



**RESET
EXCHANGEABLE
SECURITIES (RES)**

ANNUAL REPORT 2016

**IAG Finance
(New Zealand) Limited**

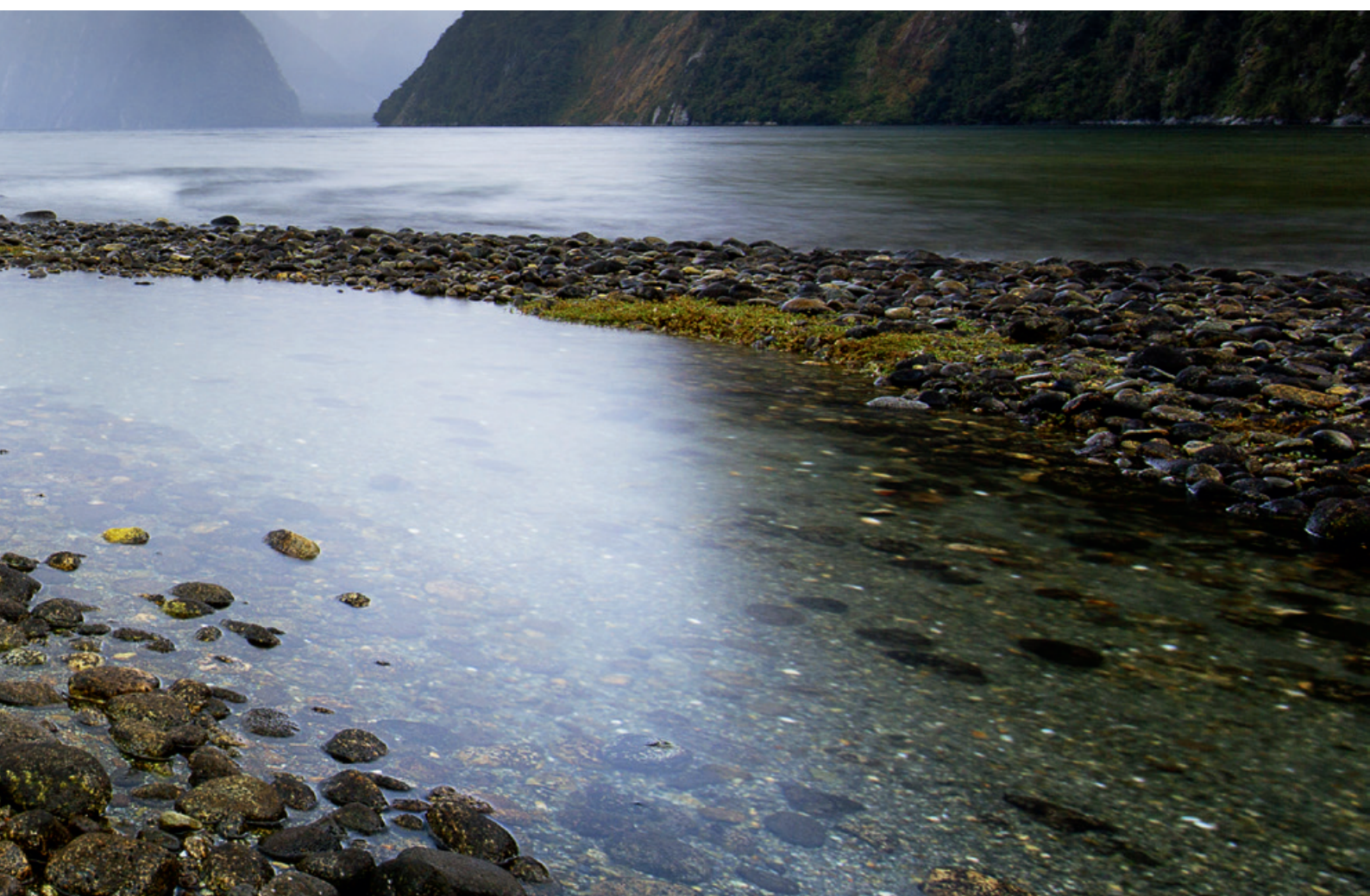
ABN 97 111 268 243

iag

ANNUAL REPORT 2016

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CHAIRMAN'S REPORT

19 August 2016

Dear Securityholder

I am pleased to report to you on the performance of your Reset Exchangeable Securities (RES).

The amount of interest you receive on a quarterly basis from your RES is based on the per annum rate equal to the three month bank bill rate plus a margin of 4.0% per annum less an adjustment for the value of attached franking credits. The payment is subject to satisfaction of the interest payment tests described in the RES terms and conditions.

In the 2016 financial year, a total of \$4.3934 in interest has been paid for each RES. This interest was fully franked.

The next interest payment at \$1.0630 per RES is due to be paid on 15 September 2016 subject to satisfaction of the interest payment test. This amount is also expected to be fully franked.

The RES are listed on the Australian Securities Exchange under the code IANG. If you have any questions regarding your RES holding, please contact the security registry on 1300 360 688 or visit www.iag.com.au/shareholder-centre/reset-exchangeable-securities.

Sincerely,



Elizabeth Bryan AM
Chairman
IAG Finance (New Zealand) Limited

CORPORATE GOVERNANCE

IAG Finance (New Zealand) Limited (Company) has responsibility for the management of all treasury functions of Insurance Australia Group Limited's (IAG) operations in New Zealand. The New Zealand Branch of the Company employs a Branch Manager to manage the performance of these functions.

The Company utilises and is subject to IAG's corporate governance framework, including risk, compliance and capital management policies, procedures and controls. Except as noted below, the key corporate governance practices followed by the Company are the same as those of IAG. The corporate governance framework and practices of IAG are on the IAG website at www.iag.com.au/about-us/corporate-governance.

The Company's Corporate Governance Statement has been approved by the Board. The Company has complied with most, but not all, of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations 3rd edition (CGC Principles). Where the Company has not complied, it is the Company's view that this non-compliance is appropriate given that the corporate governance practices and framework adopted are not separable from the corporate governance practices of IAG and the Company is a wholly owned subsidiary of IAG.

PRINCIPLE 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1. THE BOARD

The Company's Board (Board) is responsible for protecting the interests of security holders, collectively overseeing and appraising the strategies, policies and performance of the Company's operations, and specifically:

- monitoring the Company's financial performance and reporting;
- reviewing the adequacy of systems to comply with all laws and regulations which apply to the Company;
- monitoring the Company's key risk areas by ensuring the implementation of a suitable risk management and internal controls framework;
- ensuring the integrity of the accounting and reporting systems, including the external audit process;
- ensuring that the Company's reporting and disclosure processes include compliance with all relevant and applicable legal and commercial requirements; and
- ensuring that proper governance practices (including appropriate standards of ethical behaviour, corporate governance, work place health and safety, and social responsibility) are established, and processes exist to ensure they are adhered to at all times by the Company.

The Branch Manager is responsible for the day-to-day operations of the Company and reports directly to the IAG Deputy Group Treasurer and the relevant finance Executives in the IAG Group's New Zealand operations. The Company does not have a Chief Executive Officer (CEO).

1.2. APPOINTMENT OF DIRECTORS

The Board currently comprises two Non-Executive Directors who are also Non-Executive Directors of IAG, and two Executive Directors. The Chairman, Elizabeth Bryan, is also Chairman of IAG.

The Company has taken the view that this is an appropriate Board structure for the Company and that the appointment to the Board of a majority of Non-Executive Directors is not warranted for the reasons set out in the introduction to this section of the report.

The names of Directors in office at the date of this report, their year of appointment, their designation as a Non-Executive Director or Executive Director, and their experience, expertise and biographical details are set out in the Directors' Report.

1.3. APPOINTMENT TERMS

Elizabeth Bryan and Hugh Fletcher will remain Non-Executive Directors of the Company while they remain Non-Executive Directors of IAG, the Company's sole shareholder.

1.4. COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring Board procedures are complied with and also providing advice and counsel to the Board in relation to the Company's constitution, corporate governance and other matters.

The Company Secretary has responsibility for the timely dispatch of Board papers and the accurate recording of business discussed at the Board meetings in the minutes. The qualifications and experience of the Company Secretary are set out in the IAG 2016 Annual Report.

1.5. DIVERSITY

The Company does not maintain a separate diversity policy and it is the Company's view that this non-compliance is appropriate given the diversity practices and framework adopted are not separable from the diversity practices of IAG and the Company is a wholly owned subsidiary of IAG. Full details of the IAG diversity policies are set out on the IAG website at www.iag.com.au/about-us/corporate-governance/codes-and-policies#Diversitypolicy.

1.6. MEASURING THE PERFORMANCE OF DIRECTORS

The Company does not measure the performance of the Directors and it is the Company's view this non-compliance is appropriate given the Director measurement framework adopted is not separable from the Director measurement practices of IAG and the Company is a wholly owned subsidiary of IAG. The Company Directors are Directors and Group Executives of IAG and full details of the IAG measurement policy are set out in the IAG 2016 Annual Report.

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1.7. PERFORMANCE ASSESSMENT – CEO AND GROUP EXECUTIVES

It is the Company's view non-compliance with this principle is appropriate given the Company does not have a CEO or Executive team. The IAG CEO and Group Executive team are responsible for the day-to-day operations of the Company and details of the performance assessment for IAG are shown in the 2016 IAG Annual Report.

PRINCIPLE 2. STRUCTURE THE BOARD TO ADD VALUE

2.1. NOMINATION COMMITTEE (NC)

The Company does not maintain a separate NC and it is the Company's view that this non-compliance is appropriate given the Company is a wholly owned subsidiary of IAG.

The establishment of a NC or, indeed, empowering the IAG NC to act for the Company in this capacity, would not add value to the Company's corporate governance practices given the Directors appointed to the Board receive no additional remuneration from the Company or any related parties for their service on the Board. The IAG NC evaluates the performance of the IAG Board, its committees, individual Directors and IAG key management personnel. The IAG People and Remuneration Committee (PARC) also reviews the composition and the performance of IAG subsidiary company boards, including the Board, at least annually.

2.2. BOARD SKILLS

The Board's policy is to ensure the Board comprises Directors who collectively have the relevant experience, knowledge, diversity and skills required for the Company. This takes into account the Company's current size, market position, complexity and strategic focus. In reviewing its composition, skills, and requirements for Director succession, the Board is also mindful of the corporate governance practices and requirements for Directors of general insurance companies.

A review of Board skills for IAG was undertaken during 2016 and the collective skills of the current IAG Board are shown in the 2016 IAG Annual Report.

2.3. BOARD OF DIRECTORS

Details of the current Board of Directors are shown as part of the Directors' Report on pages 5 and 6 of this Annual Report.

2.4. DIRECTOR INDEPENDENCE

Elizabeth Bryan and Hugh Fletcher have been deemed by the Company to be Non-Executive Directors. All Directors are free of any business or other relationship that could materially interfere with the exercise of their judgement. All current Non-Executive Directors have confirmed their continued independence.

2.5. THE CHAIRMAN

The Chairman is a Non-Executive Director and is responsible for ensuring the Board fulfils its responsibilities to the Company and stakeholders. The Chairman provides leadership to the Board, and promotes constructive and respectful relations between Directors.

2.6. DIRECTOR INDUCTION, EDUCATION AND TRAINING

The Company encourages continuing professional education for each of its Directors. All Directors are expected to remain up to date in relation to issues affecting the Company, the general insurance industry, and their duties as Directors.

All Directors appointed to the Company are offered and encouraged to undertake training to ensure they can continue to effectively and competently perform their roles as Directors.

PRINCIPLE 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Directors and the sole employee of the Company are expected to comply with IAG's Code of Conduct, Continuous Disclosure and Security Trading Policies, which are set out in further detail in the Corporate Governance Section of the IAG website at www.iag.com.au/about-us/corporate-governance. A copy of the Codes and Policies can be found on the IAG website at www.iag.com.au/about-us/corporate-governance. The IAG Security Trading Policy applies to trading by the Company's Directors and sole employee in Reset Exchangeable Securities (RES) issued by the Company and other IAG securities.

IAG's Code of Ethics and Continuous Disclosure Policy also set out the policies and procedures for how Directors and management are encouraged to assist in the process of the Board identifying, evaluating and reporting on matters to comply with the provisions of the Corporations Act 2001 and the ASX Listing Rules in relation to continuous disclosure so as to keep the market fully informed.

PRINCIPLE 4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1. AUDIT COMMITTEE (AC)

The Company does not have any standing committees, but has empowered the IAG AC to perform the same role for the Company as it does for IAG and for most of its authorised insurer subsidiary companies. The AC Charter can be found on the IAG website at www.iag.com.au/about-us/corporate-governance. The Charter also sets out procedures for the appointment, reappointment and monitoring of the effectiveness and independence of the external auditor including rotation of the lead audit partner.

The names and qualifications of the members of the AC and the meetings held in the year are set out in the IAG 2016 Annual Report, which is also available on the IAG website. The Company has taken the view that it is appropriate for the AC to perform this task as long as it is composed of Directors that are considered to be independent.

4.2. ASSURANCES

The Board has received assurance from the IAG CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

4.3. EXTERNAL AUDITOR

The external auditor is available to answer security holders' questions concerning the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted and auditor independence.

PRINCIPLE 5. MAKE TIMELY AND BALANCED DISCLOSURE

The Company does not maintain a separate policy and it is the Company's view that this non-compliance is appropriate given the practices and framework adopted are not separable from the practices of IAG and the Company is a wholly owned subsidiary of IAG. Full details of the IAG policy are set out on the IAG website at www.iag.com.au/about-us/corporate-governance.

PRINCIPLE 6. RESPECT THE RIGHTS OF SECURITY HOLDERS

The Company makes quarterly announcements to the ASX regarding interest payments and the interest rate for the following quarter. Security holders, who elect to do so, also receive a copy of the Company's Annual Report. ASX announcements and any half year, annual, financial and Directors' Reports are also posted on the IAG website.

The Company is not required to hold annual general meetings. Security holders may raise any issues or concerns at any time by contacting the Company. Security holders should email their questions or comments to investor.relations@iag.com.au or write to the Chairman or Company Secretary at IAG Finance (New Zealand) Limited, Level 26, 388 George Street, Sydney NSW 2000.

PRINCIPLE 7. RECOGNISE AND MANAGE RISK

7.1. RISK COMMITTEE (RC)

The Company forms part of the overall IAG Risk Management Strategy (RMS), as such it does not maintain a separate RMS or RC. It is the Company's view that this non-compliance is appropriate given the practices and framework adopted are not separable from the practices of IAG and the Company is a wholly owned subsidiary of IAG. Full details of the IAG RC charter are on the IAG website at www.iag.com.au/about-us/corporate-governance.

7.2. REVIEW RISK MANAGEMENT FRAMEWORK

The Company has delegated its risk management function to the IAG RC and the Board receives information on matters of particular significance and regular updates from the Chair of the RC.

7.3. INTERNAL AUDIT FUNCTION

The Company forms part of the overall IAG Risk Management Strategy (RMS), as such it does not maintain a separate AC. It is the Company's view that this non-compliance is appropriate given the practices and framework adopted are not separable from the practices of IAG and the Company is a wholly owned subsidiary of IAG. Full details of the IAG policy are set out in the IAG 2016 Annual Report.

The Board has established the Group Internal Audit function as a key component of the Company's governance framework. The Group Internal Audit function's objective is to evaluate and improve the effectiveness of internal controls, governance processes and overall risk management, via its independent and objective review program.

The Group General Manager, Internal Audit reports functionally to the AC and administratively to the Chief Risk Officer. The Group General Manager, Internal Audit has direct access to the IAG CEO and the AC.

The Company is subject to a number of additional external and internal reporting requirements:

- quarterly reports are prepared for the Trustee and ASIC pursuant to Section 283BF of the Corporations Act; and
- quarterly compliance reports setting out the compliance by the Company's New Zealand Branch with various legal, tax and risk management requirements in New Zealand are prepared for the Group General Manager, Internal Audit.

7.4. ECONOMIC ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISK

The Company recognises that its business has an impact on the community, the environment and the wider economy, and believes it must operate in a way that takes into account and responds to these impacts effectively to meet its commitments. The Company complies with the IAG Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. Further details are provided in the IAG 2016 Annual Report, and are also available on the IAG website.

PRINCIPLE 8. REMUNERATE FAIRLY AND RESPONSIBLY

8.1. PEOPLE AND REMUNERATION COMMITTEE

Remuneration practices of the Company form part of the overall IAG PARC responsibilities and as such it does not maintain a separate PARC. It is the Company's view that this non-compliance is appropriate given the practices and framework adopted are not separable from the practices of IAG and the Company is a wholly owned subsidiary of IAG. Full details of the IAG policy are set out in the IAG 2016 Annual Report.

The PARC Charter can be found on the IAG website at www.iag.com.au/about-us/corporate-governance. The names and qualifications of the members of the PARC and the meetings held in the year are set out in the IAG 2016 Annual Report which is also available on the IAG website. The sole employee of the Company is not a member of key management personnel of the Company under the Corporations Act or generally accepted accounting standards and, accordingly, disclosure of remuneration received by this employee is not required.

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DIRECTORS' REPORT

The Directors present their report together with the financial report of IAG Finance (New Zealand) Limited (Company) for the year ended 30 June 2016 and the Auditor's Report thereon.

DIRECTORS

The names and details of the Company's Directors in office at any time during or since the end of the financial year are as follows. Directors were in office for the entire period unless otherwise stated.

CHAIRMAN

ELIZABETH (EB) BRYAN AM

BA (Econ), MA (Econ), age 69 - Chairman and Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Elizabeth Bryan was appointed as a Director of IAG in December 2014, and became Chairman of IAG and IAG Finance (New Zealand) Limited on 31 March 2016. She is the Chairman of IAG's People and Remuneration Committee and Nomination Committee, and a member of the Risk Committee. Elizabeth is also the Chairman of Insurance Manufacturers of Australia Pty Limited.

OTHER BUSINESS AND MARKET EXPERIENCE

Elizabeth brings extensive leadership, strategic and financial expertise to the position of Chairman. She has over 32 years of experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations.

In addition to her role as Chairman of IAG, Elizabeth is also currently Chairman of Virgin Australia and a Director of Westpac Banking Corporation. Her previous roles include Chairmanship of Caltex Australia Limited and UniSuper Limited.

Directorships of other listed companies held in the past three years:

- Virgin Australia, since 2015;
- Insurance Australia Group Limited, since 2014;
- Westpac Banking Corporation, since 2006; and
- Caltex Australia Limited (2002-2015).

OTHER DIRECTORS

HUGH (HA) FLETCHER

BSc/BCom, MCom (Hons), MBA, age 68 - Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Hugh Fletcher was appointed as a Director of the Company on 31 August 2008 and as a Director of IAG in September 2007. Hugh was appointed Chairman of IAG New Zealand Limited in September 2003. He is a member of IAG's Audit Committee, Risk Committee and Nomination Committee.

Hugh was formerly Chairman (and Independent Director since December 1998) of New Zealand Insurance Limited and CGNU Australia.

OTHER BUSINESS AND MARKET EXPERIENCE

Hugh is a Non-Executive Director of Rubicon Limited and Vector Limited and a trustee of The University of Auckland Foundation. Hugh was formerly Chief Executive Officer of Fletcher Challenge Limited, a New Zealand headquartered corporation with assets in the global building, energy, forestry and paper industries. He retired from an Executive position in December 1997 after 28 years as an Executive, 11 of which he served as Chief Executive.

Hugh is a former Deputy Chairman of the Reserve Bank of New Zealand, former member of the Asia Pacific Advisory Committee of the New York Stock Exchange, former Non-Executive Director of Fletcher Building Limited, and has been involved as an Executive and Non-Executive Director in many countries in Asia, including China, India, Singapore, Indonesia, Malaysia and Thailand.

Directorships of other listed companies held in the past three years:

- Rubicon Limited, since March 2001;
- Vector Limited, since May 2007; and
- Insurance Australia Group Limited, since September 2007.

PETER (PG) HARMER

Age 56 - Executive Director

INSURANCE INDUSTRY EXPERIENCE

Peter Harmer was appointed Managing Director and Chief Executive Officer of IAG in November 2015. He was appointed as a Director of the Company on 10 December 2015. He is a member of IAG's Nomination Committee.

Peter joined IAG in 2010 and has held a number of senior roles, most recently as Chief Executive of the IAG Labs division, responsible for driving digital and innovation across IAG and its brands, and creating incubator areas which will specifically explore innovative opportunities across the fintech landscape.

Before this, Peter held the role of Chief Digital Officer with a remit to develop a group-wide digital strategy. He was formerly Chief Executive of the Commercial Insurance division created in July 2014 when IAG implemented its new operating model. He joined IAG as Chief Executive Officer, CGU Insurance.

Peter was previously Chief Executive Officer of Aon Limited UK and a member of Aon's Global Executive Board, and spent seven years as Chief Executive Officer of Aon's Australian operations. He has over 35 years experience in the insurance industry, including senior roles in underwriting, reinsurance broking and commercial insurance broking as Managing Director of John C. Lloyd Reinsurance Brokers, Chairman and Chief Executive of Aon Re and Chairman of the London Market Reform Group.

Peter has completed the Harvard Advanced Management Program.

Directorships of other listed companies held in the past three years:

- Insurance Australia Group Limited, since November 2015.

NICHOLAS (NB) HAWKINS

BCom, FCA, age 48 - Executive Director

INSURANCE INDUSTRY EXPERIENCE

Nicholas Hawkins was appointed as a Director of the Company on 31 August 2008. Nicholas joined IAG in 2001 and has held a number of senior positions including Chief Executive Officer of IAG's New Zealand business, Head of Asset Management & Group Strategy and General Manager, Group Finance.

Nicholas was appointed Chief Financial Officer of IAG in August 2008 and in this role leads the team that provides group-wide financial insight, actively manages and optimises the balance sheet and manages IAG's reinsurance program.

Nicholas has additional responsibility for IAG's International Division (Asia and New Zealand) and the 'challenger' business within the consumer segment, which includes SGIO, SGIC and Coles Insurance. As head of the International Division, Nicholas is responsible for growing IAG's established presence in Malaysia, Thailand, India, Indonesia and Vietnam and maintaining its market-leading presence in the mature New Zealand market.

OTHER BUSINESS AND MARKET EXPERIENCE

Before joining IAG, Nicholas was a Partner with the international accounting firm KPMG, where he specialised in working with financial services clients.

Directorships of other listed companies held in the past three years:

- None.

DIRECTORS WHO CEASED DURING THE FINANCIAL YEAR

- Michael (MJ) Wilkins was a Director from 28 May 2008 to 16 November 2015.
- Brian (BM) Schwartz was a Director from 26 August 2010 to 31 March 2016.

MEETINGS OF DIRECTORS

The number of meetings each Director was eligible to attend and actually attended during the financial year is summarised below:

DIRECTOR	BOARD OF DIRECTORS	
	Eligible to attend	Attended
Elizabeth Bryan ^(a)	-	-
Hugh Fletcher	3	3
Peter Harmer ^(b)	1	1
Nicholas Hawkins	3	3
Brian Schwartz ^(c)	3	3
Michael Wilkins ^(d)	2	2

(a) Elizabeth Bryan was appointed on 31 March 2016.

(b) Peter Harmer was appointed on 10 December 2015.

(c) Brian Schwartz was a Director to 31 March 2016.

(d) Michael Wilkins was a Director to 16 November 2015.

PRINCIPAL ACTIVITY

The Company issues Reset Exchangeable Securities (RES) to external investors and loans the entire amount to a related body corporate, a wholly owned subsidiary of Insurance Australia Group Ltd (IAG).

The principal continuing activity of the Company is to perform all treasury functions of IAG's New Zealand operations. This function is performed through a New Zealand Branch of the Company.

OPERATING AND FINANCIAL REVIEW

OPERATING RESULT

The net result of the Company after applicable income tax for the financial year ended 30 June 2016 was a profit of \$570,000 (2015-loss of \$1,972,000). The tax expense for the prior year includes settlement of a dispute in respect of interest on the Reset Exchangeable securities.

The following quarterly interest payments on the RES were made during the financial year:

PAYMENT DATE	AMOUNT PER RES	INTEREST RATE
15 September 2015	\$1.0866	4.3108% per annum
15 December 2015	\$1.0785	4.3260% per annum
15 March 2016	\$1.1114	4.4578% per annum
15 June 2016	\$1.1169	4.4310% per annum

REVIEW OF FINANCIAL CONDITION

The total assets of the Company, which at 30 June 2016 were \$552,010,000 (2015-\$564,765,000), relate predominantly to a loan to a related body corporate, a wholly owned subsidiary of the IAG Group. The loan is attributable solely to the RES, valued at a face value of \$550,000,000 and accrued interest for the financial year. Refer to note 2.3 related party disclosures for further details.

The total liabilities of the Company, which at 30 June 2016 were \$551,222,000 (2015-\$551,247,000), relate mainly to the issued RES and accrued interest payable to external investors.

STRATEGY

A. STRATEGIC PRIORITIES

The continuing and sole strategy of the Company is to perform all treasury activities relating to IAG's New Zealand operations.

B. RISK MANAGEMENT

Detail of the Company's overall risk management framework is set out in note 3.1 risk management.

OUTLOOK

The Company is expected to continue to perform all treasury functions of IAG's New Zealand operations. The New Zealand Branch will remain as the issuer of 5,500,000 RES.

DIVIDENDS

Details of dividends paid or determined to be paid by the Company are set out in note 4.2 dividends.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year the following changes became effective:

- On 10 December 2015, the Board appointed Peter Harmer as a Director. Mr Harmer replaced Michael Wilkins who ceased being a director from 16 November 2015.
- On 31 March 2016, the Board appointed Elizabeth Bryan AM as its Chairman. Ms Bryan succeeded Brian Schwartz AM, who ceased being a director from 31 March 2016.

EVENTS SUBSEQUENT TO REPORTING DATE

Detail of matters subsequent to the end of the financial year is set out in note 5.1 events subsequent to reporting date. This includes:

- On 19 August 2016, a dividend of \$350,000 per share was determined by the Board. The dividend will be paid on 19 August 2016.

NON-AUDIT SERVICES

During the financial year, KPMG has not performed any other services, other than audit services for the Company, in accordance with its statutory duties.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Lead Auditor's Independence Declaration is set out on page 11 and forms part of the Directors' Report for the year ended 30 June 2016.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company's constitution contains an indemnity in favour of every person who is or has been:

- a Director of the Company; or
- a Secretary of the Company or of a subsidiary of the Company; or
- a person making or participating in making decisions that affect the whole or a substantial part of the business of the Company or of a subsidiary of the Company; or
- a person having the capacity to affect significantly the financial standing of the Company or of a subsidiary of the Company.

The indemnity applies to liabilities incurred by the person in the relevant capacity (except a liability for legal costs). The indemnity also applies to legal costs incurred in defending or resisting certain legal proceedings. The indemnity does not apply where the Company is forbidden by statute or, if given, would be made void by statute.

In addition, IAG has granted deeds of indemnity to certain current and former Directors and Secretaries and members of senior management of the Company and its subsidiaries and associated companies. Under these deeds, the Company:

- indemnifies, to the maximum extent permitted by the law, the former or current Directors or Secretaries or members of senior management against liabilities incurred by the person in the relevant capacity. The indemnity does not apply where the liability is owed to the Company or (in general terms) where the liability arises out of a lack of good faith, wilful misconduct, gross negligence, reckless misbehaviour or fraud; and
- is also required to maintain and pay the premiums on a contract of insurance covering the current or former Directors or members of senior management against liabilities incurred in respect of the relevant office except as precluded by law. The insurance must be maintained until the seventh anniversary after the date when the relevant person ceases to hold office. Disclosure of the insurance premiums and the nature of liabilities covered by such insurance are prohibited by the relevant contract of insurance.

REMUNERATION REPORT

The Company's key management personnel (KMP) did not receive any remuneration from the Company or any parties in connection with their position with the Company. IAG or a related entity did not charge management fees to the Company, which included any remuneration for the KMP of the Company. The compensation disclosed in the KMP table below represented the estimated compensation received from IAG in relation to their involvement in the activities with the Company.

The remuneration of the Company's KMP is determined in accordance with the IAG remuneration policy and the details of their remuneration are disclosed in IAG's Remuneration Report for the year ended 30 June 2016, which can be viewed at www.iag.com.au. The Company has not developed a separate remuneration policy but follows IAG's policy.

The Company employs one employee working in the New Zealand Branch. The employee does not meet the definition of KMP as defined in AASB 124 Related Party Disclosures or senior manager or officer as defined in the Corporations Act 2001.

A. REMUNERATION OF KEY MANAGEMENT PERSONNEL

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise) of that Company. The Non-Executive Directors are not considered part of management. However, for the purpose of AASB 124 Related Party Disclosures, they are required to be disclosed as KMP.

The table below sets out the remuneration details of the identified KMP, being the Directors of the Company. The Directors were a KMP for the whole financial year, unless otherwise stated.

TABLE 1 - STATUTORY REMUNERATION DETAILS

	SHORT TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT BENEFITS	OTHER LONG TERM EMPLOYMENT BENEFITS	TERM-INATION BENEFITS	SUB TOTAL (EXCLUDES SHARE BASED PAYMENT)	SHARE BASED PAYMENT		TOTAL
	Base salary	Short term incentive	Leave accruals and other benefits					Value of deferred short term incentive	Value of rights granted	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
DIRECTORS										
EB Bryan, Chairman and Non-Executive Director ^(a)										
2016	7,746	-	-	386	-	-	8,132	-	-	8,132
HA Fletcher, Non-Executive Director										
2016	7,117	-	-	414	-	-	7,531	-	-	7,531
2015	6,984	-	-	398	-	-	7,382	-	-	7,382
PG Harmer, Executive Director ^(b)										
2016	28,506	18,094	318	700	-	1,072	48,690	6,267	20,315	75,272
NB Hawkins, Executive Director										
2016	19,928	11,856	(705)	600	-	(252)	31,427	6,810	19,549	57,786
2015	19,631	12,050	1,361	600	-	(244)	33,398	7,066	20,133	60,597
DIRECTORS WHO CEASED AS KEY MANAGEMENT PERSONNEL										
BM Schwartz										
2016	11,858	-	-	290	-	-	12,148	-	-	12,148
2015	15,880	-	-	376	-	-	16,256	-	-	16,256
MJ Wilkins										
2016	-	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-	-

(a) Elizabeth Bryan commenced as Chairman and Independent Non-Executive Director on 31 March 2016.

(b) Peter Harmer commenced as an Executive Director on 10 December 2015.

As at reporting date, the relevant interest of each KMP in shares, options and other securities over shares in debentures of the Company and IAG were as follows:

DIRECTOR	RESET EXCHANGEABLE SECURITIES ^(a)	ORDINARY SHARES ^(b)	SHARE RIGHTS ^(b)	CONVERTIBLE PREFERENCE SHARES ^(b)
EB Bryan	-	32,725	-	-
HA Fletcher	-	82,032	-	-
PG Harmer	-	655,967	970,933	-
NB Hawkins	-	220,000	840,833	-
BM Schwartz ^(c)	-	113,519	-	-
MJ Wilkins ^(c)	-	2,881,528	1,517,752	-

(a) These securities have been issued by the Company. The number disclosed includes securities directly held and indirectly held by the Directors' related entities (as defined by AASB 124 Related Party Disclosures). There was no movement in RES held by the Directors for the year ended 30 June 2016.

(b) These securities have been issued by IAG or provide a right over shares in IAG. The number disclosed includes securities directly held and indirectly held by the directors' related parties, inclusive of domestic partner, dependants and entities controlled, jointly controlled or significantly influenced by the directors. The rights over shares in IAG held included the rights issued under the Deferred Award Rights Plan and the Executive Performance Rights Plan. Refer to IAG's Remuneration Report for details on these rights over shares in IAG.

(c) These directors ceased as KMP during the financial year. Information on shares held is disclosed up to the date of their cessation.

RELEVANT INTEREST OF EACH DIRECTOR AND THEIR RELATED PARTIES IN SECURITIES OF THE COMPANY AND IAG IN ACCORDANCE WITH THE CORPORATIONS ACT 2001

DIRECTOR	RESET EXCHANGEABLE SECURITIES HELD DIRECTLY/INDIRECTLY*	ORDINARY SHARES HELD DIRECTLY*	ORDINARY SHARES HELD INDIRECTLY*	CONVERTIBLE PREFERENCE SHARES HELD DIRECTLY/INDIRECTLY*
EB Bryan	-	-	32,725	-
HA Fletcher	-	36,561	45,471	-
PG Harmer	-	483,167	172,800	-
NB Hawkins	-	220,000	-	-

* This represents the relevant interest of each Director in listed securities issued by the Company and IAG, as notified by the Directors to the ASX in accordance with section 205G of the Corporations Act 2001. Trading in IAG securities is covered by the restrictions which limit the ability of an IAG Director to trade in the securities of IAG where they are in a position to be aware, or are aware, of price sensitive information. These securities are held by the Director's related parties, inclusive of entities controlled, jointly controlled or significantly influenced by the Directors, as notified by the Directors to the ASX.

ROUNDING OF AMOUNTS

Unless otherwise stated, amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars. The Company is of a kind referred to in the ASIC Corporations Instrument 2016/191 dated 24 March 2016 issued by the Australian Securities & Investments Commission. All rounding has been conducted in accordance with that instrument.

Signed at Sydney this 19th day of August 2016 in accordance with a resolution of the Directors.



Nicholas Hawkins
Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

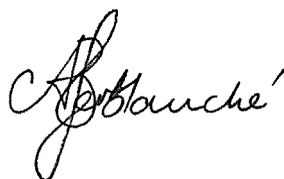
TO THE DIRECTORS OF IAG FINANCE (NEW ZEALAND) LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Dr Andries B Terblanché
Partner

Sydney
19 August 2016

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 \$000	2015 \$000
Total interest revenue	2.1	25,822	27,132
Interest expense on reset exchangeable securities	2.1	(24,647)	(25,966)
Net interest income		1,175	1,166
Other income		77	77
Unrealised exchange gains and (losses)		83	(345)
Realised exchange gains and (losses)		(10)	(2)
Other administration expenses		(563)	(705)
Profit/(loss) before income tax		762	191
Income tax (expense)/credit	6.1	(192)	(2,163)
Profit/(loss) for the year		570	(1,972)
Total comprehensive income and (expense) for the year, net of tax		570	(1,972)

The above statement of comprehensive income should be read in conjunction with the notes to the financial statements.

BALANCE SHEET

AS AT 30 JUNE 2016

	NOTE	2016 \$000	2015 \$000
ASSETS			
Cash held for operational purposes	6.2	668	979
Receivables from related bodies corporate	2.3	-	12,379
Current tax assets		248	292
Loans to related bodies corporate	2.3	551,087	551,109
Deferred tax assets		7	6
Total assets		552,010	564,765
LIABILITIES			
Trade and other payables		168	164
Interest payable on reset exchangeable securities		1,016	1,039
Payables to related bodies corporate	2.3	13	21
Employee benefits provision		25	23
Reset exchangeable securities	2.2	550,000	550,000
Total liabilities		551,222	551,247
Net assets		788	13,518
EQUITY			
Share capital		- *	- *
Retained earnings		788	13,518
Total equity		788	13,518

* The share capital is \$1.00 and rounded to zero.

The above balance sheet should be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	SHARE CAPITAL \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
2016			
Balance at the beginning of the financial year	- *	13,518	13,518
Profit/(loss) for the year	-	570	570
Transactions with owners in their capacity as owners			
Dividends declared and paid	-	(13,300)	(13,300)
Balance at the end of the financial year	-	788	788
2015			
Balance at the beginning of the financial year	- *	15,490	15,490
Profit/(loss) for the year	-	(1,972)	(1,972)
Balance at the end of the financial year	-	13,518	13,518

* The share capital is \$1.00 and rounded to zero*

The above statement of changes in equity should be read in conjunction with the notes to the financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 \$000	2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and trust distributions received		25,844	27,147
Interest costs paid		(24,664)	(26,382)
Income taxes paid		(150)	(4,540)
Other operating receipts		12,456	5,136
Other operating payments		(570)	(712)
Net cash flows from operating activities	6.2	12,916	649
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(13,300)	-
Net cash flows from financing activities		(13,300)	-
Net movement in cash held		(384)	649
Effects of exchange rate changes on balances of cash held in foreign currencies		73	(347)
Cash and cash equivalents at the beginning of the financial year		979	677
Cash and cash equivalents at the end of the financial year	6.2	668	979

The above cash flow statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. OVERVIEW

NOTE 1.1 INTRODUCTION

The financial report is structured in order to provide prominence to the disclosures that are considered most relevant to the understanding of the operations, results and financial position of the Company.

NOTE 1.2 ABOUT THIS REPORT

A. CORPORATE INFORMATION

IAG Finance (New Zealand) Limited (Company) is a for-profit company, incorporated and domiciled in Australia and limited by shares. It has reset exchangeable securities (RES) publicly traded on the Australian Securities Exchange (ASX). Its registered office is Level 26, 388 George Street, Sydney, NSW 2000, Australia and the principal place of business is Level 1, NZI Centre, 1 Fanshawe Street, Auckland, New Zealand. This financial report covers the financial statements of the Company for the year ended 30 June 2016.

A description of the nature of the Company's operations and its principal activities is included in the Directors' Report

The parent, and ultimate parent entity of the Group, is Insurance Australia Group Limited (IAG) which is incorporated in Australia and listed on the ASX.

B. STATEMENT OF COMPLIANCE

This general purpose financial report was authorised by the Board of Directors for issue on 19 August 2016 and complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the Corporations Act 2001, Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB), other authoritative pronouncements of the AASB and the ASX Listing Rules.

C. BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost principles, as modified by certain exceptions noted in the financial report. All values are rounded to the nearest thousand dollars, unless otherwise stated, in accordance with ASIC Corporations Instrument 2016/191.

The balance sheet is prepared with the assets and liabilities presented broadly in order of liquidity. The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date).

I. Presentation and foreign currency

The financial report is presented in Australian dollars, which is the functional currency of the Company. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency using reporting date exchange rates. Resulting exchange differences are recognised in profit or loss.

II. Changes to comparatives

As a result of the reorganisation of the financial report, certain comparative items have been reclassified from the Company's prior year financial report to conform to the current period's presentation.

D. SIGNIFICANT ACCOUNTING POLICIES ADOPTED

The accounting policies adopted in the preparation of this financial report have been applied consistently and are the same as those applied for the previous reporting year, unless otherwise stated. The significant accounting policies adopted in the preparation of this financial report are set out with the relevant note.

I. Changes in accounting policies

There were new Australian Accounting Standards and Interpretations applicable for the current reporting year, with no material financial impact to the Company on adoption. Refer to the note 6.6 impact of new Australian Accounting Standards issued note for further details.

II. Critical accounting estimates and judgements

There are no accounting estimates and assumptions used, or judgements made, which are considered to have a significant impact on the amounts recognised in the financial report.

2. FINANCING DISCLOSURE

SECTION INTRODUCTION

This section provides information about the performance of the Company during the year. The Company performs treasury functions of IAG's New Zealand operations. It issues Reset Exchangeable Securities (RES) to external investors and loans the entire amount to a related body corporate, a wholly-owned subsidiary of IAG. The Company operates as a single segment and accordingly the information presented in the financial statements represents the segment reporting information.

NOTE 2.1 ANALYSIS OF INTEREST INCOME AND EXPENSES

	2016 \$000	2015 \$000
Interest revenue		
Related bodies corporate - interest income on loans to IAG (NZ) Holdings Limited	25,818	27,118
Other corporations	4	14
Total interest revenue	25,822	27,132
Interest expense		
Reset exchangeable securities	(24,647)	(25,966)
Net interest income	1,175	1,166

A. RECOGNITION AND MEASUREMENT

I. Interest income

Interest income on the loan to a related body corporate and external parties is brought to account on an accrual basis.

II. Interest expense

Interest expense on the RES is brought to account on an accruals basis and payable quarterly subject to the terms of issue.

NOTE 2.2 RESET EXCHANGEABLE SECURITIES

	2016 Carrying value \$000	2016 Fair value \$000	2015 Carrying value \$000	2015 Fair value \$000
A. COMPOSITION				
5,500,000 reset exchangeable securities	550,000	550,000	550,000	567,050

The listed offer price as at reporting date was \$100.00 per \$100.00 of face value (2015-\$103.10).

B. TERMS AND CONDITIONS

- Face value of \$550 million, issued by the Company's New Zealand Branch and traded on the ASX;
- Non-cumulative floating rate distribution payable quarterly and expected to be fully franked;
- Distribution rate equals the sum of the three month bank bill rate plus RES margin of 4.00% per annum multiplied by (1-tax rate);
- Payments of distributions can only be made subject to meeting certain conditions. If no distribution is made, no dividends can be paid and no returns of capital can be made on IAG ordinary shares unless IAG takes certain actions; and
- The RES may be exchanged by IAG or the holder on a reset date, or upon certain events. The next reset date is 16 December 2019. On exchange, IAG may convert RES into IAG ordinary shares, arrange a third party to acquire RES for their face value or redeem RES for their face value (subject to APRA approval).

C. RECOGNITION AND MEASUREMENT

I. Interest bearing liabilities

The RES was initially measured at fair value (net of transaction costs) and subsequently measured at amortised cost. Based on market conditions at any point in time, the carrying value of the liabilities may not be representative of the fair value of the liabilities. The fair value for all interest bearing liabilities is calculated using their quoted market price (fair value hierarchy level 1).

NOTE 2.3 RELATED PARTY DISCLOSURES

A. INTRAGROUP BALANCE SHEET TRANSACTIONS

	2016 \$	2015 \$
Assets		
Amounts receivable - from IAG Limited (controlling entity)	-	12,378,604
Loan to other bodies corporate - IAG (NZ) Holdings Limited*	551,086,661	551,109,469
Liabilities		
Amounts payable - to other related parties of the IAG Group	12,529	20,632

* The balance at reporting date included accrued interest of \$1,086,661 (2015 \$1,109,469) which is due in three months.

B. OTHER INTRAGROUP PROFIT/(LOSS) TRANSACTIONS

	2016	2015
	\$	\$
Interest income on loans to IAG (NZ) Holdings Limited	25,817,634	27,117,812
Services fee received or receivable	77,244	77,170

C. RECOGNITION AND MEASUREMENT

Intragroup transactions are charged to the relevant entities on normal commercial terms and conditions, on a direct and actual cost recovery basis or time allocation basis. All intragroup balances outstanding at reporting date are considered highly liquid and of negligible credit risk and so the carrying amount is a reasonable estimation of the fair value of the balances.

3. RISK

NOTE 3.1 RISK MANAGEMENT

The Company is exposed to interest rate risk, foreign exchange risk, credit risk, and liquidity risk from its business.

A. INTEREST RATE RISK

Interest rate risk is the risk of loss arising from an unfavourable movement in market interest rates. The Company's exposure to interest rate risk arises primarily from the RES and the loan to a related body corporate. Both the financial asset and financial liability are denominated in Australian dollars and bear a variable rate of interest, which is reset and paid quarterly.

The interest rate on the loan to a related body corporate is calculated at the interest rate payable on the RES plus a margin. Net interest income will not be materially affected by either an increase or a decrease in interest rate.

B. FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of loss arising from an unfavourable movement in market exchange rates. The Company is exposed to insignificant foreign exchange risk arising from translation of operational costs denominated in New Zealand dollars.

C. CREDIT RISK

Credit risk is the risk of loss from a counterparty failing to meet their financial obligations. The credit risk exposures of the Company are in respect of the non-repayment of receivables and loans with related parties and the amounts are as indicated by the carrying amount of the financial assets. Credit risk is mitigated as all significant transactions are undertaken with IAG Group entities. The Company complies with the credit risk management policies of the IAG Group. The policies outline the framework and procedures in place to ensure an adequate and appropriate level of monitoring and management of credit quality.

D. LIQUIDITY RISK

Liquidity risk is concerned with the risk that sufficient cash resources will not be available to meet payment obligations as they become due (without incurring significant additional costs). The liquidity position is derived from operating cash flows and access to liquidity through related bodies corporate. The Company complies with the liquidity risk management policies of the IAG Group. The policies outline the framework and procedures in place to ensure an adequate and appropriate level of monitoring and management of liquidity.

The Company's exposure to liquidity risk arises primarily from the RES. The Company manages this risk by matching the quarterly interest payments to the RES holders with the quarterly interest income from the loan to a related body corporate. Other financial liabilities of the Company are normally due within 12 months and they will in general be covered by the quarterly interest income received which is set with a margin over the interest payment to the RES holders.

The RES has a reset date of 16 December 2019 which is the same as the reset date of the loan to a related body corporate. The following table provides information about the residual maturity periods of RES based on the contractual maturity dates of undiscounted cash flows.

	MATURITY DATES OF CONTRACTUAL UNDISCOUNTED CASH FLOWS			
	Within 1 year	1 - 2 years	2 - 5 years	Total
	\$000	\$000	\$000	\$000
2016				
Contractual undiscounted interest payments*	<u>23,196</u>	<u>23,196</u>	<u>69,589</u>	<u>115,981</u>
2015				
Contractual undiscounted interest payments*	<u>23,709</u>	<u>23,709</u>	<u>71,129</u>	<u>118,547</u>

* Contractual undiscounted interest payments are calculated based on prevailing market floating rates as applicable at the reporting date. Interest payments have not been included beyond five years.

E. CAPITAL MANAGEMENT STRATEGY

The funds raised through the issue of the RES are in effect the capital of the Company. This capital is managed in consultation with the Company's ultimate parent entity, IAG.

4. CAPITAL STRUCTURE

NOTE 4.1 NOTES TO THE STATEMENT OF CHANGES IN EQUITY

As at reporting date, the Company had 1 ordinary share on issue (2015 - 1).

NATURE AND PURPOSE OF EQUITY

Ordinary shares

All ordinary shares on issue are fully paid and have no par value. Ordinary shares entitle the holder to a vote at a general meeting of the Company and to participate in the dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held. Dividends, if declared, are subject to there being distributable profits available.

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Transaction costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

NOTE 4.2 DIVIDENDS

	2016	2015
	\$000	\$000
A. ORDINARY SHARES		
2016 interim dividend: \$12,800,000 per ordinary share (2015: nil per ordinary share)	12,800	-
2015 final dividend: \$500,000 per ordinary share	500	-
	<u>13,300</u>	<u>-</u>
B. DIVIDEND NOT RECOGNISED AT REPORTING DATE		
2016 final dividend: \$350,000 (2015: \$500,000) per ordinary share	<u>350</u>	<u>500</u>

C. RECOGNITION AND MEASUREMENT

Provision for dividends is made in respect of ordinary shares where the dividends are declared on or before the reporting date, but have not yet been distributed at that date.

D. RESTRICTIONS THAT MAY LIMIT THE PAYMENT OF DIVIDENDS

There are presently no restrictions on the payment of dividends by the Company other than the payment of dividends generally being limited under the applicable requirements of the Corporations Act 2001 and constitutional provisions.

5. OFF-BALANCE SHEET DISCLOSURES

NOTE 5.1 EVENTS SUBSEQUENT TO REPORTING DATE

As the following transaction occurred after reporting date and did not relate to conditions existing at reporting date, no account has been taken of this in the financial statements for the current reporting year ended 30 June 2016.

A. FINAL DIVIDEND

- On 19 August 2016, a dividend of \$350,000 per share was determined by the Board. The dividend will be paid on 19 August 2016.

6. OTHER DISCLOSURES

NOTE 6.1 INCOME TAX

	2016	2015
	\$000	\$000
A. INCOME TAX EXPENSE		
Current tax	192	(29)
Under provided in prior years	-	2,192
Income tax (credit)/expense	<u>192</u>	<u>2,163</u>

	2016	2015
	\$000	\$000
B. INCOME TAX RECONCILIATION		
The income tax for the financial year differs from the amount calculated on the profit/(loss) before income tax. The differences are reconciled as follows:		
Profit/(loss) for the year before income tax	<u>762</u>	<u>191</u>
Income tax calculated at 30% (2015-30%)	229	57
Amounts which are (deductible)/taxable in calculating taxable income		
Foreign exchange (gains)/losses (taxable)/deductible on settlement of loan with a related body corporate	(22)	97
Interest on tax settlement	-	(179)
Difference in tax rate	<u>(15)</u>	<u>(4)</u>
Income tax (credit)/expense applicable to current year	192	(29)
Adjustment relating to prior year	-	<u>2,192</u>
Income tax (credit)/expense attributable to profit for the year before and after impact of tax consolidation	<u>192</u>	<u>2,163</u>

C. RECOGNITION AND MEASUREMENT

I. Income tax

Income tax expense for a reporting year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in either equity or other comprehensive income.

II. Current tax

Current tax assets and liabilities are the expected tax recoverable or payable on the taxable income for the year, using tax rates for each jurisdiction, and any adjustment to tax payable in respect of previous financial periods. These include any rates or laws enacted or substantially enacted as at the balance sheet date.

III. Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying amount and tax bases. Deferred tax assets (deductible temporary differences, carried forward unused tax assets and unused tax losses) are recognised to the extent it is probable that future taxable profit will be available to utilise them before the unused tax losses or credits expire. In making this assessment, IAG considers historical trends of profit generation, future business plans, the causation of the tax losses and any available tax planning opportunities.

IV. Tax consolidation

IAG and its Australian resident wholly owned subsidiaries adopted the tax consolidation legislation with effect from 1 July 2002 and are therefore taxed as a single entity from that date. IAG is the head entity within the tax-consolidated group.

V. New Zealand Branch

The New Zealand Branch of the Company is a resident in New Zealand for tax purposes and is liable for all taxes on income generated in New Zealand. These liabilities or refunds are recognised by the New Zealand Branch and disclosed as current tax liabilities or assets in the Company's balance sheet.

NOTE 6.2 NOTES TO THE CASH FLOW STATEMENT

	2016	2015
	\$000	\$000
A. COMPOSITION		
Cash held for operational purposes	<u>668</u>	<u>979</u>
B. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	570	(1,972)
I. Non-cash items		
Net foreign exchange (gains) and losses	(73)	347
II. Movement in operating assets and liabilities		
Interest payable on reset exchangeable securities	(23)	(19)
Interest receivable	22	15
Net movement in related body corporate assets and liabilities	12,371	5,052
Net movement in tax assets and liabilities	43	(2,377)
Net movement in other operating assets and liabilities	<u>6</u>	<u>(397)</u>
Net cash flows from operating activities	<u>12,916</u>	<u>649</u>

C. SIGNIFICANT NON-CASH TRANSACTIONS RELATING TO FINANCING AND INVESTING TRANSACTIONS

There were no financing or investing transactions during the year which have had a material effect on the assets and liabilities that did not involve cash flows.

D. RECOGNITION AND MEASUREMENT

Cash and cash equivalents represent cash at bank and on hand, deposits at call and short term money held in investments, net of any bank overdraft. Money held in investments is readily convertible to cash within two working days and subject to insignificant risk of change in value.

The majority of the amounts bear variable rates of interest based on daily bank deposit rates. Those balances bearing a fixed rate of interest mature in less than one year.

NOTE 6.3 KEY MANAGEMENT PERSONNEL

DETAILS OF COMPENSATION

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity. It is important to note that the Company's Non-Executive Directors are specifically required to be included as KMP in accordance with AASB 124 Related Party Disclosures. However, the Non-Executive Directors do not consider that they are part of 'management'. The aggregate compensation disclosed in the table below represents the KMP's estimated compensation received from the Group in relation to their involvement in the activities of the Company.

	2016	2015
	\$	\$
Short term employee benefits	104,718	55,906
Post-employment benefits	2,390	1,374
Other long term benefits	820	(244)
Share based payments	52,941	27,199
	<u>160,869</u>	<u>84,235</u>

Refer to the remuneration report on page 8 for further details.

NOTE 6.4 REMUNERATION OF AUDITORS

	2016	2015
	\$	\$
KPMG AUSTRALIA		
Audit of the financial statements prepared	31,000	29,755
Total remuneration of auditors	<u>31,000</u>	<u>29,755</u>

NOTE 6.5 NET TANGIBLE ASSETS

	2016	2015
	\$000	\$000
Net tangible assets per ordinary share	<u>788</u>	<u>13,518</u>

NOTE 6.6 IMPACTS OF NEW AUSTRALIAN ACCOUNTING STANDARDS ISSUED

A. ISSUED AND EFFECTIVE

The Australian Accounting Standards and Interpretations applicable for the current reporting year are given below. The adoption of these standards did not have a material financial impact:

TITLE	DESCRIPTION
AASB 2015-3	Amendments to Australian Accounting Standards arising from Withdrawal of AASB 1031 Materiality

B. ISSUED BUT NOT YET EFFECTIVE

As at the date of this financial report, there are a number of new and revised accounting standards published by the Australian Accounting Standards Board for which the mandatory application dates fall after the end of this current reporting year.

None of these standards have been early adopted and applied in the current reporting year.

TITLE	DESCRIPTION	OPERATIVE DATE	NOTE
AASB 9	Financial Instruments	1 January 2018	A
AASB 15	Revenue from Contracts with Customers	1 January 2018	A
AASB 16	Leases	1 January 2019	A
AASB 1057	Application of Australian Accounting Standards	1 January 2016	A
AASB 2015-1	Amendments to Australian Accounting Standards - Annual improvement to Australian Accounting standards 2012-2014	1 January 2016	A
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendment to AASB 101	1 January 2016	A
AASB 2016-1	Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	A
AASB 2016-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107	1 January 2017	A

TABLE NOTE

A These changes are not expected to have a significant, if any, financial and disclosure impact.

B First time adoption of these standards may have a financial impact, but the potential effects are currently being assessed.


DIRECTORS' DECLARATION

In the opinion of the Directors of IAG Finance (New Zealand) Limited:

- the financial statements and notes 1.1 to 6.6, including the remuneration disclosures that are contained in the Remuneration Report of the Directors' report, are in accordance with the Corporations Act 2001 including:
 - giving a true and fair view of the financial position of the Company as at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - the financial report also complies with International Financial Reporting Standards as disclosed in note 1.2.B; and
- the Remuneration Report of the Directors' Report complies with the Corporations Act 2001 and Australian Accounting Standards; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declaration required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2016.

Signed at Sydney this 19th day of August 2016 in accordance with a resolution of the Directors.



Nicholas Hawkins
Director

INDEPENDENT AUDITOR'S REPORT

TO THE EQUITY HOLDERS OF IAG FINANCE (NEW ZEALAND) LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of IAG Finance (New Zealand) Limited (the Company), which comprises the balance sheet as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes 1.1 to 6.6 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1.2.B, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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

INDEPENDENCE

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

AUDITOR'S OPINION

In our opinion:

- the financial report of IAG Finance (New Zealand) Limited is in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards and the Corporations Regulations 2001.
- the financial report also complies with International Financial Reporting Standards as disclosed in note 1.2.B.

REPORT ON THE REMUNERATION REPORT

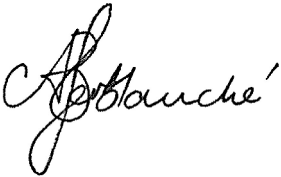
We have audited the Remuneration Report included on pages 8 to 10 of the Directors' Report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the Remuneration Report of IAG Finance (New Zealand) Limited for the year ended 30 June 2016, complies with Section 300A of the Corporations Act 2001.



KPMG



Dr Andries B Terblanché
Partner

Sydney
19 August 2016

22 IAG FINANCE (NEW ZEALAND) LIMITED

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Liability limited by a scheme approved under Professional Standards Legislation.

RES HOLDER INFORMATION

Information about the RES, including company announcements and reports can be accessed at <http://www.iag.com.au/shareholder-centre/reset-exchangeable-securities>.

ASX CODE

The RES are listed on the Australian Securities Exchange under the code IANG.

RES HOLDER REGISTRY

All registry functions are performed by Computershare Investor Services Pty Limited who can be contacted on:

Telephone: +61 1300 360 688
 Email: iag@computershare.com.au
 Fax: +61 (0)3 9473 2470
 Postal address: Computershare Investor Services Pty Limited
 GPO Box 4709
 Melbourne VIC 3001

INTEREST PAYMENTS

PERIOD END	AMOUNT PER SECURITY	EX DATE	RECORD DATE	PAYMENT DATE	FRANKING LEVEL	FRANKING CREDIT
14/09/15	\$1.0866	03/09/15	07/09/15	15/09/15	100 %	30 %
14/12/15	\$1.0785	03/12/15	07/12/15	15/12/15	100 %	30 %
14/03/16	\$1.1114	03/03/16	07/03/16	15/03/16	100 %	30 %
14/06/16	\$1.1169	06/06/16	07/06/16	15/06/16	100 %	30 %

Until the next reset date of 16 December 2019, RES holders are entitled, subject to the RES terms, to receive quarterly interest payments based on a margin of 4.0% per annum above the three month bank bill rate and adjusted for the value of attached franking credits. The interest payments are expected to be fully franked. The interest for the current interest period, from 15 June 2016 to 14 September 2016 is \$1.0630 and is expected to be fully franked.

ANNUAL REPORT

Under the Corporations Act 2001 regarding the provision of annual reports to shareholders, the default option for receiving the RES Annual Report is an electronic copy via IAG's website at <http://www.iag.com.au/shareholder-centre/reset-exchangeable-securities>. RES holders can elect to receive an email notification when the Annual Report is available online by logging on to <http://www.iag.com.au/news-events/email-alerts> following the prompts and providing your email address.

ANNUAL GENERAL MEETING

The Company is not required, and does not intend, to hold an annual general meeting.

VOTING

RES holders have no rights in the Company and no voting rights in IAG.

INFORMATION ON RES HOLDINGS

TWENTY LARGEST RES HOLDERS AS AT 1 AUGUST 2016	NUMBER OF RES	% OF RES ISSUED
J P MORGAN NOMINEES AUSTRALIA LIMITED	481,367	8.75
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	275,436	5.01
CITICORP NOMINEES PTY LIMITED	107,135	1.95
NATIONAL NOMINEES LIMITED	94,417	1.72
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	71,663	1.30
BNP PARIBAS NOMS PTY LTD <DRP>	71,375	1.30
UBS NOMINEES PTY LTD	61,519	1.12
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	54,826	1.00
MUTUAL TRUST PTY LTD	49,970	0.91
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	49,410	0.90
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	43,779	0.80
EDSGEAR PTY LIMITED	35,257	0.64
NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INTSMA A/C>	34,795	0.63
AVANTEOS INVESTMENTS LIMITED <2477966 DNR A/C>	34,414	0.63
THE TRUST COMPANY SUPERANNUATION LIMITED <GPMSF2 - FUTURE SUPER A/C>	32,706	0.59
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	26,006	0.47
MR GRAEME THOMAS WOOD	25,592	0.47
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSAM A/C>	25,053	0.46
CRYTON INVESTMENTS NO 9 PTY LTD <GARNER NUMBER 1 A/C>	23,819	0.43
SR CONSOLIDATED PTY LTD	22,363	0.41
Total for top 20	1,620,902	29.49

RANGE OF RES HOLDERS AS AT 1 AUGUST 2016	NUMBER OF HOLDERS	NUMBER OF RES	% OF RES ISSUED
1-1,000	7,874	2,433,041	44.23
1,001-5,000	587	1,136,191	20.66
5,001-10,000	29	207,975	3.78
10,001-100,000	24	858,855	15.62
100,001 and over	3	863,938	15.71
Total	8,517	5,500,000	100.00
RES holders with less than a marketable parcel of 5 RES as at 1 August 2016	3	5	

CORPORATE DIRECTORY

COMPANY AND REGISTERED OFFICE

IAG FINANCE (NEW ZEALAND) LIMITED

ABN 97 111 268 243

Level 26

388 George Street

Sydney NSW 2000

Australia

Telephone

+61 (0)2 9292 9222

Fax

+61 (0)2 9292 8072

Website

<http://www.iag.com.au/shareholder-centre/reset-exchangeable-securities>

NEW ZEALAND BRANCH AND ISSUER

IAG FINANCE (NEW ZEALAND) LIMITED

Level 1, NZI Centre

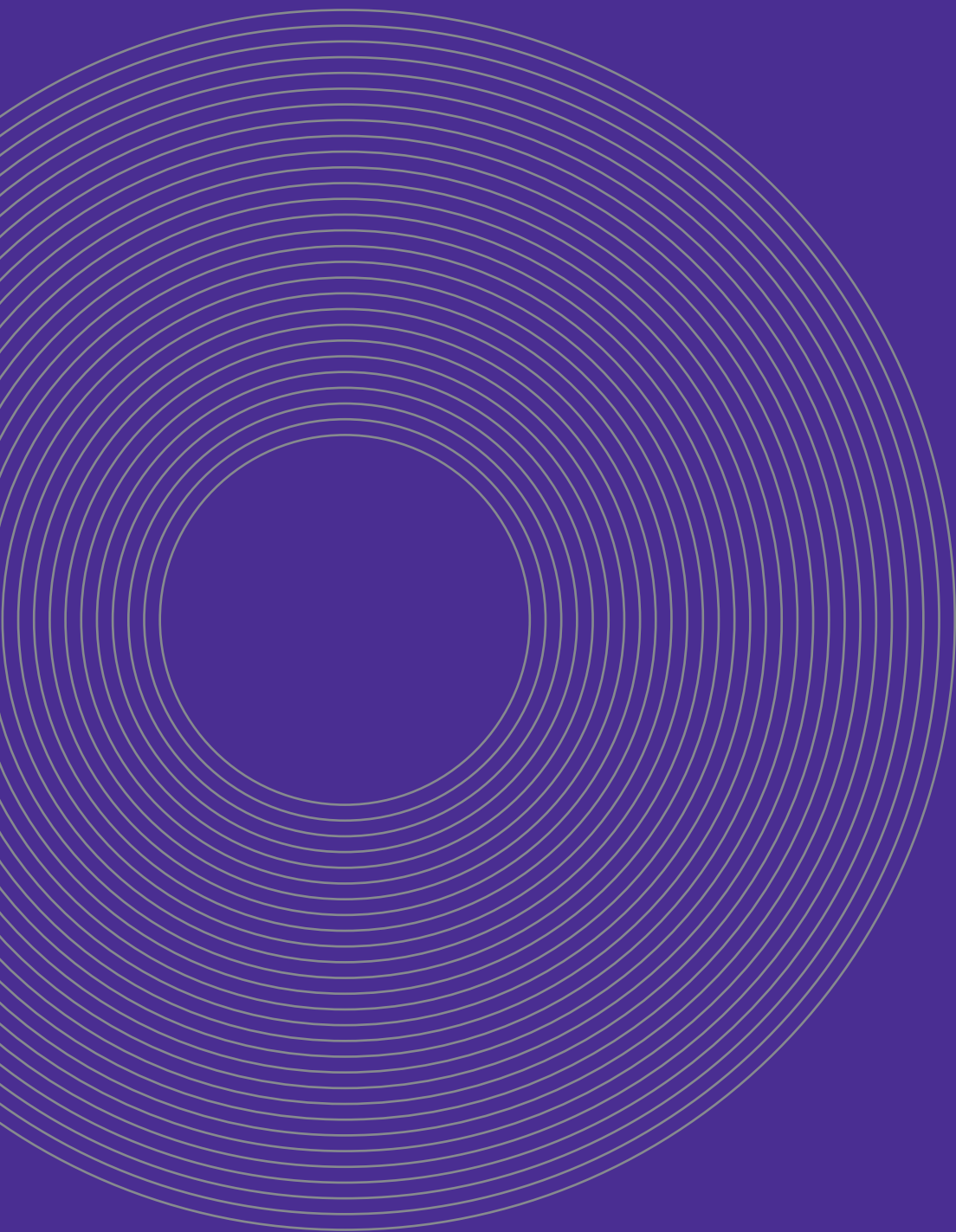
1 Fanshawe Street

Auckland

New Zealand

COMPANY SECRETARY

Chris Bertuch BA, LL.M



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