Allianz

Allianz New Zealand Limited

Financial Statements for year ended 31 December 2015

Allianz

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Directors' Report

The Board of Directors present their report together with the financial statements of Allianz New Zealand Limited ("the Company") for the year ended 31 December 2015 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
Eugene Elisara (appointed 1 January 2015)

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 Allianz Australia Insurance Limited and providing management and administrative services to related companies.

Events after Balance Date

There have been no matters or circumstances that have arisen in the interval between 31 December 2015 and the date of this report which, in the opinion of the Directors, have significantly affected, or may affect in subsequent reporting periods, the operations of the Company, the results of those operations or the state 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 2015 amounted to $2,515,000 (2014: $5,040,000).

Directors' Benefits

During the year ended 31 December 2015 and in the interval between 31 December 2015 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 11, Tower 1, 205 Queens Street, Auckland 1010, New Zealand.

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

Eugene Elisara
Director

David Hosking
Director

26 April 2016

Independent auditor's report

To the shareholder of Allianz New Zealand Limited

We have audited the accompanying financial statements of Allianz New Zealand Limited ("the company") on pages 4 to 17. The financial statements comprise of the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in the 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's shareholder as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility 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 generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime) 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 and fair presentation of the financial statements 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 the 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 auditor we have no relationship with, or interests in, the Company.

Opinion

In our opinion, the financial statements on pages 4 to 17 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Allianz New Zealand Limited as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

KPMG

26 April 2016
Sydney

Allianz

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 $000	2014 $000
Revenue			
Premium funding revenue		19,000	17,638
Management fee revenue	2	6,135	6,709
Investment & Other income	3	540	2,157
Total revenue		**25,675**	**26,504**
Expenses			
Premium funding expense		(13,932)	(10,881)
Employee benefits		(3,112)	(2,846)
General and administration expenses		(2,614)	(3,527)
Finance costs	4	(2,501)	(2,704)
Total expenses		**(22,159)**	**(19,958)**
Profit before income tax		3,516	6,546
Income tax expense	6	(1,001)	(1,506)
Profit for the year, net of tax		**2,515**	**5,040**
Total comprehensive income for the year, net of tax		**2,515**	**5,040**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

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Statement of Changes in Equity

For the year ended 31 December 2015

2015	Issued share capital	Retained Earnings	Total Equity
	$'000	$'000	$'000
At 1 January 2015	38,500	9,407	47,907
Profit for the year	-	2,515	2,515
Total comprehensive income for the year	-	2,515	2,515
At 31 December 2015	**38,500**	**11,922**	**50,422**

2014	Issued share capital	Retained Earnings	Total Equity
	$'000	$'000	$'000
At 1 January 2014	38,500	4,367	42,867
Profit for the year	-	5,040	5,040
Total comprehensive income for the year	-	5,040	5,040
At 31 December 2014	**38,500**	**9,407**	**47,907**

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

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Statement of Financial Position

As at 31 December 2015

	Note	2015 $000	2014 $000
Current assets			
Cash		3,456	1,600
Loans and receivables	7	98,284	88,183
Other receivables	9	7,278	3,067
Amounts due from related parties	11	1,105	30,030
Total current assets		**110,123**	**122,880**
Non-current assets			
Financial assets at fair value through profit and loss		-	47
Property, plant and equipment		688	114
Deferred tax asset	6	427	472
Total non-current assets		**1,115**	**633**
Total assets		**111,238**	**123,513**
Current liabilities			
Amounts due to related parties	11	60,443	73,667
Sundry creditors and accruals		373	1,926
Total current liabilities		**60,816**	**75,593**
Non-current liabilities			
Sundry creditors		-	13
Total non-current liabilities		**-**	**13**
Total liabilities		**60,816**	**75,606**
Net assets		**50,422**	**47,907**
Equity attributable to owners of the Parent			
Issued capital		38,500	38,500
Retained earnings		11,922	9,407
Total equity		**50,422**	**47,907**

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

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Statement of Cash Flows

As at 31 December 2015

	2015 $000	2014 $000
Cash flows from operating activities		
Premium funding revenue	8,899	693
Premium funding expense	(13,932)	(10,881)
Other expenses paid	(2,797)	(833)
Income taxes paid	(4,078)	(1,206)
Interest paid	(2,501)	(2,704)
Interest income	518	2,092
Amounts paid to related parties	15,700	10,896
Net cash inflow/(outflow) from operating activities	**1,809**	**(1,943)**
Cash flows from investing activities		
Receipts from trading of investments	47	-
Net cash inflow from operating activities	**47**	**-**
Net increase/(decrease) in cash	**1,856**	**(1,943)**
Cash at the beginning of the year	**1,600**	**3,543**
Cash at the end of the year	**3,456**	**1,600**

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

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Notes to the Financial Statements

For the year ended 31 December 2015

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 11, Tower 1, 205 Queens Street, Auckland 1010, New Zealand.

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

The financial statements of the Company are as at and for the year ended 31 December 2015. The financial statements were authorised for issue at the date of this report.

(b) Basis of Preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with and comply with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime (NZ IFRS RDR), 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 2013, and the Insurance (Prudential Supervision) Act 2010. The Company has adopted the Reduced Disclosure Regime framework for the financial year end 31 December 2015.

(ii) 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 profit or loss and other comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows, 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.

(iii) 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.

(c) Change in accounting policies

(i) Application of the Reduced Disclosure Regime

The company has early adopted the Reduced Disclosure Regime applicable for Tier 2 entities. This has resulted in a reduction of disclosures for items such as financial instruments, share based payments, defined benefit plans, and business combinations. Since the change in accounting policy only impacts presentation aspects, there is no impact on comprehensive income.

Significant accounting policies

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

(d) 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).

(e) Receivables

Receivables include loans and receivables 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investments

All investment assets are to be recorded at fair value with movements being recognised in the statement of profit or loss and other comprehensive income. Purchases and sales of financial assets are accounted for at settlement.

(g) 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.

(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.

(h) 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 profit or loss and other comprehensive Income.

(i) Leased assets

Payments made under operating leases are recognised in the statement of profit or loss and other 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 profit or loss and other 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.

(j) 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.

Notes to the Financial Statements

For the year ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

(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

(k) 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.

(l) Accounts payable and accruals

These amounts represent liabilities for goods and services provided to the Company prior to the end of the reporting period ,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.

(m) 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.

(n) Cash

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.

(o) 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.

(p) Premium funding revenue

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

(q) 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.

(r) 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

For the year ended 31 December 2015

2. 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 to provide an additional guaranteed income source to the company.

	2015 $000	2014 $000

3. INVESTMENT AND OTHER INCOME

Other interest income	1,006	1,116
Realised (losses)/gains on revaluation of foreign currency denominated balances	(488)	976
Other income	22	65
Total investment and other income	**540**	**2,092**

4. FINANCE COSTS

Hunter Premium Funding - loan interest expense	2,501	2,704

5 AUDITOR'S REMUNERATION

	2015 $	2014 $
Audit of financial statements	25,000	25,000

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Notes to the Financial Statements

For the year ended 31 December 2015

6. INCOME TAX (EXPENSE)/BENEFIT

	2015 $'000	2014 $'000
(i) Income tax expense		
Current tax expense	(956)	(1,205)
Movement in deferred tax	(45)	(301)
Total recognised income tax expense	**(1,001)**	**(1,506)**
(ii) Reconciliation of effective tax rate		
Profit before tax	3,516	6,546
Income tax at 28%	(984)	(1,833)
Non-deductible expense	(17)	(4)
Tax expense transferred to related entity for nil consideration	-	99
Prior period adjustment	-	232
Total income Tax expense	**(1,001)**	**(1,506)**
(iii) Deferred tax asset		
Tax effect @28% attributable to:		
Employee entitlements	87	74
Provision for doubtful debts	136	136
Lease incentive liability	4	4
Accounting carrying value of fixed assets	(193)	(33)
Tax base of fixed assets	237	71
Other provisions and accruals	156	220
Deferred tax asset	**427**	**472**

7. LOANS AND RECEIVABLES

Loans and Receivables	103,591	93,377
Less: Unearned income	(4,820)	(4,707)
	98,771	**88,670**
Less: Provision for doubtful debt	(487)	(487)
Total Loans and Receivables	**98,284**	**88,183**

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	Impairment $'000
Balance at 1 January 2014	469
Impairment loss recognised	57
Amounts written off	(39)
Balance at 31 December 2014	**487**
Impairment loss recognised	12
Amounts written off	(12)
Balance at 31 December 2015	**487**

7. LOANS AND RECEIVABLES (CONTINUED)

Ageing of Receivables:

As at 31 December 2015 receivables of the Company with a nominal value of $487,000 (2014: $487,000) were impaired. The amount of the provision for impairment was $487,000 (2014: $487,000).

The ageing of these impaired receivables is as follow:

	2015	2014
	$'000	$'000
0 to 3 months	463	436
3 to 6 months	5	44
Over 6 months	19	7
Balance at 31 December 2015	487	487

8. FINANCIAL ASSETS AND LIABILITIES

	Total	Loans and Receivables	Fair value through profit and loss
2015	**$'000**	**$'000**	**$'000**
Financial Assets			
Amounts due from related parties	1,105	1,105	-
Other receivables	7,278	7,278	-
Loans and receivables	98,284	98,284	-
Total	**106,667**	**106,667**	**-**

	Total	Financial Liabilities at amortised cost	Fair value through profit and loss
	$'000	**$'000**	**$'000**
Financial Liabilities			
Amounts due to related parties	60,443	60,443	-
Other Liabilities	373	373	-
Total	**60,816**	**60,816**	**-**

8. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2014	Total $'000	Loans and Receivables $'000	Fair value through profit and loss $'000
Financial Assets			
Amounts due from related parties	30,030	30,030	-
Investment in fixed interest securities	47	-	47
Other receivables	3,067	3,067	-
Loans and receivables	88,183	88,183	-
Total	**121,327**	**121,280**	**47**

	Total $'000	Financial Liabilities at amortised cost $'000	Fair value through profit and loss $'000
Financial Liabilities			
Amounts due to related parties	73,667	73,667	-
Other Liabilities	1,939	1,939	-
Total	**75,606**	**75,606**	**-**

9. OTHER RECEIVABLES

	2015 $'000	2014 $'000
GST receivable	3,138	1,391
Income tax provision	1,930	-
Sundry debtors	607	140
Prepayments	1,603	1,536
Total other receivables	**7,278**	**3,067**

10. CONTRIBUTED EQUITY

	2015 $'000	2014 $'000
Balance at 1 January	38,500	38,500
Balance at 31 December	**38,500**	**38,500**

The company has 43,099,596 (2014: 43,099,596) ordinary fully paid shares. All shares have equal voting rights.

11. 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 and Eugene Elisara.

(c) The Company is a wholly owned controlled entity of Allianz Australia Limited. The Ultimate parent entity 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.

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

Related Party	Relationship to Allianz New Zealand
Allianz Australia Limited	Parent company of Allianz New Zealand Limited, 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
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; and
vi. Fees for claims management

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

	2015 $'000	2014 $'000
Outgoings		
Allianz Australia Insurance Limited in relation to interest on funds borrowed for the premium funding business	2,501,000	2,704,000
Income		
Allianz Australia Insurance Limited - New Zealand Branch for expenses incurred on their behalf, including a management fee of 7.5%	6,135,000	6,709,000

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.

Notes to the Financial Statements

For the year ended 31 December 2015

11. RELATED PARTIES (CONTINUED)

(h) Balance with related parties as at 31 December 2015:

	2015 $	2014 $
Amounts due from related parties		
Euler Hermes Trade Credit Ltd	18,885	2,144
Allianz Australia Insurance Limited - NZ Branch	-	29,703,905
Primacy New Zealand Management Limited	579,036	323,825
Allianz Australia Services Limited	507,166	-
Total Amounts due from related parties	**1,105,087**	**30,029,874**
Amounts due to related parties		
Allianz Australia Insurance Limited	57,375,908	61,696,399
Allianz Australia Insurance Limited - NZ Branch	2,292,728	-
Club Marine Limited	774,810	697,246
Allianz Australia Services Limited	-	11,273,268
Total Amounts due to related parties	**60,443,446**	**73,666,913**

12. CONTINGENT LIABILITIES

The Company has no contingent liabilities at 31 December 2015 (2014: Nil).

13. CAPITAL COMMITMENTS

The Company has no commitment for future capital expenditure at 31 December 2015 (2014: Nil).

14. OPERATING LEASE COMMITMENTS

	2015 $'000	2014 $'000
Obligations payable after balance date on non cancellable operating leases are as follows:		
Not later than one year	351	407
Later than one year and not later than 5 years	1,234	143
Total Lease Commitments	**1,585**	**550**

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

15. 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 statements at 31 December 2015.