

Appendix 4D

Name of entity

PREFERRED CAPITAL LIMITED

ABN or equivalent company reference

ABN 68 101 938 176

Half-Year Ending

31 December 2012

Results for announcement to the market

	For the half-year ended 31 December 2012 \$'000	up/down	% movement
Revenue	18,681	down	30.40%
Profit after tax attributable to members	253	down	90.20%
Net profit attributable to members	253	down	90.20%

Commentary

The Company's principal activity is to act as a special purpose vehicle for capital raising purposes as part of the Commonwealth Bank of Australia's capital management program. Capital was raised through the issue of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III) under a prospectus dated 3 March 2006. The Company was subsequently admitted to the Official List of the Australian Securities Exchange (ASX) as an ASX Debt Listing on 7 April 2006. PERLS III are quoted on the ASX. The gross proceeds of \$1,166.460 million received by the Company through the issue of PERLS III have been invested in Convertible Notes issued by the Commonwealth Bank of Australia's New Zealand branch.

Revenue of \$18.68 million (2011: \$26.84 million) is comprised primarily of interest income earned on the investment in Convertible Notes issued by Commonwealth Bank of Australia's New Zealand branch. The decrease in revenue is the result of lower market rates during the half year ended 31 December 2012 in comparison to the half year ended 31 December 2011.

The Company recorded a net profit after tax for the half-year ended 31 December 2012 of \$0.25 million (2011: \$2.58 million).

During the half-year, the Directors resolved and paid fully franked dividend of \$20.11 million (2011: \$24.51 million) in respect of PERLS III (\$3.4484 per share) (2011: \$4.2028 per share) and \$0.93 million (2011: \$2.73 million) in respect of ordinary shares (\$77,218.07 per share) (2011: \$227,309.82 per share). Under AASB139 dividends pertaining to these PERLS III are classified as finance costs.

On 19 December 2012 the Directors resolved to pay a fully franked dividend of \$8.62 million (12 December 2011: \$11.82 million) in respect of PERLS III (\$1.4788 per share) (12 December 2011: \$2.0267 per share) to be payable on 7 January 2013. Payment of dividends was subject to certain conditions being met on the date prior to payment as set out in the PERLS III Terms of Issue. All necessary conditions were met and payment was made on 7 January 2013.

**FOR FURTHER DETAILS, REFER TO THE FOLLOWING ATTACHED FINANCIAL REPORT
REVIEWED BY PricewaterhouseCoopers**

Maria Karagiannis
Company Secretary
Date: 12 March 2013

Preferred Capital Limited

ABN 68 101 938 176

Interim Financial Report

For the half year ended 31 December 2012



Contents

	Page
Directors' Report	3
Auditor's Independence Declaration	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Note 1	Summary of significant accounting policies
Note 2	Segment information
Note 3	Revenue and expenses
Note 4	Dividends
Note 5	Contingent assets, liabilities and commitments
Note 6	Events after the end of the reporting period
Directors' Declaration	12
Independent Auditor's Review Report to the Members	13

**Preferred Capital Limited
Directors' Report
For the half year ended 31 December 2012**

The Directors of Preferred Capital Limited (the 'Company') submit the following report for the half year ended 31 December 2012.

Directors

The names of the Directors of the Company holding office during the half year ended 31 December 2012 and until the date of this report were:

M J T Ford
G A Petersen
S P Kinsella
I M Saines

Corporate information

Preferred Capital Limited is a company limited by shares that is incorporated and domiciled in Australia.

Its immediate and ultimate parent entity is Commonwealth Bank of Australia (the 'Bank').

The registered office of Preferred Capital Limited is located at Ground Floor, Tower 1, 201 Sussex St., Sydney NSW 2000, Australia.

Principal activities

The Company's principal activity is to act as a special purpose vehicle for capital raising purposes as part of the Bank's capital management program. Capital was raised through the issue of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III) under a prospectus dated 3 March 2006. The Company was subsequently admitted to the Official List of the Australian Securities Exchange (ASX) as an ASX Debt Listing on 7 April 2006 and PERLS III are quoted on the ASX. The gross proceeds of \$1,166.46 million received by the Company through the issue of PERLS III have been invested in Convertible Notes issued by the Bank's New Zealand branch ('CBA New Zealand').

Review and results of operations

Revenue for the half year ended 31 December 2012 was \$18.68 million (2011: \$26.84 million) and is comprised primarily of interest income earned on the investment in Convertible Notes issued by CBA New Zealand.

The Company recorded a net profit after tax for the half year ended 31 December 2012 of \$0.25 million (2011: \$2.58 million).

Likely developments, expected results of operations and business strategy

The Company will continue to act as a vehicle for PERLS III. Expected results are that the Company will continue to earn interest on Convertible Notes, pay dividends on PERLS III in accordance with the PERLS III Terms of Issue and pay dividends on the ordinary shares provided there is a surplus after paying dividends on PERLS III. There is currently no intention to make any further issue of securities.

In January 2013, the Bank was required to make a payment to the Company under clause 2 of the "Top-Up Deed". This payment was to ensure that the Company had sufficient resources to make the payment under PERLS III, because of a fall in income due to a lower 90 days BBSW interest rate. It is expected that a further "top-up" will be required to meet the next PERLS III payment on 8 April 2013.

Financial position

At 31 December 2012 the Company held total assets of \$1,174.89 million (30 June 2012: \$1,177.26 million) and net assets of \$0.38 million (30 June 2012: \$1.05 million).

Preferred Capital Limited
 Directors' Report
 For the half year ended 31 December 2012
 (continued)

Dividends

	31 December 2012 \$'000	31 December 2011 \$'000
PERLS III		
PERLS III fully franked dividends paid on 6 July 2012 (\$1.7725 per share) (6 July 2011: \$2.0750 per share)	10,338	12,102
PERLS III fully franked dividends paid on 8 October 2012 (\$1.6759 per share) (6 October 2011: \$2.1278 per share)	9,774	12,410
Total dividends	20,112	24,512
 Ordinary shares		
Ordinary shares fully franked dividends paid on 6 July 2012 (\$61,057 per share) (6 July 2011: \$109,928 per share)	733	1,319
Ordinary shares fully franked dividends paid on 8 October 2012 (\$16,161 per share) (6 October 2011: \$117,382 per share)	194	1,409
Total dividends	927	2,728

On 19 December 2012, the Directors resolved to pay a fully franked dividend of \$8.62 million (12 December 2011: \$11.82 million) in respect of PERLS III (\$1.4788 per share) (12 December 2011: \$2.0267 per share) to be payable on 7 January 2013. The dividend was paid on 7 January 2013. The payment of the dividend was subject to certain conditions being met on the date prior to payment as set out in the PERLS III Terms of Issue and the receipt of a top-up payment of \$171,654.41 from the Bank under the provisions of the "Top-Up Deed". All necessary conditions were met and the top-up payment was received.

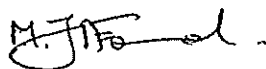
Auditor's independence declaration

The Company's auditor, PricewaterhouseCoopers, has provided the Directors with a declaration of its independence, which is attached to the Directors' Report.

Rounding of amounts

The amounts contained in the Directors' Report and the Financial Statements have been rounded to the nearest one thousand dollars unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission.

Signed in accordance with a resolution of Directors.



Director
 Sydney, NSW
 12 March 2013



Auditor's Independence Declaration

As lead auditor for the review of Preferred Capital Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Preferred Capital Limited during the period.

A handwritten signature in black ink, appearing to read 'Stuart Scouler', is written over a light grey horizontal line.

Stuart Scouler
Partner
PricewaterhouseCoopers

Sydney
12 March 2013

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Preferred Capital Limited
Statement of Comprehensive Income
For the half year ended 31 December 2012

		31 December 2012	31 December 2011
	Note	\$'000	\$'000
Revenue from continuing operations	3	18,681	26,840
Finance costs	3	(18,424)	(24,253)
Expenses	3	(2)	(2)
Profit before income tax		255	2,585
Income tax expense		(2)	(3)
Net profit for the half-year after tax		253	2,582
Other comprehensive income		-	-
Other comprehensive income		-	-
Total comprehensive income attributable to owners of Preferred Capital Limited		253	2,582

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Preferred Capital Limited
Statement of Financial Position
As at 31 December 2012

	December 2012	June 2012
	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	365	364
Receivables	8,069	10,436
Total current assets	8,434	10,800
Non-current assets		
Loans and other receivables	1,166,456	1,166,456
Total non-current assets	1,166,456	1,166,456
Total assets	1,174,890	1,177,256
Liabilities		
Current liabilities		
Payables	8,057	9,745
Income tax liabilities	2	6
Total current liabilities	8,059	9,751
Non-current liabilities		
Interest bearing liabilities	1,166,456	1,166,456
Total non-current liabilities	1,166,456	1,166,456
Total liabilities	1,174,515	1,176,207
Net assets	375	1,049
Shareholder's equity		
Share capital*	-	-
Retained profits	375	1,049
Total equity attributable to owners	375	1,049

* Share capital of \$12 has been rounded to nil.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Preferred Capital Limited
Statement of Changes in Equity
For the half year ended 31 December 2012

	Note	Share Capital* \$'000	Retained Earnings \$'000	Total Shareholder's Equity \$'000
Balance at 1 July 2011		-	1,590	1,590
Net profit for the half year after tax		-	2,582	2,582
Other comprehensive income for the half year		-	-	-
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid	4	-	(2,728)	(2,728)
Balance at 31 December 2011		-	1,444	1,444
Balance at 1 July 2012		-	1,049	1,049
Net profit for the half year after tax		-	253	253
Other comprehensive income for the half year		-	-	-
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid	4	-	(927)	(927)
Balance at 31 December 2012		-	375	375

* Share capital of \$12 has been rounded to nil

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Preferred Capital Limited
Statement of Cash Flows
For the half year ended 31 December 2012

	31 December 2012	31 December 2011
Note	\$'000	\$'000
Cash flows from operating activities		
Interest income received	21,048	27,253
Interest expense paid	(20,112)	(24,511)
Other expenses paid	(2)	(2)
Income tax paid	(6)	-
Net cash flows from operating activities	928	2,740
Cash flows from investing activities		
Net cash flows from investing activities	-	-
Cash flows from financing activities		
Dividends paid	4 (927)	(2,728)
Net cash flows from financing activities	(927)	(2,728)
Net increase in cash and cash equivalents held	1	12
Cash and cash equivalents at the beginning of the half year	364	364
Cash and cash equivalents at the end of the half year	365	376

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1 Summary of significant accounting policies

(a) General information

The Interim Financial Report of Preferred Capital Limited (the 'Company') for the half year ended 31 December 2012 was approved and authorised for issue by the Board of Directors on 12 March 2013.

The Company is incorporated and domiciled in Australia. It is a company limited by shares. The address of its registered office is Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW 2000, Australia.

The ultimate parent entity is Commonwealth Bank of Australia (the 'Bank').

The Company's principal activity is to act as a special purpose vehicle for capital raising purposes as part of the Bank's capital management program. The Company was used to raise capital through the issue of Perpetual Exchangeable Repurchaseable Listed Shares ('PERLS III') under a prospectus dated 3 March 2006. The gross proceeds of \$1.17 billion received by the Company through the issue of PERLS III have been invested in Convertible Notes issued by the Bank's New Zealand branch ('CBA New Zealand').

The functional and presentational currency of the Company has been determined to be Australian Dollars (AUD) as this currency best reflects the economic substance of the underlying events and circumstances relevant to the Company.

The principal accounting policies adopted in the presentation of these Interim Financial Statements are set out below.

(b) Bases of accounting

This general purpose financial report for the half year ended 31 December 2012 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting which ensures compliance with IAS 34 Interim Financial Reporting.

This half year financial report does not include all notes of the type normally included in an Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Company as that given in the Annual Financial Report.

As a result, this report should be read in conjunction with the 30 June 2012 Annual Financial Report of the Company and any public announcements made in the period by the Company in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

For the purpose of this half year financial report, the half year has been treated as a discrete accounting period.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Annual Financial Report for the year ended 30 June 2012.

The following amendments to Australian Accounting standards have been adopted during the period but do not have a material impact on the Company:

- AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures' (which deferred the operative date of AASB 9 'Financial Instruments' to 1 January 2015 in line with the IASB); and
- AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'; and
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments' (which makes editorial amendments to a number of standards).

Preferred Capital Limited
Notes to the Financial Statements
For the half-year ended 31 December 2012
(continued)

Note 2 Segment information

The Company operates predominantly in one geographical area, Australia, and operates predominantly in one business segment. The Company's primary activity is to invest funds raised from the issue of PERLS III in Convertible Notes issued by CBA New Zealand. The Company is domiciled in Australia.

Note 3 Revenue and expenses

	31 December 2012 \$'000	31 December 2011 \$'000
Revenue from continuing operations		
Interest income from ultimate parent entity	9	13
Interest income from CBA New Zealand convertible notes	18,500	26,827
Top-up payment from ultimate parent entity	172	-
Total revenue from continuing operations	18,681	26,840
Finance costs		
Interest paid	18,424	24,253
Total Finance costs	18,424	24,253
Expenses		
Other operational expenses	2	2
Total expenses	2	2

Note 4 Dividends

	31 December 2012 \$'000	31 December 2011 \$'000
Ordinary shares fully franked dividends paid on 6 July 2012 (\$61,057 per share) (6 July 2011: \$109,928 per share)	733	1,319
Ordinary shares fully franked dividends paid on 8 October 2012 (\$16,162 per share) (6 October 2011: \$117,382 per share)	194	1,409
	927	2,728

Note 5 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2012 (30 June 2012: \$nil). CBA New Zealand and the Company entered into an agreement under which, in consideration for the Company agreeing to subscribe for Convertible Notes, CBA New Zealand agrees to pay all of the Company's upfront costs and expenses in connection with the offer and the issue of PERLS III including, without limitation, all legal, accounting, share registry, listing, printing, advertising and other expenses.

Note 6 Events after the end of the reporting period

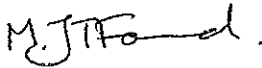
The Directors are not aware of any matter or circumstance that has occurred since the end of the reporting period that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

**Preferred Capital Limited
Directors' Declaration
For the half year ended 31 December 2012**

In accordance with a resolution of the Directors of Preferred Capital Limited ('the Company'), we declare that in the opinion of the Directors:

- (a) The half year financial statements and notes as set out on pages 6 to 11 are in accordance with the Corporations Act 2001 and;
 - (i) give a true and fair view of the Company's financial position as at 31 December 2012 and of its performance for the half year ended on that date; and
 - (ii) comply with the Accounting Standards and any further requirements in the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Director
Sydney, NSW
12 March 2013



Independent auditor's review report to the members of Preferred Capital Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Preferred Capital Limited, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Preferred Capital Limited (the company).

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Preferred Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Preferred Capital Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Stuart Scoular'.

Stuart Scoular
Partner

Sydney
12 March 2013