Compagnie Française d'Assurance pour le Commerce Extérieur - New Zealand Branch

Annual report

for the year ended 31 December 2023

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Corporate information

Company number
8222125

Directors
Xavier Durand
Cyrille Charbonnel
Cécile Paillard
Carine Pichon
Katarzyna Kompowska
Pierre Vilalta
Mary Varkados
Oscar Villalonga Figueroa
Matthias Rolf
Doris Kukla
Avelino Pereira
Bertrand de Prudhomme de la Boussiniere (Appointed: 1 July 2023)
Marguerite Fourgereux (Resigned: 30 June 2023)

Principal place of business
c/- Hesketh Henry, Level 14, HSBC Tower
188 Quay Street
Auckland 1010
New Zealand

Auditor
Deloitte Touche Tohmatsu
Sydney, Australia

Directors' report

For the year ended 31 December 2023

The Board of Directors present their annual report including the financial statements of the New Zealand operations of Compagnie Française d'Assurance pour le Commerce Extérieur ("the branch") for the year ended 31 December 2023 and the independent auditor's report.

Directors
The directors of Compagnie Française d'Assurance pour le Commerce Extérieur ("the company") at any time during or since the end of the financial year are disclosed on page 1.

Principal activities
The principal activity of the branch for the year ended 31 December 2023 was to provide trade credit insurance policies in New Zealand, directly to businesses or through broker organisations. There has been no change in the principal activities of the branch during the year.

Review of operations
Insurance service revenue for the year ended 31 December 2023 was $3,519,270. Profit for the year after tax was $95,511.

Significant changes in state of affairs
In the opinion of the directors there were no significant changes in the state of affairs of the branch during the year.

Events after balance date
There were no significant events after balance date.

Likely developments
No change is expected in in the principal activities of the branch.

Environmental regulations
The branch's operations are not subject to any significant environmental regulations.

Directors' interests and benefits
During the financial year no director of the company has received, or become entitled to receive, any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements of the company) by reason of a contract made by the company, or a related entity with the director, or with a firm of which the director is a member, or with an entity in which the director has a substantial interest.

Indemnification and insurance of officers and auditors
Since the end of the previous financial year, the branch has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the company.

The company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 31 December 2023. Such insurance contracts insure persons who are or have been executive officers of the company against certain liability (subject to specific exclusions).

For and on behalf of the Board:

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Carine Pichon
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Carine Pichon
Director
23-Apr-2024 | 04:21 PDT

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Cyrille CHARBONNEL
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Cyrille Charbonnel
Director
23-Apr-2024 | 13:24 CEST

Statement of comprehensive income

For the year ended 31 December 2023

	Notes	2023 $	Restated* 2022 $
Insurance service revenue	8.a	3,519,270	913,906
Insurance service expense	8.a	(1,848,702)	(911,481)
Insurance service result before reinsurance contracts held		1,670,568	2,425
Reinsurance premium expense	8.b	(1,310,828)	(294,732)
Reinsurance recoveries	8.b	656,081	323,092
Net expense from reinsurance contracts held		(654,747)	28,360
Insurance service result		1,015,821	30,785
Other revenue - fee income		304,461	95,853
Interest income		14,289	-
Insurance finance expense	8.a	(24,345)	-
Reinsurance finance income	8.b	11,226	-
Net insurance financial result		(13,119)	-
Operating expenses	3	(1,220,410)	(968,115)
Interest expense - leases	5	(1,692)	(1,097)
Profit/(loss) before income tax		99,350	(842,574)
Income tax expense	6	(3,839)	-
Net profit/(loss) for the year, attributable to head office		95,511	(842,574)
Other comprehensive income		-	-
Total comprehensive income/(loss), attributable to head office		95,511	(842,574)

* Restated for adoption of NZ IFRS 17, refer note 2.p.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 December 2023

	Notes	2023 $	Restated* 2022 $
Assets			
Current assets			
Cash at bank		5,192,422	3,755,783
Trade and other receivables	7	457,515	39,218
Insurance contract assets	8	-	101,792
Reinsurance contract assets	8	873,901	-
Income tax receivable		1,098	-
		6,524,936	3,896,793
Non-current assets			
Right-of-use assets	5	9,904	26,884
		9,904	26,884
Total assets		6,534,840	3,923,677
Liabilities			
Current liabilities			
Employee benefit liabilities		1,625	5,422
Lease liabilities	5	9,288	17,559
Insurance contract liabilities	8	2,804,174	-
Reinsurance contract liabilities	8	-	323,270
Accruals		466,816	410,712
		3,281,903	756,963
Non-current liabilities			
Lease liabilities	5	-	9,288
		-	9,288
Total liabilities		3,281,903	766,251
Net assets		3,252,937	3,157,426
Head office account			
Head office advances		4,000,000	4,000,000
Accumulated losses		(747,063)	(842,574)
Total head office account		3,252,937	3,157,426

* Restated for adoption of NZ IFRS 17, refer note 2.p.

The above statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Board, who authorised the issue of these financial statements on:

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Carine Pichon
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Carine Pichon
Director
23-Apr-2024 | 04:21 PDT

DocuSigned by:
Cyrille CHARBONNEL
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Cyrille Charbonnel
Director
23-Apr-2024 | 13:24 CEST

Statement of changes in head office account

For the year ended 31 December 2023

	Head office advances $	Accumulated losses $	Total head office account $
At 1 January 2022	-	-	-
Loss for the year	-	(842,574)	(842,574)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(842,574)	(842,574)
Advances from head office	4,000,000	-	4,000,000
At 31 December 2022 (restated)	4,000,000	(842,574)	3,157,426
At 1 January 2023	4,000,000	(842,574)	3,157,426
Profit for the year	-	95,511	95,511
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	95,511	95,511
At 31 December 2023	4,000,000	(747,063)	3,252,937

The above statement of changes in head office account should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 31 December 2023

	2023 $	Restated* 2022 $
Operating activities		
Premium and other revenue received, net of acquisition cash flows	4,631,619	(21,744)
Reinsurance premium, net of commission	(1,945,818)	351,630
Claims payments	(210,252)	-
Reinsurance recoveries	105,126	-
Interest received	14,289	-
Payments to suppliers and employees	(1,134,137)	(564,479)
Interest paid	(1,692)	(1,097)
Taxation paid	(4,937)	-
Net cash flows from/(used in) operating activities	1,454,198	(235,690)
Net cash flows from/(used in) investing activities	-	-
Financing activities		
Repayment of lease liabilities	(17,559)	(8,527)
Head office injection	-	4,000,000
Net cash flows (used in)/from financing activities	(17,559)	3,991,473
Net increase in cash and cash equivalents	1,436,639	3,755,783
Cash and cash equivalents at 1 January	3,755,783	-
Cash and cash equivalents at 31 December	5,192,422	3,755,783

* Restated for adoption of NZ IFRS 17, refer note 2.p.

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 31 December 2023

1. Corporate information

The financial statements of the New Zealand operations of Compagnie Française d'Assurance pour le Commerce Extérieur (the "branch") for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors.

Compagnie Française d'Assurance pour le Commerce Extérieur (the "company") is incorporated in France and is registered under the Companies Act 1993 on the overseas company register as a company carrying on business in New Zealand. The ultimate and immediate parent of the company is COFACE SA. COFACE SA and its subsidiaries collectively form “Coface Group".

The principal activities of the branch are the provision of trade credit insurance policies in New Zealand, directly to businesses or through broker organisations. There has been no change in the principal activities of the branch during the year.

2. Significant accounting policies

a. Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Financial Markets Conduct Act 2013. The branch is classified as an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. For the purpose of complying with NZ GAAP the branch is a for-profit entity.

The financial statements are presented in branch's functional currency, New Zealand dollars, and all values are rounded to the nearest dollar, except when otherwise indicated.

Comparative disclosures represent a nine-month trading period as the branch obtained its license to operate on 13 December 2021 and commenced operations on 1 April 2022.

b. Statement of compliance

The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

c. Going concern

For the year ended 31 December 2023, the branch had net current assets of $3,243,033 (2022: $3,139,830). The branch had a profit for the year of $95,511 (2022: loss of $842,574), and net cash inflows from operating activities of $1,454,198 (2022: outflows of $235,690).

The branch is part of the company. The assets of the branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the branch’s statement of financial position. The debts of the branch may result in claims against the entire company’s assets, not solely the assets presented on the branch’s statement of financial position. Any deficiency of the branch is supported by the company. The amount of funds retained, to ensure financial soundness of the branch, is managed at the company level and details of the solvency position are set out in note 11.

d. Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the financial statements

For the year ended 31 December 2023

2. Significant accounting policies (continued)

e. Insurance contracts

Classification and aggregation

Groups of insurance contracts are determined by identifying portfolios of contracts which are subject to similar risks and managed together.

Each portfolio is then divided into annual cohorts (i.e. by year of issue), and between (i) a group of contracts that are onerous at initial recognition, (ii) a group of contracts that have no significant possibility of becoming onerous subsequently, and (iii) a group of the remaining contracts, that at initial recognition have a possibility of becoming onerous subsequently.

The branch has a single portfolio, for trade-credit insurance.

Recognition

A group of insurance contracts is recognised at the earlier of: the start of the coverage period; the due date of the first policyholder payment; or, for onerous contracts, as soon as the branch is committed. When each individual contract is recognised, it is either added to an existing group, or, if it does not qualify for inclusion in an existing group, forms a new group to which future contracts may be added.

The coverage period for trade-credit insurance is from the beginning of the insurance policy until the potential default due date by the debtor towards the policyholder, according to the maximum credit term indicated in the contract.

Measurement

The branch applies the premium allocation approach (PAA) for measurement of all insurance and reinsurance contracts, as the resulting measurement of the liability for remaining coverage would not differ materially from applying the general model of NZ IFRS 17.

The carrying amount of each group of insurance contracts is the sum of the liability for remaining coverage and the liability for incurred claims.

Under the PAA, the initial liability for remaining coverage is the premiums received at initial recognition, less insurance acquisition cash flows at that date, adjusted for any amount arising from deferred insurance acquisition cash flows. In subsequent periods the liability is increased for premiums received, amounts relating to amortisation of insurance acquisition cash flows recognised as an expense, and any adjustment to a significant financing component; and decreased for insurance acquisition cash flows paid, the amount recognised as insurance revenue for services provided, and any investment component paid or transferred to the liability for incurred claims.

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts, that are directly attributable to the relevant portfolio of insurance contracts (though may not be directly attributable to individual contracts or groups of contracts within the portfolio). These include acquisition fees paid to intermediaries (brokers, agents, ceding insurers) and other acquisition costs attributable to contracts. Insurance acquisition cash flows are allocated to relevant groups of insurance contracts and amortised over the coverage period of the related group. Insurance acquisition cash flows incurred before the commencement of the relevant group of insurance contracts are carried as an asset until the insurance contract liability is recognised, following which they are included within measurement of the liability for remaining coverage.

The liability for incurred claims comprises the discounted estimated future cash flows relating to incurred claims.

If at any time before and during the coverage period a group of insurance contracts is or becomes onerous, an impairment loss is recognised with a corresponding increase in the liability for remaining coverage, for the difference between the estimated fulfilment cash flows relating to the remaining coverage of the group, and the carrying amount of liability for remaining coverage for that group.

Insurance contracts are derecognised when, and only when, the obligation specified in the insurance contract expires or is discharged or cancelled.

Notes to the financial statements

For the year ended 31 December 2023

2. Significant accounting policies (continued)

e. Insurance contracts (continued)

Reinsurance contracts

Reinsurance contracts held are recognised at the beginning of the coverage period of the group of reinsurance contracts held, or at the initial recognition date of the related insurance contract if the reinsurance contract provided proportionate coverage.

Reinsurance contracts held are measured on the same basis as the insurance contracts issued (adapting to reflect the features of reinsurance contracts held that differ from insurance contracts issued, such as expenses rather than revenue).

f. Financial instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

All financial instruments are initially recognised at the fair value of the consideration received/transferred less, in the case of financial assets and liabilities not recorded at fair value through profit or loss, directly attributable transaction costs.

Subsequently the branch applies the following accounting policies for financial instruments:

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial assets at amortised cost

Financial assets at amortised cost consist of trade and other receivables (note 7). Trade receivables represent the right to an amount of unconditional consideration (i.e. only the passage of time is required before payment of the consideration is due). Contract assets are the right to consideration in exchange for goods or services transferred to the customer. If the branch performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned conditional consideration.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired, as well as through the amortisation process. These are included within current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Impairment of financial assets

An allowance for expected credit losses (ECLs) is recognised for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, a simplified approach is applied in calculating ECLs. Therefore, changes in credit risk are not tracked, instead a loss allowance is recognised based on lifetime ECLs at each balance date. The allowance is based upon observed historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the financial statements

For the year ended 31 December 2023

2. Significant accounting policies (continued)

f. Financial instruments (continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of employee benefit liabilities, lease liabilities (note 5) and accruals. Payables are recognised when the branch becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are not discounted given their short-term nature.

Financial liabilities at amortised cost are measured at amortised cost using the EIR method. Gains or losses are recognised in profit or loss when the liability is derecognised as well as through the EIR amortisation process. Financial liabilities are classified as current liabilities unless the branch has an unconditional right to defer settlement of the liabilities for at least 12 months after balance date.

g. Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Initial cost includes purchase consideration and those costs attributable to bringing the asset to the location and condition necessary for its intended use.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure either increases the future economic benefits, or is necessarily incurred to enable future economic benefits to be obtained. The carrying amount of any replaced part is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation has been calculated on a straight line basis to write off the net cost of each asset over its expected useful life to its estimated residual value. The following depreciation rates have been applied:

Right-of-use assets - property	over lease term (2 years)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

h. Impairment of non-financial assets

Intangible assets with an indefinite useful life are reviewed for impairment annually. Non-financial assets with a finite useful life are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Impaired non-financial assets are tested for possible reversal of the impairment whenever events or changes in circumstances indicate the impairment may have reversed.

i. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if the arrangement conveys a right to control the use of an identified asset or assets for a period of time in exchange for consideration.

At commencement of a lease, the branch recognises a right-of-use asset and a lease liability. The right-of-use asset is recognised at cost, being the initial measurement of the lease liability plus any lease payments made before the commencement date, any initial direct costs, and an estimate of costs to be incurred to remove or restore the asset at the end of the lease term, less any lease incentives received. The lease liability is initially measured at the present value of the remaining lease payments, discounted at the interest rate implicit in the lease.

Notes to the financial statements

For the year ended 31 December 2023

2. Significant accounting policies (continued)

i. Leases (continued)

Variable lease payments linked to an index or rate are included in calculation of the lease liability. When the index or rate changes, or there are other changes in lease payments such as a change in lease term, the lease liability is remeasured, with a corresponding change to the associated right-of-use asset. Variable lease payments not linked to an index or rate are recognised in profit or loss when incurred.

Interest on the lease liability is calculated using the EIR method and recognised as an expense in profit or loss.

Right-of-use assets and lease liabilities are not recognised for leases with a lease term of less than 12 months, or for leases of low-value assets. Payments on short-term leases or leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis over the lease term.

j. Employee benefit liabilities

Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of balance date, are recognised in respect of employees' services up to balance date. They are measured at the amounts expected to be paid when the liabilities are settled.

Post-employment benefits
Contributions made on benefit of eligible employees to defined contribution funds are recognised in the period they are incurred. The defined contribution funds receive fixed contributions from the branch, whose legal or constructive obligation is limited to those contributions only.

k. Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable.

Insurance service result

Insurance service revenue is the amount of expected premium receipts allocated to the period, net of taxes, cancellations/refunds, and any investment component.

Expected premium receipts are allocated to each period of insurance contract services on the basis of the passage of time, or on the basis of the expected timing of incurred insurance service expenses if the expected pattern of release of risk during the coverage period differs significantly from the passage of time.

Insurance service expenses consist of incurred claims, amortisation of insurance acquisition cash flows (recognised on the basis of passage of time), changes in fulfilment cash flows relating to the liability for incurred claims, and losses on onerous groups of such contracts (and reversals of such losses).

Reinsurance premium expense is the amount of expected reinsurance premium payments allocated to the period, on the same basis as the related insurance income, net of commissions that are not contingent on claims on the underlying contracts and any investment component. Reinsurance recoveries include incurred claims recovered (or recoverable) from the reinsurer, net of any commissions or other expenses that are contingent on claims on the underlying contracts.

Notes to the financial statements

For the year ended 31 December 2023

2. Significant accounting policies (continued)

k. Revenue recognition (continued)

Insurance finance income or expense

Insurance finance income or expense comprises the change in the carrying amount of each group of insurance contracts arising from the effect of the time value of money (i.e. unwinding of discount) and the effect of financial risk and changes in financial risk.

Insurance finance income or expense is disaggregated between profit or loss and other comprehensive income. Insurance finance income or expense is recognised in profit or loss according to the discount rates initially applied for each group of insurance contracts. Differences between the valuation of the insurance contract liability (or asset) at initial discount rates and at current discount rates are recognised in other comprehensive income (OCI).

If a contract is derecognised as a result of a transfer to a third party or a contract modification, any accumulated OCI for that contract will be reclassified to profit or loss.

Fee income

Fee income is fees charged to clients for special limit requests, which are recognised at a point in time when the services are provided.

Interest income

Revenue is recognised as interest accrues using the effective interest rate (EIR) method.

l. Income tax

Income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at balance date.

Deferred tax is calculated using the liability method on all temporary differences at balance date between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets are recognised to the extent it is probable the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the branch’s forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax losses or credits.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

m. Other taxes

Revenues, expenses, assets, liabilities and cash flows are recognised net of goods and services tax (GST), except where GST incurred is not recoverable from the taxation authority, and receivables and payables which are stated GST inclusive.

n. Finance income

Finance income is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

o. Income tax

Income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance date.

Notes to the financial statements

For the year ended 31 December 2023

2. Significant accounting policies (continued)

o. Income tax (continued)

Deferred tax is calculated using the liability method on all temporary differences at balance date between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets are recognised to the extent it is probable the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax losses or credits.

Changes in deferred tax assets or liabilities are recognised in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

p. Changes in accounting policies and disclosures

New and amended standards and interpretations

The branch applied NZ IFRS 17 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2023, but do not have an impact on the financial statements of the branch.

NZ IFRS 17 *Insurance Contracts*

NZ IFRS 17 *Insurance Contracts* replaces NZ IFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. NZ IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, with the objective of providing an accounting model for insurance contacts that is more useful and consistent for insurers.

The branch has adopted NZ IFRS 17 retrospectively, with an initial application date of 1 January 2023. Comparative figures have been restated.

Under NZ IFRS 17, all of the branch's insurance contracts are measured using the premium allocation approach (PAA). The measurement principles of the PAA differ from the 'earned premium approach' previously applied under NZ IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage includes (i) an adjustment for the time value of money and effect of financial risk where the premium due date and related period of services are more than 12 months apart, and (ii) an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component.
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is: determined on a discounted probability-weighted expected value basis; includes an explicit risk adjustment for non-financial risk; and includes the obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses, where such contracts reinsure onerous direct contracts.

NZ IFRS 17 amends the presentation of insurance amounts in the statement of comprehensive income and the statement of financial position.

Notes to the financial statements

For the year ended 31 December 2023

2. Significant accounting policies (continued)

q. Significant accounting judgements, estimates and assumptions

The preparation of the branch's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

Insurance contract liabilities - estimates of future cash flows

Insurance contract liabilities are based upon estimates of future cash flows, incorporating all reasonable and supportable information that is available without undue cost or effort at balance date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Insurance contract liabilities - discount rates

The branch uses the "bottom-up" methodology to determine discount rates. This approach involves determining discount rates by adjusting a liquid risk-free yield curve to reflect differences in the liquidity characteristics of financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts.

The branch uses the European Insurance and Occupational Pensions Authority (EIOPA) risk-free yield curve. Discount rates applied for the discounting of future cash flows are as follows:

	1 year	2 years	3 years
2023	5.13%	4.57%	4.31%
2022	5.05%	4.99%	4.77%

Insurance contract liabilities – risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation the branch requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts, and reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The risk adjustment for non-financial risk is determined using the confidence level technique, under which the probability distribution of the expected present value of future cash flows from insurance contracts is estimated at each balance date, and the risk adjustment for non-financial risk is calculated as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years.

The risk adjustment has been estimated using a confidence level (probability of sufficiency) of 75% (2022: 75%).

Notes to the financial statements

For the year ended 31 December 2023

3. Profit/(loss) before income tax

Profit/(loss) before income tax includes the following specific expenses:

	2023 $	2022 $
Employee remuneration	414,504	307,847
Post-employment benefits	9,987	6,049
Depreciation expense	16,980	8,490
Net foreign exchange losses	43,380	11,118
Actuarial and legal charges	181,777	349,921

4. Auditor's remuneration

The auditor of the branch is Deloitte Touche Tohmatsu.

	2023 $	2022 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Audit of financial report	91,129	35,000

5. Leases

The branch leases property.

Profit/(loss) before income tax includes the following expenses relating to leases.

	2023 $	2022 $
Short-term lease expenses	-	12,306
Depreciation expense of right-of-use assets	16,980	8,490
Interest expense on lease liabilities	1,692	1,097

The total cash outflow for leases during the year was $19,251 (2022: $21,930).

Notes to the financial statements

For the year ended 31 December 2023

5. Leases (continued)

Right-of-use assets - property

	2023 $	2022 $
Cost		
At 1 January	35,374	-
Additions	-	35,374
At 31 December	35,374	35,374
Depreciation and impairment		
At 1 January	8,490	-
Depreciation for the year	16,980	8,490
At 31 December	25,470	8,490
Net book value	9,904	26,884

Lease liabilities have a maturity date of June 2024 (2022: June 2024), with an effective interest rate of 6.3% (2022: 6.3%).

Lease liabilities are disclosed in the statement of financial position as follows:

	2023 $	2022 $
Current	9,288	17,559
Non-current	-	9,288
	9,288	26,847

6. Income tax

The major components of income tax expense are:

	2023 $	2022 $
Current income tax:		
Current income tax charge	3,839	-
Deferred tax:		
Origination and reversal of temporary differences	-	-
Income tax expense reported in the statement of comprehensive income	3,839	-

Notes to the financial statements

For the year ended 31 December 2023

6. Income tax (continued)

Reconciliation of income tax expense and accounting loss is as follows:

	2023 $	2022 $
Accounting profit/(loss) before income tax	99,350	(842,574)
At statutory income tax rate of 28% (2022: 28%)	27,818	(235,921)
Non-deductible expenses	-	59,561
Deferred tax asset not recognised	53,545	14,039
Future tax benefit not recognised	-	141,816
Utilisation of unrecognised tax losses	(82,562)	-
Other	5,038	20,505
Income tax expense	3,839	-

Deferred income tax

Deferred income tax relates to the following:

Statement of financial position	2023 $	2022 $
Accruals and employee entitlements	67,756	48,295
Deferred acquisition costs	-	(34,245)
Right-of-use assets	(2,773)	(7,528)
Lease liabilities	2,601	7,517
Deferred tax asset not recognised	(67,584)	(14,039)
Net deferred tax assets/(liabilities)	-	-

Statement of comprehensive income	2023 $	2022 $
Accruals and employee entitlements	(19,461)	(48,295)
Deferred acquisition costs	(34,245)	34,245
Right-of-use assets	(4,755)	(2,377)
Lease liabilities	4,916	2,388
Deferred tax asset not recognised	53,545	14,039
Deferred tax expense/(benefit)	-	-

Subject to approval by Inland Revenue, the branch has tax losses available to carry forward of $211,621 (2022: $506,486) with tax effects of $59,254 (2022: $141,816). No deferred tax asset has been recognised in respect of tax losses, due to the uncertainty of future taxable income.

The branch is not eligible for New Zealand imputation credits.

7. Trade and other receivables

	2023 $	2022 $
GST receivables	4,002	20,988
Other trade and other receivables	453,513	18,230
	457,515	39,218

The carrying amount of trade and other receivables is a reasonable approximation of fair value.

Notes to the financial statements

For the year ended 31 December 2023

8. Insurance and reinsurance contracts

a. Insurance contracts

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	$	$	$	$	$
Net insurance contract (assets)/liabilities as at 31 December 2022	(790,114)	145,796	361,684	180,842	(101,792)
Insurance revenue	(3,519,270)	-	-	-	(3,519,270)
Insurance service expenses					
Incurred claims and other expenses	-	-	1,489,178	639,463	2,128,641
Amortisation of insurance acquisition cash flows	434,546	-	-	-	434,546
Losses/(reversal) on onerous contracts	-	(145,796)	-	-	(145,796)
Changes to liabilities for incurred claims	-	-	(379,126)	(189,563)	(568,689)
Insurance service result	(3,084,724)	(145,796)	1,110,052	449,900	(1,670,568)
Insurance finance expenses	-	-	16,230	8,115	24,345
Total changes in the statement of comprehensive income	(3,084,724)	(145,796)	1,126,282	458,015	(1,646,223)
Cash flows					
Premium received	5,217,890	-	-	-	5,217,890
Claims and other expenses paid	-	-	(210,252)	-	(210,252)
Insurance acquisition cash flows	(455,449)	-	-	-	(455,449)
Total cash flows	4,762,441	-	(210,252)	-	4,552,189
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	-	-	-	-	-
Net insurance contract liabilities/(assets) as at 31 December 2023	887,603	-	1,277,714	638,857	2,804,174

Notes to the financial statements

For the year ended 31 December 2023

8. Insurance and reinsurance contracts (continued)

a. Insurance contracts (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component $	Loss component $	Estimates of the present value of future cash flows $	Risk adjustment $	Total $
Net insurance contract (assets)/liabilities as at 31 December 2021	-	-	-	-	-
Insurance revenue	(913,906)	-	-	-	(913,906)
Insurance service expenses					
Incurred claims and other expenses	-	-	361,684	180,842	542,526
Amortisation of insurance acquisition cash flows	223,159	-	-	-	223,159
Losses/(reversal) on onerous contracts	-	145,796	-	-	145,796
Insurance service result	(690,747)	145,796	361,684	180,842	(2,425)
Total changes in the statement of comprehensive income	(690,747)	145,796	361,684	180,842	(2,425)
Cash flows					
Premium received	246,095	-	-	-	246,095
Insurance acquisition cash flows	(345,462)	-	-	-	(345,462)
Total cash flows	(99,367)	-	-	-	(99,367)
Net insurance contract (assets)/liabilities as at 31 December 2022	(790,114)	145,796	361,684	180,842	(101,792)

Notes to the financial statements

For the year ended 31 December 2023

8. Insurance and reinsurance contracts (continued)

b. Reinsurance contracts

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component $	Loss component $	Estimates of the present value of future cash flows $	Risk adjustment $	Total $
Net reinsurance contract (assets)/liabilities as at 31 December 2022	(646,362)	72,898	166,796	83,398	(323,270)
Allocation of reinsurance premiums	(1,310,828)	-	-	-	(1,310,828)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	695,868	295,371	991,239
Loss-recovery on onerous underlying contracts and adjustments	-	(72,898)	-	-	(72,898)
Changes to amounts recoverable for incurred claims	-	-	(174,840)	(87,420)	(262,260)
Net income or expense from reinsurance contracts held	(1,310,828)	(72,898)	521,028	207,951	(654,747)
Reinsurance finance income	-	-	7,484	3,742	11,226
Total changes in the statement of comprehensive income	(1,310,828)	(72,898)	528,512	211,693	(643,521)
Cash flows					
Premium paid	1,945,818	-	-	-	1,945,818
Amounts received	-	-	(105,126)	-	(105,126)
Total cash flows	1,945,818	-	(105,126)	-	1,840,692
Net reinsurance contract (assets)/liabilities as at 31 December 2023	(11,372)	-	590,182	295,091	873,901

Notes to the financial statements

For the year ended 31 December 2023

8. Insurance and reinsurance contracts (continued)

b. Reinsurance contracts (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component $	Loss component $	Estimates of the present value of future cash flows $	Risk adjustment $	Total $
Net reinsurance contract (assets)/liabilities as at 31 December 2021	-	-	-	-	-
Allocation of reinsurance premiums	(294,732)	-	-	-	(294,732)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	166,796	83,398	250,194
Loss-recovery on onerous underlying contracts and adjustments	-	72,898	-	-	72,898
Net income or expense from reinsurance contracts held	(294,732)	72,898	166,796	83,398	28,360
Total changes in the statement of comprehensive income	(294,732)	72,898	166,796	83,398	28,360
Cashflows					
Premium paid	(351,630)	-	-	-	(351,630)
Total cash flows	(351,630)	-	-	-	(351,630)
Net reinsurance contract (assets)/liabilities as at 31 December 2022	(646,362)	72,898	166,796	83,398	(323,270)

Notes to the financial statements

For the year ended 31 December 2023

9. Related party disclosures

a. Ultimate parent

The ultimate and immediate parent of the company is COFACE SA, which is registered on Euronext Paris in France.

b. Transactions with related parties

Transactions with other group entities include reinsurance, underwriting fees and recharge of expenses.

The following table provides the total amount of transactions which have been entered into with related parties. Movements in the head office account have been disclosed in the statement of changes in head office account.

		Reinsurance premium expense $	Reinsurance recoveries $	Purchases $	Receivables $	Reinsurance contract assets/ (liabilities) $
Ultimate parent	2023	-	-	100,082	-	-
	2022	-	-	-	-	-
Head office	2023	-	-	7,044	-	-
	2022	-	-	222,973	-	-
Other subsidiaries of ultimate parent	2023	1,310,828	656,081	491,126	111,087	873,901
	2022	294,732	323,092	43,243	-	(323,270)
	2023	1,310,828	656,081	598,252	111,087	873,901
	2022	294,732	323,092	266,216	-	(323,270)

Terms and conditions of transactions with related parties

Outstanding balances at year end are unsecured and settlement occurs in cash.

For the year ended 31 December 2023, the branch has not made any allowance for impairment losses relating to amounts owed by related parties (2022: $nil).

c. Key management remuneration

Key management personnel are employed and remunerated by other branches of the company, with no direct recharge to the branch for their services.

10. Insurance and financial risk

a. Insurance risk

Insurance contracts and reinsurance contracts

The branch issues trade credit insurance contracts in New Zealand. Insurance contracts transfer risks to the insurer by indemnifying policy holders against adverse effects arising from the occurrence of specified certain events. Risk management activities can be separated into underwriting, claims management, reserving and investment. 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. The status of the economy is a major driver for frequency and severity of claims. Other key factors include specific events such as natural disasters and structural changes in the economy, which will vary over time. For trade credit insurance the behavior of customers may affect the frequency and severity of claims as well, through risks inherent to their business activities and their risk management practices.

Notes to the financial statements

For the year ended 31 December 2023

10. Insurance and financial risk (continued)

a. Insurance risk (continued)

These insurance risks are controlled by underwriting procedures and adequate premium rates and policy. The branch's business processes are designed to effectively manage the impact of many risk factors that affect frequency and severity of claims.

Acceptance of risk - Access to Coface Group's broad worldwide database of company information allows the branch to thoroughly analyse risk before acceptance. Analysis of risk considers a variety of factors including industry and financial strength.

Pricing - 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 and to ensure adequate review of the claims assessment. Claims are managed to ensure timely and correct payment in accordance with policy conditions.

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. The company maintains quota-share reinsurance with Coface Re S.A. of Lausanne, Switzerland. The treaty covers lines of business, scope of cover, territorial scope and maximum exposure. The treaty for 2023 ceded 50% (2022: 50%), the Fitch credit rating for Coface Re S.A. is AA- (2022: AA-).

Investment management - To ensure liquidity, all investments are held in cash.

Concentration of insurance risk - The branch has an objective of minimizing the concentration of risk arising from the underwriting of insurance contracts and seeks to have a diverse portfolio of risk spread across industry sectors and financial strength, without becoming over concentrated to one sector. 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.

The tables below show the evolution of Sector mix by NACE Code of the New Zealand Porfolio for the 2023 year and the Debtor Risk Assessment (DRA) score categorizing financial strength of the risks underwriten.

	Sector mix	
	2023	**2022**
	%	**%**
2 - Agrofood	56.80	63.00
6 - Elect - IT	12.60	13.60
7 - Services	8.10	7.00
3 - Chemical Industry	6.70	3.60
5 - NS Trade	6.40	8.30
4 - Construction	4.50	2.80
9 - Misc + Empty	2.00	0.70
1 - Metal Industry	2.10	0.40
8 - Textile, Wood and Paper	0.07	0.50

Notes to the financial statements

For the year ended 31 December 2023

10. Insurance and financial risk (continued)

a. Insurance risk (continued)

	DRA category exposure				
Year	Low %	4 %	5 %	Good %	High %
2023	0.00	4.20	16.70	49.80	29.30
2022	0.00	1.40	14.30	46.10	38.20

Sensitivity analysis

The liability for incurred claims (LIC) is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

		2023 ($000)			
Assumption	Change in assumption	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
Baseline gross/net loss ratio for LIC	+10%	(197)	(91)	(142)	(66)
Baseline gross/net loss ratio for LIC	-10%	197	91	142	66
New $1m claim incurred	1000	(1,482)	(684)	(1,067)	(493)

		2022 ($000)			
Assumption	Change in assumption	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
Baseline gross/net loss ratio for LIC	+10%	(139)	(73)	(100)	(53)
Baseline gross/net loss ratio for LIC	-10%	139	73	100	53
New $1m claim incurred	1000	(1,300)	(843)	(936)	(607)

Claims development table

The following tables show the estimates of cumulative incurred claims for each successive incident year at each reporting date, together with cumulative payments to date.

As required by NZ IFRS 17, in setting claims provisions, the branch gives consideration to the probability and magnitude of future experiences being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

Notes to the financial statements

For the year ended 31 December 2023

10. Insurance and financial risk (continued)

a. Insurance risk (continued)

Gross undiscounted liabilities for incurred claims ($000)

	2022	2023	Total $
Accident year			
At end of accident year	346	1,494	
One year later	-		
Gross estimates of the undiscounted amount of the claims	-	1,494	1,494
At end of accident year	-	(267)	
One year later	-		
Cumulative payments to date	-	(267)	(267)
Gross undiscounted liabilities for incurred claims	-	1,226	1,226
Effect of discounting	-		(47)
Total gross liabilities for incurred claims	-		1,180

Total gross liabilites for incurred claims related to trade credit	**Estimate of the present value of future cash flows**	**Claims handling**	**Risk adjustment**	**Total**
Gross liabilites	1,180	97	639	1,916

Net undiscounted liabilities for incurred claims ($000)

	2022	2023	Total $
Accident year			
At end of accident year	173	747	
One year later	-		
Gross estimates of the undiscounted amount of the claims	-	747	747
At end of accident year	-	(134)	
One year later	-		
Cumulative payments to date	-	(134)	(134)
Gross undiscounted liabilities for incurred claims	-	613	613
Effect of discounting	-		(23)
Total net liabilities for incurred claims	-		590

Total gross liabilites for incurred claims	**Estimate of the present value of future cash flows**	**Claims handling**	**Risk adjustment**	**Total**
Gross liabilities	1,180	97	639	1,916
Amounts recoverable from reinsurers	(590)	-	(295)	(885)
Total net liabilities	590	97	344	1,031

Notes to the financial statements

For the year ended 31 December 2023

10. Insurance and financial risk (continued)

b. Financial risk

i. Credit risk

Credit risk is the risk that one party to a financial instrument (including insurance contracts) will cause a financial loss for the other party by failing to discharge an obligation.

The branch's assets subject to credit risk consist of cash at bank and trade and other receivables. The maximum exposure to credit risk is the carrying amount in the statement of financial position. The branch's policy is to hold financial assets as cash.

Cash is held with HSBC New Zealand, which has a Standard & Poor's long-term credit rating of AA- (2022: AA-).

Trade receivables primarily consist of amounts receivable from intermediaries.

Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of default. The nature of the branch's exposure to credit risk and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

ii. Liquidity risk

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

Maturity analysis for insurance and reinsurance contract liabilities

The contractual undiscounted cash flows for portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities are all expected to be paid within one year.

Maturity analysis for financial liabilities

The table below summarises the maturity profile of the branch's financial liabilities based on contractual undiscounted repayment obligations.

	2023		
	Up to 1 year	**1 - 2 years**	**Total**
	$	**$**	**$**
Lease liabilities	9,625	-	9,625

	2022		
	Up to 1 year	**1 - 2 years**	**Total**
	$	**$**	**$**
Lease liabilities	19,250	9,625	28,875

iii. Currency risk

Currency risk is the risk that the fair value of financial instruments (including insurance contracts) will fluctuate because of changes in foreign exchange rates.

The majority of the branch's assets and liabilities are in New Zealand dollars, with limited exposure to other currencies. The branch has receivables denominated in US dollars.

Notes to the financial statements

For the year ended 31 December 2023

10. Insurance and financial risk (continued)

b. Financial risk (continued)

iii. Currency risk (continued)

The table below shows the impact on profit after tax and equity of reasonably possible variations in foreign currency exchange rates, assuming that all other variables are held constant.

	Change in exchange rate	2023	2022
		$	$
US dollar	+10%	98,734	32,857

A movement of exchange rate for US dollar by 10% in the opposite direction would have an equal and opposite effect.

iv. Interest rate risk

The branch has no significant exposure to interest rate risk.

11. Capital management

Solvency requirements

The branch has a license under the Insurance (Prudential Supervision) Act 2010, and 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 the company. The Coface Group complies with capital requirements in each regulatory regime.

Capital solvency

The company 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, the company needs to meet the French Regulatory Solvency Capital Requirements as prescribed by Autorite de controle prudential et de resolution (ACPR). The minimum Solvency Capital Requirement for New Zealand under French law is outlined below. As at 31 December the company carried a positive solvency margin.

	2023	2022
	$	$
Actual solvency capital	4,525,402	4,279,173
Minimum solvency capital	(2,279,319)	(2,122,310)
Solvency margin	2,246,083	2,156,863

	2023	2022
	%	%
Solvency ratio	199	202

Notes to the financial statements

For the year ended 31 December 2023

12. Reconciliation of net profit/(loss) for the year to net cash used in operating activities

	2023 $	2022 $
Net profit/(loss) for the year	95,511	(842,574)
Adjustments for non-cash items		
Depreciation of right-of-use assets	16,980	8,490
Changes in assets and liabilities		
Increase in trade and other receivables	(418,297)	(39,218)
Increase in income tax receivable	(1,098)	-
Decrease/(increase) in insurance contract assets	101,792	(101,792)
(Increase)/decrease in reinsurance contract assets	(873,901)	-
Increase/(decrease) in insurance contract liabilities	2,804,174	-
(Decrease)/increase in reinsurance contract liabilities	(323,270)	323,270
(Decrease)/increase in employee benefit liabilities	(3,797)	5,422
Increase in accruals	56,104	410,712
Net cash flows from/(used in) operating activities	1,454,198	(235,690)

13. Commitments and contingencies

Commitments

There branch had no commitments at 31 December 2023 (2022: $nil).

Contingencies

There are no contingent assets or contingent liabilities at balance date which would have a material effect on the branch's financial statements at 31 December 2023 (2022: $nil).

14. Events after balance date

There have been no significant events occurring after balance date which may affect either the branch's operations or results of those operations or the branch's state of affairs.

15. Standards and interpretation issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the branch’s financial statements are disclosed below.

Lease Liability in a Sale and Leaseback – Amendments to NZ IFRS 16

In November 2022, the NZASB issued amendments to NZ IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of NZ IFRS 16.

The amendments are not expected to have any impact on the branch's financial statements.

Non-Current Liabilities with Covenants – Amendments to NZ IAS 1

In May 2023, the NZAB issued amendments to NZ IAS 1 to introduce a requirement to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

15. Standards and interpretation issued but not yet effective (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have any impact on the branch's financial statements.

Disclosure of Fees for Audit Firms' Services – Amendments to FRS 44

In May 2023, the NZASB issued amendments to FRS 44 to extend the requirement for disclosure of fees incurred for services received from its audit or review firm, and a description of each service, using specified categories.

The amendments are effective for annual periods beginning on or after 1 January 2024. The branch will include the additional disclosures in its financial statements from the effective date of the amendment.

Supplier Finance Arrangements – Amendments to NZ IAS 7 and NZ IFRS 7

In July and November 2023, the NZASB issued amendments to NZ IAS 7 *Statement of Cash Flows* and NZ IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024.

The amendments are not expected to have any impact on the branch's financial statements.

Lack of Exchangeability – Amendments to NZ IAS 21 and NZ IFRS 1

In November 2023, the NZASB issued amendments to NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates* and NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* to introduce a definition of when a currency is exchangeable. If a currency is not exchangeable, the amendments provide guidance on how to estimate a spot exchange rate, and specify disclosure requirements to enable users to understand how the lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are effective for annual periods beginning on or after 1 January 2025. The amendments are not expected to have any impact on the branch's financial statements.