

NCD Water and Sewerage Limited (Trading as EDA Ranu)

Financial Statements

For the period 1 January 2020 to 12 April 2021

NCD Water and Sewerage Limited (Trading as EDA Ranu)

Contents

For the period 1 January 2020 to 12 April 2021

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NCD Water and Sewerage Limited (Trading as EDA Ranu)

Company Information

NCD Water and Sewerage Limited (trading as EDA Ranu) was a Company registered under the Papua New Guinea Companies Act 1997 and is incorporated and domiciled in Papua New Guinea for the period 1 January 2020 to 12 April 2021.

Registered office	Level 1, Twin Merlion Business Centre Section 122, Allotment 10 Cobon Street, Geauta Drive Gordons Port Moresby National Capital District 131 Papua New Guinea
Postal address	Private Mail Bag Post Office Waigani National Capital District Papua New Guinea
Directors	William Sweet - Chairman (resigned 4 November 2020) Nelson Tengi - Deputy Chairman (resigned 4 November 2020) Leslie Hoffman (resigned 4 November 2020) Sandis Tsaka (resigned 4 November 2020) Peter Pokawin (resigned 4 November 2020) Aiwa Olmi - Chairman (appointed 10 November 2020) Ako Toua - Deputy Chairman (appointed 10 November 2020) Hubert Namani (appointed 10 November 2020) John Cholai (appointed 10 November 2020) Tamzin Wardley (appointed 10 November 2020)
Secretary	Ruse Lou Tamarua
Auditors	Auditor General PO Box 423 Waigani Port Moresby
Bankers	Westpac Bank PNG Limited Bank of South Pacific Limited Australia & New Zealand Bank Group (PNG) Limited

NCD Water and Sewerage Limited (Trading as EDA Ranu)

Directors' Report

12 April 2021

The Directors of Water PNG Limited submit herewith the annual financial report of NCD Water and Sewerage Limited (trading as Eda Ranu) ("the Company") including the financial statements for the period 1 January 2020 to 12 April 2021. In order to comply with the provisions of the Papua New Guinea Companies Act 1997, the Directors Report as follows:

Directors

Information on directors

The Directors of the Company at any time during or since the end of the previous financial year are listed on page 1.

Principal activities and change in state of affairs

The Company's principal activities during the reporting period were the supply of water and the discharge of sewerage effluents in the National Capital District of Papua New Guinea. During the period there were no significant changes in the nature of the Company's activities.

The Company was amalgamated with Water PNG Limited and the Company ceased to exist as at 12 April 2021, resulting in the financial statements having been prepared for the period 1 January 2020 to 12 April 2021. On 20 November 2020, the National Parliament of Papua New Guinea gazetted a new National Water Supply and Sanitation (Amendment) Act, 2020 ("Amendment Act") that repealed the NCD Water & Sewerage Act, 1996. The Amendment Act amalgamated Water PNG Limited and NCD Water & Sewerage Limited (t/a Eda Ranu) effective from 13 April 2021.

Operating results

The profit of the Company after providing for Income tax amounted to PGK17,522,096 (2019: loss of PGK 34,887,726).

Dividends

Dividend of K5.6m has been declared and paid during the period (2019: Nil).

Entries in the interest register

No entries were made in the interest register during the reporting period (2019: Nil).

Donations

The Company spent K298,287 on donations during the reporting period (2019: K550,788).

NCD Water and Sewerage Limited (Trading as EDA Ranu)

Directors' Report

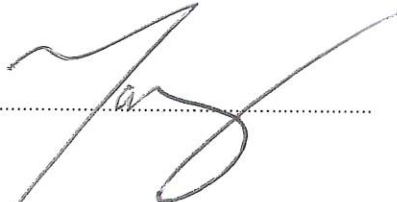
12 April 2021

Matters or circumstances arising after the end of the reporting period

Amalgamation of the Company with Water PNG Limited resulted in the Company ceasing to exist after the reporting date of 12 April 2021.

Signed in accordance with a resolution of the Board of Directors:

Director: 

Director: 

Signed on Port Moresby on this 17 day of September 2022

NCD Water and Sewerage Limited (Trading as EDA Ranu)

Directors' Declaration

In accordance with the requirements of the Companies Act (1997) the Directors state, subject to Note 1, that, in their opinion:

- a) The results of the Company's operations during the year were not materially affected by items of an abnormal character except as set out in the accounts;
- b) no circumstances have arisen which render adherence to the existing method of valuation of assets or liabilities misleading or inappropriate;
- c) no contingent liabilities have arisen in the period 1 January 2020 to 12 April 2021 to the date of this report,
- d) no contingent liabilities have become enforceable or are likely to become enforceable within the year from the date of this report, which would materially affect the Company in its ability to meet its obligations as and when they fall due;
- e) during the year no transfers were made to / (from) reserves; and
- f) the current assets will realise at least the value at which they are shown in the accounts and the value is an amount that these current assets might reasonably be expected to realise in the ordinary course of business.

Director 

Director 

Dated 17 September 2022

Independent Audit Report to the Directors of

Independent Audit Report to the Directors of

Independent Audit Report to the Directors of

Independent Audit Report to the Directors of

Independent Audit Report to the Directors of

NCD Water and Sewerage Limited (Trading as EDA Ranu)

Statement of Profit or Loss and Other Comprehensive Income

For the period 1 January 2020 to 12 April 2021

		2021	2019
	Note	PGK	PGK
Revenue	4	150,415,198	118,088,994
Direct cost	5	(21,272,761)	(39,065,127)
Gross profit		129,142,437	79,023,867
Other operating income	6	534,141	248,513
Staff costs	7	(49,374,355)	(32,183,325)
Operating expenses	8	(13,045,405)	(12,203,770)
Depreciation	17(a)14	(8,630,856)	(6,427,055)
Impairment of receivables	11	(32,513,658)	(67,842,308)
Finance cost		(795,654)	(2,368,855)
Profit / (loss) before income taxes		25,316,650	(41,752,933)
Income tax (expense) / credit	9(a)	(7,794,554)	6,865,207
Profit / (loss) for the year		17,522,096	(34,887,726)
Other Comprehensive income			
Property, plant and equipment revaluation gain, net of tax		175,641,189	-
Total comprehensive income / (loss) for the year		193,163,285	(34,887,726)



The accompanying notes form part of these financial statements.

NCD Water and Sewerage Limited (Trading as EDA Ranu)

Statement of Financial Position

As at 12 April 2021

	Note	2021 PGK	2019 PGK
ASSETS			
CURRENT ASSETS			
Assets held for distribution	22	448,538,077	-
Cash and cash equivalents	10	-	26,352,002
Trade and other receivables	11	-	18,705,190
Consumable inventories	12	-	6,513,833
Prepayment and other current assets	13	-	1,251,734
TOTAL CURRENT ASSETS		448,538,077	52,822,759
NON-CURRENT ASSETS			
Property, plant and equipment	14	-	86,687,376
Deferred tax assets	9(b)	-	25,692,289
Right-of-use assets	17(a)	-	2,960,708
TOTAL NON-CURRENT ASSETS		-	115,340,373
TOTAL ASSETS		448,538,077	168,163,132
LIABILITIES			
CURRENT LIABILITIES			
Liabilities directly associated with the assets held for distribution	22	152,694,892	-
Trade and other payables	15	-	32,720,779
Provision for annual leave	16	-	777,969
Current tax liabilities	9(c)	-	18,941,998
Lease liabilities	17(f)	-	2,295,581
TOTAL CURRENT LIABILITIES		152,694,892	54,736,327
NON-CURRENT LIABILITIES			
Provision for long-service leave	16	-	3,087,327
Lease liabilities	17(f)	-	2,172,150
Deferred tax liabilities	9(b)	-	1,462,126
TOTAL NON-CURRENT LIABILITIES		-	6,721,603
TOTAL LIABILITIES		152,694,892	61,457,930
NET ASSETS		295,843,185	106,705,202
EQUITY			
Share capital	19(a)	2	2
Capital grants	19(b)	77,688,831	76,114,133
Revaluation reserve	19(c)	208,541,189	32,900,000
Retained earnings / (deficit)		9,613,163	(2,308,933)
TOTAL EQUITY		295,843,185	106,705,202



The accompanying notes form part of these financial statements.

NCD Water and Sewerage Limited (Trading as EDA Ranu)

Statement of Changes in Equity

As at 12 April 2021

	Note	Share Capital	Capital Grant	Revaluation Reserve	Retained Deficit	Total
		PGK	PGK	PGK	PGK	PGK
Balance at 1 January 2019	19	2	73,933,392	32,900,000	32,578,793	139,412,187
Loss for the year		-	-	-	(34,887,726)	(34,887,726)
Capital grant contribution	19(b)	-	2,180,741	-	-	2,180,741
Balance at 31 December 2019		2	76,114,133	32,900,000	(2,308,933)	106,705,202
Balance at 1 January 2020	19	2	76,114,133	32,900,000	(2,308,933)	106,705,202
Profit for the year		-	-	-	17,522,096	17,522,096
Capital grant contribution	19(b)	-	1,574,698	-	-	1,574,698
PPE revaluation gain, net of tax	19(c)	-	-	175,641,189	-	175,641,189
Dividends paid		-	-	-	(5,600,000)	(5,600,000)
Balance at 12 April 2021		2	77,688,831	208,541,189	9,613,163	295,843,185



The accompanying notes form part of these financial statements.

NCD Water and Sewerage Limited (Trading as EDA Ranu)

Statement of Cash Flows

For the period 1 January 2020 to 12 April 2021

	2021	2019
Note	PGK	PGK
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit / (loss) before taxation	25,316,650	(41,752,933)
Depreciation	17(a)14 8,630,856	6,427,055
Loss on assets disposal	-	25,897
Provision for bad debt expense	11 32,513,658	67,842,308
Interest expense	795,654	430,267
Cash flows before working capital	67,256,818	32,972,594
(Increase) / decrease in:		
Trade and other receivables	18,705,190	(20,768,408)
Consumables inventories	6,513,833	(622,734)
Prepayments and other current assets	1,251,734	(676,533)
Trade and other payables	(32,720,779)	3,402,067
Provision for annual leave	(777,969)	185,415
Provision for long service leave	(3,087,327)	372,061
Net cash flows from operating activities	57,141,500	14,864,462
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments of property, plant and equipment	14 -	(1,779,253)
Proceed from sale of property, plant and equipment	-	51,000
Net movement in assets held for distribution	(83,493,502)	-
Net cash flows used in investing activities	(83,493,502)	(1,728,253)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital grants received	19(b) -	2,180,741
Payment of lease liability IFRS 16	17(d) -	(2,489,000)
Payment of finance lease liabilities	-	(4,298,244)
Net cash flows from financing activities	-	(4,606,503)
Net cash decreases in cash and cash equivalents	(26,352,002)	8,529,706
Cash and cash equivalents at beginning of the year	26,352,002	17,822,296
Cash and cash equivalents at end of the reporting period	10 -	26,352,002



The accompanying notes form part of these financial statements.

NCD Water and Sewerage Limited (Trading as EDA Ranu)

Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

1 Corporate information

NCD Water and Sewerage Limited (trading as Eda Ranu) ("the Company") operated as a commercial entity under the Companies Act 1997, to provide water supply and the discharge of sewerage effluents in the National Capital District of PNG. The Company was incorporated in Papua New Guinea and its registered office was located at Corporate Head Office, Level 1, Twin Merlion Business Centre, Section 122, Allotment 10, Cobon Street, Geauta Drive, Gordons, Port Moresby, National Capital District, 131, Papua New Guinea.

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea ("ASB") and the requirements of the Papua New Guinea Companies Act 1997.

This financial statements have been authorised by the Board of Directors on the date of signing this annual report.

(b) Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(c) Basis of preparation

The financial statements are prepared on a basis other than going concern, under the historical cost convention, except where otherwise stated.

The National Capital District Water and Sewerage Act 1996, which governs the operations of the Company, was repealed on 4 November 2020 through the National Water Supply and Sanitation (Amendment) Act 2020. In accordance with the National Water Supply and Sanitation (Amendment) Act 2020, Eda Ranu was wound up and ceased operations on 12 April 2021 and its assets and liabilities were transferred to Water PNG Limited as part of the amalgamation. An Amalgamation certificate was issued by the Investment Promotion Authority ("IPA"), dated 13 April 2021. In preparing the financial statements on an alternative basis, the Directors have continued to apply the requirements of the International Financial Reporting Standards ("IFRSs") taking into account that the Company will not continue as a going concern after 12 April 2021.

As a result of amalgamation, the directors do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. This has resulted in the assets and liabilities of the Company transferred to Water PNG Limited being reclassified to assets and liabilities held for distribution under IFRS 5 Non-current assets held for sale and discontinued operations. Accordingly the financial statements have been prepared on a basis other than going concern, the effects of which are described in Note 22. No additional provisions have been recognised in relation to the costs expected to be incurred in winding up the Company as at 12 April 2022.

(d) Functional and presentation currency

These financial statements are presented in Papua New Guinea Kina which is the Company's functional and presentation currency. All amounts have been rounded to the nearest Kina, unless otherwise indicated.



Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

1 Corporate information (Continued)

(e) Foreign currency transactions

Transactions in foreign currencies are translated to Papua New Guinea Kina using the foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. The foreign currency gain or loss is recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(f) Judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, assumptions and estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

However, uncertainty about these assumptions and estimates could result in outcomes that could require an adjustment to the carrying amount of the affected asset or liability in the future. The following are the critical judgements, apart from those involving estimations, that the Directors have made in process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Actual results may differ from these estimates.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are included in the following notes:

- Note 11 - Trade and other receivables;
- Note 12 - consumable inventories; and
- Note 14 - Property, plant and equipment.

(g) Comparative amounts

The amounts disclosed in the financial statements are not entirely comparable with the comparative balances and amounts, as the financial statements prepared represent transactions and balances for the period 1 January 2020 to 12 April 2021, when the Company ceased operations due to amalgamation with Water PNG Limited.

2 Significant accounting policies

The following significant accounting policies have been consistently applied to all periods presented in these financial statements.



Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

2 Significant accounting policies (Continued)

(a) Revenue

The Company generates revenue primarily from water and sewerage rates. Other sources of revenue include fees and charges, and interest income.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related recognition policies.

Revenue stream	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition terms
Water rates sewerage rates and sewerage rates	Customers obtain control when: •water and sanitation services access is provided; •invoices are billed on a monthly basis over time; and •invoices are usually payable within 30 days.	Revenue is recognised over time when: •water and sanitation services access is provided to customers; and •when water is supplied to customers.
Other revenue: •headwork and other charges; •property connection fees; and •other income.	Customers obtain control when the Company provides professional and other services to residential and commercial customers.	Revenue recognised was at a point in time upon delivery of the service.

(b) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised in equity. The Company has adopted the capital approach to recognise the cost of completed project funded by Members of Parliament (MP) to the equity as capital grants.

(c) Expense recognition

Expenses are recognised in the statement of comprehensive income when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognised in the statements of comprehensive income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; and
- immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.



Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

2 Significant accounting policies (Continued)

(c) Expense recognition (Continued)

Expenses in the statement of comprehensive income are presented using the nature of expense method.

(d) Finance income and finance cost

Interest income or expense is recognised using the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(e) Goods and services tax (GST)

Revenues, expenses and capital expenditure are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Investing and financing cash flows are presented net of the GST that is recoverable from, or payable to, the taxation authority. All cash flows relating to GST recoverable from, or payable to, the taxation authority are included in operating cash flows.

(f) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises of expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect to previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.



Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

2 Significant accounting policies (Continued)

(f) Income tax (Continued)

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- i. temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- ii. temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- iii. taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profit improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(g) Cash and cash equivalents

Cash includes cash on hand and in the bank. Cash equivalent are short-term, highly liquid investments with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value. Cash in banks earns interest at respective bank deposit rates. For the purpose of reporting cash flows, cash in hand and in banks are unrestricted and available for use in current operations.

(h) Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or within the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate (EIR) method, less provision for impairment.

(i) Supplies inventory

Supplies inventory are initially recognised at cost, and subsequently at the lower of cost and net realisable value (NRV). Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in-first-out method. NRV represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distributing the goods.



Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

2 Significant accounting policies (Continued)

(j) Prepayment and other current assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to the statement of income as they are consumed in operations or expire with the passage of time.

(k) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are initially measured at cost. At the end of each reporting period, items of property, plant, equipment, motor vehicles, are measured at cost and land and buildings are measured at fair value less any accumulated depreciation and impairment losses. The revaluation of the property is credited to the asset revaluation reserve. Cost includes expenditure that is directly attributable to the acquisition of the asset and the estimated present value of any future unavoidable costs of dismantling and removing items at the discount rate. The corresponding liability is recognised within provisions.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income or other expenses in the statement of profit or loss and other comprehensive income.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Additions are depreciated from the month of acquisition. Depreciation is recognised in profit or loss on the diminishing balance method over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The rates of depreciation are:

Buildings	4 - 5%
Office equipment	15 - 25%
Plant and equipment	15%
Furniture and fittings	11.25%
Motor vehicles	30%



Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

2 Significant accounting policies (Continued)

(l) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer); otherwise, they are presented as non-current liabilities.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals. However, the uncertainty is generally much less than for provision.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method.

(m) Employee benefit plans

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Long-term employee benefits

The Company's net obligation in respect of long term employee benefits other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior period.

(n) Dividends payable

Dividends are recognised when they become legally payable. Dividend distribution to equity Shareholders is recognised as a liability in the Company's statement of financial position in the period in which the dividends are declared and approved by the Company's Board of Directors.

(o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Company acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.



Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

2 Significant accounting policies (Continued)

(o) Leases (Continued)

The right-of-use of asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use of asset is periodically reduced by impairment losses, if any, adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments; or
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at an amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the profit or loss if the carrying amount of the right-of-use of asset has been reduced to zero.

The Company presents right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(p) Provision and contingencies

Provisions are recognised when:

- i. the Company has a present obligation (legal or constructive) as a result of a past event;
- ii. it is probable that the Company will be required to settle the obligation; and
- iii. a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

2 Significant accounting policies (Continued)

(p) Provision and contingencies (Continued)

Amounts are considered contingent liabilities when:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- a present obligation that arises from past events but is not recognised because:
 - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii. the amount of the obligation cannot be measured with sufficient reliability.

Amounts are considered contingent assets when:

Contingent assets are not recognised in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

(q) Borrowings

Borrowings captions in the statement of financial position include:

- loans and advances measured at amortised cost, they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- lease receivables.

When the Company purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date, the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognised in the Company's financial statements.

(r) Retained earnings

Retained earnings represents the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "deficit", and presented as deduction from equity.

(s) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. The key management personnel of the Company are also considered to be related parties.



Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

2 Significant accounting policies (Continued)

(t) Financial instruments

(i) Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and measurement

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.



Notes to the Financial Statements

For the period 1 January 2020 to 12 April 2021

2 Significant accounting policies (Continued)

(t) Financial instruments (Continued)

(ii) Classification and measurement (Continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Subsequent measurement and gains and losses for financial assets at FVTPL and amortised cost.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

