

ANZ NATIONAL (INT'L) LIMITED

328154

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

31 MARCH 2008

INCOME STATEMENT for the six months ended 31 March 2008

	Unaudited 6 months to 31/03/2008 \$000	Unaudited 6 months to 31/03/2007 \$000	Audited Year to 30/09/2007 \$000
Interest income	622,577	503,859	1,103,591
Interest expense	618,143	498,976	1,093,568
Net interest income	<u>4,434</u>	<u>4,883</u>	<u>10,023</u>
Net foreign exchange (losses)/gains	(102)	8	98
Total income	<u>4,332</u>	<u>4,891</u>	<u>10,121</u>
Operating expenses	505	483	877
Profit before income tax	<u>3,827</u>	<u>4,408</u>	<u>9,244</u>
Income tax expense	1,255	1,455	3,051
Profit after income tax	<u>2,572</u>	<u>2,953</u>	<u>6,193</u>

STATEMENT OF CHANGES IN EQUITY for the six months ended 31 March 2008

	Unaudited 6 months to 31/03/2008 \$000	Unaudited 6 months to 31/03/2007 \$000	Audited Year to 30/09/2007 \$000
Currency translation adjustments after tax	83	125	(40)
Net income/(expense) recognised directly in equity	83	125	(40)
Profit after income tax	2,572	2,953	6,193
Total recognised income and expenses for the period	2,655	3,078	6,153
Retained profits at beginning of the period	1,163	17,414	17,414
Transfer to foreign currency translation reserve	(851)	(1,742)	(2,404)
Ordinary dividend paid	-	-	(20,000)
Retained profits at end of the period	2,967	18,750	1,163
Foreign currency translation reserve at beginning of the period	1,949	(455)	(455)
Currency translation adjustments	851	1,742	2,404
Foreign currency translation reserve at end of the period	2,800	1,287	1,949
Ordinary share capital at beginning and end of the period	500	500	500
Equity at end of the period	6,267	20,537	3,612

BALANCE SHEET as at 31 March 2008

	Unaudited 31/03/2008 \$000	Unaudited 31/03/2007 \$000	Audited 30/09/2007 \$000
Assets			
Liquid assets	1,208	1,665	2,156
Amounts due from related parties	27,152,563	20,137,304	24,183,360
Other assets	11,808	-	-
Deferred tax assets	25	-	-
Total assets	<u>27,165,604</u>	<u>20,138,969</u>	<u>24,185,516</u>
Liabilities			
Deposits and other borrowings	10,932,199	5,569,545	9,319,363
Amounts due to related parties - current	623,965	2,108,621	1,173,962
Payables and other liabilities	74,387	86,550	90,136
Current tax liabilities	1,725	1,801	1,753
Bonds and notes	14,394,484	11,664,327	11,694,861
Amounts due to related parties - term	1,132,577	687,588	1,901,829
Total liabilities	<u>27,159,337</u>	<u>20,118,432</u>	<u>24,181,904</u>
Net assets	<u>6,267</u>	<u>20,537</u>	<u>3,612</u>
Equity			
Ordinary share capital	500	500	500
Foreign currency translation reserve	2,800	1,287	1,949
Retained profits	2,967	18,750	1,163
Total equity	<u>6,267</u>	<u>20,537</u>	<u>3,612</u>

The notes on pages 5 and 6 form part of and should be read in conjunction with these financial statements.

CASH FLOW STATEMENT for the six months ended 31 March 2008

	Unaudited 6 months to 31/03/2008 \$000	Unaudited 6 months to 31/03/2007 \$000	Audited Year to 30/09/2007 \$000
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Interest received	688,794	519,052	1,019,664
	<u>688,794</u>	<u>519,052</u>	<u>1,019,664</u>
<i>Cash was applied to:</i>			
Interest paid	(683,673)	(513,937)	(1,009,923)
Operating expenses	(400)	(510)	(873)
Payment of tax	(1,349)	(1,452)	(3,014)
	<u>(685,422)</u>	<u>(515,899)</u>	<u>(1,013,810)</u>
Net cash flows provided by operating activities	<u>3,372</u>	<u>3,153</u>	<u>5,854</u>
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Decrease in other assets	-	65	65
	<u>-</u>	<u>65</u>	<u>65</u>
<i>Cash was applied to:</i>			
Increase in other assets	(16,783)	-	-
Increase in due from parent company	(3,583,840)	(2,040,670)	(6,402,282)
	<u>(3,600,623)</u>	<u>(2,040,670)</u>	<u>(6,402,282)</u>
Net cash flows used in investing activities	<u>(3,600,623)</u>	<u>(2,040,605)</u>	<u>(6,402,217)</u>
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Increase in deposits and other borrowings	1,778,359	-	2,750,014
Increase in due to related parties - current	-	1,107,672	267,558
Increase in due to related parties - term	-	-	1,158,566
Proceeds from bonds and notes	3,485,471	2,219,133	2,924,199
	<u>5,263,830</u>	<u>3,326,805</u>	<u>7,100,337</u>
<i>Cash was applied to:</i>			
Decrease in due to related parties - current	(547,945)	-	-
Decrease in due to related parties - term	(660,182)	-	-
Decrease in deposits and other borrowings	-	(790,366)	-
Redemptions of bonds and notes	(459,400)	(499,500)	(683,996)
Decrease in other liabilities	-	(65)	(65)
Dividends paid	-	-	(20,000)
	<u>(1,667,527)</u>	<u>(1,289,931)</u>	<u>(704,061)</u>
Net cash flows provided by financing activities	<u>3,596,303</u>	<u>2,036,874</u>	<u>6,396,276</u>
Net cash flows provided by operating activities	3,372	3,153	5,854
Net cash flows used in investing activities	(3,600,623)	(2,040,605)	(6,402,217)
Net cash flows provided by financing activities	3,596,303	2,036,874	6,396,276
Net decrease in cash and cash equivalents	(948)	(578)	(87)
Opening cash and cash equivalents	2,156	2,243	2,243
Closing cash and cash equivalents	<u>1,208</u>	<u>1,665</u>	<u>2,156</u>
Reconciliation of closing cash and cash equivalents to balance sheet:			
Liquid assets	<u>1,208</u>	<u>1,665</u>	<u>2,156</u>

The notes on pages 5 and 6 form part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES**(i) Basis of preparation**

These financial statements have been prepared in accordance with NZ IAS 34: Interim Financial Reporting and comply with this Standard. These financial statements should be read in conjunction with the financial statements for the year ended 30 September 2007.

(ii) Measurement base

These financial statements have been prepared on a going concern basis in accordance with historical cost

(iii) Changes in accounting policies

There have been no changes in accounting policies during the six month period ended 31 March 2008.

(iv) Presentation currency and rounding

The amounts contained in the financial statements are presented in thousands of New Zealand dollars, unless otherwise stated. The Company's functional currency is United States dollars.

(v) Comparatives

To ensure consistency with the current period, all comparative figures have been restated where appropriate.

2. RELATED PARTIES

The parent company is ANZ National Bank Limited which is incorporated in New Zealand. The ultimate parent company is Australia and New Zealand Banking Group Limited which is incorporated in Australia.

As at 31 March 2008, deposits and other borrowings of \$10,932 million, borrowings due to Australia and New Zealand Banking Group Limited of \$1,755 million and bonds and notes of \$14,394 million issued by the Company were guaranteed by ANZ National Bank Limited (31 March 2007 \$5,570 million, \$2,795 million and \$11,664 million; 30 September 2007 \$9,319 million, \$3,074 million and \$11,695 million).

3. ORDINARY SHARE CAPITAL

	Unaudited 31/03/2008 No. of shares	Unaudited 31/03/2007 No. of shares	Audited 30/09/2007 No. of shares
Ordinary shares at beginning and end of the period	500,000	500,000	500,000
	31/03/2008 \$000	31/03/2007 \$000	30/09/2007 \$000
Ordinary share capital at beginning and end of the period	500	500	500

The dividend on ordinary shares was nil per share (31 March 2007 nil per share; 30 September 2007 \$40 per

The ordinary shares have the rights and powers prescribed by Section 36 of the Companies Act 1993, whereby they have equal rights regarding voting, dividends and the residual assets upon winding up of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

There were no contingent liabilities as at 31 March 2008 (31 March 2007 nil; 30 September 2007 nil).

As at 31 March 2008 and all comparative periods, all funding of the company was unsecured.

As at 31 March 2008, the Company had an unsecured liquidity facility of US \$1,000 million with Citibank Group N.A., London Branch (31 March 2007 US \$1,000 million; 30 September 2007 US \$1,000 million).

5. NOTES TO THE CASH FLOW STATEMENT

	Unaudited 6 months to 31/03/2008 \$000	Unaudited 6 months to 31/03/2007 \$000	Audited Year to 30/09/2007 \$000
Reconciliation of net profit after tax to net cash flow from operating activities			
Net profit after tax	2,572	2,953	6,193
Adjustments to net profit after tax:			
Unrealised foreign exchange losses/(gains)	187	117	(98)
Decrease (increase) in accrued interest income	58,855	(6,215)	(83,927)
(Decrease) increase in accrued interest expense	(58,304)	6,240	83,645
Increase (decrease) in accrued charges	115	7	4
Increase in income tax assets	(25)	-	-
(Decrease) increase in income tax liabilities	(28)	65	37
Net cash flows from operating activities	<u>3,372</u>	<u>3,153</u>	<u>5,854</u>

INTERIM MANAGEMENT REPORT

The principal activities of the Company include the provision of funding facilities and wholesale funding to its parent company, ANZ National Bank Limited, including the issuance of U.S. Commercial Paper, Euro-Commercial Paper, U.S. Medium-Term Notes and Euro Medium-Term Notes. The Company's overseas activities are currently conducted through its London branch. The Company has no subsidiary companies.

Important Events

The increase in the Company's total assets from \$24,186 million as at 30 September 2007 to \$27,166 million as at 31 March 2008 has been driven by an increase in the wholesale funding required by the parent company. The Company has raised additional funding through its wholesale funding programmes that it has consequentially on-lent to the parent company. The majority of the increase in Bonds and Notes has resulted from a US \$2 billion extendible floating rate note issued in January 2008. The increase in deposits and other borrowing has been partially offset by a reduction in the volume of related party funding.

Net interest income declined in the six months to 31 March 2008 compared to the six months to 31 March 2007, due to lower levels of Total Equity invested and lower average margin earned, partially offset by the increased balance sheet size.

Principal Risks and Uncertainties

The Company expects minimal change to principal risks and uncertainties over the next six

intermediary and participant in the financial markets. All aspects of risk are managed within a framework of policies, limits, control procedures, systems and reporting, and risk exposures are independently monitored and controlled within predefined limits, with an internal reporting framework in place.

The Company carries minimal interest rate, liquidity and currency risk reflecting the Company's role as a financial intermediary. The Company's principal credit risk exposure continues to be to the parent company. Operational risk is managed through a comprehensive infrastructure of effective policies, procedures, businesses systems and compliance.

RESPONSIBILITY STATEMENT

As at the date on which this Responsibility Statement is signed, after due enquiry, the Directors believe that:

The interim management report of the Company includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules (DTR), being:

- An indication of important events that have occurred during the first six months of the financial year, and their impact on the interim financial statements; and
- A description of the principal risks and uncertainties for the remaining six months of the financial year.

For and on behalf of the Board of Directors:

Steven Montgomery Fyfe
Graham Kennedy Hodges
Jeremy John Robson

22 May 2008



Auditors' review report

To the shareholder of ANZ National (Int'l) Limited

We have completed a review of the interim financial statements on pages 1 to 6 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. The interim financial statements provide information about the past financial performance of ANZ National (Int'l) Limited and its financial position as at 31 March 2008.

Directors' responsibilities

The Directors of ANZ National (Int'l) Limited are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the company as at 31 March 2008 and the results of its operations and cash flows for the six months ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

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

Other than in our capacity as auditors we have no relationship with or interests in the company.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 1 to 6 do not give a true and fair view of the financial position of company as at 31 March 2008 and the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 26 May 2008 and our opinion is expressed as at that date.

A handwritten signature in dark ink, appearing to read 'KPMG'.

Wellington