Allianz

Allianz New Zealand Limited
NZ Company Number 445514

Financial Statements for year ended 31 December 2018

Allianz

Allianz

Director's Report

The Director presents the report together with the financial statements of Allianz New Zealand Limited ("the Company") for the year ended 31 December 2018 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:

D.G. Hosking (appointed 17 July 2009)

Principal Activities

The principal activity of Allianz New Zealand Limited during the course of the reporting year has been the provision of premium funding services to customers, and the provision of management and administrative services to related companies.

Events after Balance Date

Allianz Australia Insurance Limited - New Zealand Branch has announced a restructure and the likely outcome is a significant reduction in their staffing requirement serviced by Allianz New Zealand. This will impact future management fee revenue offset in large extent by a reduction in employment costs. There is no expected impact on the premium funding business.

Results

The profit after income tax of the Company attributable to members for the year ended 31 December 2018 amounted to $4,474,000 (2017: $1,165,000).

Director's Benefits

During the year ended 31 December 2018 and in the interval between 31 December 2018 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 Queen Street, Auckland 1010, New Zealand.

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

D.G. Hosking
Director

22 May 2019

Independent auditor's report

To the shareholder of Allianz New Zealand Limited

The financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cashflows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements of Allianz New Zealand Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

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

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

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
22 May 2019

Sydney

I, Scott Hadfield, am currently a member of Chartered Accountants Australia and New Zealand and my membership number is 276681.

PricewaterhouseCoopers was the audit firm appointed to undertake the audit of Allianz New Zealand Limited for the year ended 31 December 2018. I was responsible for the execution of the audit and delivery of our firm's auditor's report. The audit work was completed on 22 May 2019 and an unqualified opinion was issued.

S Hadfield

Scott Hadfield

Allianz

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 $000	2017 $000
Revenue			
Premium funding revenue		26,704	22,654
Management fee revenue		7,628	7,699
Interest & other income		698	698
Foreign exchange gains		2,002	-
Total revenue		**37,032**	**31,051**
Expenses			
Premium funding expense		19,911	17,279
Employee benefits		5,443	5,319
General and administration expenses		1,900	2,153
Finance costs		3,539	2,717
Foreign exchange losses		-	1,886
Total expenses		**30,793**	**29,354**
Profit before income tax		**6,239**	**1,697**
Income tax expense	4	1,765	532
Profit for the year net of tax		**4,474**	**1,165**
Total comprehensive income for the year net of tax		**4,474**	**1,165**

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 21.

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Statement of Changes in Equity

For the year ended 31 December 2018

2018	Issued share capital	Retained earnings	Total equity
	$'000	$'000	$'000
At 1 January 2018	38,500	15,327	53,827
Adjustment on initial application of AASB 9	-	(160)	(160)
Adjusted balance at 1 January 2018	**38,500**	**15,167**	**53,667**
Profit for the year	-	4,474	4,474
Total comprehensive income for the year	-	4,474	4,474
At 31 December 2018	**38,500**	**19,641**	**58,141**

2017	Issued share capital	Retained earnings	Total equity
	$'000	$'000	$'000
At 1 January 2017	38,500	14,162	52,662
Profit for the year	-	1,165	1,165
Total comprehensive income for the year	-	1,165	1,165
At 31 December 2017	**38,500**	**15,327**	**53,827**

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 21.

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Statement of Financial Position

As at 31 December 2018

	Note	2018 $000	2017 $000
Current assets			
Cash	15	11,518	494
Loans and receivables	5	149,484	120,410
Other assets	6	4,986	2,849
Amounts due from related parties	9	8,984	11,899
Total current assets		**174,972**	**135,652**
Non-current assets			
Property, plant and equipment		330	521
Deferred tax asset	4	565	557
Total non-current assets		**895**	**1,078**
Total assets		**175,867**	**136,730**
Current liabilities			
Amounts due to related parties	9	117,247	80,324
Accounts payable and accruals		308	2,579
Provision for expected credit loss	8	171	-
Total current liabilities		**117,726**	**82,903**
Total liabilities		**117,726**	**82,903**
Net assets		**58,141**	**53,827**
Equity attributable to owners of the Parent			
Issued capital	7	38,500	38,500
Retained earnings		19,641	15,327
Total equity		**58,141**	**53,827**

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 21.

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Statement of Cash Flows
As at 31 December 2018

	2018 $000	2017 $000
Cash flows from operating activities		
Premium funding revenue received	(2,370)	17,650
Premium funding expense (paid)	(19,911)	(17,279)
Other income and expenses (paid)/received	(1,989)	5,952
Income taxes (paid)	(1,773)	(649)
Interest expense (paid)	(3,539)	(2,717)
Interest income received	698	698
Amounts received/(paid) to related parties	39,838	(5,763)
Net cash (outflow) from operating activities	**10,954**	**(2,108)**
Cash flows from investing activities		
Receipts/(payments) for property, plant and equipment	70	(16)
Net cash inflow from operating activities	**70**	**(16)**
Cash flows from financing activities		
Dividends paid	-	-
Net cash inflow from financing activities	**-**	**-**
Net increase/(decrease) in cash	**11,024**	**(2,124)**
Cash at the beginning of the year	**494**	**2,618**
Cash at the end of the year	**11,518**	**494**

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 21.

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Notes to the Financial Statements
For the year ended 31 December 2018

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 Queen Street, Auckland 1010, New Zealand.

The Company provides premium funding services to external customers, and administrative services to related entities, including Allianz Australia Insurance Limited – New Zealand Branch ("the NZ Branch").

These financial statements of the Company are as at and for the year ended 31 December 2018. These 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 (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 2013.

(ii) Changes in accounting standards

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application.

NZ IFRS 9 *Financial Instruments* became effective for financial periods beginning on or after 1 January 2018 and has been adopted on this date for the financial year ending 31 December 2018 onwards. The standard sets out the requirements for recognising and measuring financial assets and financial liabilities and replaces NZ IFRS 139 / IAS 39 Financial Instruments: *Recognition and Measurement*.

NZ IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics and will require new disclosures in particular for credit risk and expected credit losses.

Financial assets are classified in accordance with the criteria set out in NZ IFRS 9, with receivables measured at amortised cost. NZ IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities, which continue to be classified as other financial liabilities.

The Company will take advantage of an exemption available in NZ IFRS 9, allowing it not to restate comparative information for prior periods with respect to classification and measurement, including impairment changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of NZ IFRS 9 will be recognised in retained earnings and reserves.

A new impairment model has been adopted, with consideration of the probability of default and loss given default on the Company's cash and cash equivalents, however the recognition of expected credit losses has not materially impacted the Company's results.

The table below presents the impacts of adopting AASB 9:

	Value as at 31 December 2017 ($)	Value as at 1 January 2018 ($)	Provision for expected credit loss ($)
Financial assets			
Cash and cash equivalents	494,000	494,000	21
Loans and receivables	120,410,000	120,410,000	159,591

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Changes in accounting standards (continued)

NZ IFRS 15 *Revenue from Contracts with Customers* came into effect on 1 January 2018 and was adopted by the Company on this date for the financial year ending 31 December 2018 onwards. The standard replaces existing revenue recognition requirements with a new framework which is based on the satisfaction of an entity's performance obligations, using a five step process. The Company has assessed the requirements of the standard, and there has been no material impact on the revenue recognised by the Company, nor any deferral of income, as the Company has materially satisfied the performance obligations under contract where income has been recognised.

NZ IFRS 16 *Leases*, issued in February 2016, is effective for financial periods beginning on or after 1 January 2019 and the Company has applied NZ IFRS 16 on this date. The standard eliminates the previous classification of operating and finance leases for a lessee, and requires all leases that were previously considered 'off balance sheet' to be recognised in the consolidated statement of financial position, except for low value and short term leases. The standard requires a lease liability to be recognised, representing the present value of lease payments which is grossed up for interest expense and reduced over time for payments, along with a corresponding right-of-use asset representing the lease liability, other direct costs and incentives, which is to be depreciated on a straight line basis over the lease term.

The Company has assessed the impact of NZ IFRS 16 on its financial statements and concluded the impact is not material. The Company only leases motor vehicles, with no renewal options, and the Company does not expect to exercise the options to purchase in respect of operating leases of motor vehicles. As these are recognised as short term leases they are not required to be recognised in the statement of financial position.

(iii) Basis of measurement

These 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.

These 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.

Certain items have been reclassified from the Company's prior year financial statements to conform with the current year's presentation.

(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.

(v) Comparatives

Certain items have been reclassified from the Company's prior year financial statements to conform with the current year's presentation.

Notes to the Financial Statements
For the year ended 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue

Premium funding revenue is recognised on an accruals basis for services rendered in arranging finance to enable third parties to purchase insurance cover from a related party. It includes interest on loans issued to the policyholders.

Interest and other income is brought to account on an accruals basis, and also includes all realised and unrealised gains and losses.

Management fee revenue is received to reimburse the company for expenses incurred relating to claims handling, administration and acquisition functions where services rendered on behalf of Allianz Australia Insurance Limited – New Zealand Branch. The reimbursement incorporates an additional 7.5% fee of expenses incurred, reflecting the costs of providing these management and administrative services.

(d) Investment income

Investment income includes interest income from loans and receivables and is brought to account on an effective interest rate method.

(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.

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.

(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 NZ Branch and Allianz New Zealand Limited constitute a group for tax purposes, which allows for the NZ Branch's tax losses to be offset against the taxable income of Allianz New Zealand Limited. The NZ Branch and Allianz New Zealand Limited must maintain a minimum of 66% commonality of ownership in order to be considered a group for tax purposes.

(g) 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.

Notes to the Financial Statements
For the year ended 31 December 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Loans and receivables

Loans and receivables comprise the finance loans provided to external parties principally to fund insurance premiums and related statutory charges which include unearned interest, which is earned to provide a constant yield over the term of the loan.

(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

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) 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.

(n) Finance costs

Finance costs represent interest charged on funds borrowed for the Hunter Premium Funding business and are brought to account on an accruals basis.

Notes to the Financial Statements
For the year ended 31 December 2018

2. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including operational risk, tax risk, credit risk, liquidity risk and market risk. The Company's risk management programme seeks to minimise potential adverse effects on its financial performance.

The Company's principal financial instruments comprise finance loans provided to external parties principally to fund insurance premiums and related statutory charges.

(a) Operational risk

Structured risk assessment methodologies are used to identify risks and, if necessary formulate mitigation plans for each risk. This includes the operational risk which is the failure of people, processes and systems. The management of operational risk is broken down into separate risk classes to enable specific allocation of responsibility and ownership of particular risk areas. In this way identification and review of the key risks have been completed with the acceptable level of risk appetite and tolerance defined. With the continual reporting and monitoring of key risks they are assessed as to whether they are within acceptable levels and what action, if any, is required to reduce any excess risk.

(b) Tax risk

Tax risk is the risk that the Company is paying or accounting for an incorrect amount of income and/ or indirect tax, or that the tax positions that the Company has adopted is inappropriate. The Company has governance structures, policies and procedures in place to support full compliance with taxation law, perform best practice tax planning, and ensure effective tax risk management.

(c) 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 premium funding activities. The maximum exposure to credit risk is the fair value of individual financial assets. The Company may hold credit insurance to mitigate credit risk in some instances, and the Company may receive pro-rated refunds of non-statutory insurance policies should the external party default on payment.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to Standard & Poor's (S & P's) credit ratings of the counterparties. AAA is the highest possible rating.

	AA+ AA AA-	Not Rated	Total
	$000	$000	$000
2018			
Cash	11,518	-	11,518
Loans and receivables	-	149,484	149,484
GST receivable & income tax prepaid	2,646	-	2,646
Sundry debtors	-	46	46
Amounts due from related parties	-	8,984	8,984
2017			
Cash	494	-	494
Loans and receivables	-	120,410	120,140
GST receivable & income tax prepaid	814	-	814
Amounts due from related parties	-	11,899	11,899

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities that can be readily realised in order to fund the Company's operations.

The Company has in place arrangements to ensure adequate liquidity is maintained to fulfil its obligations, and avoid the need to unexpectedly liquidate investments to support operating cash flows. The procedures adopted include forecasting future cash requirements by identifying significant cash outflow obligations and allowing for the impact of possible but unexpected cash outflows. The cash position of the Company is monitored on a daily basis with set procedures. Service level agreements are maintained with several cash management providers.

The balance of amounts due to related parties and accounts payable and accruals as disclosed in the statement of financial position are expected to be settled within 1 year of the balance date and are therefore classified as current.

(f) Market risk

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

(i) Foreign currency risk exposures

The Company is not exposed to any foreign currency risks as all financial assets and financial liabilities are held in New Zealand Dollars.

(ii) Price risk

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

(iii) Interest rate risk

The exposure to interest rate risk results from the holding of financial assets in the normal course of business.

(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 profit. The analysis is based on a scenario where interest rates had increased/decreased by a nominal amount of 1% at year end with all other variables held constant.

	Carry Amount $000	-1% Profit/Equity Account $000	1% Profit/Equity Account $000
2018			
Financial assets			
Cash	11,518	(83)	83
Loans and receivables	149,484	1,076	(1,076)
Total financial assets	**165,988**	**957**	**(957)**
2017			
Cash	494	(4)	4
Loans and receivables	120,410	867	(867)
Total financial assets	**123,753**	**842**	**(842)**

(g) Fair value estimation

The carrying value of cash and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their fair value due to the short term nature of the financial assets and financial liabilities.

Notes to the Financial Statements
For the year ended 31 December 2018

3. AUDITOR'S REMUNERATION

	2018	2017
	$	$
Audit of financial statements - KPMG	-	23,000
Audit of financial statements - PwC	17,340	-

4. INCOME TAX EXPENSE

	2018	2017
	$'000	$'000
(a) Income tax expense		
Current tax expense	1,730	614
Movement in deferred tax	35	(117)
Over provision in prior years	-	35
Total income tax expense recognised	**1,765**	**532**
(b) Reconciliation of effective tax rate		
Profit before tax	6,239	1,697
Income tax at 28%	1,747	475
Non-deductible expense	18	22
Over provision in prior years	-	35
Total income tax expense	**1,765**	**532**
(c) Deferred tax asset		
Tax effect at 28% attributable to:		
Employee entitlements	97	137
Provision for doubtful debts	136	136
Expected credit loss	48	-
Accounting carrying value of fixed assets	(113)	(150)
Tax base of fixed assets	129	277
Other provisions and accruals	268	157
Total deferred tax asset	**565**	**557**

Notes to the Financial Statements

For the year ended 31 December 2018

5. LOANS AND RECEIVABLES

	2018 $000	2017 $000
Loans and receivables	157,135	127,006
Less: Unearned income	(7,164)	(6,109)
	149,971	**120,897**
Less: Provision for doubtful debt	(487)	(487)
Total loans and receivables	**149,484**	**120,410**

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 2017	487
Impairment loss recognised	42
Amounts written off	(42)
Balance at 31 December 2017	**487**
Impairment loss recognised	30
Amounts written off	(30)
Balance at 31 December 2018	**487**

Ageing of receivables:

As at 31 December 2018 receivables of the Company with a nominal value of $487,000 (2017: $487,000) were impaired. The amount of the provision for impairment was $487,000 (2017: $487,000).

The ageing of these impaired receivables is as follow:

0 to 3 months	462	428
3 to 6 months	2	11
Over 6 months	23	48
Balance at 31 December 2018	487	487

6. OTHER ASSETS

GST receivable	2,638	780
Income tax prepaid	7	33
Sundry debtors	46	-
Prepayments	2,295	2,036
Total other assets	**4,986**	**2,849**

Notes to the Financial Statements

For the year ended 31 December 2018

7. CONTRIBUTED EQUITY

	2018 $000	2017 $000
Balance at 1 January	38,500	38,500
Balance at 31 December	**38,500**	**38,500**

The company has 43,099,596 (2017: 43,099,596) ordinary fully paid shares. All shares have equal voting rights.

8. PROVISION FOR EXPECTED CREDIT LOSS

	2018 $000	2017 $000
Balance at 1 January	160	-
Increase during the year	11	160
Balance at 31 December	**171**	**160**

9. RELATED PARTIES

(a) The key management personnel of the Company consisted of the Director of the Company and its Chief Executive Officer, M.R. Guppy (appointed 6 March 2017).

(b) The name of the person holding the position of Director of the Company during or since the end of the reporting period is D.G. Hosking.

(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 Limited and its related parties is summaries in the table below:

Related Party	Relationship to Allianz New Zealand Limited
Allianz Australia Limited	Parent company, incorporated in Australia
Allianz Australia Insurance Limited	100% owned subsidiary of Allianz Australia Limited
Allianz Australia Insurance Limited – New Zealand Branch	Receives administrative services from the Company
Allianz Australia Services Pty 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 services;
iv. Expenses incurred on their behalf and recharged; and

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

Outgoings		
Allianz Australia Insurance Limited in relation to interest on funds borrowed for the premium funding business	3,539	2,717
Income		
Allianz Australia Insurance Limited - New Zealand Branch for expenses incurred on their behalf, including a management fee of 7.5%	7,628	7,699

Notes to the Financial Statements
For the year ended 31 December 2018

9. RELATED PARTIES (CONTINUED)

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

	2018 $	2017 $
Amounts due from related parties		
Allianz Australia Insurance Limited - New Zealand Branch	8,186,964	10,778,682
Primacy Underwriting Management Limited	732,277	732,277
Euler Hermes New Zealand Limited	64,410	87,812
Allianz Australia Services Pty Limited	-	292,326
Global Transport & Automotive Insurance Solutions Pty Ltd	-	7,574
Total amounts due from related parties	**8,983,651**	**11,898,671**
Amounts due to related parties		
Allianz Australia Insurance Limited	114,718,184	79,389,276
Allianz Australia Services Pty Limited	1,568,261	-
Club Marine Limited	960,594	934,657
Total amounts due to related parties	**117,247,039**	**80,323,933**

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.

10. CONTINGENT LIABILITIES

The Company has no contingent liabilities at 31 December 2018 (2017: Nil).

11. CAPITAL COMMITMENTS

The Company has no commitment for future capital expenditure at 31 December 2018 (2017: Nil).

12. CAPITAL MANAGEMENT STRATEGY

The Company's capital management strategy is based on its capital needs to meet statutory requirements, achieved through management of the statement of financial position and consideration of the capital mix.

13. OPERATING LEASE COMMITMENTS

Obligations payable after balance date on non cancellable operating leases are as follows:		
Not later than one year	110	112
Later than one year and not later than 5 years	184	233
Total lease commitments	**294**	**345**

The Company leases motor vehicles. There are no renewal options, and the Company does not expect to exercise the options to purchase in respect of operating leases of motor vehicles.

14. KEY MANAGEMENT PERSONNEL COMPENSATION

Name	Position	Term as KMP
Directors		
J.S. Curtis	Chairman of the Board	Full Year
R.D. Feledy	Managing Director	Full Year
P.J. Dwyer	Director	Appointed 18 February 2019
P.M. Mann	Director	Full Year
K.M. McKenzie	Director	Full Year
N.C. Peiris	Director	Full Year
T.R. Towell	Director	Full Year
Senior Executives		
N. Adams	Chief Market Manager	Full Year
M. Allchurch	Group General Counsel	Appointed 18 March 2019
L. Callahan	Chief Risk Officer	Full Year
T. Dawson	Chief Human Resources Officer	Full Year
M. Guppy	Chief Executive Officer – New Zealand	Full Year
D. Hosking	Chief General Manager – Broker & Agency	Full Year
M. Kaley	Company Secretary and General Counsel	Full Year
D. Krawitz	Chief Operating Officer	Full Year
M. Raumer	Chief Financial Officer	Full Year
T. Ruedesheim	Chief Information Officer	Full Year
N. Scofield	General Manager – Corporate Affairs	Full Year
H. Silver [1]	Chief General Manager – Corporate Governance and Conduct	Full Year
D. Walker	Chief Technical Officer	Full Year
M. Winter	Chief General Manager – Retail Distribution	Full Year
M. Wood	Chief Information Officer	Appointed 18 March 2019

[1] H. Silver was previously the Chief General Manager – Workers' Compensation before being appointed to her current role on 16 August 2018.

(a) Transactions with key management personnel

	2018 $ AUD	2018 $ NZD	2017 $ AUD	2017 $ NZD
Short term employee benefits	7,758,125	8,145,100	7,681,005	8,287,584
Post employment benefits	290,973	305,486	324,554	350,185
Long term employee benefits	1,342,147	1,409,093	1,270,601	1,370,529
Termination benefits	-	-	-	-
Share-based payments	1,577,557	1,656,245	1,623,617	1,751,836
Total benefits paid, payable or otherwise provided by the Company in relation to the key management personnel	**10,968,802**	**11,515,924**	**10,899,777**	**11,760,134**

(b) Loans and other transactions with key management personnel

The Company sold insurance to key management personnel during the period within normal employee or customer relationships on terms and conditions no more favourable than those available on similar transactions to other employees.

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For the year ended 31 December 2018

15. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2018 $000	2017 $000
(a) Cash reconciliation		
Cash and cash equivalents in the statement of cash flows	**11,518**	**494**
(b) Reconciliation of profit after income tax to net cash inflows from operating activities		
Profit for the year	4,474	1,165
Non-cash movements:		
Depreciation	121	111
Change in assets and liabilities:		
Increase in loans and receivables	(29,074)	(5,004)
Increase in deferred tax assets	(8)	(117)
Increase/(decrease) in creditors and amounts owed to related companies	39,838	(5,763)
(Increase)/decrease in other receivables	(2,137)	6,108
(Decrease)/increase in other liabilities	(2,260)	1,392
Net cash inflow/(outflow) from operating activities	**10,954**	**(2,108)**

16. SUBSEQUENT EVENTS

Allianz Australia Insurance Limited - New Zealand Branch has announced a restructure and the likely outcome is a significant reduction in their staffing requirement serviced by Allianz New Zealand. This will impact future management fee revenue offset in large extent by a reduction in employment costs. There is no expected impact on the premium funding business. There are no other events subsequent to the balance date that would have a material effect on the Company's financial statements at 31 December 2018.