

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

Company Directory

Nature of Business	Trade Credit Insurance
Registered Office	TMF Group, Level 11, 41 Shortland Street, Auckland, 1010, New Zealand
Company Number	1547417
IRD Number	88-865-499
Directors	Xavier FREIXES PORTES Francisco de Asis José ARREGUI LABORDA Bernd Hinrich MEYER Désirée Maria VAN GORP Hugo SERRA CALDERÓN Carlos Federico HALPERN SERRA John Patrick HOURICAN José María SUNYER SENDRA Juan Ignacio GUERRERO GILABERT
Branch of	Atradius Crédito y Caucción S.A. de Seguros y Reaseguros, Spain
Auditor	PricewaterhouseCoopers, Sydney, 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 shareholders of Atradius Crédito y Caución S.A. de Seguros y Reaseguros

Our opinion

In our opinion, the accompanying financial statements of Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch (the Branch), present fairly, in all material respects, the financial position of the Branch as at 31 December 2021, 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).

We have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cashflows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Branch in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Branch.

Our audit approach

Overview



Overall materiality: \$173,000, which represents approximately 5% of profit before tax from continuing operations.

We chose profit before tax from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Branch is most commonly measured by users, and is a generally accepted benchmark.

We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

We have determined that there is one key audit matter:

- Valuation of outstanding claims liabilities

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Branch, the accounting processes and controls, and the industry in which the Branch operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of outstanding claims liabilities (2021: \$3,616,990)</p> <p>Refer to notes 1 and 16 to the financial statements, which also describes the elements that make up the balance.</p> <p>We considered the valuation of outstanding claims liabilities a key audit matter because of the complexity involved in the estimation process and the significant judgements that management make in determining the balance. It requires expert judgement when assessing the appropriateness of management's calculation.</p> <p>The valuation of outstanding claims liabilities uses actuarial models and methodologies that rely on the quality of underlying data which includes historical claims experience for insolvencies and non-insolvencies, as well as small and large claims, and takes into account the inherent uncertainty in estimating the expected present value of future payments for claims incurred.</p> <p>In particular, there is greater judgement over the estimation of claims that have been incurred at the reporting date but have not yet been reported to the Branch, as there is generally no or less information available in relation to these claims, and claims that have been reported but there is uncertainty over the amount which will be settled.</p> <p>Outstanding claims liabilities include a risk margin that allows for the inherent uncertainty in the central estimate of the future claim payments. In determining the risk margin, the Branch makes judgements about the volatility in business written.</p>	<p>Our audit procedures included obtaining an understanding of key controls, including key data reconciliations and management review of the estimates.</p> <p>Claims data is a key input to the actuarial estimates. Accordingly, we:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of relevant controls over claims processing; reviewed claims data reconciliations; and inspected a sample of claims paid and claims notifications during the year to confirm that they were supported by appropriate documentation. <p>Together with PwC actuarial experts we:</p> <ul style="list-style-type: none"> considered the work and findings of the external independent actuaries engaged by the Branch; evaluated the actuarial models and methodologies used by comparing with those generally accepted and applied in the sector and with prior year; assessed key actuarial judgements and assumptions including claim numbers, claim expense ratios, claims payment period, accident year loss ratios, and discount rate, and challenged these by comparing with our expectations based on the Branch's experience and independently observable industry and economic trends; and assessed the approach to setting the risk margin in light of the requirements of the New Zealand accounting standards and by comparing to known industry practices. In particular we focused on the assessed level of uncertainty in the central estimate. <p>We also considered the reasonableness of the Branch's disclosures against the requirements of NZ IFRS and IFRS.</p>

Other information

Responsibilities of the Directors for the financial statements

The Directors 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 Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Directors are responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Branch or to cease operations, or have 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 and ISAs 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.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Scott Fergusson.

For and on behalf of:

Chartered Accountants
28 April 2022

Sydney

I, Scott Fergusson, am a member of Chartered Accountants Australia and New Zealand and my membership number is 88036.

PricewaterhouseCoopers was the audit firm appointed to undertake the audit of Atradius Crédito y Caución S.A. de Seguros y Reaseguros New Zealand Branch for the year ended 31 December 2021. I was responsible for the execution of the audit and delivery of our firm's auditors' report. The audit work was completed on 28 April 2022 and an unqualified opinion was issued.

SK Fergusson

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

New Zealand Branch

Statement of Comprehensive Income

For the Year Ended 31 December 2021
In New Zealand Dollars

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Gross earned premium	3	7,944,926	6,283,209
Outward reinsurance expense		(3,920,934)	(3,804,011)
Net premium revenue		4,023,992	2,479,198
Reinsurance commission		1,854,277	1,704,149
Fee income		689,405	585,819
Operating revenue		6,567,674	4,769,166
Underwriting expenses			
Gross claims expense	7	(938,267)	(2,024,801)
Reinsurance and other recoveries	7	245,775	1,245,788
Unexpired risk liability expense	7	-	84,437
Net Claims expenses		(692,492)	(694,576)
Acquisition costs	14	(1,248,181)	(622,915)
Underwriting Result		4,627,001	3,451,675
Administrative expenses	4	(1,252,510)	(1,382,953)
Other revenue	6	100,868	172,899
Profit before tax	2	3,475,359	2,241,621
Taxation expense	8	(982,084)	(628,307)
Profit for the period		2,493,275	1,613,314
Other comprehensive income		-	-
Total Comprehensive Income for the year attributable to the members of Atradius Crédito y Caución S.A. de Seguros y Reaseguros		2,493,275	1,613,314

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 2021
In New Zealand Dollars

	<u>Retained Profit</u>
Balance at 1 January 2020	1,524,856
Total Comprehensive Income	<u>1,613,314</u>
Balance at 31 December 2020	<u>3,138,170</u>
Balance at 1 January 2021	3,138,170
Total Comprehensive Income	<u>2,493,275</u>
Balance at 31 December 2021	<u>5,631,445</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 Financial Position

As at 31 December 2021

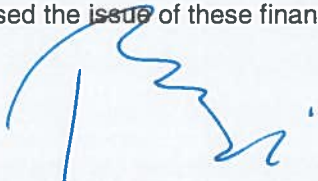
In New Zealand Dollars

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Assets			
Cash and cash equivalents	11	2,767,431	2,527,783
Reinsurance receivables	17	3,051,124	3,700,109
Trade and other receivables	10	1,246,073	1,352,583
Investments	12	14,228,194	11,265,079
Other assets and accruals		1,030,392	939,576
Property, plant and equipment	9	-	29,780
Deferred acquisition costs	14	318,138	286,296
Total Assets		22,641,351	20,101,206
Equity			
Retained profit	15	5,631,445	3,138,170
Total Equity		5,631,445	3,138,170
Liabilities			
Insurance liabilities	16	6,060,901	6,342,252
Current tax payable	8	699,769	38,187
Deferred tax liability	8	72,452	65,465
Reinsurance payables	18	719,971	884,574
Other accounts payables	19	8,872,338	8,828,845
Other liabilities and accruals	27	584,476	803,713
Total Liabilities		17,009,906	16,963,036
Total Equity and Liabilities		22,641,351	20,101,206

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.


Hugo Serra Calderón
Director
Date: 28th April 2022


Francisco de Asis José Arregui Laborda
Director
Date: 28th April 2022

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

New Zealand Branch

Statement of Cash Flows

For the Year Ended 31 December 2021
In New Zealand Dollars

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities			
Premium and other revenue received		8,983,934	7,255,453
Reinsurance premium net of commission		(2,231,260)	(1,974,066)
Payments to suppliers and staff		(2,895,831)	(2,941,354)
Claims payments		(961,882)	(2,435,822)
Reinsurance recoveries		551,283	1,498,222
Interest income		110,474	194,968
Tax paid		(313,516)	(328,040)
Net cash inflow from operating activities	26	3,243,202	1,269,361
Cash flows from investing activities			
Head office cash pooling transfers		36,885	(1,638,706)
Purchase of cash term deposit		(13,000,000)	(16,000,000)
Cash term deposit and bond matured		10,000,000	14,500,000
Net cash flows from investing activities		(2,963,115)	(3,138,706)
Cash flows from financing activities			
Principal repayment of lease liabilities	28	(40,438)	(30,499)
Net cash flows from financing activities		(40,438)	(30,499)
Net increase / (decrease) in cash		239,648	(1,899,845)
Cash and cash equivalents at the beginning of the year		2,527,783	4,427,628
Cash and cash equivalents at the end of the year	11	2,767,431	2,527,783

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 2021 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 registered in Spain. The ultimate parent entity is Grupo Catalana Occidente S.A., 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 Preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practices (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for 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 are prepared in accordance with the requirements of Part 7 of the 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, with financial instruments at fair value for financial reporting purposes.

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. During the year the Branch reported a profit of \$2,493,275 (2020: profit \$1,613,314) and has a retained profit of \$5,631,445 (2020: profit \$3,138,170).

The Branch is part of Atradius Crédito y Caución S.A. de Seguros y Reaseguros, which is incorporated in Spain, the Branch relies on their operational support. 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.

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

New Zealand Branch

Notes to the financial statements

For the Year Ended 31 December 2021
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.

Outstanding Claims Liabilities

Claims expense and a liability for outstanding claims are recognised in respect of all insurance business. The outstanding claims liabilities include 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 Caución S.A. de Seguros y Reaseguros

New Zealand Branch

Notes to the financial statements

For the Year Ended 31 December 2021
In New Zealand Dollars

1 Significant accounting policies (continued)

Liability Adequacy Test

At each balance date, a Liability Adequacy Test (LAT) is performed to determine if the insurance liabilities 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 insurance liabilities 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 recognised when due. These include 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 2021
In New Zealand Dollars

1 Significant accounting policies (continued)

Leases

The Branch applies NZ IFRS 16 using the modified retrospective approach. The Branch recognised lease liabilities in relation to leases which had previously been classified as 'operating leases.'

As a lessee, the Branch recognised a Right of Use (ROU) asset and a lease liability at the commencement of the lease. The ROU asset is measured at cost, which comprises the amount of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs to remove the underlying asset, less any lease incentives received. The lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.028%.

Depreciation

The ROU asset is depreciated using the straight-line depreciation method over the term of the lease. The depreciation expense on the ROU asset and the interest expense on the lease liability are separately recognised in the Statement of Comprehensive Income.

Investments

The business model for the Branch's portfolio of investments, which comprise interest-bearing assets that represent solely payments of principal and interest (SPPI), is to manage and evaluate the portfolio on a fair value basis, in accordance with the investment strategy. The Branch is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. In accordance with NZ IFRS 9, the Branch's portfolio of financial assets is categorised as fair value through profit or loss on initial recognition.

Investments are initially recorded at fair value, being cost of acquisition excluding transaction costs, and are subsequently remeasured to fair value at each reporting date. Assets that are subsequently measured at fair value through profit or loss are not subject to impairment consideration under the expected credit losses model. Fixed rate securities are valued using independently sourced valuations as detailed in Note 13.

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 measured at amortised cost.

Trade and Other Receivables

All receivables arising under an insurance contract as defined in NZ IFRS 4 *Insurance Contracts (Trade Debtors)* are recognised at the amount receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Branch will not be able to collect all amounts due according to the original term of the receivable.

Notes to the financial statements

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

New Zealand Branch

For the Year Ended 31 December 2021
In New Zealand Dollars

1 Significant accounting policies (continued)

Receivables within the scope of NZ IFRS 9 are managed to collect contractual cash flows and their contractual terms generate cash flows that are solely payments of principal (and interest thereon, if any). Receivables are initially recognised at fair value and are subsequently measured at amortised cost less a provision for impairment. Any increase or decrease in the provision for impairment is recognised in the profit or loss within underwriting expenses. When a receivable is uncollectible, it is written off against the provision for impairment account. Subsequent recoveries of amounts previously written off are credited against underwriting expenses.

Impairment is calculated as a provision for expected credit losses (ECL). The provision for ECL is based on the difference between the cash flows due in accordance with the contract and the cash flows that the Branch expects to receive. Any shortfall is discontinued at an approximation to the asset's original effective interest rate. The assessment of ECL reflects judgements and assumptions that take into account prior credit risk and loss history, current and expected future market conditions and individual debtor circumstances.

The Branch adopts the simplified approach permitted by NZ IFRS 9 with regard to non-insurance trade receivables and calculated the provision with reference to lifetime ECL. For all other receivables, the provision is based on the portion of lifetime ECL that result from possible default events within 12 months from reporting date, unless there has been a significant increase in credit risk since initial recognition, in which case the provision is based on lifetime ECL.

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 future cash flows of an asset are 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.

If in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in the Statement of Comprehensive Income.

Trade and Other Payables

Trade and other payables are stated at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

Expenses

Interest Income

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

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

New Zealand Branch

Notes to the financial statements

For the Year Ended 31 December 2021
In New Zealand Dollars

1 Significant accounting policies (continued)

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.

Statement of 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 comprise of lease repayments and 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.

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

New Zealand Branch

Notes to the financial statements

For the Year Ended 31 December 2021
In New Zealand Dollars

1 Significant accounting policies (continued)

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.

Changes in NZ IFRS

The following standards, amendments to standards and interpretations have been identified as those which may impact the Branch in the period of initial application.

IFRS 17 *Insurance Contracts* has an expected effective date of 1 January 2023. The standard replaces the existing guidance in IFRS 4 *Insurance Contracts*. The Branch, through its head office, is currently assessing the impact of the standard on the financial statements, including which measurement model should be applied and how the requirements with regard to the level of aggregation should be applied. Although the impact on the financial statements is expected to be material in terms of recognition, measurement and on the presentation and disclosures, no further details can be provided yet.

There are no other standards that are not yet effective and would be expected to have a material impact on the Branch in the current or future reporting periods and on foreseeable future transactions.

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

New Zealand Branch

Notes to the financial statements

For the Year Ended 31 December 2021
In New Zealand Dollars

2	<u>Profit before tax</u>	<u>Note</u>	<u>2021</u>	<u>2020</u>
	Underwriting Result		4,627,001	3,451,675
	Administrative expenses	4	(1,252,510)	(1,382,953)
	Other revenue/(expense)	6	100,868	172,899
	Profit Before Tax		3,475,359	2,241,621
3	<u>Premium Revenue</u>			
	Premium		8,188,019	6,748,226
	Movement in unearned premium	16	(243,093)	(465,017)
	Gross Earned premium		7,944,926	6,283,209
4	<u>Administrative expenses</u>			
	Group Overhead Costs		(967,920)	(694,884)
	Salaries		(126,289)	(292,159)
	Superannuation		(3,780)	(10,136)
	Other Personnel Expenses		(3,077)	568
	Consultancy		(51,295)	(45,197)
	Communication Cost		(5,715)	(7,641)
	Travel Cost		(651)	(5,057)
	Marketing Cost		(6,914)	-
	Depreciation Cost	9	(40,866)	(69,968)
	Asset impairment Cost		(19,269)	(173,065)
	Other Expenses		(26,734)	(85,414)
	Total Administrative Expenses		(1,252,510)	(1,382,953)
5	<u>Audit fees</u>			
	PricewaterhouseCoopers – Audit Fees		26,299	28,005
			26,299	28,005

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6	<u>Other revenue/(expense)</u>	<u>2021</u>	<u>2020</u>
	Interest Income	110,474	194,968
	Interest expense on leases	(3,969)	(5,441)
	Foreign Exchange Gain/(Loss)	(5,637)	(16,628)
	Total other revenue	100,868	172,899
7	<u>Net Claims Expenses</u>	<u>2021</u>	<u>2020</u>
	Gross claims expense incurred	(802,546)	(1,711,329)
	Claims handling expenses	(204,115)	(252,196)
	Reinsurance and other recoveries	279,567	1,209,365
	Net claims incurred - undiscounted	(727,094)	(754,160)
	Discount movement		
	Gross claims liabilities	68,394	(61,276)
	Reinsurance share of claims liabilities	(33,792)	36,423
	Net discount movement	34,602	(24,853)
	Unexpired risk liability expense	-	84,437
	Net claims incurred	(692,492)	(694,576)
	Current year	(1,673,355)	(1,361,093)
	Prior years	980,863	666,517
	Total	(692,492)	(694,576)

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7 Net Claims Expenses (continued)

Unexpired risk liability expense

The conduct of the liability adequacy test as at 31 December 2021 resulted to a surplus, where the expected cash flows relating to future claims is lower than the current value of the unearned premium liability. The test is based on prospective information and so is dependent on assumptions and judgments.

The net surplus / (deficiency) calculation is shown below:

	<u>2021</u>	<u>2020</u>
Net Unearned Premium Liability	1,539,664	1,143,287
Less Net DAC before writedown	(25,545)	72,322
Net Premium Liability	<u>1,514,119</u>	<u>1,215,619</u>
Central estimate of present value of expected future value of future cash flows for future claims	723,867	649,267
Risk margin	344,721	319,318
Premium Liability provision	<u>1,068,588</u>	<u>968,585</u>
Net Surplus / (Deficiency)	<u>445,531</u>	<u>247,034</u>

Unexpired risk liability

A Liability Adequacy Test (LAT) is undertaken to determine the adequacy of the unearned premium liability against current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Unexpired Risk Liability as at 1 January		-	84,437
Deficiency Recognised			-
Release of unexpired risk liability recorded in previous periods		-	(84,437)
Unexpired Risk Liability as at 31 December		-	-
Deficiency recognised in the Statement of Comprehensive Income			
Gross movement in unexpired risk liability		-	84,437
Write down of deferred acquisition cost	14		-
Total deficiency recognised in the Statement of Comprehensive Income		-	<u>84,437</u>

The risk margin for premium liability is 50.6% (2020: 52.9%) and is intended to provide an adequacy to the 75th percentile of probability of sufficiency.

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8	<u>Taxation</u>	<u>Note</u>	<u>2021</u>	<u>2020</u>
	<u>Income Tax expense</u>			
	Current taxation		975,097	530,831
	Deferred taxation		6,987	97,476
	Income tax expense for the year		982,084	628,307
	Reconciliation of effective tax rate:			
	Profit before tax	2	3,475,359	2,241,621
	Income tax using company tax rate at 28%		973,101	627,654
	Non-deductible expenses		97	434
	Prior year adjustment / other taxes		8,886	219
	Income tax expense		982,084	628,307
	<u>Income tax assets and liabilities</u>			
	Net deferred tax liability with respect to temporary differences		(72,452)	(65,465)
	Net deferred tax (liability)/asset		(72,452)	(65,465)
	Corporation tax payable		(699,769)	(38,187)
	Current tax receivable/(payable)		(699,769)	(38,187)

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8 Taxation (continued)

	1 January 2020	(Charge)/credit to income	31 December 2020	(Charge)/credit to income	31 December 2021
<u>Deferred tax asset</u>					
Provision for bad debts	346	1,001	1,347	(466)	881
Provision for employee bonuses	12,995	1,936	14,931	(6,898)	8,033
Accruals	17,877	2,562	20,439	(14,545)	5,894
Lease liability	793	830	1,623	196	1,819
Premium Deficiency	-	(23,642)	(23,642)	23,642	-
Total deferred tax asset	32,011	(17,313)	14,698	1,929	16,627
<u>Deferred tax liability</u>					
Deferred acquisition costs	-	(80,163)	(80,163)	(8,916)	(89,079)
Total deferred tax liability	-	(80,163)	(80,163)	(8,916)	(89,079)
Net deferred tax asset/ (liability)	32,011	(97,476)	(65,465)	(6,987)	(72,452)

9 Property, Plant and Equipment

	Cost	Current Year Depreciation	Accumulated Depreciation	Accumulated Impairment	Carrying Value
<u>2020</u>					
Computer Hardware	27,796	92	26,788	1,008	-
Fixtures and Fittings	175,428	29,238	90,150	85,278	-
Right of Use asset	195,369	40,638	78,810	86,779	29,780
Total	398,593	69,968	195,748	173,065	29,780
<u>2021</u>					
Computer Hardware	27,796	1,117	27,796	-	-
Fixtures and Fittings	175,428	29,238	119,388	56,040	-
Right of Use asset	195,369	10,511	89,321	106,048	-
Total	398,593	40,866	236,505	162,088	-

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9 Property, Plant and Equipment (continued)

Right of Use Asset

<u>2020</u>	<u>Buildings</u>	<u>Fixtures and Fittings</u>	<u>Total</u>
Balance at 1 January	150,024	-	150,024
Addition	7,173	-	7,173
Impairment	(86,779)	-	(86,779)
Depreciation	(40,638)	-	(40,638)
Balance at 31 December	29,780	-	29,780
 <u>2021</u>			
Balance at 1 January	29,780	-	29,780
Addition	-	-	-
Impairment	(19,269)	-	(19,269)
Depreciation	(10,511)	-	(10,511)
Balance at 31 December	-	-	-

The Branch tested Right of Use assets for impairment and recognised an impairment loss in 2021.

10 Trade and Other Receivables

	<u>2021</u>	<u>2020</u>
Trade Receivables	1,246,073	1,253,463
Other Receivables	-	99,120
	1,246,073	1,352,583

Trade receivables are current assets and all under 90 days old except for \$22,848 (2020: \$8,423) which has an allowance for doubtful debts of \$5,712 against it (2020: \$4,810).

11 Cash and Cash Equivalents

	<u>2021</u>	<u>2020</u>
Cash at bank	2,767,431	2,527,783
Short-term bank deposits	-	-
	2,767,431	2,527,783

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12 <u>Investments</u>	<u>2021</u>	<u>2020</u>
Term deposit	13,000,000	10,000,000
Investment held by Head office	1,228,194	1,265,079
	14,228,194	11,265,079

The investments are classified as Fair Value through Profit or Loss (FVTPL) and carried at fair value with duration of more than three months. The investment held by Head Office is a related party balance and is treated as available on demand.

13 Financial Instruments

Investments are measured at fair value with movements recognised in the Statement of Comprehensive Income. This includes investments held by head office and term deposits, which are at Level 1 and 2 respectively in the fair value hierarchy under NZ IFRS 13.

Financial Instrument - Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices).
- Level 3: inputs for the asset that are not based on observable market data.

There were no transfers between the levels during the current and prior year. The table represents financial assets at fair value through profit or loss.

	<u>2021</u>	<u>2020</u>
Level 1	1,228,194	1,265,079
Level 2	13,000,000	10,000,000
Level 3	-	-
	14,228,194	11,265,079

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13 Financial Instruments (continued)

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. Both the cash and investments are held with ASB Bank Ltd., which is rated AA-. The term deposits of \$13,000,000 (2020: \$10,000,000) have a maturity of less than 1 year. The other assets are in relation to the exposure to the panel of reinsurers. Atradius Crédito y Caución S.A. de Seguros y Reaseguros' reinsurance is placed with reinsurers of A rating or above, as required by Group policy. These assets are rated according to Standard & Poor's counterparty ratings, but if these are not available then A.M. Best and Moody's are used. Trade and other receivables are unrated and are based on management's assessment of high quality with no history of major defaults.

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. The investment held by head office is at call and 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 however, 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.

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13 Financial Instruments (continued)

The following table provides information regarding the ageing of the Branch's financial assets and liabilities.

	Less than 1 year	More than 1 year	Total
As at 31 December 2021			
Financial Assets			
Cash and cash equivalents	2,767,431	-	2,767,431
Investments in Term deposits	13,000,000	-	13,000,000
Investment held by Head office	1,228,194	-	1,228,194
Premium Receivables	1,246,073	-	1,246,073
Financial Liabilities			
Amounts due to related entities	8,555,193	-	8,555,193
Trade and other Payables	317,145	-	317,145
As at 31 December 2020			
Financial Assets			
Cash and cash equivalents	2,527,783	-	2,527,783
Investments in Term deposits	10,000,000	-	10,000,000
Investment held by Head office	1,265,079	-	1,265,079
Premium Receivables	1,352,583	-	1,352,583
Financial Liabilities			
Amounts due to related entities	8,484,381	-	8,484,381
Trade and other Payables	344,619	-	344,619

Foreign currency risk

The Branch holds bank accounts in USD and AUD, which as of 31 December 2021 had balances of USD12,220 and AUD191,841 (December 2020: USD29,072 and AUD138,335). There were no intercompany receivables (2020: USD75,090) but intercompany liabilities of EUR85,565 and AUD12,560 (2020: EUR45,413 and AUD6,786) at 31 December 2021. Should the exchange rate change by 10% (strengthen) the value of the bank accounts and receivables would decrease by \$20,143 and liabilities would decrease by \$14,108 together resulting in an additional cost on the profit and loss of \$6,035. The gross claims liabilities in 2021 is denominated in New Zealand Dollars (2020: <1% not in New Zealand Dollars). The portion of the claims liabilities in foreign currency if any, is reinsured so any exchange rate fluctuations would have an immaterial effect on the results.

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14	<u>Deferred acquisition costs</u>	<u>Note</u>	<u>2021</u>	<u>2020</u>
	Balance at 1 January		286,296	-
	Acquisition costs paid during the year		1,280,023	909,211
	Current period amortisation		(1,248,181)	(622,915)
	Write down for premium deficiency		-	-
	Acquisition costs for the year		(1,248,181)	(622,915)
	Balance at 31 December		318,138	286,296
15	<u>Retained earnings</u>			
	Retained earnings - opening balance		3,138,170	1,524,856
	Net profit		2,493,275	1,613,314
	Closing balance		5,631,445	3,138,170

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16 Insurance Liabilities

Insurance Liabilities comprise both unearned premium liabilities to be earned in future periods and total outstanding claims liabilities for estimated claims to be paid in future periods, gross of reinsurance.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<u>Unearned Premium Liability</u>			
2021		-	2,200,819
2022		2,443,911	-
Total Unearned Premium Liability		2,443,911	2,200,819
Movements in Unearned Premium Liability are set out as follows:			
At January 1		2,200,819	1,735,802
Premium	3	8,188,018	6,748,226
Earned Premium		(7,944,926)	(6,283,209)
At December 31		2,443,911	2,200,819
Balance at beginning of the year		2,200,819	1,735,802
Balance at end of the year		2,443,911	2,200,819
Movement in Unearned Premium	3	243,093	465,017
<u>Claims Outstanding</u>			
Underwriting Year 2018		140,200	633,924
Underwriting Year 2019		88,185	351,718
Underwriting Year 2020		365,244	743,311
Underwriting Year 2021		444,858	-
Total Outstanding Claims		1,038,487	1,728,953
<u>Claims Incurred But Not Reported (IBNR)</u>			
Underwriting Year 2018		-	8,622
Underwriting Year 2019		2,287	63,472
Underwriting Year 2020		49,526	2,340,386
Underwriting Year 2021		2,526,690	-
Total IBNR		2,578,503	2,412,480
Total Outstanding Claims Liabilities		3,616,990	4,141,433
Total Insurance Liabilities		6,060,901	6,342,252

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16 Insurance Liabilities (continued)

Movements in outstanding claims liabilities are set out as follows:

	<u>Note</u>	<u>2021</u> <u>Gross</u>	<u>2021</u> <u>Reinsurance</u>	<u>2021</u> <u>Net</u>
At January 1		4,141,433	(2,329,100)	1,812,333
Adjustment to claims reserves brought forward		(26,995)	145,113	118,118
Claims reserves for current year cases		455,143	(209,450)	245,693
Increase (decrease) in claims incurred but not reported		217,159	147,448	364,607
Discount		(68,393)	29,885	(38,508)
Sub-total		576,914	112,996	689,910
Claims settled		(1,101,357)	551,283	(550,074)
At December 31	17	3,616,990	(1,664,821)	1,952,169

	<u>Note</u>	<u>2020</u> <u>Gross</u>	<u>2020</u> <u>Reinsurance</u>	<u>2020</u> <u>Net</u>
At January 1		4,761,014	(2,825,089)	1,935,925
Adjustment to claims reserves brought forward		1,172,842	(524,980)	647,862
Claims reserves for current year cases		709,079	(419,500)	289,579
Increase (decrease) in claims incurred but not reported		42,763	(21,330)	21,433
Discount to present value		61,277	(36,423)	24,854
Sub-total		1,985,961	(1,002,233)	983,728
Claims settled		(2,605,542)	1,498,222	(1,107,320)
At December 31	17	4,141,433	(2,329,100)	1,812,333

Provision for non-reinsurance recoveries were previously presented as a reduction of the outstanding claims liabilities. This has now been presented as a separate receivable in the balance sheet. Prior year balances have been restated to reflect the change.

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16 Insurance Liabilities (continued)

Outstanding Claims Liabilities

The outstanding claims liabilities 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 (IBNR).

The valuation of outstanding claims liabilities has been undertaken by the appointed actuary, Verne Baker of KPMG Financial Services Consulting 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 outstanding claims liability valuation is segmented based on insolvency and non-insolvency claims, split by small and large. The actuarial techniques used in the valuation project future claim payments by assuming future development patterns are consistent with past experience, but also adjusted where appropriate given the current environment.

The IBNR projections are based on claim numbers, claim payments, claim provisions and individually reserved claims. In the valuation, for reasonableness checks, the ultimate loss ratio, ultimate claim number and average claim size are considered.

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 10% (2020: 8%) of claim payments net of reinsurance and indirect claims handling costs are provided at 3.75% (2020: 3%).

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 29.15% (2020: 30.4%) has been used in the calculation of the outstanding claims liability and is intended to provide an adequacy to the 75th percentile of probability of sufficiency. There is no benefit from diversification of risks.

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16 Insurance Liabilities (continued)

Sensitivity analysis has been performed around the gross outstanding claims liabilities of \$2,971,548 for the 2021 accident year. If the loss ratio is increased by 5%, the liabilities would increase by \$470,181 or 13%. Any increase in liabilities is covered by reinsurance for an amount of 48% therefore the effect on the profit and loss would be a decrease in result of \$244,494.

The impact of changes in other key variables and assumptions used in the calculation of the outstanding claims provision is summarised in the table below, amounts net of reinsurance.

	<u>Movement in Variable</u>	<u>Impact on Claims</u>	
	%	<u>2021</u>	<u>2020</u>
Claims expense ratio	Increase of 1%	(40,240)	(24,687)
	Decrease of 1%	40,240	24,687
Claims paid	Increase of 1%	(12,586)	(26,515)
	Decrease of 1%	12,586	26,515
Discount Rate	Increase of 1%	(28,495)	(34,743)
	Decrease of 1%	28,495	35,839

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

The claims liabilities have been discounted using the risk free rates as at 31 December 2021, derived from New Zealand Government bonds. The discount rate selected follows the yield curve and averages 1.77% (2020: 0.26%) per annum based on the weighted average term to settlement of 15 months (2020: 15 months) for the outstanding claims liabilities.

The present value of expected cash flows for gross outstanding claims liability including a risk margin for the company is \$3,616,989 (2020: \$4,141,433) comprising of a central estimate of \$2,846,280 (2020: \$3,223,671), and a 29.15% (2020: 30.4%) risk margin of \$770,709 (2020: \$917,762). The discounted outstanding claims provision net of recoveries is \$1,952,168 (2020: \$1,812,334).

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.

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16 Insurance Liabilities (continued)

The Claims development table provides an overview of how the claims cost for accident years 2012-2021 have changed at successive financial year-ends. The claims presented in the development table are net of reinsurance. The following table shows the development of outstanding claims provision of \$1,952,168 after deduction of non-reinsurance recoveries of \$202,132.

GROSS	Accident year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
End of accident year		890,947	1,017,852	2,033,262	1,980,060	2,176,375	3,435,472	4,198,726	2,526,297	2,493,453
1 year later	833,247	1,156,720	828,968	2,129,481	655,429	908,723	3,279,185	3,255,248	1,254,980	
2 years later	691,033	1,052,165	753,060	1,625,215	362,425	779,354	3,569,161	3,184,893		
3 years later	729,164	1,050,387	744,198	1,629,012	444,542	770,755	3,409,849			
4 years later	706,971	1,050,500	781,774	1,711,919	444,542	798,223				
5 years later	713,936	1,050,280	781,232	1,712,997	462,426					
6 years later	735,016	1,050,230	782,656	1,731,974						
7 years later	733,215	1,050,360	782,306							
8 years later	708,727	1,050,328								
9 years later	728,587									
PTD	728,587	1,050,328	782,306	1,731,974	462,426	798,223	3,310,850	3,120,541	958,510	369,679
Reinsurance	77.5%	77.5%	75.0%	72.5%	72.5%	72.5%	70.0%	60.0%	59.0%	48.0%
NET	Accident year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
End of accident year	-	200,463	254,463	559,147	544,516	598,503	1,030,642	1,679,490	1,035,782	1,296,596
1 year later	187,481	260,262	207,242	585,607	180,243	249,899	983,755	1,302,099	514,542	
2 years later	155,482	236,737	188,265	446,934	99,667	214,322	1,070,748	1,273,957		
3 years later	164,062	236,337	186,049	447,978	122,249	211,958	1,022,955			
4 years later	159,068	236,363	195,444	470,778	122,249	219,511				
5 years later	160,636	236,313	195,308	471,074	127,167					
6 years later	165,379	236,302	195,664	476,293						
7 years later	164,973	236,331	195,577							
8 years later	159,464	236,324								
9 years later	163,932									
Current central estimate	163,932	236,324	195,577	476,293	127,167	219,511	1,022,955	1,273,957	514,542	1,296,596
Cumulative net paid to date	163,932	236,324	195,577	476,293	127,167	219,511	993,255	1,248,216	392,989	192,233
Net undiscounted central estimate	-	-	-	-	-	-	29,700	25,741	121,552	1,104,363
Discounting										- 28,495
3rd party recoveries										- 100,229
Risk margin										335,966
Claims handling costs										261,438
Net outstanding claims at 31/12/21										1,750,036
Net movement	4,469	(7)	(87)	5,219	4,918	7,554	(47,794)	(28,142)	(521,240)	1,296,596

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16 Insurance Liabilities (continued)

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.

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 Caución S.A. de Seguros y Reaseguros maintains quota share reinsurance and excess of loss treaties with Atradius Reinsurance DAC (Atradius Re) 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 2021 ceded 48% in total (2020: 59%).

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16 Insurance Liabilities (continued)

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 Caución S.A. de Seguros y Reaseguros and Atradius Re is A2. 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 sectors.

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

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

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17	<u>Reinsurance Recoveries and Receivables</u>	<u>2021</u>	<u>2020</u>
	Atradius Re, Ireland	648,947	1,238,624
	3rd Party Reinsurance Receivables	2,402,177	2,461,485
		<u>3,051,124</u>	<u>3,700,109</u>
	Reinsured share of unearned premium liability	904,247	1,057,532
	Reinsured share of total outstanding claims liabilities and IBNR	1,664,821	2,329,100
	Other reinsurance related receivables	482,056	313,477
		<u>3,051,124</u>	<u>3,700,109</u>
	Movements in Reinsurance Recoveries and Receivables are set as follows:		
	Balance at 1 January	3,700,109	4,190,176
	Current year recoveries provision movement	(644,750)	(346,678)
	Settled during the year	(4,235)	(143,389)
	Balance at 31 December	<u>3,051,124</u>	<u>3,700,109</u>
18	<u>Reinsurance Payables</u>	<u>2021</u>	<u>2020</u>
	Atradius Re, Ireland	(62,212)	588,080
	3rd Party Reinsurers	782,183	296,494
		<u>719,971</u>	<u>884,574</u>
	Reinsurance Payables are settled monthly and do not accrue interest.		
	Movements in Reinsurance Payables are set as follows:		
	Balance at 1 January	884,574	758,778
	Current year reinsurance liabilities	1,429,258	667,111
	Settled during the year	(1,593,861)	(541,315)
	Balance at 31 December	<u>719,971</u>	<u>884,574</u>

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

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19 Other Accounts Payables

	<u>2021</u>	<u>2020</u>
Payroll Liabilities	28,692	53,328
Other Accounts Payable	288,453	291,136
Atradius Crédito y Caución S.A. de Seguros y Reaseguros	8,555,193	8,484,381
	<u>8,872,338</u>	<u>8,828,845</u>

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.

20 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.

Material related party transactions

The Branch maintains a quota share reinsurance treaty arranged via a broker which includes 17 treaty partners. Atradius Re of Dublin is a related party. Reinsurance 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 \$967,919 (2020: \$694,883) represented by \$287,067 in group overhead, \$72,002 related to information technology and \$608,850 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.

21 Capital and Other Commitments

There are no capital commitments (2020: None).

22 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 \$30,124 in connection to the lease of the office premises in Auckland.

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

New Zealand Branch

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23 Solvency requirements

Atradius Crédito y Caución S.A. de Seguros y Reaseguros has a license under the Insurance (Prudential Supervision) Act 2010. Under this Act, the entity is subject to solvency requirements issued by the Reserve Bank of New Zealand. The solvency requirements which apply under the prudential supervision regime have been met by Atradius Crédito y Caución S.A. de Seguros y Reaseguros. The Atradius Group complies with capital requirements in each regulatory regime.

24 Subsequent Events

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

25 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.

	<u>2021</u>	<u>2020</u>
	(in EUR '000)	(in EUR '000)
Actual Solvency Capital	1,592,841	1,270,553
Minimum Solvency Capital	209,687	154,149
Solvency Margin	1,383,154	1,116,404
Solvency Ratio	760%	824%

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26 Reconciliation of profit for the period to net cash flows from operating activities

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Profit	15	2,493,275	1,613,314
Non-cash items			
Depreciation	9	10,511	69,968
Deferred tax	8	6,987	97,476
		<u>17,498</u>	<u>167,444</u>
Movement in working capital			
Trade receivables		106,510	(78,592)
Deferred acquisition costs		(31,842)	(286,296)
Reinsurance receivable		648,985	490,067
Other		(71,547)	(310,572)
Current tax		661,581	202,791
Insurance liabilities		(281,350)	(443,716)
Reinsurance payables		(164,603)	125,795
Other payables		83,931	(102,682)
Other liabilities and accruals		(219,236)	(108,192)
Net cash flow from operating activities		<u>3,243,202</u>	<u>1,269,361</u>

27 Other Liabilities and Accruals

		<u>2021</u>	<u>2020</u>
Ceded pipeline premium and return premium		115,419	214,411
Unearned reinsurance commission		292,592	358,628
Payroll and bonus accruals		7,688	13,559
Other accruals		90,649	98,439
Lease liabilities	28	78,128	118,676
Total		<u>584,476</u>	<u>803,713</u>

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28 Lease Liabilities: Right of Use Assets

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Lease Liabilities			
A maturity analysis of lease liabilities based on undiscounted cash flows is reported below:			
Less than one year		45,740	44,408
Between one and five years		39,064	84,804
More than five years		-	-
Total undiscounted lease liabilities at 31 December		84,804	129,212
 Lease liability included in statement of financial position at 31 December	 27	 78,128	 118,676
 Amounts recognised in the Profit & Loss			
Interest expenses on lease liabilities	6	3,969	5,441
 Amounts recognised in the statement of cash flows			
Total cash outflow for leases		40,438	30,499