

Atradius Credit Insurance NV New Zealand Branch

Company Directory

Nature of Business	Trade Credit Insurance
Registered Office	Suite 7 Level 13 Forsyth Barr House 45 Johnston St Wellington
Company Number	1547417
IRD Number	88-865-499
Directors	Dominique CHARPENTIER Claus GRAMLICH-EICHER Christian van LINT Andreas TESCH Isidoro Francisco UNDA
Branch of	Atradius Credit Insurance NV, The Netherlands
Auditor	Deloitte, Christchurch
Bankers	Bank of New Zealand
Solicitors	Morrison Kent
Business Location	Wellington

No disclosure has been made in respect of section 211(a), (e) to (h) and (j) of the Companies Act 1993 following a unanimous decision by the shareholders in accordance with Section 211(3) of the Act.



Independent Auditor's Report to the Shareholder of Atradius Credit Insurance NV – New Zealand Branch

Report on the Financial Statements

We have audited the accompanying financial statements of Atradius Credit Insurance NV - New Zealand Branch ("the Company") on pages 4 to 27, which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholder in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholder, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Other than in our capacity as auditor, we have no relationship with or interests in Atradius Credit Insurance NV - New Zealand Branch.



Opinion

In our opinion the financial statements on pages 4 to 27:

- comply with generally accepted accounting practice in New Zealand
- comply with International Financial Reporting Standards
- give a true and fair view of the financial position of Atradius Credit Insurance N.V. – New Zealand branch as at 31 December 2013, and its performance and its cash flows for the year ended on that date.

Emphasis of Matter

The New Zealand branch is part of Atradius Credit Insurance N.V. As described in Note 1, the assets of the branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying balance sheet and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2013:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Atradius Credit Insurance NV - New Zealand Branch as far as appears from our examination of those records.

A stylized, handwritten signature of the word "Deloitte" in a cursive script.

Chartered Accountants
7 April 2014
Christchurch, New Zealand

Atradius Credit Insurance NV New Zealand Branch

Statement of Comprehensive Income For the Year Ended 31 December 2013 In New Zealand Dollars

	<i>Note</i>	2013	2012
Gross earned premium	3	3,852,637	3,864,228
Outward reinsurance of premium		(3,074,330)	(3,071,471)
Net premium revenue		<u>778,307</u>	<u>792,757</u>
Reinsurance commission		1,239,583	1,403,744
Fee income		277,398	216,429
Operating revenue		<u>2,295,288</u>	<u>2,412,930</u>
Underwriting expenses			
Gross claims expense	7	733,523	(2,099,555)
Reinsurance recoveries on claims	7	(578,709)	1,557,585
Commission costs	14	(549,401)	(533,608)
Underwriting Result		<u>1,900,701</u>	<u>1,337,352</u>
Administrative expenses	4	(940,266)	(799,639)
Other revenue/(expense)	6	154,682	141,119
Profit before tax	2	<u>1,115,117</u>	<u>678,832</u>
Taxation (expense)	8	(234,596)	(217,098)
Profit for the period		<u>880,521</u>	<u>461,734</u>
Other comprehensive income		-	-
Total Comprehensive Income for the year attributable to the members of Atradius Credit Insurance NV		<u>880,521</u>	<u>461,734</u>

The accompanying notes from an integral part of these financial statements.

Atradius Credit Insurance NV New Zealand Branch

Statement of Changes in Equity For the Year Ended 31 December 2013 In New Zealand Dollars

	Retained Deficit
Balance at 1 January 2012	(4,747,740)
Total Comprehensive Income	461,734
Balance at 31 December 2012	<u>(4,286,006)</u>
Balance at 1 January 2013	(4,286,006)
Total Comprehensive Income	<u>880,521</u>
Balance at 31 December 2013	<u>(3,405,485)</u>

The accompanying notes form an integral part of these financial statements.

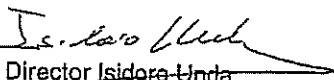
Atradius Credit Insurance NV New Zealand Branch


Statement of Financial Position As at 31 December 2013 In New Zealand Dollars

	<i>Note</i>	2013	2012
Assets			
Cash and cash equivalents	11	617,589	859,146
Reinsurance receivables	18	2,211,406	3,110,556
Trade receivables	10	684,040	593,465
Deferred acquisition costs	14	151,166	144,864
Other investments	12	5,222,825	4,206,407
Miscellaneous assets and accruals		158,327	175,020
Tax asset	8	1,323	28,576
Property, plant and equipment	9	1,700	20,584
Total Assets		9,048,376	9,138,618
Equity			
Retained Deficit	15	(3,405,485)	(4,286,006)
Total Equity		(3,405,485)	(4,286,006)
Liabilities			
Underwriting Provisions	17	2,313,609	3,425,548
Current tax liability	8	188,026	138,270
Reinsurance payables	19	596,598	464,435
Other accounts payables	20	8,863,826	8,914,244
Misc liabilities and accruals		491,802	482,127
Total Liabilities		12,453,861	13,424,624
Total Equity and Liabilities		9,048,376	9,138,618

The accompanying notes form an integral part of these financial statements.

For and on behalf of the directors who authorised the issue of these financial statements.


 Director Isidoro Unda
 Date 4.4.2014


 Director Claus Gramlich-Eicher
 Date 4.4.2014

Atradius Credit Insurance NV
New Zealand Branch

Statement of Cash Flows
For the Year Ended 31 December 2013
In New Zealand Dollars

	<i>Note</i>	2013	2012
Cash flows from operating activities			
Premium and other revenue received		4,038,237	4,360,125
Reinsurance premium net of commission		(1,702,584)	(1,770,236)
Payments to customers, suppliers and staff		(1,559,109)	(1,142,092)
Interest expense		-	-
Interest income		176,424	158,353
Tax		(157,587)	(228,979)
Net cash inflow from operating activities	27	795,381	1,377,171
Cash flows from investing activities			
Head office cash pooling transfers		1,368,862	(773,147)
Purchase of cash term deposit		(2,300,000)	-
Other		(105,800)	(3,837)
Cash flows from investing activities		(1,036,938)	(776,984)
Net increase / (decrease) in cash		(241,557)	600,187
Cash and cash equivalents at the beginning of the year		859,146	258,959
Cash and cash equivalents at the end of the year	11	617,589	859,146

The accompanying notes form an integral part of these financial statements.

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

1 Significant accounting policies

Reporting Entity

Atradius Credit Insurance NV New Zealand Branch (the "Branch") is a branch of Atradius Credit Insurance NV, the Netherlands a trade credit insurance company. The ultimate parent entity is Grupo Catalana Occidente SA, a company incorporated in Spain. The Branch was incorporated on 26 August 2004. The Branch has an office in Wellington.

Statement of Compliance and Basis of Presentation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS), and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards. The Branch is a profit-oriented entity and is a reporting entity for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements are presented in New Zealand Dollars (NZD), the functional currency of the Branch. The financial statements are prepared on the historical cost basis except for the investments (New Zealand Government stock holdings), which are stated at fair value.

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

Going Concern

The financial statements have been prepared on a going concern basis, the validity of which depends upon the continued financial support of Atradius Credit Insurance NV. During the year the branch reported a profit of \$880,521 (2012: profit \$461,734) and has a retained deficit of \$3,405,485 (2012: deficit \$4,286,006).

The Branch is part of Atradius Credit Insurance NV, which is incorporated in the Netherlands. The assets of the Branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying statement of financial position and its debts may result in claims against assets not appearing thereon. This entity has confirmed that its policy is to ensure that the Branch is in a position to meet its disclosed obligations as and when those obligations fall due.

Premium Revenue

Premium revenue comprises amounts charged to policyholders. Premiums are brought to account from the date of attachment of risk and are earned over the period of the indemnity in accordance with the pattern of incidence of risk.

Unearned premium is determined by apportioning premiums over the effective periods of risk underwritten. They are calculated on a monthly pro-rata basis.

Atradius Credit Insurance NV

New Zealand Branch

Notes to the financial statements

1 Significant accounting policies (continued)

Fee Income

Fee revenue is from services provided in relation to the trade credit insurance product and is recognised in the period the services are provided.

Acquisition (Commission) Costs

Deferred acquisition costs represent the proportion of acquisition costs (primarily commissions) attributable to unearned premiums. Deferred acquisition costs are measured at the lower of cost or recoverable amount. These costs are amortised in proportion to premiums over the estimated lives of the policies.

Outwards Reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received.

Reinsurance Commission

Reinsurance commission is earned with respect to outwards reinsurance and is recognised as income.

Claims Outstanding

Claims expense and a liability for outstanding claims are recognised in respect of all insurance business. The liability for claims outstanding includes an estimate in respect of incurred but not reported claims, a risk margin and the anticipated direct and indirect costs of settling those claims.

Liability Adequacy Test

At each balance date, a liability adequacy test is performed to determine if the underwriting provisions are adequate. If a shortfall is identified the deferred acquisition cost is written down with a corresponding charge to the Statement of Comprehensive Income.

If additional liability is required this shall be recognised in the Statement of Financial Position as an unexpired risk liability.

Premium Receivables

All premium receivables are stated at their net realisable value. Known losses are written off against income in the period in which they become evident.

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

1 Significant accounting policies (continued)

Reinsurance Recoveries

Reinsurance recoveries are with respect to claims paid and claims liabilities at balance date. These recoveries are recognised as revenue.

Reinsurance Receivables

Reinsurance and other recoveries receivable on incurred but not reported claims are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

Property, Plant and Equipment

Owned assets

The Branch owns no land or buildings. Items of plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

Depreciation

All depreciation is charged to the Statement of Comprehensive Income. Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of any residual amounts, over their useful lives. The assets' useful lives are reviewed and adjusted if appropriate at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if it is considered that the carrying amount is greater than its recoverable amount. The following rates have been used (see note 9).

Office furniture	25%
IT fixture fittings and equipment	33.33%

The residual value of assets is reassessed annually.

Investments

All investments are recorded at fair value with fair value changes recorded through the Statement of Comprehensive Income.

All assets of the branch are held to back insurance liabilities and are designated at fair value through profit or loss upon initial recognition, in accordance with the provisions of NZ IFRS 4 Appendix D. The measurement of general insurance liabilities under NZ IFRS 4 Appendix D incorporates current information; measuring the financial assets backing these general insurance liabilities at fair value eliminates or significantly reduces a potential measurement inconsistency which would arise if the assets were classified as available for sale or measured at amortised cost.

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

1 Significant accounting policies (continued)

Trade and Other Receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Impairment

The carrying amounts of the Branch's assets are reviewed at each balance date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income.

Estimated recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Other impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

Trade and Other Payables

Trade and other payables are stated at amortised cost.

Sublease Income

Income from sub-leased property is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

1 Significant accounting policies (continued)

Expenses

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Interest Income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

Foreign Currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to NZD at the foreign exchange rate at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Income.

Taxation

(i) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled, based on the tax rates enacted or substantively enacted for each jurisdiction. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Goods and Services Tax

Revenue and expenses are recognised net of any goods and services tax (GST). Receivables and payables are recognised inclusive of any applicable GST.

Atradius Credit Insurance NV

New Zealand Branch

Notes to the financial statements

1 Significant accounting policies (continued)

Statement cash flows

For the purpose of the statement of cash flows, cash is cash in bank available for use. The following terms are used in the statement of cash flows;

- operating activities are the principal revenue producing activities of the Branch;
- investing activities comprise longer term deposits held in accordance with New Zealand regulations and investments held on behalf of the Branch by Head Office;
- financing activities are principally monies contributed by Head Office; and
- reinsurance premium, commission and recoveries are settled net and therefore are shown on one line.

Segment Information

The Branch operates in one segment being Trade Credit Insurance.

Critical Accounting Judgements and Estimates

The Branch makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where critical accounting estimates are applied are with regard both outstanding claim cases and with regards statistical methods applied to other cases. The statistical methods are based on key variable factors being: the speed which customers submit claims, the expected average claim size and the expected fraction of cases that do not lead to a payment. The methodology is discussed in more detail in note 17.

Impact of Amendments to NZ IFRS

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Branch's accounting periods beginning after 1 January 2013 or later periods, and the Branch has not early adopted them. The Branch expects to adopt the following new standards on 1 January after the effective date.

- NZ IFRS 9 'Financial Instruments' (effective from 1 January 2017). The standard replaces NZ IAS 39 and introduces requirements for classifying and measuring financial assets and liabilities. The Branch is in the process of evaluating the potential effect of this standard.

The following standards resulting from amendments to NZ IFRS that are relevant to the branch have been adopted.

- NZ IFRS 13 'Fair value measurement' (effective from 1 January 2013). The standard replaces the guidance on fair value measurement in existing IFRS literature with a single standard. The standard did not have a material impact on the financial statements.

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

In New Zealand Dollars

2	<u>Profit before tax</u>	2013	2012
	Underwriting Result	1,900,701	1,337,352
	Administrative expenses	(940,266)	(799,639)
	Other (expense)/revenue	154,682	141,119
	Profit Before Tax	1,115,117	678,832
3	<u>Premium Revenue</u>	2013	2012
	Premium invoiced	3,890,827	3,887,332
	Movement in unearned premium balance	(38,190)	(23,104)
	Gross Earned premium	3,852,637	3,864,228
4	<u>Administrative expenses</u>	2013	2012
	Group Overhead Costs	(488,111)	(440,595)
	Salaries	(245,026)	(176,157)
	Superannuation	(6,234)	(2,668)
	Other personal expenses	(11,341)	(23,116)
	Lease Payments	(31,200)	(43,420)
	Consultancy	(55,734)	(65,142)
	Communication Cost	(5,081)	(8,514)
	Travel Cost	(12,982)	(18,458)
	Marketing Cost	(1,458)	(3,652)
	Depreciation Cost	(1,381)	(1,515)
	Losses and disposal of assets	(17,503)	-
	Other Expenses	(64,215)	(16,402)
	Total Administrative Expenses	(940,266)	(799,639)
5	<u>Operating Expenses include the following:</u>	2013	2012
	Deloitte Audit Fees	30,395	22,032
	Other firms' professional advice	55,734	65,142
		86,129	87,174

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

In New Zealand Dollars

6	<u>Other revenue/(expense)</u>		2013	2012
	Interest Income		179,027	158,353
	Investment fee		(2,603)	-
	Fair value Change in Investments		(20,520)	(13,354)
	Foreign Exchange (Loss)/Gain		(1,222)	(3,880)
	Total other revenue	2	154,682	141,119
7	<u>Claims and Loss Adjustment Expenses</u>			
		Gross Claims 2013	Reinsurance Recoveries 2013	Gross Claims 2012
			Reinsurance Recoveries 2012	
	Claims provision at 1 January	2,584,000	(1,997,000)	951,516
	Claims and Claims handling expenses Settled in the year	(416,606)	347,267	(467,071)
	Total Gross Claims Expense	(733,523)	578,709	2,099,555
	Claims provision at 31 December (note 17)	1,433,871	(1,071,024)	(803,134)
			2,584,000	(1,997,000)
8	<u>Taxation</u>		<i>Note</i>	2013
				2012
	<u>Income Tax expense</u>			
	Income tax recognised in Statement of Comprehensive Income			
	Current taxation			206,509
	Deferred taxation			10,589
	Income tax expense for the year			217,098
	Reconciliation of effective tax rate			
	Profit before tax		2	1,115,117
	Income Tax using company tax rate at 28%			678,832
	Non-Deductible Expenses/(Income)			312,233
	Utilisation of tax losses			(2,180)
	Prior year adjustment/ other taxes			86,910
	Income tax expense			(75,484)
				15,599
				234,596
				217,098

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

In New Zealand Dollars

8 (continued)

<u>Income tax assets and liabilities</u>	2013	2012
Income tax recognised in the Statement of Financial Position		
Deferred tax asset with respect to temporary differences	1,323	-
Withholding tax asset	-	28,576
Tax asset	1,323	28,576
Corporation tax payable	188,026	127,681
Deferred tax liability with respect of temporary differences	-	10,589
Tax liability	188,026	138,270

	2011	(Charge)/credit to income	2012	(Charge)/credit to income	2013
<u>Deferred tax asset</u>					
Provision for bad debts	5,252	(4,756)	496	1,102	1,598
Provision for employee bonuses	4,384	1,468	5,852	6,994	12,846
Accruals	12,867	12,617	25,484	3,300	28,784
Impairment of tax asset	(22,203)	22,503			
Total deferred tax asset	-	31,832	31,832	11,396	43,228
<u>Deferred tax liability</u>					
Deferred acquisition costs	-	(40,562)	(40,562)	(1,764)	(42,326)
Other	-	(1,859)	(1,859)	2,280	421
	-	(42,421)	(42,421)	516	(41,905)
Net deferred tax	-	(10,589)	(10,589)	11,912	1,323

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

In New Zealand Dollars

9 Property, Plant and Equipment

2013	Cost	Current Year Depreciation	Accumulated Depreciation	Carrying Value
Computer Hardware	21,766	927	20,066	1,700
Fixtures and Fittings	-	454	-	-
Total	21,766	1,381	20,066	1,700

2012	Cost	Current Year Depreciation	Accumulated Depreciation	Carrying Value
Computer Hardware	101,895	155	99,267	2,628
Fixtures and Fittings	44,218	1,360	26,262	17,956
Total	146,113	1,515	125,529	20,584

There were no asset additions during the year. Upon moving offices the disposal of computer hardware amounted to a cost of \$80,129 and the disposal of fixtures and fittings a disposal of \$44,129. The total loss on disposal of assets was \$17,504.

10 Trade and Other Receivables

	2013	2012
Trade Receivables	680,098	589,523
Other Receivables	3,942	3,942
	684,040	593,465

Trade receivables are current assets are all under 90 days old except for \$73,525 (2012: \$31,950) which has an allowance for doubtful debts of \$18,324 against it (2012:\$7,866). There are no debts greater than 180 days old.

11 Cash and Cash Equivalents

	2013	2012
Bank Balances	617,589	859,146
	617,589	859,146

12 Other Investments

	2013	2012
Government bond	517,025	537,545
Term deposit	4,705,800	2,300,000
Investment held by Head office	-	1,368,862
	5,222,825	4,206,407

Atradius Credit Insurance NV

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Notes to the financial statements

13 Financial Instruments

Financial Assets are classified in one of the following categories at initial recognition:

- Loans and receivables; or
- Fair value through profit or loss

The carrying value of financial assets and liabilities closely resembles the fair value.

Loans and Receivables

Assets in this category are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. Financial assets classified as loans and receivables include:

- Trade receivables;
- Investments held by Head Office; and
- Cash and term deposits

Fair Value through Profit or Loss

Financial assets are measured at fair value with movements recognised in the Statement of Comprehensive Income. Fair value movements have been calculated taking this into account. Financial assets classified at fair value through profit or loss are:

- Government bonds which are at Level 1 in the fair value hierarchy under NZ IFRS13

Credit risk - financial instruments which potentially subject the Branch to a concentration of credit risk consist principally of cash, term deposits, receivables and Government bonds. The Branch does not require collateral or other security to support financial instruments with credit risk and as such, no collateral exists for any of the investments held by the Branch. The maximum credit risk exposure is the carrying amount of the individual assets.

Interest rate risk – other than the Government bond, the Branch has no significant exposure to interest rate risk.

Atradius Credit Insurance NV

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Notes to the financial statements

In New Zealand Dollars

Liquidity risk - liquidity risk is the risk that the Branch will not be able to meet its cash outflows or refinance debt obligations, as they fall due, because of lack of liquid assets or access to funding on acceptable terms. To mitigate financing and liquidity risk the Branch maintains sufficient liquid assets to ensure that it can meet its obligations and cash outflows on a timely basis.

The financial assets are all available to be liquidated at any time to meet any liabilities. Reinsurance payables and receivables are settled on a net basis.

Financial liabilities are expected to be settled within one year. An exception is the balance payable to head office being Atradius Credit Insurance NV. The majority of this balance is long term and is not expected to be repaid whilst the branch remains operational.

All liabilities except approximately 15% of the gross claims provision are denominated in New Zealand dollars therefore are not subject to foreign currency fluctuations. The portion of the claims provision in foreign currency is reinsured so any exchange rate fluctuations would have an immaterial effect on the results. There is no interest charged on the liabilities therefore there is no exposure to changes in interest rates."

14	<u>Deferred acquisition costs</u>	2013	2012
	Balance at 1 January	144,864	139,360
	Acquisition costs paid during the year	555,702	539,112
	Current period amortisation /(deferral)	(549,400)	(533,608)
	Balance at 31 December	151,166	144,864
 15	 <u>Retained deficit</u>	 2013	 2012
	Retained Deficit - Opening Balance	(4,286,006)	(4,747,740)
	Net Profit	880,521	461,734
	Closing Balance	(3,405,485)	(4,286,006)
 16	 <u>Operating Leases</u>	 2013	 2012
	Non cancellable operating Leases rentals have the following future commitments:		
	Less than one year	10,400	7,800
	Between one and five Years	-	-
		10,400	7,800

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

In New Zealand Dollars

17	<u>Underwriting Provisions</u>	2013	2012
	<u>Unearned Premium</u>		
	2014	879,738	841,548
	Total unearned premium	879,738	841,548
	<u>Provision for Future claims reported</u>		
	Underwriting Year 2008	31,989	78,000
	Underwriting Year 2009	-	4,090
	Underwriting Year 2010	3,445	4,260
	Underwriting Year 2011	67,486	1,257,650
	Underwriting Year 2012	151,635	173,000
	Underwriting Year 2013	206,876	
	Total provision for future claims reported	461,431	1,517,000
	<u>Provision for Future claims incurred but not yet reported</u>		
	Underwriting Year 2009	89	14,300
	Underwriting Year 2010	3,896	68,800
	Underwriting Year 2011	15,697	149,900
	Underwriting Year 2012	63,097	834,000
	Underwriting Year 2013	889,661	
	Total provision for future claims incurred but not yet reported	972,440	1,067,000
	Total Future Claims Provision	1,433,871	2,584,000
	Total Underwriting Provisions	2,313,609	3,425,548

Atradius Credit Insurance NV

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Notes to the financial statements

Underwriting Provisions

Underwriting provisions comprise both future benefits to be received from premium currently written but deferred to future periods and currently estimated claims to be paid in future periods.

Provision for Future Claims

The outstanding claims provision reflects the estimation of future payments relating to claims incurred at the reporting date. The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported.

The valuation of outstanding claims liabilities has been undertaken by the appointed actuary: Adam Searle of KPMG Actuarial Pty Ltd (KPMG). He is a Fellow of the New Zealand Society of Actuaries. The actuarial assessments are in accordance with the standards of the New Zealand Society of Actuaries.

The appointed actuary was satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. The valuation comprised both individually reserved claims and aggregate statistical methods.

The statistical methods considered the historical claims experience for insolvencies and non-insolvencies, as well as small and large claims.

The IBNR is calculated based on the statistical analysis of claim numbers, contractual debt, claim payments and resulting loss ratios. This assumes that development patterns will be consistent with past experience appropriate for projecting future claim payments.

These assumptions are amongst those reviewed annually, and they are adjusted as is required based on the statistical evidence available at the time, any significant changes in the operating and business environment, as well as professional judgement.

Claims handling expenses have been incorporated as an allowance for the future cost of administering claims arising from the payment of future claims. Direct claims handling expenses are assumed to be 6.5% of claim payments net of reinsurance and indirect claims handling costs are provided at 4%.

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A risk margin has been included to allow for uncertainties in respect of the estimation of insurance liabilities. These uncertainties may arise from the inherent variability in claims experience, the differences between the valuation models and the insurance process which it approximates, and the variances between the current and future environments for example the economic, legal, political and social environment. To determine the appropriate risk margin the appointed actuary has performed analysis of the variability in historical data, considered industry benchmarks and applied judgement in selecting assumptions. A risk margin of 26.1% has been used in the calculation of the outstanding claims liability and is intended to provide an adequacy to the 75th percentile.

Sensitivity analysis has been performed around the gross outstanding claims provision of \$1,433,871. If the loss ratio for the 2013 accident year is increased by 5% (i.e. from 27% to 32%), the provision would increase by \$209,121 or 15%.

Claims liabilities are determined only by the invoiced amounts upon which the claim is based and is not subject to any claims inflation after the invoice date thus. Therefore no allowance has been included for inflation.

The claims liabilities have been discounted using the risk free rates as at 31 December 2013 which were derived from the yields published by the Reserve Bank of New Zealand. The discount rate selected follows the yield curve and averages 3.57% per annum based on the expected duration of 1.18 years for the outstanding claims liabilities.

The present value of expected cash flows for future claims including a risk margin for the company is \$1,433,871 comprising central estimate of \$1,136,865 (2012: 2,073,000) and a 26.1% risk margin of \$297,006 (2012:\$511,000).

Uncertainty about this amount and timing of claims payments is typically resolved within one year.

The assets of the branch are firstly used to settle insurance liabilities before financial liabilities arising under non-insurance contracts.

Liability Adequacy Test

The conduct of the liability adequacy test as at 31 December 2013 identified a surplus.

The test is based on prospective information and so is dependent on assumptions and judgments. It does not appear that any reasonable possible changes in the key assumptions on which the calculations are based would result in a deficiency being recognised at 31 December 2013.

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Notes to the financial statements

Insurance Contract Risk Management

A key risk is the exposure to insurance risk arising from underwriting of credit insurance contracts. The insurance contracts transfer risks to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain events. Risk management activities can be separated into underwriting, claims management, reserving, and investment management. The objective of these risk management functions is to enhance the longer term financial performance of the overall insurance operations and to ensure capital and solvency requirements are met.

The frequency and severity of claims is affected by several factors. These include all factors that affect credit risk in general. Thus the status of the economy is a major driver for frequency and severity of claims. The Branch's business processes are designed to effectively manage the impact of many risk factors that affect frequency and severity of claims. Its affect may vary by country and sector. For trade credit risk, the behaviour of customers may affect the frequency and severity of claims as well, for instance through risks inherent to their business activities and their risk management practices. Specific events (e.g. natural disasters) may impact on frequency and severity of claims. But so do structural changes in the economy (e.g. easier access to markets to producers in low cost countries). The specific events or structural changes which are relevant in this respect will vary over time.

These insurance risks are controlled by underwriting procedures and adequate premium rates and policy charges.

Acceptance of risk – Access to our broad worldwide database of company information allows us to thoroughly analyse risk before acceptance. Analysis of risk considers a variety of factors including industry, geographical location and financial strength.

Pricing – Many years experience enables the underwriters to calculate acceptable pricing and acceptable terms and conditions of cover.

Claims management – Claims are handled separately to the underwriting by the claims department. Settling authorities are delegated according to level of experience to ensure adequate review of the claims assessment. Claims are managed to ensure timely and correct payment in accordance with policy conditions. Claims experience is reviewed regularly and appropriate actuarial reserves are established.

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

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Reinsurance – Risks underwritten are reinsured in order to limit exposure to losses, stabilise earnings, protect capital resources and ensure efficient control and spread the risk underwritten.

Atradius Credit Insurance maintains quota share reinsurance and excess of loss treaties with Atradius Reinsurance of Dublin, Republic of Ireland and with a panel of third party reinsurers. The treaties cover the lines of business, scope of cover, territorial scope, and maximum limit/exposure. The quota share reinsurance treaties for 2013 cede 77.5% in total.

Reinsurance is placed with companies based on an evaluation of financial strength of the reinsurers, terms of coverage, and price. The financial position of reinsurers is monitored on an ongoing basis and periodically reviewed to ensure the reinsurers ability to fulfil their obligations to the Branch under respective existing and future reinsurance contracts. All the reinsurers have a rating of at least Moody's A3.

The Moody's rating for Atradius Credit Insurance and Atradius Re is A3. The A.M. Best rating is A (Excellent). The branch does not require a separate grading.

Investment management – To ensure liquidity, all investments are held in bonds and short term deposits.

Concentration of insurance risk - Analysis and monitoring of claims and credit limit data is done regularly to effectively deal with concentration by various sectors including industry, geographic location and customer.

The process before approval of credit limits to customers takes into account the risks associated with these and other sectors.

Foreign Currency Risk - The risk that the company will incur losses through exposure to foreign exchange movements is minor. There is exposure to AUD and USD bank accounts which are however managed to maintain low balances so such exposure is minimal.

Whilst the reinsurance contracts for underwriting years prior to 2010 were in EUROS they are now in NZD. The exposure to years prior to 2010 would be with respect to the claims provision for that period for which the reinsured share is NZD73,000.

18 <u>Reinsurance Receivables</u>	2013	2012
Atradius Re, Ireland	868,124	1,640,851
3rd Party Reinsurance Receivables	1,343,282	1,469,705
	2,211,406	3,110,556

Reinsurance receivables comprise in the main the reinsured share of the underwriting provisions.

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

In New Zealand Dollars

19 <u>Reinsurance and Insurance Payables</u>	2013	2012
Atradius Re, Ireland	270,545	135,622
3rd Party Reinsurers	326,053	328,813
	596,598	464,435

Reinsurance Payables are settled monthly and do not accrue interest.

20 <u>Other Accounts Payables</u>	2013	2012
Payroll Liabilities	45,878	20,900
Other Accounts Payable	280,051	362,584
Atradius Credit Insurance NV, Netherlands	8,537,897	8,530,760
	8,863,826	8,914,244

Inter-company account balances are payable on demand and do not accrue interest.

21 Identity of Related Parties

Notes 18, 19 and 20 identify the balances with related parties with whom the Branch has transacted with over the period. Those related parties are Atradius Re which is a company 100% held by the Atradius Group and Atradius Credit Insurance NV.

Material related party transactions

- The Branch maintains a quota share reinsurance treaty arranged via a broker which includes 21 treaty partners. Atradius Re-Insurance of Dublin is a related party. Re-insurance transactions have occurred with this related party during the period. Refer notes 18 and 19.
- Atradius Credit Insurance NV Amsterdam charged the Branch group overhead charges during the period of: \$432,454 (2012: \$432,941).
- All other intercompany balances relate to the net-shared services charges (Information Technology charges) which for 2013 was a charge of \$55,657 (2012: \$7,654)

All related party receivable balances are considered receivable in full.

Key Personnel

The branch has 2 employees. Their remuneration is set out in note 4.

Atradius Credit Insurance NV New Zealand Branch

Notes to the financial statements

In New Zealand Dollars

22 Capital Commitments

There are no capital commitments (2012: None).

23 Contingent Assets & Liabilities

Atradius Credit Insurance is party to a letter of credit from the Bank of New Zealand for the sum of \$32,500 to cover payroll direct credits. (2012:\$32,500)

24 Solvency requirements

The Branch has a licence under the Insurance (Prudential Supervision) Act 2010. Under this Act, the branch will be subject to new solvency requirements issued by the Reserve Bank of New Zealand. The new solvency requirements which apply under the new prudential supervision regime have been met both by ACI NV and the branch.

Being a global company Atradius complies with capital requirements in each regulatory regime.

25 Subsequent Events

There have been no events subsequent to balance date which require disclosure in these accounts

26 Capital Solvency

The minimum Solvency Capital Requirement for New Zealand is outlined below. As at 31 December the branch carried a positive solvency margin

	2013
Actual solvency Capital	4,993,192
Minimum Solvency Capital	3,000,000
Solvency Margin	<u>1,993,192</u>

The methodology for determining the Solvency Margin is in accordance with the requirements of the Solvency Standard for Non-Life Insurance business as published by the Reserve Bank of New Zealand.

Atradius Credit Insurance NV
New Zealand Branch

27 Reconciliation of Profit for the period to Net cash flows from operating activities

	<i>Note</i>	2013	2012
Profit		880,521	461,734
Non cash items			
Depreciation		1,381	1,515
Losses on disposal of assets		17,503	-
Unrealised movement in investments		20,520	13,354
		39,404	14,869
Movement in working capital			
Trade receivables		(90,575)	283,348
Deferred acquisition costs		(6,302)	(5,504)
Reinsurance receivable		899,150	(1,401,045)
Other		16,693	8,262
Tax		77,009	(11,881)
Underwriting Provisions		(1,111,939)	1,655,588
Reinsurance payables		132,163	(102,509)
Other payables		(50,418)	402,184
Other non-current payables		9,675	72,125
Net cash flow from operating activities		795,381	1,377,171



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29 May 2014

Mr David Huey
Managing Director, Australia & New Zealand
Atradius Credit Insurance N.V.
c/o Level 14
1 Market Street
SYDNEY NSW 2000

Dear Mr Huey,

Formal statement – Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this letter with reference to Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010. This letter includes an extract from my Financial Condition Report for Atradius Credit Insurance N.V. New Zealand Branch (“Atradius”) as at 31 December 2013, dated 26 May 2014 (“FCR”).

With reference to this letter, please note the following:

- I have relied on data and qualitative information provided by Atradius’ internal management and staff. The data provided, where quantitative in nature, has not in all cases been independently verified; but material items have been checked for internal consistency. Qualitative information has in some but not all cases been verified by review or sighting of supporting documentation. In these respects, we have relied upon the staff of Atradius.
- Any inaccuracies or inconsistencies in the data may have a significant effect on our assessment and results. Should any inaccuracies be found in the data or qualitative information, either by management or through Atradius’ own internal or external audit process, we should be notified so that this letter can be adjusted accordingly.

This letter may be released to Atradius’ regulators including RBNZ in New Zealand and other regulators of Atradius as required.

In all cases:

- KPMG will not be liable for the consequences of any third party acting upon or relying upon any information or conclusions contained in this letter.

- Each third party that receives this letter recognises that the furnishing of this letter is not a substitute for its own due diligence.
- This letter should only be distributed in its entirety.
- Judgements about the conclusions and comments drawn in this letter should be made only after considering the FCR in its entirety and in conjunction with my Insurance Liability Valuation Report (dated 5 March 2014), as any attempts to draw conclusions without careful review of all sections of those reports could be misleading. The uncertainties and caveats discussed within those reports apply equally to this letter.
- Each third party receiving this letter understands that such recipient is deemed to have accepted these terms and conditions by retaining a copy of this letter.

Yours sincerely,



Adam Searle

*As Appointed Actuary for Atradius Credit Insurance N.V. New Zealand Branch
KPMG Actuarial Pty Ltd
Fellow of the New Zealand Society of Actuaries*

Extract from Appendix B of the FCR:

- I am the Appointed Actuary to Atradius Credit Insurance N.V. New Zealand Branch and am employed by KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. I am not the Appointed Actuary to Atradius Credit Insurance N.V.. I am independent with respect to Atradius Credit Insurance N.V. New Zealand Branch and also Atradius Credit Insurance N.V..
- I have reviewed the actuarial information used in the preparation of the accounts for Atradius Credit Insurance N.V. New Zealand Branch as at 31 December 2013. "Actuarial information" includes the following:
 - the unearned premium liability and the liability adequacy test;
 - the net outstanding claims liability;
 - reinsurance and any other recovery asset;
 - any deferred acquisition cost; and
 - disclosures regarding the methodology and assumptions used for calculating policy liabilities, and other disclosures.

In performing the above review, no limitations have been placed on my work and I have been provided with all the information that I have requested in order to carry out this review.

For the New Zealand Branch, in my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately presented.

- As noted above, I am not the Appointed Actuary for the Atradius Group. The New Zealand operations represent less than 1% of the Group's operations. The scope of my work is limited to the New Zealand Branch and detailed examination of the Group position is not within my engagement scope.

I have requested and been provided with key figures held in the Group accounts relating to the New Zealand Branch, notably the unearned premium and the outstanding claims liability. These figures represent approximately 0.2% of the balances held in total for these items at a Group level. Given the materiality of the New Zealand Branch to the Group and noting that these figures are prepared under different accounting standards, I have concluded that the figures held at a Group level for the New Zealand Branch are not materially misstated.

- I understand that no condition has been imposed under Section 21 (2) (b) as at 31 December 2013.