

Westpac Securities NZ Limited

Financial statements

For the year ended 30 September 2008

Westpac Securities NZ Limited

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

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

The Directors of the Company at the date of this Financial Report are:

Name	Principal activity outside the Company
Bradley John Cooper	Group Chief Transformation Officer, Westpac Banking Corporation
Royce Noel Brennan	General Manager, Risk, Westpac New Zealand Limited
Mariette Maria Bernadette van Ryn	General Manager, Regulatory Affairs, Customer Advocacy and General Counsel New Zealand, Westpac New Zealand Limited
Geoffrey Neville Martin	Senior Manager, Funding, Westpac New Zealand Limited
Gavin William Street	Chief Financial Officer, Westpac New Zealand Limited

The financial report was authorised for issue by the directors on 19 November 2008. The Company has the power to amend and reissue the financial report.

Westpac Securities NZ Limited

Disclosure regarding forward-looking statements

This Financial Report contains forward-looking statements which appear in a number of places and include statements regarding our intent, belief or current expectations with respect to Westpac Securities NZ Limited's ("WSNZL" or the "Company") business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. This Financial Report uses words such as 'may', 'expect', 'intend', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', or other similar words to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from the plans, objectives, expectations, estimates and intentions described in this Financial Report as anticipated, believed, estimated, expected or intended.

The factors that may impact on forward-looking statements made in this Financial Report include:

- Inflation, interest rate, exchange rate, market and monetary fluctuations;
- Market liquidity and investor confidence;
- The effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy;
- Changes in consumer spending, saving and borrowing habits in New Zealand;
- The effects of competition in the geographic and business areas in which Westpac New Zealand Limited (WNZL) conducts its operations;
- The ability to maintain or to increase market share and control expenses;
- The timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- Technological changes;
- Demographic changes and changes in political, social or economic conditions in any of the major markets in which WNZL operates;
- Credit and capital market conditions; and
- Various other factors beyond WNZL's control.

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

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

Westpac Securities NZ Limited

Management Report and Responsibility Statement

Review and results of the Company's operations during the financial year

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

The profit after tax of the Company for the year ended 30 September 2008 was \$3,030,000 compared with \$551,000 for the year ended 30 September 2007, an increase of 449.91%.

Net interest income increased by 460.70% to \$4,166,000 compared to the year ended 30 September 2007. The \$3,423,000 increase was due to an increased funding balance the Company raised for WNZL and as a result, the increase funding fee revenue reported as part of net interest income.

Non-interest income increased by 36.83% to \$1,371,000 for the year ended 30 September 2008 and this was mainly due to increases in fees and commissions.

Operating expenses increased by 9.97% to \$1,015,000. The increase in operating expenses arose due to an increase in management fees and professional services fees paid during the year.

Income tax expense of \$1,492,000 increased by 450.55% due to the increase in profit before tax for the year.

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

Significant events that have occurred since 30 September 2008

For a discussion of any significant events that have occurred since 30 September 2008, see Note 19 to the attached consolidated financial statements.

Management does not expect its principal activity of raising and managing wholesale funding for WNZL to alter in the future.

Principal risks and uncertainties

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

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

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

Global credit and capital markets have experienced extreme volatility, disruption and decreased liquidity for more than 12 months, reaching unprecedented levels of disruption in September and October 2008. WNZL relies on credit and capital markets for funding its business. As of 30 September 2008, WNZL obtained approximately 35% of its funding from wholesale domestic and international markets. WNZL recently experienced higher funding costs and accessing wholesale markets, particularly in relation to longer-term securities, was more difficult as a result of the adverse global capital market conditions. Continued instability in these market conditions may limit WNZL's ability to replace, in a timely manner, maturing liabilities and access the capital necessary to fund and grow its business.

In the event that WNZL's current sources of funding prove to be insufficient, WNZL may be forced to seek alternative financing. The availability of such alternative financing will depend on a variety of factors, including prevailing market conditions, the availability of credit, WNZL's credit ratings and credit capacity. 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.

If WNZL is unable to source appropriate funding, it may be forced to reduce its lending or begin to sell liquid securities. There is no assurance that WNZL can obtain favourable prices on some or all of the securities it offers for sale. The credit and capital market conditions could limit WNZL's ability to refinance maturing liabilities. Such actions could adversely impact WNZL's business, results of operations, liquidity, capital resources and financial condition.

Declining asset markets could adversely affect WNZL's operations or profitability

A continuation of the recent declines in global asset markets, including equity, property and other asset markets could impact WNZL's operations and profitability.

Declining asset prices impact WNZL's and other asset holdings. In relation to WNZL's wealth management business, WNZL's earnings are in part dependant on asset values, such as the value of securities held, and a decline in asset prices could negatively impact the viability of the business. Declining asset prices could also impact customers and the security WNZL holds against loans which may impact WNZL's returns if customers were to default.

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

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

WNZL currently conducts substantially all of its business in New Zealand. Consequently, its performance will be influenced by the level and cyclical nature of business and home lending activity in New Zealand which in turn are impacted by both domestic and international economic and political events. Recent dislocation in capital markets has impacted global economic activity including the New Zealand economy. This disruption has already led to a decrease in credit growth and a reduction in consumer and business confidence. A material downturn in the New Zealand economy could adversely impact WNZL's results of operations, liquidity, capital resources and financial condition. The economic conditions of Australia and other regions in which WNZL conducts its operations can also affect WNZL's future performance and have shown signs of deterioration.

Westpac Securities NZ Limited

Management Report and Responsibility Statement (cont'd)

Credit risk could adversely affect WNZL's results of operations and financial condition

The risk of financial loss resulting from the failure of customers to honour fully the terms of a contract with WNZL (credit risk) is WNZL's most significant risk and will arise primarily from its lending activities and other transactions. WNZL's home lending portfolio represents a significant proportion of its assets. A decrease in property valuations in New Zealand could decrease the amount of new mortgages WNZL is able to write or increase the losses it may experience from its existing mortgages which, in either case, could materially and adversely affect WNZL's financial condition and results of operations. In particular, a significant slowdown in the New Zealand housing market could adversely affect its results of operations. Credit exposures also includes WNZL's dealings with, and holdings of, debt securities issued by other banks and financial institutions whose conditions may be impacted to varying degrees by continuing turmoil in the global financial markets.

WNZL holds collective and individually assessed provisions for impairment charges. If the current global financial markets turmoil and the economic downturn severely deteriorate, some customers could experience higher levels of financial stress and WNZL may incur increased defaults and write-offs, and be required to increase WNZL's level of provisioning. Such actions could diminish available capital and could adversely affect WNZL's results of operations, liquidity, capital resources and financial condition.

For a discussion on WNZL's risk management procedures, including the management of credit risk, refer to note 15 to these financial statements.

There can be no assurance that actions of the New Zealand, Australian, United States and other foreign governments and other governmental and regulatory bodies to stabilise financial markets will achieve the intended effect

In response to the recent financial crises affecting the banking system and financial markets generally and deteriorating global financial conditions, on 12 October 2008, the New Zealand government announced that it will guarantee deposits (on an opt-in basis) and certain wholesale term funding of participating entities. Similar stabilising actions have been announced by governments and regulatory bodies in Australia, the United States, United Kingdom, Europe and other jurisdictions.

The proposed New Zealand government guarantee of deposits and wholesale term funding has yet to be fully implemented and it is not possible to determine the extent to which the guarantee will apply to existing or future wholesale term funding issued by us. Similarly, the stabilisation packages announced by governments and regulators in Australia, the United States, United Kingdom, Europe and other jurisdictions are in many cases equally uncertain. There can be no assurance as to what impact such regulatory actions will have on financial markets, consumer and investor confidence, or the extreme levels of volatility currently being experienced. Further declines in consumer and investor confidence and continued uncertainty and volatility could materially adversely affect WNZL's business, financial condition and results of operations.

WNZL faces intense competition in all aspects of its business

WNZL competes domestically with retail and commercial banks, non-bank mortgage brokers, private banking firms and other financial services firms. In addition, the trend towards consolidation in the global financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. Locally, competition has also increased as a number of new entrants have entered the market which has added pricing pressure to a number of financial services products which in turn will put pressure on margins. In recent years, competition has also increased as large insurance and banking industry participants have sought to establish themselves in markets that are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships. WNZL expects these trends to continue.

WNZL could suffer losses due to market volatility

WNZL is exposed to market risk due to volatility of market factors such as foreign exchange rates, interest rates, commodity prices and equity prices. The recent levels of market volatility increased WNZL's estimated earnings at risk as measured by VaR. Structural interest rate risk (WNZL's most significant market risk) may arise from lending and deposit taking activity in the normal course of business and through the investment of capital and other non-interest bearing liabilities. If WNZL were to suffer substantial losses due to any such market volatility it would adversely affect its results of operations and financial condition.

For a discussion of our risk management procedures, including the management of market risk, refer to note 15 to these financial statements.

WNZL could suffer losses due to operational risks

As a financial services organisation WNZL could be exposed to a variety of other risks including those resulting from process error, fraud, system failure, security and physical protection, customer services, staff skills and performance and product development and maintenance. Operational risk has the potential, as a result of the way business objectives are pursued, to negatively impact WNZL's financial performance, customer service and reputation in the community or cause other damage to the business.

For a discussion of our risk management procedures, including the management of operational risk, refer to note 15 to these financial statements.

WNZL's business is highly regulated and it could be adversely affected by changes in regulations and regulatory policy

Compliance risk arises from the regulatory standards that apply to WNZL as an institution. WNZL is subject to regulation and regulatory oversight. WNZL is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including changes to accounting standards - refer to note 1 to these financial statements) and industry codes of practice, as well as meeting ethical standards. The nature and impact of future changes in such policies are not predictable and are beyond WNZL's control. It is likely that the recent global financial crisis will lead to changes in regulation in most markets in which WNZL operates, particularly for financial companies. Changes in regulations or regulatory policy could adversely affect WNZL's business and could require WNZL to incur substantial costs to comply. The failure to comply with applicable regulations could result in fines and penalties or limitations on WNZL's ability to do business. These costs, expenses and limitations could have a material adverse affect on WNZL's business, financial performance or financial condition.

Reputational damage could harm WNZL's business and prospects

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

Westpac Securities NZ Limited

Management Report and Responsibility Statement (cont'd)

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

The credit ratings assigned to WNZL by rating agencies are based on an evaluation of a number of factors, including WNZL's financial strength. In light of the difficulties in the banking sector and financial markets, the rating agencies have indicated they are watching global developments closely and if conditions continue to deteriorate, they have indicated that they may adjust the rating outlook of some New Zealand banks. In addition, 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. If WNZL fails to maintain its current corporate credit ratings, this could adversely affect its cost of funds and related margins, liquidity, competitive position and access to capital markets.

Other risks

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

Responsibility Statement

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

1. the financial statements, which have been prepared 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, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
2. the Management Report includes a fair review of the information required by the Disclosure and Transparency Rules 4.1.8R to 4.1.11R of the United Kingdom Financial Services Authority.

Signed on behalf of the Board.

Director
Auckland
19 November 2008



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 8 to 25 give a true and fair view of Westpac Securities NZ Limited's financial position as at 30 September 2008;
- (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 8 to 25 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.

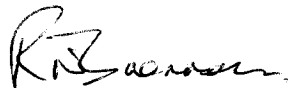
This Directors' Statement has been signed by two of the Directors:

Director



Director
Auckland

19 November 2008



Westpac Securities NZ Limited

Income statement for the year ended 30 September 2008

	Note	2008 \$'000	2007 \$'000
Interest income	2	560,505	375,332
Interest expense	2	(556,339)	(374,589)
Net interest income		4,166	743
Non-interest income	3	1,371	1,002
Net operating income		5,537	1,745
Operating expenses	4	(1,015)	(923)
Profit before income tax		4,522	822
Income tax expense	5	(1,492)	(271)
Profit for the year		3,030	551
Attributable to:			
Shareholders of the Company		3,030	551
Profit for the year		3,030	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 year ended 30 September 2008

	2008 \$'000	2007 \$'000
Total equity at the beginning of the year	651	100
Share capital issued	-	-
Net income recognised directly in equity	-	-
Profit after income tax for the year	3,030	551
Total recognised income and expenses	3,030	551
Total equity at the end of year	3,681	651

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 2008

	Note	2008 \$'000	2007 \$'000
Assets			
Cash and cash equivalents	6	1,902	146
Income tax receivable			367
Due from related entities	7	10,057,984	11,682,858
Deferred tax assets	8	469	-
Other assets	9	247	-
Total assets		10,060,602	11,683,371
Liabilities			
Debt issues	10	9,520,264	11,064,740
Current tax liabilities		862	-
Other liabilities	11	99,290	159,661
Due to related entities	12	436,505	458,319
Total liabilities		10,056,921	11,682,720
Net assets		3,681	651
Equity			
Share capital	13	100	100
Retained earnings	13	3,581	551
Total equity		3,681	651

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

Westpac Securities NZ Limited

Cash flow statement for the year ended 30 September 2008

	Note	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Interest received		620,550	212,951
Interest paid		(619,100)	(212,169)
Management fees received - related entities		1,297	1,002
Other non-interest income received		74	-
Income taxes paid		(732)	(638)
Management fees paid - related entities		(702)	(700)
Operating expenses paid		(560)	(223)
Net cash inflow from operating activities		827	223
Cash flows from investing activities			
Net decrease/(increase) in due from related entities		1,554,502	(11,520,476)
Net cash inflow/(outflow) from investing activities		1,554,502	(11,520,476)
Cash flows from financing activities			
Net (decrease)/increase in due to related entities		(83,001)	455,559
Net (decrease)/increase in other borrowings		(1,534,149)	11,064,740
Proceeds from issue of notes		63,577	-
Net cash (outflow)/inflow from financing activities		(1,553,573)	11,520,299
Net increase in cash and cash equivalents		1,756	46
Cash and cash equivalents at beginning of the year		146	100
Cash and cash equivalents at end of the year		1,902	146
Cash and cash equivalents comprise:			
Cash and cash equivalents	6	1,902	146
Cash and cash equivalents at end of the year		1,902	146
		2008	2007
		\$'000	\$'000
Reconciliation of profit after income tax to net cash flow from operating activities:			
Profit after income tax attributable to shareholders of the Company		3,030	551
<i>Adjustments:</i>			
Movement in accrued assets		60,045	(162,381)
Movement in other assets		(247)	-
Movement in accrued liabilities		(62,761)	162,420
Movement in income tax provisions		760	(367)
Net cash inflow from operating activities		827	223

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

Westpac Securities NZ Limited

Notes to the financial statements

Note 1. Summary of significant accounting policies

These financial statements were authorised for issue by the Board of Directors of the Company (Board) on November 2008.
The Company raises funds for New Zealand domestic operations.

a. Basis of preparation

These general purpose financial statements have been 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 financial statements have been prepared under the historical cost convention.

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

b. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2008 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below:

- (i) *NZ IFRS 8: Operating Segments* was issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and will apply to the Company for the financial period commencing on 1 October 2009. *NZ IFRS 8* impacts the disclosure of financial and descriptive information about reportable segments, if any, but will not affect any amounts recognised in the financial statements.
- (ii) *NZ IFRS 3: Business Combinations* and amended *NZ IAS 27: Consolidated and Separate Financial Statements* were issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and will come into effect from 1 October 2009. The revisions to the standards apply prospectively to business combinations and do not impact the amounts recognised in the financial statements on disclosures made by the Company.
- (iii) *NZ IAS 1: Presentation of Financial Statements* is a revised standard applicable to annual reporting periods beginning on or after 1 January 2009. The amendments affect the presentation of owner changes in equity and of comprehensive income. They do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

The company has not adopted the standards listed in (i), (ii) and (iii) early.

c. Critical Accounting Estimates and judgments

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 judgment in the process of applying the Company's accounting policies. Should different assumptions or estimates be applied, the resulting values would change, impacting the net assets and income of the Company. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(l).

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. All values have been rounded off to the nearest thousand dollars (\$000), unless otherwise stated.

(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.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 1. Summary of significant accounting policies (continued)

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 and liquid assets used in the day-to-day management of the Company, which are readily convertible at the Company's option.

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 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 revaluation of certain financial assets and liabilities including derivative contracts, 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.

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 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 year comprises current tax and movements in deferred tax balances.

Current tax is the expected tax payable on the taxable income for the year, 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.

In May 2007, the corporate tax rate in New Zealand was changed from 33% to 30% with effect from the 2008/09 income tax year. This revised income tax rate has impacted the current tax liability balance for the current income tax year.

Deferred tax assets and liabilities recognised in the current period will be reflected at the rate expected to be in force when the recognised items reverse.

(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.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 1. Summary of significant accounting policies (continued)

k. Financial assets

The company classifies its financial assets as loans and receivables. This classification is determined by management at initial recognition. Loans are recognised when cash is advanced to the borrowers. They are initially recognised at fair value plus transaction costs and at subsequent measurement at amortised cost. Financial assets are derecognised when the right to receive cash flows from the financial assets expire or where the company has transferred substantially all the risks and rewards of ownership.

(i) Cash and cash equivalents

Cash and cash equivalents include cash and liquid assets. They are brought to account at the face value or the gross value of the outstanding balance, where appropriate.

(ii) 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 and receivables.

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.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 1. Summary of significant accounting policies (continued)

m. Financial liabilities

Financial liabilities are recognised when an obligation arises and derecognised when it is discharged.

(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) 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. The estimated fair value of debt issued is then based on market quoted prices where available. The fair value of the debt issued where a market quote is not available is based on discounted cash flow, using a rate appropriate to the instrument and the term of the issue.

Note 2. Net interest income

	2008 \$'000	2007 \$'000
Interest income		
Related entities	560,008	375,332
Other	497	-
Total interest income	560,505	375,332
Interest expense		
Due to other financial institutions	(46)	-
Debt issues	(533,087)	(368,326)
Related entities	(23,182)	(6,263)
Other	(24)	-
Total interest expense	(556,339)	(374,589)
Net interest income	4,166	743

The entire amount of interest income and expense relate to financial assets and financial liabilities not at fair value through profit or loss.

Note 3. Non-interest income

	2008 \$'000	2007 \$'000
Fees and commissions		
Management fees received from related entities	1,297	1,002
Other fee income	74	-
Total non-interest income	1,371	1,002

Note 4. Operating expenses

	2008 \$'000	2007 \$'000
Other expenses		
Purchased services	313	219
Audit fees	-	-
Travel	-	4
Management fees paid - related entities	702	700
Total other expenses	1,015	923
Total operating expenses	1,015	923

The audit fees for the current year and the prior year have been borne by Westpac New Zealand Limited. Management fees are paid to Westpac New Zealand Limited for certain operating costs incurred on the Company's behalf.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 5. Income tax expense

	2008 \$'000	2007 \$'000
Income tax expense		
Current income tax	1,961	271
Deferred income tax	(469)	-
Total income tax expense	1,492	271
Reconciliation of income tax expense to profit before income tax		
Operating profit before income tax expense	4,522	822
Prima facie income tax expense at 33 percent (2007: 33%)	1,492	271
Tax effect of amounts which are not deductible / (assessable) in calculating taxable income:		
Income not subject to tax	-	-
Expenses not deductible for tax purposes	-	-
Adjustments for current tax of prior years	-	-
Other items	-	-
Total income tax expense	1,492	271
Imputation credit account		
Balance at beginning of the year	638	-
Imputation credit on dividends paid	-	-
Income tax payments during the year	182	638
Other movements	-	-
Balance at end of the year	820	638

Note 6. Cash and cash equivalents

	2008 \$'000	2007 \$'000
Nostro accounts	226	171
Cash and cash at bank - Due from related entities	1,706	24
Cash and cash at bank - Due to related entities	(30)	(49)
Total cash and cash equivalents	1,902	146

Note 7. Due from related entities

	2008 \$'000	2007 \$'000
Accrued interest	102,336	162,381
Accrued income - other	221	101
Loans and advances	9,954,411	11,520,163
Other	1,016	213
Total due from related entities	10,057,984	11,682,858
Due from related entities comprises of:		
At call	-	-
Term	10,057,984	11,682,858
Total due from related entities	10,057,984	11,682,858

The loans are interest bearing and interest is charged on normal commercial terms. Amounts owing to and by related parties are normally settled within 90 days.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 8. Deferred Tax Assets

	2008 \$'000	2007 \$'000
Deferred tax assets attributable to the following:		
Other temporary differences	(81)	-
Overseas tax paid	550	-
Balance at end of the year	469	-
Deferred tax assets movements		
Balance at beginning of the year	-	-
Current period timing differences	469	-
Balance at end of the year	469	-

Note 9. Other Assets

	2008 \$'000	2007 \$'000
Deferred Expenditure	264	-
Accumulated amortisation	(17)	-
Total other assets	247	-

Note 10. Debt issues

	2008 \$'000	2007 \$'000
Euro medium term notes mature as follows:		
One year or less	8,672,254	9,349,380
Between one and two years	539,100	1,115,360
Between two and five years	308,910	600,000
Total debt issues	9,520,264	11,064,740
Opening balance	11,064,740	-
New deals	27,598,547	11,064,740
Matured deals	(29,143,023)	-
Closing balance	9,520,264	11,064,740

Note 11. Other liabilities

	2008 \$'000	2007 \$'000
Accrued interest payable - Debt issues	99,290	159,661
Total other liabilities	99,290	159,661

Note 12. Due to related entities

	2008 \$'000	2007 \$'000
Unlisted issued securities	60,900	-
Accrued interest payable - Borrowings	369	2,759
Accrued interest payable - Unlisted issued securities	2,677	-
Unearned income	9	23
Loans and advances	372,521	455,506
Other	29	31
Total due to related entities	436,505	458,319
Due to related entities comprises of:		
At call	-	-
Term	436,505	458,319
Total due to related entities	436,505	458,319

The advances are interest bearing and interest is charged on normal commercial terms. Amounts owing to and by related parties are normally settled within 90 days.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 13. Equity & Retained Earnings

	2008 \$'000	2007 \$'000
Issued and paid up capital		
Ordinary shares	100	100
Balance at end of the year	100	100
	2008	2007
Number of ordinary shares at the beginning of the year	100,000	100,000
Number of shares issued during the year	-	-
Number of ordinary shares at the end of the year	100,000	100,000
	2008	2007
Retained earnings	\$'000	\$'000
Retained earnings at beginning of the year	551	-
Profit after income tax attributable to shareholders	3,030	551
Dividends paid	-	-
Retained earnings at the end of the year	3,581	551

Terms and conditions

The ordinary shares in the Company 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 authorised 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 authorise 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, which is incorporated in Australia and produces financial statements available for public use.

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.

The Company is related to members of the NZ Banking Group as a fellow subsidiary of Westpac Banking Corporation.

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	
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 Equity Investments NZ Limited	Finance company	
Westpac Finance Limited	Finance company	
WestpacTrust Securities NZ Limited	Funding company	

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 14. Related entities (cont'd)

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	
Westpac NZ Operations Limited	Holding company	
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

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 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.

The NZ Banking Group has an investment in Cards NZ Limited. As the NZ Banking Group exercises significant influence over this entity it is treated as an associate.

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

- 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.

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 \$702,000 (2007: \$700,000) 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 \$1,297,000 (2007: \$1,002,000) 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.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 15. Financial risk management

The principal activity of the Company is to raise and manage offshore wholesale funding for WNZL, in respect of which entity the Company is a wholly owned, indirect subsidiary. Debt issued by the Company is ultimately guaranteed by its parent, WNZL. The risk exposures of the Company arise as a consequence of this debt funding program.

The Company's business activities subject it to risks that can adversely impact future performance and financial condition. As the Company is an indirect, wholly owned subsidiary of WNZL, it consequently is affected by similar risks and uncertainties which affect WNZL. The principal risks and uncertainties which affect Westpac are available on WNZL's website at www.westpac.co.nz.

Any risks arising from offshore wholesale funding is passed through under the principal terms of the loan to WNZL. The Company charges WNZL a management fee to cover day to day cost of operations.

The Company operates within the governance and risk management frameworks of the ultimate parent entity, Westpac Banking Corporation. These frameworks support effective and efficient decision-making through established reporting obligations to the Board of the Company as well as measures of staff performance. The Company regards the management of risk to be a fundamental management activity. Supporting this approach is a risk management framework that includes core risk principles as well as policies and processes for measuring and monitoring risk.

Categories of risk

The key risks that the Company is exposed 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;
- Liquidity risk: the potential loss arising from cash outflows exceeding cash inflows over a given period; and
- Market risk: the risk to earnings from changes in market factors. Market risk includes the following risk factors:
 - 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; and
 - 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.

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

a. Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Company. This arises primarily from the Company's provision of offshore wholesale funding to WNZL.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

The Company is subject to WNZL's Risk Management Framework. This framework defines what constitutes credit risk for the Company and provides the Company with a framework for managing credit risk. Compliance with the framework policies is monitored and exposures and breaches are reported to the Ultimate Parent Bank Group Credit Risk Committee (CREDCO).

The Company's main exposure to risk arises as a consequence of the funding arrangement in place with WNZL. A guarantee is provided by WNZL over all the Company's liabilities. The credit risk associated with the Company is mitigated by this guarantee. The Company as noted above is affected by the same principal risks that affect WNZL. WNZL's most significant risk is the risk of financial loss resulting from the failure of customers to honour fully the terms of their contract.

(i) External Credit Rating

The Company is a wholly owned, indirect subsidiary of WNZL. WNZL has the following credit ratings with respect to its long term senior unsecured obligations, including obligations payable in New Zealand in New Zealand dollars. For financial assets recognised on the balance sheet, the exposure to credit risk equals the carrying amount. The amounts recognised in the balance sheet are not materially different to the maximum credit exposure. These credit ratings are given without any qualifications:

Credit ratings for WNZL

Rating Agency	Current Credit Rating
Moody's Investors Services	Aa2
Standard and Poor's	AA

Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time.

(ii) Fully performing

Contractual payments due from WNZL have been received by their contractual maturity date and are considered to be fully performing.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 15. Financial risk management (cont'd)

(iii) Concentration of credit exposure

	2008 \$'000	2007 \$'000
On-balance sheet credit exposures consist of:		
Cash and cash equivalents	1,902	146
Due from related entities	10,057,984	11,682,858
Total credit exposures	10,059,886	11,683,004
Analysis of credit exposures by geographical area:		
Within New Zealand	10,059,886	11,683,004
Overseas	-	-
Total credit exposures	10,059,886	11,683,004
Analysis of credit exposures by industry and economic sector:		
Commercial and financial	10,059,886	11,683,004
Total credit exposures	10,059,886	11,683,004

b. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The entity is primarily exposed to foreign currency risk and interest rate risk.

(i) Interest rate risk

Interest rate risk is the risk of earnings loss arising from adverse movements in levels and volatilities of interest rates. Financial instruments with floating rate interest, expose the Company to cash flow interest rate risk, whereas financial instruments with fixed rate interest expose the Company to fair value interest rate risk.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The effective interest rates and interest repricing of financial instruments are as follows:

	30 September 2008						Weighted Average Interest Rate %
	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	
Financial Assets							
Cash and cash equivalents	-	-	-	-	1,902	1,902	N/A
Due from related entities	7,465,292	1,035,989	853,129	600,000	103,574	10,057,984	3.7%
Other assets	-	-	-	-	247	247	N/A
Total financial assets	7,465,292	1,035,989	853,129	600,000	105,723	10,060,133	
Non-financial assets	-	-	-	-	469	469	
Total assets	7,465,292	1,035,989	853,129	600,000	106,192	10,060,602	
Financial Liabilities							
Debt issues	7,092,046	1,035,989	853,129	539,100	-	9,520,264	3.7%
Other liabilities	-	-	-	-	99,290	99,290	N/A
Due to related entities	372,521	-	-	60,900	3,084	436,505	3.3%
Total financial liabilities	7,464,567	1,035,989	853,129	600,000	102,374	10,056,059	
Non-financial liabilities	-	-	-	-	862	862	
Total liabilities	7,464,567	1,035,989	853,129	600,000	103,236	10,056,921	
Off-balance sheet financial instruments							
Net interest rate contracts (principal):							
Receivable/(payable)	-	-	-	-	-	-	

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 15. Financial risk management (cont'd)

	30 September 2007					Total \$'000	Weighted Average Interest Rate %
	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		
Financial Assets							
Cash and cash equivalents	-	-	-	-	146	146	N/A
Due from related entities	3,639,068	5,540,380	748,456	1,754,770	184	11,682,858	5.3%
Total financial assets	3,639,068	5,540,380	748,456	1,754,770	330	11,683,004	
Non-financial assets	-	-	-	-	367	367	
Total assets	3,639,068	5,540,380	748,456	1,754,770	697	11,683,371	
Financial Liabilities							
Debt issues	3,479,398	5,208,256	622,316	1,754,770	-	11,064,740	5.3%
Other liabilities	-	-	-	-	159,661	159,661	N/A
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	-	-	-	-	-	-	
Total liabilities	3,479,398	5,540,381	748,456	1,754,770	159,715	11,682,720	

Off-balance sheet financial instruments

Net interest rate contracts (principal):

Receivable/(payable)	-	-	-	-	-	-	
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The weighted average interest rate is calculated excluding non-interest bearing assets and liabilities.

The Company manages its exposure to interest rate risk by matching the market risk exposures on financial liabilities with financial assets from WNZL.

(ii) Structural foreign exchange risk

The Company operates a London 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.

As with managing its exposure to interest rate risk, the Company eliminates its direct foreign exchange exposure by matching the currency of liabilities arising from wholesale funding with that of receivables from WNZL.

c. 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 in understanding and managing 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.

d. 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.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 15. Financial risk management (cont'd)

e. Liquidity risk

Liquidity risk is the potential inability to meet payment obligations of the Company.

The liquidity risk within the Company is managed by matching the terms of funding with the terms of receivables from WNZL. There is no payment mismatch between the company's receivables and payables.

WBC's Group Treasury department is ultimately responsible for liquidity management, including for WNZL and WSNZL. WBC is ultimately responsible for monitoring WNZL's funding bases and ensuring it is prudentially maintained and adequately diversified.

(i) Maturity profile

The table below summarises the maturity profile of the financial liabilities of the Company based on the remaining undiscounted contractual obligations.

The Company's undiscounted maturity profile for financial assets and liabilities as at September 2008 is as follows:

	30 September 2008						Total \$'000
	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	
Financial Assets							
Cash and cash equivalents	1,902	-	-	-	-	-	1,902
Due from related entities	1,082,806	1,672,196	1,090,597	5,443,348	1,001,743	1,237	10,291,927
Total financial assets	1,084,708	1,672,196	1,090,597	5,443,348	1,001,743	1,237	10,293,829
Financial liabilities							
Debt issues	709,191	1,672,196	1,090,597	5,438,628	936,124	-	9,846,736
Due to related entities	373,615	-	-	4,720	65,619	38	443,992
Total financial liabilities	1,082,806	1,672,196	1,090,597	5,443,348	1,001,743	38	10,290,728

The Company's undiscounted maturity profile for financial assets and liabilities as at September 2007 is as follows:

	30 September 2007						Total \$'000
	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	
Financial Assets							
Cash and cash equivalents	146	-	-	-	-	-	146
Due from related entities	264,061	3,391,973	5,591,070	862,763	1,848,685	314	11,958,866
Total financial assets	264,207	3,391,973	5,591,070	862,763	1,848,685	314	11,959,012
Financial liabilities							
Debt issues	264,061	3,391,973	5,254,900	733,872	1,848,685	-	11,493,491
Due to related entities	-	-	336,170	128,890	-	54	465,114
Total financial liabilities	264,061	3,391,973	5,591,070	862,762	1,848,685	54	11,958,605

WNZL (the parent) guarantees all payment obligations in respect of debt issues by the Company.

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 15. Financial risk management (cont'd)

(ii) Concentration of funding

	2008 \$'000	2007 \$'000
Funding consists of:		
Due to related entities	436,505	458,319
Debt issues	9,520,264	11,064,740
Total funding	9,956,769	11,523,059
Analysis of funding by product:		
Secured borrowings	9,520,264	11,064,740
Due to related entities	436,505	458,319
Total funding	9,956,769	11,523,059
Analysis of funding by geographical areas:		
Within New Zealand	-	-
Overseas	9,956,769	11,523,059
Total funding	9,956,769	11,523,059
Analysis of funding by industry and economic sector:		
Commercial and financial	9,956,769	11,523,059
Total funding	9,956,769	11,523,059

Note 16. Capital

The Company is a wholly owned subsidiary of Westpac NZ Operations Limited which itself is a part of Westpac Banking Corporation NZ Banking Group. Capital for this company is managed as part of the NZ Banking Group rather than on the individual entity level. The adequacy of the Banking Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Reserve Bank of New Zealand in supervising the Banking Group.

During the past year, the Banking Group has complied with all its externally imposed capital requirements.

Capital management

The primary objectives of the Banking Group's capital management are to ensure that the group complies with externally imposed capital requirements and that the group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Banking group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk of characteristics of its activities. In order to maintain or adjust the capital structure, the group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Three independent processes ensure that the Banking Group's capital is adequate to support its current and future activities:

1. The Banking Group's Board has approved a Risk Appetite Statement. This statement outlines the target debt rating, the target capital ratios, and the degree of earnings volatility that is acceptable. The table below outlines the current target ratios.

Current target capital structure	%
Tier one ratio	5.5
Total regulatory ratio	9.0

2. The Banking Group calculates the capital that is required to be held for its current risk profile and forecasts the estimated capital position based on expected future activities. This is done on a monthly basis. The forecast capital required is assessed against the target ranges that have been approved by the Board in regard to capital ratios. The Banking Group has no appetite for breaching the lower limits of its target ranges

3. In addition to a monthly forecasting process, the Ultimate Parent Banking Group takes capital considerations into account during its Board Strategy Review (BSR). The BSR is an annual process where the current strategic direction of the Ultimate Parent Banking Group is reviewed and refinements made.

Note 17. Key management personnel compensation

No compensation was paid by the Company to its key management personnel (2007: nil).

Note 18. Commitments and contingencies

Capital expenditure commitments

There were no capital commitments as at 30 September 2008 (2007: nil).

Operating lease commitments

There were no operating lease commitments as at 30 September 2008 (2007: nil).

Westpac Securities NZ Limited

Notes to the Financial Statements (continued)

Note 19. Events occurring after reporting date

Westpac New Zealand Limited executed a \$5 billion internal mortgage backed securitisation in October 2008. These securities are available for external issuance and the most senior rated securities (\$4.75 billion) also qualify as eligible collateral for repurchase agreements with the Reserve Bank of New Zealand. Holding a portion of mortgages in securitised format enables Westpac New Zealand Limited to maintain a readily available source of cash should market conditions remain difficult. It takes advantage of the Reserve Bank of New Zealand's recently expanded guidelines for its open market operations, which allow banks in New Zealand to offer securitised residential mortgage assets from their own balance sheets as collateral for Reserve Bank of New Zealand's repurchase agreements.

The New Zealand Government announced on 12 October 2008 an opt-in deposit guarantee scheme under which it will guarantee deposits with participating New Zealand registered banks and non-bank deposit taking entities, with effect from 12 October 2008. The guarantee will be for a period of two years from the announcement date.

The New Zealand Government has also announced that it is considering a guarantee arrangement in respect of the wholesale term funding of registered banks. Details of this are yet to be finalised.

The Company is currently assessing the implications of each of these schemes.

Auditors' Report

To the shareholders of Westpac Securities NZ Limited

We have audited the financial statements on pages 8 to 25. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 30 September 2008 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 12 to 15.

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 2008 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.

Auditors' Report

Westpac Securities NZ Limited

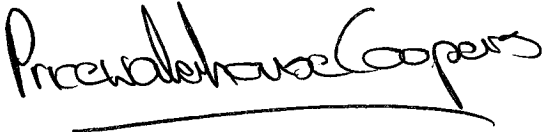
Unqualified Opinion

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 8 to 25:
 - (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 30 September 2008 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 21 November 2008 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland