

Allianz New Zealand Limited

Financial Statements for year ended  
31 December 2013

# Allianz New Zealand Limited

Financial statements for the year ended 31 December 2013

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# Allianz New Zealand Limited

## Directors' Report

The Directors present their report together with the financial statements of Allianz New Zealand Limited for the year ended 31 December 2013 and the auditor's report thereon.

### Directors

The Directors of the Company at any time during or since the end of the financial year are:

David Hosking  
Jonathon Poole  
Terry Towell (resigned 1 January 2013)  
Garry Townsend (resigned 31 December 2013)  
Bruce Watters

### Principal Activities

The principal activity of Allianz New Zealand Limited during the course of the reporting year has been the operation of a service company providing services to AAIL and providing management and administrative services to related companies.

On 1 January 2013 the insurance assets of \$371,565,827 and the insurance liabilities of \$371,565,827 were transferred from Allianz New Zealand Limited to Allianz Australia Insurance Ltd for a consideration of \$450,000. Since 1 January 2013 Allianz Australia Insurance Ltd (AAIL) has operated the general insurance business previously undertaken by Allianz New Zealand Limited. As and from 1 January 2013 Allianz New Zealand Limited has operated as a service company providing services to AAIL and providing management and administrative services to related companies.

On 7 September the company was no longer licenced as a general insurer. As a condition of cancelling the company's general insurance license, the company cancelled all of its life insurance policies on 15 July 2013 and all life insurance balances were transferred to RGA Reinsurance for a once off payment of \$45,000, as required by the RBNZ.

### Events after Balance Date

There have been no matters or circumstances that have arisen in the interval between 31 December 2013 and the date of this report which, in the opinion of the Directors, have significantly affected, or may significantly affect in subsequent reporting periods, the operations of the Company, the results of those operations or the state of affairs of the Company except as otherwise disclosed in this report.

### Results

The profit after income tax of the Company attributable to members for the year ended 31 December 2013 amounted to \$6,777,000 (2012: \$288,000).

### Directors' Benefits

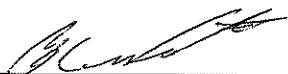
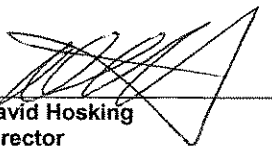
During the year ended 31 December 2013 and in the interval between 31 December 2013 and the date of this report, no Director has received, or has become entitled to receive, any benefit (other than a benefit included in the aggregate amount of emoluments paid or due and payable, to the Director, by reason of a contract made by the Company or any entity controlled by the Company or a body corporate that is related to the Company, with the Director or with an entity in which the Director has a substantial financial interest.

### Registered Office

Level 1, Grant Thornton Building, 152 Fanshawe Street, Auckland 1010, New Zealand

## Directors' Report (continued)

Signed in accordance with a resolution of the Directors of Allianz New Zealand Limited.

  
\_\_\_\_\_  
**Bruce Watters**  
Director  
\_\_\_\_\_  
**David Hosking**  
Director

31 March 2014



# Independent Auditor's Report

## To the Shareholders of Allianz New Zealand Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Allianz New Zealand Limited ("the Company") on pages 7 to 28. The financial statements comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Directors' Responsibility for the Financial Statements*

The Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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



***Opinion***

- In our opinion the financial statements of Allianz New Zealand Limited on pages 7 to 28:
- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 31 December 2013 and of its financial performance for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

- In accordance with the requirements of section 16(1)(d) and section 16(1)(e) of the Financial Reporting Act 1993, we report that:
- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Allianz New Zealand Limited as far as appears from our examination of those records.

*KPMG*

KPMG  
31 March 2014

## Statement of Comprehensive Income

For the year ended 31 December 2013

	NOTE	2013 \$'000	2012 \$'000
<b>Continuing operations</b>			
Premium Funding Revenue		10,664	9,647
Management Fee Revenue	4	13,903	-
Investment Income	5	4,723	2,857
Other income		112	197
<b>Total Revenue from continuing operations</b>		<b>29,402</b>	<b>12,701</b>
Premium Funding Expenses		(5,987)	(5,286)
General and Administration Expenses	6	(12,939)	(999)
<b>Results from operating activities</b>		<b>10,476</b>	<b>6,416</b>
Finance Costs	7	(2,170)	(2,207)
<b>Profit Before Income Tax</b>		<b>8,306</b>	<b>4,209</b>
Income Tax (Expense)/Benefit	11	(2,096)	(526)
<b>Profit after tax from continuing operations</b>		<b>6,210</b>	<b>3,683</b>
<b>Discontinued operation</b>			
Profit/(loss) from discontinued operation, net of tax	9	567	(3,395)
<b>Profit for the year, net of tax</b>		<b>6,777</b>	<b>288</b>
<b>Total Comprehensive Income for the Year, net of tax</b>		<b>6,777</b>	<b>288</b>

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements set out on pages 12 to 28.

## Statement of Financial Position

As at 31 December 2013

	NOTE	2013 \$'000	2012 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	12	3,543	2,795
Reinsurance and Other Recoveries Receivable		-	3,219
Loans and receivables	14	71,238	73,331
Other receivables	16	2,771	12,465
Amounts due from related parties	19	25,661	65
Assets held for sale	9	-	371,566
<b>Total Current Assets</b>		<b>103,213</b>	<b>463,441</b>
<b>Non-Current Assets</b>			
Financial assets at fair value through profit and Loss	14	47	47
Property, plant and equipment	16	286	424
Deferred tax asset	11	773	4,893
<b>Total Non-Current Assets</b>		<b>1,106</b>	<b>5,364</b>
<b>TOTAL ASSETS</b>		<b>104,319</b>	<b>468,805</b>
<b>Current Liabilities</b>			
Outstanding Claims Liabilities		-	6,007
Amounts due to related parties	19	58,402	51,009
Other current liabilities	17	3,036	4,098
Liabilities held for sale	9	-	371,566
<b>Total Current Liabilities</b>		<b>61,438</b>	<b>432,680</b>
<b>Non-Current Liabilities</b>			
Other non current liabilities	17	14	35
<b>Total Non-Current Liabilities</b>		<b>14</b>	<b>35</b>
<b>TOTAL LIABILITIES</b>		<b>61,452</b>	<b>432,715</b>
<b>EQUITY</b>		<b>42,867</b>	<b>36,090</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>104,319</b>	<b>468,805</b>

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements set out on pages 12 to 28.



## Statement of Changes in Equity

For the year ended 31 December 2013

	Issued share capital	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000
<b>2013</b>			
At 1 January 2013	38,500	(2,410)	36,090
Profit for the year	-	6,777	6,777
Total comprehensive income for the year	-	6,777	6,777
Issue of ordinary shares	-	-	-
Dividend paid during the year	-	-	-
Total transactions with owners	-	-	-
<b>At 31 December 2013</b>	<b>38,500</b>	<b>4,367</b>	<b>42,867</b>

	Issued share capital	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000
<b>2012</b>			
At 1 January 2012	38,500	(2,698)	35,802
Loss for the year	-	288	288
Total comprehensive income for the year	-	288	288
Issue of ordinary shares	-	-	-
Dividend paid during the year	-	-	-
Total transactions with owners	-	-	-
<b>At 31 December 2012</b>	<b>38,500</b>	<b>(2,410)</b>	<b>36,090</b>

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements set out on pages 12 to 28.

## Statement of Cash Flow

For the year ended 31 December 2013

	Note	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>			
Cash outflows from discontinued operations	9	(2,911)	(1,638)
Premium funding revenue		12,757	1,222
Premium funding expense		(5,987)	(5,286)
Other income received		10,640	1,963
Income taxes paid		1,898	98
Interest Paid		(2,170)	(2,207)
Investment Income		4,723	2,857
Amounts paid to/received from related parties		(18,202)	52,626
<b>Net cash (outflow)/inflow from operating activities</b>	<b>10 (b)</b>	<b>748</b>	<b>49,635</b>
<b>Cash flows from investing activities</b>			
Receipts from trading of investments		-	399
Transfer of net liabilities at fair value to Allianz Australia Insurance Ltd, net of cash transferred	9	(86,284)	-
<b>Net cash inflow from investing activities</b>		<b>(86,284)</b>	<b>399</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(85,536)</b>	<b>50,034</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>89,079</b>	<b>39,045</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>10 (a)</b>	<b>3,543</b>	<b>89,079</b>

The Statement of Cash Flow is to be read in conjunction with the notes to the Financial Statements set out on pages 12 to 28.

# Notes to the Financial Statements

For the year ended 31 December 2013

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# Notes to the Financial Statements

For the year ended 31 December 2013

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Reporting entity

Allianz New Zealand Limited (the "Company") is a company incorporated and domiciled in New Zealand. The address of the Company's registered office is Level 1, Grant Thornton Building, 152 Fanshawe Street, Auckland 1010, New Zealand.

The Company operates as a service company providing services to Allianz Australia Insurance Limited and provides management and administrative services to related companies. The Company is based in Auckland.

The financial statements of the Company are for the year ended 31 December 2013. The financial statements were authorised for issue by the directors at the date of this report.

With the agreement of the shareholders, Allianz New Zealand Limited has taken advantage of reporting concessions available to it under section 211 (3) of the Companies Act 1993.

### (b) Basis of Preparation

#### (i) Statement of compliance

With the implementation of the Insurance (Prudential Supervision) Act 2010 all general insurance entities carrying on insurance business in New Zealand are required to be licensed by the Reserve Bank of New Zealand. The company was granted a provisional license on 23 February 2012. This licence was cancelled on 7<sup>th</sup> September 2013 and the company was no longer licenced to be a general insurer. In addition the company cancelled all of its life policies on 15 July 2013. As a result of being a licensed Insurer, in part during the year, with effect from 1 January 2013 the company has been classified as an issuer under the Financial Reporting Act 1993 and in the current account period has no longer adopted differential reporting exemptions available under the Framework for Differential Reporting for entities applying New Zealand equivalents to IFRS.

These financial statements have been prepared in accordance with and comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the 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 have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, and the Insurance (Prudential Supervision) Act 2010.

#### (ii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing this financial report. None of these are expected to have a significant effect on the financial statements of the Company, except for NZ IFRS 9/NZ IAS 39 Financial Instruments, which becomes mandatory for the Company's 2015 financial report and may change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

#### (iii) Basis of Measurement

The financial statements are presented in New Zealand Dollars (NZD) which is the functional currency of the entity and comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flow, summary of significant accounting policies and notes to the financial statements. Unless otherwise indicated, amounts are rounded to the nearest thousand.

The financial statements are prepared on a historical cost basis, as modified by certain exceptions noted in the financial statements, with the principal exception being the measurement of financial assets designated at fair value through profit and loss and the measurement of the outstanding claims liability and related reinsurance recoveries as set out below.

#### (iv) Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The Company makes estimates and assumptions in respect to certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (c) Investment revenue

Investment revenue includes income from investments and interest income from loans and receivables and is brought to account on an effective interest rate method. Investment revenue includes all realised and unrealised gains and losses (refer (e) below).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Receivables

Receivables include loans and receivables, unclosed premiums and other receivables provided to or due from third parties. Other receivables are carried at amortised cost, except where collection is doubtful, an impairment loss is recognised. Loans and receivables represent finance provided to external parties principally for insurance premiums and statutory charges and include interest due. Interest due is earned to provide a constant yield over the term of the loan. Unearned interest is included within unearned income. Due to the short term nature of other receivables held, its carrying amount approximates its fair value.

#### (e) Investments

All investment assets are to be recorded at fair value with movements being recognised in the Statement of Comprehensive Income. Purchases and sales of financial assets are accounted for at settlement.

#### (f) Taxation

The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate in New Zealand plus/minus prior years under/over provisions and plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves. Deferred tax is provided in full using the liability method.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on the national income tax rate in New Zealand. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either the accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The income tax expense or revenue attributable to amounts recognised directly in equity is also recognised directly in equity. The associated current or deferred tax balances are recognised in these accounts.

#### (i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Inland Revenue Department ("IRD"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of IRD included as part of current receivables and payables in the statement of financial position.

#### (g) Foreign currencies

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in Statement of Comprehensive Income.

#### (h) Leased assets

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Lease incentives received are recognised as a liability and then recognised in the Statement of Comprehensive Income over the lease term as an integral part of the total lease expense. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Property, Plant and Equipment

The cost of purchased property plant and equipment is the value of the consideration paid to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

##### (i) Depreciation

Depreciation is charged on a straight line basis so as to write off the cost of the property plant and equipment to their estimated residual value over their expected economic lives. The estimated economic lives are as follows:

Office Equipment, Furniture and Fittings	5 years
Computer Equipment	4 years
Leasehold Improvements	8 years

#### (j) Employee benefits

##### (i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

##### (ii) Long term service benefits

A liability for long term service benefits is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market determined risk-adjusted discount rates with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### (k) Accounts payable and accruals

These amounts represent liabilities for goods and services provided to the Company prior to the end of the reporting period and which are unpaid. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Due to the short term nature of accruals held, its carrying amount approximates its fair value.

#### (l) Impairment

Loans and receivables are assessed monthly for impairment and are impaired after 90 days of falling due. Loans and receivables are written off once the company is certain that they are not collectable.

#### (m) Cash and cash equivalents

Cash is defined as cash at bank, on hand, bank overdrafts and cash equivalents, with an original maturity of 90 days or less. Cash equivalents include highly liquid investments such as short term deposits & bank accepted bills of exchange.

#### (n) Provisions

An accrual is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### (o) Premium funding revenue

Premium funding revenue includes interest on loans issued to policyholders and is brought to account on an accruals basis.

#### (p) Management fee revenue

Management fee revenue includes reimbursement for expenses incurred for claims handling, administration and acquisition expenses. In addition a 7.5% management fee is charged. Management fee revenue is brought to account on an accruals basis.

#### (q) Finance costs

Finance costs represent interest charged on funds borrowed for the premium funding business and is brought to account on an accruals basis.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 2. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management program is based on the defined risk appetite of the Company. Further, the Company seeks to optimize the risk/return profile of its assets and liabilities taking into account market fluctuations. The Company does not invest in equities, but mostly fixed interest bank bills, government bonds and it holds a short term money market account. The Company regularly monitors the performance and compliance of the investment portfolio. The Company's exposure to credit risk, liquidity risk and market risk are detailed below:

#### (a) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their obligations. The Company's credit risk arises predominantly from investment activities and dealings with intermediaries. The maximum exposure to credit risk is the fair value of individual financial assets.

Management limits fixed income credit risk by setting high requirements on the creditworthiness of debtors and by diversifying investments.

Loans and receivables from the Hunter Premium Funding operations have a minimal credit risk associated given that payments from policy holders are received up front and any subsequent non-payment results in cancellation of the policy.

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to S&P's credit ratings of the counterparties. AAA is the highest possible rating. As at 31 December 2013 the Company holds no investments which were rated lower than AA-.

	AAA	AA+	A+	BBB+	Not rated	Total
		AA	A	BBB		
		AA-	A-	BBB-		
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2013</b>						
Cash and Cash Equivalents	-	3,543	-	-	-	3,543
Investment in Government bonds	-	47	-	-	-	47
Loans and Receivables	-	-	-	-	71,238	71,238
Other receivables	-	55	-	-	2,716	2,771
<b>Total</b>	-	<b>3,645</b>	-	-	<b>73,954</b>	<b>77,599</b>
<b>2012</b>						
Cash and Cash Equivalents	-	2,795	-	-	-	2,795
Investment in Government bonds	-	47	-	-	-	47
Loans and Receivables	-	-	-	-	73,331	73,331
Other receivables	-	5,101	-	-	7,364	12,465
<b>Total</b>	-	<b>7,943</b>	-	-	<b>80,695</b>	<b>88,638</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Liquidity risk

The Company has processes in place to monitor and forecast the liquidity position. The Company aims to maintain sufficient funds at all times to meet the needs of the Company's operations. Hunter Premium Funding New Zealand has a lending cap of \$25m issued to external customers and this is monitored for collateral purposes against the net assets of the company on a daily basis. In addition to treasury cash held for working capital requirements the Company may hold additional liquid, short term money market securities as required to ensure there are sufficient funds available to meet obligations. The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal carrying balances, as the impact of discounting is not significant.

At 31 December 2013	Maturing in:					Total
	1 Year or Less \$000	1 to 3 Years \$000	3 to 5 Years \$000	Over 5 Years \$000	No Term \$000	
<b>Financial Assets</b>						
Cash and Cash Equivalents	3,543	-	-	-	-	3,543
Premium Debtors	-	-	-	-	-	-
Loans and Receivables	71,238	-	-	-	-	71,238
Financial assets designated at Fair Value through P&L	-	47	-	-	-	47
Other receivables	2,771	-	-	-	-	2,771
<b>Total Financial Assets</b>	<b>77,552</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,599</b>
<b>Financial Liabilities</b>						
Other Liabilities	3,036	14	-	-	-	3,050
<b>Total Financial Liabilities</b>	<b>3,036</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,050</b>

At 31 December 2012	Maturing in:					Total
	1 Year or Less \$000	1 to 3 Years \$000	3 to 5 Years \$000	Over 5 Years \$000	No Term \$000	
<b>Financial Assets</b>						
Cash and Cash Equivalents	2,795	-	-	-	-	2,795
Loans and Receivables	73,331	-	-	-	-	73,331
Financial assets designated at Fair Value through P&L	-	47	-	-	-	47
Other receivables	12,465	-	-	-	-	12,465
<b>Total Financial Assets</b>	<b>88,591</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,638</b>
<b>Financial Liabilities</b>						
Other Liabilities	4,098	35	-	-	-	4,133
<b>Total Financial Liabilities</b>	<b>4,098</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,133</b>



## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Market risk

Market risk is the risk that changes in market pricing will affect the Company's income or carrying value of the Company's financial assets.

##### (i) Foreign currency risk exposures

The Company has receivables, payables and reinsurance arrangements that are denominated in a currency other than the New Zealand Dollar. The Company does not have any mechanisms in place to cover the exposure to foreign currency risk, as the amounts involved are not significant.

##### (ii) Price risk

The Company does not hold any securities that expose the Company to price risk, or commodity price risk.

##### (iii) Interest rate risk

The exposure to interest rate risk results from the holding of financial assets in the normal course of business. Fixed interest rate assets create exposure to fair value interest rate risk which is market risk. Financial assets with floating interest rates create exposure to cash flow interest rate risk. The entity holds 2 portfolios of interest bearing securities and several banking facilities. Each of these is monitored daily.

##### (iv) Summarised sensitivity analysis

The following table summarises the impact of increases/decreases in interest rates on the Company's post-tax profit for the year and on equity. The analysis is based on the assumption that the movement in interest rates had increased/decreased by 1% with all other variables held constant and all the equity instruments moved in line with the index.

	Interest Rate Risk		
		-1%	1%
2013	Carrying Amount \$000	Profit/Equity \$000	Profit/Equity \$000
<b>Financial Assets - Interest bearing</b>			
Cash and Cash Equivalents	3,543	(35)	35
Investment in fixed interest securities	47	(0)	0
<b>Financial Assets - Non Interest bearing</b>			
Loans and receivables	71,238	(712)	712
<b>Total Financial Assets</b>	<b>74,828</b>	<b>(747)</b>	<b>747</b>
<b>Financial Assets - Non Interest bearing</b>			
Amounts Due to Related Parties	58,402	(584)	584
<b>Total Financial Liabilities</b>	<b>58,402</b>	<b>(584)</b>	<b>584</b>
<b>Net Financial Assets</b>	<b>16,426</b>	<b>(163)</b>	<b>163</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Market risk (continued)

##### (iv) Summarised sensitivity analysis (continued)

2012	Carrying Amount \$000	Interest Rate Risk	
		-1% Profit/Equity \$000	1% Profit/Equity \$000
<b>Financial Assets - Interest bearing</b>			
Cash and Cash Equivalents	2,795	(27)	27
Investment in fixed interest securities	47	-	-
<b>Financial Assets - Non Interest bearing</b>			
Loans and receivables	73,331	(733)	733
<b>Total Financial Assets</b>	<b>76,173</b>	<b>(760)</b>	<b>760</b>
<b>Financial Liabilities - Non Interest bearing</b>			
Amounts Due to Related Parties	51,009	(948)	948
<b>Total Financial Liabilities</b>	<b>51,009</b>	<b>(948)</b>	<b>948</b>
<b>Net Financial Assets</b>	<b>25,164</b>	<b>188</b>	<b>(188)</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 3. CAPITAL MANAGEMENT STRATEGY

Currently there are no externally imposed restrictions on Allianz NZ in terms of minimum capital.

Allianz New Zealand's General insurance business was transferred to Allianz Australia Insurance Limited effective 1 January 2013 following which Allianz Australia Insurance Limited will operate as a branch in New Zealand and is subject to Australian Prudential Regulation Authority (APRA) and Reserve Bank of New Zealand (RBNZ) capital requirements.

The Company is not currently rated. In 2012 the company was issued with an 'A/Stable' Rating by Standard & Poors (Australia Pty Limited). However, the rating was withdrawn on September 11<sup>th</sup> 2013 at the company's request following the transfer of the Company's insurance business to Allianz Australia Insurance Limited.

### 4. MANAGEMENT FEE REVENUE

Reimbursement of expenses relating to claims handling, administration and acquisition functions where services rendered on behalf of Allianz Australia Insurance Limited - New Zealand Branch. In addition a 7.5% management fee was charged to the NZ Branch as a mark up to provide an additional guaranteed income source to the company.

### 5. INVESTMENT AND OTHER INCOME

	2013	2012
	\$'000	\$'000
Interest on Government stock	15	719
Other interest	1,289	2,545
Unrealised Gain/(Loss) on revaluation of investments held	-	(403)
Realised Gain/(Loss) on revaluation of foreign currency denominated balances	3,419	28
Other income(expenses)	-	(32)
	<u>4,723</u>	<u>2,857</u>

### 6. GENERAL AND ADMINISTRATION EXPENSES

	2013	2012
	\$'000	\$'000
Employee benefits	4,309	-
Claims management fee	2,541	-
Operating lease expenses	1,207	-
I.T costs	1,098	-
Depreciation expense	157	-
Admin expenses	3,627	999
	<u>12,939</u>	<u>999</u>

### 7. FINANCE COSTS

	2013	2012
	\$'000	\$'000
Hunter Premium Funding - Loan Interest	<u>2,170</u>	<u>2,207</u>

### 8. AUDITOR'S REMUNERATION

	2013	2012
	\$'000	\$'000
Audit of financial statements	25,000	83,000
Other audit related services	-	12,000
	<u>25,000</u>	<u>95,000</u>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 9. DISCONTINUED OPERATION

On 1 January 2013 the general insurance assets of \$371,565,827 and the general insurance liabilities of \$371,565,827 were transferred from Allianz New Zealand Limited to Allianz Australia Insurance Ltd for a consideration of \$450,000. Since 1 January 2013 Allianz Australia Insurance Ltd (AAIL) has operated the general insurance business previously undertaken by Allianz New Zealand Limited. As and from 1 January 2013 Allianz New Zealand Limited has operated as a service company providing services to AAIL and provides out management and administrative services to related companies. The segment was not a discontinued operation or classified as held-for-sale as at 31 December 2012 and the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

<b>Results of discontinued operation</b>	Note	<b>2013</b>	<b>2012</b>
		<b>\$'000</b>	<b>\$'000</b>
Gross Written Premium		-	140,639
Outwards Reinsurance Premium		(45)	(69,431)
Net Premiums Written		(45)	71,208
Movement in Unearned Premium Liabilities		132	(7,575)
Net Earned Premiums		87	63,633
Claims Expense		(97)	(37,970)
Reinsurance and Other Recoveries		361	1,058
Net Claims Incurred		264	(36,912)
Acquisition Costs		(4)	(22,244)
Other Underwriting Expenses		(10)	(7,872)
<b>Underwriting Result/Results from discontinued operation</b>		<b>337</b>	<b>(3,395)</b>
Tax		(94)	-
Post tax gain on sale of discontinued operation		324	-
Results from discontinued operating activities, net of tax		<b>567</b>	<b>(3,395)</b>
<b>Profit/(loss) for the year from discontinued operation</b>		<b>567</b>	<b>(3,395)</b>

The profit/(loss) from discontinued operation of \$567,000 (2012: (\$3,395,000)) is attributable entirely to the owners of the Company. Of the profit from continuing operations of \$6,210,000 (2012: \$3,683,000), an amount of \$6,210,000 is attributable to the owners of the Company (2012: \$3,683,000)

#### Cashflows from (used in) discontinued operation

Net cash used in operating activities	(2,911)	(1,638)
Net cash from investing activities	(86,284)	-
Net cash from financing activities	-	-
<b>Net cash flows for the year</b>	<b>(89,195)</b>	<b>(1,638)</b>

#### Effect of disposal on the financial position of the Company

Premium Debtors	(39,795)
Reinsurance and Other Recoveries Receivable	(225,125)
Deferred Acquisition Costs	(4,781)
Deferred Reinsurance	(16,908)
Amounts Due from Related Parties	(4,520)
Other Receivables	(16,822)
Financial Assets at Fair Value through Profit and Loss	(10,613)
Outstanding Claims Liabilities	265,401
Unearned Premium Liabilities	70,642
Reinsurance Payable	23,576
Other Current Liabilities	1,426
Amounts Due to Related Parties	43,803
<b>Net liabilities transferred</b>	<b>86,284</b>
Consideration received, satisfied in cash	-
Cash and cash equivalents disposed of	(86,284)
<b>Net Cash outflow</b>	<b>(86,284)</b>
Assets transferred	371,566
Liabilities transferred	(371,566)
<b>Net assets/liabilities transferred</b>	<b>-</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 10. RECONCILIATION OF CASHFLOWS FROM OPERATING ACTIVITIES

	Note	2013 \$000	2012 \$000
<b>(a) Cash reconciliation</b>			
Cash at bank	12	3,543	2,795
Cash included in assets held for sale	9	-	86,284
		<b>3,543</b>	<b>89,079</b>
<b>(b) Reconciliation of Profit after Income Tax to Net Cash Inflows from Operating Activities</b>			
Profit for the year		6,777	288
Discontinued operations		(2,788)	1,757
Decrease in deferred tax assets		4,120	624
(Increase)/decrease in amounts due from related companies		(18,202)	52,626
(Decrease)/increase in other liabilities		(1,081)	2,608
Depreciation and amortisation		138	157
Decrease/(Increase) in loans receivable		2,093	(8,425)
Decrease in other receivables		9,692	-
<b>Net cash inflow from operating activities</b>		<b>748</b>	<b>49,635</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 11. INCOME TAX (EXPENSE)/BENEFIT

	2013 \$'000	2012 \$'000
<b>(i) Recognised in the Statement of Comprehensive Income</b>		
Current Tax Expense	(3,404)	-
Movement in deferred tax balance recognised in the Statement of Comprehensive Income	1,308	(526)
<b>Total recognised income tax (expense)/benefit in the Statement of Comprehensive Income</b>	<b>(2,096)</b>	<b>(526)</b>
<b>(ii) Reconciliation of effective tax rate</b>		
Profit/(Loss) before tax	8,308	814
Income tax at 28%	(2,326)	(228)
Non-deductible expenses	(11)	(48)
Tax expense transferred to related entity for nil consideration	241	-
Prior period adjustment	-	(250)
<b>Total income tax (expense)/benefit in the Statement of Comprehensive Income</b>	<b>(2,096)</b>	<b>(526)</b>
<b>(iii) Deferred Tax Liability/(asset)</b>		
Employee entitlements	242	314
Deferred acquisition costs	-	(4,781)
Provision for doubtful debts	487	525
Lease incentive liability	35	58
Accounting carrying value of fixed assets	(286)	(425)
Audit fees accrual	25	90
Tax base of fixed assets	808	857
	<u>1,311</u>	<u>(3,362)</u>
<b>Tax effect</b>	<b>367</b>	<b>(941)</b>
Less: Deferred tax on carried forward losses	406	5,835
<b>Deferred Tax Asset/(Liability)</b>	<b>773</b>	<b>4,893</b>

The prior year tax losses of the Company are predominantly due to catastrophic events and the Company is anticipated to continue to make profits in the foreseeable future. Given this, the Company has recognised deferred tax asset attaching to carried forward losses.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 12. CASH AND CASH EQUIVALENTS

	2013	2012
	\$'000	\$'000
Cash and Cash Equivalents	<u>3,543</u>	<u>2,795</u>

### 13. LOANS AND RECEIVABLES

	2013	2012
	\$'000	\$'000
Loans and receivables	74,336	75,843
Less: Unearned income	<u>(2,611)</u>	<u>(2,025)</u>
	71,725	73,818
Less: provision for doubtful debt	<u>(487)</u>	<u>(487)</u>
<b>Total Loans and Receivables</b>	<u><b>71,238</b></u>	<u><b>73,331</b></u>

Impairment loss movement during the year has been included in General and Administration expenses in the Statement of Comprehensive Income.

### 14. ACCOUNTING CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

2013	Total	Loans and Receivables	Fair Value through Profit and Loss
<b>Financial Assets</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and Cash Equivalents	3,543	3,543	-
Amounts due from Related Parties	25,661	25,661	-
Investment in fixed interest securities	47	-	47
Other receivables	2,771	2,771	-
Loans and receivables	<u>71,238</u>	<u>71,238</u>	-
	<u><b>103,260</b></u>	<u><b>103,213</b></u>	<u><b>47</b></u>
		<b>Financial liabilities at amortised cost</b>	<b>Fair Value through Profit and Loss</b>
	<b>Total</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial Liabilities</b>			
Amounts Due to Related Parties	58,402	58,402	-
Other Liabilities	<u>3,050</u>	<u>3,050</u>	-
	<u><b>61,452</b></u>	<u><b>61,452</b></u>	<u><b>-</b></u>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 14. ACCOUNTING CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2012	Total	Loans and Receivables	Fair Value through Profit and Loss
Financial Assets	\$000	\$000	\$000
Cash and Cash Equivalents	2,795	2,795	-
Amounts due from Related Parties	65	65	-
Investment in fixed interest securities	47	-	47
Other receivables	12,465	12,465	-
Loans and receivables	73,331	73,331	-
	<b>88,703</b>	<b>88,656</b>	<b>47</b>

	Total	Financial liabilities at amortised cost	Fair Value through Profit and Loss
Financial Liabilities	\$000	\$000	\$000
Amounts Due to Related Parties	51,009	51,009	-
Other Liabilities	4,133	4,133	-
	<b>55,142</b>	<b>55,142</b>	<b>-</b>

#### (a) Determination of fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2013	Level 1	Level 2	Level 3	Total
Financial assets designated as fair value through profit and loss:	\$000	\$000	\$000	\$000
Fixed interest securities	-	47	-	47
<b>Total financial assets</b>	<b>-</b>	<b>47</b>	<b>-</b>	<b>47</b>

2012	Level 1	Level 2	Level 3	Total
Financial assets designated as fair value through profit and loss:	\$000	\$000	\$000	\$000
Fixed interest securities	-	47	-	47
<b>Total financial assets</b>	<b>-</b>	<b>47</b>	<b>-</b>	<b>47</b>

Within the Level 2 category are financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions; assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers are valued using the vendors' proprietary models whereby the assumptions are market observable.

Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

No investments have been categorised as level 1 or 3 as at the 31 December 2013 (2012: None)



## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 15. OTHER RECEIVABLES

	2013	2012
	\$'000	\$'000
GST receivable	128	5,011
Sundry Debtors	1,814	7,462
Prepayments	829	-
<b>Total Other Receivables</b>	<b><u>2,771</u></b>	<b><u>12,473</u></b>

### 16. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Accumulated		Net Book	Accumulated		Net Book
	Cost	Dep'n	Value	Cost	Dep'n	Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Office Equipment, Furniture and Fittings	24	(21)	3	24	(19)	5
Leasehold Improvements	1,148	(915)	233	1,148	(773)	375
Computer Equipment	120	(70)	50	94	(50)	44
<b>Total Fixed Assets</b>	<b><u>1,292</u></b>	<b><u>(1,006)</u></b>	<b><u>286</u></b>	<b><u>1,266</u></b>	<b><u>(842)</u></b>	<b><u>424</u></b>

#### Reconciliations

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

	Office Equipment, Furniture and Fittings	Leasehold Improvement	Computer Equipment
	\$'000	\$'000	\$'000
Carrying amount at the beginning of the year	5	375	44
Additions	-	-	26
Depreciation	(2)	(142)	(20)
Carrying amount at the end of the year	<u>3</u>	<u>233</u>	<u>50</u>

### 17. OTHER LIABILITIES

	2013	2012
	\$'000	\$'000
<b>Current Liabilities</b>		
Sundry Creditors and Accruals	2,772	3,762
Employee Entitlements	242	314
Lease Incentive	22	22
<b>Total Other Current Liabilities</b>	<b><u>3,036</u></b>	<b><u>4,098</u></b>
<b>Non Current Liabilities</b>		
Lease Incentive	14	35
<b>Total Other Non Current Liabilities</b>	<b><u>14</u></b>	<b><u>35</u></b>
<b>Total Other Liabilities</b>	<b><u>3,050</u></b>	<b><u>4,133</u></b>

### 18. PAID IN SHARE CAPITAL

	2013	2012
	\$'000	\$'000
Balance at 1 January	38,500	38,500
Increase during the year	-	-
<b>Balance as at period end</b>	<b><u>38,500</u></b>	<b><u>38,500</u></b>

The company has 43,099,596 (2012: 43,099,596) ordinary fully paid shares. All shares have equal voting rights.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 19. RELATED PARTIES

- (a) The key management personnel of the Company consisted of the Directors of the Company.
- (b) The names of each person holding the position of Director of the Company during or since the end of the reporting period are David Hosking, Jonathan Poole, Terry Towell (resigned 1 January 2013), Garry Townsend (resigned 31 December 2013) and Bruce Watters.
- (c) The Company is a wholly owned controlled entity of Allianz Australia Limited. The Ultimate parent is Allianz SE, incorporated in Germany.
- (d) A number of Directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with Directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

- (e) The relationship between Allianz New Zealand Ltd and its related parties above is summarised in the table below:

Related Party	Relationship to Allianz New Zealand Ltd
Allianz Australia Limited	Parent company of Allianz New Zealand Ltd, a company incorporated in Australia.
Allianz Australia Insurance Limited	100% owned subsidiary of Allianz Australia Limited.
Allianz Australia Services Limited	100% owned subsidiary of Allianz Australia Limited.
Club Marine Limited	100% owned subsidiary of Allianz Australia Limited.
Allianz Australia Claim Services Limited	100% owned subsidiary of Allianz Australia Limited.
Euler Hermes Trade Credit Ltd	100% owned subsidiary of Euler Hermes Kreditversicherungs S.A., a 100% owned subsidiary of Euler Hermes S.A., a member of the Allianz SE Group.
A.C.N 092 738 997 Pty Limited	100% owned subsidiary of Allianz Australia Limited.
Primacy Underwriting Management Limited	100% owned subsidiary of Allianz Australia Limited.
Global Transport & Automotive Insurance Solutions Pty Limited	73.1% owned subsidiary of Allianz Australia Limited.
Allianz SE	Ultimate parent entity of Allianz Australia Limited.

- (f) The following types of transactions have arisen between the Company and related entities:

- (i) Loan advances
- (ii) Loan repayments
- (iii) Fees for funds management
- (iv) Expenses incurred on their behalf and recharged
- (v) Transfer of insurance liabilities
- (vi) Fees for claims management

- (g) The Company had the following transactions with related parties during the year:

- \$2,207,000 to Allianz Australia Insurance Limited relating to interest on funds borrowed for the Premium Funding business.
- \$13,903,000 recharged to Allianz Australia Insurance Limited – New Zealand Branch for expenses incurred on their behalf, including a margin of 7.5% mark up on those expenses.
- \$86,284,000 of net insurance liabilities transferred to Allianz Australia Insurance Limited – New Zealand Branch.
- \$86,284,000 in cash transferred to Allianz Australia Insurance Limited – New Zealand Branch.
- \$450,000 received from Allianz Australia Insurance Limited – New Zealand Branch as consideration for transfer of insurance assets and liabilities.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 19. RELATED PARTIES (continued)

The amounts are unsecured and repayable on demand. The terms and conditions of the transactions with related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related parties on an arm's length basis.

(h) Balances with related parties as at 31 December 2013

	2013 \$'000	2012 \$'000
<b>Amounts due from Related Parties</b>		
Commission due from Euler Hermes Trade Credit Ltd	163	65
Allianz Australia Insurance Limited - NZ Branch	25,498	-
<b>Total Amounts due from Related Parties</b>	<u>25,661</u>	<u>65</u>
<b>Amounts due to Related Parties</b>		
Loans due to Allianz Australia Insurance Limited	47,992	42,957
Management fees due to Club Marine Limited in respect of services provided	681	679
Sundry Creditors for shared services due to Allianz Australia Services Limited	9,729	7,373
<b>Total Amounts due to Related Parties</b>	<u>58,402</u>	<u>51,009</u>

(i) Transactions with key management personnel:

	2013 \$'000	2012 \$'000
Total benefits paid, payable, or otherwise provided by the Entity in relation to the key management personnel.	<u>494</u>	<u>450</u>
This consists of:		
Short term employee benefits	460	416
Long term employee benefits	34	34
Post employment benefits	35	-
	<u>494</u>	<u>450</u>

### 20. CONTINGENT LIABILITIES

The Company has no contingent liabilities at 31 December 2013 (31 December 2012: Nil).

### 21. CAPITAL COMMITMENTS

The Company has no commitments for future capital expenditure at 31 December 2013 (31 December 2012: Nil).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2013

### 22. OPERATING LEASE COMMITMENTS

	2013	2012
	\$'000	\$'000
Obligations payable after balance date on non cancellable operating leases are as follows:		
Not later than one year	703	711
Later than one year and not later than 5 years	551	1,221
Later than 5 years	-	-
<b>Total Lease Commitments</b>	<u>1,254</u>	<u>1,932</u>

The Company leases premises, motor vehicles, plant and equipment. Operating leases held over properties give the Company the right to renew the lease subject to a re-determination of the lease rental. There are no renewal options, or options to purchase in respect of operating leases of motor vehicles and plant and equipment.

### 23. EVENTS SUBSEQUENT TO BALANCE DATE

There are no events subsequent to the balance date that would have a material effect on the Company's financial report at 31 December 2013.