

MOTOR VEHICLES INSURANCE LIMITED
Annual Report

31 December 2023

MOTOR VEHICLES INSURANCE LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

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MOTOR VEHICLES INSURANCE LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

Motor Vehicles Insurance Limited is a registered company under the Papua New Guinea Companies Act 1997 and is incorporated and domiciled in Papua New Guinea.

Registered Office	Motor Traffic Registry Building Section 35, Allotment 40 Kunai Street, Hohola National Capital District Papua New Guinea
Principal Place of Business	As above
Directors	Mr Eno Daera Dr John McKup Mr Ian Prentice Mr Joe Kandamien Krammer Mr Daniel Katie Mr Stanley Kome Komunt
Secretary	Athaliah Jane Mekanuey
Auditors	Auditor General of Papua New Guinea
Bankers	Bank of South Pacific Limited Westpac (PNG) Limited ANZ Banking Group (PNG) Limited Kina Bank Limited

MOTOR VEHICLES INSURANCE LIMITED

ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDER

FOR THE YEAR ENDED 31 DECEMBER 2023

Directors' Report

The directors present their annual report, including the financial statements of Motor Vehicles Insurance Limited (the "Company") for the year ended 31 December 2023 and the state of affairs of the Company.

Principal activities

The principal activity of the Company is the underwriting of compulsory third party insurance and investment portfolio management.

There were no other significant changes in the nature of the activities of the Company during the year.

Accounting Policies

The accounting policies and any changes to the accounting policies are stated in Note 2 to the financial statements.

Significant Changes in the State of Affairs

During the financial year, there were no other significant changes in the state of affairs, other than those disclosed in the financial statements or notes thereto.

Results of Operations

The net profit after taxation for the year was K107,032,848 (restated 2022: K56,577,170).

Dividends

Dividends declared or paid for the year ended 31 December 2023 is disclosed in Note 14.

Directors and Directors' Interest

The directors at the date of signing the report of the Company are listed on page 1.

No director was a shareholder of the Company as at 31 December 2023 and no director had any material interest in any contract or arrangement with the Company or any related entity during the year.

Remuneration of directors

The Directors' remuneration information is disclosed in Note 18.

Interests register

No transactions were recorded in the register during the year.

MOTOR VEHICLES INSURANCE LIMITED
ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDER
FOR THE YEAR ENDED 31 DECEMBER 2023

Remuneration of employees

Employees received remuneration and any other benefits as follows:

	2023	2022
0 - K100,000	208	180
K100,001 – K150,000	1	23
K150,001 – K160,000	-	1
K160,001 – K210,000	-	-
K210,001 – K220,000	3	2
K220,001 – K310,000	5	7
K310,001 – K320,000	-	-
K320,001 – K420,000	3	7
K420,001 – K700,000	3	3
The number of employees as at each respective financial reporting date is	223	223

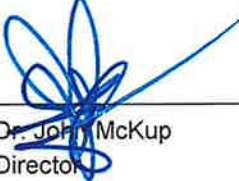
Audit Fees

Audit fees incurred during the year amounted to K485,494 (2022: K385,425).

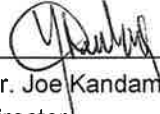
Donations and sponsorships

Donations made during the year amounted to K744,085 (2022: K423,989).

For and on behalf of the board of directors



Dr. John McKup
Director



Mr. Joe Kandamien KRAMMER
Director

Dated this 6th day of September 2024.

MOTOR VEHICLES INSURANCE LIMITED
DIRECTORS DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2023

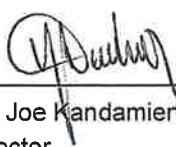
DIRECTORS' DECLARATION

The Directors' declare that:

- a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Papua New Guinea Companies Act 1997, including compliance with International Financial Reporting Standards and giving a true and fair view of the financial position, performance and cash flows of the Company.

Signed for and on behalf of the Board of Directors



Dr. John McKup
Director

Mr. Joe Kandamien KRAMMER
Director

Dated this 6th day of September 2024.

MOTOR VEHICLES INSURANCE LIMITED

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December		As at 01 January
<i>In PGK</i>		2023	2022 (Restated)*	2022 (Restated)*
ASSETS				
Cash and cash equivalents	6	84,758,924	59,837,633	201,825,667
Short-term investments	6	223,000,000	198,000,000	10,000,000
Prepayments and other receivables	12	13,004,797	12,835,121	6,656,530
Income tax receivable	9	-	-	1,628,200
Reinsurance contract assets		-	-	-
Investment securities	10	549,996,262	509,559,003	520,643,945
Investment in subsidiaries	11	111,688,000	111,688,000	115,174,926
Property, plant, and equipment	7	32,948,312	26,369,221	25,247,424
Right-of-use assets	17	1,366,751	930,425	1,917,953
Deferred tax assets	8	1,325,409	-	-
Total assets		1,018,088,455	919,219,403	883,094,645
LIABILITIES				
Insurance contract liabilities	5	177,554,724	172,284,327	171,745,030
Lease liability	17	1,374,712	823,015	1,895,920
Employee benefits	16	2,733,125	2,574,421	2,122,142
Trade and other payables	15	39,851,377	24,858,063	8,819,633
Income tax payable	9	14,320,898	296,957	-
Deferred tax liabilities	8	-	230,817	98,779
Total liabilities		235,834,836	201,067,600	184,681,504
Net assets		782,253,619	718,151,803	698,413,141
EQUITY				
Share capital	13	33,519,070	33,519,070	33,519,070
Reserves		33,527,881	33,527,881	33,527,881
Retained earnings		715,206,668	651,104,852	631,366,190
Total equity		782,253,619	718,151,803	698,413,141

*Restatement due to the application of IFRS 17, refer to Note 2.3a



The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 48.

MOTOR VEHICLES INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022 (Restated)*
<i>In PGK</i>			
Insurance revenue	5	88,850,770	86,218,332
Insurance service expense	5	(72,923,642)	(82,228,892)
Insurance service result		15,927,128	3,989,440
Reinsurance expenses		(721,752)	(721,752)
Reinsurance income		-	-
Reinsurance service result		(721,752)	(721,752)
Underwriting profit		15,205,376	3,267,688
Insurance finance income/(expense)	5	(7,745,453)	(972,213)
Reinsurance finance income/(expense)		-	-
Total Insurance finance income/(expense)		(7,745,453)	(972,213)
Insurance profit / (loss)		7,459,923	2,295,475
Net investment income on assets backing insurance liabilities	3	120,134,966	79,757,584
Change in Fair Value of Unlisted Shares	10a	(2,257,160)	(18,850,940)
Finance costs		(36,408)	(55,475)
Impairment on an Investment in a subsidiary	11	-	(3,486,926)
Loss on disposal of fixed assets		48,256	(21,654)
Other income	4	2,270,776	2,449,216
Net registrations and licensing income		983,644	3,145,541
Profit before income tax		128,603,997	65,232,821
Income tax expense	9	(21,571,149)	(8,655,651)
Profit after income tax		107,032,848	56,577,170
Other comprehensive income		-	-
Total comprehensive income		107,032,848	56,577,170

*Restatement due to the application of IFRS 17, refer to Note 2.3a



The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 48.

MOTOR VEHICLES INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital (Note 13)	Reserves	Retained earnings	Total
<i>In PGK</i>					
Balance at 31 December 2021, as previously reported		33,519,070	33,527,881	629,897,020	696,943,971
Impact of initial application of IFRS 17, net of tax	2.3a	-	-	1,469,170	1,469,170
Restated Balance at 1 January 2022		33,519,070	33,527,881	631,366,190	698,413,131
Total comprehensive income	14	-	-	56,577,170	56,577,170
Dividend paid	14	-	-	(36,838,508)	(36,838,508)
Restated Balance at 31 December 2022		35,519,070	33,527,881	651,104,852	718,151,803
Total comprehensive income	14	-	-	107,032,848	107,032,848
Dividend paid	14	-	-	(42,931,032)	(42,931,032)
Balance 31 December 2023		35,519,070	33,527,881	715,206,668	782,253,619

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 48.



MOTOR VEHICLES INSURANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022 (Restated)*
<i>In PGK</i>			
Cash flow from operating activities			
Profit after income tax		107,032,848	56,577,710
<i>Adjustments for:</i>			
Interest income	3	(14,154,670)	(11,721,879)
Dividend income	3	(63,285,877)	(60,269,708)
Change in fair value of investments	10	(40,437,259)	11,084,942
Impairment of investment in a subsidiary	11	-	3,486,926
Income tax expenses	9	21,571,149	8,655,651
Finance costs		36,408	55,476
Amortisation of right-of-use asset	17	965,359	987,528
Gain or loss on disposal of assets		(1,286)	-
Depreciation of property, plant, and equipment	7	1,618,919	1,658,621
		13,345,591	10,514,725
Movements in working capital:			
Prepayment and other receivable		(169,676)	(6,178,591)
Insurance contract liabilities		5,270,397	539,297
Employee benefits		158,704	452,279
Trade and other payables		14,993,314	16,038,430
Taxes paid		(9,103,434)	(6,598,456)
		24,494,897	14,767,684
Interest received		14,154,670	11,721,879
Cash generated from operating activities		38,649,567	26,489,562
Cash flows from investing activities			
Dividends received		63,285,877	60,269,708
Purchase of property, plant, and equipment	7	(8,196,724)	(2,780,418)
Recapitalisation of share investments		-	-
Purchase of investments		(25,000,000)	(188,000,000)
Net cash generated from (used in) investing activities		30,089,153	(130,510,710)
Cash flows from financing activity			
Dividends paid	15	(42,931,032)	(36,838,508)
Lease payments	17	(886,397)	(1,128,378)
Net cash used in financing activity		(43,817,429)	(37,966,886)
Net decrease in cash and cash equivalents		24,921,291	(141,988,034)
Cash and cash equivalents at 1 January		59,837,633	201,825,667
Cash and cash equivalents at year-end	8	84,758,924	59,837,633

*Restatement due to the application of IFRS 17, refer to Note 2.3a

The statement of cash flow is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 48.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1 REPORTING ENTITY

Motor Vehicles Insurance Limited (the "Company") is a company domiciled in Papua New Guinea. The address of the Company's registered office is MTRS Building, Section 35, Allotment 40 Kunai Street, Hohola National Capital District, Papua New Guinea. The Company primarily is involved in the underwriting of compulsory third party insurance and investment portfolio management. The Company's immediate and ultimate parent company is Kumul Consolidated Holdings, as Trustee of General Business Trust incorporated in Papua New Guinea.

The financial statements have been authorised for issue by the Board of Directors on 6th day of September 2024.

2 MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Statement of compliance

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

The Company elected not to prepare consolidated financial statements and availed of the exemption provided under International Financial Reporting Standard (IFRS) 10, *Consolidated Financial Statements*. The ultimate Parent Entity prepares financial statements in which subsidiaries are measured at fair value through profit or loss in accordance with this IFRS.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

2.2 Basis of preparation

The financial statements have been prepared primarily on the historical cost basis and do not take into account changing monetary values except for financial instruments at fair value through profit or loss which are measured at fair value.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. The Company presents its statement of financial position broadly in order of liquidity.

2.3 Changes in accounting policies and disclosures

(i) Application of New and Revised International Financial Reporting Standards (IFRS)

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance contracts (impact in note 2.3a)
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

Except for the impact of adoption of IFRS 17 as disclosed further below, the adoption of new and revised standards and interpretations has no any material impact on the disclosures or on the amounts reported in these financial statements.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

2.3a IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. The Company has restated comparative information for 2022 applying the transitional provisions below. The nature of the changes in accounting policies are summarised, as follows:

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. The Company was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general measurement model in IFRS 17.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received and less amounts recognised in revenue for insurance services provided
- Measurement of the liability for remaining coverage (LRC) includes an explicit risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision)
- Measurement of the liability for incurred claims (LIC, previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's 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.

The Company elected to recognise its insurance acquisition cash flows for its compulsory third-party (CTP) insurance to individuals and businesses as an expense immediately as incurred.



MOTOR VEHICLES INSURANCE LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

2.3a(i) Transition

On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied. At transition date, a recoverability assessment was performed and no impairment loss was identified
- Derecognised any existing balances that would not exist had IFRS 17 always applied
- Recognised any resulting net difference in equity (retained earnings)

In PGK

	IFRS 4 As reported 31 Dec 2022	IFRS 17 Restated 31 Dec 2022	Restatement Impact
ASSETS			
Cash and cash equivalents	59,837,633	59,837,633	-
Short-term investments	198,000,000	198,000,000	-
Prepayments and other receivables	12,835,121	12,835,121	-
Income tax receivable	-	-	-
Reinsurance contract assets	-	-	-
Investment securities	509,559,003	509,559,003	-
Investment in subsidiaries	111,688,000	111,688,000	-
Property, plant, and equipment	26,369,221	26,369,221	-
Right-of-use assets	930,425	930,425	-
Deferred tax assets	789,610	-	(789,610)
Total assets	920,009,013	919,379,369	(789,610)
LIABILITIES			
Insurance contract liabilities	-	172,284,327	172,284,327
Insurance provision	175,496,730	-	(175,496,730)
Lease liability	823,015	823,015	-
Employee benefits	2,574,421	2,574,421	-
Trade and other payables	25,047,082	24,858,063	(189,019)
Income tax payable	296,957	296,957	-
Deferred tax liabilities	-	230,817	230,817
Total liabilities	204,238,205	201,227,566	(3,170,605)
Net assets	715,770,808	718,151,803	2,380,995
EQUITY			
Share capital	33,519,070	33,519,070	-
Reserves	33,527,881	33,527,881	-
Retained earnings	648,723,857	651,104,852	2,380,995
Total equity	715,770,808	718,151,803	2,380,995



MOTOR VEHICLES INSURANCE LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

2.3a(i) Transition (continued)

In PGK

	IFRS 4 As reported 31 Dec 2021	IFRS 17 Restated 01 Jan 2022	Restatement Impact
ASSETS			
Cash and cash equivalents	201,825,667	201,825,667	-
Short-term investments	10,000,000	10,000,000	-
Prepayments and other receivables	6,656,530	6,656,530	-
Income tax receivable	1,628,200	1,628,200	-
Reinsurance contract assets	-	-	-
Investment securities	520,643,945	520,643,945	-
Investment in subsidiaries	115,174,926	115,174,926	-
Property, plant, and equipment	25,247,424	25,247,424	-
Right-of-use assets	1,917,953	1,917,953	-
Deferred tax assets	530,865	-	(530,865)
Total assets	883,625,510	883,094,645	(530,865)
LIABILITIES			
Insurance contract liabilities	-	171,745,030	171,745,030
Insurance provision	173,421,791	-	(173,421,791)
Lease liability	1,895,920	1,895,920	-
Employee benefits	2,122,142	2,122,142	-
Trade and other payables	9,241,686	8,819,633	(422,053)
Income tax payable	-	-	-
Deferred tax liabilities	-	98,779	98,779
Total liabilities	186,681,539	184,681,504	(2,000,035)
Net assets	696,943,971	698,413,141	1,469,170
EQUITY			
Share capital	33,519,070	33,519,070	-
Reserves	33,527,881	33,527,881	-
Retained earnings	629,897,020	631,366,190	1,469,170
Total equity	696,943,971	698,413,141	1,469,170



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

2.3a(ii) Material accounting policy information - IFRS 17

Insurance and reinsurance contracts

Classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues compulsory third-party (CTP) insurance to individuals and businesses. This product offers indemnification of other parties that have suffered damage as a result of a policyholder's motor vehicle accident.

The Company does not issue any contracts with direct participating features.

Separating components from insurance and reinsurance contracts

The Company assesses its CTP insurance contracts to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories:

- onerous contracts,
- contracts with no significant risk of becoming onerous
- and remaining contracts.

This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has assumed a single portfolio as it reflects the single type of policy sold and that all contracts are managed together. The profitability of groups of contracts is limited to regulatory pricing that take into consideration existing and new pricing factors such as vehicle class.

The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

2.3a(ii) Material accounting policy information - IFRS 17 (continued)

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held. And;
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract Boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks. Or;
- Both of the following criteria are satisfied:
 - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
 - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

The Company has reviewed the insurance contracts written and reinsurance contracts purchased and has assessed that there are no substantive obligations beyond the end dates stipulated in the contracts. All contracts have a coverage period of 12 months or less.



MOTOR VEHICLES INSURANCE LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

2.3a(ii) Material accounting policy information - IFRS 17 (continued)

Measurement

	IFRS 17 Options	Adopted approach
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	All insurance contracts written and reinsurance contracts purchased by the Company have an exposure period of 12 months or less, and therefore automatically qualify to use the PAA. There is no expectation that there will be significant variability in the fulfilment cash flows before a claim is incurred.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	The Company elected to recognise acquisition costs as an expense when they are incurred.
Liability for Remaining Coverage (LRC) carrying amount, adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	The Company will not adjust the carry amount of the LRC to reflect the time value of money and the effect of financial risk as the policies are all 12 months or less there is no significant financing component.
Liability for Remaining Coverage (LRC) Loss Component, adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust the fulfilment cash flows for the time value of money.	The Company will adjust the loss component of the LRC to reflect the time value of money and the effect of financial risk.
Liability for Incurred Claims, (LIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	The Company will adjust the LIC to reflect the time value of money and the effect of financial risk.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in OCI.	The change in LIC as a result of changes in discount rates will be captured within profit or loss.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

2.3a(ii) Material accounting policy information - IFRS 17 (continued)

Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary. Or;
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the LRC for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the LRC for such onerous group depicting the losses recognised.

Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Reinsurance contracts are not assessed for whether they are onerous or not. Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.



MOTOR VEHICLES INSURANCE LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

2.3a(ii) Material accounting policy information - IFRS 17 (continued)

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the LRC at the end of each reporting period as the LRC at the beginning of the period plus premiums received in the period.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment).

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the LRC for such onerous group depicting the losses recognised.

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the loss component of the onerous group of underlying insurance contracts.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Company elected to expense insurance acquisition cash flows as they occur.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

2.3a(ii) Material accounting policy information - IFRS 17 (continued)

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired). Or;
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant LRC.

Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result. The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the LRC of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.



MOTOR VEHICLES INSURANCE LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

2.3a(ii) Material accounting policy information - IFRS 17 (continued)

Loss-recovery components

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.3 Changes in accounting policies and disclosures (continued)

(ii) Standards Issued but Not Yet Effective

The Company will adopt, where applicable, the following standards, amendments to existing standards and interpretations when these become effective. Except to IFRS 18 as indicated below, the Company does not expect the adoption of these new standards and interpretations to have a significant impact on its financial statements:

Description	Effective for annual periods beginning on or after
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1 – Amendments to IASB 107 and IASB 7 – Disclosures of Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21 – Lack of Exchangeability	1 January 2025
IFRS 18 - Presentation and Disclosure in Financial Statements	1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (the IASB or the Board) published a new IFRS Accounting Standard on presentation and disclosure in financial statements. The new standard replaces IAS 1 and some requirements currently included within IAS 1 are moved to IAS 8 (which was also renamed Basis of Preparation of Financial Statements - see section 5.2 below) and to a much lesser, extent IFRS 7 Financial Instruments: Disclosures

IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for periods beginning on or after 1 January 2027, with earlier application permitted. While IFRS 18 represents a major overhaul of the requirements relating to presentation and disclosure of information in financial statements, many of the existing requirements in IAS 1 are carried forward. This is because the IASB has chosen to focus on targeted improvements designed to address the three key concerns expressed by users of financial statements (hereafter users), being:

1. Financial statements, particularly the statement of profit or loss, are not sufficiently comparable across reporting entities
2. The transparency and understandability of non-GAAP measures needs to be improved; and
3. The level of disaggregation in financial statements does not always provide the information users need and material information can be obscured

Key new requirements in IFRS 18 intended to address these concerns include:

- Mandatory subtotals and categories of income and expense in the statement of profit or loss, as well as new requirements for the disclosure of operating expenses
- Disclosures about management-defined performance measures (MPMs) in the financial statements
- Enhanced requirements for the aggregation and location of information presented in the primary financial statements and disclosed in the notes as well as guidance on providing informative labels.

The presentation and disclosure requirements for information in the statement of cash flows are still contained in IAS 7. However, the general requirements for financial statements, the principles of aggregation and disaggregation and some requirements relating to disclosures in the notes in IFRS 18 also apply to the statement of cash flows.

The requirements in IFRS 18 apply to consolidated and separate financial statements, but not to the presentation and disclosure of information in condensed interim financial statements prepared in accordance with IAS 34. However, the principles of aggregation and disaggregation, as well as the requirements relating to MPMs, do apply to such interim condensed financial statements.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.4 Material accounting policy information

(a) Property, plant, and equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Buildings	3%
Leasehold improvements	3%
Office equipment	10% - 20%
Motor vehicles	20%
Furniture and fittings	10%
Computer software and hardware	33%

Property, plant and equipment is depreciated on a straight-line method from the date of acquisition over their expected useful economic lives as follows:

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in other income on the statement of comprehensive income. Repairs and maintenance is charged to profit or loss when the expenditure is incurred.

(b) Cash and cash equivalents and short-term investments

Cash includes cash on hand and current accounts in banks. Cash equivalents are short-term, highly liquid investments such as short-term deposits and bank accepted bills of exchange with maturity period of three months or less. Cash in bank earns interest at the respective bank deposit rates.

Short-term investments are term deposits with maturity date of more than three months and earns interest at the respective short-term deposit rates.

(c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments include financial assets and liabilities. The Company classified and measured the following financial assets:

Financial Instruments	Classification
Cash and cash equivalents	Amortised cost
Short-term investments	Amortised cost
Investment in Central/Treasury Bills	Amortised cost
Investment in securities – equity shares	Fair value through profit or loss

Financial liabilities that are not at fair value through profit or loss include trade and other payables.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.4 Material accounting policy information (continued)

The classification of financial assets at initial recognition depends on the financial asset's contract cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction cost. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Recognition and Measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, and fair value through profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is acquired for the purposes of selling, and which may be disposed of in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices or is designated as such upon initial recognition.

Financial assets classified as held at fair value through profit or loss include investments in equity securities. Upon initial recognition, attributable transaction costs are recognised in income or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in net income or loss in the statement of comprehensive income. The determination of fair values is based on quoted market prices or dealer price quotations for financial instruments traded in active markets.

Financial assets at Amortised costs (debt instruments)

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flow; 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 or FVOCI as described above are measured at FVTPL.

Impairment

The Company always recognises lifetime expected credit loss (ECL) for trade receivables, and other assets. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the impairment for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.4 Material accounting policy information (continued)

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Company's financial liabilities are trade and other payables and insurance contract liabilities.

(d) Impairment of non-financial assets

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

The asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal ("FVLCTD") and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets of continuing operations, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.4 Material accounting policy information (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Management determines the policies and procedures for both recurring fair value measurement, such as investment in unlisted financial assets. External valuers are involved for valuation of significant assets, such as investment in unlisted financial assets. Involvement of external valuers is determined annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Disclosures in respect of fair values of financial instruments are included in Note 19(g).



MOTOR VEHICLES INSURANCE LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2.4 Material accounting policy information (continued)

(f) Employee benefits

(i) Short-term employee benefits

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

(ii) Other long-term employee benefits

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

(g) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income that is recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, lease liabilities, unwinding of the discount on provisions and impairment losses recognised on financial assets, borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(h) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.4 Material accounting policy information (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

(i) Provisions

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 recovery will be received, and the amount of the receivable can be measured reliably.

(j) Dividends

Dividends proposed or declared after the reporting date are not recognised at the reporting date.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(l) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.4 Material accounting policy information (continued)

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs. Accordingly, the lease liability calculations do not take into account any future increments in rental payments unless the increments are contractually fixed.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of

interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below K17,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(m) Foreign currencies

The financial statements are presented in the Papua New Guinea currency, the Kina which is the Company's functional currency.

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at 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. 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.

(n) Administrative and other expenses

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



MOTOR VEHICLES INSURANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2.4 Material accounting policy information (continued)

(o) Investment in subsidiaries

Investments in subsidiaries in which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. These investments are accounted at cost and any impairment losses recognised under profit or loss.

(p) Retained earnings

Retained earnings are the results of the Company's accumulated profits or losses, declaration of dividends, and the effects of retrospective adjustments in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, if any.

2.5 Critical Accounting Judgments and Estimates

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

a) Insurance Contract Liabilities (as indicated in Note 2.3a – IFRS 17 impact)

Claims related assumptions

- Claim numbers – determination of expected accident number based on actual accidents in past periods.
- Claim costs – determination of litigation claim cost based on past periods, engagement of law firms and specialist lost adjuster firm to help close older outstanding claims and speed of the claim settlement.
- Claims handling expenses – estimated internal expense of running off outstanding claims (e.g. overhead costs relating to internal claims management staff) as well as the cost of the claims themselves.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk (insurance risk and other non-financial risk such as lapse risk) as the Company fulfils insurance contracts. The risk adjustment is applied as a margin to the outstanding claims component of the LIC and to the claim and expense components of the fulfilment cash flows if a loss component is calculated.

The Company sets the risk adjustment for the LIC to be the margin to achieve an 80% probability of sufficiency in the outstanding claims liability. There is currently no facts and circumstances, and therefore no testing for onerous contracts.

Inflation rate

Estimates are obtained from published country's index and adjusted with experience historically considering effect of various economic, social and political forces.

Adjustment for the time value of money

Claims in relation to long-tail classes of business typically may not settle for many years. As such, the liability is discounted to reflect the time value of money. The discount rate is set in relation to the Kina Facility Rate and considering the Papua New Guinea's treasury bill auctions. Allowance has been made for the liquidity characteristics of the insurance contracts sold, and an illiquidity premium has been included (0.5% pa). The discount rate applied at 31 December 2023 was 4.5% (Dec 2022: 5.0%).



MOTOR VEHICLES INSURANCE LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2023

2.5. Critical Accounting Judgements and Estimates (continued)

b) Estimation of useful life of assets

Estimates of remaining useful lives require significant management judgement and are reviewed at least annually. Where useful lives are changed, the net written-down value of the asset is depreciated or amortised from the date of the change in accordance with the revised useful life. Depreciation recognised in prior financial years is not changed. Reasonably possible changes in estimated useful lives are unlikely to have a material impact as the change is assessed for specific assets.

The Company's property, plant and equipment amounted to K32.95 million as at 31 December 2023 (2022: K26.37 million) are disclosed in Note 7.

c) Leases - Determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company's right-of-use assets amounted to K1.37 million as at 31 December 2023 (2022: K0.93 million) are disclosed in Note 17. The Company's lease liabilities amounted to K1.37 million as at 31 December 2023 (2022: K0.82 million) are disclosed in Note 17.

d) Leases - Determining the incremental borrowing rate (IBR)

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates. The Company has used an IBR based on market rates in Papua New Guinea.

The Company's lease liabilities amounted to K1.37 million as at 31 December 2023 (2022: K0.82 million) are disclosed in Note 17.

e) Estimating the recoverability of investment in subsidiaries

The Company, as the Parent entity, assesses each significant asset that make up the investment in subsidiaries for each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU).

The assessments require the use of estimates and assumptions such as terminal growth rate, inflation, risk-free rate and country-risk premium (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risks and uncertainty. Therefore, there is a possibility that changes in circumstances will impact this project, which may impact the recoverable amount of the asset.



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2.5. Critical Accounting Judgements and Estimates (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's investment in subsidiaries amounted to K111.69 million as at 31 December 2023 (2022: K111.69 million) are disclosed in Note 11. No impairment loss recognised during the year (2022: K3.49 million).

3. Net investment income on assets backing insurance liabilities

	2023 PGK	2022 PGK
Fair value movement of investments	42,694,419	7,765,997
Dividend income	63,285,877	60,269,708
Interest income	14,154,670	11,721,879
	120,134,966	79,757,584

4. Other income

	2023 PGK	2022 PGK
Commissions	2,192,407	1,997,821
Other income - net	78,369	451,395
	2,270,776	2,449,216



MOTOR VEHICLES INSURANCE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2023

5. Insurance

<i>Reconciliation of the liability for remaining coverage and the liability for incurred claims</i>	<i>Liabilities for remaining coverage</i> <i>Carrying</i>		<i>Liabilities for incurred claims</i> <i>Central</i>		<i>Total</i>
	<i>Amount</i>	<i>Component</i>	<i>Estimate of the present value of future cashflows</i>	<i>Adjustment</i>	
Insurance contract liabilities at 01 January 2023	44,196,730	-	107,001,997	21,085,600	172,284,327
Changes in the statement of profit or loss and OCI					
Insurance revenue	(88,850,770)	-	-	-	(88,850,770)
Insurance Service expenses					
Incurred claims and claim-related expenses					
Changes to insurance liabilities for incurred claims relating to past service	-	-	(3,955,627)	(4,532,872)	(8,488,499)
New incurred insurance liabilities	-	-	35,131,891	5,191,062	40,322,953
Other attributable expenses	-	-	41,089,188	-	41,089,188
Total insurance service expenses	-	-	72,265,452	858,190	72,923,642
Insurance Service Result	(88,850,770)	-	72,265,452	658,190	(15,927,128)
Finance expenses from insurance contracts issued	-	-	(7,745,453)	-	(7,745,453)
Effect of movements in exchange rates on insurance contracts	-	-	-	-	-
Insurance Finance Impact	-	-	(7,745,453)	-	(7,745,453)
Cash flows					
Premiums received	90,376,499	-	-	-	90,376,499
Claims paid	-	-	(29,884,435)	-	(29,884,435)
Other attributable expenses paid	-	-	(38,124,829)	-	(38,124,829)
Total cash flows	90,376,499	-	(68,009,265)	-	22,367,235
Other movements in the net balance - Other	-	-	6,575,744	-	6,575,744
Total other movements in the net balance	-	-	6,575,744	-	6,575,744
Insurance contract liabilities at 31 December 2023	45,722,459	-	110,088,475	21,743,791	177,554,724



MOTOR VEHICLES INSURANCE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2023

5. Insurance (continued)

<i>Reconciliation of the liability for remaining coverage and the liability for incurred claims</i>		Liabilities for remaining coverage		Liabilities for incurred claims		Total
		Carrying Amount	Loss Component	Central Estimates of the present value of future cashflows	Risk Adjustment	
Insurance contract liabilities at 01 January 2022		41,821,791	-	108,573,429	21,349,809	171,745,030
Changes in the statement of profit or loss and OCI						
Insurance revenue		(86,218,332)	-	-	-	(86,218,332)
Insurance Service expenses						
Incurred claims and claim-related expenses						
Changes to insurance liabilities for incurred claims relating to past service		-	-	12,971,046	(4,871,862)	8,099,184
New incurred insurance liabilities		-	-	25,798,119	4,607,654	30,405,773
Other attributable expenses		-	-	43,723,936	-	43,723,936
Total insurance service expenses		-	-	82,493,101	(264,209)	82,228,892
Insurance Service Result		(86,218,332)	-	82,493,101	(264,209)	(3,989,440)
Finance expenses from insurance contracts issued		-	-	(972,213)	-	(972,213)
Effect of movements in exchange rates on insurance contracts		-	-	-	-	-
Insurance Finance impact				(972,213)		(972,213)
Cash flows						
Premiums received		88,593,270	-	-	-	88,593,270
Claims paid		-	-	(45,187,664)	-	(45,187,664)
Other attributable expenses paid		-	-	(44,587,364)	-	(44,587,364)
Total cash flows		88,593,270	-	(89,775,027)	-	(1,181,757)
Other movements in the net balance - Other		-	-	6,682,707	-	6,682,707
Total other movements in the net balance				6,682,707		6,682,707
Insurance contract liabilities at 31 December 2022		44,196,730	-	107,001,997	21,085,600	172,284,327



MOTOR VEHICLES INSURANCE LIMITED
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6. Cash and cash equivalents and short-term investments

	2023 PGK	2022 PGK
Cash on hand	45,400	37,900
Cash at banks	84,713,524	59,799,733
Total cash and cash equivalents	84,758,924	59,837,633
Short-term investments	223,000,000	198,000,000
	307,758,924	257,837,633

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods between six months and one year, depending on the immediate cash requirements of the Company, and earn interest between 4.5% and 5.5%.

7. Property, plant, and equipment

	Land	Buildings	Office equipment	Motor vehicles	Work in progress	Total
Cost						
At 1 January 2022	7,091,007	19,022,798	23,591,296	1,757,796	560,206	52,023,103
Additions	-	-	208,501	625,225	1,881,103	2,714,829
Disposals/ Write-off	(16,000)	16,000	62,142	(225,348)	-	(163,206)
At 31 December 2022	7,075,007	19,038,798	23,861,939	2,157,673	2,441,309	54,574,726
Additions	-	1,662,907	1,095,009	-	5,438,809	8,199,177
Disposals/ Write-off	-	-	-	(265,526)	-	(265,526)
At 31 December 2023	7,075,007	20,701,705	24,956,948	1,892,147	7,880,118	62,505,924
Depreciation and impairment losses						
At 1 January 2022	746,843	6,058,480	18,850,530	1,119,825	-	26,775,678
Charge for the year	34,889	612,924	850,121	160,687	-	1,658,621
Disposals	-	(18,888)	(126,512)	(83,394)	-	(228,794)
At 31 December 2022	781,732	6,652,516	19,574,139	1,197,118	-	28,205,505
Charge for the year	34,889	642,241	746,734	195,056	-	1,618,919
Disposals/ Write-off	-	(59)	(1,227)	(265,526)	-	(266,813)
At 31 December 2023	816,620	7,294,698	20,319,645	1,126,648	-	29,557,612
Net book value						
At 31 December 2023	6,258,387	13,407,007	4,637,301	765,499	7,880,118	32,948,312
At 31 December 2022	6,293,275	12,386,282	4,287,800	969,555	2,441,309	26,369,221



4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of nonfinancial assets

The Company assesses at each reporting date whether there is any indication that its nonfinancial assets may be impaired. The factors that the Company considers important which trigger an impairment review include the following, among others:

- significant underperformance relative to expected historical or projected operating results;
- significant changes in the manner of use of the acquired assets or the overall business strategy; and,
- significant industry or economic trends.

Estimating the value in use requires preparation of an estimate of the expected future cash flows from the cash generating unit and choosing an appropriate discount rate in order to calculate the present value of those cash flows

Determining the recoverable amount of utility plant, generation plant and others, property, plant and equipment and other noncurrent assets, requires (i) the determination of future cash flows expected to be generated from the continued use as well as ultimate disposition of such assets and (ii) making estimates and assumptions that can materially affect the financial statements. Future events may cause management to conclude that utility plant, generation plant and others, property, plant and equipment and other noncurrent assets are impaired.

The Company has not recognised impairment loss during the year (2022: Knil). As of 31 December 2023, and 2022, based on management's evaluation, there were indicators of impairment on the Company's nonfinancial assets, however, there is significant estimation uncertainty on the impairment review which the Company will finalise in the subsequent period.

The carrying values of nonfinancial assets subject to impairment review are as follows:

	Notes	2023 K'000	2022 K'000
Property, plant and equipment		3,463,015	3,332,501
Power Purchase Assets		1,203,954	1,676,224
		4,666,969	5,008,725

5. Revenue and Operating Expenses

The company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. The Company only generates revenue in one Geographic area being Papua New Guinea.

a) Revenue from Contract with Customers

	2023 K'000	2022 K'000
Electricity Sales		
General Sales	554,363	524,733
Industrial Sales	199,520	202,192
Easipay Sales	183,943	185,307
Domestic Sales	10,799	12,375
	948,625	924,607



5. Revenue and Operating Expenses (continued)

b) Government Grants

	2023 K'000	2022 K'000
Government grants	6,464	7,185
	6,464	7,185

c) Other Revenue

	2023 K'000	2022 K'000
New meters and service fees	1,109	1,203
Other operating income	3,867	4,972
	4,976	6,175

d) Operating Expenses

	2023 K'000	2022 K'000
Bulk Electricity power purchase	336,291	51,006
Fuel	155,456	236,729
Depreciation	175,717	222,528
Personnel expenses	137,016	139,481
Salaries and wages	107,153	106,418
Overhead	65,271	59,070
Professional fees	6,166	6,283
Purchased electricity - leases gensets	2,260	5,977
Other expenses	80,768	107,163
	1,066,098	934,655

6. Finance Costs

	Note	2023 K'000	2022 K'000
Interest on power purchase arrangements	13	163,973	180,819
Interest on bank overdrafts and borrowings	12	25,363	47,392
		189,336	228,211



7. Income Tax

a) Income tax benefit (expense) consists of:

	2023 K'000	2022 K'000
Current tax		
In respect of current year	-	-
In respect of prior years	-	-
Total current tax expense	-	-
Deferred tax		
In respect of the current year	107,629	(29,881)
In respect of prior years	-	-
Total deferred tax benefit (expense)	107,629	(29,881)
	107,629	(29,881)

The reconciliations of income tax benefit (expense) is as follows:

	2023 K,000	2022 K,000
Loss before income tax	(296,973)	(241,906)
Income tax benefit calculated at 30%	89,092	72,572
Effect of expense that are not deductible in determining taxable profit (tax effect of permanent differences)	(4,372)	665
Effect of prior period adjustments	22,909	(103,118)
	107,629	(29,881)

The tax rate used for the 2023 and 2022 reconciliations above is the corporate tax rate of 30% payable by corporate entities under tax law that have been enacted or substantively enacted by reporting date.

b) Deferred tax assets - net

The net deferred tax asset - net recognised by the Company during the year is as follows:

	2023 K'000	2022 K'000
Deferred tax liabilities	(445,350)	(562,698)
Deferred tax assets	689,291	699,010
	243,941	136,312

Components of deferred tax assets - net is as follows:

	2023 K'000	2022 K'000
Deferred tax assets		
Tax losses	223,792	94,325
Power purchase liabilities	428,142	564,616
Employee provisions	21,641	22,661
Doubtful debts	9,051	16,239
Stock obsolescence	736	1,022
Unrealized foreign exchange loss	647	-
Stock obsolescence	122	-
Other Provisions	5,160	147
	689,291	699,010
Deferred tax liabilities		
Property, plant and equipment	(71,233)	(59,831)
Power purchase assets	(361,186)	(502,867)
Others	(12,931)	-
	(445,350)	(562,698)
	243,941	136,312



7. Income Tax (continued)

Movements in deferred taxes are as follows:

	2023 K'000	2022 K'000
Deferred tax assets		
Balance at beginning of year	699,010	578,955
Statement of profit or loss credits/ (charges)	(9,719)	120,055
Balance at end of the year	689,291	699,010
Deferred tax liabilities		
Balance at beginning of year	(562,698)	(491,314)
Statement of profit or loss credits/ (charges)	117,348	(71,384)
Balance at end of the year	(445,350)	(562,698)
	243,941	136,312

8. Property, plant and equipment - net

	2023 K'000	2022 K'000
Cost or valuation	3,096,607	2,610,702
Capital work in progress	1,642,833	1,918,888
Less: Accumulated depreciation	(1,276,425)	(1,197,089)
	3,463,015	3,332,501
Less: Capital contributions	(265,549)	(256,171)
	3,197,466	3,076,330
 Power production – Thermal & Hydro	836,557	567,186
Dam and Associated works & Transmission	330,882	280,757
Distribution Systems and Building & Housing	643,002	559,860
Equipment, Vehicles, Furniture	9,741	5,810
Capital work in progress	1,642,833	1,918,888
	3,463,015	3,332,501
Less: Capital contributions	(265,549)	(256,171)
	3,197,466	3,076,330

The movements of property, plant and equipment are as follows:

2023	Power production – Thermal & Hydro	Dam and Associated works & Transmission	Distribution Systems, Building & Housing	Equipment, Vehicles, Furniture	Capital work in progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Cost or valuation						
At 31 December 2022	1,078,345	459,616	939,321	133,420	1,918,888	4,529,590
Additions	-	-	-	4,978	266,747	271,725
Transfers	350	23,925	5,804	-	(30,079)	-
Retirements	-	-	-	-	-	-
Final Revaluation	126,580	37,380	93,869	-	-	257,829
Adjustments	178,321	841	9,444	4,413	(512,723)	(319,704)
At 31 December 2023	1,383,596	521,762	1,048,438	142,811	1,642,833	4,739,440
Accumulated depreciation						
At 31 December 2022	511,159	178,859	379,461	127,610	-	1,197,089
Depreciation	35,880	12,021	25,975	5,460	-	79,336
Retirements	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
At 31 December 2023	547,039	190,880	405,436	133,070	-	1,276,425
	836,557	330,882	643,002	9,741	1,642,833	3,463,015



8. Property, plant and equipment - net (continued)

2022	Power production – Thermal & Hydro	Dam and Associated works & Transmission	Distribution Systems, Building & Housing	Equipment, Vehicles, Furniture	Capital work in progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Cost or valuation At 31 December 2021	1,078,241	458,193	894,817	126,512	1,328,539	3,886,302
Additions	-	-	-	-	276,255	276,255
Transfers	-	177	2,981	3,020	(6,178)	-
Retirements	-	-	-	(1)	-	(1)
Adjustments	104	1,246	41,523	3,889	320,272	367,034
At 31 December 2022	1,078,345	459,616	939,321	133,420	1,918,888	4,529,590
Accumulated depreciation At 31 December 2021	475,976	166,296	354,655	118,350	-	1,115,277
Depreciation	32,720	11,592	25,867	3,041	-	73,220
Retirements	-	-	-	(1)	-	(1)
Adjustments	2,463	971	(1,061)	6,220	-	8,593
At 31 December 2022	511,159	178,859	379,461	127,610	-	1,197,089
	567,186	280,757	559,860	5,810	1,918,888	3,332,501

Fair value measurement of freehold land and buildings

Freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Independent valuers (Rubeen Valuations, Sovereign Estate Limited and Gazelle Realty Limited) undertook the last revaluation between 2020-2022. The valuers are members of the Institute of Valuers of Papua New Guinea, and they have appropriate qualifications and experience in the fair value measurement of properties in the relevant locations.

The carrying amount recorded as at 31 December 2023 and 2022 for freehold land and buildings are as follows:

	2023 K'000	2022 K'000
Freehold land	631,958	303,417
Buildings	145,427	223,292
	777,385	526,709

There has been no change to the valuations during the year. The directors of the Company have deferred the valuation exercise.

The revaluation reserves is disclosed in note 18.

Impairment losses

No impairment loss has been recognised in respect of property, plant and equipment in the current year (2022: Nil).



8. Property, plant and equipment - net (continued)

Assets pledged as security

Freehold land and buildings as above have been pledged to secure borrowings of the Company. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Capital contributions

Capital contributions during the year amount to K265.55 million (2022: K256.17 million).

9. Power Purchase Assets

Power production – Thermal & Hydro assets in note 8 above excludes certain power generation facilities where the company is either a lessee or a grantor under the arrangements. The Company entered into certain power purchase agreements with terms between 5-25 years. The incremental borrowing rate (interest rate) for these arrangements is fixed at the contract date. The interest rates contracted approximates between 7.21% - 15.67% (2022: 9.35%) per annum.

The movements in and carrying value of power purchase assets are as follow:

	Notes	2023 K'000	2022 K'000
Cost at 1 January		2,152,946	1,553,149
Adjustments		(517,310)	599,797
Cost at 31 December		1,635,636	2,152,946
Accumulated depreciation at 1 January		476,722	236,557
Prior period Adjustments		(141,421)	90,857
Accumulated depreciation at 1 January (adjusted)		335,301	327,414
Depreciation		96,381	149,308
Accumulated depreciation at 31 December		431,682	476,722
		1,203,954	1,676,224

10. Inventories - net

	Notes	2023 K'000	2022 K'000
General stores		16,902	15,929
Fuel oil		10,408	8,667
Transformers		3,378	4,819
Others		12,416	11,055
Provisions for stock obsolescence		(2,454)	(3,408)
		40,650	37,062

The movements in provisions for stock obsolescence are as follows:

	Notes	2023 K'000	2022 K'000
Balance at 1 January		3,408	2,957
Provision (reversal of provision)		(954)	451
		2,454	3,408



11. Trade and other receivables - net

	Notes	2023 K'000	2022 K'000
Trade receivables		207,362	158,285
Allowance for expected credit losses		(30,171)	(54,131)
Trade receivables, net		177,191	104,154
Prepayments		36,227	28,477
Home loan mortgage		5,222	6,135
Fuel prepaid		1,383	1,383
Other receivables		8,533	5,966
Other receivables		51,365	41,961
		228,556	146,115

Trade receivables

Trade receivables consist of amounts owed for electricity and services provided to customers. The average credit term is 30 days.

No interest is charged on outstanding trade receivables.

Trade and other receivables is presented in the statement of financial position as follows:

	Notes	2023 K'000	2022 K'000
Trade and other receivables – current		228,556	141,129
Trade and other receivables – noncurrent		-	4,986
		228,556	146,115

Allowance for expected credit losses

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable.



11. Trade and other receivables - net (continued)

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished between the Company's different customer base – private sector and public sector.

Public sector includes government departments, agencies, and local government entities. Private sector includes all other customers.

		Trade receivables – days past due				
Public sector						
2023	Current-<30	31-60	61-90	91-120	>120	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Expected credit loss rate	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	17,225	17,092	11,962	11,508	73,801	131,588
Lifetime ECL	-	-	-	-	-	-
		Trade receivables – days past due				
Private sector						
2023	Current-<30	31-60	61-90	91-120	>120	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Expected credit loss rate	18%	31%	81%	100%	100%	
Estimated total gross carrying amount at default	54,075	1,355	1,905	319	18,120	75,774
Lifetime ECL	9,778	414	1,540	319	18,120	30,171
Total ECL	9,778	414	1,540	319	18,120	30,171

		Trade receivables – days past due				
Public sector						
2022	Current-<30	31-60	61-90	91-120	>120	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Expected credit loss rate	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	9,000	10,860	12,486	6,691	30,462	69,499
Lifetime ECL	-	-	-	-	-	-
		Trade receivables – days past due				
Private sector						
2022	Current-<30	31-60	61-90	91-120	>120	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Expected credit loss rate	25%	33%	71%	97%	97%	
Estimated total gross carrying amount at default	36,110	7,331	4,581	2,659	38,105	88,786
Lifetime ECL	8,891	2,429	3,249	2,572	36,990	54,131
Total ECL	8,891	2,429	3,249	2,572	36,990	54,131

Other receivables

The company provides Equity and Housing Advance Loans ("loans") qualifying employees for assisting them secure loans to buy or build/renovate their first home. The loans are interest free and provide up to 15% of the total purchase price of the house and land (limits apply tiered according to salary grade, giving financing in the range of K52,500 to K105,000). The employee finances the remaining 85% of the total purchase price of the house and land. The loan terms are up to 10 years with repayments made through fortnightly payroll deductions. The company has the right to withhold any final employee entitlements due to an employee until the liability is settled.

As at 31 December 2023 and 2022, management believes that the unimpaired amounts are collectible, based on historical payment behaviour and analysis of borrowers' credit risk, as well as analysis of collateral values.



12. Borrowings and Bank Overdraft

The Company has entered into various loan arrangements with the State, the Parent Entity (KCH), and a local bank specifically to finance its major capital projects that includes the Port Moresby grid development project, national power grid and rehabilitation facility and stabilisation projects in various locations in the country.

These borrowings and bank overdraft are interest-bearing. Interest expense on borrowings and bank overdraft amounted to K25.36 million for the year ended 31 December 2023 (2022: K47.39 million). As of 31 December, the borrowings account and Bank Overdraft as presented in the Statement of Financial Position is as follows:

	2023 K'000	2022 K'000
Borrowings - current	720,347	1,002,001
Borrowings - noncurrent	1,083,102	850,217
	1,803,449	1,852,218

	2023 K'000	2022 K'000
Bank Overdraft	19,101	17,041
	19,101	17,041

13. Power Purchase liabilities

The Company has entered into certain power purchase agreements for a period an average period of 2 to 99 years. The future minimum payments under these arrangements, together with the present value of the net minimum payments are, as follows:

	2023 K'000	2022 K'000
Within one year	243,950	275,012
After one year but not more than five years	975,802	1,024,395
More than five years	2,042,318	2,089,877
Total minimum payments	3,262,070	3,389,284
Less amounts representing finance charges	(1,834,929)	(1,507,233)
	1,427,141	1,882,051

Power purchase liabilities are presented in the statement of financial position is as follows:

	2023 K'000	2022 K'000
Power purchase liabilities - current	61,393	103,396
Power purchase liabilities - noncurrent	1,365,748	1,778,655
	1,427,141	1,882,051

Set out below are the movements in and carrying amount of Power purchase liabilities:

	Notes	2023 K'000	2022 K'000
Balance at 1 January		1,882,050	1,362,203
Adjustment		(399,201)	614,213
Balance at 1 January (Adjusted)		1,482,849	1,976,416
Addition		-	-
Accretion of Interest	6	163,973	180,819
Payments		(219,681)	(275,184)
		1,427,141	1,882,051

The Company has reconsidered its accounting for the power purchase arrangements and have accounted for these as either a service concession arrangement or lease, depending on the nature of the arrangements. The relevant discount rates were also reviewed. As a result, adjustments that relate to opening balance are included as adjustment to prior period.



13. Power Purchase liabilities (continued)

For the year ended 31 December 2023, the average effective borrowing rate was 12% (2022:12%). All arrangements are on a fixed repayment basis and no arrangements have been entered into for contingent payments.

All obligations are denominated in USD but payable in local currency.

14. Trade and other payables

	2023 K'000	2022 K'000
Trade payables	876,441	702,345
Other payables	449,392	434,642
	1,325,833	1,136,987
Other payables consist of:		
Other payables - Consumer security deposits	14,772	13,965
Other payables - Payroll related costs	1,265	2,395
Other payables	433,355	418,282
	449,392	434,642

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables for the first 90 days from the date of the invoice. Thereafter, interest may be charged on the outstanding balances at various interest rates. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Company consider that the carrying amount of trade payables approximates to their fair value.

Other payables include accrual of taxes payable of K178.94 (2022: K155.06 million) (mainly salaries withholding tax and goods services tax), and related tax penalty charges of K204.75 million as at 31 December 2023 (2022: K240.42 million). Any tax penalty or adjustments, if any, is recognised in profit or loss during the period under "other expense" account. Management is engaging in continuous discussions with the Internal Revenue Commission in regard to the settlement of the tax payables and the potential waiver of tax penalty charges.

15. Consumer Advances

	2023 K'000	2022 K'000
Current	31,238	32,609
Non-current	19,663	18,654
	50,901	51,263

Consumer advances relate to capital advance payments made by large industrial customers to the Company for financing works enabling electricity connections to premises nominated by the customers. The capital advances are interest free payments, which will offset future electricity sales at the connected customers.



16. Contract Liability

	2023 K'000	2022 K'000
Deferred income	1,896	1,896
	1,896	1,896

Deferred revenue represents prepayments of electricity by Easypay customers for services that have yet to be delivered.

17. Provisions

Notes	2023 K'000	2022 K'000
Long service Leave / Furlough	42,236	46,024
Restructuring/ Retrenchment	8,139	6,896
Annual leave	21,726	22,584
SAP/KPI	34	34
Other provisions	2,340	2,340
	74,475	77,878
Employee provisions - current	21,726	22,584
Employee provisions - noncurrent	50,375	52,920
Other provisions	2,374	2,374
	74,475	77,878

18. Revaluation reserves

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the property's revaluation reserve will not be reclassified subsequently to profit or loss.

	2023 K'000	2022 K'000
Revaluation of land and buildings	841,117	583,288
	841,117	583,288

The movement of revaluation reserves is as follows:

	2023 K'000	2022 K'000
Balance at beginning of year	583,288	583,288
Change in fair value of land and building	257,829	-
Balance at end of year	841,117	583,288



19. Cash and cash equivalents

	2023 K'000	2022 K'000
Cash and bank balances	20,889	12,741
Funds Held in trust	101,575	82,353
	122,464	95,094

Cash at banks earns interest at floating rates based on daily bank deposit rates. Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

The Company also entered into a multi - option facility with Bank of South Pacific (BSP) Limited. The multi-option facility includes loans, overdraft, insurance premium funding, revolving finance lease and documentary letters of credit to assist with trade transactions. The loan is secured by the following:

1. First Registered General Security Agreement Registration No. 1003911497 dated 07 September 2018
2. Securities held under Syndicate Secured Trust Deed
3. First Registered Mortgage over 37 properties

Funds held in trust represents restricted cash that is not freely available for a company to spend or invest. It refers to money that is held for a specific purpose (mainly for capital projects) and are not available to the company for immediate or general business use. Accordingly, these assets are presented as noncurrent asset in the statement of financial position.

20. Financial Risk Management Objectives and Policies

20.1 Financial risk management objectives

The Company's financial control function provides co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The internal auditors on a continuous basis review compliance with policies and exposure limits. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

20.2 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 21.3 below) and interest rates (see 21.4 below). There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

20.3 Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The Company has negotiated a number of contracts with its customers where payments are received in either United States or Australian dollars. The value of these contracts is roughly equal to the anticipated outflow of expenditure in those respective currencies.



20. Financial Risk Management Objectives and Policies (continued)

20.4 Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate level of borrowings. Interest rates are subject to change based on review by the financial institutions and agreed by management.

20.5 Commodity Risk

The Company is exposed to commodity risk from fuel price changes. The company purchases fuel on an ongoing basis as its operating activities. Fuel prices are regulated in PNG by the Government and are set in Kina.

20.6 Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Note 11 details the company's maximum exposure to credit risk and the measurement bases used to determine expected credit losses. In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Before accepting any new customer, the credit team assesses the potential customer's credit quality and defines credit limits by customer. Credit approvals and other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

Furthermore, the company reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the company's credit risk is significantly reduced. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Of the trade receivables balance at the end of the year, K131.59 million (2022: K69.50 million) is due from national and local government agencies and departments, the Company's largest customers.

In addition, the Company is exposed to credit risk in relation to financial guarantees given to banks. The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on.

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off



21. Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

The capital structure of the Company consists of net debt (borrowings after deducting cash and bank balances) and equity of the Company (comprising issued capital, reserves and retained earnings).

The Company is not subject to any externally imposed capital requirements.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio.

Gearing ratio

	2023 K'000	2022 K'000
Borrowings / overdraft	1,822,550	1,869,259
Cash and cash equivalents	122,464	95,094
Net debt	1,700,086	1,774,165
Equity	334,251	147,819
Net debt to equity ratio	508.63%	1,200.23%

Debt is defined as current and noncurrent borrowings as detailed in note 12, and bank overdraft.

Equity includes all capital and reserves of the Company that are managed as capital.

22. Related party transactions

Balances and transactions between the company and its related parties, have been are disclosed below.

Trading transactions

Kumul Consolidated Holdings (KCH) is the entity, which holds in trust, the Government's non-petroleum and non-mining assets. KCH is mandated to hold all Government-owned commercial assets in trust and to manage those assets to improve commercial performance and underpin economic development.

Associates relates the other State Owned Enterprises (SOEs) to which KCH is a Trustee.

The following amounts were outstanding at the reporting date.

	Amounts owed by related parties		Amounts owed to related parties	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Kumul Consolidated Holdings (KCH)	-	-	556,605	438,830
Associates	23,633	21,282	477	1,134



22. Related party transactions (continued)

Sales of goods and services to related parties were made at the Company's usual tariff rates and purchases were made at market price.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of directors

The remuneration of the directors has been disclosed in the Directors' Report.

23. Contingent liabilities

As at 31 December 2023 and 2022, Management is not aware of any material cases that would have a material impact on the financial statements.

24. Events after the reporting period

There were no other significant subsequent events that have significantly affected or may significantly affect the operations of the Company requiring disclosure in these financial statements.

25. Approval of the financial statements

The financial report was authorized for issue by the directors on the date included in the Directors' Report.

