	C1	6,672,097	7,226,626
Total current assets		6,672,097	7,226,626
Non-current assets			
Advance to related party - Downer New Zealand Limited	C1	200,000,000	200,000,000
Total non-current assets		200,000,000	200,000,000
Total assets		206,672,097	207,226,626
Current liabilities			
Cash and cash equivalents		113,300	131,233
Trade and other payables		16,800	8,330
Income tax payable		620,007	1,360,897
Total current liabilities		750,107	1,500,460
Total liabilities		750,107	1,500,460
Net assets		205,921,990	205,726,166
Equity			
Ordinary shares	D1	100	100
ROADS	D1	200,000,000	200,000,000
Retained earnings		5,921,890	5,726,066
Total equity attributable to equity holders of the Company		205,921,990	205,726,166

The Board of Directors have approved and authorised the condensed half-year financial statements on pages 5 to 12.

On behalf of the Directors


R W Jarrold
Director


P J Tompkins
Director

Dated: 9 February 2017

These condensed financial statements should be read in conjunction with the accompanying notes on pages 9 - 12.

Condensed Statement of Changes in Equity

for the half-year ended 31 December 2016

	Share capital \$	ROADS \$	Retained earnings \$	Total \$
Balance at 1 July 2015	100	200,000,000	5,415,630	205,415,730
Profit for the half-year	-	-	5,412,667	5,412,667
Total comprehensive income	-	-	5,412,667	5,412,667
Distributions to owners				
Dividends paid - ROADS	-	-	(5,191,200)	(5,191,200)
Balance at 31 December 2015 unaudited	100	200,000,000	5,637,097	205,637,197
Balance at 1 July 2016	100	200,000,000	5,726,066	205,726,166
Profit for the half-year	-	-	4,724,625	4,724,625
Total comprehensive income	-	-	4,724,625	4,724,625
Distributions to owners				
Dividends paid - ROADS	-	-	(4,528,801)	(4,528,801)
Balance at 31 December 2016 unaudited	100	200,000,000	5,921,890	205,921,990

These condensed financial statements should be read in conjunction with the accompanying notes on pages 9 - 12.

Condensed Statement of Cash Flows

for the half-year ended 31 December 2016

	Unaudited 31-Dec 2016	Unaudited 31-Dec 2015
Note	\$	\$
Cash flows from operating activities		
Interest received from Downer New Zealand Limited	6,610,723	7,470,904
Repayments from Downer New Zealand Limited	554,529	707,377
Income taxes paid and net tax credit transfers	(2,578,244)	(2,928,652)
Payments to suppliers	(40,274)	(44,833)
Net cash generated by operating activities	4,546,734	5,204,796
Cash flows from financing activities		
Dividends paid on ROADS	(4,528,801)	(5,191,200)
Net cash used in financing activities	(4,528,801)	(5,191,200)
Net increase in cash and cash equivalents	17,933	13,596
Cash and cash equivalents at the beginning of the period	(131,233)	(144,275)
Cash and cash equivalents at the end of the period	(113,300)	(130,679)

These condensed financial statements should be read in conjunction with the accompanying notes on pages 9 - 12.

Notes to the Financial Statements

for the half-year ended 31 December 2016



A

About this report

Statement of compliance and basis of preparation

Works Finance (NZ) Limited (the Company) is a profit-oriented entity, domiciled in New Zealand, registered under the Companies Act 1993 and listed on the NZX Debt Market (NZDX). The Company is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The Company prepares its condensed half-year financial statements in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

These condensed half-year financial statements have not been audited. The condensed half-year financial statements comply with NZ IAS 34 *Interim Financial Reporting*. They also comply with IAS 34 *Interim Financial Reporting*.

The condensed half year financial statements have 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.

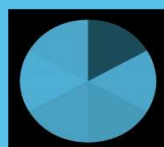
The condensed half-year financial statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the Annual Report for the year to 30 June 2016.

The same accounting policies, presentation and methods of computation are followed in the condensed half-year financial statements as applied in the Company's annual audited financial statements.

These condensed half-year financial statements were authorised by the Directors for issue on 9 February 2017.

Accounting estimates and judgements

The preparation of the condensed half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements made by management are consistent with those described in the 2016 Annual Report.



B

Business performance

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

B1. Segment information

B2. Taxation

B3. 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. There is no seasonality in the half-year result.

B2. Taxation

Interim period tax is accrued based on the estimated annual effective income tax rate of 28% (2015: 28%). Imputation credits available at 31 December 2016 were 1,522,990 (December 2015: 1,326,071).

B3. Subsequent Events

On 9 February 2017, 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 March 2017. 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 half-year ended 31 December 2016



C

Operating assets and liabilities

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

C1. Advance - Downer New Zealand Limited

C2. Contingent Liabilities

C1. Advance - Downer New Zealand Limited

	Unaudited 31-Dec 2016 \$	Audited 30-Jun 2016 \$
Downer New Zealand Limited - current account	6,672,097	7,226,626
Downer New Zealand Limited	200,000,000	200,000,000
	206,672,097	207,226,626

The Downer New Zealand Limited current account is unsecured and repayable on demand. Interest has been charged at an average of 1.9% (2015: 2.8%) 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 9 February 2018.

The interest rate is to be agreed in writing between the parties from time to time. 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 2015 to 15 June 2016 was 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 paid monthly in arrears.

C2. Contingent Liabilities

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

Notes to the Financial Statements

for the half-year ended 31 December 2016



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

D2. Net tangible assets per security

D3. Lease commitments

D1. Issued capital

	Unaudited 31-Dec 2016 \$	Audited 30-Jun 2016 \$
100 ordinary shares	100	100
200,000,000 ROADS	200,000,000	200,000,000
	200,000,100	200,000,100

The gross dividend rate from 15 June 2016 to the next reset date on 15 June 2017 is 6.29% per annum.

During the half-year to 31 December 2016, dividends paid, gross of imputation credits, totalled \$6.3 million (December 2015: \$7.2 million), being 3.145c per security (December 2015: 3.605c per security).

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

D2. Net tangible assets per security

	Unaudited 31-Dec 2016 \$	Audited 30-Jun 2016 \$
ROADS	1	1
Ordinary shares	2,059,220	2,057,262

D3. Lease commitments

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

Notes to the Financial Statements

for the half-year ended 31 December 2016



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. Financial instruments

E2. Financial instruments risk management

E1. Financial instruments

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

As at 31 December 2016, the carrying amounts and fair values of bank balances, advances, receivables, payables and accruals were the same.

E2. 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.

Credit risk management

The most significant concentration of credit risk of the Company as at 31 December 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.

Information for Investors

for the half-year ended 31 December 2016

Securities exchange listing

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

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.

Auditor

KPMG
18 Viaduct Harbour Ave
Auckland 1010
New Zealand

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.

Registered office

130 Kerrs Road, Wiri, Auckland, 2104

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