

# ASB Finance Limited

## Annual Report

For the year ended 30 June 2018

### Directors' Report

The Directors have pleasure in presenting the Annual Report of ASB Finance Limited for the year ended 30 June 2018.

The shareholder of ASB Finance Limited has agreed to take advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993. Accordingly, there is no further information to be provided in this Annual Report other than the financial statements and audit report.

For and on behalf of the Board



Director

26 October 2018



Director

26 October 2018



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# Statement of Comprehensive Income

\$ thousands			
For the year ended 30 June	Note	2018	2017
Interest income	6	<b>188,450</b>	153,274
Interest expense	2	<b>183,547</b>	148,726
<b>Net interest earnings</b>		<b>4,903</b>	4,548
Other income	3	<b>600</b>	456
<b>Total operating income</b>		<b>5,503</b>	5,004
<b>Total operating expenses</b>		<b>367</b>	403
Salaries and other staff expenses	6	<b>159</b>	123
Building occupancy and equipment expenses	6	<b>25</b>	28
Information technology expenses	6	<b>9</b>	10
Other expenses	6	<b>174</b>	242
<b>Net profit before taxation</b>		<b>5,136</b>	4,601
Taxation	5	<b>1,438</b>	1,288
<b>Net profit after taxation</b>		<b>3,698</b>	3,313
<b>Total comprehensive income</b>		<b>3,698</b>	3,313

# Statement of Changes in Equity

\$ thousands	Note	Contributed Capital - Ordinary Shares	Retained Earnings	Total Shareholder's Equity
<b>For the year ended 30 June 2018</b>				
Balance at beginning of year		<b>320</b>	<b>4,003</b>	<b>4,323</b>
Total comprehensive income		-	<b>3,698</b>	<b>3,698</b>
Ordinary dividends paid	6	-	<b>(3,200)</b>	<b>(3,200)</b>
<b>Balance as at 30 June 2018</b>		<b>320</b>	<b>4,501</b>	<b>4,821</b>
<b>For the year ended 30 June 2017</b>				
Balance at beginning of year		320	2,390	2,710
Total comprehensive income		-	3,313	3,313
Ordinary dividends paid	6	-	(1,700)	(1,700)
<b>Balance as at 30 June 2017</b>		320	4,003	4,323

These statements are to be read in conjunction with the notes on pages 5 to 12 and the Independent Auditor's Report on pages 13 to 14.

# Balance Sheet

\$ thousands

As at 30 June

Note

2018

2017

## Assets

Cash and cash equivalents		3,581	2,963
Advances to related parties	6	14,819,149	13,471,857
Other assets	6	<u>57,722</u>	<u>53,759</u>
<b>Total assets</b>		<b><u>14,880,452</u></b>	<b><u>13,528,579</u></b>

## Liabilities

Current taxation liability		623	478
Other liabilities	11	54,101	50,038
Debt issues	10	<u>14,820,907</u>	<u>13,473,740</u>
<b>Total liabilities</b>		<b><u>14,875,631</u></b>	<b><u>13,524,256</u></b>

## Shareholder's Equity

Contributed capital - ordinary shares	12	320	320
Retained earnings		<u>4,501</u>	<u>4,003</u>
<b>Total shareholder's equity</b>		<b><u>4,821</u></b>	<b><u>4,323</u></b>
<b>Total liabilities and shareholder's equity</b>		<b><u>14,880,452</u></b>	<b><u>13,528,579</u></b>

The Board of Directors authorised these financial statements for issue on 26 October 2018

  
Director

  
Director

These statements are to be read in conjunction with the notes on pages 5 to 12 and the Independent Auditor's Report on pages 13 to 14.

# Cash Flow Statement

\$ thousands

For the year ended 30 June

Note

2018

2017

## Cash flows from operating activities

Net profit before taxation 5,136 4,601

## Reconciliation of net profit before taxation to net cash flows from operating activities

Non-cash items included in net profit before taxation:

Amortisation of fees and discount on debt issues 3,541 3,273

Amortisation of fees on advances (3,666) (5,717)

Effect of movements in exchange rates on cash held (37) 73

Net (increase)/decrease in operating assets:

Net change in interest receivable (3,990) (13,867)

Net change in management fee receivable 27 172

Net increase/(decrease) in operating liabilities:

Net change in interest payable 4,088 15,541

Net change in related party payables (25) (156)

Net taxation paid (1,293) (1,066)

## Net cash flows from operating activities

**3,781** 2,854

## Cash flows from investing activities

Cash was applied to:

Net increase in advances to related parties (135,108) (3,314,544)

Total cash outflows applied to investing activities (135,108) (3,314,544)

## Net cash flows from investing activities

**(135,108)** (3,314,544)

## Cash flows from financing activities

Cash was provided from:

Issue of debt securities (net of issue costs) 6,919,104 11,669,701

Total cash inflows provided from financing activities 6,919,104 11,669,701

Cash was applied to:

Redemption of issued debt securities (6,783,996) (8,355,157)

Ordinary dividends paid (3,200) (1,700)

Total cash outflows applied to financing activities (6,787,196) (8,356,857)

## Net cash flows from financing activities

**131,908** 3,312,844

## Summary of movements in cash flows

Net increase in cash and cash equivalents 581 1,154

Add: cash and cash equivalents at beginning of year 2,963 1,882

Effect of movements in exchange rates on cash held 37 (73)

## Cash and cash equivalents at end of year

**3,581** 2,963

## Additional operating cash flow information

Interest received as cash 180,794 133,690

Interest paid as cash (175,918) (129,912)

Other income received as cash 590 701

Operating expenses paid as cash (392) (559)

These statements are to be read in conjunction with the notes on pages 5 to 12 and the Independent Auditor's Report on pages 13 to 14.

# Notes to the Financial Statements

For the year ended 30 June 2018

## 1 Statement of Accounting Policies

### General Accounting Policies

The reporting entity, ASB Finance Limited (the "Company"), was incorporated in New Zealand on 18 October 1994 and is registered under the Companies Act 1993. Its registered office is Level 2, ASB North Wharf, 12 Jellicoe Street, Auckland 1010, New Zealand. The Company is a wholly owned subsidiary of ASB Bank Limited ("ASB"), the ultimate parent of which is the Commonwealth Bank of Australia ("CBA"). The Company raises funding under approved debt issuance programmes. Since July 2006 the Company has operated a branch in London from premises sub-leased from CBA London branch.

These financial statements are for the year ended 30 June 2018 and have been prepared in accordance with the requirements of the Companies Act 1993.

The Company's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice, New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards.

The following new standards relevant to the Company have been issued and are effective from 1 July 2018:

#### NZ IFRS 9 *Financial Instruments* (NZ IFRS 9)

In September 2014, the complete version of NZ IFRS 9 *Financial Instruments* was issued which will replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. The standard covers three broad topics: impairment, classification and measurement and hedging (although the Company does not apply hedge accounting). The Company does not intend to restate comparative information on initial application of NZ IFRS 9.

NZ IFRS 9 also significantly amends other standards dealing with financial instruments such as NZ IFRS 7 *Financial Instruments: Disclosures*. Accordingly, the adoption of NZ IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit loss, where relevant.

Set out below is an overview of the key accounting changes and the Company's transition impact of NZ IFRS 9.

#### Impairment

NZ IFRS 9 introduces an expected credit loss model which is forward-looking and replaces the existing incurred loss approach.

#### Classification and measurement

NZ IFRS 9 requires financial asset debt instruments to be classified on the basis of two criteria:

- (a) the business model within which financial assets are managed; and
- (b) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' ("SPPI")).

The Company will continue to record financial assets at amortised cost under NZ IFRS 9, as contractual cash flows are comprised of SPPI, and are held in a business model whose objective is to collect their contractual cash flows.

As a result, there is no material impact to the Company upon transition to NZ IFRS 9.

#### NZ IFRS 15 *Revenue from Contracts with Customers* (NZ IFRS 15)

NZ IFRS 15 was issued in July 2014 and replaces NZ IAS 11 *Construction Contracts*, NZ IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

NZ IFRS 15 requires identification of distinct performance obligations within a contract and an allocation of the transaction price of the contract to those performance obligations. Revenue is recognised as each performance obligation is satisfied. Variable amounts of revenue can only be recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.

There is no material impact to the Company upon transition to NZ IFRS 15.

There are no new standards with a material impact in the current financial year.

#### Basis of Preparation

The measurement base adopted is that of historical cost except where otherwise stated.

#### Presentation Currency and Rounding

The functional and presentation currency is New Zealand dollars. The amounts contained in these financial statements are presented in thousands, unless otherwise stated.

#### Particular Accounting Policies

There have been no changes to the accounting policies in the year ended 30 June 2018 except in respect of the Cashflow Statement, which is detailed further below under the heading Reclassification of Comparatives. The following particular accounting policies have been applied on a consistent basis.

# Notes to the Financial Statements

For the year ended 30 June 2018

## 1 Statement of Accounting Policies (continued)

### Particular Accounting Policies (continued)

#### • Revenue Recognition

Revenue is recognised to the extent that it is probable that there will be economic benefits and that revenue can be reliably measured. Revenue is recognised for each principal source as follows:

- Interest income is recognised using the effective interest method.
- Other income is recognised on an accruals basis.

#### • Expense Recognition

Interest expense is recognised using the effective interest method. Other expenses are recognised on an accruals basis.

#### • Financial Instruments

##### RECOGNITION AND DERECOGNITION

The Company recognises financial assets on the date it becomes a party to the contractual agreement and recognises financial liabilities when an obligation arises.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired. Derecognition also occurs when the rights to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

##### CLASSIFICATION AND MEASUREMENT

The Company classifies its financial instruments under the following categories:

##### Loans and Receivables

Assets in this category are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method. The carrying amounts of these financial assets are reviewed at each balance date to determine if there is any objective basis of impairment. If any such basis exists, the financial asset's recoverable amount is estimated. If the estimated recoverable amount is less than its carrying amount, a provision is made and an impairment loss is recognised in the Statement of Comprehensive Income.

Loans and receivables include:

- *Cash and Cash Equivalents*  
Cash and cash equivalents include cash on hand, bank current accounts and short-term investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.
- *Advances to Related Parties*  
Advances to related parties include only the principal amounts due from related parties.
- *Other Assets*  
Other assets include interest receivable and management fee receivable.

##### Financial Liabilities at Amortised Cost

Liabilities in this category are initially recognised at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method. This includes:

- *Debt Issues*  
Debt issues includes bonds and commercial paper issued by the Company under approved debt issuance programmes.
- *Other Liabilities*  
Other liabilities include interest payable and related party payables.

#### • Foreign Currency Translation

All foreign currency monetary assets and liabilities are converted at the rates of exchange ruling at balance date. Foreign currency transactions are converted using the exchange rates prevailing at the date of the transaction. Unrealised gains and losses arising from these revaluations are recognised immediately in the Statement of Comprehensive Income.

#### • Taxation

Income tax on the net profit for the year is comprised of current and deferred tax, if any. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date taking advantage of all allowable deductions under current taxation legislation. It also includes any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at balance date.

# Notes to the Financial Statements

For the year ended 30 June 2018

## 1 Statement of Accounting Policies (continued)

### Particular Accounting Policies (continued)

In accordance with NZ IAS 12 *Income Taxes*, a deferred taxation asset is recognised only to the extent that it is probable (i.e. more likely than not) that a future taxable profit will be available against which the asset can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### • Cash Flow Statement

The Cash Flow Statement has been prepared using the indirect method by which net profit before taxation is adjusted for non-cash transactions and movements in Balance Sheet accounts relating to operating activities.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Company's operations.

Changes in cash and cash equivalents related to investing activities reflect cash flows relating to advances with related parties.

Changes in cash and cash equivalents related to financing activities reflect cash flows resulting from transactions with shareholders and cash flows relating to debt issuances and repayments. The company adopted the *Disclosure initiative (Amendments to NZ IAS 7)* in the current year, and as a result note 10 includes a reconciliation of the movement in debt issues.

### Reclassification of Comparatives

The Cash Flow Statement is now presented using the indirect method as allowed under NZ IAS 7 *Statement of Cash Flows*. This method provides more useful information by consolidating cash flow information into one statement that reconciles to net profit before taxation. Comparative amounts have also been reclassified. Net operating cash flows has not been impacted by this presentation change.

## 2 Interest Expense

\$ thousands

For the year ended 30 June	2018	2017
Debt issues	183,547	148,726

## 3 Other Income

\$ thousands

For the year ended 30 June	Note	2018	2017
Foreign exchange gains		197	12
Management fees	6	403	444
<b>Total other income</b>		<b>600</b>	<b>456</b>

## 4 Auditor's Remuneration

PricewaterhouseCoopers New Zealand is the appointed auditor of the ASB Group of Companies. The audit fee and fees for their related agreed upon procedures work are paid by ASB on behalf of the Company. No fees for other services were paid by the Company to PricewaterhouseCoopers New Zealand during the year ended 30 June 2018 (30 June 2017 nil).

## 5 Taxation

\$ thousands

For the year ended 30 June	Note	2018	2017
Current taxation		1,438	1,288
<b>Total income tax charged to the Statement of Comprehensive Income</b>		<b>1,438</b>	<b>1,288</b>

The taxation expense for the year is determined from the net profit before taxation as follows:

Net profit before taxation	5,136	4,601
Tax at the domestic rate of 28%	1,438	1,288
<b>Total income tax charged to the Statement of Comprehensive Income</b>	<b>1,438</b>	<b>1,288</b>

The Company has no deferred tax, therefore income tax comprises current tax only.

# Notes to the Financial Statements

For the year ended 30 June 2018

## 6 Related Party Transactions and Balances

The Company operates from premises sub-leased from CBA London branch and pays rent and fees for administrative services to CBA London branch.

During the year the Company has also entered into transactions with ASB. These transactions were conducted on an arm's length basis and on normal commercial terms.

\$ thousands		
<b>For the year ended 30 June</b>	<b>2018</b>	<b>2017</b>
<b>Related Party Transactions</b>		
<b>Interest income</b>		
Received from ASB	<b>188,450</b>	153,274
<b>Other income</b>		
Management fee received from ASB	<b>403</b>	444
<b>Salaries and other staff expenses</b>		
Paid to CBA London branch	<b>159</b>	123
<b>Building occupancy and equipment expenses</b>		
Paid to CBA London branch	<b>25</b>	28
<b>Information technology expenses</b>		
Paid to CBA London branch	<b>9</b>	10
<b>Other expenses</b>		
Paid to CBA London branch	<b>174</b>	242
<b>Taxation-related</b>		
Net payments to ASB relating to settlement of income tax	<b>435</b>	349
<b>Dividends</b>		
Ordinary dividends paid to ASB	<b>3,200</b>	1,700
Ordinary dividends paid to ASB (cents per share)	<b>1,000.00</b>	531.25

\$ thousands		
<b>As at 30 June</b>	<b>2018</b>	<b>2017</b>
<b>Related Party Balances</b>		
<b>Cash and cash equivalents</b>		
Held with ASB	<b>3,209</b>	2,478
Held with CBA	<b>7</b>	7
	<b>3,216</b>	2,485
<b>Advances to related parties</b>		
Advances to ASB	<b>14,819,149</b>	13,471,857
<b>Other assets</b>		
Interest receivable from ASB	<b>57,635</b>	53,645
Management fee receivable from ASB	<b>87</b>	114
	<b>57,722</b>	53,759
<b>Total related party assets</b>		
	<b>14,880,087</b>	13,528,101
<b>Other liabilities</b>		
Other payables to CBA London branch	<b>79</b>	104
<b>Total related party liabilities</b>		
	<b>79</b>	104

The Company has agreed with ASB that on the date of a debt issue it will lend the proceeds of that debt issue to ASB, in the same currency and on the same financial terms as the debt issue, with the addition of such margin as the Company determines. All other amounts due from, or payable to, ASB are due to be settled within 12 months of balance date.

# Notes to the Financial Statements

For the year ended 30 June 2018

## 7 Concentrations of Credit Exposures and Effect of Collateral

No collateral has been sought on cash held in bank accounts as these are considered to be of low risk.

Advances to related parties and other assets due from related parties are balances with ASB, and are therefore not collateralised.

The maximum exposure to credit risk on these balances is represented by the carrying values included in note 6.

## 8 Asset Quality

The financial assets of the Company as classified within the loans and receivables category in note 1 are considered to be of sound quality. None of these financial assets were past due or impaired as at 30 June 2018 (30 June 2017 nil).

## 9 Imputation Credit Account

Companies may attach imputation credits to dividends paid which represent the New Zealand tax already paid by the Company or tax group on profits. New Zealand resident shareholders may claim a tax credit to the value of the imputation credit attached to dividends.

The closing imputation credit account balances for the Company for the current and comparative period is nil and no transactions occurred in either period.

## 10 Debt Issues

\$ thousands

As at 30 June

2018

2017

### Debt issues by programme

Euro commercial paper programme	147,458	134,825
USD commercial paper programme	3,214,283	2,492,197
Euro medium term note programme	7,732,145	7,446,576
Covered bonds	3,727,021	3,400,142
<b>Total debt issues</b>	<b>14,820,907</b>	<b>13,473,740</b>

### Short term debt issues by currency

USD	3,361,741	2,573,740
GBP	-	53,282

### Long term debt issues by currency due for settlement within 12 months

USD	316,706	136,433
GBP	-	1,154,663
EUR	857,010	1,245,539
CHF	670,099	-
<b>Total debt issues due for settlement within 12 months</b>	<b>5,205,556</b>	<b>5,163,657</b>

### Long term debt issues by currency due for settlement over 12 months

USD	2,047,234	1,618,316
AUD	108,961	-
GBP	1,062,003	797,528
JPY	126,596	115,804
EUR	5,516,605	4,521,727
HKD	152,647	36,179
CHF	601,305	1,220,529
<b>Total debt issues due for settlement over 12 months</b>	<b>9,615,351</b>	<b>8,310,083</b>

### Total debt issues

**14,820,907** 13,473,740

### Movement in debt issues

Balance at beginning of period	13,473,740	10,290,833
Issuances during the period	6,919,104	11,669,701
Repayments during the period	(6,783,996)	(8,355,157)
Foreign exchange and amortisation of fees during the period	1,212,059	(131,637)
<b>Balance at the end of period</b>	<b>14,820,907</b>	<b>13,473,740</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## 10 Debt Issues (continued)

### Short Term Debt

The Company's short term borrowings include a Euro Commercial Paper ("ECP") programme under which it may issue commercial paper ("CP") in multiple currencies up to an aggregate of USD7 billion, and a USD CP ("USCP") programme under which it may issue CP in USD up to an aggregate of USD7 billion. CP is issued under these programmes at both fixed and variable interest rates.

### Long Term Debt

The Company's long term borrowings include:

- notes issued under a joint Euro Medium Term Note programme with CBA, the ultimate parent of the Company. The joint programme limit is USD70 billion. These issuances occur in multiple currencies. Notes issued under this programme have both fixed and variable interest rates, and
- bonds issued under a Covered Bond programme. The Company (acting through its London branch) may issue notes up to a programme limit of EUR7 billion, subject to the regulatory constraint that the assets of the ASB Covered Bond Trust may not exceed 10% of the ASB Banking Group's total assets. The issuances may occur in multiple currencies. Covered Bonds issued under this programme may have both fixed and variable interest rates. These bonds are guaranteed by ASB Covered Bond Trustee Limited.

## 11 Other Liabilities

\$ thousands As at 30 June	Note	2018	2017
Related party payables	6	79	104
Interest payable accrued		54,022	49,934
<b>Total other liabilities</b>		<b>54,101</b>	<b>50,038</b>

As at 30 June 2018, other liabilities were due for settlement within 12 months of balance date (30 June 2017 within 12 months of balance date).

## 12 Contributed Capital

As at 30 June	2018	2017
<b>Ordinary paid up capital</b>		
Number of shares	320,000	320,000
Total value (\$ thousands)	320	320

There were no changes to issued capital during the year ended 30 June 2018 (30 June 2017 nil).

All ordinary shares have equal voting rights and share equally in dividends and profit on winding up. Dividends are declared subject, in all cases, to the applicable directors' resolutions being passed.

The Company considers contributed capital and retained earnings to be capital for management purposes. The Company does not have to comply with externally imposed capital requirements.

The Company's objectives for the management of capital are to safeguard its ability to continue as a going concern and to support future development and growth of the business. The Company's management reviews the Company's performance on a regular basis to ensure that it is meeting its objectives for capital management.

## 13 Fair Values of Financial Instruments

The financial instruments of the Company are measured at amortised cost.

In accordance with the requirements of NZ IFRS 13 *Fair Value Measurement*, the Company is required to present a comparison of the carrying values of financial instruments and their estimated fair values including an analysis by level in the fair value hierarchy.

The fair value of a financial instrument is the price that would be received to sell a financial asset, or paid to transfer a financial liability, in an orderly transaction between market participants at the measurement date. The fair values of the Company's financial instruments are estimated as follows:

### *Cash and cash equivalents*

These are short term in nature and the related carrying value is equivalent to their fair value.

### *Advances to related parties*

The fair value of advances to related parties is determined based on the debt issues fair value estimate. As discussed in note 6, the Company has agreed with ASB that on the date of a debt issue it will lend the proceeds of that debt issue to ASB, in the same currency and on the same financial terms as the debt issue, with the addition of such margin as the Company determines. On this basis, the fair value estimate of the advances to related parties is intrinsically linked to the fair value estimate of the debt issues.

# Notes to the Financial Statements

For the year ended 30 June 2018

## 13 Fair Values of Financial Instruments (continued)

### Debt Issues

The fair value of debt issues is estimated using discounted cash flow models based on the maturity of the debt issues. Discount rates applied in this calculation are based on current market interest rates for comparable financial instruments with similar maturity profiles.

### Other Assets and Other Liabilities

Carrying amounts are reasonable estimates of their fair values.

There are three levels in the hierarchy of fair value measurements which are based on the inputs used to measure fair values:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Company can access;
- Level 2 - where quoted market prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset or financial liability, either directly or indirectly; or
- Level 3 - fair values are estimated using inputs that are unobservable for the financial asset or financial liability.

The following tables compare the carrying values of financial instruments not measured at fair value with their estimated fair values and analyses them by level in the fair value hierarchy.

\$ thousands As at 30 June 2018	Fair Values			Total	Carrying Value
	Level 1	Level 2	Level 3		Total
<b>Financial assets</b>					
Cash and cash equivalents	3,581	-	-	3,581	3,581
Advances to related parties	-	14,794,651	-	14,794,651	14,819,149
Other assets	-	57,722	-	57,722	57,722
<b>Total financial assets</b>	<b>3,581</b>	<b>14,852,373</b>	<b>-</b>	<b>14,855,954</b>	<b>14,880,452</b>
<b>Financial liabilities</b>					
Other liabilities	-	54,101	-	54,101	54,101
Debt issues	-	14,796,409	-	14,796,409	14,820,907
<b>Total financial liabilities</b>	<b>-</b>	<b>14,850,510</b>	<b>-</b>	<b>14,850,510</b>	<b>14,875,008</b>

\$ thousands As at 30 June 2017	Fair Values			Total	Carrying Value
	Level 1	Level 2	Level 3		Total
<b>Financial assets</b>					
Cash and cash equivalents	2,963	-	-	2,963	2,963
Advances to related parties	-	13,484,257	-	13,484,257	13,471,857
Other assets	-	53,759	-	53,759	53,759
<b>Total financial assets</b>	<b>2,963</b>	<b>13,538,016</b>	<b>-</b>	<b>13,540,979</b>	<b>13,528,579</b>
<b>Financial liabilities</b>					
Other liabilities	-	50,038	-	50,038	50,038
Debt issues	-	13,486,140	-	13,486,140	13,473,740
<b>Total financial liabilities</b>	<b>-</b>	<b>13,536,178</b>	<b>-</b>	<b>13,536,178</b>	<b>13,523,778</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## 14 Maturity Analysis for Undiscounted Contractual Cash Flows

The following tables present the Company's cash flows by remaining contractual maturities as at balance date. The amounts disclosed in the tables are the contractual undiscounted cash flows and include principal and future interest cash flows, and therefore will not agree to the carrying values on the Balance Sheet.

\$ thousands As at 30 June 2018	On Demand	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years	Total	Carrying Value
<b>Financial liabilities</b>								
Other liabilities	-	54,101	-	-	-	-	54,101	54,101
Debt issues	-	3,747,622	1,709,119	1,773,613	4,116,545	4,111,772	15,458,671	14,820,907
<b>Total financial liabilities</b>	-	<b>3,801,723</b>	<b>1,709,119</b>	<b>1,773,613</b>	<b>4,116,545</b>	<b>4,111,772</b>	<b>15,512,772</b>	<b>14,875,008</b>

\$ thousands As at 30 June 2017	On Demand	Within 6 Months	Between 6-12 Months	Between 1-2 Years	Between 2-5 Years	Over 5 Years	Total	Carrying Value
<b>Financial liabilities</b>								
Other liabilities	-	50,038	-	-	-	-	50,038	50,038
Debt issues	-	3,822,867	1,469,070	1,821,868	4,968,740	1,784,277	13,866,822	13,473,740
<b>Total financial liabilities</b>	-	<b>3,872,905</b>	<b>1,469,070</b>	<b>1,821,868</b>	<b>4,968,740</b>	<b>1,784,277</b>	<b>13,916,860</b>	<b>13,523,778</b>

## 15 Financial Reporting by Operating Segments

The Company is incorporated in New Zealand and operates a branch in London in one industry segment. The Company's revenue is generated solely through one customer that is domiciled in New Zealand.

## 16 Risk Management Policies

The Company is exposed to risk through its financial assets and financial liabilities, and is committed to the management of risk.

The risk management strategy of ASB and its subsidiaries, including the Company, is set by ASB's Board of Directors through the Board Audit and Risk Committee ("BARC"). All non-executive Directors are members of the BARC. Formal executive committees are in place governing all risk types (credit, market, liquidity/funding, operational and compliance, strategic, and reputational risk). The Chief Risk Officer of ASB is responsible for implementation of risk management strategy and all executives have responsibility for the day-to-day management of risk across ASB and its subsidiaries.

ASB has management structures and information systems to manage individual risks. Risk initiation and monitoring tasks are separated where feasible, and all material information systems are subjected to regular internal audits.

Advances to ASB are transacted by the Company on a matched fund basis, that is, amounts are advanced in the same currencies and on the same terms as the amounts received under the Company's debt issues. The interest rates receivable on advances to ASB are at a margin over the interest rates payable to external stakeholders of the Company's debt issues and other terms are identical. Therefore, material foreign exchange risk and all interest rate risk and liquidity risk are eliminated. On this basis a sensitivity analysis is not required.

The Company's obligations under its debt issuance programmes are guaranteed by ASB.

## 17 Capital Commitments and Contingent Liabilities

The Company had no capital commitments or contingent liabilities as at 30 June 2018 (30 June 2017 nil).

## 18 Events after the Reporting Period

On 26 October 2018, the Directors declared a dividend of \$3,440,000 being 1,075.00 cents per share, that will be paid no later than 20 November 2018.

There were no other events subsequent to the reporting period which would materially affect the financial statements.

# Independent Auditor's Report



## *Independent auditor's report*

To the shareholder of ASB Finance Limited

The financial statements comprise:

- the balance sheet as at 30 June 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a statement of accounting policies.

### *Our opinion*

In our opinion, the financial statements of ASB Finance Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 30 June 2018, 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).

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### *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.

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

Our firm carries out agreed upon procedures in relation to covered bonds issued by the Company, which are paid for by ASB Bank Limited. This matter has not impaired our independence as auditor of the Company.

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### *Information other than the financial statements and auditor's report*

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information. The Directors have advised that no other information will be included in the annual report.

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.

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# Independent Auditor's Report (continued)



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## *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.

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## *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/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our auditor's report.

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## *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.

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

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
26 October 2018

Auckland