

IAG FINANCE (NEW ZEALAND) LIMITED**PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2015****APPENDIX 4E (ASX Listing rule 4.3A)****RESULTS FOR ANNOUNCEMENT TO THE MARKET**

	UP / DOWN	% CHANGE	2015 \$000	2014 \$000
Revenue from ordinary activities	Up	1.1 %	27,209	26,922
Profit/(loss) from ordinary activities after tax attributable to shareholders	Down	16.6 %	(1,972)	(1,691)
Net profit/(loss) attributable to shareholders	Down	16.6 %	(1,972)	(1,691)

Commentary on the Company's operating results and review of operations can be found in the attached Annual Report.

RESET EXCHANGEABLE SECURITIES	AMOUNT PER SECURITY	FRANKED AMOUNT PER SECURITY
15/09/2014 payment	\$1.1667	\$1.1667
15/12/2014 payment	\$1.1600	\$1.1600
16/03/2015 payment	\$1.1780	\$1.1780
15/06/2015 payment	\$1.1030	\$1.1030

The next quarterly interest payment which is expected to be \$1.0866 per RES (4.3108% per annum), is due on 15 September 2015. This interest payment is expected to be fully franked.

Additional Appendix 4E disclosure requirements can be found in the Annual Report of IAG Finance (New Zealand) Limited (Company) for the year ended 30 June 2015 (Attachment A). This report is also to be read in conjunction with any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The report is based on the financial statements which have been audited by KPMG.

ATTACHMENT A
IAG FINANCE (NEW ZEALAND) LIMITED
ANNUAL REPORT 30 JUNE 2015



**RESET EXCHANGEABLE
SECURITIES** | **RES**

ANNUAL REPORT 2015

IAG FINANCE (NEW ZEALAND) LIMITED
ABN 97 111 268 243





ANNUAL REPORT 2015

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CHAIRMAN'S REPORT

21 August 2015

Dear Securityholder

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

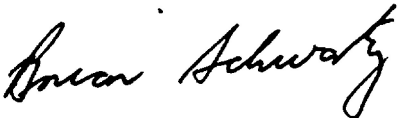
The amount of interest you receive on a quarterly basis from your RES is based on the per annum rate equal to the 90 day bank bill rate plus a margin of 4.0% per annum less an adjustment for the value of attached franking credits. The payment is subject to satisfaction of the interest payment tests described in the RES terms and conditions.

In the 2015 financial year, a total of \$4.6077 in interest has been paid for each RES. This interest was fully franked.

The next interest payment at \$1.0866 per RES is due to be paid on 15 September 2015 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,

A handwritten signature in black ink that reads "Brian Schwartz". The signature is written in a cursive style with a large, stylized 'S' at the end.

Brian Schwartz 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 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 FOUNDATION 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;
- 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 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, Brian Schwartz, 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

Brian Schwartz 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 2015 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 2015 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 2015 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 Group Executives. The IAG NC 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 2015 and the collective skills of the current IAG Board are shown in the 2015 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

Brian Schwartz 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 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

The Company does not have any standing committees, but has empowered the IAG Audit Committee (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 2015 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 2015 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 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 2015 Annual Report, and are also available on the IAG website.

PRINCIPLE 8. REMUNERATE FAIRLY AND RESPONSIBLY

8.1. PEOPLE AND REMUNERATION COMMITTEE (PARC)

The Company forms part of the overall IAG PARC 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 2015 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 2015 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 2015 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

BRIAN (BM) SCHWARTZ AM

FCA, FAICD, age 62 - Chairman and Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Brian was appointed a Director of Insurance Australia Group Limited (IAG) in January 2005 and became Chairman of IAG and IAG Finance (New Zealand) Limited in August 2010. He is also the Chairman of Insurance Manufacturers of Australia Pty Limited.

OTHER BUSINESS AND MARKET EXPERIENCE

Brian is the Deputy Chairman of Westfield Corporation, Deputy Chairman of Scentre Group and the Deputy Chairman of the Board of Football Federation Australia Limited.

He was the Chief Executive of Investec Bank (Australia) Ltd from 2005 to 2009. Previously he was with Ernst & Young Australia from 1979 to 2004, becoming its Chief Executive in 1998. He was a Member of Ernst & Young's Global Board and Managing Partner of the Oceania area.

Brian was appointed a member of the Order of Australia in 2004 for his services to business and the community and in 2001 he was named Leading CEO for the Advancement of Women by the Equal Opportunity for Women in the Workplace Agency.

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

- Westfield Group, including Westfield Management Limited (which acts as the responsible entity of Carindale Property Trust), since 6 May 2009;
- Brambles Limited (2009-2014);
- Insurance Australia Group Limited, since 1 January 2005; and
- Scentre Group, since 20 June 2014.

OTHER DIRECTORS

HUGH (HA) FLETCHER

BSc/BCom, MCom (Hons), MBA, age 67 - Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Hugh was appointed as a Director of the Company in 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 and Risk 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.

He 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 23 March 2001;
- Vector Limited, since 25 May 2007;
- Insurance Australia Group Limited, since 1 September 2007; and
- Fletcher Building Limited (2001-2012).

NICHOLAS (NB) HAWKINS

BCom, FCA, age 47 - Executive Director

INSURANCE INDUSTRY EXPERIENCE

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

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.

MICHAEL (MJ) WILKINS

BCom, MBA, FCA, FAICD, age 58 - Executive Director

INSURANCE INDUSTRY EXPERIENCE

Michael was appointed as a Director of the Company in May 2008. Michael was appointed as Managing Director and Chief Executive Officer of IAG in May 2008.

He has more than 30 years experience in the insurance and financial services sector and is a member of the Australian Government's Financial Sector Advisory Council.

Michael was formerly the Managing Director of Promina Group Limited (from 1999 to 2007) and Managing Director of Tyndall Australia Limited (from 1994 to 1999). He is a former Director and President of the Insurance Council of Australia and a former Director of the Investment and Financial Services Association (now the Financial Services Council).

OTHER BUSINESS AND MARKET EXPERIENCE

In May 2014, Michael was appointed as a Director of The Geneva Association, the leading international insurance think tank for strategically important insurance and risk management issues. He is also a Director of Maple-Brown Abbott Limited.

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

- Insurance Australia Group Limited, since 26 November 2007.

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 2015 was a loss of \$1,972,000 (2014-loss of \$1,691,000).

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

PAYMENT DATE	AMOUNT PER RES	INTEREST RATE
15 September 2014	\$1.1667	4.6795% per annum
15 December 2014	\$1.1600	4.6527% per annum
16 March 2015	\$1.1780	4.7250% per annum
15 June 2015	\$1.1030	4.4240% per annum

REVIEW OF FINANCIAL CONDITION

The total assets of the Company, which at 30 June 2015 were \$564,765,000 (2014-\$569,246,000), 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 the related party note for further details.

The total liabilities of the Company, which at 30 June 2015 were \$551,247,000 (2014-\$553,756,000), relate mainly to the issued RES and accrued interest payable to external investors.

During the current year, the Company's New Zealand branch settled its tax dispute. The payment made to the New Zealand Inland Revenue was NZ\$5.1 million (A\$4.5 million).

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 the risk management note.

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 the dividend note.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year.

EVENTS SUBSEQUENT TO REPORTING DATE

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

- On 21 August 2015, a dividend of \$500,000 per share was determined by the Board. The dividend will be paid on 21 August 2015.

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 10 and forms part of the Directors' Report for the year ended 30 June 2015.

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 is prohibited by the relevant contract of insurance.

ENVIRONMENTAL REGULATION

The Company's operations are subject to environmental regulations under either Commonwealth or State legislation. These regulations do not have a significant impact on the Company's operations. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

REMUNERATION REPORT

The Company is a wholly owned subsidiary of IAG, a public company listed on the Australian Securities Exchange (ASX).

The Company's principal operation is to perform all treasury functions of IAG's New Zealand operations and its New Zealand Branch remains as the issuer of RES, a security publicly traded on the ASX which deems the Company to be a listed entity as defined by the Corporations Act 2001.

The Company employs one employee working in the New Zealand Branch who does not meet the definition of key management personnel. The Company has not developed a separate remuneration policy but rather follows IAG's policy.

The Company's key management personnel (refer to section A for further details) 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 key management personnel of the Company. The compensation disclosed in the table below represented the key management personnel's estimated compensation received from IAG in relation to their involvement in the activities with the Company.

The remuneration of the Company's key management personnel 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 2015, which can be viewed at www.iag.com.au.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel 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 key management personnel.

During the financial year, the following persons, being Directors of the Company, were identified as key management personnel: BM Schwartz (Director since 26 August 2010), HA Fletcher (Director since 31 August 2008), MJ Wilkins (Director since 28 May 2008) and NB Hawkins (Director since 31 August 2008).

Directors were in office for the whole financial year, unless otherwise stated.

The employee of the New Zealand Branch of the Company does not meet the definition of key management personnel as defined in AASB 124 or senior manager or officer as defined in the Corporations Act 2001.

The term remuneration used in this Remuneration Report has the same meaning as compensation as prescribed in AASB 124.

Remuneration details

	SHORT TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT BENEFITS	OTHER LONG TERM EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SUB TOTAL (EXCLUDES SHARE BASED PAYMENT)	SHARE BASED PAYMENT (SUBJECT TO CONTINUING EMPLOYMENT AND/OR PERFORMANCE HURDLES)		TOTAL
	Base salary	Short term incentive	Leave accruals and other benefits	Superannuation	Retirement benefits	Long service leave accruals	Termination payments	Value of deferred short term incentive	Value of rights granted	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
DIRECTORS										
BM Schwartz, Chairman and Non-Executive Director										
2015	15,880	-	-	376	-	-	-	-	-	16,256
2014	10,631	-	-	355	-	-	-	-	-	10,986
HA Fletcher, Non-Executive Director										
2015	6,984	-	-	398	-	-	-	-	-	7,382
2014	3,976	-	-	368	-	-	-	-	-	4,344
MJ Wilkins, Executive Director										
2015	-	-	-	-	-	-	-	-	-	-
2014	10,296	8,978	1,047	89	-	219	-	4,222	12,522	37,373
NB Hawkins, Executive Director										
2015	19,631	12,050	1,361	600	-	(244)	-	7,066	20,133	60,597
2014	29,088	21,936	695	750	-	(1,016)	-	9,586	29,293	90,332

As at reporting date, the relevant interest of each key management personnel 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)
BM Schwartz	-	111,171	-	-
HA Fletcher	-	80,707	-	-
MJ Wilkins	-	2,048,030	2,233,450	-
NB Hawkins	-	200,000	892,350	-

- (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). There was no movement in RES held by the Directors for the year ended 30 June 2015.
- (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.

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*
BM Schwartz	-	2,453	108,718	-
HA Fletcher	-	36,561	44,146	-
MJ Wilkins	-	840,190	1,207,840	-
NB Hawkins	-	200,000	-	-

- * 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 class order 98/100 dated 10 July 1998 issued by the Australian Securities & Investments Commission. All rounding has been conducted in accordance with that class order.

Signed at Sydney this 21st day of August 2015 in accordance with a resolution of the Directors.



Nicholas Hawkins
Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

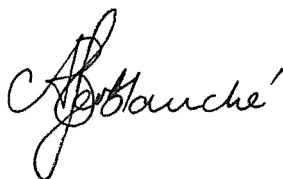
TO THE DIRECTORS OF IAG FINANCE (NEW ZEALAND) LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 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
21 August 2015

10 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.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	2015 \$000	2014 \$000
INTEREST REVENUE			
Related bodies corporate	10	27,118	26,842
Other corporations		14	4
Total interest revenue		27,132	26,846
INTEREST EXPENSE			
Reset exchangeable securities	3	(25,966)	(25,722)
Net interest income		1,166	1,124
Other income		77	76
Unrealised exchange gains and (losses)	3	(345)	1
Realised exchange gains and (losses)	3	(2)	13
Other administration expenses	3	(705)	(587)
Profit/(loss) before income tax		191	627
Income tax (expense)/credit	4	(2,163)	(2,318)
Profit/(loss) for the year		(1,972)	(1,691)
Total comprehensive income and (expense) for the year, net of tax		(1,972)	(1,691)

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

BALANCE SHEET

AS AT 30 JUNE 2015

	NOTE	2015 \$000	2014 \$000
ASSETS			
Cash held for operational purposes	7	979	677
Receivables from related bodies corporate	10	12,379	17,438
Current tax assets		292	-
Loans to related bodies corporate		551,109	551,124
Deferred tax assets		6	7
Total assets		564,765	569,246
LIABILITIES			
Trade and other payables		164	561
Interest payable on reset exchangeable securities		1,039	1,058
Payables to related bodies corporate		21	28
Current tax liabilities		-	2,086
Employee benefits provision		23	23
Reset exchangeable securities	8	550,000	550,000
Total liabilities		551,247	553,756
Net assets		13,518	15,490
EQUITY			
Share capital		-*	-*
Retained earnings		13,518	15,490
Total equity		13,518	15,490

* 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 2015

	SHARE CAPITAL \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
2015			
Balance at the beginning of the financial year	- *	15,490	15,490
Profit/(loss) for the year	-	(1,972)	(1,972)
Transactions with owners in their capacity as owners			
Balance at the end of the financial year	-	13,518	13,518
2014			
Balance at the beginning of the financial year	- *	18,181	18,181
Profit/(loss) for the year	-	(1,691)	(1,691)
Transactions with owners in their capacity as owners			
Dividends declared and paid	-	(1,000)	(1,000)
Balance at the end of the financial year	-	15,490	15,490

* 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 2015

	NOTE	2015 \$000	2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and trust distributions received		27,147	26,787
Interest costs paid		(26,382)	(25,149)
Income taxes paid		(4,540)	(291)
Other operating receipts		5,136	76
Other operating payments		(712)	(571)
Net cash flows from operating activities	7	649	852
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	(1,000)
Net cash flows from financing activities		-	(1,000)
Net movement in cash held		649	(148)
Effects of exchange rate changes on balances of cash held in foreign currencies		(347)	13
Cash and cash equivalents at the beginning of the financial year		677	812
Cash and cash equivalents at the end of the financial year	7	979	677

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IAG Finance (New Zealand) Limited (Company) is a company limited by shares, incorporated and domiciled in Australia. 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. The Company is a for-profit entity.

The parent and the ultimate parent entity is Insurance Australia Group Limited (IAG), an entity incorporated in Australia and listed on the ASX, which owns 100% of the share capital of the Company. IAG, together with its subsidiaries forms the IAG Group. As part of the IAG Group, the Company complies with a variety of policies and procedures developed by IAG for application by all entities in the IAG Group where applicable.

This general purpose financial report was authorised by the Board of Directors for issue on 21 August 2015.

A. STATEMENT OF COMPLIANCE

This general purpose financial report has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the ASX Listing Rules.

International Financial Reporting Standards (IFRS) refer to the overall framework of standards and pronouncements approved by the International Accounting Standards Board. IFRS forms the basis of AASBs. This financial report of the Company complies with IFRS.

B. BASIS OF PREPARATION OF THE FINANCIAL REPORT

The significant accounting policies adopted in the preparation of this financial report have been consistently applied by the Company and are the same as those of the previous year unless otherwise noted. These financial statements have been prepared on the basis of historical cost principles, as modified by certain exceptions noted in the financial report. The presentation currency used for the preparation of this financial report is Australian dollars.

The balance sheet is prepared using the liquidity format in which the assets and liabilities are 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). For those assets and liabilities that comprise both current and non-current amounts, information regarding the amount of the item that is expected to be outstanding longer than 12 months is included within the relevant note to the financial statements.

I. Australian Accounting Standards 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	B
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018	B
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018	B
AASB 2012-6	Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	1 January 2015	B
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments: Part C	1 January 2018	A
AASB 15	Revenue from contracts with customers	1 January 2018	B
AASB 2014-1	Amendments to Australian Accounting Standards: Part E	1 January 2018	A
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017	B
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018	B
AASB 2014-8	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2015	B
AASB 2015-1	Amendments to Australian Accounting Standards - Annual improvement to Australian Accounting standards 2012-2014 Cycle	1 January 2016	A
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendment to AASB 101	1 January 2016	A
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015	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.

II. Changes in accounting policies

There were a number of Australian Accounting Standards applicable for the current reporting year. These included:

TITLE	DESCRIPTION
AASB 2012-3	Amendments to Australian Accounting Standards arising from AASB 132 - Offsetting Financial Assets and Financial Liabilities
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments: Part B
AASB 2014-1	Amendments to Australian Accounting Standards: Part A-C

Adoption of these new and amended accounting standards had no material financial impact on the Company.

III. Reclassifications of comparatives

No items have been reclassified from the Company's prior year financial report to conform to the current year's presentation.

IV. Rounding

Amounts in this financial report have been rounded to the nearest thousand dollars, unless otherwise stated. The Company is the kind of company referred to in the class order 98/100 dated 10 July 1998 issued by the Australian Securities & Investments Commission. All rounding has been conducted in accordance with that class order.

V. Critical accounting estimates and judgements

There are not considered to be any accounting estimates and assumptions used, or judgements made, having a significant impact on the amounts recognised in the financial report (2014-none).

C. INTEREST INCOME

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

D. TAXATION

I. Income tax

Income tax expense for a reporting period 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 equity, in which case it is recognised in equity.

Current tax expense is the expected tax 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. Deferred tax expense is the change in deferred tax assets and liabilities between the reporting periods.

Deferred tax assets and liabilities are recognised using the balance sheet method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at reporting date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

II. 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.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts receivable/(payable) from/(to) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by IAG as an equity contribution or distribution.

The head entity, in conjunction with members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities of the tax-consolidated group should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement by the Company is considered remote.

III. 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.

IV. Goods and services tax

Revenue, 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. In these circumstances GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. Cash flows are included in the cash flow statement on a gross basis.

E. EMPLOYEE BENEFITS

I. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including bonuses), annual leave and sick leave are recognised at the nominal amounts unpaid at the reporting date using remuneration rates that are expected to be paid when these liabilities are settled, including on-costs. A liability for sick leave is considered to exist only when it is probable that sick leave taken in the future will be greater than entitlements that will accrue in the future.

F. FOREIGN CURRENCY

I. Functional and presentation currency

Items included in the financial records are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company.

II. Translation of foreign currency transactions

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.

G. PROVISION FOR DIVIDENDS

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.

H. RESET EXCHANGEABLE SECURITIES

RES were initially measured at fair value (which was equivalent to face value) less transaction costs incurred in issuing the securities and have subsequently been carried at amortised cost using the effective interest method.

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

NOTE 2. 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.

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
2015				
Contractual undiscounted interest payments*	<u>23,709</u>	<u>23,709</u>	<u>71,129</u>	<u>118,547</u>
2014				
Contractual undiscounted interest payments*	<u>25,737</u>	<u>25,737</u>	<u>77,212</u>	<u>128,686</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.

NOTE 3. ANALYSIS OF EXPENSES

	2015	2014
	\$000	\$000
EXPENSES AS PRESENTED IN THE STATEMENT OF COMPREHENSIVE INCOME AND ANALYSIS OF EXPENSES BY NATURE		
Interest expense	25,966	25,722
Unrealised foreign exchange (gains) and losses	345	(1)
Realised foreign exchange (gains) and losses	2	(13)
Other administration expenses	705	587
Total expenses	<u>27,018</u>	<u>26,295</u>

NOTE 4. INCOME TAX

	2015	2014
	\$000	\$000
A. INCOME TAX EXPENSE		
Current tax	(29)	176
(Over)/under provided in prior years	<u>2,192</u>	<u>2,142</u>
Income tax (credit)/expense	<u>2,163</u>	<u>2,318</u>
B. INCOME TAX RECONCILIATION		
The income tax for the financial year differs from the amount calculated on the profit before income tax. The differences are reconciled as follows:		
Profit/(loss) for the year before income tax	<u>191</u>	<u>627</u>
Income tax calculated at 30% (2014-30%)	57	188
Amounts which are (deductible)/taxable in calculating taxable income		
Foreign exchange losses deductible on settlement of loan with a related body corporate	97	-
Interest on tax settlement	(179)	-
Difference in tax rate	(4)	(12)
Income tax (credit)/expense applicable to current year	(29)	176
Adjustment relating to prior year	<u>2,192</u>	<u>2,142</u>
Income tax (credit)/expense attributable to profit for the year before and after impact of tax consolidation	<u>2,163</u>	<u>2,318</u>

The New Zealand branch of the Company has registered to pay the Approved Issuer Levy (AIL) at 2% in respect of interest distributions on the Reset Exchangeable Securities (RES). This had previously been the subject of a tax dispute between the New Zealand Inland Revenue and the Company. During the financial year, a payment of NZ\$5.1 million (A\$4.5 million) was made in settlement of this dispute which in effect represents a back payment of the AIL to the RES issuance date.

NOTE 5. SEGMENT REPORTING

The Company's principal operation is to provide treasury services to IAG's New Zealand operations including issuing RES in Australia. The RES are listed on the ASX.

The Company operates as a single segment and so the information presented in the financial statements represents the segment reporting information.

NOTE 6. DIVIDENDS

	\$ PER SHARE	TOTAL AMOUNT \$000	PAYMENT DATE
A. ORDINARY SHARES			
2014			
2014 interim dividend	500,000	500	21 February 2014
2013 final dividend	500,000	<u>500</u>	22 August 2013
		<u>1,000</u>	

No dividends were paid during the 2015 financial year.

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.

It is standard practice that the Board determines to pay the dividend for a period after the relevant reporting date. In accordance with the relevant accounting policy (refer to section G of the summary of significant accounting policies note) a dividend is not accrued for until it is determined to be paid and so the dividend for a period is generally recognised and measured in the financial reporting period following the period to which the dividend relates.

B. DIVIDEND NOT RECOGNISED AT REPORTING DATE

The Board determined to pay the following dividend after the reporting date but before finalisation of this financial report and it has not been recognised in this financial report.

	\$ PER SHARE	TOTAL AMOUNT \$000	EXPECTED PAYMENT DATE
2015 final dividend	500,000	<u>500</u>	21 August 2015

On 21 August 2015, a dividend of \$500,000 per share was determined by the Board. The dividend will be paid on 21 August 2015.

NOTE 7. NOTES TO THE CASH FLOW STATEMENT

	2015 \$000	2014 \$000
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A. COMPOSITION

Cash held for operational purposes	<u>979</u>	<u>677</u>
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Cash and cash equivalents represent cash on hand and held with banks, deposits at call and short term money held for investment readily convertible to cash within two working days, net of any bank overdraft. The carrying amount of the cash and cash equivalents presented on the balance sheet is the same as that used for the purposes of the cash flow statement as there are no bank overdrafts used which are repayable upon demand.

B. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Profit/(loss) for the year	(1,972)	(1,691)
I. Non-cash items		
Net foreign exchange (gains) and losses	347	(14)
II. Movement in operating assets and liabilities		
DECREASE/(INCREASE) IN OPERATING ASSETS		
Receivable from a related body corporate	5,059	-
Interest receivable	15	(59)
Deferred tax assets	1	(1)
Current tax assets	(292)	-
INCREASE/(DECREASE) IN OPERATING LIABILITIES		
Trade and other payables	(397)	516
Interest payable on reset exchangeable securities	(19)	57
Current tax liabilities	(2,086)	2,027
Payable to related body corporate	(7)	15
Other	-	2
Net cash flows from operating activities	<u>649</u>	<u>852</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.

NOTE 8. RESET EXCHANGEABLE SECURITIES

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
	\$000	\$000	\$000	\$000
A. COMPOSITION				
5,500,000 reset exchangeable securities	<u>550,000</u>	<u>567,050</u>	<u>550,000</u>	<u>588,500</u>

The RES are publicly traded on the ASX which is considered an active market and so the fair value of the instrument at a point in time is taken to be the listed offer price (fair value hierarchy level 1). The listed offer price as at reporting date was \$103.10 per \$100.00 of face value (2014-\$107.00).

B. TERMS AND CONDITIONS

The RES have a face value of \$550 million and were issued by the Company's New Zealand Branch and traded on the ASX.

The key terms and conditions of the RES are:

- Non-cumulative floating rate distribution payable quarterly, and expected to be fully franked.
- Distribution rate equals the sum of 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.
- The RES may be exchanged by IAG or the holder on a reset date, or upon certain events. The next reset date for the RES 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).
- The RES convert into IAG ordinary shares which would rank equally in all respects with all other IAG ordinary shares.

NOTE 9. SHARE CAPITAL

As at reporting date there was 1 ordinary share on issue (2014-1). The ordinary share is fully paid and has no par value. The ordinary share entitles the holder to a vote at a general meeting of the Company and to participate in the dividends and the proceeds on winding up the Company.

NOTE 10. RELATED PARTY DISCLOSURES

A. CONTROLLING ENTITIES

The ultimate parent entity is Insurance Australia Group Limited which is incorporated in Australia.

Balances outstanding at reporting date

Aggregate amounts receivable from the controlling entity:

	2015	2014
	\$	\$
Amounts receivable*	12,378,604	17,437,804

* The receivable represents current tax asset balances transferred to IAG, the head entity of the tax-consolidated group.

B. OTHER PARTIES WITHIN IAG GROUP

All such intragroup transactions are charged to the relevant entities on normal commercial terms and conditions, a direct and actual cost recovery basis or time allocation basis.

I. Transactions during the year

Aggregate amounts included in the determination of profit/(loss) before income tax for the year that resulted from transactions with other related parties within the IAG Group were as follows:

Interest income on loans to IAG (NZ) Holdings Limited	27,117,812	26,841,866
Services fee received or receivable	77,170	76,007

II. Balances outstanding at reporting date

Aggregate amounts receivable from, and payable to other related parties within the IAG Group are:

Loan to IAG (NZ) Holdings Limited*	551,109,469	551,124,108
Amounts payable	20,632	27,964

* The balance at reporting date included accrued interest of \$1,109,469 (2014-\$1,124,108) which is due in three months.

These intragroup balances 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.

C. 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 of the key management personnel is set out below.

	2015	2014
	\$	\$
Short term employee benefits	55,906	86,647
Post-employment benefits	1,374	1,562
Other long term benefits	(244)	(797)
Share based payments	<u>27,199</u>	<u>55,623</u>
	<u>84,235</u>	<u>143,035</u>

The key management personnel receive no compensation specifically in relation to the management of the Company.

The compensation disclosed in the table above represents the KMP's estimated compensation received from the IAG Group in relation to their involvement in the activities with the Company.

D. OTHER TRANSACTIONS

Insurance products provided by IAG Group are also available to all Directors on the same terms and conditions available to other employees.

NOTE 11. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

The principal activity of the Company is to perform all treasury functions of IAG's New Zealand operations. 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.

NOTE 12. REMUNERATION OF AUDITORS

	2015	2014
	\$	\$
KPMG AUSTRALIA		
Assurance services		
Audit of the financial statements prepared	<u>29,755</u>	<u>29,775</u>
Total remuneration of auditors	<u>29,755</u>	<u>29,775</u>

NOTE 13. NET TANGIBLE ASSETS

	2015	2014
	\$000	\$000
Net tangible assets per ordinary share	<u>13,518</u>	<u>15,490</u>

NOTE 14. 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 period ended 30 June 2015.

FINAL DIVIDEND

On 21 August 2015, a dividend of \$500,000 per share was determined by the Board. The dividend will be paid on 21 August 2015.

DIRECTORS' DECLARATION

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

- the financial statements and notes 1 to 14, 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 2015 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.A; 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 Chief Financial Officer of IAG for the financial year ended 30 June 2015.

Signed at Sydney this 21st day of August 2015 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 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes 1 to 14 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.A, 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 2015 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.A.

REPORT ON THE REMUNERATION REPORT

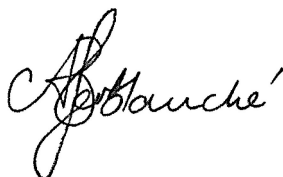
We have audited the Remuneration Report included on pages 8 to 9 of the Directors' Report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility 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 2015, complies with Section 300A of the Corporations Act 2001.



KPMG



Dr Andries B Terblanché
Partner

Sydney
21 August 2015

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RES HOLDER INFORMATION

You can access information about the RES, interest payments and current ASX releases at <http://www.iag.com.au/shareholder-centre/reset-exchangeable-securities>.

CODE ON ASX

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
14/09/14	\$1.1667	03/09/14	05/09/14	15/09/14	100 %	30 %
14/12/14	\$1.1600	03/12/14	05/12/14	15/12/14	100 %	30 %
15/03/15	\$1.1780	04/03/15	06/03/15	16/03/15	100 %	30 %
14/06/15	\$1.1030	03/06/15	05/06/15	15/06/15	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 90 day 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 2015 to 14 September 2015 is \$1.0866 and is expected to be fully franked.

ANNUAL REPORT

Amendments to the Corporations Act 2001 in 2007 have changed the obligations of companies regarding the provision of Annual Reports. The default option for the RES has changed from a printed copy to an electronic copy via IAG's website.

The RES Annual Report is available at <http://www.iag.com.au/shareholder-centre/reset-exchangeable-securities> or 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 6 AUGUST 2015	NUMBER OF RES	% OF RES ISSUED
J P MORGAN NOMINEES AUSTRALIA LIMITED	432,389	7.86
NATIONAL NOMINEES LIMITED	237,514	4.32
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	155,901	2.83
CITICORP NOMINEES PTY LIMITED	126,358	2.30
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	121,824	2.21
BOND STREET CUSTODIANS LIMITED <MPPMIM - V16636 A/C>	94,358	1.72
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	67,237	1.22
UBS NOMINEES PTY LTD	61,519	1.12
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	57,373	1.04
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	54,826	1.00
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	49,148	0.89
CRYTON INVESTMENTS NO 9 PTY LTD <GARNER NUMBER 1 A/C>	35,644	0.65
MUTUAL TRUST PTY LTD	35,275	0.64
EDSGEAR PTY LIMITED	35,257	0.64
RBC INVESTOR SERVICE AUSTRALIA NOMINEES PTY LIMITED <GSENIPT A/C>	33,421	0.61
BNP PARIBAS NOMS PTY LTD <DRP>	31,025	0.56
AVANTEOS INVESTMENTS LIMITED <2477966 DNR A/C>	28,020	0.51
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSAM A/C>	25,053	0.46
THE TRUST COMPANY SUPERANNUATION LIMITED <GPMSF2 - FUTURE SUPER A/C>	22,780	0.41
SR CONSOLIDATED PTY LTD	22,363	0.41
Total for top 20	1,727,285	31.40

RANGE OF RES HOLDERS AS AT 6 AUGUST 2015	NUMBER OF HOLDERS	NUMBER OF RES	% OF RES ISSUED
1-1,000	7,510	2,343,854	42.62
1,001-5,000	563	1,107,257	20.13
5,001-10,000	22	159,855	2.91
10,001-100,000	26	810,930	14.74
100,001 and over	5	1,078,104	19.60
Total	8,126	5,500,000	100.00
RES holders with less than a marketable parcel of 5 RES as at 6 August 2015	2	4	

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

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

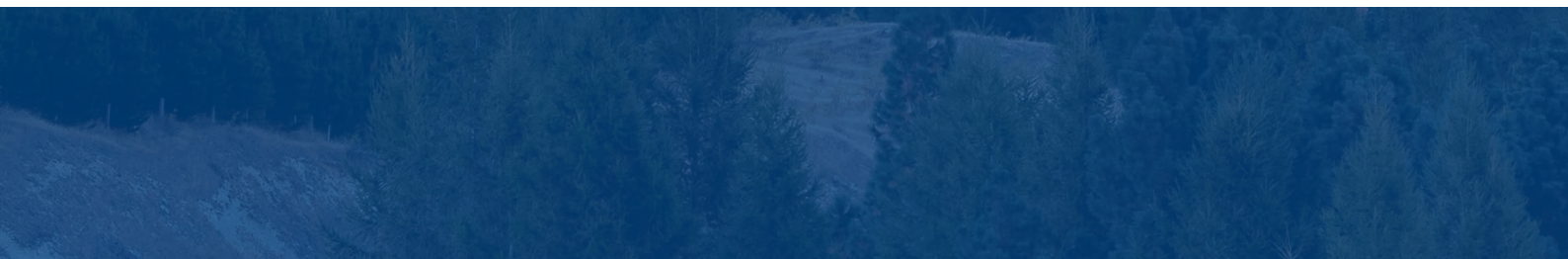
Auckland

New Zealand

COMPANY SECRETARY

Chris Bertuch BA, LLM

Taryn Morton BA, LLB



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