Westpac Securities NZ Limited

Interim financial report

For the six months ended 31 March 2014

Westpac Securities NZ Limited

Contents

The interim financial report does not set out all of 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 2013 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:

Westpac on Takutai Square
16 Takutai Square
Auckland

A description of the nature of the Company's operations and its principal activities is included in the interim management report on page 3.

The members of the Board of Directors of the Company ('**Board**') at the date of these financial statements are:

Name	**Principal activity outside the Company**
Peter Graham Clare	Chief Executive, Westpac New Zealand Limited ('**WNZL**')
Leigh James Bartlett	Chief Financial Officer, WNZL
Mariette Maria Bernadette van Ryn	General Manager, Regulatory Affairs, Corporate Services & General Counsel NZ, WNZL
William David Malcolm	Chief Risk Officer, WNZL

The interim financial report was authorised for issue by the Directors on [19 May] 2014. The Board has the power to amend and reissue the interim financial report.

Disclosure regarding forward-looking statements

These interim financial statements contain statements that constitute "forward-looking statements" within the meaning of section 21E of the United States Securities Exchange Act 1934.

Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in these interim financial statements and include statements regarding the Company's 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. We use words such as "will", "may", "expect", "intend", "seek", "would", "should", "could", "continue", "plan", "estimate", "anticipate", "believe", "probability", "risk", or other similar words to identify forward-looking statements. These forward looking statements reflect the Company's current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond the Company's control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon the Company. There can be no assurance that future developments will be in accordance with the Company's expectations or that the effect of future developments on the Company will be those anticipated. Actual results could differ materially from those which the Company expects, depending on the outcome of various factors including but not limited to:

- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, particularly changes to liquidity, leverage and capital requirements;
- the stability of New Zealand, Australian and international financial systems and disruptions to financial markets and any losses or business impacts WNZL, its customers or counterparties may experience as a result;
- market volatility, including uncertain conditions in funding, equity and asset markets;
- adverse asset, credit or capital market conditions;
- changes to the credit ratings of WNZL or Westpac Banking Corporation ('**WBC**');
- levels of inflation, interest rates, exchange rates and market and monetary fluctuations;
- market liquidity and investor confidence;
- changes in economic conditions, consumer spending, saving and borrowing habits in New Zealand and in other countries in which WNZL or its customers or counterparties conduct their operations and WNZL's ability to maintain or to increase market share and control expenses;
- the effects of competition in the geographic and business areas in which WNZL conducts its operations;
- reliability and security of WNZL's technology and risks associated with changes to technology systems;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by customers;
- the effectiveness of WNZL's risk management policies, including its internal processes, systems and employees;
- the incidence or severity of WNZL insured events;
- the occurrence of environmental change or external events in countries in which WNZL or its customers or counterparties conduct their operations;
- internal and external events which may adversely impact WNZL's reputation;
- changes to the value of WNZL's assets;
- changes in political, social or economic conditions in any of the major markets in which WNZL or its customers or counterparties operate;
- the success of strategic decisions involving business expansion and integration of new businesses; and
- various other factors beyond WNZL's and the Company's control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made in these interim financial statements refer to the section on 'Principal risks and uncertainties' in the Interim Management Report and Responsibility statement. 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 to update any forward-looking statements contained in these interim financial statements, whether as a result of new information, future events or otherwise, after the date of these interim financial statements.

Information contained in or accessible through the websites mentioned in these interim financial statements does not form part of these interim financial statements unless we specifically state that it is incorporated by reference and forms part of these interim financial statements. All references in these interim financial statements to websites are inactive textual references and are for information only.

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Review and results of the Company's operations during the six months ended 31 March 2014

The principal activity of the Company (acting through its London branch) is to raise and manage offshore wholesale funding for WNZL.

The profit after income tax expense of the Company for the six months ended 31 March 2014 was $1,156,000 compared with the profit after tax of $1,241,000 for the six months ended 31 March 2013, a decrease of 7%.

Interest income decreased by 10% to $92,056,000 compared to the six months ended 31 March 2013. The $10,700,000 decrease was in line with the decrease in interest expense and a result of WNZL's decreased demand for overseas wholesale funding.

Interest expense decreased by 10% to $90,482,000 compared to the six months ended 31 March 2013. The $10,592,000 decrease was in line with the decrease in interest income and a result of WNZL's decreased demand for overseas wholesale funding.

Net interest income decreased by 6% to $1,574,000 compared to the six months ended 31 March 2013.

Non-interest income remained unchanged at $471,000 compared to six months ended 31 March 2013.

Operating expenses increased by 1% to $439,000 compared to the six months ended 31 March 2013.

Income tax expense of $450,000 decreased by 6% due to the decrease in profit before income tax expense for the six month period.

Total debt issues as at 31 March 2014 was $8,389,235,000 which was an increase of $672,086,000, or 9%, compared to $7,717,149,000 as at 30 September 2013. This increase was due to an issue of non-domestic medium-term notes in the six months ended 31 March 2014.

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

Significant events during the six months ended 31 March 2014

There were no significant events during the six months ended 31 March 2014.

Principal risks and uncertainties

The Company's business is subject to risks that can adversely impact its business, results of operations, financial condition and future performance. 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 material risk factors solely affecting the Company. If any of the following risks occur, the Company's business, results of operations, financial condition or future performance could be materially adversely affected, with the result that the trading price of the Company's securities could decline and as a security holder you could lose all, or part, of your investment. You should carefully consider the risks described and the other information in this interim financial report before investing in the Company's securities. The risks and uncertainties described below are not the only ones the Company may face. Additional risks and uncertainties of which we are unaware or that we currently deem to be immaterial, may also become important factors that affect the Company.

WNZL's businesses are highly regulated and WNZL could be adversely affected by failing to comply with existing laws and regulations or by changes in laws and regulations and regulatory policy

As a financial institution, WNZL is subject to detailed laws and regulations in each of the jurisdictions in which it operates or obtains funding including New Zealand, the United Kingdom, Switzerland and the United States. It is also supervised by a number of different regulatory and supervisory authorities which have broad administrative power over its businesses. The Reserve Bank of New Zealand ('**RBNZ**') and the Financial Markets Authority have supervisory oversight of WNZL's operations. In other jurisdictions in which WNZL operates, including the United Kingdom, Switzerland and the United States, WNZL is also required to comply with relevant requirements of the local regulatory bodies.

WNZL is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including accounting standards) and industry codes of practice in the jurisdictions in which it operates or obtains funding, as well as meeting its ethical standards.

Compliance risk arises from these legal and regulatory requirements. If WNZL fails to comply, it may be subject to fines, penalties or restrictions on its ability to do business. An example of the broad administrative power available to regulatory authorities is the power available to the RBNZ in certain circumstances to investigate WNZL's affairs, issue a direction to WNZL (such as a direction to cease to carry on all or part of its business, consult with the RBNZ or take any action as directed to address a breach of its conditions of registration), or remove a director. Any such costs and restrictions could adversely affect WNZL's business, reputation, prospects, financial performance or financial condition.

As with other financial services providers, WNZL faces increasing supervision and regulation in most of the jurisdictions in which it operates or obtains funding, particularly in the areas of funding, liquidity, capital adequacy, conduct, prudential regulation and anti-money laundering and counter-terrorism financing. In December 2010 the Basel Committee on Banking Supervision announced a revised global regulatory framework, known as Basel III. Basel III, among other things, increases the required quality and quantity of capital held by banks and introduces new standards for the management of liquidity risk. The Basel III framework came into effect on 1 January 2013, subject to various transitional arrangements.

There are also a series of other regulatory releases from authorities in the various jurisdictions in which WNZL operates or obtains funding proposing significant regulatory change for financial institutions. This includes global OTC derivatives reform as well as the US Dodd-Frank legislation including the Volcker Rule promulgated thereunder which is designed to reform the entire system for the supervision and regulation of financial firms that operate in or have a connection with the US, including foreign banks like WNZL. There is also the Reserve Bank of New Zealand (Covered Bonds) Amendment Act 2013 (which implements a legislative framework for covered bonds) and the Financial Markets Conduct Act 2013 (which will replace the New Zealand Securities Act). Open Bank Resolution has now been implemented as new conditions of registration and took effect on 30 June 2013. New anti-money laundering legislation came into full effect on 30 June 2013 and the Credit Contracts and Financial Services Law Reform Bill is currently before Parliament and had its second reading in April 2014. Other areas of

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proposed or potential change that could impact WNZL include changes to accounting and reporting requirements, tax legislation, regulation relating to remuneration, consumer protection and competition legislation, bribery, privacy and data protection, and counter-terrorism financing laws. In addition, further changes may occur driven by policy, prudential or political factors.

Regulation is becoming increasingly extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. This may result in conflicts with specific requirements of the jurisdictions in which WNZL operates and, in addition, such changes may be inconsistently introduced across jurisdictions.

Changes may also occur in the oversight approach of regulators. It is possible that governments in the jurisdictions in which WNZL or the Company operates or obtains funding might revise their application of existing regulatory policies that apply to, or impact, WNZL's or the Company's business, including for reasons relating to national interest and/or systemic stability.

Regulatory changes and the timing of their introduction continue to evolve and WNZL currently manages its businesses in the context of regulatory uncertainty. The nature and impact of future changes are not predictable and are beyond WNZL's control. Regulatory compliance and the management of regulatory change is an increasingly important part of WNZL's strategic planning. WNZL expects that it will be required to continue to invest significantly in compliance and the management and implementation of regulatory change and, at the same time, significant management attention and resources will be required to update existing or implement new processes to comply with the new regulations.

Regulatory changes may also impact WNZL's operations by requiring it to have increased levels of liquidity and higher levels of, and better quality, capital as well as place restrictions on the businesses it conducts, require WNZL to amend its structure or require WNZL to alter its product and service offerings. If regulatory change has any such effect, it could adversely affect one or more of WNZL's businesses, restrict its flexibility, require it to incur substantial costs and impact the profitability of one or more of its business lines. Any such costs or restrictions could adversely affect WNZL's business, prospects, financial performance or financial condition.

Adverse credit and capital market conditions may significantly affect WNZL's ability to meet funding and liquidity needs and may increase its cost of funding

WNZL relies on credit and capital markets to fund its business and as a source of liquidity. WNZL's liquidity and costs of obtaining funding are related to credit and capital market conditions.

Global credit and capital markets have experienced extreme volatility, disruption and decreased liquidity in recent years. While there have been periods of stability in these markets, the environment has become more volatile and unpredictable. This has been exacerbated by the potential for sovereign debt defaults and/or banking failures which has contributed to volatility in stock prices and in credit spreads. The main risks WNZL faces are damage to market confidence, changes to the access to, and cost of, funding and a slowing in global activity or through other impacts on entities with whom WNZL does business.

As of 31 March 2014, approximately 21% of WNZL's total net funding originated from domestic and international wholesale markets (30 September 2013: 21%). Of this around 63% was sourced outside New Zealand (30 September 2013: 60%).

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 relatively less stable or more expensive forms of funding. If market conditions deteriorate due to economic, financial, political or other reasons, WNZL's funding costs may be adversely affected and its liquidity and its funding and lending activities may be constrained. 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 market 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 adequate funding and do so at acceptable prices, or that it will be able to recover any additional costs.

If WNZL is unable to source appropriate funding, it may also be forced to reduce its lending or begin selling liquid securities or WNZL may be unable to pay its debts. Such actions may adversely impact WNZL's business, prospects, liquidity, capital resources, financial performance or financial condition.

WNZL enters into collateralised derivative obligations which may require it to post additional collateral based on movements in market rates, which have the potential to adversely affect WNZL's liquidity.

Sovereign risk may destabilise financial markets adversely

Sovereign risk is the risk that foreign governments will default on their debt obligations, increase borrowings as and when required, be unable to refinance their debts as they fall due or nationalise participants in the economy. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the global financial crisis. Such an event could destabilise global financial markets adversely affecting WNZL's liquidity, financial performance or financial condition.

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

Credit ratings are independent opinions on WNZL's creditworthiness. WNZL's credit ratings affect the cost and availability of funding from capital markets and other funding sources and they may be important to customers or counterparties when evaluating WNZL's products and services. Therefore, maintaining high quality credit ratings is important.

The credit ratings assigned to WNZL by rating agencies are based on an evaluation of a number of factors, including WNZL's financial strength, WNZL's position as part of the Westpac Banking Corporation Group ('**WBC Group**'), structural considerations regarding the New Zealand financial system and the credit rating of the New Zealand government. A credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events including changes to the methodologies used by the rating agencies to determine ratings.

The credit ratings of a subsidiary are generally linked to the credit ratings of its parent entity. Consequently, should the long-term issuer credit rating of Westpac Banking Corporation ('**WBC**') be downgraded, it is likely that WNZL's long-term issuer credit rating would also be downgraded which would adversely affect its cost of funds and related margins, collateral requirements, liquidity, competitive position and access to capital markets.

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Failure to maintain WNZL's current credit ratings could adversely affect its cost of funds and related margins, collateral requirements, liquidity, competitive position and access to capital markets. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether WNZL's ratings differ among agencies (split ratings) and whether any ratings changes also impact WNZL's peers or the sector.

A systemic shock in relation to the New Zealand, Australian or other financial systems could have adverse consequences for WNZL or its customers or counterparties that would be difficult to predict and respond to

There is a risk that a major systemic shock could occur that causes an adverse impact on the New Zealand, Australian or other financial systems.

As outlined above, over recent years the financial services industry and capital markets have been, and may continue to be, adversely affected by continuing market volatility and the negative outlook for global economic conditions. A shock to one of the major global economies could result in currency and interest rate fluctuations and operational disruptions that negatively impact WNZL.

Any such market and economic disruptions could adversely affect financial institutions such as WNZL because consumer and business spending may decrease, unemployment may rise and demand for the products and services WNZL provides may decline, thereby reducing its earnings. These conditions may also affect the ability of WNZL's borrowers to repay their loans or WNZL's counterparties to meet their obligations, causing WNZL to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity, impairing WNZL's access to funding and impairing WNZL's customers and counterparties and their businesses. If this were to occur, WNZL's business, prospects, financial performance or financial condition could be adversely affected.

The nature and consequences of any such event are difficult to predict and there can be no certainty that WNZL could respond effectively to any such event.

WNZL is subject to contagion and reputation risk, which may adversely impact WNZL's financial condition and results of operations

As part of a larger business group, WNZL is vulnerable to financial and reputational damage by virtue of its association with other members of the WBC Group, any of which may suffer the occurrence of a risk event, including financial stress or failure. In WNZL's case, the damage may be financial and may impact its financial condition and results of operations if the financial resources provided by WBC to support WNZL are withdrawn. Reputational consequences (including damage to the Westpac franchise), as a result of the occurrence of a risk event (for example, major operational failure), may exceed the direct cost of the risk event itself and may impact on WNZL's results.

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

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

Declining asset prices also impact WNZL's wealth management business. Earnings in WNZL's wealth management business are, in part, dependent on asset values because it typically receives fees based on the value of securities and/or assets held or managed. A decline in asset prices could negatively impact the earnings of this business.

Declining asset prices could also impact customers and counterparties and the value of security (including residential and commercial property) WNZL holds against loans and derivatives which may impact its ability to recover amounts owing to it if customers or counterparties were to default. It may also affect WNZL's level of provisioning which in turn impacts profitability.

A weakening of the real estate market in New Zealand could adversely affect WNZL

Loans secured by residential mortgages are important to WNZL's business. As at 31 March 2014, housing loans represented approximately 61% of WNZL's gross loans and advances (30 September 2013: 61%).

A sustained decrease in property valuations in New Zealand could increase the losses WNZL may experience from its existing housing loans and decrease the amount of new housing loans WNZL is able to originate, which could materially and adversely affect WNZL's financial condition, results of operations and future performance.

For the six months ended 31 March 2014, origination of housing loans remained subdued in line with New Zealand's economic conditions.

WNZL's business is substantially dependent on the New Zealand and Australian economies

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 various factors including economic growth, business investment, business and consumer sentiment, levels of employment, interest rates and trade flows in countries in which WNZL operates.

WNZL currently conducts substantially all of its business in New Zealand and, consequently, its performance is influenced by the level and cyclical nature of lending in New Zealand. These factors are in turn impacted by both domestic and international economic conditions, natural disasters and political events. A significant decrease in the New Zealand housing market could adversely impact WNZL's home lending activities because borrowers with loans in excess of their property value may show a higher propensity to default and in event of defaults WNZL's security could be eroded, causing WNZL to incur higher credit losses. Further, the demand for WNZL's home lending products may decline due to buyer concerns about further market declines.

Adverse changes to the economic and business conditions in Australia, New Zealand's most significant trading partner, and other countries such as China, India and Japan with which New Zealand has substantial trade, could also adversely affect the New Zealand economy and WNZL's customers. In particular, due to the current relationship between Australia, New Zealand and China, particularly in the mining and resources sectors, a slowdown in China's economic growth could negatively impact the New Zealand and Australian economies. Changes in economic conditions could in turn result in reduced demand for WNZL's products and services and affect the ability of its borrowers to repay their loans. If this were to occur, it could negatively impact WNZL's business, prospects, financial performance or financial condition.

An increase in defaults in credit exposures could adversely affect WNZL's liquidity, capital resources, financial performance or financial condition

Credit risk is a significant risk and arises primarily from WNZL's lending activities. The risk arises from the possibility that some customers and counterparties will be unable to honour their obligations to WNZL, including the repayment of loan principal and interest. WNZL holds provisions for credit impairment based on current information. If economic conditions deteriorate some customers and/or counterparties could

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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 events would diminish available capital and could adversely affect WNZL's liquidity, capital resources, financial performance or financial condition.

Credit risk also arises from certain derivative contracts WNZL enters into and from its dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, governments and government bodies the financial conditions of which may be affected to varying degrees by economic conditions in global financial markets.

WNZL faces intense competition in all aspects of its business

The financial services industry is highly competitive. WNZL competes with retail and commercial banks, asset managers, investment banking firms, brokerage firms, or other financial service firms and businesses in other industries with emerging financial services aspirations. This includes specialist competitors that may not be subject to the same capital and regulatory requirements and therefore may be able to operate more efficiently.

If WNZL is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also adversely affect WNZL by diverting business to its competitors or creating pressure to lower margins.

Increased competition for deposits could also increase WNZL's cost of funding and lead it to access other types of funding. WNZL relies on bank deposits to fund a significant portion of its balance sheet and deposits have been a relatively stable source of funding. WNZL competes with banks and other financial services firms for such deposits. To the extent that WNZL is not able to successfully compete for deposits, it would be forced to rely more heavily on more expensive or less stable forms of funding, or reduce lending.

WNZL is also dependent on its ability to offer products and services that match evolving customer preferences. If WNZL is not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences and habits, it may lose customers to its competitors. This could adversely affect its business, prospects, financial performance or financial condition.

WNZL could suffer losses due to market volatility

WNZL is exposed to market risk through the asset and liability management of its financial position. WNZL is also exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, commodity prices, credit prices and equity prices. If WNZL were to suffer substantial losses due to any market volatility it may adversely affect its business, prospects, liquidity, capital resources, financial performance or financial condition.

WNZL could suffer losses due to operational risks

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, including legal risk but excluding strategic or reputational risk. It also includes, among other things, technology risk, model risk and outsourcing risk. As a financial services organisation WNZL is exposed to a variety of operational risks.

WNZL is also highly dependent on the conduct of its employees, contractors and external service providers. WNZL could, for example, be adversely affected in the event of human error, inadequate or failed processes or if an employee, contractor or external service provider engages in fraudulent conduct. WNZL could incur losses from incorrect or fraudulent payments and settlements, particularly real-time payments. WNZL could also incur losses from an unintentional or negligent failure to meet a professional obligation to specific clients, including fiduciary and suitability requirements, or from the nature or design of a product. These may include client, product and business practice risks such as product defects and unsuitability, market manipulation, insider trading, misleading or deceptive conduct and advertising, and inadequate or defective financial advice. While WNZL has policies and processes to minimise the risk of human error and employee, contractor or external service provider misconduct, these policies and processes may not always be effective.

Fraudulent conduct can also emerge from external parties seeking to access WNZL's systems and customers' accounts. If systems, procedures and protocols for managing and minimising fraud fail, or are ineffective, they could lead to loss which could adversely affect WNZL's business, prospects, reputation, financial performance, or financial condition.

WNZL may be involved from time to time in legal proceedings arising from the conduct of its business. WNZL's material contingent liabilities are described in Note 11 to the WNZL Disclosure Statement for the six months ended 31 March 2014. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

As a financial services organisation, WNZL is heavily reliant on the use of models in the conduct of its business. WNZL is therefore exposed to model risk, being the risk of loss arising because of errors or inadequacies in a model, or in the control and use of a model.

WNZL relies on a number of suppliers, both in New Zealand and overseas, to provide services to it and its customers. Failure by these suppliers to deliver services as required could disrupt services and adversely impact WNZL's operations, profitability or reputation.

Operational risks could impact on WNZL's operations or adversely affect demand for its products and services. Operational risks can directly impact WNZL's reputation and result in financial losses which would adversely affect its financial performance or financial condition.

WNZL could suffer losses due to security breaches or technology failures

The reliability and security of WNZL's information and technology infrastructure are crucial in maintaining its banking applications and processes. There is a risk that these information and technology systems might fail to operate properly or become disabled as a result of events that are wholly or partially beyond WNZL's control. The proliferation of new technologies, the increasing use of the internet and telecommunications to conduct financial transactions and the growing sophistication and activities of organised crime have resulted in increased information security risks for major financial institutions such as WNZL.

While WNZL has systems in place to detect and respond to cyber-attacks, there can be no assurance that WNZL will not suffer losses from cyber-attacks or other information security breaches in the future.

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WNZL's operations rely on the secure processing, storage and transmission of information on its computer systems and networks, and the systems and networks of external suppliers. Although WNZL implements significant measures to protect the security and confidentiality of its information, there is a risk that the computer systems, software and networks on which WNZL relies may be subject to security breaches, unauthorised access, malicious software, external attacks or internal breaches that could have an adverse impact on WNZL's confidential information or that of its customers and counterparts. Any such security breach could result in regulatory enforcement actions, reputational damage and reduced operational effectiveness. Such events could subsequently adversely affect WNZL's business, prospects, financial performance or financial condition.

WNZL's risk and exposure to such threats remains heightened because of the evolving nature of technology, WNZL's prominence within the financial services industry and its plans to continue to improve and expand its internet and mobile banking infrastructure.

WNZL continues to seek to strengthen and enhance its cyber-security systems and investigate or remediate any information security vulnerabilities, investing additional resources as required to counter new and emerging threats as they continue to evolve.

Security breaches or cyber-attacks on WNZL's networks, systems or devices could result in the loss of customers and business opportunities, theft of intellectual property, significant disruption to WNZL's operations and business, misappropriation of WNZL's confidential information and/or that of its customers, damage to WNZL's computers or systems and/or those of its customers, reputational damage and claims for compensation and regulatory investigations and penalties, which could adversely affect WNZL's business, prospects, financial performance or financial condition.

Further, WNZL's ability to develop and deliver products and services to customers is dependent upon technology that requires periodic renewal. WNZL is constantly managing technology projects including projects to consolidate technology platforms, simplify and enhance its technology and operations environment, improve productivity and provide for a better customer experience. Failure to implement these projects or manage associated change effectively could result in cost overruns, a failure to achieve anticipated productivity, operational instability or reputational damage. In turn this could place WNZL at a competitive disadvantage and adversely affect its financial performance.

WNZL could suffer losses due to failures in risk management strategies

WNZL has implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and mitigate the risks to which it is subject, including liquidity risk, credit risk, market risk (including interest rate, foreign exchange and equity risk) compliance risk, conduct risk, reputational risk and operational risk, all of which may impact WNZL's reputation.

However, there are inherent limitations with any risk management framework as there may exist, or emerge in the future, risks that WNZL has not anticipated or identified.

If any of WNZL's risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, WNZL could suffer unexpected losses and reputational damage which could adversely affect its business, prospects, financial performance or financial condition.

The Christchurch earthquakes could adversely affect WNZL's business, results of operations or financial condition

On 22 February 2011 Christchurch, New Zealand experienced a 6.3 magnitude earthquake which resulted in significant damage in the region. The extent of the damage was greater than that resulting from the earlier earthquake which affected Christchurch on 4 September 2010.

The precise financial impact of the earthquakes remains difficult to quantify accurately as, amongst other things, responses by local and central governments are still being developed and insurance recoveries are still being worked through. A provision of $23 million is held in WNZL's financial statements at 31 March 2014 to reflect the impact of earthquakes (30 September 2013: $30 million).

If the impact on WNZL, its customers or counterparties is greater than that currently estimated, WNZL's losses could be higher than currently anticipated which could adversely affect WNZL's business, financial performance or financial condition.

WNZL could suffer losses due to environmental factors

WNZL and its customers operate businesses and hold assets in a diverse range of geographic locations. Any significant environmental change or external event (including fire, storm, flood, volcanic eruption, earthquake or pandemic) in any of these locations has the potential to disrupt business activities, impact on WNZL's operations, damage property and otherwise affect the value of assets held in the affected locations and WNZL's ability to recover amounts owing to it. The Christchurch earthquakes described above is an example of this type of event. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets.

Reputational damage could harm WNZL's business and prospects

WNZL's ability to attract and retain customers and its prospects could be adversely affected if its reputation is damaged.

Reputation risk arises when there are differences between stakeholders' current and emerging perceptions, beliefs and expectations and WNZL's current and planned activities, performance and behaviours.

There are various potential sources of reputational damage including failure to effectively manage risks in accordance with WNZL's risk management frameworks, potential conflicts of interest, pricing policies, failure to comply with legal and regulatory requirements, environmental, social and ethical issues, engagement and conduct of external suppliers, failure to comply with money laundering laws, trade sanctions and counter-terrorism finance legislation or privacy laws, litigation, failure of information security policies, improper sales and trading practices, failure to comply with personnel and supplier policies, improper conduct of companies in which WNZL holds strategic investments, technology failures and security breaches. WNZL's reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of WNZL's customers, suppliers and other counterparties.

Failure to appropriately address issues that could or do give rise to reputational risk could also impact the regulatory change agenda, give rise to additional legal risk, subject WNZL to regulatory enforcement actions, fines and penalties or remediation costs, or harm WNZL's reputation among its customers, investors and the marketplace. This could lead to loss of business which could adversely affect WNZL's business, prospects, financial performance or financial condition.

Interim management report (continued)

WNZL could suffer losses if it fails to syndicate or sell down underwritten securities

As a financial intermediary WNZL underwrites listed and unlisted debt and equity securities. Underwriting activities include the development of solutions for corporate and institutional customers who need capital and investor customers who have an appetite for certain investment products. WNZL may guarantee the pricing and placement of these facilities. WNZL could suffer losses if WNZL fails to syndicate or sell down its risk to other market participants. This risk is more pronounced in times of heightened market volatility.

Certain strategic decisions may have adverse effects on WNZL's business

WNZL, at times, evaluates and may undertake strategic decisions which may include business expansion. The expansion, or integration of a new business, can be complex and costly and may require WNZL to comply with additional local or foreign regulatory requirements which may carry additional risks. These decisions may, for a variety of reasons, not deliver the anticipated positive business results and could have a negative impact on WNZL's business, prospects, engagement with regulators, financial performance or financial condition.

Wholesale Funding

The wholesale funding base is diversified with respect to term, investor base, currency and funding instrument. WNZL and the Company maintain funding programmes for both short and long-term debt in several jurisdictions including New Zealand, Europe and the United States.

The following table sets forth the wholesale funding programmes of WNZL and the Company as at 31 March 2014.

Markets	Issuer	Programme Type	Programme Limit
Euro market	WBC/ Company [1]	Euro Commercial Paper and Certificate of Deposit Programme	US$20 billion
Euro market	Company [1]	Programme for Issuance of Debt Instruments	US$7.5 billion
Euro market	Company [1]	Global Covered Bond Programme	€5.0 billion
United States	Company [1]	Section 4(2) US Commercial Paper Programme	US$10 billion
New Zealand	WNZL	Medium-term Note and Registered Certificate of Deposit Programmes	No limit

[1]Notes issued by the Company (acting through its London branch) are guaranteed by WNZL.

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 comply 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.

Directors' report

The Board has pleasure in presenting the financial statements of Westpac Securities NZ Limited and the auditors' review report for the six months ended 31 March 2014.

The Board authorised these financial statements on 19 May 2014.

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

L J Bee

Director
Auckland
19 May 2014

Director
Auckland
19 May 2014

Statement of comprehensive income

for the period

	Six months ended 31 March 2014 Unaudited $'000	Six months ended 31 March 2013 Unaudited $'000	Year ended 30 September 2013 Audited $'000
Interest income	92,056	102,756	196,808
Interest expense	(90,482)	(101,074)	(193,678)
Net interest income	1,574	1,682	3,130
Non-interest income	471	471	900
Net operating income	2,045	2,153	4,030
Operating expenses	(439)	(433)	(845)
Profit before income tax expense	1,606	1,720	3,185
Income tax expense	(450)	(479)	(892)
Profit after income tax expense	1,156	1,241	2,293
Other comprehensive income	-	-	-
Total comprehensive income/(loss), net of tax	1,156	1,241	2,293
Profit after income tax expense and total comprehensive income, net of tax, attributable to:			
Owners of the Company	1,156	1,241	2,293
	1,156	1,241	2,293

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

Statement of changes in equity

for the period

	Attributable to the equity holders of the Company		
	Share Capital $'000	Retained Profits $'000	Total $'000
As at 1 October 2012 (audited)	651	9,316	9,967
Six months ended 31 March 2013			
Profit after income tax expense	-	1,241	1,241
Total comprehensive income for the six months ended 31 March 2013	-	1,241	1,241
As at 31 March 2013 (unaudited)	651	10,557	11,208
Year ended 30 September 2013			
Profit after income tax expense	-	2,293	2,293
Total comprehensive income for the year ended 30 September 2013	-	2,293	2,293
As at 30 September 2013 (audited)	651	11,609	12,260
Six months ended 31 March 2014			
Profit after income tax expense	-	1,156	1,156
Total comprehensive income for the six months ended 31 March 2014	-	1,156	1,156
Transactions with owners			
Dividends paid on ordinary shares	-	(5,000)	(5,000)
As at 31 March 2014 (unaudited)	651	7,765	8,416

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

Westpac Securities NZ Limited

Balance sheet

as at

	Note	31 March 2014 Unaudited $'000	31 March 2013 Unaudited $'000	30 September 2013 Audited $'000
Assets				
Cash and cash equivalents		4,208	6,083	7,087
Due from related entities	3	8,465,317	8,796,072	7,777,604
Current tax asset		1,607	-	1,269
Deferred tax assets		-	1,005	-
Total assets		8,471,132	8,803,160	7,785,960
Liabilities				
Current tax liabilities		-	157	-
Due to related entities	3	14,602	4,819	3,948
Debt issues	2	8,389,235	8,728,657	7,717,149
Other liabilities		58,879	58,319	52,603
Total liabilities		8,462,716	8,791,952	7,773,700
Net assets		8,416	11,208	12,260
Equity				
Share capital		651	651	651
Retained profits		7,765	10,557	11,609
Total equity attributable to owners of the Company		8,416	11,208	12,260

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

Westpac Securities NZ Limited

Statement of cash flows

for the period

	Six months ended 31 March 2014 Unaudited $'000	Six months ended 31 March 2013 Unaudited $'000	Year ended 30 September 2013 Audited $'000
Cash flows from operating activities			
Interest income received	86,618	100,977	199,917
Service fees received	376	309	1,269
Interest expense paid	(84,201)	(98,620)	(196,940)
Income tax paid	(788)	(944)	(1,778)
Service fees paid	(761)	(100)	(796)
Operating expenses paid	(33)	(86)	(94)
Net cash provided by operating activities	1,211	1,536	1,578
Cash flows from investing activities			
Net (increase)/decrease in due from related entities	(948,069)	1,198,430	2,522,482
Net cash (used in)/provided by investing activities	(948,069)	1,198,430	2,522,482
Cash flows from financing activities			
Net decrease in due to related entities	(578)	(1,420)	(1,999)
Net increase/(decrease) from debt issues	949,557	(1,197,340)	(2,519,851)
Dividends paid	(5,000)	-	-
Net cash provided by/(used in) financing activities	943,979	(1,198,760)	(2,521,850)
Net (decrease)/increase in cash and cash equivalents	(2,879)	1,206	2,210
Cash and cash equivalents at beginning of the period/year	7,087	4,877	4,877
Cash and cash equivalents at end of the period/year	4,208	6,083	7,087

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

Notes to the financial statements

Note 1. Basis of preparation

These interim financial statements have been prepared and presented in accordance with the Financial Reporting Act 1993 (New Zealand) and the Companies Act 1993 (New Zealand). They have also 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 statements comply with New Zealand Equivalents to International Accounting Standard 34 *Interim Financial Reporting* (**'NZ IAS 34'**).

These interim financial statements comply with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

These financial statements are based on the general principles of historical cost accounting, as modified by fair value accounting for financial assets and financial liabilities at fair value through profit or loss. The going concern concept and the accrual basis of accounting have been adopted.

Amounts in these interim financial statements are presented in New Zealand Dollars and have been rounded to the nearest thousand dollars unless otherwise stated.

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

The following new accounting standard became operative for the annual reporting period commencing 1 October 2013:

- NZ IFRS 13 *Fair Value Measurement* (**'NZ IFRS 13'**) – The new standard replaces existing guidance on fair value measurement in several standards with a single, unified definition of fair value and a framework for measuring and disclosing fair values. NZ IFRS 13 applies to all assets and liabilities measured at fair value, not just financial instruments. NZ IAS 34 requires the disclosure of certain information relating to fair value as prescribed in NZ IFRS 13 and accordingly this disclosure is provided in Note 4 Fair Value of Financial Instruments.

Certain comparative information has been restated to ensure consistent treatment with the current reporting period. Where there has been a material restatement of comparative information, the nature of, and the reason for, the restatement is disclosed.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 September 2013.

The Company's operations are not subject to seasonality.

The Board has the power to amend and reissue the interim financial report.

Note 2. Debt Issues

	As at 31 March 2014 Unaudited $'000	As at 31 March 2013 Unaudited $'000	As at 30 September 2013 Audited $'000
Short-term debt			
Commercial paper	2,656,309	4,027,314	2,776,475
Total short-term debt	2,656,309	4,027,314	2,776,475
Long-term debt			
Non-domestic medium-term notes	5,732,926	4,701,343	4,940,674
Total long-term debt	5,732,926	4,701,343	4,940,674
Total debt issues	8,389,235	8,728,657	7,717,149
Debt issues measured at amortised cost	5,732,926	4,701,343	4,940,674
Debt issues measured at fair value	2,656,309	4,027,314	2,776,475
Total debt issues	8,389,235	8,728,657	7,717,149
Movement in debt issues			
Balance at beginning of the period/year	7,717,149	9,962,452	9,962,452
Issuances during the period/year	4,729,362	3,204,571	6,499,368
Repayments during the period/year	(3,791,387)	(4,401,911)	(9,019,219)
Effect of foreign exchange movements during the period/year	(265,938)	(35,066)	276,693
Effect of fair value movements during the period/year	49	(1,389)	(2,145)
Balance at end of the period/year	8,389,235	8,728,657	7,717,149

As at 31 March 2014, the Company had New Zealand Government guaranteed debt of $1,145,207,000 (31 March 2013: $1,185,354,000, 30 September 2013: $1,196,788,000).

Notes to the financial statements

Note 3. Related entities

Ultimate Holding Company

The Company is a wholly-owned subsidiary of Westpac NZ Operations Limited. The Company is also an indirect, wholly-owned subsidiary of WNZL. WNZL's Disclosure Statement is available, free of charge, at www.westpac.co.nz. The ultimate parent company is WBC, which is incorporated in Australia and whose financial statements are available, free of charge, at www.westpac.com.au.

Nature of Transactions

Loan finance, current account banking facilities and other financial products are provided by WNZL and the WBC London Branch to the Company on normal commercial terms.

Interest income is received from WNZL.

The Company raises offshore wholesale funding and on-lends all amounts raised or borrowed to WNZL. Included within interest income is a funding margin the Company receives from WNZL.

Interest expense includes an amount relating to bonds held by WBC.

Non-interest income comprises service fees which are charged to WNZL to recover operating expenses incurred by the Company.

Within operating expenses are reimbursements which are paid to WNZL and WBC for certain operating services provided to the Company.

Cash and cash at bank due from related entities comprises balances held with WNZL.

WNZL guarantees the due and punctual payment of all sums payable to the holders of the debt securities issued by the Company, the proceeds of which are immediately on-lent to WNZL. As the proceeds of the debt issuances are immediately on-lent to WNZL, the aggregate amount guaranteed by WNZL is already reflected in WNZL's balance sheet as part of the amounts due to related entities.

The Company issued bonds under WNZL's Global Covered Bond programme ('**CB Programme**'). Investors of debt issued by the Company under the CB Programme have dual recourse: first, to WNZL as WNZL guarantees all the debts issued by the Company and second, to Westpac NZ Covered Bond Limited ('**WNZCBL**'). WNZCBL is a special purpose entity which was set up to hold housing loans and to provide a financial guarantee for the debts issued by the Company under the CB Programme. The financial guarantee is supported by WNZCBL granting security over the cover pool. WNZL is considered to control WNZCBL based on certain contractual arrangements existing between WNZCBL and WNZL, and as such WNZCBL is consolidated in the financial statements of WNZL Group. The Company pays guarantee fees to WNZCBL, which are included in interest expense. Included in interest income is the recovery from WNZL of the guarantee fees paid to WNZCBL.

Income earned from and expenses incurred to related entities

	Six months Ended 31 March 2014 Unaudited $'000	Six months Ended 31 March 2013 Unaudited $'000	Year Ended 30 September 2013 Audited $'000
Income earned from related entities			
Interest income from WNZL[1]	**87,762**	98,316	188,111
Funding margin from WNZL[1]	**1,540**	1,686	3,174
Guarantee fees recovery from WNZL[1]	**2,754**	2,754	5,523
Service fees from WNZL[2]	**471**	471	900
Expenses incurred to related entities			
Interest on bonds to WBC[3]	**5**	6	7
Guarantee fees to WNZCBL[3]	**2,754**	2,754	5,523
Operating expenses to WNZL and WBC	**407**	347	751

[1] included in interest income in the statement of comprehensive income
[2] included in non-interest income in the statement of comprehensive income
[3] included in interest expense in the statement of comprehensive income

Notes to the financial statements

Note 3. Related entities (continued)

Amounts due from and to related parties

	31 March 2014 Unaudited $'000	31 March 2013 Unaudited $'000	30 September 2013 Audited $'000
Due from related entities			
Accrued interest due from WNZL	**60,062**	59,329	52,831
Financial assets at fair value through profit or loss due from WNZL	**2,655,119**	4,026,305	2,776,009
Loan to WNZL	**5,747,027**	4,706,534	4,943,759
Other receivables due from WNZL	**3,109**	3,904	5,005
Total due from related entities, excluding cash and cash at bank deposited with WNZL	**8,465,317**	8,796,072	7,777,604
Cash and cash at bank deposited with WNZL	**4,141**	5,984	7,002
Total due from related entities	**8,469,458**	8,802,056	7,784,606
Due to related entities			
Loans and advances due to WNZCBL and WNZL	**2,384**	3,541	2,962
Debt issues held by WBC	**11,587**	-	-
Other amounts due to WNZCBL and WNZL	**631**	1,278	986
Total due to related entities	**14,602**	4,819	3,948
Total outstanding principal and interest guaranteed by WNZL in respect of debt securities issued by the Company	**8,462,005**	8,804,138	7,784,026

Note 4. Fair value of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost in the balance sheet. NZ IFRS 7 *Financial Instruments: Disclosures* requires the disclosure of the fair value of financial instruments not already carried at fair value in the balance sheet. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value disclosure does not cover those instruments that are not considered financial instruments from an accounting perspective such as income taxes and intangible assets.

Quoted market prices, when available, are used as the measure of fair values. Where quoted market prices do not exist, fair values presented are estimates derived using present values or other market accepted valuation techniques. These techniques involve uncertainties and are affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

NZ IFRS 7 *Financial Instruments: Disclosures* requires the disclosure of the fair value of those financial instruments not already carried at fair value in the balance sheet. Fair value for financial instruments has been determined as follows:

Loans included in due from related entities

The fair value of loans is determined by discounting all future cash flows, including interest accruals. For variable rate loans, the discount rate used is the current effective interest rate. The discount rate applied for fixed rate loans reflects the market rate for the maturity of the loan.

Debt issues

The fair value of debt issues is based on market quoted prices, where available. The fair value of debt issues where a market quote is not available is based on discounted cash flows, using a discount rate appropriate to the instrument and the remaining term of the issue.

Other financial assets and financial liabilities

The carrying amount of these items is a reasonable approximation of fair value as they are either short-term in nature or re-price frequently and are of a high credit rating.

Determination of fair value

There are three primary methods of determining fair value according to the following hierarchy:

Quoted market price ('Level 1')

This valuation technique uses recent unadjusted quoted prices for identical assets or liabilities in active markets where the price represents actual and regularly occurring market transactions on an arm's length basis.

Notes to the financial statements

Note 4. Fair value of financial instruments (continued)

Valuation technique using market observable inputs ('Level 2')

This valuation technique is used for financial instruments where quoted market prices are not available, so prices are derived from standard valuation models, and inputs to these models are directly observable. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The interest rates used to discount estimated cash flows are based on the wholesale markets yield curve at the reporting date plus an appropriate constant credit spread.

Valuation technique with significant non-market observable inputs ('Level 3')

This valuation technique is used where at least one significant input is not observable and reliance is placed on reasonable assumptions based on market conditions. These estimates are calibrated against industry standards, economic models and observable transaction prices where possible. Financial instruments included in this category show illiquidity in the market. Some validations rely on estimates from related markets or proxies.

The fair values of all financial instruments designated at fair value through profit or loss at 31 March 2014 were determined using Level 2 inputs.

There have been no transfers between Levels 1 and 2 and no transfers into/out of Level 3 during the period ended 31 March 2014. None of the Company's financial assets or liabilities are classified as Level 3.

Estimates of fair value

The table below summarises financial instruments for which the carrying amount in the balance sheet is different from the estimated fair value:

	31 March 2014	
	Total Carrying Amount	Estimated Fair Value
	$'000	$'000
Financial assets		
Loans included in due from related entities	5,747,027	5,981,014
Total financial assets	5,747,027	5,981,014
Financial liabilities		
Debt issues	5,732,926	5,966,913
Total financial liabilities	5,732,926	5,966,913

For cash and cash equivalents, other receivables, interest receivable included in due from related parties and due to related entities which are carried at amortised cost and other types of short-term financial instruments recognised in the balance sheet under 'other liabilities', the carrying amount is equivalent to fair value. These items are either short-term in nature or reprice frequently, and are of a high credit rating.

Note 5. Dividends paid

During the period ended 31 March 2014 the Company paid dividends totalling $5,000,000 (period ended 31 March 2013: nil), amounting to $7.6783 per share.

Note 6. Segment information

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

The chief operating decision maker of the Company (i.e. the person or group that allocates resources to and assesses the performance of the operating segments of an entity) is the Directors of the Company. The Directors of the Company are listed on page 1. This reflects that the Company is a wholly-owned, indirect subsidiary of WNZL and that the principal activity of the Company is to raise and manage offshore wholesale funding for WNZL.

Revenue from Products and Services

The Company does not generate any revenue from external customers.

Independent Auditors' Review Report

To the shareholder of Westpac Securities NZ Limited

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements ("financial statements") of Westpac Securities NZ Limited (the "Company") on pages 11 to 18, which comprise the balance sheet as at 31 March 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

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 2014, and its financial performance and cash flows for the period ended on that date.

Reviewers' Responsibility

We are responsible for reviewing the financial statements presented by the Directors in order to report to you 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.

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 2014 in accordance with the Review Engagement Standards issued in New Zealand.

We have no relationship with, or interests in, Westpac Securities NZ Limited other than in our capacities as auditors and providers of other assurance services. These services have not impaired our independence as reviewers of the Company.

Independent Auditors' Review Report

Westpac Securities NZ Limited

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements on pages 11 to 18 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 2014 and its financial performance and cash flows for the six months ended on that date.

Restriction on Use of our Report

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

Pricewaterhouse Coopers

Chartered Accountants
19 May 2014

Auckland