

Westpac Securities NZ Limited

Interim financial report

For the six months ended 31 March 2010

Westpac Securities NZ Limited

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This Interim financial report does not cover all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2009 and any public announcements made by Westpac Securities NZ Limited during the interim reporting period in accordance with any relevant continuous disclosure obligations.

The Interim financial report covers Westpac Securities NZ Limited (the "Company") as an individual entity.

The Company is limited by shares, incorporated and domiciled in New Zealand. Its registered office is:

Level 15
PwC Tower
188 Quay Street
Auckland

A description of the nature of the Company's operations and its principal activities is included in the Interim Management Report and Responsibility Statement on page 4.

The Directors of the Company at the date of this Interim financial report are:

Name	Principal activity outside the Company
Mariette Maria Bernadette van Ryn	General Manager, Regulatory Affairs, Customer Advocacy and General Counsel NZ, Westpac New Zealand Limited
Geoffrey Neville Martin	Senior Manager, Funding, Westpac New Zealand Limited
George Frazis	Chief Executive, Westpac New Zealand Limited
Richard Warren Jamieson	Chief Financial Officer, Westpac New Zealand Limited
Royce Noel Brennan	General Manager, Risk, BT Financial Group

The Interim financial report was authorised for issue by the Directors on 9 June 2010. The Company has the power to amend and reissue the Interim financial report.

Westpac Securities NZ Limited

Disclosure regarding forward-looking statements

This Interim financial report contains forward-looking statements which appear in a number of places and include statements regarding our intent, belief or current expectations with respect to the Company's business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. This Interim financial report uses words such as 'will', 'may', 'expect', 'intend', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', or other similar words to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on us will be those anticipated by management. Actual results may vary materially from those we expect, depending on the outcome of various factors. These factors include but are not limited to:

- The effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, particularly changes to liquidity and capital requirements arising in response to the global financial crisis;
- Continuing impacts of the global financial crisis, including volatile conditions in funding, equity and asset markets;
- Changes to the credit ratings of Westpac New Zealand Limited ("WNZL");
- Inflation, interest rate, exchange rate, market and monetary fluctuations;
- Market liquidity and investor confidence;
- Changes in consumer spending, saving and borrowing habits in New Zealand;
- The effects of competition in the geographic and business areas in which WNZL conducts its operations;
- The ability to maintain or to increase market share and control expenses;
- The timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- Technological changes and risks associated with changes to our technology systems;
- Demographic changes and changes in political, social or economic conditions in any of the major markets in which WNZL operates;
- Stability of New Zealand and international financial systems and disruptions to financial markets and any losses WNZL may experience as a result; and
- Various other factors beyond WNZL's control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made in this Interim financial report refer to the section on 'Principal risks and uncertainties' in the Interim Management Report. When relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and events.

The Company is under no obligation, and does not intend, to update any forward-looking statements contained in this Interim financial report, whether as a result of new information, future events or otherwise, after the date of this Interim financial report.

Westpac Securities NZ Limited

Interim Management Report and Responsibility Statement

Review and results of the Company's operations during the six months ended 31 March 2010

The principal activity of the Company (acting through its London branch) is to raise and manage offshore wholesale funding for WNZL, in respect of which entity the Company is a wholly owned, indirect subsidiary.

The profit after tax of the Company for the six months ended 31 March 2010 was \$1,284,000 compared with the profit after tax of \$1,207,000 for the six months ended 31 March 2009, an increase of 6%.

Interest income decreased by 38% to \$91,808,000 compared to the six months ended 31 March 2009. The \$55,632,000 decrease was due to a lower interest rate despite an increased funding base.

Interest expense decreased by 38% to \$90,180,000 compared to the six months ended 31 March 2009. The \$55,918,000 decrease was due to a lower interest rate despite an increased funding base.

Net interest income increased by 21% to \$1,628,000 compared to the six months ended 31 March 2009. The \$286,000 increase was due to an increase in the funding margin charged to WNZL.

Non-interest income decreased by 19% to \$700,000 compared to the six months ended 31 March 2009, which included additional income in relation to timing differences surrounding service fee income from the prior year.

Operating expenses increased by 4% to \$505,000.

Income tax expense of \$539,000 increased by 5% due to the increase in profit before tax for the six month period.

Total debt issues as at 31 March 2010 was \$14,578,179,000 which was an increase of \$4,410,070,000, or 43.4%, compared to \$10,168,109,000 as at 30 September 2009. This increase was due to a number of factors including increased term issuance guaranteed under the Crown Wholesale Funding Guarantee and lengthening of the Company's maturity profile.

For further information on the financial performance and position of WNZL, refer to its most recent General Disclosure Statement ("GDS") available on WNZL's website at www.westpac.co.nz.

Significant events during the six months ended 31 March 2010

Closing of Wholesale Crown Guarantee

On 1 November 2008, the New Zealand Government announced details of a wholesale funding guarantee facility to investment-grade financial institutions that have substantial New Zealand borrowing and lending operations (the "Facility"). The Crown entered into a Crown Wholesale Funding Guarantee Facility Deed with WNZL on 23 February 2009 and has provided a Crown Wholesale Funding Guarantee in respect of WNZL dated the same date. The Facility operated on an opt-in basis, by institution and by instrument. Wholesale funding liabilities of WNZL (which could include amounts guaranteed by WNZL) only have the benefit of the Facility where a Guarantee Eligibility Certificate has been issued in respect of those liabilities. Copies of the Guarantee Eligibility Certificates issued in respect of WNZL obligations are available on the New Zealand Treasury internet site. A guarantee fee is charged for each Guarantee Eligibility Certificate issued under the Facility, differentiated by the credit rating of the issuer of the relevant securities, the term of the security being guaranteed and, in the case of issues with terms of more than one year, between New Zealand dollar and non-New Zealand dollar issues. The maximum term of securities guaranteed is five years.

Subsequent to balance date, the Facility closed on 30 April 2010. From that time no new Guarantee Eligibility Certificates will be issued but existing guaranteed liabilities will not be affected.

Proposed transfer of additional banking functions to WNZL

Until 1 November 2006, Westpac Banking Corporation ("WBC") conducted its operations in New Zealand through a branch structure. On that date, and after extensive consultation with the Reserve Bank of New Zealand, WBC adopted a dual operating model including a locally incorporated subsidiary, WNZL, to conduct its consumer and business banking operations in New Zealand, and the WBC New Zealand Branch, to conduct its institutional and financial markets operations. The conditions of registration of each of WNZL and the WBC New Zealand Branch are consistent with these operating model arrangements.

In May 2009, the Reserve Bank of New Zealand, WNZL and the WBC New Zealand Branch agreed to an independent review of the structure of the operating model of WBC's business in New Zealand. This review was conducted under the well established processes and framework of section 95 of the Reserve Bank of New Zealand Act 1989.

The Reserve Bank of New Zealand, WNZL and WBC have now reached high level agreement on changes to the operating model. Under that agreement, the WBC New Zealand Branch will transfer the following additional business activities and associated employees to WNZL:

- institutional customer deposits;
- institutional customer transactional banking;
- institutional customer lending;
- debt capital markets (including customer loan syndication and securitisation arrangements, but excluding the debt securities team activities, such as arrangement of commercial paper and bond programmes); and
- corporate advisory.

While high level agreement has been reached on the operating model, agreement on the detail and implementation programme is also required and will be the subject of further consultation with the Reserve Bank of New Zealand.

As at 31 March 2010, business activities proposed to be transferred to WNZL include: customer loans of approximately \$7.0 billion, customer deposits of approximately \$4.4 billion, and term intra-group funding of approximately \$3.0 billion. In addition, for the six months ended 31 March 2010, it is estimated that the business activities to be transferred to WNZL had aggregate revenues of approximately \$90 million and aggregate net profit after tax of approximately \$50 million.

Following the transfer of these operations, WNZL is likely to have additional funding requirements, all or substantially all of which it expects to meet initially through intra-group borrowing, subject to applicable regulatory limitations.

Westpac Securities NZ Limited

Interim Management Report and Responsibility Statement (cont'd)

Under the proposed changes to the operating model, the WBC New Zealand Branch will retain its financial markets operations for external customers, including sales and trading of capital markets products and foreign exchange for corporate and institutional customers, pricing and risk management for interest rate, foreign exchange and commodity products for retail, business and institutional customers of WNZL, and trading of capital markets products and foreign exchange as principal. In addition, the WBC New Zealand Branch will retain its global intra-group financing functions.

In conjunction with the review and the proposed transfer of these business activities, WNZL has been reviewing its management and operational frameworks, including governance and risk management arrangements (such as board composition, board delegations, credit risk reporting and treasury risk reporting), financial and regulatory reporting processes, and settlement and payment systems and functions.

Implementation of the transfer is currently expected to be completed by the end of the 2011 calendar year.

Principal risks and uncertainties

The Company's business is subject to risks that can adversely impact its business, future performance and financial condition. As the Company is an indirect, wholly owned subsidiary of WNZL, it is consequently affected by the same principal risks and uncertainties which affect WNZL. The principal risks and uncertainties that affect WNZL are set forth below. There are no additional risk factors solely affecting the Company.

The principal risks and uncertainties described below are not the only ones the Company may face. Additional risks and uncertainties of which we may be unaware or that we currently deem to be immaterial, may also become important factors that affect us in the future. If any of the following risks actually occur, our business, results of operations or financial condition could be materially adversely affected.

WNZL's businesses are highly regulated and could be adversely affected by changes in regulations and regulatory policy

Compliance risk arises from the regulatory standards that apply to WNZL as a financial institution. WNZL is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including accounting standards) and industry codes of practice, as well as meeting its ethical standards. The nature and impact of future changes in such policies are not predictable and are beyond WNZL's control.

The recent global financial crisis is leading to changes in regulation in most markets in which WNZL operates, particularly for financial institutions. These changes may include changes in capital adequacy and liquidity. Other changes to prudential requirements, accounting and reporting requirements, tax legislation, regulation relating to remuneration, consumer protection legislation, or changes in the oversight approach of regulators may also occur. It is also possible that governments in jurisdictions in which WNZL does business or obtains funding might revise their application of existing regulatory policies that apply to, or impact, WNZL's business, including for reasons relating to national and systemic stability.

Changes in law, regulations or regulatory policy could adversely affect WNZL's business, including limiting its ability to do business, and could require it to incur substantial costs to comply or impact its capital and liquidity requirements. The failure to comply with applicable regulations could result in fines and penalties or limitations on WNZL's ability to do business. These costs, expenses and limitations could have a material adverse effect on WNZL's business, financial performance or financial condition.

Adverse credit and capital market conditions may significantly affect WNZL's ability to meet liquidity needs, adversely affect its access to domestic and international capital markets and increase its cost of funding

Global credit and capital markets have experienced extreme volatility, disruption and decreased liquidity in recent years. While some stability has returned to markets in the last six months, the environment remains volatile. WNZL relies on credit and capital markets to fund its business. As of 31 March 2010, approximately 42%¹ of WNZL Banking Group's total funding originated from domestic and international wholesale markets. As a result of the recent adverse global capital market conditions its funding costs have increased.

A shift in investment preferences of businesses and consumers away from bank deposits toward other asset or investment classes would increase WNZL's need for funding from wholesale markets.

The New Zealand Government withdrew its wholesale funding guarantee facility from 30 April 2010. Although WNZL had not utilised the guarantee for new long term funding since 12 February 2010, its continued access to the unguaranteed market is dependent on investor appetite. In addition, the implementation of proposed changes to the New Zealand operating model, including the transfer of certain assets and liabilities from the WBC New Zealand Branch to WNZL, will likely result in increased funding requirements for WNZL.

If WNZL's current sources of funding prove to be insufficient, it may be forced to seek alternative financing. The availability of such alternative financing, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, WNZL's credit ratings and credit capacity. Even if available, the cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect WNZL's results of operations, liquidity, capital resources and financial condition. There is no assurance that WNZL will be able to obtain funding at acceptable prices.

If WNZL is unable to source appropriate funding, it may be forced to reduce its lending or begin to sell liquid securities. Such actions would adversely impact its business, results of operations, liquidity, capital resources and financial condition.

¹ Comprised of wholesale funding net of liquid assets

Westpac Securities NZ Limited

Interim Management Report and Responsibility Statement (cont'd)

Failure to maintain credit ratings could adversely affect WNZL's cost of funds, liquidity, competitive position and access to capital markets

The credit ratings assigned to WNZL by rating agencies are based on an evaluation of a number of factors, including WNZL's financial strength. In light of the recent difficulties in the banking sector and financial markets, the rating agencies have indicated they are watching global developments closely and if conditions deteriorate further, they may adjust the ratings of some or all of the major New Zealand banks.

One rating agency has indicated they remain concerned about the level of wholesale funding of the major Australian banks and are waiting for new regulations to be clarified to determine any rating implications. Moody's has all the major Australian banks, including WNZL's ultimate holding company WBC, on a negative outlook. If the long-term issuer credit rating of WBC were to be downgraded, there would likely be a consequent negative impact on WNZL's long term issuer credit rating. A credit rating downgrade could also be driven by the occurrence of one or more of the other risks identified in this section or by other events.

If WNZL fails to maintain its current credit ratings, this would adversely affect its cost of funds and related margins, liquidity, competitive position and access to capital markets.

A systemic shock in relation to the New Zealand or global financial systems could have adverse consequences for WNZL that would be difficult to predict and respond to

In the current global economic environment, there is a risk that another major systemic shock could occur that causes a further adverse impact on the New Zealand or global financial systems. Such an event could have a material adverse effect on financial institutions such as WNZL, including the undermining of confidence in the financial systems, reducing liquidity and impairing access to funding. The nature and consequences of any such event are difficult to predict and there can be no guarantee that WNZL could respond effectively to any such event.

Declines in asset markets could adversely affect WNZL's operations or profitability

Declines in New Zealand and other global asset markets, including equity, property and other asset markets, could adversely affect WNZL's operations and profitability.

Declining asset prices could impact WNZL's asset holdings. Declining asset prices may also impact customers and the value of security WNZL holds against loans which may impact its ability to recover amounts owing to it if customers were to default. It also affects WNZL's level of provisioning which in turn impacts on profitability.

WNZL's business is substantially dependent on the New Zealand economy and it can give no assurance as to the likely future state of such economy

WNZL's revenues and earnings are dependent on economic activity and the level of financial services its customers require. In particular, lending is dependent on customer confidence, economic activity, the state of the home lending market and prevailing market interest rates in New Zealand.

WNZL currently conducts substantially all of its business in New Zealand and, consequently, its performance is influenced by the level and cyclical nature of business and home lending in New Zealand. These factors are in turn impacted by both domestic and international economic and political events. The global financial crisis adversely impacted global economic activity which in turn, impacted the New Zealand economy. This has led to a slowdown in credit growth and an increase in impaired assets. While activity has improved there is the risk of further declines in economic activity, or recession, in international economies which could affect WNZL's financial performance if it operates in those regions or could lead to a similar effect in New Zealand. Should this occur, WNZL's results of operations, liquidity, capital resources and financial condition could be adversely affected. The economic conditions of Australia can also affect its future performance.

An increase in defaults under WNZL's loan portfolio could adversely affect its results of operations, liquidity, capital resources and financial condition

Credit risk is a significant risk and arises primarily from WNZL's lending activities. The risk arises from the likelihood that some customers will be unable to honour their obligations to WNZL, including the repayment of loans and interest. Credit exposures also include WNZL's dealings with, and holdings of, debt securities issued by other banks and financial institutions whose conditions may be impacted to varying degrees by recent turmoil in the global financial markets.

WNZL holds collective and individually assessed provisions for impaired assets. As a result of the recent market and economic conditions, WNZL has increased its impairment provisions and, if economic conditions deteriorate, some customers could experience higher levels of financial stress and WNZL may experience a significant increase in defaults and write-offs, and be required to increase its provisioning. Such actions would diminish available capital and would adversely affect WNZL's results of operations, liquidity, capital resources and financial condition.

The withdrawal of the actions implemented by the New Zealand, Australian, United States and other foreign governments and other governmental and regulatory bodies to stabilise financial markets could lead to a recurrence of instability in financial markets, which may adversely affect WNZL's business

In response to the global financial crisis stabilising actions were taken by governments and regulatory bodies in New Zealand, Australia, the United States, the United Kingdom, Europe and other jurisdictions. These governments have begun to withdraw these measures.

There can be no assurance as to what effect the withdrawal or modification of stabilising actions will have on financial markets, consumer and investor confidence, or the levels of volatility in financial markets.

In the event of renewed economic deterioration there is no guarantee that governments and regulatory bodies would seek to, or be successful in, stabilising financial markets. Further declines in consumer and investor confidence and continued uncertainty and volatility could materially adversely affect WNZL's business, financial condition and results of operations.

Westpac Securities NZ Limited

Interim Management Report and Responsibility Statement (cont'd)

WNZL faces intense competition in all aspects of its business

WNZL competes domestically with retail and commercial banks, non-bank mortgage brokers, private banking firms and other investment service firms. In addition, the trend toward consolidation in the global financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power.

If WNZL is unable to compete effectively in its various businesses and markets, its business, results of operations and financial condition would be adversely affected.

WNZL could suffer losses due to market volatility

WNZL is exposed to market risk due to volatility of interest rates, foreign exchange rates, commodity prices, credit prices and equity prices. Structural interest rate risk (WNZL's most significant market risk) may arise from lending and deposit taking activities in the normal course of business and through investment of capital, and other non-interest bearing liabilities. If WNZL was to suffer substantial losses due to any market volatility it would adversely affect its results of operations, liquidity, capital resources and financial condition.

The proposed transfer to WNZL of additional banking operations is a complex process and involves operational challenges that could adversely affect WNZL's business, results of operations or financial condition

The proposed transfer to WNZL of certain institutional banking activities currently conducted by WBC's New Zealand branch involves operational risks. These risks include: difficulties or unexpected costs relating to the restructuring and realigning, where required, of technology, financial and accounting systems, and risk and other management systems; difficulties or unexpected costs in realising synergies from the consolidation of some functions within WNZL; higher than expected levels of customer attrition or market share loss arising as a result of the transfer of the deposit-taking functions from WBC's New Zealand Branch to WNZL; unexpected losses of key personnel during or following implementation of changes; possible decrease in employee morale; and potential damage to the reputation of brands due to possible actions from competitors or the media.

In addition, senior management of WNZL and the businesses to be transferred will be required to devote significant time and attention to the process of implementing the transfer and the integration of the business to be transferred, which may decrease the time they have to manage both its existing businesses and the transferred businesses.

If any of these risks should occur, or if there are unexpected delays or difficulties in the implementation process, WNZL's ability to integrate the operations to be transferred to it with WNZL's existing businesses may be impaired, which could have an adverse effect on WNZL's results of operations or financial condition.

The proposed transfer to WNZL of additional banking operations, presently conducted by WBC's New Zealand Branch involves financial risks that could adversely affect WNZL's business, results of operations or financial condition

The financial risks include exposure to credit losses of larger commitments and the requirement for additional capital to facilitate the businesses to be transferred. As at 31 March 2010, the institutional loan portfolio to be transferred to WNZL amounted to approximately NZ\$7.0 billion. During the financial year ended 30 September 2009 and the six months ended 31 March 2010, the institutional loan portfolio incurred impairments of NZ\$70 million and NZ\$12 million respectively. Consequently, following the transfer, WNZL could incur substantially higher impairment charges, particularly in difficult economic environments, than it had in the past with respect to its existing retail and small to medium business lending operations. Such charges could materially adversely affect WNZL's profitability, reduce its capital, impair its access to external funding and require it to raise additional equity.

WNZL is likely to have additional funding requirements as a result of the proposed transfer to WNZL of additional banking operations. Although it is likely that a substantial portion of these increased funding requirements will be met initially through intra-group borrowing, WNZL's ability to obtain funding from WBC, or in reliance upon WBC credit, is subject to regulatory limitations under applicable banking regulations. There is no assurance that WNZL will be able to fund any additional needs from external sources, in the wholesale markets, at rates comparable to its current external borrowing rates or on similar terms and conditions or at all. If WNZL's funding costs increase, it may adversely affect its profitability, and if it cannot obtain sufficient funding, it may not be able to grow its business, it may have decreased liquidity and it may not be able to repay its liabilities as they become due.

WNZL could suffer losses due to operational risks or environmental factors

WNZL is exposed to a variety of other risks including those resulting from process error, fraud, information technology instability and failure, system failure, security and physical protection, customer services, staff competence, external events (including fire, flood, earthquake or pandemic) that cause material damage, impact on its operations or adversely affect demand for its products and services, and product development and maintenance. Operational risks can directly impact WNZL's reputation and result in financial losses which would adversely affect its financial performance or financial condition.

In addition WNZL and its customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change in any of these locations has the potential to disrupt business activities or affect the value of assets held in the affected locations.

Westpac Securities NZ Limited

Interim Management Report and Responsibility Statement (cont'd)

Technology

WNZL's ability to develop and deliver products and services to its customers is dependent upon technology that requires periodic renewal. WNZL is constantly managing technology projects including projects to consolidate duplicate technology platforms, simplify and enhance its technology and operations environments, improve productivity and provide for a better customer experience. Failure to implement these projects effectively could result in cost overruns, operational instability, or operating technology that could place WNZL at a competitive disadvantage and may adversely affect its results of operations.

Reputational damage could harm WNZL's business and prospects

Various issues may give rise to reputational risk and cause harm to WNZL's business and prospects. These issues include appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering laws, trade sanctions legislation, privacy laws, information security policies, sales and trading practices and conduct by companies in which WNZL holds strategic investments. Failure to address these issues appropriately could also give rise to additional legal risk, subject WNZL to regulatory enforcement actions, fines and penalties, or harm its reputation among its customers and investors in the marketplace.

Other risks

Other risks that can adversely impact WNZL's performance and its financial position include insurance risk, model risk, business risk and contagion risk.

Responsibility Statement

The Directors of Westpac Securities NZ Limited confirm that to the best of their knowledge:

1. the condensed set of financial statements have been prepared in accordance with NZ IAS 34 'Interim Financial Reporting' and also complies with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board; and
2. the Interim Management Report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7R of the United Kingdom Financial Services Authority.

Westpac Securities NZ Limited

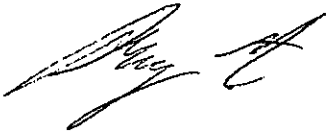
Directors' statement

Each Director of the Company believes, after due enquiry that, as at the date on which this set of financial statements is signed:

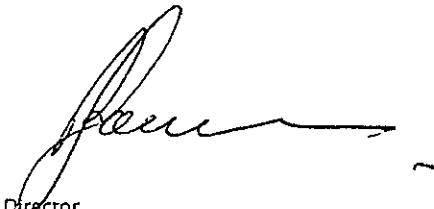
- (i) the financial statements and notes set out on pages 10 to 16 give a true and fair view of Westpac Securities NZ Limited's financial position as at 31 March 2010;
- (ii) proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position and financial performance of the Company and facilitate compliance of the financial statements and notes set out on pages 10 to 16 with the Financial Reporting Act 1993; and
- (iii) there are reasonable grounds to believe that Westpac Securities NZ Limited will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Directors.

This Directors' Statement has been signed by two of the Directors:



Director



Director
Auckland
9 June 2010

Westpac Securities NZ Limited

Interim Financial Report

Statement of comprehensive income

for the periods ended

	Six months ended 31 March 2010 Unaudited \$'000	Six months ended 31 March 2009 Unaudited \$'000	Year ended 30 September 2009 Audited \$'000
Interest income	91,808	147,440	235,675
Interest expense	(90,180)	(146,098)	(234,266)
Net interest income	1,628	1,342	1,409
Non-interest income:			
Fees and commissions	700	862	2,062
Total non-interest income	700	862	2,062
Net operating income	2,328	2,204	3,471
Operating expenses	(505)	(486)	(947)
Profit before income tax	1,823	1,718	2,524
Income tax expense	(539)	(511)	(757)
Profit after income tax for the period	1,284	1,207	1,767
Total comprehensive income for the period			
Attributable to:			
Owners of the Company	1,284	1,207	1,767
Total comprehensive income for the period	1,284	1,207	1,767

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Westpac Securities NZ Limited

Interim Financial Report

Statement of changes in equity

for the periods ended

	Six months ended 31 March 2010 Unaudited \$'000	Six months ended 31 March 2009 Unaudited \$'000	Year ended 30 September 2009 Audited \$'000
Total equity at beginning of the period	5,448	3,681	3,681
Profit after income tax for the period	1,284	1,207	1,767
Total comprehensive income for the period	1,284	1,207	1,767
Share capital issued	-	551	551
Dividends paid	-	(551)	(551)
Total equity at end of the period	6,732	4,888	5,448

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Westpac Securities NZ Limited

Interim Financial Report

Balance sheet

as at

	Note	31 March 2010 Unaudited \$'000	31 March 2009 Unaudited \$'000	30 September 2009 Audited \$'000
Assets				
Cash and cash equivalents		3,884	1,306	1,407
Trade and other receivables			127	-
Due from related entities		14,616,478	9,831,836	10,279,115
Deferred tax assets		2,235	1,495	2,026
Total assets		14,622,597	9,834,764	10,282,548
Liabilities				
Debt issues	2	14,578,179	9,739,039	10,168,109
Current tax liabilities		1,079	1,376	540
Other liabilities		33,921	24,316	43,685
Due to related entities		2,686	65,145	64,766
Total liabilities		14,615,865	9,829,876	10,277,100
Net assets		6,732	4,888	5,448
Equity				
Share capital		651	651	651
Retained earnings		6,081	4,237	4,797
Total equity attributable to owners of the company		6,732	4,888	5,448

The above balance sheet should be read in conjunction with the accompanying notes.

Westpac Securities NZ Limited

Interim Financial Report

Statement of cash flows

for the periods ended

	Six months ended 31 March 2010 Unaudited \$'000	Six months ended 31 March 2009 Unaudited \$'000	Year ended 30 September 2009 Audited \$'000
Cash flows from operating activities			
Interest received	102,752	224,885	288,514
Interest paid	(102,625)	(221,441)	(290,232)
Management fees received - related entities	700	862	1,458
Income taxes paid	(209)	(1,023)	(2,636)
Management fees paid - related entities	(329)	(331)	(535)
Operating expenses paid	(176)	92	(273)
Net cash inflow/(outflow) from operating activities	113	3,044	(3,704)
Cash flows from investing activities			
Net (increase)/decrease in due from related entities	(4,348,307)	148,576	(273,375)
Net cash (outflow)/inflow from investing activities	(4,348,307)	148,576	(273,375)
Cash flows from financing activities			
Net decrease in due to related entities	(59,399)	(371,238)	(371,508)
Net proceeds from debt issues	4,410,070	219,022	648,092
Net cash inflow/(outflow) from financing activities	4,350,671	(152,216)	276,584
Net increase/(decrease) in cash and cash equivalents	2,477	(596)	(495)
Cash and cash equivalents at beginning of the period	1,407	1,902	1,902
Cash and cash equivalents at end of the period	3,884	1,306	1,407
Cash and cash equivalents comprise:			
Cash and cash equivalents	3,884	1,306	1,407
Cash and cash equivalents at end of the period	3,884	1,306	1,407

	Six months ended 31 March 2010 Unaudited \$'000	Six months ended 31 March 2009 Unaudited \$'000	Year ended 30 September 2009 Audited \$'000
Reconciliation of profit after income tax to net cash flow from operating activities:			
Profit after income tax attributable to the shareholders of the Company	1,284	1,207	1,767
<i>Adjustments:</i>			
Movement in accrued assets	10,944	77,445	52,839
Movement in trade and other receivables	-	247	(604)
Movement in other liabilities	(12,445)	(75,343)	(55,827)
Movement in deferred tax assets and current tax liabilities	330	(512)	(1,879)
Net cash inflow/(outflow) from operating activities	113	3,044	(3,704)

The above cash flow statement should be read in conjunction with the accompanying notes.

Westpac Securities NZ Limited

Notes to the financial statements

Note 1. Basis of preparation of six month report

This Interim financial report has been prepared and presented in accordance with the Financial Reporting Act 1993 (New Zealand) and the Companies Act 1993 (New Zealand). It has been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purpose of complying with NZ GAAP, the Company is a profit-oriented entity. The Interim financial report complies with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

This Interim financial report also complies with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

This Interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this Interim financial report is to be read in conjunction with the annual financial statements for the year ended 30 September 2009 and any relevant public announcements made by Westpac Securities NZ Limited during the interim reporting period.

The accounting policies and methods of computation adopted in this Interim financial report are consistent with those of the previous financial year and corresponding interim reporting period.

Amounts in this Interim financial report are presented in New Zealand Dollars and have been rounded to the nearest thousand.

The Company's operations are not subject to seasonality.

Changes in accounting policies

As a result of the new and revised accounting standards which become operative for the annual reporting period commencing 1 October 2009, the following standards, interpretations and amendments have been adopted in the 2010 financial year.

- NZ IAS 1 *Presentation of Financial Statements* (revised) - The amendments affect the presentation of owner changes in equity and of comprehensive income, but do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.
- NZ IFRS 7 *Financial Instruments: Disclosures* - The amendments require additional disclosures on fair value and liquidity risk.
- NZ IFRS 8 *Operating Segments* - Further aligns external operating segment reporting with internal reporting to key management personnel.
- NZ IFRS 3 *Business Combinations* and amended NZ IAS 27 *Consolidated and Separate Financial Statements* - The main changes under these standards which apply prospectively to business combinations are that:
 - acquisition related costs are recognised as an expense in the statement of comprehensive income in the period they are incurred;
 - earn-outs and contingent considerations will be measured at fair value at the acquisition date, however, remeasurement in the future will be recognised in the statement of comprehensive income;
 - step acquisitions, impacting equity interests held prior to control being obtained, are remeasured to fair value, with gains and losses being recognised in the statement of comprehensive income. Similarly where control is lost, any difference between the fair value of the residual holding and its carrying value is recognised in the statement of comprehensive income; and
 - while control is retained, transactions with minority interests would be treated as equity transactions.

Future accounting developments

The following new standards, interpretations and amendments have been issued, but are not yet effective and have not been early adopted by the Company:

- NZ IFRS 9 *Financial Instruments: Classification and Measurement* - If this standard is not early adopted it will be effective for the 30 September 2014 financial year end. The major changes under the standard are that:
 - NZ IFRS 9 replaces the multiple classification and measurement models in NZ IAS 39 *Financial Instruments: Recognition and Measurement* with a single model that has two classification categories: amortised cost and fair value;
 - a financial asset is measured at amortised cost if two criteria are met: a) the objective of the business model is to hold the financial assets for the collection of the contractual cash flows; and b) the contractual cash flows under the instrument solely represent the payment of principal and interest;
 - if a financial asset is eligible for amortised cost measurement, an entity can elect to measure it at fair value if it eliminates or significantly reduces an accounting mismatch;
 - there will be no bifurcation of an embedded derivative where the host is a financial asset;
 - equity instruments must be measured at fair value however, an entity can elect on initial recognition to present the fair value changes on an equity investment directly in other comprehensive income. There is no subsequent recycling of fair value gains and losses to profit or loss, however, dividends from such investments will continue to be recognised in profit and loss; and
 - if an entity holds a tranche in a waterfall structure it must determine the classification of that tranche by looking through to the assets ultimately underlying that portfolio and assess the credit quality of the tranche compared with the underlying portfolio. If an entity is unable to look through, then the tranche must be measured at fair value.
- NZ IAS 1 *Presentation of Financial Statements* - The amendments to the standard were issued in April 2009 and are applicable to the Company in the 2011 financial year. The amendments clarify that the terms of a liability, which could be settled at any time by the issuance of equity instruments at the option of the counterparty, do not affect its classification.

Westpac Securities NZ Limited

Notes to the financial statements (cont'd)

Note 1. Basis of preparation of six month report (cont'd)

- NZ IAS 7 *Statement of Cash Flows* - Amendments to the standard were issued in April 2009 and are applicable to the Company in the 2011 financial year. The amendments clarify that only expenditure which results in a recognised asset can be classified as cash flow from investing activities.
- NZ IAS 24 *Related Party Disclosures* - The revised standard was approved in November 2009 and is applicable to the Company in the 2012 financial year. The main changes to the standard simplify the definition of a related party and clarify its intended meaning.
- NZ IAS 32 *Financial Instruments: Presentation* - Amendments to the standard were issued in October 2009 and are applicable to the Company in the 2011 financial year. The amendments clarify the classification of rights issues.

Note 2. Debt Issues

	As at 31 March 2010 Unaudited \$'000	As at 31 March 2009 Unaudited \$'000	As at 30 September 2009 Audited \$'000
Short term debt			
US commercial paper	7,076,306	2,858,120	5,334,558
Euro commercial paper	1,201,870	4,732,939	691,971
Total short term debt	8,278,176	7,591,059	6,026,529
Long term debt			
Euro medium term notes	6,300,003	2,147,980	4,141,580
Total long term debt	6,300,003	2,147,980	4,141,580
Total debt issues	14,578,179	9,739,039	10,168,109
Opening balance	10,168,109	9,520,017	9,520,017
New deals	14,327,262	11,989,105	27,677,339
FX revaluation movements	1,386,930	686,037	(870,526)
Matured deals	(11,304,122)	(12,456,120)	(26,158,721)
Closing balance	14,578,179	9,739,039	10,168,109
Government guaranteed debt¹			
Between two and five years	3,579,197	-	3,456,260
Total government guaranteed debt	3,579,197	-	3,456,260
Non government guaranteed, but secured debt²	10,998,982	9,739,039	6,711,849
Total debt issues	14,578,179	9,739,039	10,168,109
Debt issues measured at amortised cost	6,300,003	-	4,085,641
Debt issues measured at fair value	8,278,176	9,739,039	6,082,468
Total debt issues	14,578,179	9,739,039	10,168,109

1. The Company has elected to issue certain debt securities under the Crown Wholesale Funding Guarantee facility provided by the New Zealand government. This facility guarantees WNZL's payment obligations in respect of principal and interest as guarantor of the Company's debt. The guarantee fees were borne by WNZL.

2. The Company is an indirect, wholly owned subsidiary of WNZL and all of its debt issues are guaranteed by WNZL.

Certain comparative numbers of the Company have been reclassified to align the presentation with that of the current period.

Note 3. Related entities

Nature of transactions

Loan finance, current account banking facilities and other financial products are provided by WNZL and the Westpac Banking Corporation (WBC) London branch to the Company on normal commercial terms.

Within operating expenses, are reimbursements of related entity expenses of \$328,900 (six months ended 31 March 2009: \$331,000 and the year ended 30 September 2009: \$674,000) which are paid to WNZL and WBC for certain operating services received by the Company.

The Company provides offshore wholesale funding to WNZL. Contained within interest income is a funding margin of \$1,798,429 (six months ended 31 March 2009: \$1,259,000 and at 30 September 2009: \$2,594,000) which are paid to the Company by WNZL for these services.

Non-interest income comprises service fees of \$700,000 (six months ended 31 March 2009: \$862,000 and at 30 September 2009: \$2,062,000) which were charged to WNZL to recover operating expenses incurred by the Company.

WNZL guarantees all payment obligations in respect of notes, bonds and commercial paper issued by the Company.

The government guarantee fees for the current year have been borne by WNZL.

Transactions and balances with related entities are disclosed separately in these financial statements.

Revenue and expenses in relation to these related parties are arranged on an arm's length basis. Amounts owing to and by related parties are normally settled within 90 days.

Westpac Securities NZ Limited

Notes to the financial statements (cont'd)

Note 4. Commitments and contingencies

Capital expenditure commitments

There were no capital expenditure commitments as at 31 March 2010 (six months ended 31 March 2009: nil and at 30 September 2009: nil).

Operating lease commitments

There were no operating lease commitments as at 31 March 2010 (six months ended 31 March 2009: nil and at 30 September 2009: nil).

Contingent Liabilities

The Company has no contingent liabilities as at 31 March 2010 (six months ended 31 March 2009: nil and at 30 September 2009: nil).

Note 5. Segment information

Operating segments are reported to the chief operating decision maker in a manner consistent with the financial statements disclosed in this Interim financial report. For this reason, no additional operating segment disclosure is made.

The Company has determined that the WNZL executive team is its chief operating decision maker (i.e. the person or group that allocates resources to and assesses the performance of the operating segments of an entity).

Note 6. Events occurring after reporting date

Subsequent to balance date, the New Zealand Government closed the wholesale funding guarantee facility available to investment-grade financial institutions that have substantial New Zealand borrowing and lending. The Facility closed on 30 April 2010 and from that time no new Guarantee Eligibility Certificates will be issued but existing guaranteed liabilities will not be affected.

Subsequent to balance date, the New Zealand Government announced a reduction to the company tax rate from 30% to 28% effective from 1 April 2011. The Company has reviewed the carrying value of its deferred tax assets in light of the recent announcement. The announcement does not constitute an adjusting event and the Company's review concluded that the impact of these changes is not material.

Other than the matters discussed above, the Directors are not aware of any other significant events since the reporting date.

Auditors' Review Report

To the shareholders of Westpac Securities NZ Limited

We have reviewed the interim condensed financial statements ("financial statements") on pages 10 to 16. The financial statements provide information about the past financial performance and cash flows of the Company for the six months ended 31 March 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 14.

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in a 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 and the Company's shareholders as a body, for our review procedures, for this report, or for the opinions we have formed.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company as at 31 March 2010 and its financial performance and cash flows for the six months ended on that date.

Reviewers' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Company for the six months ended 31 March 2010 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company other than in our capacities as accountants conducting this review and providers of other assurance services.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Company as at 31 March 2010 and its financial performance and cash flows for the six months ended on that date.

Our review was completed on 9 June 2010 and our review opinion is expressed as at that date.



Chartered Accountants

Auckland