

# ASB Capital Limited

# Half Year Report

For the six months ended 31 December 2017



# Contents

Half Year Report	2
Directory	2
Statement of Comprehensive Income	3
Statement of Changes in Equity	3
Balance Sheet	4
Cash Flow Statement	5
<b>Notes to the Financial Statements</b>	
1 Statement of Accounting Policies	6
2 Related Party Transactions and Balances	6
3 Dividends	7
4 Fair Value of Financial Instruments	7
5 Contingent Liabilities	7
6 Financial Reporting by Operating Segments	7
7 Events after the Reporting Period	7
Independent Review Report	8

# Half Year Report

For the six months ended 31 December 2017

The Directors of ASB Capital Limited are pleased to announce an unaudited net profit after tax of \$2,440,000 for the six months ended 31 December 2017 (unaudited of \$2,773,000 for the six months ended 31 December 2016, audited of \$5,236,000 for the year ended 30 June 2017).

On 15 November 2017 the dividend rate on the perpetual preference shares for the period 15 November 2017 to 15 November 2018 was reset to 3.30% per annum including imputation credits payable quarterly in arrears. The rate to 15 November 2017 was 3.42% per annum including imputation credits.

Perpetual preference dividends paid during the period including imputation credits were:

<b>Date Paid</b>	<b>Record Date</b>	<b>Cents per Share</b>
15 August 2017	7 August 2017	0.8550
15 November 2017	6 November 2017	0.8550

The Directors have declared a gross dividend of 0.8250 cents per share including imputation credits. The cash dividend of 0.5940 cents per share will be paid on 15 February 2018 to holders of perpetual preference shares on the register at 5.00pm on 5 February 2018. A supplementary dividend to be calculated on 5 February 2018 will be paid at the same time on perpetual preference shares held by non-residents.



J.E. Raby  
Chairman  
17 January 2018



C. Bhindi  
Director

## Directory

### Directors

J.E. Raby (Chairman)  
B.J. Chapman  
K.C. McDonald  
C. Bhindi

### Registered Office

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ASB North Wharf  
12 Jellicoe Street  
Auckland 1010  
New Zealand  
Telephone: +64 9 377 8930

### Auditor

PricewaterhouseCoopers  
Chartered Accountants  
Level 22, PwC Tower  
188 Quay Street  
Auckland 1010  
New Zealand  
[www.pwc.com/nz](http://www.pwc.com/nz)

### Share Registrar

Computershare Investor Services Limited  
Level 2  
159 Hurstmere Road  
Takapuna  
Auckland 0622  
New Zealand

### Managing Your Shareholding Online

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit:  
[www.investorcentre.com/nz](http://www.investorcentre.com/nz)

General enquiries can be directed to:

- [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)
- Private Bag 92119, Auckland 1142
- Telephone: +64 9 488 8777

Please assist our registrar by quoting your CSN or shareholder number.

# Statement of Comprehensive Income

\$ thousands For the period ended	Note	Unaudited 31-Dec-17 6 Months	Unaudited 31-Dec-16 6 Months	Audited 30-Jun-17 12 Months
Interest income	2	3,399	3,863	7,292
<b>Total operating income</b>		<b>3,399</b>	3,863	7,292
Operating expenses	2	10	11	20
<b>Total operating expenses</b>		<b>10</b>	11	20
<b>Net profit before taxation</b>		<b>3,389</b>	3,852	7,272
Taxation		949	1,079	2,036
<b>Net profit after taxation</b>		<b>2,440</b>	2,773	5,236
<b>Total comprehensive income</b>		<b>2,440</b>	2,773	5,236

# Statement of Changes in Equity

\$ thousands	Contributed Capital - Ordinary Shares	Contributed Capital - Preference Shares	Retained Earnings	Total Shareholders' Equity
<b>For the six months ended 31 December 2017</b>				
<b>Unaudited</b>				
Balance at beginning of period	1	200,000	631	200,632
Perpetual preference dividends paid	-	-	(2,462)	(2,462)
Total comprehensive income	-	-	2,440	2,440
<b>Balance as at 31 December 2017</b>	<b>1</b>	<b>200,000</b>	<b>609</b>	<b>200,610</b>
<b>For the six months ended 31 December 2016</b>				
<b>Unaudited</b>				
Balance at beginning of period	1	200,000	737	200,738
Perpetual preference dividends paid	-	-	(2,880)	(2,880)
Total comprehensive income	-	-	2,773	2,773
<b>Balance as at 31 December 2016</b>	<b>1</b>	<b>200,000</b>	<b>630</b>	<b>200,631</b>
<b>For the year ended 30 June 2017</b>				
<b>Audited</b>				
Balance at beginning of year	1	200,000	737	200,738
Perpetual preference dividends paid	-	-	(5,342)	(5,342)
Total comprehensive income	-	-	5,236	5,236
<b>Balance as at 30 June 2017</b>	<b>1</b>	<b>200,000</b>	<b>631</b>	<b>200,632</b>

These statements are to be read in conjunction with the notes on pages 6 to 7 and the Independent Review Report on pages 8 to 9.

# Balance Sheet

\$ thousands As at	Note	Unaudited 31-Dec-17	Unaudited 31-Dec-16	Audited 30-Jun-17
<b>Assets</b>				
Cash and cash equivalents	2	109	180	429
Interest receivable from related party	2	850	880	886
Advance to related party	2	<u>200,000</u>	200,000	200,000
<b>Total assets</b>		<b><u>200,959</u></b>	201,060	201,315
<b>Liabilities</b>				
Current taxation liability		323	398	656
Other liabilities		<u>26</u>	31	27
<b>Total liabilities</b>		<b><u>349</u></b>	429	683
<b>Shareholders' Equity</b>				
Contributed capital - ordinary shares		1	1	1
Contributed capital - preference shares		200,000	200,000	200,000
Retained earnings		<u>609</u>	630	631
<b>Total shareholders' equity</b>		<b><u>200,610</u></b>	200,631	200,632
<b>Total liabilities and shareholders' equity</b>		<b><u>200,959</u></b>	201,060	201,315

For, and on behalf of, the Board of Directors, who authorised the issue of these financial statements on 17 January 2018.



J.E. Raby  
Chairman



C. Bhindi  
Director

These statements are to be read in conjunction with the notes on pages 6 to 7 and the Independent Review Report on pages 8 to 9.

# Cash Flow Statement

\$ thousands For the period ended	Note	<b>Unaudited 31-Dec-17 6 Months</b>	Unaudited 31-Dec-16 6 Months	Audited 30-Jun-17 12 Months
<b>Cash flows from operating activities</b>				
Cash was provided from:				
Interest received		<b>3,435</b>	4,010	7,433
Cash was applied to:				
Net taxation paid		<b>(1,282)</b>	(1,472)	(2,171)
Operating expenses	2	<b>(10)</b>	(11)	(20)
<b>Net cash flows from operating activities</b>		<b>2,143</b>	2,527	5,242
<b>Cash flows from financing activities</b>				
Cash was applied to:				
Dividends paid		<b>(2,463)</b>	(2,870)	(5,336)
<b>Net cash flows from financing activities</b>		<b>(2,463)</b>	(2,870)	(5,336)
<b>Summary of movements in cash flows</b>				
Net decrease in cash and cash equivalents		<b>(320)</b>	(343)	(94)
Add: cash and cash equivalents at beginning of period		<b>429</b>	523	523
<b>Cash and cash equivalents at end of period</b>	2	<b>109</b>	180	429

These statements are to be read in conjunction with the notes on pages 6 to 7 and the Independent Review Report on pages 8 to 9.

# Notes to the Financial Statements

For the six months ended 31 December 2017

## 1 Statement of Accounting Policies

The reporting entity, ASB Capital Limited (the "Company"), was incorporated in New Zealand on 8 October 2002 and is registered under the Companies Act 1993. The Company is a wholly owned subsidiary of CBA Funding (NZ) Limited, the ultimate parent of which is the Commonwealth Bank of Australia ("CBA").

ASB Capital Limited is a finance company that has issued perpetual preference shares to the New Zealand market and is a reporting entity under the Financial Markets Conduct Act 2013 ("FMCA"). Its perpetual preference shares are listed on the New Zealand Stock Exchange ("NZX") under the code: ASBPA.

These condensed interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as appropriate for profit-oriented entities, NZ IAS 34 *Interim Financial Reporting* and the NZX Listing Rules. These interim financial statements do not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the Company's financial statements for the year ended 30 June 2017. These interim financial standards also comply with IAS 34.

The functional and presentation currency of the Company is New Zealand dollars. All amounts contained in this Half Year Report are presented in thousands, unless otherwise stated.

There have been no changes to accounting policies during the period ended 31 December 2017. All policies have been applied on a basis consistent with that used in the year ended 30 June 2017.

## 2 Related Party Transactions and Balances

The Company has conducted financial transactions with fellow subsidiaries of CBA. These transactions were conducted on market terms and conditions, and within the Company's approved policies.

\$ thousands	<b>Unaudited</b>	Unaudited	Audited
<b>For the period ended</b>	<b>31-Dec-17</b>	31-Dec-16	30-Jun-17
	<b>6 Months</b>	6 Months	12 Months
<b>Related Party Balances</b>			
Cash at ASB Bank Limited	<b>109</b>	180	429
Interest receivable from ASB Funding Limited	<b>850</b>	880	886
Advance to ASB Funding Limited	<b>200,000</b>	200,000	200,000
<b>Related Party Transactions</b>			
Interest income from ASB Funding Limited	<b>3,396</b>	3,858	7,284
Interest income from ASB Bank Limited	<b>3</b>	5	8
Operating expenses paid to ASB Bank Limited	<b>10</b>	11	20

The Company has advanced the proceeds of the issue of perpetual preference shares to ASB Funding Limited. Interest is currently receivable quarterly at 3.30% per annum (3.42% per annum for the year ended 15 November 2017). The next interest payment date is 15 February 2018.

ASB Funding Limited has in turn invested the advanced sum in perpetual preference shares issued by ASB Bank Limited. ASB Funding Limited, New Zealand Guardian Trust Company Limited (the "Trustee") and the Company are party to a Trust Deed, whereby ASB Funding Limited provides covenants to the Trustee for the benefit of holders of the Company's perpetual preference shares and grants security over ASB Bank Limited perpetual preference shares in favour of the Trustee.

The advance to ASB Funding Limited is repayable only in the event of the liquidation of ASB Funding Limited. However, if ASB Funding Limited receives any amount other than dividends in respect of the ASB Bank Limited perpetual preference shares, ASB Funding Limited is required to pay that amount to the Company in reduction of the advance (unless the Trustee requires it to be paid to the Trustee instead). The full terms of the advance are recorded in the Advance Agreement, a copy of which may be obtained free of charge from the Company's registered office.

PricewaterhouseCoopers is the appointed auditor of the ASB Group of companies. The audit fee is paid by ASB Bank Limited on behalf of the Company. No fees for other services were paid by the Company to PricewaterhouseCoopers during the period ended 31 December 2017 (31 December 2016 nil, 30 June 2017 nil).



# Notes to the Financial Statements

For the six months ended 31 December 2017

## **3 Dividends**

Dividends per perpetual preference share inclusive of imputation credits for the six months ended 31 December 2017 were 1.71 cents per share (six months ended 31 December 2016 2.00 cents per share, year ended 30 June 2017 3.71 cents per share).

## **4 Fair Value of Financial Instruments**

The carrying values of cash and cash equivalents, interest receivable from related party and other liabilities approximate their respective fair values.

The fair value of the advance to ASB Funding Limited is estimated using the current market price of the perpetual preference shares as an input given their inherent link (refer to note 2 for further details of the terms and conditions of the advance). As at 31 December 2017, its fair value was estimated as \$186,550,000 being the amount of the advance multiplied by the NZX quoted price of the perpetual preference shares as at that date and adjusted for accrued interest (31 December 2016 \$155,120,000, 30 June 2017 \$165,113,000). This fair value estimate is a level 2 measure under NZ IFRS 13's fair value hierarchy.

## **5 Contingent Liabilities**

The Company has no contingent liabilities as at 31 December 2017 (31 December 2016 nil, 30 June 2017 nil).

## **6 Financial Reporting by Operating Segments**

The Company operates in New Zealand in one industry segment. Its primary business is financial services.

## **7 Events after the Reporting Period**

On 17 January 2018 the Directors declared a gross dividend of 0.8250 cents per share, including imputation credits. The cash dividend of 0.5940 cents per share will be paid on 15 February 2018 to all registered holders of perpetual preference shares at 5.00pm on 5 February 2018.

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

# Independent Review Report



## *Independent Review Report*

To the shareholder of ASB Capital Limited

### *Report on the interim financial statements*

We have reviewed the accompanying interim financial statements of ASB Capital Limited (the “Company”) on pages 3 to 7, which comprise the balance sheet as at 31 December 2017, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six months then ended, and a statement of accounting policies and selected explanatory notes.

### *Directors’ responsibility for the interim financial statements*

The Directors are responsible on behalf of the Company, for the preparation and presentation of these interim financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34), International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

### *Our responsibility*

Our responsibility is to express a conclusion on the accompanying interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34 and IAS 34. As the auditor of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

We are independent of the Company. Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34.

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# Independent Review Report (continued)



## *Who we report to*

This report is made solely to the Company's shareholder. Our review work has been undertaken so that we might state to the Company's shareholder those matters which we are required to state to them in our review 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 review procedures, for this report or for the conclusion we have formed.

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Priscilla Haselopas', written over a faint circular stamp.

Chartered Accountants  
17 January 2018

Auckland



