

Water PNG Limited

Financial Statements

For the year ended 31 December 2023

Water PNG Limited

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For the year ended 31 December 2023

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Water PNG Limited

Company Information

Water PNG Limited is a registered company under the Papua New Guinea Companies Act 1997, and by virtue of the National Water Supply and Sanitation Act 2016, and National Water Supply and Sanitation (Amendment) Act 2020, incorporated and domiciled in Papua New Guinea.

Registered office	Water PNG Limited Level 2, Marand Haus Waigani Drive Waigani National Capital District Papua New Guinea
Directors	Amb. Aiwa Olmi (Chairman) Mr Ako Toua (Deputy Chairman) Ms Sisa Kini Ms Tamzin Wardley Mr John Cholai Mr Nelson Tengi Mr Meckles Poya
Chief executive officer	Mr Parkop Kurua (resigned on 5 March 2023) Mr Bernard Thomas (appointed as officer-incharge on 7 March 2023) (appointed as acting CEO in 2024)
Secretary	Daniel Wettao
Auditors	Auditor General PO Box 423, Waigani Port Moresby
Banks	Bank of South Pacific Limited PO Box 78 Port Moresby Kina Bank Limited PO Box 1141 Port Moresby Westpac Bank PNG Limited PO Box 77 Port Moresby

Water PNG Limited

Directors' Report

31 December 2023

The Directors take pleasure in presenting their annual report on the affairs of Water PNG Limited (the "Company") including the financial statements for the year ended 31 December 2023 and the auditor's report thereon.

Principal activities and change in state of affairs

The principal activities of the Company during the financial year was the provision of water and sanitation services. During the financial year there was no change in the principal activities.

Operating results

The profit of the Company after providing for income tax amounted to K4,006,384 (2022: K8,735,185).

Dividends

No dividends were declared and paid during the financial year (2022: KNil).

Directors

The Directors of the Company at any time during or since the end of the previous financial year are listed on page 1. No director was a shareholder of the Company during or since the end of the previous financial year, and none had any material interest by reason of a contractual arrangement with the Company or any related entity with the directors of, or with a firm of which he or she is a member, or in a Company in which he or she has a substantial financial interest.

Interests register

There were no entries recorded in the interests register during the financial year.

Donations

Donations of K302,952 (2022: K615,821) were made by the Company during the financial year.

Auditor's remuneration

The amounts paid or payable to the Company's auditor for audit and non-audit services provided during the financial year are disclosed in Note 9 to the financial statements.

Going concern

Other than those disclosed in note 2(f), the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Water PNG Limited

Directors' Report

31 December 2023

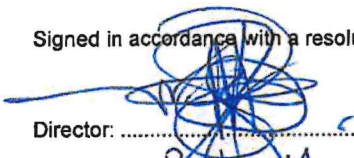
Employees remuneration (Continued)

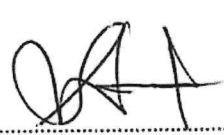
	2023	2022
Salary range	Number of employees	
K100,001 - K110,000	16	16
K110,001 - K120,000	24	24
K120,001 - K130,000	8	14
K130,001 - K140,000	12	8
K140,001 - K150,000	6	5
K150,001 - K160,000	8	9
K160,001 - K170,000	8	8
K170,001 - K180,000	5	5
K180,001 - K190,000	12	13
K190,001 - K200,000	2	2
K200,001 - K210,000	-	1
K210,001 - K220,000	3	4
K220,001 - K230,000	3	3
K230,001 - K240,000	2	1
K240,001 - K250,000	1	1
K250,001 - K260,000	-	2
K260,001 - K270,000	11	11
K270,001 - K280,000	3	3
K280,001 - K290,000	1	-
K300,001 - K310,000	3	1
K320,001 - K340,000	1	-
K340,001 - K350,000	2	-
K360,001 - K370,000	2	-
K370,001 - K390,000	1	-
K390,001 - K400,000	1	-
K400,001 - K410,000	1	-
K480,001 - K490,000	1	-
K500,001 - K520,000	1	1
K540,001 - K550,000	2	-
K560,001 - K570,000	1	-
K570,001 - K580,000	1	-
K590,001 - K600,000	1	-
K620,001 - K1,706,430	1	-

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

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

Director: 

Director: 

Dated at Port Moresby this 2 day of September 2025.

Water PNG Limited

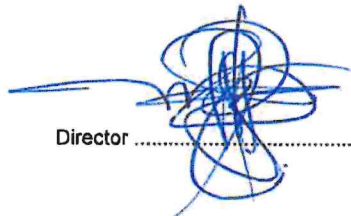
Directors' Declaration

In the Directors opinion:

- (a) the financial statements and notes set out on pages 10 to 42 are in accordance with the Papua New Guinea Companies Act 1997 including:
 - (i) complying with applicable financial reporting standards and other mandatory professional reporting requirement approved for use in Papua New Guinea by the Accounting Standard Board; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2023, of the financial performance as represented by the results of its operations and its cash flows, and the statement of changes in equity for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes set out are also in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the requirements of the Papua New Guinea Companies Act 1997.

Dated at Port Moresby this 2 day of September 2025

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

Director 

Director 

Independent Audit Report to the members of

Independent Audit Report to the members of

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Water PNG Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

		2023	2022
	Note	PGK	PGK
Revenue			
Water income	5	188,903,949	191,954,790
Sewerage income	6	70,655,596	35,596,985
Connection income		1,624,927	1,985,120
		261,184,472	229,536,895
 Other income	 7	 8,590,854	 6,484,796
		269,775,326	236,021,691
 Employee expenses	 8	 (77,895,997)	 (81,882,488)
Operating expenses	9	(87,584,572)	(80,466,457)
Depreciation	15	(49,743,257)	(49,544,199)
Expected credit losses	14	(31,332,467)	(22,963,596)
 Finance costs		 (6,704,737)	 (12,496,966)
		(253,261,030)	(247,353,706)
 Profit / (loss) before income tax		 16,514,296	 (11,332,015)
Income tax (expense) / benefit	10(a)	(12,507,912)	20,067,200
Profit for the year		4,006,384	8,735,185
 Other comprehensive income		 -	 -
Total comprehensive profit for the year		4,006,384	8,735,185



The accompanying notes form part of these financial statements.

Water PNG Limited

Statement of Financial Position

As At 31 December 2023

	Note	2023 PGK	2022 PGK
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	59,992,524	44,278,525
Term deposits	12	20,577,833	30,080,885
Inventories	13	11,357,939	10,585,837
Trade and other receivables	14	87,158,927	57,941,331
TOTAL CURRENT ASSETS		179,087,223	142,886,578
NON-CURRENT ASSETS			
Deferred tax assets	10(b)	64,722,370	62,484,775
Property, plant and equipment	15	1,315,404,328	1,315,678,720
TOTAL NON-CURRENT ASSETS		1,380,126,698	1,378,163,495
TOTAL ASSETS		1,559,213,921	1,521,050,073
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	46,981,744	41,810,839
Current tax liabilities	10(c)	47,584,221	65,698,795
Loans and borrowings	19	103,137,206	106,676,873
Deferred income	17	2,800,520	2,774,272
Employee benefits obligation	18	4,516,275	5,425,400
Lease liabilities	20(a),(b)	3,989,566	4,516,481
TOTAL CURRENT LIABILITIES		209,009,532	226,902,660
NON-CURRENT LIABILITIES			
Loans and borrowings	19	21,720,347	12,425,860
Bonds and refundable deposits		6,007,395	5,681,079
Deferred income	17	2,018,433	1,924,688
Employee benefits obligation	18	16,501,536	17,789,501
Lease liabilities	20(a),(b)	2,173,884	5,035,748
Deferred tax liabilities	10(b)	178,150,375	167,093,693
TOTAL NON-CURRENT LIABILITIES		226,571,970	209,950,569
TOTAL LIABILITIES		435,581,502	436,853,229
NET ASSETS		1,123,632,419	1,084,196,844
EQUITY			
Asset revaluation reserve	22	229,761,829	224,209,373
Government equity	23	65,895,228	65,895,228
Retained earnings		22,781,871	24,327,943
Business combination reserve		688,032,017	688,032,017
Capital grants		578,492	578,492
Capital contribution		116,582,982	81,153,791
TOTAL SHAREHOLDERS' EQUITY		1,123,632,419	1,084,196,844

The accompanying notes form part of these financial statements.



Water PNG Limited

Statement of Changes in Equity
For the year ended 31 December 2023

Note	Asset revaluation reserve	Government equity	Retained earnings / (deficit)	Business combination reserve	Capital grants	Capital contribution	Total
	PGK	PGK	PGK	PGK	PGK	PGK	PGK
Balance at 1 January 2022	240,655,819	65,895,228	(853,688)	688,032,017	578,534	-	994,307,910
Profit for the year	-	-	8,735,185	-	-	-	8,735,185
Realisation of revaluation	-	-	16,446,446	-	-	-	-
Capital contribution	-	-	-	-	-	81,153,791	81,153,791
Capital grant reduction	-	-	-	-	(42)	-	(42)
Balance at 31 December 2022	224,209,373	65,895,228	24,327,943	688,032,017	578,492	81,153,791	1,084,196,844
Balance at 1 January 2023	224,209,373	65,895,228	24,327,943	688,032,017	578,492	81,153,791	1,084,196,844
Profit for the year	-	-	4,006,384	-	-	-	4,006,384
Transfers	5,552,456	-	(5,552,456)	-	-	-	-
Capital contribution	-	-	-	-	-	35,429,191	35,429,191
Balance at 31 December 2023	229,761,829	65,895,228	22,781,871	688,032,017	578,492	116,582,982	1,123,632,419



The accompanying notes form part of these financial statements.

Water PNG Limited

Statement of Cash Flows
For the year ended 31 December 2023

		2023	2022
	Note	PGK	PGK
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		240,238,796	223,202,873
Payments to suppliers and employees		(189,655,344)	(206,628,862)
Increase in deferred income		119,993	2,450,917
Interest paid		(946,729)	(466,802)
Income tax paid	10(c)	(21,685,956)	(14,594,175)
Net cash provided by operating activities		<u>28,070,760</u>	<u>3,963,951</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	7	644,501	891,446
Payment for property, plant and equipment		(30,319,336)	(20,797,298)
Receipts from / (payments for) investment in term deposits		9,503,052	(11,289,293)
Net cash used in investing activities		<u>(20,171,783)</u>	<u>(31,195,145)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipt from donor agency		3,320,413	-
Receipt from national government		32,108,779	-
Payment of funded project		(22,946,466)	-
Payment of lease liability	20(a),(b)	(4,667,704)	(2,901,105)
Proceeds received from long-term borrowings		-	11,562,147
Net cash provided by financing activities		<u>7,815,022</u>	<u>8,661,042</u>
Net increase / (decrease) in cash and cash equivalents held		15,713,999	(18,570,152)
Cash and cash equivalents at beginning of the financial year		44,278,525	62,848,677
Cash and cash equivalents at end of financial year	11	<u>59,992,524</u>	<u>44,278,525</u>



The accompanying notes form part of these financial statements.

Water PNG Limited

Notes to the Financial Statements

For the year ended 31 December 2023

1. General information

Water PNG Limited (the "Company") is a company domiciled in Papua New Guinea. The address of the Company's registered office is Level 2, Marand Haus, Waigani Drive, Waigani, National Capital District, Papua New Guinea. The financial statements for the year ended 31 December 2023 comprise solely of the Company. The Company primarily is involved in the provision of water and sanitation services.

2. Basis of preparation

(a) 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 the Papua New Guinea Companies Act 1997.

(b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except where otherwise stated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and assets.

Fair value is the price that would be received for the selling of an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- level 1 - inputs are quoted price (unaudited in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 - inputs are inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 - inputs are unobservable inputs for the asset or liability.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of a financial report in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods if affected. The significant estimates and judgements applied in the preparation of these financial statements include:

- fair values of property, plant and equipment - refer to note 15(b);
- impairment of financial assets (provision for expected credit losses) - refer to note 3(j); and
- fair value categorisation of financial instruments in the fair value hierarchy - refer to note 24(a).



Notes to the Financial Statements

For the year ended 31 December 2023

2. Basis of preparation (Continued)

(e) Comparative amounts

The comparative amounts in the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity have been restated.

(f) Going concern

The financial statements have been prepared on the assumption that the Company will continue as a going concern.

The Company reported a profit after tax of PGK 4,006,384 (2022: PGK 8,735,185). As at the reporting date, the Company is in a cash position of PGK 59,992,524 (2022: PGK 44,278,525) and its current liabilities exceeds its current assets by PGK 29,922,309 (2022: PGK 84,016,082) indicating an improvement in working capital of PGK 54 million compared to the prior year.

In adopting the going concern basis in preparing the financial statements, the Directors have considered the Company's available sources of finance including access to Treasury loans and financial lenders as well as the Company's principal risks and uncertainties.

The Management and Directors have continued working with the shareholder, Kumul Consolidated Holdings Limited (KCH), to establish the facilities to finance the operations including extension of repayment terms for existing Treasury loans.

The Company's role as the sole utility provider of water services in Papua New Guinea is critical to national infrastructure and public welfare. Management remains committed to implementing proactive strategies aimed at improving financial stability, operational efficiency, and sustainable practices. These efforts are expected to support the Company's continued viability.

Based on these factors, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis, and no adjustments have been made to the carrying amounts or classification of assets and liabilities that may be required should the Company be unable to continue as a going concern.

3. Summary of material accounting policies

The Company adopted Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes in the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Revenue

The Company generates revenue primarily from water supply and sewerage collection charge. Other sources of revenue include license fees, standby fees and interest income.



Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of material accounting policies (Continued)

(a) Revenue (Continued)

Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – a point in time or over point in time – requires judgement.

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

All revenue is stated net of the amount of goods and services tax (GST).

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

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

(b) Goods and services tax (GST)

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

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

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

Cash flows are included in the statement of cash flows on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority is classified as operating cash flows.

(c) Income tax

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



Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of material accounting policies (Continued)

(c) Income tax (Continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised for deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be recognised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(d) Cash and cash equivalents

Cash comprises cash on hand, at bank and term deposits with an original term of 3 months or less. For the purposes of the statement of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment is initially measured at cost and subsequently, at the asset's fair value, less subsequent accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

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

Property, plant and equipment are revalued every three years by an external independent valuer. The effective date of revaluation was 31 December 2021. Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and shown in revaluation reserve. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income.

(ii) Subsequent costs

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



Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of material accounting policies (Continued)

(f) Property, plant and equipment (Continued)

(iii) Depreciation

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

The straight line method of depreciation is used and the rates of depreciation are:

Buildings	3%
Civil works and pipelines	4.5%
Vehicles	30%
Plant, equipment and furniture	11.25% - 30%

(g) Employee benefit plans

(i) Defined contribution plan

The Company contributes to a defined contribution plan as part of its post-employment benefit plan for its employees, the Company pays fixed contributions into the plan. The Company has no legal or constructive obligation to pay further amounts to each employee. The obligation for contributions are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employment benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount at rates expected to be paid under short-term benefits if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Other long-term employee benefits

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

(h) Leases

Company acting as a lessee

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



Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of material accounting policies (Continued)

(h) Leases (Continued)

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

(i) Financial instruments

(i) Recognition of financial assets and financial liabilities

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



Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of material accounting policies (Continued)

(i) Financial instruments (Continued)

(ii) Classification and measurement of financial assets and financial liabilities

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

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

A financial asset is measured at amortised cost if it meets both of the following conditions and it 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 specific dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

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

Financial assets: Business model assessment

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

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

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



Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of material accounting policies (Continued)

(i) Financial instruments (Continued)

(ii) Classification and measurement of financial assets and financial liabilities (Continued)

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

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

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

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

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

Additional information amount measurement of the impairment allowance is described in Note 3(j) and Note 24.

Financial liabilities - Classification, subsequent measurement and gains and losses

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

Trade and other payables are stated at amortised cost. The amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does retain control of the financial asset.



Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of material accounting policies (Continued)

(i) Financial instruments (Continued)

(iii) Derecognition (Continued)

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(j) Impairment

(i) Non-derivative financial assets

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flow due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The Company recognises loss allowances for ECLs on financial assets measured at amortised costs.

The Company measures loss allowances at an amount equal to the lifetime ECL, except for cash and cash equivalents which are measured as 12-months ECL as credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.



Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of material accounting policies (Continued)

(j) Impairment (Continued)

(i) Non-derivative financial assets (Continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers another receivable or cash balance to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Company considers this to be Baa3 or a higher rating per Moody's or BBB- or higher per S&P.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.



Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of material accounting policies (Continued)

(j) Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

4. New standards on issue

(a) New currently effective accounting standards or amendments

A number of new standards and amendments to standards are effective for the annual period beginning on or after 1 January 2023, however, the Company did not apply the following standards in preparing these financial statements as they have no impact:

- IFRS 17, Insurance Contract;
- Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies;
- Amendments to IAS 8, Definition of Accounting Estimates;
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments listed above do not have any impact on the amounts recognised in the prior periods.



Notes to the Financial Statements

For the year ended 31 December 2023

4. New standards on issue (Continued)

(b) Standards, amendments and interpretations issued but not yet effective

A number of new accounting standards are effective for the annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the following new or amended accounting standards in preparing these financial statements.

Supplier Finance Arrangements	Amendments to IAS 1 and IFRS 7, effective on or after 1 January 2024.
Lease Liability in a Sale and Leaseback	Amendments to IFRS 16 effective on or after 1 January 2024.
Lack of Exchangeability	Amendments to IAS 1, effective on or after 1 January 2024.
Non-current Liabilities with Covenants	Amendments to IAS 1, effective on or after 1 January 2024.
Classification of Liabilities as Current or Non-current	Amendments to IAS 1, effective on or after 1 January 2024.

The Directors do not expect that the adoption of these standards listed above will have a material impact on the financial statements of the Company in future periods.

5. Water income

	2023 PGK	2022 PGK
Water commercial and centralised government agencies	93,601,607	90,472,644
Water non-domestic	53,087,297	19,045,154
Water domestic	26,610,738	35,516,415
Water institutional	8,739,315	27,718,672
Water industrial	6,864,992	19,201,905
	<u>188,903,949</u>	<u>191,954,790</u>

6. Sewerage income

	2023 PGK	2022 PGK
Sewerage commercial and centralised government agencies	28,736,487	17,968,917
Sewerage non-domestic	24,061,601	5,545,782
Sewerage domestic	10,998,252	5,000,136
Sewerage industrial	4,113,448	3,480,738
Sewerage institutional	1,985,945	2,801,994
Sludge tankers	759,863	799,418
	<u>70,655,596</u>	<u>35,596,985</u>



Water PNG Limited

Notes to the Financial Statements For the year ended 31 December 2023

7. Other income

	2023	2022
	PGK	PGK
Standby fees	6,591,415	5,265,341
Interest income	644,501	891,446
Rental income from leases / tenancies	523,500	68,500
Fines and penalties	152,540	60,545
Loss on disposal of assets	-	(45,154)
Other miscellaneous income	678,898	244,118
	<u>8,590,854</u>	<u>6,484,796</u>

8. Employee expenses

	2023	2022
	PGK	PGK
Salaries and wages expenses	75,069,061	78,659,418
Labour incidentals	2,826,936	3,223,070
	<u>77,895,997</u>	<u>81,882,488</u>

The average number of employees for the year was 720 (2022: 733).

9. Operating expenses

Included in operating expenses are the following:

	2023	2022
	PGK	PGK
Operational supplies	27,468,049	34,739,899
Repairs and maintenance	18,631,936	12,572,877
Contractual services	16,106,113	8,995,345
Professional services	4,207,092	5,466,488
Building rentals	4,071,703	1,387,744
Communication costs	3,410,557	3,054,617
Insurance costs	2,366,646	1,793,318
Stationery expenses	2,295,041	3,402,724
Directors fees	2,244,274	2,457,002
Travel and accommodation	2,145,054	2,117,524
Advertising and public relations	1,232,567	905,415
Entertainment	705,154	1,044,732
Audit fees to KPMG in relation to audit of financial statements	633,460	863,766
Donations	302,952	615,821
Non-audit services for financial statements preparation fees to KPMG	21,500	20,000
Other expenses	1,742,474	1,029,185
	<u>87,584,572</u>	<u>80,466,457</u>



Water PNG Limited

Notes to the Financial Statements For the year ended 31 December 2023

10. Taxation

(a) Income tax expense

The prima facie tax charge on the profit for the year is reconciled to the tax expense as follows:

	2023 PGK	2022 PGK
Accounting profit / (loss) before tax	16,514,296	(11,332,015)
Prima facie tax expense / (benefit) at 30% (2022: 30%)	4,954,288	(3,399,605)
Over provisions in prior years	(4,309,251)	(2,723,726)
Permanent differences	163,131	189,670
Deferred tax movements	8,819,088	(14,133,539)
Other deferred tax movements	2,880,656	-
	<u>12,507,912</u>	<u>(20,067,200)</u>
Tax expense / (benefit) is comprised of:		
Current tax expense	7,998,075	9,039,274
Over provisions in prior years	(4,309,251)	(2,723,726)
Deferred tax charge prior period	11,410,578	-
Deferred income tax benefit	(2,591,490)	(26,382,748)
Total tax expense / (benefit)	<u>12,507,912</u>	<u>(20,067,200)</u>

(b) Deferred tax

Deferred tax assets

	2023 PGK	2022 PGK
Opening balance, 1 January	62,484,775	59,864,142
NCD Water DTA balance transferred on amalgamation	-	-
Net movement for the year	2,237,595	2,620,633
Closing balance, 31 December	<u>64,722,370</u>	<u>62,484,775</u>
This balance comprises the tax effect of:		
Provisions	6,305,343	6,964,470
Provision for expected credit losses	56,315,600	50,989,850
Accruals	256,551	1,664,786
Leases	272,051	596,248
Lease liability IFRS 16	1,572,825	2,269,421
	<u>64,722,370</u>	<u>62,484,775</u>



Water PNG Limited

Notes to the Financial Statements
For the year ended 31 December 2023

10. Taxation (Continued)

(b) Deferred tax (Continued)

Deferred tax liabilities

	2023 PGK	2022 PGK
Opening balance, 1 January	(167,093,693)	(190,855,807)
Net movement for the year through profit and loss	(11,056,682)	23,762,114
Closing balance, 31 December	(178,150,375)	(167,093,693)
This balance comprises the tax effect of:		
Prepaid insurance	(820,600)	(742,530)
Right-of-use asset - IFRS 16	(2,103,818)	(2,056,861)
Property, plant and equipment	(175,225,957)	(164,294,302)
	(178,150,375)	(167,093,693)
Net deferred tax liability	(113,428,005)	(104,608,918)

(c) Current tax liability

Reconciliation of movement in current tax liability:

	2023 PGK	2022 PGK
Opening balance, 1 January	65,698,795	74,048,040
Over provision in previous year	(4,309,251)	(2,723,725)
Current income tax	7,998,075	9,039,274
Interest withholding tax	(117,441)	(70,619)
Tax paid	(6,771,360)	(14,594,175)
2023 provisional tax credit	(14,914,597)	-
Closing balance, 31 December	47,584,221	65,698,795

11. Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and at the bank and term deposits at call net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2023 PGK	2022 PGK
Cash at bank	59,990,990	44,265,172
Petty cash	1,534	13,353
	59,992,524	44,278,525



Notes to the Financial Statements

For the year ended 31 December 2023

12. Term deposits

Term deposits presented in the statement of financial position are deposits made by the Company to BSP with maturity dates of 365 days at 1.55 to 1.95% interest; to Heduru Moni Plus Ltd with a maturity date 366 days at 3% interest; to Teachers Savings and Loan Society Limited with a maturity date of 365 days at 6% interest; to Kina Bank with a maturity date of 183 days at 1.25% interest.

	2023	2022
	PGK	PGK
Term deposits	20,577,833	30,080,885

13. Inventories

	2023	2022
	PGK	PGK
Inventory control account	11,357,939	10,585,837

14. Trade and other receivables

	2023	2022
	PGK	PGK
Trade receivables	248,097,981	209,950,819
Sundry debtors - miscellaneous	3,835,504	3,918,146
Less: provision for expected credit losses	(187,718,658)	(171,901,499)
	64,214,827	41,967,466
Prepayments / advances	17,469,950	10,620,122
Sundry debtors	3,554,325	3,115,060
Bond fee - office and staff housing	1,336,574	1,331,440
Novated leases	370,054	435,413
Accrued income	213,197	471,830
	87,158,927	57,941,331

Reconciliation of expected credit losses

Opening balance, 1 January	171,901,499	159,746,259
Increase in provision	62,664,934	46,093,857
Expected credit losses	(31,332,467)	(22,963,596)
Write off	(15,515,308)	(10,975,021)
	187,718,658	171,901,499



Water PNG Limited

Notes to the Financial Statements
For the year ended 31 December 2023

15. Property, plant and equipment

	Land and buildings		Civil works, pipelines and connections		Motor vehicles		Plant, equipment and furniture		Right-of-use assets		Work-in-progress		Total	
	PGK		PGK		PGK		PGK		PGK		PGK		PGK	
Cost														
Balance at 1 January 2022	190,978,098	814,621,949	16,089,755	263,210,995	5,600,257	77,522,331	1,368,023,385							
Additions	173,131	6,976,989	2,215,321	6,792,259	4,639,598	95,820,153	116,617,451							
Disposals	-	-	(596,335)	-	-	-	(596,335)							
Other adjustment	-	(97,636)	732	(19,720)	394,410	-	277,786							
Balance at 31 December 2022	191,151,229	821,501,302	17,709,473	269,983,534	10,634,265	173,342,484	1,484,322,287							
Additions	829,709	2,110,919	200,070	3,496,982	2,413,198	44,214,925	53,265,803							
Transfers	1,072,787	12,382,696	279,230	3,964,493	-	(17,699,206)	-							
Other asset adjustments	101	1,731,942	(1,278,970)	(452,977)	(4,276,563)	(2,589,903)	(6,866,370)							
Balance at 31 December 2023	193,053,826	837,726,859	16,909,803	276,992,032	8,770,900	197,268,300	1,530,721,720							
Accumulated depreciation and impairment														
Balance at 1 January 2022	(6,770,034)	(68,408,312)	(7,306,805)	(37,026,599)	-	-	(119,511,750)							
Depreciation charges for the year	(3,303,559)	(21,706,187)	(2,555,845)	(18,110,634)	(3,778,064)	-	(49,454,289)							
Disposals	-	-	322,681	-	-	-	322,681							
Other adjustments	-	-	(209)	-	-	-	(209)							
Balance at 31 December 2022	(10,073,593)	(90,114,499)	(9,540,178)	(55,137,233)	(3,778,064)	-	(168,643,567)							
Depreciation charges for the year	(3,452,273)	(22,172,246)	(2,796,203)	(18,192,123)	(3,130,412)	-	(49,743,257)							
Other adjustments	-	-	(93)	(5)	3,069,530	-	3,069,432							
Balance at 31 December 2023	(13,525,866)	(112,286,745)	(12,336,474)	(73,329,361)	(3,838,946)	-	(215,317,392)							
Carrying value at 31 December 2022	181,077,636	731,386,803	8,169,295	214,846,301	6,856,201	173,342,484	1,315,678,720							
Carrying value at 31 December 2023	179,527,960	725,440,114	4,573,329	203,662,671	4,931,954	197,268,300	1,315,404,328							



Water PNG Limited

Notes to the Financial Statements
For the year ended 31 December 2023

15. Property, plant and equipment (Continued)

- a) The revaluation is done after every 3 years as per the Company's policy. The last revaluation was done in 2021.
- b) The capital work in progress balance of K197,268,300 at 31 December 2023 (2022: K173,342,484) comprises of:

	2023 PGK	2022 PGK
Civil works	139,079,717	127,501,472
Pipelines	32,091,179	29,105,528
Buildings	13,616,322	10,147,438
Other assets-pumps and water metres	7,736,931	4,971,677
Plant and equipment	4,066,153	1,095,841
Computers and equipments	677,998	520,528
	<u>197,268,300</u>	<u>173,342,484</u>

16. Trade and other payables

	2023 PGK	2022 PGK
Accounts payable control account	16,517,530	13,530,840
Accrued expenses	10,969,243	10,673,508
Payroll accruals	2,632,147	3,898,853
Goods and services tax	2,608,231	1,917,189
Other accrued taxes	2,394,222	2,472,067
Other liabilities	11,860,371	9,318,382
	<u>46,981,744</u>	<u>41,810,839</u>

17. Deferred income

	2023 PGK	2022 PGK
Current		
Unspent grants	2,800,520	2,774,272
Non-current		
Unspent grants	2,018,433	1,924,688

18. Employee benefits obligation

	2023 PGK	2022 PGK
Current		
Annual leave provision	4,516,275	5,425,400
Non-current		
Long service leave provision	16,501,536	17,789,501



Notes to the Financial Statements

For the year ended 31 December 2023

18. Employee benefits obligation (Continued)

Reconciliation of employee benefits obligation

	2023 PGK	2022 PGK
Current		
Balance at 1 January	5,425,400	4,070,957
Movement during the year	(909,125)	1,354,443
Balance at 31 December	4,516,275	5,425,400
Non-current		
Balance at 1 January	17,789,501	15,466,511
Movement during the year	(1,287,965)	2,322,990
Balance at 31 December	16,501,536	17,789,501

Employee benefits entitlements due as at reporting date are based on rates of pay that the liability is expected to be settled at. During the year, K3,773,268 was contributed by Water PNG on behalf of its staff to defined contribution plans (2022: K3,807,325).

19. Loans and borrowings

	2023 PGK	2022 PGK
Loans from National Government - current portion	103,137,206	106,676,873
Loans from National Government - non-current portion	21,720,347	12,425,860
	124,857,553	119,102,733

The terms and conditions of government outstanding loans are as follows:

Loan details	Currency	Nominal interest rates	Year of maturity	Carrying amount	
				2023 PGK	2022 PGK
Water Supply CTB	PGK	3.5%	2000 - 2008	32,088,607	30,708,110
ADB 1211	PGK	Variable interest	1997 - 2003	47,868,481	45,540,180
ADB 1812	PGK	1.5%	2009 - 2033	44,900,465	42,854,443
				124,857,553	119,102,733

As at 31 December 2023, the Company has no active loan agreements except for the ADB 1812 loan facility expiring in 2033. The Subsidiary Loan Agreements (SLA) are currently under re-negotiation with the Department of Treasury and the revised terms are yet to be finalised. The existing loan agreements are not subject to any loan covenants.



Notes to the Financial Statements
For the year ended 31 December 2023

20. Leases

(a) Finance leases

As a lessee, the Company leases motor vehicles under finance lease. The lease is negotiated for an average of three years and the rentals are fixed for the period of 36 months at 11.5%.

Finance lease liabilities are payable as follows:

	2023 PGK	2022 PGK
Balance at 1 January	1,987,494	2,882,895
Additions	200,069	1,175,627
Repayment	(1,153,416)	(1,749,539)
Interest payment	(127,309)	(321,489)
Balance at 31 December	906,838	1,987,494

	2023 PGK	2022 PGK
Not later than one year	158,820	1,300,557
Later than one year but not later than five years	812,544	863,126
	971,364	2,163,683
Future interest expenses	(64,526)	(176,189)
Total discounted lease liability at 31 December	906,838	1,987,494

	2023 PGK	2022 PGK
Present value of minimum lease payments		
Finance lease - current	606,666	1,194,653
Finance lease - non-current	300,172	792,841
	906,838	1,987,494

(b) Other leases

As a lessee, the Company leases office accommodation. The lease is negotiated for an average of three years and the rentals are fixed for the period with an option to extend for a further three years at the present prevailing market rate.

	2023 PGK	2022 PGK
Balance at 1 January	7,564,735	5,517,768
Additions	2,413,198	3,343,846
Repayment	(3,514,288)	(1,151,566)
Interest payment	(424,468)	(145,313)
Adjustment	(782,565)	-
	5,256,612	7,564,735



Notes to the Financial Statements

For the year ended 31 December 2023

20. Leases (Continued)

(b) Other leases (Continued)

Right-of-use asset

Right-of-use (ROU) assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	2023	2022
	PGK	PGK
Balance at 1 January	6,856,201	5,600,257
Additions	2,413,198	4,639,598
Depreciation charge for the year	(3,130,412)	(3,778,064)
Other adjustments	(1,207,033)	394,410
	<u>4,931,954</u>	<u>6,856,201</u>

The lease liability was initially determined by applying an average discount rate of 8.6%.

Maturity analysis for lease liabilities

At 31 December 2023, the future minimum lease payments under non-cancellable operating leases were payable within the periods as follows:

	2023	2022
	PGK	PGK
One to three months	1,102,671	1,092,225
Three to twelve months	2,558,679	3,195,320
One to five years	2,172,549	5,183,970
	<u>5,833,899</u>	<u>9,471,515</u>
Future interest expenses	(577,287)	(1,906,780)
Total discounted lease liability at 31 December	<u>5,256,612</u>	<u>7,564,735</u>
Other lease - current	3,382,900	3,321,828
Other lease - non-current	1,873,712	4,242,907
	<u>5,256,612</u>	<u>7,564,735</u>

Amount recognised in profit or loss

	2023	2022
	PGK	PGK
Interest on lease liabilities	424,468	145,313
Depreciation	3,130,412	3,778,064
	<u>3,554,880</u>	<u>3,923,377</u>



Water PNG Limited

Notes to the Financial Statements

For the year ended 31 December 2023

20. Leases (Continued)

(b) Other leases (Continued)

Amounts recognised in statement of cash flows

Total cash outflow for leases

2023	2022
PGK	PGK
594,571	1,296,879

21. Related parties

Parties are related where one party has the ability to control or significantly influence the other party in financial or operational decisions. Related parties include the Company's shareholders, key management personnel and related entities. The directors confirm that during the year, all transactions with these parties were conducted on normal commercial term.

Ultimate controlling entity

At 31 December 2023, the ultimate controlling entity of Water PNG was Kumul Consolidated Holdings Limited, the state's private equity and investment company with a mandate to build shareholder wealth and to improve the provision of services to the people of Papua New Guinea.

Related party transactions

Water PNG has related party relationships with key management personnel, including directors, and with entities that belong to the government sector controlled by Kumul Consolidated Holdings Limited. From time to time, key management personnel may purchase goods or services from the Company. These purchases are on the same terms and conditions as those entered into by other customers and are trivial or domestic in nature. There were no related party transactions during either the current or previous reporting periods with other entities related to the Company's Directors and senior executives.

Key management personnel compensation

Directors fees

	2023	2022
	PGK	PGK
Mr Aiwa Olmi	331,000	363,903
Mr Meckles Poya	222,800	246,209
Mr John Cholai	222,200	247,844
Ms Sisa Kini	221,000	246,209
Ms Tamzin Wardley	221,000	247,409
Mr Nelson Teng	221,000	243,106
Mr Ako Toua	218,600	244,740
	1,657,600	1,839,420

Other key management personnel

Salaries and other benefits	4,575,703	3,939,451
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During the year a loan amounted to K118,498 was granted to Mr Aiwa Olma (2022: K100,000 granted to Mr Aiwa Olma).



Notes to the Financial Statements
For the year ended 31 December 2023

22. Asset revaluation reserve

	2023 PGK	2022 PGK
Opening balance 1 January	224,209,373	240,655,819
Transfers / (realisation of revaluation)	5,552,456	(16,446,446)
Closing balance 31 December	229,761,829	224,209,373

23. Government equity

	2023 PGK	2022 PGK
Government equity	65,895,228	65,895,228

There were no equity contributions received or issues of shares in the current or previous reporting periods.

24. Financial instruments

(a) Accounting classifications and fair values

Fair values versus carrying values

The estimated fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Fair values		Carrying values	
	2023 PGK	2022 PGK	2023 PGK	2022 PGK
Cash and cash equivalents	59,992,524	44,278,525	59,992,524	44,278,525
Term deposits	20,577,833	30,080,885	20,577,833	30,080,885
Trade and other receivables	87,158,927	57,941,331	87,158,927	57,941,331
Trade and other payables	(46,981,744)	(41,810,839)	(46,981,744)	(41,810,839)
	120,747,540	90,489,902	120,747,540	90,489,902

The carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the relatively short-term nature of these financial instruments.

Fair value categorisation of financial instruments in the fair value hierarchy

	Level 1 PGK	Level 2 PGK	Level 3 PGK	Total PGK
31 December 2023				
Cash and cash equivalents	59,992,524	-	-	59,992,524
Term deposits	20,577,833	-	-	20,577,833
Trade and other receivables	-	-	87,158,927	87,158,927
Trade and other payables	-	-	(46,981,744)	(46,981,744)
	80,570,357	-	40,177,183	120,747,540



Notes to the Financial Statements

For the year ended 31 December 2023

24. Financial instruments (Continued)

(a) Accounting classifications and fair values (Continued)

Fair value categorisation of financial instruments in the fair value hierarchy (Continued)

31 December 2022	Level 1 PGK	Level 2 PGK	Level 3 PGK	Total PGK
Cash and cash equivalents	44,278,525	-	-	44,278,525
Term deposits	30,080,885	-	-	30,080,885
Trade and other receivables	-	-	57,941,331	57,941,331
Trade and other payables	-	-	(41,810,839)	(41,810,839)
	74,359,410	-	16,130,492	90,489,902

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- i. risk management framework;
- ii. credit risk;
- iii. liquidity risk;
- iv. market risk; and
- v. operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

(i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.



Notes to the Financial Statements

For the year ended 31 December 2023

24. Financial instruments (Continued)

(b) Financial risk management (Continued)

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current economic circumstances. The Company's revenue is not attributable to sales transactions with any particular single customer. Geographically, the concentration of credit risk is mainly in Port Moresby, within the Southern region of Papua New Guinea.

Cash and cash equivalents

The Company limits its exposure to credit risk by investing its cash and cash equivalents with reputable banks and other institution.

In the normal course of its business the Company incurs credit risk from customers. There are no significant concentrations of credit risk. The Company has a credit policy to manage exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	2023 PGK	2022 PGK
Cash and cash equivalents	59,992,524	44,278,525
Term deposits	20,577,833	30,080,885
Trade and other receivables	87,158,927	57,941,331
	167,729,284	132,300,741



Notes to the Financial Statements

For the year ended 31 December 2023

24. Financial instruments (Continued)

(b) Financial risk management (Continued)

(ii) Credit risk (Continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2023 PGK	2022 PGK
Southern	166,373,364	129,062,004
Momase	60,124,945	60,701,760
New Guinea Islands	10,459,209	10,205,441
Highlands	11,140,463	9,981,614
	<u>248,097,981</u>	<u>209,950,819</u>

The aging of trade receivables (gross) at the reporting date was:

	2023 PGK	2022 PGK
Not past due	21,363,398	13,990,891
Past due 0 - 30 days	15,624,950	15,340,330
Past due 31 - 90 days	18,988,022	23,525,103
Past due 91 -180 days	23,254,272	13,327,757
More than 180 days	168,867,339	143,766,738
	<u>248,097,981</u>	<u>209,950,819</u>

Expected credit losses assessment for trade receivables as at 31 December 2023

The Company applies the methodology of its write-off policy to measure ECLs of trade receivables from individual customers. Losses are calculated by applying a percentage based on the type of customer and the number of years outstanding.

	Weighted average loss rate	Gross carrying amount PGK	Loss allowance PGK	Credit impaired PGK
31 December 2023				
Current - not past due	25.0%	21,967,647	5,494,546	917,105
1 - 30 days past due	38.4%	15,624,950	5,998,997	1,001,304
31 - 60 days past due	45.9%	13,768,062	6,321,031	1,055,055
61 - 90 days past due	56.0%	5,415,257	3,030,762	505,870
91 - 180 days past due	61.9%	23,264,046	14,396,657	2,402,973
181 - 360 days past due	75.2%	13,538,545	10,185,546	1,700,088
More than 360 days past due	91.2%	156,040,794	142,291,119	23,750,073
		<u>249,619,301</u>	<u>187,718,658</u>	<u>31,332,468</u>



Notes to the Financial Statements
For the year ended 31 December 2023

24. Financial instruments (Continued)

(b) Financial risk management (Continued)

(ii) Credit risk (Continued)

31 December 2022	Weighted average loss rate	Gross carrying amount PGK	Loss allowance PGK	Credit impaired PGK
Current - not past due	42.3%	14,307,866	6,055,889	808,981
1 - 30 days past due	52.1%	15,372,975	8,014,080	1,070,567
31 - 60 days past due	67.0%	12,158,060	8,145,622	1,088,139
61 - 90 days past due	72.8%	11,752,874	8,561,794	1,143,734
91 - 180 days past due	75.7%	21,286,310	16,114,167	2,152,624
181 - 360 days past due	75.8%	37,548,408	28,462,484	3,802,183
More than 360 days past due	99.0%	97,524,326	96,547,463	12,897,369
		209,950,819	171,901,499	22,963,597

Cash and cash equivalents

The Company held cash at bank of K59,990,990 (2022: K44,265,172). Cash at bank is held with banks which are monitored and licensed by the Bank of Papua New Guinea, the Central Bank.

The Company considers its cash at bank to have a low credit risk based on external credit ratings of the counterparties.

Impairment on cash at bank has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers its cash at bank has a low credit risk based on external credit ratings of the counterparties.

Accordingly, due to short term maturities and low credit, the Company did not recognise an impairment allowance against cash and cash equivalents.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.



Notes to the Financial Statements

For the year ended 31 December 2023

24. Financial instruments (Continued)

(b) Financial risk management (Continued)

(iii) Liquidity risk (Continued)

The following are the contractual maturities of financial liabilities:

	Carrying amount PGK	Contracted cash flows PGK	Less than 1 year PGK	More than 1 year PGK
Amount at 31 December 2023:				
Non derivative financial liabilities:				
Trade and other payables	46,981,744	46,981,744	46,981,744	-
Lease liability	6,163,450	6,163,450	3,989,566	2,173,884
Loans and borrowings	124,857,553	124,857,553	103,137,206	21,720,347
	178,002,747	178,002,747	154,108,516	23,894,231

	Carrying amount PGK	Contracted cash flows PGK	Less than 1 year PGK	More than 1 year PGK
Amount at 31 December 2022:				
Non derivative financial liabilities:				
Trade and other payables	41,810,839	41,810,839	41,810,839	-
Lease liability	9,471,515	9,471,515	1,092,225	8,379,290
Loans and borrowings	119,102,733	119,102,733	106,676,873	12,425,860
	170,385,087	170,385,087	149,579,937	20,805,150

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Foreign exchange risk

The Company is not exposed to foreign currency risk, as there is no hedging, and no technical support from foreign countries.

Interest rate risk

There were term deposits at year end of K20,577,833 (2022: K30,080,885) with maturities greater than 3 months bearing interest rates as in Note 12.

The Company does not account for any fixed rate financial assets at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.



Notes to the Financial Statements

For the year ended 31 December 2023

24. Financial instruments (Continued)

(b) Financial risk management (Continued)

(v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

25. Capital management

The Board's policy is to maintain a strong capital base so as to maintain government, creditor and market confidence and to sustain future development of operations. Capital consists of government equity and retained earnings. The Board of Directors monitors the return on capital.

The Board of Directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally-imposed capital requirements.

Commitments

Capital commitments at reporting date was K116,187,147 (2022: K104,690,000).

	Total commitments PGK
Balance at 1 January	104,690,000
Less: 2022 commitments utilised in 2023	(11,124,162)
	93,565,838
Add: commitments made in 2023	22,621,579
Balance at 31 December	116,187,417

26. Contingent assets and liabilities

Contingent liabilities of K19,356,276 against the Company is outstanding at 31 December 2023 (2022: K24,065,276).

The Directors are not aware of any contingent assets at 31 December 2023 (2022: Nil).

27. Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

