

## **Atradius Credit Insurance N.V. 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	Claus GRAMLICH-EICHER Christian van LINT Andreas TESCH Isidoro UNDA Dominique CHARPENTIER
Branch of	Atradius Credit Insurance N.V., The Netherlands
Auditor	Deloitte, Melbourne, Australia
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 members 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 Branch") on pages 4 to 28, which comprise the statement of financial position as at 31 December 2014, 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.

### *Board of Directors' Responsibility for the Financial Statements*

The Board of Directors are 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 determine 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 28:

- 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 2014, and its performance and its cash flows for the year ended on that date.

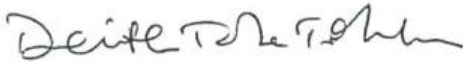
## *Emphasis of Matter*

The New Zealand branch is part of Atradius Credit Insurance NV. 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 2014:

- 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.



DELOITTE TOUCHE TOHMATSU



Peter A. Caldwell  
Partner  
Chartered Accountants  
Melbourne, 29 May 2015

# Atradius Credit Insurance N.V. New Zealand Branch

## Statement of Comprehensive Income For the Year Ended 31 December 2014 In New Zealand Dollars

	Note	2014	2013
Gross earned premium	3	4,265,426	3,852,637
Outward reinsurance of premium		(3,258,495)	(3,074,330)
<b>Net premium revenue</b>		<u>1,006,931</u>	<u>778,307</u>
Reinsurance commission		1,468,403	1,239,583
Fee income		280,309	277,398
<b>Operating revenue</b>		<u>2,755,643</u>	<u>2, 295,288</u>
<b>Underwriting expenses</b>			
Gross claims (expense)/revision	7	(1,398,651)	733,523
Reinsurance recoveries on claims/(revision)	7	937,541	(578,709)
Commission costs	14	(643,982)	(549,401)
<b>Underwriting Result</b>		<u>1,650,551</u>	<u>1,900,701</u>
Administrative expenses	4	(851,442)	(940,266)
Other revenue/(expense)	6	<u>206,556</u>	<u>154,682</u>
<b>Profit before tax</b>	2	1,005,665	1,115,117
Taxation (expense)	8	(281,839)	(234,596)
<b>Profit for the period</b>		<u>723,826</u>	<u>880,521</u>
Other comprehensive income		-	-
<b>Total Comprehensive Income for the year attributable to the members of Atradius Credit Insurance N.V.</b>		<u>723,826</u>	<u>880,521</u>

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

# Atradius Credit Insurance N.V. New Zealand Branch

## Statement of Changes in Equity For the Year Ended 31 December 2014 In New Zealand Dollars

	Retained Deficit
Balance at 1 January 2013	(4,286,006)
Profit and total Comprehensive Income	880,521
Balance at 31 December 2013	<u>(3,405,485)</u>
Balance at 1 January 2014	<u>(3,405,485)</u>
Profit and total Comprehensive Income	<u>723,826</u>
Balance at 31 December 2014	<u>(2,681,659)</u>

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

# Atradius Credit Insurance N.V. New Zealand Branch

## Statement of Financial Position


As at 31 December 2014

In New Zealand Dollars

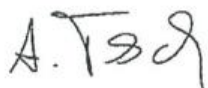
Assets	Note	2014	2013
Cash and cash equivalents	11	1,564,847	617,589
Reinsurance receivables	18	2,913,945	2,211,406
Trade receivables	10	946,418	684,040
Other investments	12	5,109,474	5,222,825
Miscellaneous assets and accruals		126,744	158,327
Tax asset	8	857	1,323
Property, plant and equipment	9	1,560	1,700
Deferred acquisition costs	14	181,959	151,166
<b>Total Assets</b>		<b>10,845,804</b>	<b>9,048,376</b>
<b>Equity</b>			
Retained Deficit	15	(2,681,659)	(3,405,485)
<b>Total Equity</b>		<b>(2,681,659)</b>	<b>(3,405,485)</b>
<b>Liabilities</b>			
Underwriting Provisions	17	3,286,262	2,313,609
Current tax liability	8	65,696	188,026
Reinsurance payables	19	555,803	596,598
Other accounts payables	20	9,086,979	8,863,826
Misc liabilities and accruals		532,723	491,802
<b>Total Liabilities</b>		<b>13,527,463</b>	<b>12,453,861</b>
<b>Total Equity and Liabilities</b>		<b>10,845,804</b>	<b>9,048,376</b>

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 Claus Gramlich-Eicher  
Date 28.5.2015



Director Andres Tesch  
Date 28.5.2015

# Atradius Credit Insurance N.V. New Zealand Branch

## Statement of Cash Flows For the Year Ended 31 December 2014 In New Zealand Dollars

	Note	2014	2013
<b>Cash flows from operating activities</b>			
Premium and other revenue received		4,282,275	4,038,237
Reinsurance premium net of commission		(1,830,887)	(1,702,584)
Payments to suppliers and staff		(1,370,620)	(1,508,446)
Claims payments		(388,305)	(397,930)
Reinsurance recoveries		338,559	347,267
Interest income		221,373	176,424
Tax		(403,703)	(157,587)
<b>Net cash inflow from operating activities</b>	<b>27</b>	<b>848,692</b>	<b>795,381</b>
<b>Cash flows from investing activities</b>			
Head office cash pooling transfers		(806,183)	1,368,862
Purchase of cash term deposit		-	(2,300,000)
Cash term deposit matured		905,800	-
Other		(1,051)	(105,800)
<b>Cash flows from investing activities</b>		<b>98,566</b>	<b>(1,036,938)</b>
<b>Net increase / (decrease) in cash</b>		<b>947,258</b>	<b>(241,557)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>617,589</b>	<b>859,146</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b>1,564,847</b>	<b>617,589</b>

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

# **Atradius Credit Insurance N.V. New Zealand Branch**

## **Notes to the financial statements**

### **1 Significant accounting policies**

#### **Reporting Entity**

Atradius Credit Insurance N.V. New Zealand Branch (the "Branch") is a branch of Atradius Credit Insurance N.V., the Netherlands a trade credit insurance company. The ultimate parent entity is Grupo Catalana Occidente SA, a company incorporated in Spain. The Branch was registered 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 N.V. During the year the branch reported a profit of \$723,826 (2013: profit \$880,521) and has a retained deficit of \$2,681,659 (2013: deficit \$3,405,485).

The Branch is part of Atradius Credit Insurance N.V., 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 N.V.**

## **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 N.V. New Zealand Branch

## Notes to the financial statements

### 1 Significant accounting policies (continued)

#### Reinsurance Recoveries

Reinsurance recoveries are with respect to underwriting provisions and include recoveries on claims liabilities at balance date. These recoveries are recognised as revenue.

The reinsurance recoveries also include deferred reinsurance premium. Outwards reinsurance premium is deferred and amortised so as to recognise the expense in a pattern matching the risks reinsured.

#### Reinsurance Receivables

Reinsurance receivables are amounts due from reinsurers.

#### 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 N.V.**

## **New Zealand Branch**

### **Notes to the financial statements**

#### **1     Significant accounting policies (continued)**

##### **Trade and Other Receivables**

Trade and other receivables are stated at fair value being 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.

##### **Trade and Other Payables**

Trade and other payables are stated at fair value.

##### **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 N.V. 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 N.V.**

## **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**

In the current year, the Branch has adopted all the new and revised Standards and Interpretations issued by the New Zealand Accounting Standards Board (the NZASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations have not resulted in change to the branch's accounting policies for the current and prior years.

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. Adoption has been approved and 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 2013). 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 N.V. New Zealand Branch

## Notes to the financial statements

In New Zealand Dollars

2	<b><u>Profit before tax</u></b>	2014	2013
	Underwriting Result	1,650,551	1,900,701
	Administrative expenses	(851,442)	(940,266)
	Other (expense)/revenue	206,556	154,682
	<b>Profit Before Tax</b>	<b>1,005,665</b>	<b>1,115,117</b>
3	<b><u>Premium Revenue</u></b>	2014	2013
	Premium invoiced	4,399,161	3,890,827
	Movement in unearned premium balance	(133,735)	(38,190)
	<b>Gross Earned premium</b>	<b>4,265,426</b>	<b>3,852,637</b>
4	<b><u>Administrative expenses</u></b>	2014	2013
	Group Overhead Costs	(422,222)	(488,111)
	Salaries	(248,516)	(245,026)
	Superannuation	(7,162)	(6,234)
	Other personal expenses	(12,632)	(11,341)
	Lease Payments	(28,600)	(31,200)
	Consultancy	(61,861)	(55,734)
	Communication Cost	(5,301)	(5,081)
	Travel Cost	(6,298)	(12,982)
	Marketing Cost	(8,311)	(1,458)
	Depreciation Cost	(1,190)	(1,381)
	Losses and disposal of assets	-	(17,503)
	Other Expenses	(49,347)	(64,215)
	<b>Total Administrative Expenses</b>	<b>(851,442)</b>	<b>(940,266)</b>
5	<b><u>Operating Expenses include the following:</u></b>	2014	2013
	Deloitte Audit Fees	27,834	30,395
	Other firms' professional advice	61,861	55,734
		<b>89,695</b>	<b>86,129</b>

# Atradius Credit Insurance N.V. New Zealand Branch

## Notes to the financial statements

In New Zealand Dollars

6	<b><u>Other revenue/(expense)</u></b>	<b>2014</b>	<b>2013</b>
	Interest Income	223,743	179,027
	Investment fee	(2,370)	(2,603)
	Fair value Change in Investments	(13,735)	(20,520)
	Foreign Exchange (Loss)/Gain	(1,082)	(1,222)
	<b>Total other revenue</b>	<b>206,556</b>	<b>154,682</b>
7	<b><u>Claims and Loss Adjustment Expenses</u></b>	<b>2014</b>	<b>2013</b>
	Gross claims expense incurred	(1,530,555)	742,392
	Claims handling expenses	171,124	(18,676)
	Reinsurance and other recoveries	818,719	(572,290)
	<b>Net claims incurred - undiscounted</b>	<b>( 540,712)</b>	<b>151,427</b>
	Discount movement		
	Gross claims provision	(39,220)	9,806
	Reinsurance share of claims provision	118,822	(6,419)
	<b>Net discount movement</b>	<b>79,602</b>	<b>3,387</b>
	<b>Net claims incurred</b>	<b>(461,110)</b>	<b>154,814</b>

# Atradius Credit Insurance N.V. New Zealand Branch

## Notes to the financial statements

In New Zealand Dollars

8	<u>Taxation</u>	Note	2014	2013
	<u>Income Tax expense</u>			
	Income tax recognised in Statement of Comprehensive Income		-	-
	Current taxation		281,373	246,508
	Deferred taxation		466	(11,912)
	Income tax expense for the year		<u>281,839</u>	<u>234,596</u>
	<u>Reconciliation of effective tax rate</u>			
	Profit before tax	2	1,005,665	1,115,117
	Income Tax using company tax rate at 28%		281,586	312,233
	Non-Deductible Expenses/(Income)		253	(2,180)
	Prior year adjustment/ other taxes		-	(75,457)
	Income tax expense		<u>281,839</u>	<u>234,596</u>
	<u>Income tax assets and liabilities</u>		2014	2013
	Income tax recognised in the Statement of Financial Position		-	-
	Deferred tax asset with respect to temporary differences		857	1,323
	Withholding tax asset		-	-
	Tax asset		<u>857</u>	<u>1,323</u>
	Corporation tax payable		65,696	188,026
	Deferred tax liability with respect of temporary differences		-	-
	Tax liability		<u>65,696</u>	<u>188,026</u>

# Atradius Credit Insurance N.V. New Zealand Branch

## Notes to the financial statements

In New Zealand Dollars

### 8 Taxation (continued)

	2012	(Charge)/credit to income	2013	(Charge)/credit to income	2014
<b><u>Deferred tax asset</u></b>					
Provision for bad debts	496	1,102	1,598	2,165	3,763
Provision for employee bonuses	5,852	6,994	12,846	(457)	12,389
Accruals	25,484	3,300	28,784	6,618	35,402
Impairment of tax asset					
Total deferred tax asset	31,832	11,396	43,228	8,326	51,554
<b><u>Deferred tax liability</u></b>					
Deferred acquisition costs	(40,562)	(1,764)	(42,326)	(8,623)	(50,949)
Other	(1,859)	2,280	421	(169)	252
	(42,421)	516	(41,905)	(8,792)	(50,697)
<b>Net deferred tax</b>	<b>(10,589)</b>	<b>11,912</b>	<b>1,323</b>	<b>(466)</b>	<b>857</b>

### 9 Property, Plant and Equipment

2014	Cost	Current Year Depreciation	Accumulated Depreciation	Carrying Value
Computer Hardware	22,816	1,190	21,256	1,560
Fixtures and Fittings	-	-	-	-
<b>Total</b>	<b>22,816</b>	<b>1,190</b>	<b>21,256</b>	<b>1,560</b>
 2013	 Cost	 Current Year Depreciation	 Accumulated Depreciation	 Carrying Value
Computer Hardware	21,766	927	20,066	1,700
Fixtures and Fittings	-	454	-	-
<b>Total</b>	<b>21,766</b>	<b>1,381</b>	<b>20,066</b>	<b>1,700</b>

There was one asset addition during the year. The resulting increase in computer hardware costs was 1,050. There were no disposals. During 2013 computer hardware and fixtures & fittings were disposed upon moving offices. Therefore no fixtures & fittings remain.

# Atradius Credit Insurance N.V. New Zealand Branch

## Notes to the financial statements

In New Zealand Dollars

<b>10</b>	<b><u>Trade and Other Receivables</u></b>	<b>2014</b>	<b>2013</b>
	Trade Receivables	943,818	680,098
	Other Receivables	2,600	3,942
		<u>946,418</u>	<u>684,040</u>

Trade receivables are current assets and all under 90 days old except for \$122,518 (2013: \$73,525) which has an allowance for doubtful debts of \$33,979 against it (2013:\$18,324).

<b>11</b>	<b><u>Cash and Cash Equivalents</u></b>	<b>2014</b>	<b>2013</b>
	Bank Balances	1,564,847	617,589
		<u>1,564,847</u>	<u>617,589</u>

<b>12</b>	<b><u>Other Investments</u></b>	<b>2014</b>	<b>2013</b>
	Government bond	503,290	517,025
	Term deposit	3,800,000	4,705,800
	Investment held by Head office	806,183	-
		<u>5,109,474</u>	<u>5,222,825</u>

# Atradius Credit Insurance N.V.

## New Zealand Branch

### Notes to the financial statements

In New Zealand Dollars

#### 13 Financial Instruments

Financial assets are measured at fair value with movements recognised in the Statement of Comprehensive Income. This includes Government bonds, term deposits and investments held by head office, 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 largest exposure to financial instruments is a \$2,300,000 term deposit with ASB Ltd. The largest of other assets is that exposure to the panel of reinsurers. The Branch does not require collateral or other security to support the reinsurance assets with credit risk and as such, no collateral exists for any assets 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.

**Liquidity risk** - liquidity risk is the risk that the Branch will not be able to meet its cash outflows, 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. Atradius Credit Insurance also pledges continuing support.

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 approximately one year. An exception is the balance payable to head office being Atradius Credit Insurance N.V. The majority of this balance is long term and is not expected to be repaid whilst the branch remains operational.

#### **Foreign currency risk**

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.

# Atradius Credit Insurance N.V. New Zealand Branch

## Notes to the financial statements

In New Zealand Dollars

<b>14</b>	<b><u>Deferred acquisition costs</u></b>	<b>2014</b>	<b>2013</b>
	Balance at 1 January	151,166	144,864
	Acquisition costs paid during the year	674,776	555,702
	Current period amortisation /(deferral)	(643,982)	(549,400)
	<b>Balance at 31 December</b>	<b>181,959</b>	<b>151,166</b>
<b>15</b>	<b><u>Retained deficit</u></b>	<b>2014</b>	<b>2013</b>
	Retained Deficit - Opening Balance	(3,405,485)	(4,286,006)
	Net Profit	723,825	880,521
	<b>Closing Balance</b>	<b>(2,681,659)</b>	<b>(3,405,485)</b>
<b>16</b>	<b><u>Operating Leases</u></b>	<b>2014</b>	<b>2013</b>
	Non cancellable operating Leases rentals have the following future commitments:		
	Less than one year	10,400	10,400
	Between one and five Years	-	-
		<b>10,400</b>	<b>10,400</b>

# Atradius Credit Insurance N.V. New Zealand Branch

## Notes to the financial statements

In New Zealand Dollars

17	<b><u>Underwriting Provisions</u></b>	2014	2013
	<u>Unearned Premium</u>		
	2014	-	879,738
	2015	1,013,473	-
	Total unearned premium	1,013,473	879,738
	 <u>Provision for Future claims reported</u>		
	Underwriting Year 2008	32,465	31,989
	Underwriting Year 2009	-	-
	Underwriting Year 2010	3,456	3,445
	Underwriting Year 2011	-	67,486
	Underwriting Year 2012	-	151,635
	Underwriting Year 2013	1,037,282	206,876
	Underwriting Year 2014	121,764	-
	Total provision for future claims reported	1,194,967	461,431
	 <u>Provision for Future claims incurred but not yet reported</u>		
	Underwriting Year 2009	-	89
	Underwriting Year 2010	494	3,896
	Underwriting Year 2011	828	15,697
	Underwriting Year 2012	10,876	63,097
	Underwriting Year 2013	40,084	889,661
	Underwriting Year 2014	1,025,540	-
	Total provision for future claims incurred but not yet reported	1,077,822	972,440
	Total Future Claims Provision	2,272,789	1,433,871
	<b>Total Underwriting Provisions</b>	<b>3,286,262</b>	<b>2,313,609</b>

# **Atradius Credit Insurance N.V.**

## **New Zealand Branch**

### **Notes to the financial statements**

In New Zealand Dollars

#### **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% (2013: 6.5%) of claim payments net of reinsurance and indirect claims handling costs are provided at 4% (2013: 4%).

# **Atradius Credit Insurance N.V.**

## **New Zealand Branch**

### **Notes to the financial statements**

In New Zealand Dollars

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 26.125% (2013: 26.125%) has been used in the calculation of the outstanding claims liability and is intended to provide an adequacy to the 75<sup>th</sup> percentile.

Sensitivity analysis has been performed around the gross outstanding claims provision of \$2,272,789. If the loss ratio for the 2014 accident year is increased by 5% (i.e. from 24% to 29%), the provision would increase by \$208,872 or 9%. Any increase in provision is covered by reinsurance for an amount of 75%.

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 2014 which were derived from the yields published by the Reserve Bank of New Zealand. The discount rate selected follows the yield curve and averages 4% per annum based on the expected duration of 1.22 years for the outstanding claims liabilities.

The present value of expected cash flows for future claims including a risk margin for the company is \$2,272,789 (2013: 1,433,371) comprising central estimate of \$1,802,015 (2013: 1,136,865) and a 26.125% (2013: 26.125%) risk margin of \$470,776 (2013: \$297,006).

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 2014 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 2014.

# **Atradius Credit Insurance N.V.**

## **New Zealand Branch**

### **Notes to the financial statements**

In New Zealand Dollars

#### **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 N.V.**

## **New Zealand Branch**

### **Notes to the financial statements**

In New Zealand Dollars

**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 2014 cede 75.0% 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 N.V. 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 or with head office.

**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 NZD28,221.

# Atradius Credit Insurance N.V. New Zealand Branch

## Notes to the financial statements

In New Zealand Dollars

<b>18</b>	<b><u>Reinsurance Recoveries and Receivables</u></b>	<b>2014</b>	<b>2013</b>
	Atradius Re, Ireland	1,146,330	868,124
	3rd Party Reinsurance Receivables	1,767,615	1,343,282
		2,913,945	2,211,406

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

<b>19</b>	<b><u>Reinsurance and Insurance Payables</u></b>	<b>2014</b>	<b>2013</b>
	Atradius Re, Ireland	238,019	270,545
	3rd Party Reinsurers	317,784	328,053
		555,803	596,598

Reinsurance Payables are settled monthly and do not accrue interest.

<b>20</b>	<b><u>Other Accounts Payables</u></b>	<b>2014</b>	<b>2013</b>
	Payroll Liabilities	44,248	45,878
	Other Accounts Payable	441,997	280,051
	Atradius Credit Insurance N.V., Netherlands	8,600,735	8,537,897
		9,086,979	8,863,826

# **Atradius Credit Insurance N.V. New Zealand Branch**

## **Notes to the financial statements**

In New Zealand Dollars

### **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 N.V.

#### **Material related party transactions**

- The Branch maintains a quota share reinsurance treaty arranged via a broker which includes 21 treaty partners. Atradius Re 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 N.V. Amsterdam charged the Branch group overhead charges during the period of: \$329,140 (2013: \$288,160).
- Other intercompany charges relate to shared services charges which are information technology charges from Atradius Credit Insurance N.V., United Kingdom branch which for 2014 was a charge of \$56,858 (2013: \$55,657) and risk services charges which were 160,326 for 2014 (2013: \$144,394) from Atradius Information Services BV.

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.

### **22 Capital Commitments**

There are no capital commitments (2013: 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. (2013:\$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 solvency requirements issued by the Reserve Bank of New Zealand. The solvency requirements which apply under the new prudential supervision regime have been met both by ACI N.V. and the branch.

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

# Atradius Credit Insurance N.V. New Zealand Branch

## Notes to the financial statements

In New Zealand Dollars

### 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

	2014	2013
Actual solvency Capital	5,717,484	4,993,192
Minimum Solvency Capital	<u>3,000,000</u>	<u>3,000,000</u>
Solvency Margin	<u>8,717,484</u>	<u>1,933,192</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.

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

	Note	2014	2013
<b>Profit</b>		723,826	880,521
<b>Non cash items</b>			
Depreciation		1,190	1,381
Losses on disposal of assets		-	17,503
Unrealised movement in investments		<u>13,735</u>	<u>20,520</u>
		14,925	39,404
<b>Movement in working capital</b>			
Trade receivables		(262,378)	(90,575)
Deferred acquisition costs		(30,793)	(6,302)
Reinsurance receivable		(702,539)	899,150
Other		31,583	16,693
Tax		(121,864)	77,009
Underwriting Provisions		972,653	(1,111,939)
Reinsurance payables		(40,795)	132,163
Other payables		223,153	(50,418)
Other non-current payables		<u>40,921</u>	<u>9,675</u>
<b>Net cash flow from operating activities</b>		<u>848,692</u>	<u>795,381</u>



**KPMG Actuarial Pty Ltd**  
Australian Financial Services Licence No. 392050  
10 Shelley Street  
Sydney NSW 2000

PO Box H67  
Australia Square NSW 1215  
Australia

ABN: 91 144 686 046  
Telephone: +61 2 9335 7000  
Facsimile: +61 2 9335 7001  
DX: 1056 Sydney  
www.kpmg.com.au

29 May 2015

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

Dear Mr Hoppe

**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 2014, dated 27 May 2015 ("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 27 March 2015), 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:*

You have asked me to prepare this report with reference to Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010, and I comment as follows:

- 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 independent with respect to Atradius Credit Insurance N.V. New Zealand Branch and also Atradius Credit Insurance N.V.
- I am not the Appointed Actuary to Atradius Credit Insurance N.V. I understand that the regulator in the Netherlands does not require a Group Appointed Actuary. I have been advised by ACINZ that at the time of their insurance licence application with the RBNZ, it was agreed that the Atradius Group would not be required to have an Appointed Actuary sign off the Group accounts for the NZ regulator.
- 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 2014. "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. These figures show that, as at 31 December 2014, the New Zealand branch accounts for approximately 0.3% of the Group's premiums and 0.2% of the Group's claims. The figures for the New Zealand branch included within the Group accounts are prepared under different accounting standards to those I review for the New Zealand branch's solvency returns. However, given materiality as defined in the RBNZ's Solvency Standard for Non-Life business I do not consider the New Zealand operations to be material to the Group.

- I understand that no condition has been imposed under Section 21 (2) (b) as at 31 December 2014.