Westpac Securities NZ Limited

Financial statements

For the year ended 30 September 2007

Westpac Securities NZ Limited

Contents

This financial report covers Westpac Securities NZ Limited as an individual entity. The financial report is presented in the New Zealand currency.

Westpac Securities NZ Limited is a company limited by shares, incorporated and domiciled in New Zealand. Its registered office is:

Level 15
PwC Tower
188 Quay Street
Auckland

The financial report was authorised for issue by the directors on 21 November 2007. The Company has the power to amend and reissue the financial report.

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 4 to 23 give a true and fair view of Westpac Securities NZ Limited 's financial position as at 30 September 2007;

(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 4 to 23 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.

The shareholders of the Company have exercised their rights under section 211(3) of the Companies Act 1993 and unanimously agreed that the annual report need not comply with any of the paragraphs (a) and (e) to (j) of section 211 of the Act.

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

Director

Director
Auckland
21 November 2007

Westpac Securities NZ Limited

Income statement for the periods ended 30 September

	Note	2007 $'000	2006 $'000
Interest income	4	375,332	-
Interest expense	4	(374,589)	-
Net interest income		**743**	-
Non-interest income:			
Fees and commissions	5	1,002	-
Total non-interest income		**1,002**	-
Net operating income		**1,745**	-
Operating expenses	6	(923)	-
Profit before income tax		**822**	-
Income tax expense	7	(271)	-
Profit for the period		**551**	-
Attributable to:			
Shareholders of the Company		551	-
Minority interest		-	-
Profit for the period		**551**	-

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

Westpac Securities NZ Limited

Statement of changes in equity for the periods ended 30 September

	2007 $'000	2006 $'000
Total equity at beginning of the period	**100**	-
Share capital issued	-	100
Net income recognised directly in equity	-	-
Profit after income tax for the period	551	-
Total recognised income for the period	551	-
Total equity as at 30 September	**651**	**100**

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

Westpac Securities NZ Limited

Balance sheet as at 30 September

	Note	2007 $'000	2006 $'000
Assets			
Cash and cash equivalents	8	146	-
Income tax receivable		367	-
Due from related entities	9	11,682,858	100
Total assets		**11,683,371**	**100**
Liabilities			
Debt issues	10	11,064,740	-
Other liabilities	11	159,661	-
Due to related entities	12	458,319	-
Total liabilities		**11,682,720**	-
Net assets		**651**	**100**
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	13	100	100
Retained earnings	13	551	-
		651	100
Minority interest		-	-
Total equity		**651**	**100**

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

Westpac Securities NZ Limited

Cash flow statement for the periods ended 30 September

	Note	**2007 $'000**	2006 $'000
Cash flows from operating activities			
Interest received		212,951	-
Interest paid		(212,169)	-
Management fees received - related entities		1,002	-
Income taxes paid		(638)	-
Management fees paid - related entities		(700)	-
Operating expenses paid		(223)	-
Net cash flows from operating activities		**223**	-
Cash flows from investing activities			
Net increase in due from related entities		(11,520,476)	-
Net cash from investing activities		**(11,520,476)**	-
Cash flows from financing activities			
Issue of ordinary share capital		-	-
Net increase/(decrease) in due to related entities		455,559	-
Net increase/(decrease) in other borrowings		11,064,740	-
Net cash used in financing activities		**11,520,299**	-
Net increase/(decrease) in cash and cash equivalents		**46**	-
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period		**46**	-
Cash and cash equivalents comprise:			
Cash and cash equivalents	8	146	-
Cash and cash equivalents at end of the period		**146**	-

	2007 $'000	2006 $'000
Reconciliation of profit after income tax to net cash flow from operating activities:		
Profit after income tax attributable to shareholders of the Company	551	-
Adjustments:		
Movement in accrued assets	(162,381)	-
Movement in accrued liabilities	162,420	-
Movement in income tax provisions	(367)	-
Net cash flows from operating activities	**223**	-

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

Notes to the financial statements

Note 1. General information

These financial statements are prepared and presented in accordance with the Financial Reporting Act 1993 (New Zealand), Companies Act 1993 (New Zealand), applicable New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other authoritative pronouncements of the Accounting Standards Review Board, as appropriate for profit-oriented entities.

As a result of complying with NZ IFRS, the financial statements also comply with IFRS and interpretations adopted by the International Accounting Standards Board.

The Company was incorporated on 29 August 2006 and the comparative figures in these financial statements cover the period from that date to 30 September 2006. The current financial year cover a period of 12 months ending 30 September 2007.

These financial statements were authorised for issue by the Board of Directors of the Company (Board) on November 2007.

The Company raises funds for New Zealand domestic operations.

Note 2. Summary of significant accounting policies

a. Basis of accounting

The Company's financial statements have been prepared in accordance with New Zealand equivalent to International Financial Reporting standards (NZ IFRS). The financial statements have been prepared under the historical cost convention.

The going concern concept and the accrual basis of accounting have been adopted.

All amounts are expressed in New Zealand currency unless otherwise stated.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(o).

b. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

c. Rounding of amounts

Amounts in this financial report have been rounded to the nearest thousand.

d. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The financial statements are presented in New Zealand Dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency assets and liabilities have been translated into the functional currency at the rate of foreign exchange ruling as at balance sheet date.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

e. Offsetting financial instruments and deferred tax balances

Financial assets and liabilities and deferred tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

f. Statement of cash flows

(i) Basis of presentation

The statement of cash flows has been presented in accordance with NZ IAS 7 *Cash Flow Statements* with netting of certain items as disclosed below.

(ii) Cash and cash equivalents

Cash and cash equivalents reflect the balance of cash, held with external and related parties and liquid assets used in the day-to-day management of the Banking Group, which are readily convertible at the investor's or customer's option and include the inter-bank balances arising from the daily Reserve Bank of New Zealand settlement process.

Notes to the Financial Statements (continued)

Note 2. Summary of significant accounting policies (continued)

g. Share capital

Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

h. Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

i. Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. All other fees and commissions are recognised in the income statement over the period which the related service is consumed.

j. Taxation

(i) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the income statement together with the deferred gain or loss.

Deferred income assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

(ii) Income tax

Income tax expense on the profit for the period comprises current tax and movements in deferred tax balances.

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted as at balance date, and any adjustment to tax payable in respect of previous periods.

Current tax and deferred tax attributable to amounts recognised directly in equity are also recognised directly in equity.

(iii) Goods and services tax

Revenue, expenses and assets are recognised net of goods and services tax (GST) except to the extent that GST is not recoverable from the Inland Revenue Department. In these circumstances, the GST is recognised as part of the expense or the cost of the asset.

Notes to the Financial Statements (continued)

Note 2. Summary of significant accounting policies (continued)

k. Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and available-for-sale securities. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated as fair value through profit and loss at inception. A financial asset is classified in this category if acquired or incurred principally for selling it in the near term, if it is part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit taking, if it is a derivative that is not a designated hedging instrument, or if so designated on acquisition by management.

This designation may only be made if the financial asset either contains an embedded derivative, or it will be managed on a fair value basis in accordance with a documented risk management strategy or designating it at fair value will reduce an accounting mismatch.

Loans

Loans include due from related entities and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Available-for-sale securities

Available-for-sale securities are those non-derivative financial assets that are designated as available-for-sale or that are not classified as financial assets at fair value through profit or loss and loans.

(i) Recognition of financial assets

Purchases and sales of financial assets at fair value through profit and loss are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets at fair value through profit and loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Banking Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets through profit or loss are subsequently carried at fair value. Loans are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit and loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the right to receive payment is established and interest on debt instruments is recognised using the effective interest method.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(ii) Cash and cash equivalents

Cash and balances with central banks include cash at branches. They are brought to account at the face value or the gross value of the outstanding balance, where appropriate.

(iii) Due from other financial institutions and related entities

Receivables from other financial institutions and related entities include loans and settlement account balances due from other financial institutions. They are accounted for as loans.

(iv) Other financial assets designated at fair value

Certain non-trading bonds, notes and commercial bills are designated at fair value through profit and loss. This designation may only be made if the financial asset either contains an embedded derivative, or it will be managed on a fair value basis in accordance with a documented risk management strategy or designating it at fair value will reduce an accounting mismatch.

Notes to the Financial Statements (continued)

Note 2. Summary of significant accounting policies (continued)

l. Impairment of financial assets

Assets carried at amortised cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

a. Significant financial difficulty of the issuer or obligor;
b. A breach of contract, such as a default or delinquency in interest or principal payments;
c. The Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Company would not otherwise consider;
d. It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e. The disappearance of an active market for that financial asset because of financial difficulties; or
f. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    - adverse changes in the payment status of borrowers in the group; or
    - national or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

Notes to the Financial Statements (continued)

Note 2. Summary of significant accounting policies (continued)

m. Financial liabilities

Financial liabilities are measured at amortised cost, except for derivatives and deposits at fair value, which are held at fair value through profit and loss:

(i) Due to other financial institutions and related entities

Due to other financial institutions and related entities include deposits, and settlement account balances due to other financial institutions. They are measured at amortised cost.

(ii) Other trading liabilities and other financial liabilities at fair value

Securities sold under repurchase agreements and securities sold short are classified as trading liabilities. They are accounted for as financial liabilities at fair value through profit and loss.

(iii) Debt issues

These are bonds, notes and commercial paper that have been issued by the Company. They are initially recorded at cost, which is the fair value of the consideration received, net of transaction costs. Debt issues are subsequently measured at amortised cost using the effective interest method to amortise cost at inception to the redemption value over the expected life of the debt.

n. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2007 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set below:

(i) NZ IFRS 7 Financial Instruments: Disclosures and NZ IAS 2005-10 Amendments to New Zealand Accounting Standards [NZ IAS 32, NZ IAS 1, NZ IAS 14, NZ IAS 17, NZ IAS 33, NZ IAS 39, NZ IFRS 1 and NZ IFRS 4]

(ii) NZ IFRS 8 Operating Segments and NZ IFRS 2007-3 Amendments to New Zealand Accounting Standards arising from NZ IFRS 8 [NZ IFRS 5, NZ IFRS 6, NZ IAS 2, NZ IAS 7, NZ IAS 19, NZ IAS 27, NZ IAS 34, NZ IAS 36 and NZ IFRS 4]

(iii) NZ IAS 1 Presentation of Financial Statements (Revised)

The Company has not adopted these standards (i), (ii) and (iii) early. Applications of these standards relate to disclosure and will not affect any of the amounts recognised in the financial statements.

o. Critical Accounting Estimates

The application of the Company's accounting policies necessarily requires the use of judgement, estimates and assumptions. Should different assumptions or estimates be applied, the resulting values would change, impacting the net assets and income of the Company.

The nature of assumptions and estimates used and the value of the resulting asset and liability balances are included below.

Fair value of financial instruments

Financial instruments classified as held-for-trading or designated at fair value through profit and loss are measured and recognised at fair value.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Financial instruments are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial market pricing models, the methodology used is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to the present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices. However, profits or losses are recognised upon initial recognition only when such profits can be measured solely by reference to observable current market transactions or valuation techniques based solely on observable market inputs.

The calculation of fair value for any financial instrument may also require adjustment of the quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used) or to reflect hedging costs not captured in pricing models (to the extent they would be taken into account by a market participant in determining a price). The process of calculating fair value on illiquid instruments or from a valuation model may require estimation of certain pricing parameters, assumptions or model characteristics.

These estimates are calibrated against industry standards, economic models and observed transaction prices.

Notes to the Financial Statements (continued)

Note 3. Risk management

The Company regards the management of risk to be a fundamental management activity, performed at all levels of its business. Supporting this approach is a risk management framework that includes core risk principles as well as policies and processes for measuring and monitoring risk (Risk Management Framework).

a. The Company's risk management framework and governance

The Company's Risk Management Framework consists of the policies, procedures, systems, processes, data, roles and responsibilities and controls that manage the application and governance of risk within the Company.

Governance is an essential element in achieving effective oversight and management of the Company's risk. Effectively managing the risks inherent in the business is a key strategy of the Company as well as providing support for the Company's reputation, performance and future success. This Risk Management Framework is approved by the Board and implemented through the Bank's (ultimate parent) Chief Executive Officer (CEO) and the executive management team, further supported by the New Zealand Risk Committee (NZRC), which overviews all risk in the New Zealand operation.

Implementation is achieved through developing policies, controls, processes and procedures for identifying and managing risk arising from the Company's activities.

b. Management assurance programme

The Company has a quarterly management assurance programme designed to identify the key risks, the controls in place to mitigate those risks and to obtain assurance that those controls have continued to operate effectively.

This programme allows senior management to affirm their satisfaction with the quality of the process under their responsibility and with the effectiveness of the controls that support that assurance. This is attained through the provision of consolidated representations by senior management to the General Manager Risk Management. The results of this process is reported to the New Zealand Operational Risk and Compliance Committee (NZOPCO), chaired by the NZ CEO, a member of the Group Executive of the Overseas Bank. The NZ CEO then provides management assurance to the Group BRMC, the Group BAC and the Chief Executive Officer of the Overseas Bank.

This system of management assurance assists the Ultimate Parent Bank's Board in satisfying itself that the Company's risk management systems are adequate, that they operate effectively and that any deficiencies have been identified and are being addressed.

c. Categories of risk

The key risks that the Company is subject to are specific banking risks and risks arising from the general business environment.

The risk management framework identifies five broad categories of risk:

- Credit risk: the potential for financial loss where a customer or counterparty fails to meet their financial obligations to the Company.
- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- Compliance risk: the risk of failing to comply with all applicable legal and regulatory requirements and industry codes of practice, and of failing to meet the Company's own ethical standards.
- Market risk: the risk to earnings from changes in market factors. These risks are monitored daily against a comprehensive limit framework that includes Value at Risk (VaR), aggregate market position and sensitivity, product and geographic thresholds. The principal risk components of this monitoring process are:
  - Currency risk: the potential loss arising from the decline in the value of a financial instrument due to changes in foreign exchange rates or their implied volatilities.
  - Interest rate risk: the potential loss arising from the changes in the value of financial instruments due to changes in market interest rates or their implied volatilities.
  - Equity risk: the potential loss arising from decline in the value of equity instruments due to changes in their equity market processes or implied volatilities.
- Liquidity risk: the potential loss arising from cash outflows exceeding cash inflows over a given period.

Additional details surrounding the risk management activities relating to the management of these risks follows.

Notes to the Financial Statements (continued)

Note 3. Risk management (continued)

(i) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of customers to honour fully the terms and conditions of a contract with the Company. It arises primarily from the Company's lending activities, as well as from transactions.

The Company takes collateral where it is considered necessary to mitigate credit risk and evaluates each customer's credit risk on a case-by-case basis. The amount of collateral taken is based on management's credit evaluation of the counterparty. The collateral taken may vary, but could include cash deposits, receivables, inventory, plant and equipment, real estate and/or investments.

In applying its Control Principles of Credit, the Bank recognises and reflects the differences between markets in the way credit risks are approved and managed:

- **Programme approach:** The Company manages high-volume customer credit portfolios on an exception basis by application of credit scorecards and policy rules.
- **Transaction approach:** The Company evaluates other credit requests by undertaking detailed individual customer and transaction risk analysis and tailors facility, terms and conditions to suit.

Credit policies with group-wide implications are owned by the Group Risk division of the Ultimate Parent Bank (Ultimate Parent Bank Group Risk) and approved by the Ultimate Parent Bank Group Credit Risk Committee (CREDCO). These policies are administered locally.

Ultimate Parent Bank Group Risk takes an enterprise-wide view of risk and its impact on performance, and develops Ultimate Parent Bank Group-wide risk strategy, framework and policies for the management of all risk classes. It is responsible for consistency, standardisation and control and defines Ultimate Parent Bank Group-wide risk management culture. Within these boundaries, the Company has its own credit approval limits as delegated by the Ultimate Parent Bank Group Credit Risk Officer. These establish a hierarchy of credit approval levels, aligned to customer risk grades and consistent with normal customer exposures in the business.

The Company is responsible for implementing and operating within established risk management frameworks and policies and has adapted the Ultimate Parent Bank Group's credit risk policy to the Company's customer and product set. Accordingly, the Company has its own credit manuals and delegated approval authorities which are approved by the Ultimate Parent Bank Group.

The Company monitors its portfolio to guard against the development of risk concentrations. This process ensures that the Company's credit risk remains well diversified throughout the New Zealand economy. Along with country and industry risk concentration limits and monitoring, the Company has established separate reporting and prudential limits for borrowings that can be accessed by a single customer group. These limits apply to both borrowing equivalents and settlement risk. Separate limits apply to corporate, governments, financial institutions and banks and are scaled by risk grade. Any excesses of limits are reported quarterly to the Board and the BRMC along with a strategy addressing the ongoing management of the excess.

(ii) Operational risk

Operational risk arises from inadequate or failed internal processes, people and systems or from external events. Operational risk has the potential, as a result of the way business objectives are pursued, to negatively impact the organisation's financial performance, customer service and/or reputation in the community or cause other damage to the business.

The Company uses the Ultimate Parent Bank Group Operational Risk Management Framework as a tool to assist its business units in the achievement of their objectives through assisting the business to understand and manage those risks that could hinder progress. This framework outlines the business requirements for managing Operational Risk with respect to Governance, Risk and Control Assessments, Incident Management, Operational Risk in Change, Reporting and Monitoring and Operational Risk Capital Allocation.

A tangible benefit of the Ultimate Parent Bank Group Risk Framework is to ensure compliance with relevant legislative and regulatory requirements.

(iii) Compliance risk

The Company is subject to regulation and regulatory oversight. Any significant regulatory developments could have an adverse effect on how business is conducted and on results of operations. Business and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the New Zealand Government, foreign governments and international agencies. The nature and impact of future changes in such policies are not predictable and are beyond the Company's control.

Regulatory responsibilities have increased significantly and, in order to manage existing and new requirements in a more effective way, the development of the ability to provide early detection monitoring of these responsibilities to the business has been accelerated.

Effective compliance risk management enables the Company to identify emerging issues and where necessary put in place preventative measures.

The Company has a dedicated Operational Risk and Compliance function.

NZOPCO meets quarterly and is responsible for overseeing the effectiveness and implementation of the Operational Risk and Compliance Frameworks. The committee monitors the business unit operational risk profiles and the action plans, and is required to escalate material matters to the Board, Group Operational Risk and Compliance Committee (OPCO) and the BRMC, where material.

(iv) Market risk

Market risk is the potential for losses arising from adverse movements in the level and volatility of market factors such as foreign exchange rates, interest rates, commodity prices and equity prices.

Notes to the Financial Statements (continued)

Note 3. Risk management (continued)

(v) Non-trading risk

Management of structural interest rate risk

The Institutional Bank's New Zealand Treasury Unit (**Treasury**) manages the sensitivity of the Company's net interest income to changes in wholesale market interest rates. This sensitivity arises from lending and deposit-taking activity in the normal course of business in and through the investment of capital and other non-interest bearing liabilities. Treasury's risk management objective is to help ensure the reasonable stability of net interest income over time. These activities are performed under the oversight of the New Zealand Board Risk Committee, the Overseas Banking Group's Market Risk Management unit, Group Treasury and Group MARCO.

Net interest income sensitivity is managed in terms of the net interest income at risk modelled over a three-year time horizon using a 99% confidence interval for movements in wholesale market interest rates. The position managed covers all on and off-balance sheet accrual accounted assets and liabilities in New Zealand. It excludes the interest rate risk within its trading operation that is managed under a VaR framework.

A simulation model is used to calculate the potential net interest income at risk. The net interest income simulation framework combines underlying balance sheet data with:

- assumptions about run off and new business;
- expected repricing behaviour; and
- changes in wholesale market interest rates.

Simulations of a range of interest rate scenarios are used to provide a series of potential future net interest income outcomes. The interest rate scenarios modelled include those projected using historical market interest rate volatility as well as 100 and 200 basis point shifts up and down from the current market yield curves in New Zealand. More stressed interest rate scenarios are also considered and modelled. A comparison between the net interest income outcomes from these modelled scenarios indicates the Company's sensitivity to interest rate changes. Both on and off-balance sheet instruments are then used to achieve stability in net interest income.

The net interest income simulation and limit frameworks are reviewed and approved annually by the Group BRMC. This ensures that key model inputs and risk parameters remain relevant and that net interest income at risk to interest rate movements and limits governing these activities remain consistent with the desired risk and reward criterion.

Structural foreign exchange risk

The Company operates a United Kingdom branch that gives rise to an immaterial amount of structural foreign exchange rate risk from translating foreign currency earnings and net assets into New Zealand dollars for consolidation in the financial statements.

Equity risk

Equity risk is the risk of loss arising from changes in the price of equity investments held by the Company. The Company has no material exposure to equity risk.

(vi) Liquidity risk

The liquidity risk within the Company is managed in a manner consistent with the Ultimate Parent Bank Group's liquidity management framework that is outlined below.

Liquidity risk is the potential inability to meet payment obligations of the Company. The Ultimate Parent Bank Group Treasury administers liquidity management in New Zealand and is responsible for monitoring the funding base and ensuring that it is prudently maintained and adequately diversified.

Ultimate Parent Bank Group Treasury manages Ultimate Parent Bank Group funding with oversight from the NZRC, MARCO and the BRMC. The BRMC approves and monitors a range of policies relating to liquidity and liability generation. Quarterly compliance reports are submitted to the NZRC, MARCO and the BRMC.

Key aspects of the liquidity management strategy are as follows:

Annual liquidity risk framework review

The Ultimate Parent Bank Group Treasury's annual liquidity management review includes:

- modelling approach;
- scenarios covered;
- limit determination; and
- levels of liquid asset holdings.

NZRC, MARCO and the Ultimate Parent Bank Group Risk Reward Committee (GRRC) review the Banking Group's liquidity management approach before it is submitted for approval by the BRMC.

The liquidity risk management framework models the Company's ability to fund under both normal conditions and during a crisis situation. This approach seeks to ensure that this funding framework is sufficiently flexible to provide liquidity under a wide range of market conditions.

Notes to the Financial Statements (continued)

Note 3. Risk management (continued)

Annual funding plan

Each year the Ultimate Parent Bank Group Treasury undertakes a funding review. This review outlines the current funding strategy as well as proposing a funding strategy for the coming year and covers areas such as:

- trends in global debt markets;
- funding alternatives;
- peer analysis;
- estimation of wholesale funding task;
- estimated market capacity; and
- funding risk analysis.

The NZRC, MARCO and the GRRC review the Annual Funding Plan before it is submitted for approval by the BRMC.

Sources of liquidity

The principal sources of the Company's liquidity are as follows:

- customer deposits;
- wholesale debt issuance;
- proceeds from sale of marketable securities;
- principal repayments on loans;
- interest income; and
- fee income.

In management's opinion, liquidity is sufficient to meet the Company's present requirements.

d. Reviews in respect of risk management systems

Group Assurance NZ participates quarterly in the Management Assurance Programme in order to assess the adequacy of the governance framework supporting operational risk management.

Ultimate Parent Bank Group Assurance's Portfolio Risk Review unit has a rolling review programme throughout the financial year, which includes reviews of credit decision-making relating to products provided by the Company. Group Assurance NZ also annually reviews the Company's Operational Risk framework.

The reviews discussed in this section are not conducted by a party which is external to the Ultimate Parent Bank.

Note 4. Net interest income

	2007 $'000	2006 $'000
Interest income		
Related entities	375,332	-
Total interest income	375,332	-
Interest expense		
Debt issues	(368,326)	-
Related entities	(6,263)	-
Total interest expense	(374,589)	-
Net interest income	743	-

Note 5. Non-interest income

	2007 $'000	2006 $'000
Fees and commissions		
Management fees received from related entities	1,002	-
Total non-interest income	1,002	-

Notes to the Financial Statements (continued)

Note 6. Operating expenses

	2007 $'000	2006 $'000
Other expenses		
Purchased services	219	-
Audit fees	-	-
Travel	4	-
Management fees paid - related entities	700	-
Total other expenses	923	-
Total operating expenses	923	-

The audit fees for the prior year had been borne by Westpac Banking Corporation New Zealand Branch (the NZ branch) and for the current year by Westpac New Zealand Limited.

Note 7. Income tax expense

	2007 $'000	2006 $'000
Income tax expense		
Current income tax	271	-
Deferred income tax	-	-
Total income tax expense	271	-
Reconciliation of income tax expense to profit before income tax		
Operating profit before income tax expense	822	-
Prima facie income tax expense at 33 percent (2006: 33%)	271	-
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Exempt dividends	-	-
Income not subject to tax	-	-
Expenses not deductible for tax purposes	-	-
Adjustments for current tax of prior years	-	-
Other items	-	-
Total income tax expense	271	-
Imputation tax credit		
Balance at beginning of the year	-	-
Imputation credit on dividends paid	-	-
Income tax payments during the year	638	-
Other movements	-	-
Balance at end of the year	638	-

Note 8. Cash and cash equivalents

	2007 $'000	2006 $'000
Nostro accounts	171	-
Cash and cash at bank - Due from related entities	24	-
Cash and cash at bank - Due to related entities	(49)	-
Total cash and cash equivalents	146	-

Notes to the Financial Statements (continued)

Note 9. Due from related entities

	2007 $'000	2006 $'000
Accrued interest	162,381	-
Accrued income - other	101	-
Loans and advances	11,520,163	-
Other	213	100
Total due from related entities	**11,682,858**	**100**
Due from related entities comprises of:		-
At call	-	100
Term	11,682,858	-
Total due from related entities	**11,682,858**	100

The loans are interest bearing and interest is charged on normal commercial terms.

Note 10. Debt issues

	2007 $'000	2006 $'000
Euro medium term notes	11,064,740	-
Total debt issues	11,064,740	-

Note 11. Other liabilities

	2007 $'000	2006 $'000
Accrued interest payable - Debt issues	159,661	-
Total other liabilities	159,661	-

Note 12. Due to related entities

	2007 $'000	2006 $'000
Accrued interest	2,759	-
Unearned income	23	-
Loans and advances	455,506	-
Other	31	-
Total due to related entities	458,319	-
Due to related entities comprises of:		-
At call	-	-
Term	458,319	-
Total due to related entities	458,319	-

The loans and advances are interest bearing and interest is charged on normal commercial terms.

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Notes to the Financial Statements (continued)

Note 13. Equity & Retained Earnings

	2007 $'000	2006 $'000
Issued and paid up capital		
Ordinary shares	100	100
Balance at end of the year	**100**	**100**
Ordinary shares at begininng of the year	100	-
Number of shares issued during the year	-	100
Balance at end of the year	**100**	**100**
Retained earnings		
Retained earnings at beginning of the year	-	-
Profit after income tax attributable to shareholders	551	-
Dividends paid	-	-
Retained earnings at end of the year	**551**	-

Terms and conditions

The ordinary shares in the Bank confer on their holder the rights described in section 36 of the Companies Act 1993, i.e. subject to the constitution of the Company, each share carries the right to one vote on a poll at meetings of shareholders, the right to an equal share in dividends authorized by the Company and the right to an equal share in the distribution of the surplus assets of the Company in the event of liquidation. Under the constitution of the Company, there is provision for the Company to authorize a dividend which is of greater value per share for some shares than it is for others, so long as the amount paid is in proportion to the amount paid up on the shares. The shares have no par value.

Note 14. Related entities

Ultimate Holding Company

The Company is a wholly owned subsidiary of Westpac NZ Operations Limited and the ultimate parent company is Westpac Banking Corporation.

The principal related parties of the Company are significant divisions of Westpac Banking Corporation, based in the following locations:

- New Zealand (the 'NZ Branch')
- London
- Sydney

NZ Banking Group

The NZ Banking Group consists of the New Zealand operations of Westpac Banking Corporation, BLE Capital (NZ) Limited, Hastings Forestry Investments Limited, Tasman Funding No. 1 Limited, Tasman Funding No. 2 Limited and their jointly owned subsidiary PF No. 2, Westpac NZ Funding Limited, BT Financial Group (NZ) Limited and its subsidiaries, Westpac Group Investment-NZ-Limited, Westpac Financial Services Group-NZ-Limited and its subsidiaries and Westpac New Zealand Group Limited and its subsidiaries.

Westpac Group Investment - NZ - Limited's sole subsidiary is Westpac Holdings - NZ - Limited, which in turn has its subsidiaries listed below:

Name of Subsidiary	Principal Activity	Notes
Augusta (1962) Limited	Non-trading company	
Westpac Equity Investments NZ Limited	Finance company	
TBNZ Limited	Holding company	
TBNZ Capital Limited	Finance company	
TBNZ Developments Limited	Holding company	
TBNZ Investments Limited	Finance company	
TBNZ Equity Limited	Finance company	
TBNZ Investments (UK) Limited	Finance company	
Westpac Capital-NZ-Limited	Holding company	
Aotearoa Financial Services Limited	Non-trading company	
Westpac Lease Discounting-NZ-Limited	Finance company	
Westpac Operations Integrated Limited	Finance company	
Westpac Financial Synergy Limited	Finance company	
Westpac Overseas Investments Limited	Finance company	
Westpac Finance Limited	Finance company	
WestpacTrust Securities-NZ-Limited	Funding company	

Notes to the Financial Statements (continued)

Note 14. Related entities (continued)

The subsidiaries of BT Financial Group (NZ) Limited are listed below:

Name of Subsidiary	Principal Activity	Notes
BT Funds Management NZ Limited	Funds Management Company	
AGRI Private Capital Management Limited	Funds Management Company	

The subsidiaries of Westpac Financial Services Group - NZ - Limited are listed below:

Name of Subsidiary	Principal Activity	Notes
Westpac Life-NZ-Limited	Life insurance company	
Westpac Nominees -NZ- Limited	Nominee company	
Westpac Superannuation Nominees-NZ-Limited	Nominee company	

The subsidiaries of Westpac New Zealand Group Limited are listed below:

Name of Subsidiary	Principal Activity	Notes
Westpac New Zealand Limited	Registered bank	Incorporated 14 February 2006
Westpac NZ Operations Limited	Holding company	Incorporated 29 August 2006
Westpac (NZ) Investments Limited	Property owning and capital funding company	
The Home Mortgage Company Limited	Residential mortgage company	
The Warehouse Financial Services Limited	Financial services company	51 percent owned
Westpac Securities NZ Limited	Funding company	Incorporated 29 August 2006

The NZ Banking Group has consolidated the following special purpose vehicles, used for the securitisation of the NZ Banking Group's own and customers' assets:

- Waratah Receivables Corporation NZ Limited;
- Waratah Securities Australia Limited (NZ Branch);
- WST-NZ Series 1999-1E Trust;
- WST-NZ Warehouse Trust #1; and
- WST-NZ Series WLIS #6 Trust.

All entities in the NZ Banking Group are 100% owned unless otherwise stated. All entities within the NZ Banking Group have a balance date of 30 September and are incorporated in New Zealand, except TBNZ Investments (UK) Limited which is incorporated in the United Kingdom and Waratah Securities Australia Limited which is incorporated in Australia.

Tasman Funding No. 1 Limited and Tasman Funding No. 2 Limited, wholly owned subsidiaries of a member of the Overseas Banking Group, were incorporated on 15 August 2005. Pacific Funding, a jointly owned subsidiary of Tasman Funding No. 1 Limited and Tasman Funding No. 2 Limited was wound up on 27 June 2007. PF No. 2, a jointly owned subsidiary of Tasman Funding No. 1 Limited and Tasman No. 2 Limited was incorporated on 22 June 2007. Westpac NZ Funding Limited, a wholly owned subsidiary of a member of the Overseas Banking Group, was incorporated on 28 October 2005.

The NZ Banking Group has investments in a number of New Zealand industry-based initiatives as listed below:

- Cards NZ Limited
- Mondex New Zealand Limited
- Electronic Transaction Services Limited; and
- Interchange and Settlement Limited;

The NZ Banking Group does not exercise significant influence over these entities and therefore they are not classified as associates.

In addition to the above entities, the principal related parties of the NZ Banking Group are other significant divisions of the Overseas Banking Group, based in London, Hong Kong, Sydney, New York, Tokyo and Singapore.

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

Incorporation and disposals of related entities

On 1 November 2006 Westpac Holding-NZ-Limited sold its related entities Westpac (NZ) Investments Limited, The Home Mortgage Company Limited and its 51% interest in The Warehouse Financial Services Limited, each of whose business relates to retail banking operations, to Westpac NZ Operations Limited. These companies were purchased at the net asset value as at 31 October 2006 on 1 November 2006.

On 21 March 2007 AGRI Private Capital Management Limited, a funds management company, was incorporated.

Notes to the Financial Statements (continued)

Note 14. Related entities (continued)

Nature of Transactions

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

Reimbursement of related entity expenses of $700,000 (2006: $Nil) are paid to the Westpac New Zealand Limited (WNZL) and Westpac Banking Corporation (WBC) for certain operating costs incurred by the Company on their behalf.

The Company provides funding to the NZ operations of WNZL. Management fees of $1,002,000 (2006: $Nil) are paid to the Company by WNZL for these services.

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

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

Revenue and expenses in relation to these related parties are arranged on an arms length basis.

Amounts owing to and by related parties are normally settled within 90 days.

Note 15. Concentration of credit exposure

	2007 $'000	2006 $'000
On-balance sheet credit exposures consist of:		
Cash and cash equivalents	146	-
Due from related entities	11,682,858	100
Total credit exposures	**11,683,004**	**100**
Analysis of credit exposures by geographical area:		
Within New Zealand	11,683,004	100
Overseas	-	-
Total credit exposures	**11,683,004**	**100**
Analysis of credit exposures by industry and economic sector:		
Cash and cash equivalents	146	-
Due from related entities	11,682,858	100
Total credit exposures	**11,683,004**	**100**

Note 16. Risk weighted exposure

2007

	Principal Amount $'000	Risk Weighing	Risk Weighted Exposure $'000
Related entities	11,682,858	20%	2,336,572
Cash and cash equivalents	146	0%	-
Non-risk weighted assets	367	0%	-
Total on-balance sheet exposures	11,683,371		2,336,572

2006

	Principal Amount $'000	Risk Weighing	Risk Weighted Exposure $'000
Related entities and claims on banks	100	20%	20
Other assets	-	100%	-
Non-risk weighted assets	-	0%	-
Total on-balance sheet exposures	100		20

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 17. Concentration of funding

	2007 $'000	2006 $'000
Funding consists of:		
Due to related entities	458,319	-
Bonds, notes and commercial paper	11,064,740	-
Total funding	**11,523,059**	-
Analysis of funding by product:		
Secured borrowings	11,064,740	-
Due to related entities	458,319	-
Total funding	**11,523,059**	-
Analysis of funding by geographical areas:		
Within New Zealand	-	-
Overseas	11,523,059	-
Total funding	**11,523,059**	-
Analysis of funding by industry and economic sector:		
Commercial and financial	11,064,740	-
Due to related entities	458,319	-
Total funding	**11,523,059**	-

Note 18. Interest rate risk

Interest rate risk is the risk of earnings loss arising from adverse movements in levels and volatilities of interest rates. The effective interest rates and interest repricing of financial instruments are as follows:

30 September 2007

	Less than 1 month $'000	Over 1 month to 3 months $'000	Over 3 months to 1 year $'000	Over 1 year to 5 years $'000	Non-Interest bearing $'000	Total $'000	Weighted Average Interest Rate %
Financial Assets							
Cash and cash equivalents	171	-	-	-	(25)	**146**	**5.7%**
Due from related entities	3,639,068	5,540,380	748,456	1,754,770	184	**11,682,858**	**5.3%**
Total financial assets	**3,639,239**	**5,540,380**	**748,456**	**1,754,770**	**159**	**11,683,004**	
Non-financial assets	-	-	-	-	367	**367**	**0%**
Total assets	**3,639,239**	**5,540,380**	**748,456**	**1,754,770**	**526**	**11,683,371**	
Financial Liabilities							
Bonds, notes and commercial paper	3,479,398	5,208,256	622,316	1,754,770	-	**11,064,740**	**5.3%**
Other liabilities	-	-	-	-	159,661	**159,661**	**0%**
Due to related entities	-	332,125	126,140	-	54	**458,319**	**5.4%**
Total financial liabilities	**3,479,398**	**5,540,381**	**748,456**	**1,754,770**	**159,715**	**11,682,720**	
Non-financial liabilities	-	-	-	-	-	-	**0%**
Total liabilities	**3,479,398**	**5,540,381**	**748,456**	**1,754,770**	**159,715**	**11,682,720**	

30 September 2006

	Less than 1 month $'000	Over 1 month to 3 months $'000	Over 3 months to 1 year $'000	Over 1 year to 5 years $'000	Non-Interest bearing $'000	Total $'000	Weighted Average Interest Rate %
Financial Assets							
Due from related entities	100	-	-	-	-	100	7.0%
Total financial assets	**100**	-	-	-	-	**100**	
Non-financial assets	-	-	-	-	-	-	0%
Total assets	**100**	-	-	-	-	**100**	
Financial Liabilities							
Due to related entities	-	-	-	-	-	-	0%
Total financial liabilities	-	-	-	-	-	-	
Non-financial liabilities	-	-	-	-	-	-	0%
Total financial liabilities	-	-	-	-	-	-	

The weighted average interest rate is calculated excluding non-interest bearing assets and liabilities.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 19. Maturity Analysis

The following maturity analysis of monetary assets and liabilities is based on the remaining period as at balance date to the contractual maturity. The majority of the longer term maturity assets are variable rate products. When managing interest rate and liquidity risks, the Company adjusts this contractual profile for expected customer behavior.

30 September 2007

	At call	Less than 1 month $'000	Over 1 month to 3 months $'000	Over 3 months to 1 year $'000	Over 1 year to 5 years $'000	No specific maturity $'000	Total $'000
Monetary assets							
Cash and cash equivalents	146	-	-	-	-	-	**146**
Due from related entities	-	3,639,082	5,540,380	748,456	1,754,770	170	**11,682,858**
Total monetary assets	146	3,639,082	5,540,380	748,456	1,754,770	170	**11,683,004**
Non-monetary assets	-	-	-	-	-	367	**367**
Total assets	**146**	**3,639,082**	**5,540,380**	**748,456**	**1,754,770**	**537**	**11,683,371**
Monetary liabilities							
Bonds, notes and commercial pa	-	3,574,731	5,160,766	613,883	1,715,360	-	**11,064,740**
Other liabilities	-	64,328	47,490	8,433	39,410	-	**159,661**
Due to related entities	-	-	332,125	126,140	-	54	**458,319**
Total monetary liabilities	-	**3,639,059**	**5,540,381**	**748,456**	**1,754,770**	**54**	**11,682,720**
Non-monetary liabilities	-	-	-	-	-	-	-
Total liabilities	-	**3,639,059**	**5,540,381**	**748,456**	**1,754,770**	**54**	**11,682,720**

30 September 2006

	At call	Less than 1 month $'000	Over 1 month to 3 months $'000	Over 3 months to 1 year $'000	Over 1 year to 5 years $'000	No specific maturity $'000	Total $'000
Monetary assets							
Due from related entities	-	100	-	-	-	-	100
Total assets	-	**100**	-	-	-	-	**100**
Monetary liabilities							
Due to related entities	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-

Note 20. Directors' remuneration

No remuneration was paid by the Company to its Directors (2006 nil).

Note 21. Contingent liabilities and commitments

Capital expenditure commitments

There were no capital commitments as at 30 September 2007 (2006: nil).

Operating lease commitments

There were no operating lease commitments as at 30 September 2007 (2006: nil).

Note 22. Events occurring after reporting date

The directors are not aware of any significant events since the reporting date.

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Independent audit report to the members of Westpac Securities NZ Limited

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Auditors' Report

To the shareholders of Westpac Securities New Zealand Limited

We have audited the financial statements on pages 4 to 23. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 30 September 2007 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 8 to 12.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company as at 30 September 2007 and its financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company other than in our capacity as auditors and tax advisors.

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Auditors' Report

Westpac Securities New Zealand Limited

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 4 to 24:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company as at 31 September 2007 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 November 2007 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Auckland