

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Company Directory

| | |
|---------------------------|---|
| Nature of Business | Trade Credit Insurance |
| Registered Office | Level 6, Office B 56 Cawley Street Ellerslie Auckland |
| Company Number | 1547417 |
| IRD Number | 88-865-499 |
| Directors | José Ignacio ALVAREZ JUSTE Francisco José ARREGUI LABORDA Xavier FREIXES PORTES Carlos HALPERN SERRA John Patrick HOURICAN Bernd Hinrich MEYER Hugo SERRA CALDERÓN Dirk Marinus SLUIMERS José María SUNYER SENDRA Isidoro UNDA URZAIZ Désirée Maria VAN GORP |
| Branch of | Atradius Crédito y Caución S.A. de Seguros y Reaseguros, Spain |
| Auditor | Deloitte Touch Tohmatsu, Melbourne, Australia |
| Bankers | ASB Bank Limited |
| Solicitors | Russel McVeagh |
| Business Location | Auckland |

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 Crédito y Caución S.A. de Seguros y Reaseguros – New Zealand Branch

Opinion

We have audited the financial statements of Atradius Crédito y Caución S.A. de Seguros y Reaseguros – New Zealand Branch (the "Branch") which comprise the statement of financial position as at 31 December 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Branch's financial position as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for Opinion

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

We are independent of the Branch in accordance with the ethical requirements of Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board (the "Code") that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other than in our capacity as auditor, we have no relationship with or interests in the Branch. These services have not impaired our independence as auditor of the Branch.

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

Emphasis of Matter – New Zealand Branch

The New Zealand Branch is part of Atradius Crédito y Caución S.A. de Seguros y Reaseguros (the "Entity"), which is incorporated in Spain. As described in Note 1, the assets of the Branch are legally available for the satisfaction of debts of the Entity, not solely those appearing on the accompanying statement of financial position and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect of this matter.

Responsibilities of the Board of Directors of the Entity for the Financial Statements of the Branch

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

In preparing the financial statements, the Board of Directors of the Entity are responsible for assessing the ability of the Branch to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.


Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



Peter Caldwell
Partner
Chartered Accountants
Melbourne, 20 April 2018

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Statement of Comprehensive Income For the Year Ended 31 December 2017 In New Zealand Dollars

| | <u>Note</u> | <u>2017</u> | <u>2016</u> |
|---|-------------|------------------|------------------|
| Gross earned premium | 3 | 5,199,517 | 4,605,393 |
| Outward reinsurance of premium | | (3,824,872) | (3,386,880) |
| Net premium revenue | | <u>1,374,645</u> | <u>1,218,513</u> |
| Reinsurance commission | | 1,746,552 | 1,553,997 |
| Fee income | | 438,562 | 295,776 |
| Operating revenue | | <u>3,559,759</u> | <u>3,068,286</u> |
| Underwriting expenses | | | |
| Gross claims (expense)/revision | 7 | (383,126) | (2,366,254) |
| Reinsurance recoveries on claims | 7 | 242,646 | 1,598,374 |
| Commission costs | 14 | (810,779) | (656,960) |
| Underwriting Result | | <u>2,608,500</u> | <u>1,643,446</u> |
| Administrative expenses | 4 | (1,056,753) | (851,580) |
| Other revenue/(expense) | 6 | 199,602 | 194,196 |
| Profit before tax | 2 | <u>1,751,349</u> | <u>986,062</u> |
| Taxation expense | 8 | (553,725) | (276,598) |
| Profit for the period | | <u>1,197,624</u> | <u>709,464</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total Comprehensive Income for the year attributable to the members of Atradius Crédito y Caución S.A. de Seguros y Reaseguros | | <u>1,197,624</u> | <u>709,464</u> |

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

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Statement of Changes in Equity For the Year Ended 31 December 2017 In New Zealand Dollars

| | Retained Deficit |
|---------------------------------------|-------------------------|
| Balance at 1 January 2016 | (1,959,307) |
| Profit and total Comprehensive Income | <u>709,464</u> |
| Balance at 31 December 2016 | <u>(1,249,843)</u> |
| | |
| Balance at 1 January 2017 | (1,249,843) |
| Profit and total Comprehensive Income | <u>1,197,624</u> |
| Balance at 31 December 2017 | <u>(52,219)</u> |

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

Atradius Crédito y Caucción S.A. de Seguros y Reaseguros New Zealand Branch

Statement of Financial Position

As at 31 December 2017

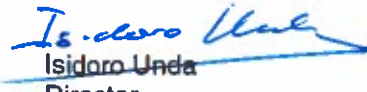
In New Zealand Dollars

| | <u>Note</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | 11 | 1,490,683 | 1,692,608 |
| Reinsurance receivables | 18 | 3,533,258 | 3,678,481 |
| Trade receivables | 10 | 1,018,077 | 672,382 |
| Other investments | 12 | 8,046,666 | 6,717,922 |
| Miscellaneous assets and accruals | | 462,830 | 287,337 |
| Deferred acquisition costs | 14 | 232,923 | 192,299 |
| Net deferred tax asset | 8 | 5,021 | 3,903 |
| Property, plant and equipment | 9 | 174,134 | 2,523 |
| Total Assets | | 14,963,592 | 13,247,455 |
| Equity | | | |
| Retained deficit | 15 | (52,219) | (1,249,843) |
| Total Equity | | (52,219) | (1,249,843) |
| Liabilities | | | |
| Underwriting provisions | 17 | 4,190,134 | 4,473,339 |
| Current tax liability | 8 | 322,028 | 77,860 |
| Reinsurance payables | 19 | 785,972 | 380,993 |
| Other accounts payables | 20 | 8,901,908 | 8,864,452 |
| Miscellaneous liabilities and accruals | | 815,769 | 700,654 |
| Total Liabilities | | 15,015,811 | 14,497,298 |
| Total Equity and Liabilities | | 14,963,592 | 13,247,455 |

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.


 Ignacio Álvarez
 Director


 Isidoro Unda
 Director

Date: 20 April 2018

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Statement of Cash Flows For the Year Ended 31 December 2017 In New Zealand Dollars

| | <u>Note</u> | <u>2017</u> | <u>2016</u> |
|---|-------------|--------------------|------------------|
| Cash flows from operating activities | | | |
| Premium and other revenue received | | 5,292,384 | 5,218,267 |
| Reinsurance premium net of commission | | (1,673,340) | (2,100,742) |
| Payments to suppliers and staff | | (2,037,133) | (1,732,619) |
| Claims payments | | (748,954) | (1,508,028) |
| Reinsurance recoveries | | 551,059 | 1,098,094 |
| Interest income | | 228,906 | 204,000 |
| Tax paid | | (310,675) | (334,931) |
| Net cash inflow from operating activities | 27 | 1,302,247 | 844,041 |
| Cash flows from investing activities | | | |
| Head office cash pooling transfers | | (328,744) | 535,507 |
| Purchase of cash term deposit | | (6,000,000) | (9,800,000) |
| Cash term deposit and bond matured | | 5,000,000 | 9,149,340 |
| Purchase of property, plant and equipment | | (175,428) | 0 |
| Net cash flows from investing activities | | (1,504,172) | (115,153) |
| Net (decrease) / increase in cash | | (201,925) | 728,888 |
| Cash and cash equivalents at the beginning of the year | | 1,692,608 | 963,720 |
| Cash and cash equivalents at the end of the year | 11 | 1,490,683 | 1,692,608 |

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

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements
For the Year Ended 31 December 2017
In New Zealand Dollars

1 Significant accounting policies

Reporting Entity

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch (the "Branch") is a branch of Atradius Crédito y Caución S.A. de Seguros y Reaseguros, a trade credit insurance company. In the prior year, the branch was part of Atradius Credit Insurance N.V. The merger of two major European credit insurance carriers Atradius Credit Insurance N.V. and Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.U. into one single legal entity was completed on December 30, 2016. The remaining entity has been renamed to Atradius Crédito y Caución S.A. de Seguros y Reaseguros. The merger was approved by the Spanish Dirección General de Seguros (DGS) and De Nederlandsche Bank (DNB).

There were no changes in the products or service carried out by the remaining entity. The branch continues to operate under the existing Atradius trade name. The ultimate parent entity remains to be Grupo Catalana Occidente SA, a company incorporated in Spain. The Branch was registered on 26 August 2004. The Branch has an office in Auckland.

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 (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for-profit entities. The financial statements comply with International Financial Reporting Standards. The Branch is an FMC reporting entity under the Financial Markets Conduct Act 2013 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.

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 Crédito y Caución S.A. de Seguros y Reaseguros. During the year the branch reported a profit of \$1,197,624 (2016: profit \$709,464) and has a retained deficit of \$52,219 (2016: deficit \$1,249,843).

The Branch is part of Atradius Crédito y Caución S.A. de Seguros y Reaseguros, which is incorporated in Spain. 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. The Company has confirmed that its policy is to continue to provide financial support to the Branch to enable the Branch to pay its debts as they fall due.

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements
For the Year Ended 31 December 2017
In New Zealand Dollars

1 Significant accounting policies (continued)

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.

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 received on outwards reinsurance and is recognised as income as it is earned.

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.

Atradius Crédito y Caucción S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

1 Significant accounting policies (continued)

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 an 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.

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 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).

| | |
|-----------------------|--------|
| Fixtures and Fittings | 16.67% |
| Computer Hardware | 33.33% |

The residual value of assets is reassessed annually.

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

1 Significant accounting policies (continued)

Investments

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

Investments 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 investments were classified as available for sale or measured at amortised cost.

Trade and Other Receivables

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

Impairment

The carrying amounts of the Branch's assets except for investments 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 amortised cost.

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.

Atradius Crédito y Caucción S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

1 Significant accounting policies (continued)

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 in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

(iii) 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. Where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the acquisition cost on an asset or as part of an item of expense.

Atradius Crédito y Caucción S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

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 to outstanding claim cases and with regard to statistical methods. 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 relevant standards, amendments and interpretations to existing standards have been published and are mandatory for the Branch's accounting periods beginning after 1 January 2017 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 2018). The standard replaces NZ IAS 39 and introduces requirements for classifying and measuring financial assets and liabilities. The Branch opts for the temporary deferral exemption as activities of the entity are predominantly connected with insurance.
- NZ IFRS 15 'Revenue from contracts with customers' (effective 1 January 2018). It is considered that this standard will not have a material impact on the financial statements.
- NZ IFRS 16 'Leases' (effective from 1 January 2019). It is considered that this standard will not have a material impact on the financial statements.
- NZ IFRS 17 'Insurance Contracts' (effective from 1 January 2021) was issued during 2017, and will replace NZ IFRS 4 Insurance Contracts. NZ IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The Branch is currently assessing the impact of adopting this standard.

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

| | | | | |
|----------|--|--------------------|--------------------|--------------------|
| 2 | <u>Profit before tax</u> | <u>Note</u> | <u>2017</u> | <u>2016</u> |
| | Underwriting Result | | 2,608,500 | 1,643,446 |
| | Administrative expenses | 4 | (1,056,753) | (851,580) |
| | Other revenue/(expense) | 6 | 199,602 | 194,196 |
| | Profit Before Tax | | 1,751,349 | 986,062 |
| | | | | |
| 3 | <u>Premium Revenue</u> | | | |
| | Premium invoiced | | 5,356,056 | 4,618,421 |
| | Movement in unearned premium balance | | (156,539) | (13,028) |
| | Gross Earned premium | | 5,199,517 | 4,605,393 |
| | | | | |
| 4 | <u>Administrative expenses</u> | | | |
| | Group Overhead Costs | | (580,264) | (391,642) |
| | Salaries | | (237,871) | (201,291) |
| | Superannuation | | (9,678) | (6,371) |
| | Other personnel expenses | | (20,756) | (21,879) |
| | Lease Payments | | (34,808) | (31,200) |
| | Consultancy | | (78,504) | (97,876) |
| | Communication Cost | | (5,554) | (4,372) |
| | Travel Cost | | (19,502) | (5,660) |
| | Marketing Cost | | (6,752) | (6,420) |
| | Depreciation Cost | 9 | (3,817) | (1,644) |
| | Other Expenses | | (59,247) | (83,225) |
| | Total Administrative Expenses | | (1,056,753) | (851,580) |
| | | | | |
| 5 | <u>Audit fees and other professional advice</u> | | | |
| | Deloitte Audit Fees | | 28,320 | 28,179 |
| | Other firms' professional advice | | 78,504 | 97,876 |
| | | | 106,824 | 126,055 |

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

| | | <u>2017</u> | <u>2016</u> |
|----------|---|------------------|------------------|
| 6 | <u>Other revenue/(expense)</u> | | |
| | Interest Income | 228,907 | 204,000 |
| | Foreign Exchange Loss | (29,305) | (9,804) |
| | Total other revenue | 199,602 | 194,196 |
| | | | |
| 7 | <u>Claims and Loss Adjustment Expenses</u> | | |
| | Gross claims expense incurred | (210,373) | (2,153,323) |
| | Claims handling expenses | (165,271) | (211,345) |
| | Reinsurance and other recoveries | 244,211 | 1,597,037 |
| | Net claims incurred - undiscounted | (131,434) | (767,631) |
| | Discount movement | | |
| | Gross claims provision | (30,076) | (1,586) |
| | Reinsurance share of claims provision | 21,029 | 1,337 |
| | Net discount movement | (9,047) | (249) |
| | Net claims incurred | (140,480) | (767,880) |
| | Current year | (876,344) | (808,199) |
| | Prior year | 735,864 | 40,319 |
| | Total | (140,480) | (767,880) |

Movements in outstanding claims are set out as follows:

| | | <u>2017</u> | <u>2017</u> | <u>2017</u> |
|---|-------------|------------------|--------------------|----------------|
| | <u>Note</u> | <u>Gross</u> | <u>Reinsurance</u> | <u>Net</u> |
| At January 1 | 17 | 3,376,330 | (2,360,368) | 1,015,962 |
| Adjustment to claims reserves brought forward | | (758,085) | 554,733 | (203,352) |
| Provision for current year cases | | 592,326 | (413,858) | 178,468 |
| Increase (decrease) in claims incurred but not reported | | 518,809 | (362,492) | 156,317 |
| Discount | | 30,076 | (21,029) | (9,047) |
| Claims settled | | (822,871) | 551,059 | (271,812) |
| At December 31 | 17,18 | 2,936,585 | (2,051,955) | 884,630 |

Atradius Crédito y Caucción S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

| 8 | <u>Taxation</u> | <u>Note</u> | <u>2017</u> | <u>2016</u> |
|---|--|-------------|----------------|----------------|
| | <u>Income Tax expense</u> | | | |
| | Current taxation | | 554,843 | 276,306 |
| | Deferred taxation | | (1,118) | 292 |
| | Income tax expense for the year | | 553,725 | 276,598 |
| | Reconciliation of effective tax rate: | | | |
| | Profit before tax | 2 | 1,751,349 | 986,062 |
| | Income tax using company tax rate at 28% | | 490,378 | 276,097 |
| | Non-deductible expenses/(income) | | - | 212 |
| | Prior year adjustment/ other taxes | | 63,347 | 289 |
| | Income tax expense | | 553,725 | 276,598 |
| | <u>Income tax assets and liabilities</u> | | | |
| | Deferred tax asset with respect to temporary differences | | 5,021 | 3,903 |
| | Net deferred tax asset | | 5,021 | 3,903 |
| | Corporation tax payable | | 322,028 | 77,860 |
| | Current tax liability | | 322,028 | 77,860 |

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

8 Taxation (continued)

| | 1 January 2016 | (Charge)/credit to income | 31 December 2016 | (Charge)/credit to income | 31 December 2017 |
|--------------------------------------|-------------------|------------------------------|---------------------|------------------------------|---------------------|
| <u>Deferred tax asset</u> | | | | | |
| Provision for bad debts | 4,419 | (3,722) | 697 | 1,800 | 2,497 |
| Provision for employee bonuses | 14,710 | (6,078) | 8,632 | 1,321 | 9,953 |
| Accruals | 43,179 | 5,239 | 48,418 | 9,371 | 57,789 |
| Total deferred tax asset | 62,308 | (4,561) | 57,747 | 12,492 | 70,239 |
| <u>Deferred tax liability</u> | | | | | |
| Deferred acquisition costs | (58,113) | 4,269 | (53,844) | (11,375) | (65,219) |
| Other | - | - | - | - | - |
| Total deferred tax liability | (58,113) | 4,269 | (53,844) | (11,375) | (65,219) |
| Net deferred tax | 4,195 | (292) | 3,903 | 1,118 | 5,021 |

9 Property, Plant and Equipment

| <u>2017</u> | Cost | Current Year Depreciation | Accumulated Depreciation | Carrying Value |
|-----------------------|----------------|------------------------------|-----------------------------|-------------------|
| Computer Hardware | 26,696 | 1,381 | 25,554 | 1,143 |
| Fixtures and Fittings | 175,428 | 2,436 | 2,436 | 172,991 |
| Total | 202,124 | 3,817 | 27,990 | 174,134 |
| | | | | |
| <u>2016</u> | Cost | Current Year Depreciation | Accumulated Depreciation | Carrying Value |
| Computer Hardware | 26,696 | 1,644 | 24,173 | 2,523 |
| Fixtures and Fittings | - | - | - | - |
| Total | 26,696 | 1,644 | 24,173 | 2,523 |

During 2017, the office moved from Wellington to Auckland. New additions to fixture and fittings amounted to \$175,428. There were no disposals during the year.

Atradius Crédito y Caucción S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

| 10 <u>Trade and Other Receivables</u> | 2017 | 2016 |
|---------------------------------------|-----------|---------|
| Trade Receivables | 1,009,345 | 668,972 |
| Other Receivables | 8,732 | 3,410 |
| | 1,018,077 | 672,382 |

Trade receivables are current assets and all under 90 days old except for \$37,438 (2016: \$13,067) which has an allowance for doubtful debts of \$8,918 against it (2016: \$4,411).

| 11 <u>Cash and Cash Equivalents</u> | 2017 | 2016 |
|-------------------------------------|-----------|-----------|
| Bank Balances | 1,490,683 | 1,692,608 |
| | 1,490,683 | 1,692,608 |

| 12 <u>Other Investments</u> | 2017 | 2016 |
|--------------------------------|-----------|-----------|
| Term deposit | 6,000,000 | 5,000,000 |
| Investment held by Head office | 2,046,666 | 1,717,922 |
| | 8,046,666 | 6,717,922 |

The investment held by Head Office is a related party balance, it is treated as available on demand.

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

13 Financial Instruments

Investments are measured at fair value with movements recognised in the Statement of Comprehensive Income. This includes 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, the investment held by Head Office and receivables. The largest exposure to financial instruments is a \$6,000,000 (2016: \$5,000,000) 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

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 Crédito y Caución S.A. de Seguros y Reaseguros 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.

The balance payable to head office being Atradius Crédito y Caución S.A. de Seguros y Reaseguros is payable on demand. The Head Office confirms that for the foreseeable future Atradius Crédito y Caución S.A. de Seguros y Reaseguros will not request repayment of this account until such time that the branch can pay its debts when they fall due.

Foreign currency risk

The Company holds bank accounts in USD and AUD, which as of 31 December 2017 had balances of USD 230,993 and AUD 32,769 (December 2016: USD 340,260 and AUD 42,085), has trade receivables in foreign currency and intercompany liabilities in EURO at December 2017: EUR 85,583 (2016: EUR 89,870). Should the exchange rate change by 10% (strengthen) the value of the bank accounts would decrease by \$32,775 and intercompany liabilities would also decrease by \$13,110 together resulting in an additional cost on the profit and loss of \$19,665. Approximately 12% of the gross claims provision (2016: 6%) is denominated in a currency other than New Zealand dollars. 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 Crédito y Caucción S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

| | | | |
|-----------|---|------------------------|---------------------------|
| 14 | <u>Deferred acquisition costs</u> | <u>2017</u> | <u>2016</u> |
| | Balance at 1 January | 192,299 | 207,548 |
| | Acquisition costs paid during the year | 851,403 | 641,711 |
| | Current period amortisation /(deferral) | (810,779) | (656,960) |
| | Balance at 31 December | <u>232,923</u> | <u>192,299</u> |
| | | | |
| 15 | <u>Retained deficit</u> | | |
| | Retained deficit - opening balance | (1,249,843) | (1,959,307) |
| | Net profit | 1,197,624 | 709,464 |
| | Closing balance | <u>(52,219)</u> | <u>(1,249,843)</u> |
| | | | |
| 16 | <u>Operating Leases</u> | | |
| | Non-cancellable operating leases rentals have the following future commitments: | | |
| | Less than one year | 37,248 | 15,600 |
| | Between one and five Years | 148,992 | - |
| | More than 5 years | 31,018 | - |
| | | <u>217,258</u> | <u>15,600</u> |

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

| 17 <u>Underwriting Provisions</u> | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| <u>Unearned Premium</u> | | |
| 2016 | - | 1,097,009 |
| 2017 | 1,253,549 | - |
| Total unearned premium | 1,253,549 | 1,097,009 |
| <u>Provision for Future claims reported</u> | | |
| Underwriting Year 2008 | - | 12,627 |
| Underwriting Year 2010 | - | 3,465 |
| Underwriting Year 2013 | - | 157 |
| Underwriting Year 2014 | - | 12,480 |
| Underwriting Year 2015 | 445 | 814,982 |
| Underwriting Year 2016 | 338,978 | 1,029,954 |
| Underwriting Year 2017 | 579,105 | - |
| Total provision for future claims reported | 918,528 | 1,873,665 |
| <u>Provision for Future claims incurred but not yet reported</u> | | |
| Underwriting Year 2014 | | 2,256 |
| Underwriting Year 2015 | 562 | 56,133 |
| Underwriting Year 2016 | 73,257 | 1,444,276 |
| Underwriting Year 2017 | 1,944,238 | - |
| Total provision for future claims incurred but not yet reported | 2,018,057 | 1,502,665 |
| Total Future Claims Provision | 2,936,585 | 3,376,330 |
| Total Underwriting Provisions | 4,190,134 | 4,473,339 |

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements
For the Year Ended 31 December 2017
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17 Underwriting Provisions (continued)

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% (2016: 6.5%) of claim payments net of reinsurance and indirect claims handling costs are provided at 4% (2016: 4%).

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% (2016: 26.125%) has been used in the calculation of the outstanding claims liability and is intended to provide an adequacy to the 75th percentile. There is no benefit from diversification of risks.

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

17 Underwriting Provisions (continued)

Sensitivity analysis has been performed around the gross outstanding claims provision of \$2,936,585. If the loss ratio for the 2017 accident year is increased by 5% (i.e. from 40% to 45%), the provision would increase by \$315,418 or 11%. Any increase in provision is covered by reinsurance for an amount of 72.5% therefore the effect on the profit and loss would be a decrease in result of \$86,740.

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 2017, derived from New Zealand Government bonds. The discount rate selected follows the yield curve and averages 1.78% per annum based on the expected duration of 1.29 years for the outstanding claims liabilities.

The present value of expected cash flows for future claims including a risk margin for the company is \$2,936,585 (2016: \$3,376,330) comprising central estimate of \$2,241,565 (2016: \$2,577,233) and a 26.125% (2016: 26.125%) risk margin of \$608,272 (2016: \$699,359).

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

The investments of the branch are firstly used to settle insurance liabilities.

Liability Adequacy Test

The conduct of the liability adequacy test as at 31 December 2017 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 2017.

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 effects 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.

Atradius Crédito y Caucción S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

17 Underwriting Provisions (continued)

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 and financial strength.

Pricing – Many years of experience enable 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.

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 Crédito y Caucción S.A. de Seguros y Reaseguros 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 2017 cede 72.5% in total. (2016: 72.5%)

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. The majority of the reinsurers have a rating of at least Moody's A3.

The Moody's rating for Atradius Crédito y Caucción S.A. de Seguros y Reaseguros 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 cash 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. For this year, there is no claims provision and related reinsurance for the underwriting years prior to 2010 (2016: NZD9,432).

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

| 18 <u>Reinsurance Recoveries and Receivables</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Atradius Re, Ireland | 1,487,218 | 1,527,826 |
| 3rd Party Reinsurance Receivables | 2,046,040 | 2,150,655 |
| | 3,533,258 | 3,678,481 |

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

| | | |
|--|------------------|------------------|
| Reinsured share of unearned premium | 877,536 | 795,431 |
| Reinsured share of future claims provision | 2,051,955 | 2,360,369 |
| Other reinsurance related receivables | 603,767 | 522,681 |
| | 3,533,258 | 3,678,481 |

Movements in Reinsurance Recoveries and Receivables are set as follows:

| | | |
|---------------------------|------------------|------------------|
| Balance at 1 January | 3,678,481 | 3,159,093 |
| Current period Provisions | 585,637 | 1,869,802 |
| Settled during the year | (730,860) | (1,350,414) |
| Balance at 31 December | 3,533,258 | 3,678,481 |

| 19 <u>Reinsurance and Insurance Payables</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Atradius Re, Ireland | 339,063 | 246,502 |
| 3rd Party Reinsurers | 446,909 | 134,491 |
| | 785,972 | 380,993 |

Reinsurance Payables are settled monthly and do not accrue interest.

Movements in Reinsurance and Insurance Payables are set as follows:

| | | |
|---------------------------|----------------|----------------|
| Balance at 1 January | 380,993 | 658,057 |
| Current period Provisions | 1,771,638 | 974,268 |
| Settled during the year | (1,366,659) | (1,251,332) |
| Balance at 31 December | 785,972 | 380,993 |

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

| 20 <u>Other Accounts Payables</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Payroll Liabilities | 35,547 | 30,826 |
| Other Accounts Payable | 291,366 | 296,809 |
| Atradius Crédito y Caución S.A. de Seguros y Reaseguros | 8,574,995 | 8,536,817 |
| | 8,901,908 | 8,864,452 |

The majority of the amount owed to head office is in relation to capital funding (\$8,400,000). The remainder is in relation to charges for services provided including IT, risk services and group management.

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. The related party is Atradius Re which is a company 100% held by the Atradius Group.

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 Crédito y Caución S.A. de Seguros y Reaseguros, headquartered in Spain, charged the Branch shared services cost during the year for \$580,264 (2016: \$391,643) represented by \$303,281 in group overhead, \$44,488 related to information technology and \$232,495 for risk services.

All related party receivable balances are considered receivable in full.

Key Personnel

The branch has one employee. Their remuneration is set out in note 4.

22 **Capital Commitments**

There are no capital commitments (2016: None).

23 **Contingent Assets & Liabilities**

Atradius Crédito y Caución S.A. de Seguros y Reaseguros including the NZ branch is party to a bank guarantee from ASB Bank Limited for the sum of \$30,123.68 in connection to the lease of the office premises in Auckland.

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

24 Solvency requirements

The Branch has a license 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 Atradius Crédito y Caución S.A. de Seguros y Reaseguros and the branch.

The Atradius Group 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

Atradius Crédito y Caución S.A. de Seguros y Reaseguros is exempted from complying with the Solvency Standard under Section 59 for Non-Life Business Solvency Standard 2014, dated 17 December 2014 and subsequent amendments (the non-Life Standard). Instead of meeting the New Zealand Solvency Standards, Atradius Crédito y Caución S.A. de Seguros y Reaseguros needs to meet the Spanish Regulatory Solvency Capital Requirement as prescribed by Dirección General de Seguros y Fondos de Pensiones (DGSFP). The minimum Solvency Capital Requirement for New Zealand under Spanish law is outlined below. As at 31 December, Atradius Crédito y Caución S.A. de Seguros y Reaseguros carried a positive solvency margin (amounts in Euro times 1,000).

| | <u>2017</u> | <u>2016</u> |
|--------------------------|----------------|----------------|
| Actual Solvency Capital | 1,115,390 | 982,303 |
| Minimum Solvency Capital | 132,096 | 155,761 |
| Solvency Margin | <u>983,294</u> | <u>826,542</u> |
| Solvency Ratio | 844% | 631% |

Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch

Notes to the financial statements For the Year Ended 31 December 2017 In New Zealand Dollars

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

| | <u>Note</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|------------------|----------------|
| Profit | 15 | 1,197,624 | 709,464 |
| Non-cash items | | | |
| Depreciation | 9 | 3,817 | 1,644 |
| Deferred tax | 8 | (1,118) | 292 |
| | | <u>2,699</u> | <u>1,936</u> |
| Movement in working capital | | | |
| Trade receivables | | (345,695) | 317,098 |
| Deferred acquisition costs | | (40,624) | 15,249 |
| Reinsurance receivable | | 152,977 | (505,874) |
| Other | | (179,588) | (102,772) |
| Current Tax | | 244,168 | (58,626) |
| Underwriting Provisions | | (283,205) | 737,656 |
| Reinsurance payables | | 404,980 | (267,859) |
| Other payables | | 33,797 | (55,996) |
| Other non-current payables | | 115,114 | 53,765 |
| Net cash flow from operating activities | | <u>1,302,247</u> | <u>844,041</u> |