



Westpac New Zealand Staff Superannuation Scheme

Annual Report 2010



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Bruce Kerr
Chairman

On behalf of the Scheme Trustees, I am pleased to present the Annual Report of the Westpac New Zealand Staff Superannuation Scheme (incorporating In-Tandem) for the year ended 30 June 2010.

At the time last year's report was prepared, many commentators were pointing to recovering share markets as evidence that the worst of the global financial crisis was behind us. Apart from some nervousness around shorter-term volatility, this optimism continued through to early 2010.

However, concerns then began to surface about what might happen when stimulus programmes, instigated by governments to protect their economies against the full impact of the global financial crisis, started to wind down. Government debt problems also surfaced in some smaller European countries (and Greece in particular) and these, combined with worse than anticipated US economic data and concerns about a house price bubble and inflation in China, saw most share markets fall sharply in the final quarter of the Scheme year to 30 June 2010.

What these events demonstrate is the need to be patient and stand by your long-term investment strategy. As the following table shows, despite the difficulties experienced later in the Scheme year, annual returns from all of the Scheme's investment portfolios have been sound.

Portfolio returns (after tax and investment manager fees)

In-Tandem	30 June 2010	30 June 2009
Growth	10.71%	-21.23%
Balanced	10.05%	-13.28%
Stable Balanced	8.85%	-9.25%
Capital Stable	6.48%	0.09%
Defined Benefit	10.29%	-14.36%

Refer to the charts on page 3 to see how the Scheme year progressed for each portfolio.

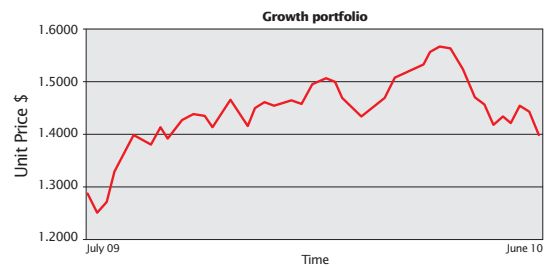
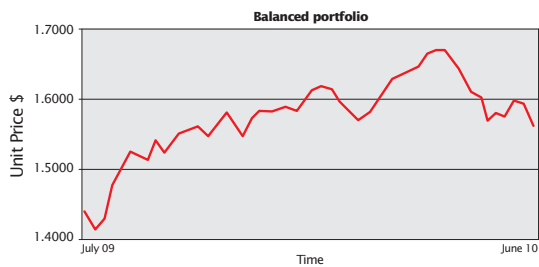
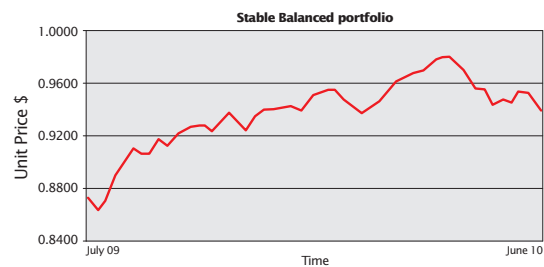
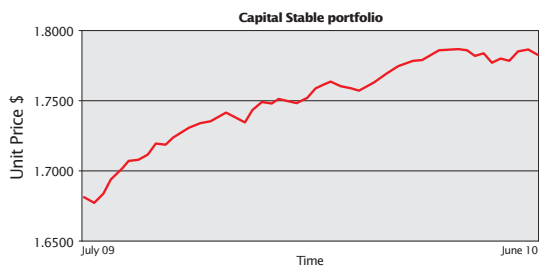
Investment markets are expected by some to be volatile for a while yet. If you are unsure as to whether your current investment strategy is suitable for your circumstances, you should seek advice from Westpac's Wealth team or any other authorised financial adviser.

Scheme website and helpline

Our new website, www.westpacintandem.co.nz went live in November 2009. If you are an In-Tandem member, you can now log on at any time anywhere you have internet access and view up to date information about your accounts (such as your balances and estimated benefit entitlements including any insurance) and investment options. You also have the flexibility to manage your super online; for example, you can change investment options, amend your beneficiaries (the preferred recipient(s) of any death benefit from the Scheme) and update your personal details. If you are a member of the Defined Benefit section of the Scheme (a DB member), you can view the public pages of the website but because of the design of your benefits, you do not have access to personal information such as an estimate of your current benefits.

In October 2009 a toll free 0508 Scheme helpline was introduced. Note that under current legislation, the helpline can only give you general information about the Scheme. Westpac's Wealth team is available to help with more specific queries, for example, about developing a long-term retirement savings plan or selecting investment options.

How the year progressed for each portfolio



Home purchase subsidy

Did you know that if you are buying your first home (or if Housing New Zealand determines you are in the same financial position as a first home buyer) you could be eligible for a subsidy from Housing New Zealand? To qualify, you need to have contributed to an exempt employer's scheme such as this Scheme (or a KiwiSaver scheme or complying superannuation fund) for at least three years since 1 July 2007. Income and house price criteria also apply. Visit www.hnzc.co.nz for details.

Note that the subsidy is administered by Housing New Zealand and all enquiries should be directed to them, not to the Scheme's helpline.

Some superannuation schemes also allow members to withdraw savings to put towards a home purchase. However, your Scheme's trust deed does not permit such withdrawals.

KiwiSaver

Under the "Combo Option", In-Tandem members have the choice to join KiwiSaver and divert some of their existing member and employer contributions. This enables those members to access the Government incentives that are a feature of KiwiSaver (e.g. the kickstart payment and the annual employee tax credit). It is worth noting that as at 30 June 2010, KiwiSaver had over 1.5 million members. During the year to 30 June 2010, the Government paid more than \$962 million dollars in member tax credits into KiwiSaver members' accounts.

Defined Benefit section

Once again, on the Trustees' recommendation, Westpac approved an increase to current pensions to help offset the cost of inflation. This year's increase was 1.76% and for most pensioners took effect from the first pension payment after 1 October 2010.

Additionally, on the Trustees' recommendation, Westpac approved an increase to current pensions to help offset the 2.5% increase in the rate of GST effective from 1 October 2010. This increase of 2.02% took effect for all pensions in payment from 1 October 2010.

DB members and pensioners should be aware that under the Scheme rules, a contingent spouse's pension is payable to the surviving spouse to whom a pensioner is married at retirement, regardless of whether the pensioner subsequently divorces or separates. If a pensioner who has divorced or separates wishes to avoid this situation occurring, he or she must, at the time of the separation or divorce, arrange for a court order to be served on the Scheme requiring the spouse's entitlement to be paid out or reserved.

Scheme valuation/funding position

An interim actuarial valuation of the Scheme was carried out as at 30 June 2010. The results showed the Scheme's actuarial deficit had reduced from \$18.98m to \$10.85m. In accordance with the funding framework, Westpac has agreed to pay a one-off additional contribution of \$3 million into the Scheme during the 2010/11 year.

Thank you

I would like to thank my fellow Trustees for their continued support and commitment.

During the year there have been a number of changes to the Trustees. Marc Proctor (Member Elected Trustee) and David Watts (Bank Appointed Trustee) have joined the Trustee team and David Biegel, Royce Brennan, Christine Parker and Richard Jamieson have resigned. In early October 2010, Jo Avenell and Cameron Howell joined the trustee team as Bank Appointed Trustees to fill the vacancies left by Christine Parker and Richard Jamieson. I would like to welcome Marc, David, Jo and Cameron and thank the Trustees who have resigned for their assistance in the Scheme's management.

In addition, Lyn McMorran was re-elected for a further term as a Member Elected Trustee in the election completed in September 2010.

I would also like to thank the Scheme's service providers who assist the Trustees with the smooth running of the Scheme. These include the Westpac Human Resources team, our Scheme Secretary, investment consultants, lawyers, insurers and the administrators of the Scheme.



Bruce Kerr, Chairman
20 October, 2010

At 30 June 2010 the Trustees of the Scheme were:

Member Elected Trustees



Lyn McMorran
Area Manager, Private
Banking Southern

Marc Proctor
Northern Region
Area Manager -
Investment
Advisory Service

Bank Appointed Trustees



Bruce Kerr
Independent
Chairman of
Trustees and
Executive Director,
Workplace Savings
NZ – *the voice of
workplace super*

David Watts
Chief Risk Officer

Jo Avenell
General Manager,
Human Resources
and Corporate
Affairs

Cameron Howell
Head of Portfolio
Analysis

Changes to the Trustees since the last Annual Report

Member Elected Trustees

Marc Proctor was elected with effect from 15 February 2010 to replace David Biegel who resigned on 11 December 2009.

Bank Appointed Trustees

David Watts was appointed on 1 May 2010 replacing Royce Brennan who resigned on 6 November 2009.

Jo Avenell has replaced Christine Parker, with effect from 6 October 2010.

Cameron Howell was appointed on 6 October 2010, replacing **Richard Jamieson** (who replaced David Cunningham following his resignation on 26 August 2009).

Here is a quick summary of the Scheme's four investment portfolios. It shows how each portfolio is invested and the split between growth investments (shares) and defensive investments (bonds and cash). History shows that a portfolio with a higher proportion of assets invested in growth assets provides superior long-term returns but more volatility in the short-term.

Growth portfolio

The objective of the Growth portfolio is to maximise the investment return over the long term by way of a diversified portfolio primarily invested in shares. The specific investment objective of the portfolio is to achieve a return, after tax and investment expenses, as measured by the increase in the unit price, which **exceeds the rate of inflation by at least 4.0% p.a. (400 basis points) over each rolling 10 year period.**

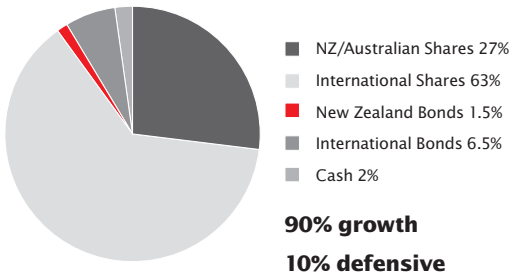
While the objective of the portfolio is to maximise the long-term return, it is recognised that in the short term the returns will be volatile because the portfolio is primarily invested in shares.

Balanced portfolio & Defined Benefit assets

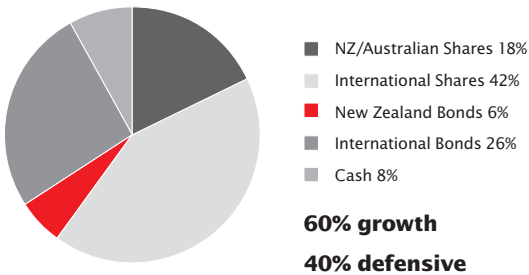
The objective of the Balanced portfolio is to provide significantly above average investment returns over the medium to long term, while maintaining the value of members' investments in real terms. The specific investment objective of the portfolio is to achieve a return, after tax and investment expenses, as measured by the increase in the unit price, which **exceeds the rate of inflation by at least 3.5% p.a. (350 basis points) over each rolling 10 year period.**

The investments of the portfolio are diversified across the main investment sectors of shares, bonds and cash.

The current investment strategy for the Growth portfolio is



The current investment strategy for the Balanced portfolio is



Stable Balanced portfolio

The objective of the Stable Balanced portfolio is to provide above average investment returns while maintaining the value of members' investments in real terms over the medium to long-term. In particular, the specific investment objective of the portfolio is to achieve a return, after tax and investment expenses, as measured by the increase in the unit price, which **exceeds the rate of inflation by at least 2.5% p.a. (250 basis points) over each rolling 10 year period.**

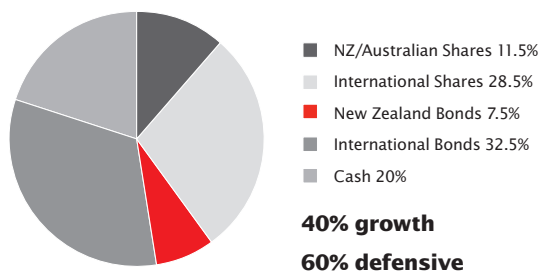
The investments of the portfolio are diversified across the main investment sectors of shares, bonds and cash.

Capital Stable portfolio

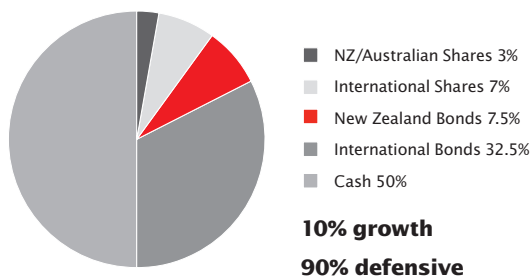
The objective of the Capital Stable portfolio is to provide above average investment returns while maintaining the real value of members' investments over the short to medium-term. In particular, the specific investment objective of the portfolio is to achieve a return, after tax and investment expenses, as measured by the increase in the unit price, which **exceeds the rate of inflation by at least 2% p.a. (200 basis points) over each rolling 5 year period.**

The investments of the portfolio are largely invested in New Zealand cash, bank deposits and fixed interest securities (both New Zealand and overseas).

The investment strategy for the Stable Balanced portfolio is



The investment strategy for the Capital Stable portfolio is



Are the objectives being met?

The following table shows how each portfolio is performing in comparison to its long-term objective. It is important to note that over the last 10 years, investment markets have seen two major market downturns, the first being the 'tech wreck' of the early 2000s and the other being the recent 'global financial crisis'.

	Average annual increase in inflation (cpi) over period	Target return over period (objective return + cpi increase)	Actual return (after tax and investment expenses over period)	Objective return met?
Growth	2.6% pa	6.6% pa	0.1% pa	No
Balanced Portfolio & Defined Benefit Assets	2.6% pa	6.1% pa	2.6% pa	No
Stable Balanced Portfolio	2.6% pa	5.1% pa	3.0% pa	No
Capital Stable Portfolio	2.7% pa	4.7% pa	6.9% pa	Yes

Notes:

¹ Returns for the Growth, Balanced and Defined Benefit assets and Stable Balanced portfolio are measured over 10 years, while the return for the Capital Stable portfolio is measured over five years.

² As the Stable Balanced portfolio only commenced in November 2007 data for the full 10-year period is not available.

It is pleasing to report that all investment sectors and managers outperformed their benchmark returns for the year.

Trans-Tasman shares

Managed by Brook Asset Management (50%) and ING (NZ) Ltd (50%)

Gross return 9.6%
Benchmark return 7.6%

For much of the Scheme year, the New Zealand share market continued its pattern of lagging positive trends in international share markets but suffering less when others weakened. Across the Tasman, the Australian economy was never officially in recession. As a result, returns from the Australian share market generally outperformed international share markets until the final quarter, when international economic concerns and domestic political ructions in June knocked investors' confidence.

International shares

Managed by AMP Capital Investors

Gross return 13.2%
Benchmark return 11.0%

Signs of an end to the global recession saw international share markets stage a strong rally through to the end of 2009, with the most economically sensitive sectors (financials, materials, energy and industrials) and emerging markets leading the way as massive government interventions restored liquidity and confidence.

However, investor optimism started to fade in the first quarter of 2010 because of concerns about the ability of the governments of first Dubai and then Greece to meet their debt obligations, mixed US economic data and moves in China to slow rapid growth. Negative sentiment took over completely in late April and continued through to the end of the Scheme year as the government debt crisis spread across Europe.

New Zealand bonds

Managed by ING (NZ) Ltd

Gross return 10.0%
Benchmark return 8.2%

New Zealand bonds had a sound year as news that the economy was recovering much as expected kept interest rates low and the prices for existing bonds up. Returns strengthened later in the Scheme year reflecting investment market volatility as well as a strong global trend towards lower interest rates and weak economic recovery.

International bonds

Managed by BT Funds Management (BlackRock 50%) and TOWER (PIMCO 50%)

Gross return 15.5%
Benchmark return 10.4%

Despite concerns about government debt levels, global government bonds provided solid returns over the year. While the price of bonds issued by countries like Greece and Portugal fell, there was continued demand for bonds issued by 'safer' countries like the US, Germany, UK, Australia and New Zealand. This demand was supported by the expectation that short-term interest rates would remain low for some time.

Corporate bond markets experienced a sharp recovery over the past 12 months as investor confidence was restored. Corporate cost controls contributed to improved operating margins and year-on-year earnings gains helped many companies to refinance through issuing new bonds.

Your investments are held in diversified portfolios.
Understanding your risk appetite is important.

Cash

Managed by BT Funds
Management

Gross return 3.0%
Benchmark return 2.8%

Cash provided a modest return as an absence of inflationary pressure allowed central banks to leave interest rates at very low levels. The New Zealand Reserve Bank increased its official cash rate by 0.25% at its June 2010 review and again in July but at the July review indicated that the pace and extent of further increases is likely to be more modest than previously projected.

Investment sector returns v benchmarks







Tax changes

In its May 2010 Budget, the Government introduced changes to the tax on superannuation schemes' investment income, employer contributions and benefits.

The tax on the Scheme's investment income from its investments in PIEs (portfolio investment entities) will reduce from 30% to 28% from 1 October 2010. Income on investment earnings from non-PIE investments will also reduce to 28% from 1 July 2011.

Employer's superannuation contribution tax (ESCT) is deducted from the Bank's contributions to the Scheme. The Bank has elected to deduct ESCT at a progressive rate which varies depending on your salary and employer contributions to the Scheme in the previous tax year to 31 March (or your expected salary and employer contributions in the current tax year, if you were not employed for all of the previous tax year).

From 1 October 2010, the thresholds and rates of ESCT changed to:

Threshold	ESCT rate
Up to \$16,800	10.5%
\$16,801 to \$57,600	17.5%
\$57,601 to \$84,000	30%
Over \$84,000	33%

Fund withdrawal tax (FWT) - a tax of approximately 4.2% applied in some limited circumstances to the portion of a benefit relating to employer contributions plus interest will be abolished from 1 April 2011 onwards.

Membership numbers

Active members	
Opening membership at 1 July 2009	3,885
New members (including transfers)	634
Retirements	-14
Redundancies	-85
Withdrawals	-391
Total and permanent disablements	-2
Deaths	-1
Closing membership at 30 June 2010	4,026

Pensioners and deferred pensioners	
Opening membership at 1 July 2009	198
Retirements	3
Deaths	-8
Full commutation	-1
Closing membership at 30 June 2010	192

Trustees' report and certificates

The Trustees of the Westpac New Zealand Staff Superannuation Scheme provide members with the following information as required by the Second Schedule to the Superannuation Schemes Act 1989.

- The Trustees confirm that all contributions required to be made to the Scheme, in accordance with the terms of the Scheme's trust deed, have been made.
- The Trustees certify that all benefits required to be paid from the Scheme were in accordance with the terms of the Scheme's trust deed.
- The Trustees are unable to certify that the market value of the assets of the Scheme as at 30 June 2010 exceeded the value of the benefits that would have been payable had all members ceased to be members

at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at 30 June 2010. Details of the steps being taken to remedy this are provided in the section headed Actuarial report on page 16.

- The Trustees confirm that contributions are currently being made by the Bank in accordance with the most recent actuarial review of the Scheme.
- The Trustees confirm that more than 10% of the market value of the Scheme's assets (calculated in accordance with generally accepted accounting practice) was invested with employers (or associated entities), either directly or indirectly, who are parties to the Scheme. Refer to pages 14 and 15 for details.

Additional disclosures

During the year ended 30 June 2010, the Scheme's assets were invested as follows:

Trans-Tasman shares

At 30 June 2010, the Trustees' investment in Trans-Tasman shares are arranged 50:50 through two unit trusts. The first is known as the UTI Brook Australasian Companies Fund. The Trustee of the Fund is Trustees Executors Limited. Brook Asset Management manages, administers and monitors the Fund.

The second is known as the ING Australasian Share Fund. The Trustee of the Fund is the New Zealand Guardian Trust Company Limited. ING (NZ) Limited manages, administers and monitors the Fund.

International shares

The Trustees' investment in international shares is arranged through three unit trusts. These are known as the AMP Capital Core Global Shares Fund (AIF CI), the AMP Capital Core Hedged Global Shares Fund (AIF HI) and the AMP Capital Extended Markets Global Shares Fund (AIF EM). The Trustee of these Funds is BNP Paribas. AMP Capital Investors manages, administers and monitors the Funds.

New Zealand bonds

The Trustees' investment in New Zealand bonds is arranged through two unit trusts. These are known as the ING Wholesale Government Bond Fund and the ING Wholesale New Zealand Bond Fund. The Trustee of the Fund is the New Zealand Guardian Trust Company Limited. ING (NZ) Limited manages, administers and monitors the Funds.

In addition, ING continues to directly manage a number of securities that it could not take into its pooled products when securities were transferred in-specie from BT Funds Management in October 2008. These particular assets pertain only to the DB section of the Scheme.

International bonds

The Trustees' investment in international bonds is arranged 50:50 through two unit trusts. The first is known as the TOWER International Bond Fund. The Trustee of the Fund is Trustees Executors Limited. The investment management is undertaken by PIMCO.

The second is known as the Wholesale International Fixed Interest Trust. The Trustee of the Fund is The New Zealand Guardian Trust Company Limited. The investment management is undertaken by BlackRock. BT Funds Management administers and monitors the Fund.

New Zealand cash

The Trustees' investment in New Zealand cash is arranged through a segregated account with BT Funds Management (NZ) Limited, which manages, administers and monitors the account.

Investment managers as at 30 June 2010

AMP Capital Investors
Brook Asset Management
BT Funds Management (NZ) Limited
ING (NZ) Limited
TOWER Asset Management

Changes to investment managers after 30 June 2010

Following discussions with the Scheme's investment advisers, the Trustees' contract with Brook Asset Management to manage 50% of the Scheme's Trans-Tasman shares portfolio was terminated in August 2010 and the assets transferred to the Harbour Australasian Equity Fund. The Trustee of the Fund is Trustees Executors. Harbour Asset Management manages, administers and monitors the Fund.

The assets invested in the Westpac Wholesale International Fixed Interest Trust are scheduled to be transferred to the Advance International Fixed Interest Multi-Blend Fund in late 2010. The responsible entity and issuer of that Fund is Advance Asset Management Limited ("Advance"), a member of the Westpac group of companies. Advance outsources security selection for the Fund to specialist investment managers. At the date of this report, the underlying investment managers of the Fund were Franklin Templeton Investment Australia Limited, Standish Mellon

Asset Management, and Wellington International Management Company Pte Limited.

During the fourth quarter of 2010 the assets currently invested in the TOWER International Bond Fund will be transferred to the Westpac Wholesale International Fixed Interest Trust.

Following its buy out of ING in late 2009, ANZ has announced that the new name to replace ING as the name and brand for its funds management businesses in Australia and New Zealand will be OnePath from November 2010.

Trustees' certification

The most recent Prospectus for the Scheme was registered on 19 December 2003. The Scheme is currently relying on the Securities Act (Employer Superannuation Schemes) Exemption Notice 2004 to qualify for the exemption to maintain and file a Prospectus. For the purpose of clause 8 of that Exemption Notice, the Trustees confirm that in their opinion, after due enquiry by them, neither of the following has materially and adversely changed since 30 June 2010:

- the value of the Scheme's assets relative to its liabilities (including contingent liabilities), or
- the ability of the Scheme to pay its debts as they become due in the normal course of business.

The Trustees also confirm that no person was required to incur costs for the year ended 30 June 2010 under the terms of the offer required by clause 7 of the Securities Act (Employer Superannuation Schemes) Exemption Notice 2009 relating to any funding shortfall.

Actuarial report

The most recent triennial actuarial review of the Scheme was carried out as at 30 June 2009. The results of that review were summarised in last year's Annual Report.

An interim actuarial valuation of the Scheme was carried out as at 30 June 2010. The purpose of the valuation was to determine the financial position of the Scheme and to determine the level of contributions required from Westpac Banking Corporation (the Bank) to meet the benefits payable from the Scheme.

The results of the valuation show that there is a past service deficit, with the value of the accrued liabilities exceeding net assets by \$10.854m. This compares with a past service deficit of \$18.977m as at 30 June 2009. The improvement in the Scheme's financial position is mainly as a result of the Bank's lump sum deficit funding payment made during the year.

As noted in previous years' annual reports, the Trustees have agreed a formal funding policy with the Bank. Under the funding policy, the target funding ratio for the defined benefit section is 95% to 105%. If the defined benefit funding ratio falls below 95% then additional Bank contributions are payable in order to meet the shortfall over a four year period. If the ratio exceeds 105%, then the Bank contribution required to meet the cost of the future service benefits can be reduced. The defined benefit funding ratio as at 30 June 2010 was 83.2%; which is below the 95% threshold. Consequently the Bank is required to pay shortfall contributions of \$3m p.a. over a four year period.

The contributions that I have recommended be paid by the Bank are as follows

- 12.0% of the salaries of defined benefit members
- the actual credits to the employer accounts of In-Tandem members
- the cost of the credits to the employer accounts of members who participate in the Superannuation Incentive Plan
- by way of reimbursement, the actual administration expenses incurred by the Scheme
- the expected cost of the group life premiums for In-Tandem members
- an additional \$3m during the financial year ending 30 June 2011 in respect of the past service shortfall.

These amounts are exclusive of Employer's Superannuation Contribution Tax.



Bobby Schoonraad BSc FIA FNZSA
Mercer

22 September 2010

Trust deed amendment

The Scheme's trust deed was amended by a deed dated 14 August 2009 to reflect legislation which reduced the minimum employee contribution to KiwiSaver from 4% to 2% of gross salary. In-Tandem members who are also members of KiwiSaver, now have the option of diverting 2% of their gross salary to KiwiSaver.

The amendment also allows members who have left the Bank to elect to leave all or part of their account balances in the In-Tandem section with the approval of the Bank and subject to any conditions determined by the Bank.

Summary of financials

Year ended 30 June 2010.

Statement of Changes in Net Assets

	2010 \$	2009 \$
Investment Activities		
Net Investment Income	25,285,008	(23,187,466)
Net Investment Gain/(Loss)	25,285,008	(23,187,466)
Other Income		
Reimbursement of Expenses by Westpac	846,579	532,799
Use of Money Interest	18,307	-
	864,886	532,799
<i>Less</i>		
Other Expenses		
Administration Fees	244,961	298,470
Actuarial and Consulting Fees	53,865	51,683
Auditors' Remuneration - Audit Fees	36,000	39,646
Auditors' Remuneration - Tax Agent Fees	46,738	17,168
Investment Consultancy Fees - Retainer	176,798	132,197
Legal Fees	17,868	79,153
Group Life Premiums	281,720	792,051
Other Expenses	45,258	22,991
Total Other Expenses	903,208	1,433,359
Change in Net Assets before Taxation and Membership Activities	25,246,686	(24,088,026)
Income Tax Expense	6,552,721	1,392,988
Change in Net Assets after Taxation and before Membership Activities	18,693,965	(25,481,014)
Membership Activities		
Member Contributions	11,746,154	11,488,893
Employer Contributions	21,439,237	19,531,781
Transfers In	33,092	-
Group Life Claims	133,660	403,367
<i>Less</i> Benefits Paid	28,718,078	25,629,805
Net Membership Activities	4,634,065	5,794,236
Net Increase/(Decrease) in Net Assets During Year	23,328,030	(19,686,778)

Statement of Net Assets

	2010	2009
	\$	\$
Assets		
Financial Assets - At Fair Value Through Profit or Loss	223,029,350	200,967,386
Current Assets	33,382,620	33,086,240
Total Assets	<u>256,411,970</u>	<u>234,053,626</u>
<i>Less</i>		
Liabilities		
Benefits Payable	4,079	209,006
PIE Tax Payable to Investment Manager	1,108,418	2,814,178
Contributions Received in Advance - Member	418,146	614
Contributions Received in Advance - Employer	577,708	6,969
Trade and Other Payables	208,065	255,335
Total Liabilities	<u>2,316,416</u>	<u>3,286,102</u>
Net Assets Available to Pay Benefits	<u>254,095,554</u>	<u>230,767,524</u>
Vested Benefits*	<u>266,185,000</u>	<u>245,839,000</u>

Statement of Cash Flows

Net Cash Flows from Operating Activities	5,517,332	7,504,398
Net Cash Flows from Investing Activities	<u>(5,150,599)</u>	<u>(8,850,947)</u>
Net Increase/(Decrease) in Cash Held	366,733	(1,346,549)
Cash at Beginning of Year	<u>32,790,959</u>	<u>34,137,508</u>
Cash at End of Year	<u>33,157,692</u>	<u>32,790,959</u>

*Vested Benefits are benefits payable to members or beneficiaries under the conditions of the trust deed, on the basis of all members ceasing to be members of the Scheme at balance date.

A summary of the Scheme's audited financial statements for the year ended 30 June 2010 which was authorised for issue on 1 October 2010 is shown on pages 17 and 18 of the Annual Report. The summary financial statements have been extracted from the full audited financial statements which were authorised for issue on 1 October 2010. The summary financial statements have been prepared in accordance with FRS-43 Summary Financial Statements.

The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The Scheme has made an explicit and unreserved statement of compliance with IFRS in note 2 of its full financial statements.

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operates.

The summary financial statements cannot be expected to provide as complete an understanding as is provided by the full financial statements of changes in net assets, net assets and cash flows of the Scheme. A copy of the full financial statements can be obtained, free of charge, from the Scheme's administration manager. The Scheme is a profit oriented entity.

The auditor has examined the summary financial statements for consistency with the audited financial statements and has issued an unqualified opinion.

On 3 August 2010 the Scheme completed the transfer of its investments from Brook Asset Management Limited to Harbour Asset Management Limited. There were no other material events after the balance date that require adjustment to or disclosure in the financial statements.

One of the Scheme's investment managers is BT Funds Management (NZ) Limited, which is a wholly owned subsidiary of Westpac Banking Corporation, incorporated in Australia. Investment management fees paid to BT Funds Management (NZ) Limited during the year amounted to \$243,434 (2009: \$221,720). Of this amount, \$41,537 was outstanding in accounts payable at balance date (2009: \$77,287)

Expenses incurred by the Scheme during the year amounting to \$846,579 (2009: \$532,799) have been reimbursed by Westpac Banking Corporation and Westpac New Zealand Limited. Of this amount, \$53,501 was included in accounts receivable at year end (2009: \$66,287). The Scheme Trustees are employees of, or contractors to, Westpac Banking Corporation and Westpac New Zealand Limited.

Westpac New Zealand Limited provides banking and short term investments services to the Scheme. An insurance policy issued by Westpac Life NZ Limited provides Scheme Trustees with cover for death and disability benefits. The Scheme does not hold any shares in Westpac Banking Corporation.





PricewaterhouseCoopers

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To the members of Westpac New Zealand Staff Superannuation Scheme

We have audited the summary financial statements of the Scheme for the year ended 30 June 2010 on pages 17 to 19.

This report is made solely to the Scheme's members, as a body. Our audit work has been undertaken so that we might state to the Scheme's members those matters which we are required to state to them in an auditors' 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 Scheme and the Scheme's members as a body, for our audit work, for this report, or for the opinions we have formed.

Trustees' responsibilities

The Trustees are responsible for the preparation and presentation of the summary financial statements in accordance with generally accepted accounting practice in New Zealand.

Auditors' responsibilities

We are responsible for expressing to you an independent opinion on the summary financial statements presented by the Trustees.

Basis of opinion

Our audit was conducted in accordance with New Zealand Auditing Standards and involved carrying out procedures to ensure the summary financial statements are consistent with the full financial statements on which the summary financial statements are based. We also evaluated the overall adequacy of the presentation of information in the summary financial statements against the requirements of Financial Reporting Standard No. 43 - Summary Financial Statements.

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

Unqualified opinion

In our opinion:

- (a) the amounts set out in the summary financial statements have been correctly extracted from the full financial statements of the Scheme and are consistent in all material respects with the full financial statements, upon which we expressed an unqualified audit opinion in our report to the members dated 1 October 2010; and
- (b) the information reported in the summary financial statements complies with Financial Reporting Standard No. 43 - Summary Financial Statements.

We completed our work for the purposes of this report on 28 October 2010 and our unqualified opinion is expressed as at that date.

A handwritten signature in dark ink that reads 'PricewaterhouseCoopers'. Below the signature is a horizontal line that tapers at both ends, resembling a stylized underline or a signature flourish.
Chartered Accountants

Actuary and Administration Manager

Mercer (N.Z.) Limited

Auditor

PricewaterhouseCoopers

Solicitor

Simpson Grierson

Insurer

Westpac Life NZ Limited

Secretary

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Questions?

If you have any questions about your Scheme or would like more information, please give the In-Tandem helpline a call. All other correspondence about the Scheme or for the Trustees should be sent to the Scheme Secretary.

Freephone: 0508 INTANDEM (468 263)

Internal Extn: 83995

Helpline hours are 9am until 7pm

Monday to Friday.

