Westpac Securities NZ Limited

Annual report

For the year ended 30 September 2023

Westpac Securities NZ Limited

Contents

This Annual Report covers Westpac Securities NZ Limited (the '**Company**') as an individual entity.

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

The members of the Board of Directors of the Company ('**Board**') at signing date of these financial statements are Christopher Louis Hillier, Catherine Anne McGrath, and Dirk Christopher McLiesh.

Dirk Christopher McLiesh was appointed as Director on 6 October 2022.

Westpac Securities NZ Limited

Responsibility Statement

The Board confirms that to the best of their knowledge the financial statements for the year ended 30 September 2023, which have been prepared in accordance with the Financial Reporting Act 2013 (New Zealand), Financial Markets Conduct Act 2013, applicable New Zealand equivalents to International Financial Reporting Standards ('**NZ IFRS**') and other authoritative pronouncements of the External Reporting Board ('**XRB**') as appropriate for for-profit entities, present fairly, the financial position, profit or loss, and assets and liabilities of the Company.

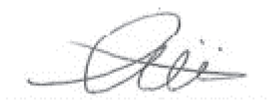
Westpac Securities NZ Limited

Directors' report

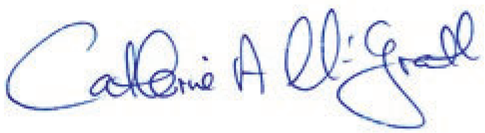
Pursuant to section 211(3) of the Companies Act 1993, the shareholder of the Company has agreed that the Annual Report of the Company need not comply with the requirements of paragraphs (a), and (e) to (j) of subsection (1) and subsection (2) of section 211.

Accordingly, there is no information to be included in the Annual Report other than the financial statements for the year ended 30 September 2023 and the independent auditor's report on those financial statements.

For and on behalf of the Board of Directors:



Director
30 November 2023



Director
30 November 2023

Westpac Securities NZ Limited

Statement of comprehensive income for the year ended 30 September 2023

	Note	2023 $'000	2022 $'000
Interest income - calculated using the effective interest rate method	2	**150,390**	89,357
interest income - other	2	**175,403**	40,734
Interest expense		**(320,289)**	(124,926)
Net interest income	2	**5,504**	5,165
Non-interest income	3	**1,829**	566
Total non-interest income		**1,829**	566
Net operating income before operating expenses and impairment charges		**7,333**	5,731
Impairment (charges)/benefits	6	**956**	(3,237)
Operating expenses	4	**(1,854)**	(515)
Profit before income tax		**6,435**	1,979
Income tax expense	7	**(1,534)**	(1,461)
Net profit for the year		**4,901**	518
Other comprehensive income (net of tax)		**-**	-
Total comprehensive income for the year		**4,901**	518

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

Balance sheet as at 30 September 2023

	Note	2023 $'000	2022 $'000
Assets			
Cash and cash equivalents	10	**9,920**	10,830
Receivables due from related entities	14	**14,868,728**	17,673,963
Current tax asset		**158**	441
Total assets		**14,878,806**	17,685,234
Liabilities			
Payables due to related entities	14	**19,908**	25,890
Debt issues	11	**14,773,902**	17,619,103
Other financial liabilities	12	**72,951**	32,579
Total liabilities		**14,866,761**	17,677,572
Net assets		**12,045**	7,662
Shareholder's equity			
Share capital	13	**651**	651
Retained profits		**11,394**	7,011
Total shareholder's equity		**12,045**	7,662

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

Statement of changes in equity for the year ended 30 September 2023

		Attributable to owners of the Company		
	Note	Share Capital $'000	Retained Profits $'000	Total $'000
As at 1 October 2021		651	13,237	13,888
Year ended 30 September 2022				
Net profit for the year		-	518	518
Total comprehensive income for the year ended 30 September 2022		-	518	518
Transactions with the owners:				
Dividends paid on ordinary shares	13	-	(6,744)	(6,744)
As at 30 September 2022		651	7,011	7,662
Year ended 30 September 2023				
Net profit for the year		-	**4,901**	**4,901**
Total comprehensive income for the year ended 30 September 2023		-	**4,901**	**4,901**
Transactions with the owners:				
Dividends paid on ordinary shares	13	-	**(518)**	**(518)**
As at 30 September 2023		**651**	**11,394**	**12,045**

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

Westpac Securities NZ Limited

Statement of cash flows for the year ended 30 September 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Interest income received		**292,575**	84,456
Interest expense paid		**(279,917)**	(106,576)
Service fees received - related entities		**1,745**	566
Service fees paid - related entities		**(350)**	(525)
Operating expenses paid		**(1,238)**	(9)
Income tax paid		**(1,251)**	(1,389)
Net cash provided by/(used in) in operating activities	17	**11,564**	(23,477)
Cash flows from investing activities			
Net movement in receivables due from related entities		**2,840,531**	(3,335,415)
Net cash provided by/(used in) investing activities		**2,840,531**	(3,335,415)
Cash flows from financing activities			
Net movement in payables due to related entities		**(6,248)**	13,391
Proceeds from debt issues	11	**5,646,295**	12,746,346
Repayments of debt issues	11	**(8,492,534)**	(9,397,471)
Dividends paid to ordinary shareholder	13	**(518)**	(6,744)
Net cash provided by/(used in) financing activities		**(2,853,005)**	3,355,522
Net increase/(decrease) in cash and cash equivalents		**(910)**	(3,370)
Cash and cash equivalents at beginning of the year		**10,830**	14,200
Cash and cash equivalents at end of the year	10	**9,920**	10,830

The above statement of cash flows should be read in conjunction with the accompanying notes. Details of the reconciliation of net cash used in operating activities to net profit are provided in Note 17.

Notes to the financial statements

Note 1. Financial statement preparation

These financial statements were authorised for issue by the Board on 30 November 2023. The Board has the power to amend and reissue the financial statements.

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**'). The Company is a wholly-owned, indirect subsidiary of WNZL. Following a review of the fee arrangements between the Company and WNZL, the Company has ceased charging WNZL a funding management fee effective from 1 October 2023 which will reduce the future net profit of the Company (refer to Note 14).

The principal accounting policies are set out below and in the relevant notes to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

a. Basis of preparation

(i) Basis of accounting

These financial statements are general purpose financial statements prepared in accordance with the UK Listing Authority Listing Rules. These financial statements comply with Generally Accepted Accounting Practice, applicable New Zealand equivalents to International Financial Reporting Standards ('**NZ IFRS**') and other authoritative pronouncements of the External Reporting Board, as appropriate for for-profit entities. These financial statements also comply with International Financial Reporting Standards ('**IFRS**'), as issued by the International Accounting Standards Board.

All amounts in these financial statements have been rounded in thousands of New Zealand dollars unless otherwise stated.

(ii) Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by applying fair value accounting to financial assets and financial liabilities measured at fair value through income statement ('**FVIS**').

(iii) Foreign currency translation

Functional and presentational currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange ('**FX**') gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

b. Standards adopted during the year ended 30 September 2023

No new accounting standards have been adopted by the Company for the year ended 30 September 2023. There have been no amendments to existing accounting standards that have a material impact on the Company.

c. Financial assets and financial liabilities

(i) Recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the terms of the contract, which is generally on the settlement date (the date payment is made or cash is advanced).

(ii) Classification and measurement

The Company classifies its financial assets into the following categories: financial assets at FVIS and financial assets at amortised cost. Financial assets at FVIS relate to receivables due from related entities. Due from related entities balances are designated at FVIS when the related liability from debt issuances have been designated at FVIS in order to avoid an accounting mismatch. Financial assets at amortised cost include cash and cash equivalents and receivables due from related entities.

Financial assets and financial liabilities measured at FVIS are recognised initially at fair value. All other financial assets and financial liabilities are recognised initially at fair value plus or minus directly attributable transaction costs respectively.

Further details of the accounting policy for each category of financial asset or financial liability mentioned above is set out in the note for the relevant item.

The Company's policies for determining the fair value of financial assets and financial liabilities are set out in Note 16.

Financial assets

Financial assets are classified based on a) the business model within which the assets are managed, and b) whether the contractual cash flows of the instrument represent solely payments of principal and interest ('**SPPI**').

The Company determines the business model at the level that reflects how groups of financial assets are managed. When assessing the business model, the Company considers factors including how performance and risks are managed, evaluated and reported and the frequency and volume of, and reason for, sales in previous periods and expectations of sales in future periods.

When assessing whether contractual cash flows are SPPI, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that they may not meet the SPPI criteria include contingent and leverage features, non-recourse arrangements, and features that could modify the time value of money.

Financial liabilities

The Company classifies its financial liabilities as follows: payables due to related entities, debt issues and other financial liabilities.

Financial liabilities are measured at amortised cost if they are not held for trading or designated at FVIS, otherwise they are measured at FVIS.

Notes to the financial statements

Note 1. Financial statement preparation

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, or when the Company has either transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full under a 'pass through' arrangement and transferred substantially all the risks and rewards of ownership.

There may be situations where the Company has partially transferred the risks and rewards of ownership but has neither transferred nor retained substantially all the risks and rewards of ownership. In such situations, the asset continues to be recognised on the balance sheet to the extent of the Company's continuing involvement in the asset.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in the profit or loss.

The terms are deemed to be substantially different if the discounted present value of the cash flows under the new terms (discounted using the original effective interest rate) is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Qualitative factors such as a change in the currency the instrument is denominated in, a change in the interest rate from fixed to floating and conversion features are also considered.

(iv) Impairment of financial assets

Impairment charges are based on an expected loss model which measures the difference between the current carrying amount and the present value of expected future cash flows taking into account past experience, current conditions and multiple probability-weighted macroeconomic scenarios for reasonably supportable future economic conditions.

Impairment charges are recognised in profit or loss, with a corresponding amount recognised as a reduction of the carrying value of the financial asset through an offsetting provision account.

d. Statement of cash flows

Operating, investing and financing activities

Operating activities are the principal revenue-producing activities of the Company and other activities that are not investing or financing activities. Investing activities are the acquisition and disposal of long-term assets and other investments that are not included in cash equivalents. Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company.

e. Critical accounting assumptions and estimates

Applying the Company's accounting policies requires the use of judgement, assumptions and estimates which impact the financial information. The significant assumptions and estimates used are discussed in the relevant notes below.

- Note 16 Fair value of financial instruments

The areas of judgement, estimates and assumptions in the financial statements are consistent with those in the financial statements for the year ended 30 September 2022.

f. Future developments in accounting standards

There are no new standards or amendments to existing standards that are not yet effective that are expected to have a material impact on the Company.

Notes to the financial statements

Note 2. Net interest income

Accounting policy

Interest income and expense for all interest earning financial assets and interest-bearing financial liabilities at amortised cost, detailed within the table below, are recognised using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial instrument by discounting the financial instrument's estimated future cash receipts or payments to their present value and allocates the interest income or interest expense, including any fees, costs, premiums or discounts integral to the instrument, over its expected life.

	Note	2023 $'000	2022 $'000
Interest income			
Calculated using the effective interest rate method			
Receivables due from related entities[1]		**150,390**	89,357
Total interest income calculated using the effective interest rate method		**150,390**	89,357
Other			
Receivables due from related entities[1]		**175,403**	40,734
Total other		**175,403**	40,734
Total interest income	14	**325,793**	130,091
Interest expense			
Calculated using the effective interest rate method			
Debt issues		**(134,286)**	(75,807)
Payables due to related entities	14	**(11,350)**	(9,256)
Total interest expense calculated using the effective interest rate method		**(145,636)**	(85,063)
Other			
Debt issues		**(174,653)**	(39,863)
Total other		**(174,653)**	(39,863)
Total interest expense		**(320,289)**	(124,926)
Net interest income		**5,504**	5,165

[1]Includes interest income, funding margin and guarantee fees recovery from related entities (refer to Note 14).

Note 3. Non-interest income

Accounting policy

Service fee income which arises from treasury services provided to WNZL is recognised in profit or loss when the performance obligation is satisfied when the related services are completed.

	Note	2023 $'000	2022 $'000
Non-interest income			
Service fees received from related entities	14	**1,916**	714
Net movement on financial assets and liabilities held at fair value		**(87)**	(148)
Total non-interest income		**1,829**	566

Note 4. Operating expenses

	Note	2023 $'000	2022 $'000
Bank charges		**14**	7
Services provided - related entities	14	**616**	506
Purchased services		**1,224**	2
Total operating expenses		**1,854**	515

Note 5. Auditor's remuneration

The audit fees for the audit and review of financial statements for the year ended 30 September 2023 amounting to $39,900 were borne by WNZL (30 September 2022: $38,000). The Company also incurred fees for assurance and other audit related services for the year ended 30 September 2023 amounting to $43,183 and related to agreed procedures reports obtained for updates to the debt issuance programmes ((30 September 2022: $34,538 incurred by WNZL). In addition, $99,167 of assurance and other audit related services fees were paid to PwC Sydney for the year ended 30 September 2023 in relation to debt issuance programme updates (30 September 2022: $81,522).

Notes to the financial statements

Note 6. Impairment charges/(benefits)

	2023 $'000	2022 $'000
Provisions raised/(released):		
Performing	**(956)**	3,237
Non-performing	-	-
Total impairment charges/(benefits)	**(956)**	3,237

Refer to Note 14 for information on expected credit losses ('**ECL**') provisions raised by the Company in the current and prior year.

Note 7. Income tax expense

Accounting policy

Income tax

The income tax expense for the year comprises current tax. Tax is recognised through profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is the expected tax payable for the year using enacted or substantively enacted tax rates and laws for each jurisdiction. Current tax also includes adjustments to tax payable for previous years.

Goods and services tax ('GST')

Where applicable, revenue, expenses and assets are recognised net of GST except to the extent that GST is not recoverable from the New Zealand Inland Revenue. In these circumstances, GST is recognised as part of the expense or the cost of the asset.

	2023 $'000	2022 $'000
Income tax expense		
Current tax:		
- Current year	**1,534**	1,414
- Prior year adjustments	-	47
Total income tax expense	**1,534**	1,461
Reconciliation of income tax expense to profit before income tax expense		
Profit before income tax expense	**6,435**	1,979
Tax calculated at a rate of 28% (30 September 2022: 28%)	**1,802**	554
Tax effect of amounts which are not (assessable)/deductible in calculating taxable income:		
Non-taxable income	-	(47)
Non-deductible/(non-taxable) impairment charges/(benefits)	**(268)**	907
Prior year adjustment	-	47
Total income tax expense	**1,534**	1,461

Note 8. Imputation credit account

	2023 $'000	2022 $'000
Imputation credits available for use in subsequent reporting periods	**242**	957,805

The Company was previously part of an imputation group ('**ICA group**') with WNZL and Westpac Banking Corporation ('**WBC**'). On 1 July 2023, the Company and WNZL exited the ICA group. While the imputation credits of the ICA group continue to be available for use by WBC, those imputation credits are no longer accessible by the Company. The ICA ('**imputation credit account**') balance at 30 September 2023 represents the imputation credits available for use by the Company.

Notes to the financial statements

Note 9. Credit risk management

Credit risk is the risk of financial loss where a customer of counterparty or counterparty fails to meet their financial obligations. This arises primarily from the Company's provision of offshore wholesale funding to WNZL.

The Company's main exposure to risk arises as a consequence of the funding arrangement in place with WNZL and WNZL's guarantee of the Company's obligations. 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. Refer to Note 14 for information on ECL provisions raised by the Company.

WNZL maintains a Credit Risk Management Framework. This framework defines what constitutes credit risk and provides WNZL with a framework for managing credit risk. Compliance with the framework policies is monitored and exposures and breaches are reported to the WNZL Board Risk and Compliance Committee.

(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 as at 30 September 2023 and at the date the Directors signed these financial statements.

Credit ratings for WNZL

Rating agency	Current Credit Rating	Rating Outlook
Fitch Ratings	A+	Stable
Moody's Investors Service	A1	Stable
S&P Global Ratings	AA-	Stable

A credit rating is not a recommendation to buy, sell or hold securities of WNZL. Such ratings are subject to revision, qualification, suspension or withdrawal at any time by the assigning rating agency. Investors in WNZL's securities are cautioned to evaluate each rating independently of any other rating.

(ii) Fully performing

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

(iii) Concentration of credit exposure

This table below shows the Company's concentration of credit exposure which is also the Company's maximum exposure to credit risk. As discussed above, the Company is a wholly-owned, indirect subsidiary of WNZL and the principal activity of the Company is to raise and manage offshore wholesale funding for WNZL.

	Note	2023 $'000	2022 $'000
On-balance sheet credit exposures consist of:			
Cash and cash equivalents	10	**9,920**	10,830
Receivables due from related entities	14	**14,868,728**	17,673,963
Total credit exposures		**14,878,648**	17,684,793

All credit exposures are within New Zealand and to the finance and insurance sector.

Note 10. Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash at bank and call money market deposits.

	Note	2023 $'000	2022 $'000
Cash and cash equivalents - with external parties		**180**	100
Cash and cash equivalents - WNZL	14	**9,740**	10,730
Total cash and cash equivalents		**9,920**	10,830

Notes to the financial statements

Note 11. Debt issues

Accounting policy

Debt issues are bonds, notes and commercial paper that have been issued by the Company.

Debt issues are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method or at fair value.

Debt issues are designated at fair value if they reduce or eliminate an accounting mismatch.

The change in the fair value that is due to credit risk is recognised in other comprehensive income except where it would create an accounting mismatch, in which case it is also recognised in non-interest income.

Interest expense incurred is recognised within net interest income.

In the table below, the distinction between short-term (less than 12 months) and long-term (greater than 12 months) debt is based on the original maturity of the underlying security.

	Note	2023 $'000	2022 $'000
Short-term debt			
Commercial paper		**1,471,222**	5,489,471
Total short-term debt		**1,471,222**	5,489,471
Long-term debt			
Euro medium-term notes		**7,932,715**	8,192,491
Covered bonds		**5,369,965**	3,937,141
Total long-term debt		**13,302,680**	12,129,632
Total debt issues		**14,773,902**	17,619,103
Debt issues measured at amortised cost	16	**13,302,680**	12,129,632
Debt issues measured at fair value	16	**1,471,222**	5,489,471
Total debt issues		**14,773,902**	17,619,103
Amounts expected to be settled within 12 months		**5,403,331**	5,863,105
Amounts expected to be settled after 12 months		**9,370,571**	11,755,998
Total debt issues		**14,773,902**	17,619,103

Movement Reconciliation	2023 $'000	2022 $'000
Balance as at beginning of the year	**17,619,103**	12,841,672
Issuance	**5,646,295**	12,746,346
Maturities, repayments, buy-backs and reductions	**(8,492,534)**	(9,397,471)
Total cash movements	**(2,846,239)**	3,348,875
FX translation impact	**(107,695)**	1,393,509
Fair value adjustments	**9,379**	(9,632)
Other[1]	**99,354**	44,679
Total non-cash movements	**1,038**	1,428,556
Balance as at end of the year	**14,773,902**	17,619,103

[1]Includes items such as capitalisation and amortisation of issue costs.

Notes to the financial statements

Note 12. Other financial liabilities

Accounting policy

Other financial liabilities include accrued interest payable on debt issues and are measured at amortised cost.

	2023 $'000	2022 $'000
Accrued interest payable on debt issues	72,951	32,579
Total other financial liabilities	**72,951**	32,579

The balance will be settled within 12 months.

Note 13. Shareholder's equity

Accounting policy

Ordinary shares are recognised at the amount paid up per ordinary share net of directly attributable issue costs.

Ordinary shares fully paid

	2023 Number of authorised and Issued Shares	2022 Number of authorised and Issued Shares
Balance at beginning of the year	651,185	651,185
Balance at end of the year	**651,185**	651,185

Ordinary shares

The ordinary shares have no par value. Ordinary shares entitle the holder to participate in dividends and in the event of the Company winding up, to a share of the proceeds in proportion to the number of and amounts paid on the shares held. Each ordinary share entitles the holder to one vote, either in person or by proxy, at a shareholder meeting.

Dividends paid

In the year ended 30 September 2023, the Company paid dividends in respect of the ordinary shares amounting to $518,000 (2022: $6,744,000).

Note 14. Related entities

Accounting policy

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions, or one other party controls both. Examples include subsidiaries, associates, joint ventures and superannuation plans as well as key management personnel and their related parties.

Receivables due from related entities

If receivables due from related entities have contractual cash flows which represent SPPI on the principal balance outstanding, they are classified at amortised cost if they are held with a business model which is achieved through holding the financial asset to collect these cash flows.

However, receivables due from related entities are measured at FVIS whereby doing so eliminates or reduces an accounting mismatch.

Due from related entities include financial assets at FVIS and loans, accrued interest receivable and other receivables measured at amortised cost.

Receivables due from related entities at FVIS

Initially measured at fair value with subsequent changes in fair value recognised in the profit or loss section of the statement of comprehensive income. Due from related entities balances are designated at FVIS when the related liability from debt issuances have been designated at FVIS in order to avoid an accounting mismatch.

Receivables due from related entities at amortised cost

Initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. They are presented net of provisions for ECL determined using the ECL model.

Payables due to related entities

This amount includes amounts due to other entities controlled by WBC.

Due to related entities includes borrowings, settlement account balances due to related entities and debt issues held by related entities. They are measured at amortised cost.

Ultimate Parent Company

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

Notes to the financial statements

Note 14. Related entities (continued)

Nature of Transactions

Current account banking facilities and other financial products are provided by WNZL and the WBC London Branch to the Company on normal commercial terms. This includes a borrowing facility with the WBC London Branch with a limit of Australian Dollars $300,000,000. This facility remains undrawn as at 30 September 2023 (30 September 2022: undrawn).

The Company received interest income on the loan to WNZL. The outstanding balance at year-end is included in accrued interest due from WNZL.

The Company raised offshore wholesale funding and on-lent all amounts raised or borrowed to WNZL on the same terms as the external debt issues plus a funding margin. The outstanding balance relating to the funding margin at year-end is included in other receivables due from WNZL. Following a review of the fee arrangements between the Company and WNZL, the Company has ceased charging WNZL a funding management fee effective from 1 October 2023.

The Company received service fees from WNZL to recover operating expenses incurred by the Company. The outstanding balance at year-end is included in Other receivables due from WNZL.

WNZL guarantees the due and punctual payment of all sums payable to the holders of the debt securities issued by the Company, the proceeds of which are immediately on-lent to WNZL. The outstanding balances at year-end are included in financial assets at FVIS due from WNZL and loan to WNZL. As the proceeds of the debt issuances are immediately on-lent to WNZL, the aggregate amount guaranteed by WNZL is already reflected in WNZL's balance sheet as part of the amounts due to related entities.

The Company paid WNZL and WBC for certain operating services provided to the Company. The outstanding balance at year-end is included in due to WNZL and WBC.

The Company issued bonds under the Global Covered Bond programme ('**CB Programme**'). Investors of debt securities issued by the Company under the CB Programme also have recourse: first, to WNZL as WNZL guarantees all the debt securities issued by the Company and second, to Westpac NZ Covered Bond Limited ('**WNZCBL**'). WNZCBL is a special purpose entity which was set up to hold housing loans and to provide a financial guarantee for the debt securities issued by the Company under the CB Programme. The financial guarantee is supported by WNZCBL granting security over the cover pool (comprising the housing loans and cash held). WNZL is considered to control WNZCBL based on certain contractual arrangements existing between WNZCBL and WNZL, and as such WNZCBL is consolidated in the financial statements of WNZL Group.

Certain debt instruments issued by the Company are held by WBC and are recorded as a payable to WBC.

The Company paid guarantee fees to WNZCBL. The outstanding balance at year-end is included in payables due to WNZCBL.

The Company recovered from WNZL the guarantee fees paid to WNZCBL. The outstanding balance at year-end is included in other receivables due from WNZL.

As at 30 September 2023, the Company has recognised a provision for ECL on the loan receivable from WNZL of $2,280,733 (2022: $3,236,899).

The audit fees for the current year and prior year have been borne by WNZL, refer to Note 5.

Refer to Note 13 for information on dividends paid by the Company to its parent entity in the current and prior year.

Transactions with related entities

	Note	2023 $'000	2022 $'000
Dividend paid			
Dividend paid to WNZOL	13	**518**	6,744
Income			
Interest income from WNZL[1]		**308,973**	115,786
Funding margin from WNZL[1]		**5,504**	5,165
Guarantee fees recovery from WNZL[1]		**11,316**	9,140
Service fees from WNZL[2]	3	**1,916**	566
Total income		**327,709**	130,657
Expenses			
Interest expense on debt issues to WBC[3]		**108**	-
Interest expense on borrowings from WNZL[3]		**34**	116
Guarantee fees to WNZCBL[3]		**11,316**	9,140
Operating expenses to WNZL and WBC[4]	4	**616**	506
Total expenses		**12,074**	9,762

[1] Included in interest income in the statement of comprehensive income (refer to Note 2).
[2] Included in non-interest income in the statement of comprehensive income.
[3] Included in interest expense in the statement of comprehensive income (refer to Note 2).
[4] Included in operating expenses in the statement of comprehensive income.

Notes to the financial statements

Note 14. Related entities (continued)

Due from and to related entities

	Note	2023 $'000	2022 $'000
Cash and cash equivalents			
Deposits held with WNZL	10	**9,740**	10,730
Total cash and cash equivalents		**9,740**	10,730
Receivables due from related entities			
Accrued interest due from WNZL		**90,542**	61,594
Other receivables due from WNZL		**6,830**	2,083
Financial assets at fair value through profit or loss due from WNZL		**1,453,624**	5,460,050
Loan to WNZL	16	**13,320,013**	12,153,473
Provision for ECL on loans - WNZL		**(2,281)**	(3,237)
Total receivables due from related entities	15	**14,868,728**	17,673,963
Total receivables due from related entities including cash and cash equivalents		**14,878,468**	17,684,693
Settlement profile:			
Amounts expected to be settled within 12 months		**5,458,713**	5,824,056
Amounts expected to be settled after 12 months		**9,410,015**	11,849,907
Total receivables due from related entities		**14,868,728**	17,673,963
Payables due to related entities			
Due to WNZL and WBC		**18,854**	25,102
Due to WNZCBL		**1,054**	788
Total payables due to related entities	15	**19,908**	25,890
Settlement profile:			
Amounts expected to be settled within 12 months		**19,908**	25,890
Amounts expected to be settled after 12 months		-	-
Total payables due to related entities		**19,908**	25,890

Loan advances comprises fixed and variable rate loans, which are interest bearing and interest is charged on normal commercial terms. For variable loans, the Bank Bill Reference rate (‘**BKBM**’) or Alternative Reference Rate (‘**ARR**’) plus margin is applied. Non-loan related amounts owing to related entities are normally settled within 90 days. Other amounts due are in relation to services provided and are settled in accordance with the terms of the transaction.

Key management personnel compensation

Key management personnel is defined as being Directors of the Company, who are also employees of WNZL. During the year, the Company did not make any payments to its key management personnel (30 September 2022: nil). Apportioning the compensation received by the Directors in their capacity as WNZL employees would not be material to the Company’s financial statements.

Notes to the financial statements

Note 15. Risk management, liquidity risk and market risk

The principal activity of the Company is to raise and manage offshore wholesale funding for WNZL, in respect of which the Company is a wholly-owned, indirect subsidiary. The risk exposures of the Company arise as a consequence of its debt funding activities.

The Company's business activities are subject to risks that can adversely impact its future performance and financial condition. The Company is affected by the same principal risks and uncertainties which affect WNZL. This is because the Company is an indirect, wholly-owned subsidiary of WNZL, the Company's debt issuances are guaranteed by WNZL, and all proceeds of such debt issuance are on-lent to WNZL.

The principal risks and uncertainties are not the only ones the Company may face. Additional risks and uncertainties of which the Company may be unaware, or those that are deemed to be immaterial, may become important factors that affect the Company in the future. If any of the risks actually occur, the Company's business, results of operations or financial condition could be materially adversely affected.

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

As an indirect wholly-owned subsidiary of WNZL, the Company operates within the governance and risk management frameworks of WNZL. These frameworks support effective and efficient decision-making through established reporting obligations to the Board 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 strategy that supports a holistic approach to risk management and sets out minimum standards for risk management across all risk types.

Categories of financial risk

The Company maintains a risk-reward oriented approach to creating shareholder value utilising a range of supporting frameworks covering all material risk classes. The Company distinguishes between different risk types and takes an integrated approach to managing them. These key risks are:

- Credit risk: the risk of financial loss when a customer or counterparty fails to meet their financial obligations. Refer to Note 9 Credit risk management;
- Liquidity risk: the risk that the Company will be unable to fund assets and meet its payment obligations as they come due;
- Market risk: the risk of an adverse impact on earnings resulting from changes in market factors, such as FX rates and interest rates.

Additional details surrounding the risk management activities relating to the management of the financial risks are discussed below.

a. Liquidity risk

Liquidity risk is the risk that the Company will not be able to fund assets and meet obligations as they come due, without incurring unacceptable losses.

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

WNZL's Treasury department ('**WNZL Treasury**') is responsible for liquidity management, including for WNZL and the Company. WNZL Treasury is also responsible for monitoring WNZL's funding bases and ensuring it is prudentially maintained and adequately diversified.

Note 15. Risk management, liquidity risk and market risk (continued)

(i) Maturity profile

The following liquidity analysis of financial assets and liabilities presents the contractual undiscounted cash flows receivable and payable and is based on the remaining period as at balance date to the contractual maturity. The balances in the tables below may not agree to the balance sheet as the tables incorporate all cash flows on an undiscounted basis, including both principal and associated future interest income/expense accruals.

30 September 2023	On Demand $'000	Up to 1 Month $'000	Over 1 Month to 3 Months $'000	Over 3 Months to 1 Year $'000	Over 1 Year to 5 Years $'000	Over 5 Years $'000	No specific maturity $'000	Total $'000
Financial assets								
Cash and cash equivalents	9,920	-	-	-	-	-	-	9,920
Receivables due from related entities	-	337,444	729,083	4,508,428	9,288,885	484,060	-	15,347,900
Total undiscounted financial assets	9,920	337,444	729,083	4,508,428	9,288,885	484,060	-	15,357,820
Financial liabilities								
Payables due to related entities	1,075	-	-	176	17,560	-	1,096	19,908
Debt issues	-	336,053	726,696	4,501,839	9,214,374	478,252	-	15,257,214
Other financial liabilities	-	1,391	2,388	6,413	56,951	5,808	-	72,951
Total undiscounted financial liabilities	1,075	337,444	729,084	4,508,428	9,288,885	484,060	1,096	15,350,073

30 September 2022	On Demand $'000	Up to 1 Month $'000	Over 1 Month to 3 Months $'000	Over 3 Months to 1 Year $'000	Over 1 Year to 5 Years $'000	Over 5 Years $'000	No specific maturity $'000	Total $'000
Financial assets								
Cash and cash equivalents	10,830	-	-	-	-	-	-	10,830
Receivables due from related entities	-	670,334	2,611,585	2,656,468	10,199,229	1,957,509	-	18,095,125
Total undiscounted financial assets	10,830	670,334	2,611,585	2,656,468	10,199,229	1,957,509	-	18,105,955
Financial liabilities								
Payables due to related entities	-	1,129	-	23,832	-	-	929	25,890
Debt issues	-	669,873	2,601,804	2,644,034	10,187,687	1,943,692	-	18,047,090
Other financial liabilities	-	487	8,925	23,167	-	-	-	32,579
Total undiscounted financial liabilities	-	671,489	2,610,729	2,691,033	10,187,687	1,943,692	929	18,105,559

(ii) Concentration of funding

		2023 $'000	2022 $'000
Funding consists of:			
Payables due to related entities	14	**19,908**	25,890
Debt issues	11	**14,773,902**	17,619,103
Other financial liabilities	12	**72,951**	32,579
Total funding		**14,866,761**	17,677,572
Analysis of funding by product:			
Commercial papers		**1,471,222**	5,489,471
Euro medium-term notes		**7,932,715**	8,192,491
Covered Bonds		**5,369,965**	3,937,141
Other financial liabilities		**72,951**	32,579
Payables due to related entities		**19,908**	25,890
Total funding		**14,866,761**	17,677,572
Analysis of funding by geographical areas:			
Within New Zealand		**2,171**	2,456
Overseas		**14,864,590**	17,675,116
Total funding		**14,866,761**	17,677,572
Analysis of funding by industry sector:			
Finance and insurance		**14,866,761**	17,677,572
Total funding		**14,866,761**	17,677,572

The geographic region used for debt issues is based on the nature of the debt programmes. The nature of the debt programmes is used as a proxy for the location of the original purchaser. These instruments may have subsequently been on-sold.

Australian and New Zealand Standard Industrial Classifications have been used as the basis for disclosing industry sectors.

Notes to the financial statements

Note 15. Risk management, liquidity risk and market risk (continued)

b. Market risk

Market risk is the risk of an adverse impact on earnings resulting from changes in market risk factors. The Company is primarily exposed to interest rate risk and foreign currency risk.

(i) Interest rate risk

Interest rate risk is the potential loss arising from the changes in the value of financial instruments due to changes in market interest rates or their implied volatility. 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 risk. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The interest repricing profile of financial instruments is as follows:

	30 September 2023						
	Up to 3 Months $'000	Over 3 Months and Up to 6 Months $'000	Over 6 Months and Up to 1 Year $'000	Over 1 Year and Up to 2 Years $'000	Over 2 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash and cash equivalents	-	-	-	-	-	9,920	9,920
Receivables due from related entities	1,187,754	1,898,226	2,299,136	833,500	8,555,022	95,091	14,868,728
Total financial assets	1,187,754	1,898,226	2,299,136	833,500	8,555,022	105,011	14,878,648
Non-financial assets							158
Total assets							14,878,806
Financial liabilities							
Payables due to related entities	-	-	176	-	17,560	2,171	19,908
Debt issues	1,195,320	1,909,105	2,298,906	833,517	8,537,054	-	14,773,902
Other financial liabilities	-	-	-	-	-	72,951	72,951
Total financial liabilities	1,195,320	1,909,105	2,299,082	833,517	8,554,614	75,122	14,866,761
Total liabilities							14,866,761
Net financial (liabilities)/assets subject to interest rate risk	(7,566)	(10,879)	54	(17)	408		

	30 September 2022						
	Up to 3 Months $'000	Over 3 Months and Up to 6 Months $'000	Over 6 Months and Up to 1 Year $'000	Over 1 Year and Up to 2 Years $'000	Over 2 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial assets							
Cash and cash equivalents	-	-	-	-	-	10,830	10,830
Receivables due from related entities	3,341,451	1,542,970	945,903	3,869,500	7,910,463	63,676	17,673,963
Total financial assets	3,341,451	1,542,970	945,903	3,869,500	7,910,463	74,506	17,684,793
Non-financial assets							441
Total assets							17,685,234
Financial liabilities							
Payables due to related entities	1,129	-	23,832	-	-	929	25,890
Debt issues	3,361,809	1,552,405	925,059	3,869,439	7,910,391	-	17,619,103
Other financial liabilities	-	-	-	-	-	32,579	32,579
Total financial liabilities	3,362,938	1,552,405	948,891	3,869,439	7,910,391	33,508	17,677,572
Total liabilities							17,677,572
Net financial (liabilities)/assets subject to interest rate risk	(21,487)	(9,435)	(2,988)	61	72		

The Company manages its exposure to interest rate risk by matching the market risk exposures on financial liabilities with financial assets due from WNZL, therefore there is no material unmatched interest rate risk in the Company, and any changes in market interest rates will not materially affect the statement of comprehensive income and equity of the Company.

Notes to the financial statements

Note 15. Risk management, liquidity risk and market risk (continued)

(ii) Structural FX risk

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

As with managing its exposure to interest rate risk, the Company mitigates its direct FX exposures by matching the currency of liabilities arising from wholesale funding with that of receivables from WNZL. This means any changes in the foreign currency rate associated with the debt issues will not materially affect the statement of comprehensive income and equity of the Company.

Note 16. Fair value of financial instruments

Accounting policy

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

On initial recognition, the transaction price generally represents the fair value of the financial instrument unless there is observable information from an active market to the contrary. Where unobservable information is used, the difference between the transaction price and the fair value (day one profit or loss) is only recognised in the profit or loss when the inputs become observable, or over the life of the instrument.

Critical accounting assumptions and estimates

The majority of valuation models used by the Company employ only observable market data as inputs. However, for certain financial instruments, data may be employed which is not readily observable in current markets.

The availability of observable inputs is influenced by factors such as:
- Product type;
- Depth of market activity;
- Maturity of market models; and
- Complexity of the transaction.

Where unobservable market data is used, more judgement is required to determine fair value. The significance of these judgements depends on the significance of the unobservable input to the overall valuation. Unobservable inputs are generally derived from other relevant market data and adjusted against:
- Industry standards;
- Economic models; and
- Observed transaction prices.

In order to determine a reliable fair value for a financial instrument, management may apply adjustments to the techniques previously described. These adjustments reflect the Company's assessment of factors that market participants would typically consider in setting the fair value.

These adjustments incorporate bid/offer spreads, credit valuation adjustments and funding valuation adjustments.

Fair Valuation Control Framework

The Company uses a Fair Valuation Control Framework where the fair value is either determined or validated by a function independent of the transaction. This framework formalises the policies and procedures used to achieve compliance with relevant accounting, industry and regulatory standards. The framework includes specific controls relating to:
- the revaluation of financial instruments;
- independent price verification;
- fair value adjustments; and
- financial reporting.

The method of determining fair value differs depending on the information available.

Fair value hierarchy

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level input that is significant to the fair value measurement.

The Company categorises all fair value instruments according to the hierarchy described below.

Valuation techniques

The specific valuation techniques, the observability of the inputs used in valuation models and the subsequent classification for each significant product category are outlined below:

Financial instruments measured at fair value

Level 1 instruments

The fair value of financial instruments traded in active markets based on recent unadjusted quoted prices. These prices are based on actual arm's length basis transactions.

The valuations of Level 1 instruments require little or no management judgement.

There are no financial instruments included in the Level 1 category (30 September 2022: nil).

Notes to the financial statements

Note 16. Fair value of financial instruments (continued)

Level 2 instruments

The fair value for financial instruments that are not actively traded are determined using valuation techniques which maximise the use of observable market inputs. Valuation techniques include:

- the use of market standard discounting methodologies;
- option pricing models; and
- other valuation techniques widely used and accepted by market participants.

Instrument	Balance sheet category	Includes	Valuation
Non-asset backed debt instruments	Debt issues	Commercial paper	Valued using observable market prices which are sourced from consensus pricing services, broker quotes or inter-dealer prices. If consensus prices are not available, these are classified as Level 3 instruments.
Financial assets at FVIS due from WNZL	Receivables due from related entities	Loans	Discounted cash flows, using a discount rate which reflects the terms of the instrument and the timing of cash flows adjusted for market observable changes in the applicable credit rating of the Company.

Level 3 instruments

Financial instruments valued where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data due to illiquidity or complexity of the product. These inputs are generally derived and extrapolated from other relevant market data and calibrated against current market trends and historical transactions. These valuations are calculated using a high degree of management judgement.

There are no financial instruments included in the Level 3 category (30 September 2022: nil).

Analysis of movements between fair value hierarchy levels

The Company considers transfers between levels, if any, to have occurred at the end of the reporting period. During the year, there were no transfers between levels of the fair value hierarchy (30 September 2022: no transfers between levels).

Financial instruments not measured at fair value

For financial instruments not carried at fair value on a recurring basis on the balance sheet, including amounts due from and due to related entities, fair value has been derived as follows:

Instrument	Valuation technique
Loan to WNZL	Where available, the fair value of loans is based on observable market transactions; otherwise fair value is estimated using discounted cash flow models. For variable rate loans, the discount rate used is the current effective interest rate. The discount rate applied for fixed rate loans reflects the market rate for the maturity of the loan and the credit worthiness of the borrower.
Debt issues at amortised cost	Discounted cash flows, using a discount rate which reflects the terms of the instrument and the timing of cash flows adjusted for market observable changes in the applicable credit rating of the Company.
All other financial assets and financial liabilities	For all other financial assets and financial liabilities, the carrying value approximates the fair value. These items are either short-term in nature or reprice frequently, and are of a high credit rating.

The following table below summarises the estimated fair value of the Company's financial instruments not measured at fair value.

		30 September 2023		30 September 2022	
	Note	**Total Carrying Amount $'000**	**Estimated Fair Value (Level 2) $'000**	Total Carrying Amount $'000	Estimated Fair Value (Level 2) $'000
Financial assets					
Loan included in receivables due from related entities - WNZL	14	**13,320,013**	**12,379,450**	12,153,473	10,990,639
Total financial assets carried at amortised cost		**13,320,013**	**12,379,450**	12,153,473	10,990,639
Financial liabilities					
Debt issues measured at amortised cost	11	**13,302,680**	**12,328,149**	12,129,632	11,100,903
Total financial liabilities carried at amortised cost		**13,302,680**	**12,328,149**	12,129,632	11,100,903

Notes to the financial statements

Note 17. Reconciliation of net cash provided by operating activities to net profit for the year

	2023 $'000	2022 $'000
Net profit for the year	**4,901**	518
Adjustments:		
Impairment charges/(benefits) on loans	**(956)**	3,237
Movement in accrued assets	**(33,302)**	(45,635)
Movement in accrued liabilities	**40,638**	18,331
Movement in tax balances	**283**	72
Net cash provided by operating activities	**11,564**	(23,477)

Note 18. Capital

There are no externally imposed capital requirements on the Company. The Company is a wholly-owned subsidiary of WNZOL which itself is a part of Westpac New Zealand Limited and its controlled entities (‘**Banking Group**’). Capital for the Company is managed as part of the Banking Group.

Note 19. Segment information

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

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

Revenue from products and services

The Company does not generate any revenue from external customers.

Secondary reporting – geographic segments

All revenue is sourced from New Zealand. On this basis, no geographical segment information is provided.

Note 20. Contingent assets, contingent liabilities and commitments

There were no contingent assets, contingent liabilities or unrecognised contractual commitments as at 30 September 2023 (30 September 2022: nil).

Independent auditor's report

To the shareholder of Westpac Securities NZ Limited

Our opinion

In our opinion, the accompanying financial statements of Westpac Securities NZ Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 30 September 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The financial statements comprise:

- the balance sheet as at 30 September 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include principal accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Company in the areas of agreed upon procedures over the issue of comfort letters and debt issuance programmes. The provision of these other services has not impaired our independence as auditor of the Company.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. The entity's principal activity is to raise and manage offshore wholesale funding and on-lend this to Westpac New Zealand Limited (WNZL). There were no significant areas of judgement or individual areas where significant audit effort was expended. As a result, we have not identified any key audit matters.

Our audit approach

Overview

Materiality	Overall materiality: $148.7 million, which represents approximately 1% of total assets, however this has been capped at $54.3 million, which is the component materiality level allocated to this entity for the purposes of the WNZL group audit (a lower level than the WNZL group materiality level). We chose total assets as the benchmark because the entity's principal activity is to raise and manage offshore wholesale funding and on-lend this to WNZL. The costs of borrowing are met by WNZL. Therefore, users, in our view, are more likely to place emphasis on assets and the claims on those assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Other information

The Directors are responsible for the other information. The other information comprises the responsibility statement and the Directors' report included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Samuel Shuttleworth.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
30 November 2023

Auckland