Motor Vehicle Insurance Limited

Financial Statements

For the year ended 31 December 2024

Motor Vehicle Insurance Limited

Contents

For the year ended 31 December 2024

	Page
Financial Statements	
Company Information	1
Director's Report	2
Directors' Declaration	4
Independent Auditor's Report to the shareholders of the Company	5
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12

Motor Vehicle Insurance Limited

Company Information

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

Registered office address	Motor Traffic Registry Building Section 35, Allotment 40 Kunai Street, Hohola National Capital District Papua New Guinea
Postal address	PO Box 1157, Port Moresby North West, National Capital District, 121 Papua New Guinea
Address of service	Motor Traffic Registry Building Section 35, Allotment 40 Kunai Street, Hohola National Capital District Papua New Guinea
Directors	Dr. John McKup Mr. Joe Kandamien Krammer Mr. Daniel Katie Mr. Stanley Kome Komunt Mr. Ian Prentice (resigned on 27 February 2026) Mr. Stanley Hondina (appointed on 12 June 2024) Ms. Elizabeth Bradshaw (appointed on 12 June 2024)
Secretary	Athaliah Jane Makanuey
Auditors	Auditor General of Papua New Guinea
Bankers	Bank of South Pacific Limited Westpac (PNG) Limited Australia & New Zealand Banking Group (PNG) Limited Kina Bank Limited

Directors' Report
31 December 2024

The Directors of Motor Vehicles Insurance Limited ("the Company") submit herewith the annual financial report of the Company including the financial statements for the financial year ended 31 December 2024. In order to comply with provisions of the *Companies Act 1997*, the Directors report as follows:

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 as at 31 December 2024 and no director has any material interest in any contract or arrangement with the Company or any related entity during the year.

Principal activities

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

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

Operating results

The net profit of the Company after providing for income tax amounted to PGK304,347,984 (2023: profit of PGK107,032,848).

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year, other than those disclosed in the financial statements or notes thereto.

Change in accounting policies

There were no changes to accounting policies during the year.

Dividends

Dividends paid or declared for the year ended 31 December 2024 is disclosed in Note 19.

Interests register

There were no transactions recorded in the interests register during the financial year (2023: KNil).

Donations and sponsorships

Donations made during the year amounted to K746,475 (2023: K744,085).

Audit Fees

Audit fees incurred during the year amounted to K494,393 (2023: K485,494).

Directors' Report
31 December 2024

Remuneration of Directors

Total Directors remuneration is disclosed at Note 20.

Remuneration of employees

During the year the following number of employees or former employees received remuneration, including benefits, in excess of K100,000 stated in bands of K10,000. Remuneration and benefits include salary and wages, accommodation, superannuation, motor vehicles, school fees etc. Also included are once-off payment such as termination long service leave and redundancy entitlement paid in 2024 and 2023.

	Number of employees	
	2024	2023
K0 - K100,000	184	208
K100,001 - K150,000	21	1
K210,001 - K220,000	11	3
K220,001 - K310,000	4	5
K320,001 - K420,000	2	3
K420,001 - K700,000	1	3
Total number of employees as at each respective financial reporting date	223	223

Matters or circumstances arising after the end of the year

Subsequent to the reporting date, Motor Vehicles Insurance Limited ("MVIL") disposed of part of its investments in BSP Financial Group Limited through transactions executed on the POMSOX market during June 2025.

At 31 December 2024, MVIL held 31,243,736 ordinary shares, representing approximately 6.69% equity interest in BSP Financial Group Limited.

During June 2025, MVIL disposed of 15,621,868 ordinary shares at a price of approximately K22.40 per share, resulting in total gross proceeds of K349,983,718.

Following the disposal, MVIL's remaining holding in BSP Financial Group Limited is 15,621,868 ordinary shares, representing an estimated residual interest of approximately 3.35%.

Other than the above mentioned no other 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:

Dr. John Mckup

Mr. Joe Kandamien Krammer

Signed at Port Moresby on this 6th day of July 2026.

Motor Vehicle Insurance Limited

Directors' Declaration

In the opinion of the Directors of Motor Vehicles Insurance Company:

1) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

2) 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 in accordance with a resolution for and on behalf of the Directors.

Director .....
Dr. John McKup

Director .....
Mr. Joe Kandamien Krammer

Director

Dated 6th July 2026

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Note	2024 PGK	2023 PGK
Insurance revenue	12	94,700,252	88,850,770
Insurance service expense	12	(63,892,404)	(72,923,642)
Insurance service result		**30,807,848**	**15,927,128**
Reinsurance expenses		(866,104)	(721,752)
Reinsurance income		-	-
Reinsurance service result		**(866,104)**	**(721,752)**
Underwriting profit		**29,941,744**	15,205,376
Insurance finance expense	12	(11,541,057)	(7,745,453)
Reinsurance finance income / (expense)		-	-
Total insurance finance income / (expense)		(11,541,057)	**(7,745,453)**
Insurance profit / (loss)		**18,400,687**	**7,459,923**
Net investment income on assets backing insurance liabilities	6	276,558,594	120,134,966
Change in fair value of unlisted shares	14	(1,426,300)	(2,257,160)
Finance costs		(78,801)	(36,408)
Gain on disposal of fixed assets		52,300	48,256
Other income	7	543,520	2,270,776
Net registrations and licensing income		2,401,179	983,644
Profit before income tax		**296,451,179**	**128,603,997**
Income tax benefit / (expense)	8(a)	7,896,805	(21,571,149)
Profit for the year		**304,347,984**	107,032,848
Other comprehensive income			
Total comprehensive income for the year		**304,347,984**	107,032,848

The accompanying notes form part of these financial statements.

AUDITOR-GENERAL'S OFFICE

Statement of Financial Position

As at 31 December 2024

	Note	2024 PGK	2023 PGK
ASSETS			
Cash and cash equivalents	9	**83,743,248**	84,758,924
Short-term investments	9	**223,000,000**	223,000,000
Prepayments and other receivables	10	**11,671,709**	13,004,797
Investment securities	14	**756,701,126**	549,996,262
Investment in subsidiaries	15	**111,688,000**	111,688,000
Property, plant and equipment	13	**41,180,830**	32,948,312
Right-of-use assets		**1,837,640**	1,366,751
Deferred tax asset - net	8(c)	**3,297,382**	1,325,409
Income tax receivable	8(b)	**1,274,198**	-
TOTAL ASSETS		1,234,394,133	1,018,088,455
LIABILITIES			
Insurance contract liabilities	12	**174,222,780**	177,554,724
Lease liabilities		**1,945,344**	1,374,712
Employee benefits	16	**3,329,382**	2,733,125
Trade and other payables	11	**21,811,445**	39,851,377
Income tax payable	8(b)	-	14,320,898
TOTAL LIABILITIES		201,308,951	235,834,836
NET ASSETS		1,033,085,182	782,253,619
EQUITY			
Share capital	17	**33,519,070**	33,519,070
Reserves		**33,527,881**	33,527,881
Retained earnings		**966,038,231**	715,206,668
TOTAL EQUITY		1,033,085,182	782,253,619

The accompanying notes form part of these financial statements.

AUDITOR-GENERAL'S OFFICE

Statement of Changes in Equity

For the year ended 31 December 2024

	Note	Share capital PGK	Reserves PGK	Retained earnings PGK	Total PGK
Balance at 1 January 2023	17	33,519,070	33,527,881	651,104,852	718,151,803
Other comprehensive income		-	-	107,032,848	107,032,848
Dividends declared		-	-	(42,931,032)	(42,931,032)
Balance at 31 December 2023		33,519,070	33,527,881	715,206,668	782,253,619
Balance at 1 January 2024	17	33,519,070	33,527,881	715,206,668	782,253,619
Other comprehensive income		-	-	304,347,984	304,347,984
Dividends declared		-	-	(53,516,421)	(53,516,421)
Balance at 31 December 2024		33,519,070	33,527,881	966,038,231	1,033,085,182

The accompanying notes form part of these financial statements.

AUDITOR-GENERAL'S OFFICE

Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 PGK	2023 PGK
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit after income tax		**304,347,984**	107,032,848
Adjustments for:			
Interest income	6	**(12,502,545)**	(14,154,670)
Dividend income	6	**(55,924,885)**	(63,285,877)
Change in fair value of investments	14	**(206,704,864)**	(40,437,259)
Income tax (benefit) / expenses	8	**(7,896,805)**	21,571,149
Finance costs		**78,801**	36,408
Depreciation of right-of-use asset		**665,431**	965,359
Gain or loss on disposal of assets		**(4,044)**	(1,286)
Depreciation of property, plant and equipment	13	**1,588,299**	1,618,919
Other adjustment		**12,764**	-
		23,660,136	13,345,591
Movements in working capital:			
Prepayments and other receivable		**1,333,088**	(169,676)
Insurance contract liabilities		**(3,331,944)**	5,270,397
Employee benefits		**596,257**	158,704
Trade and other payables		**(18,039,929)**	14,993,312
Taxes paid		**(9,670,265)**	(9,103,434)
		(5,452,657)	24,494,897
Interest received		**12,502,545**	14,154,670
Net cash generated by operating activities		**7,049,888**	38,649,567
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends received	6	**55,924,885**	63,285,877
Purchase of property, plant and equipment	13	**(9,829,539)**	(8,196,724)
Purchase of investments		**-**	(25,000,000)
Net cash generated from (used in) investing activities		**46,095,346**	30,089,153
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	19	**(53,516,421)**	(42,931,032)
Payment of lease liabilities	18(b)	**(644,489)**	(886,397)
Net cash used in financing activities		**(54,160,910)**	(43,817,429)
Net decrease in cash and cash equivalents		**(1,015,676)**	24,921,291
Cash and cash equivalents at beginning of the year		**84,758,924**	59,837,633
Cash and cash equivalents at end of the financial year	9	**83,743,248**	84,758,924

The accompanying notes form part of these financial statements.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

1 General information

Motor Vehicle Insurance Limited ("the Company") is a company domiciled in Papua New Guinea. The addresses of its registered office and principal place of business are disclosed in the Directors report. 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____day of _____2026.

(a) Functional Currency

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

(b) Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its liabilities and obligations as and when they fall due in the normal course of the business.

(c) Comparative amounts

The Company adopted IFRS 17 on 1 January 2023, replacing IFRS 4. As part of the transition, the Company applied the modified retrospective approach, and the transition impact was fully disclosed in the 2023 financial statements. No further transition adjustments are recorded in the current period.

2 Material accounting policy information

(a) Statement of compliance

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

The Company elected not to prepare consolidated financial statements and availed of the exemption provided under International Financial Reporting Standards (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.

(b) Basis of preparation

The financial statements have been prepared primarily on the historical cost basis except for certain financial instruments that 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.

(c) 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 policy holders. As a general guidelines, 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 damaged as a result of a policyholder's motor vehicle accident.

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

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(c) Insurance and reinsurance contracts (Continued)

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 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 has recognised
- Environmental factors, e.g., a change in market experience or regulations

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; and
- for a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(c) Insurance and reinsurance contracts (Continued)

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 policy holder and, as a result, can set a price of 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 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.

Measurement

	IFRS 17 Option	Adopted approach
Premium Allocation Approach (PAA) Eligibility	Subject to specific 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 fulfillment cash flows before a claim is incurred.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(c) Insurance and reinsurance contracts (Continued)

	IFRS 17 Option	Adopted approach
Insurance acquisition cash flows for insurance contracts issued	When the coverage period of all contracts within a group is no longer than one year, insurance acquisition cash flows can either be expenses 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 that 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 these amounts 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.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(c) Insurance and reinsurance contracts (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 fulfillment 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.

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 fulfillment cash flows related to incurred claims. The fulfillment 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 fulfillment cash flows. A loss component is established by the Company for the LRC for such onerous group depicting the losses recognised.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(c) Insurance and reinsurance contracts (Continued)

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.

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.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(c) Insurance and reinsurance contracts (Continued)

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 fulfillment 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.

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 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.

(d) Property, plant and equipment

Property, plant and equipment is initially recognised at historical cost, which includes expenditure that is directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes capitalised borrowing costs, the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, as well as the costs of dismantling and removing the items and restoring the site on which they are located.

Items of property, plant and equipment except for land, buildings, and work-in-progress are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Capital work-in-progress is stated at cost and transferred to the appropriate property, plant and equipment class when the construction and related activities to prepare the asset for its intended use are complete and the asset is ready for its operational use.

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.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(d) Property, plant and equipment (Continued)

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

Subsequent costs

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

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.

Asset class	Depreciation rate
Buildings	3%
Leaseholds 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.

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

(e) 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.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(f) 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.

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.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(f) Financial instruments (Continued)

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 Company 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 contras 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.

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 contracts liabilities.

(g) 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 assets or CGU's fair value less costs of disposal and its value in use. 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 assets 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.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(h) 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.

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 participants 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, maximising the use of relevant observable inputs and maximising 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 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.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(h) Fair value measurement (Continued)

Disclosures in respect of fair values of financial instruments are included in Note 21.

(i) Employee benefits

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.

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.

(j) 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.

(k) 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 dale. 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.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(k) Income tax (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.

(l) 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 settles the present obligation, its carrying amount is the present value of those cash flows.

(m) Dividends

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

(n) Share capital

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

(o) 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 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 of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at present value of lease payments to be made over the lease term. The lease payments include fix payments (including in-substance fixed payments) less any lease incentives receivable, variable lea 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 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.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

2 Material accounting policy information (Continued)

(o) Leases (Continued)

In calculating the present value of lease payments, the Company uses the incremental borrowing are 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 liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fix 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 machine 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.

(p) Foreign currencies

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 denominate 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 fore 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 term historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(q) 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.

(r) 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.

(s) 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.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements 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.

Estimates, judgements and underlying assumptions 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. Revisions to estimates are recognised prospectively.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

3 Critical accounting judgements and key sources of estimation uncertainty (Continued)

The key areas in which critical estimates are applied are described below:

(a) Insurance Contract Liabilities

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 fulfillment cash flows if a loss component is calculated.

The Company sets the risk adjustment 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 illiquid premium has been included (0.5% pa). The discount rate applied at 31 December 2024 was 6.5% (2023: 4.5%).

(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 are 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 K40.81 million as at 31 December 2024 (2023: K32.95 million) are disclosed in Note 13.

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

The Company determines the lease term as the non-cancelable 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).

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

3 Critical accounting judgements and key sources of estimation uncertainty (Continued)

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

The Company's right-of-use assets, amounting to K1.84 million as at 31 December 2024 (2023: K1.37 million), are disclosed in Note 18(a). The Company's lease liabilities, amounting to K1.94 million as at 31 December 2024 (2023: K1.37 million), are disclosed in Note 18(b).

(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.

(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 and value in use.

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.

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 as at 31 December 2024 (2023: K111.69 million) are disclosed in Note 15. No impairment loss recognised during the year (2023: KNil).

4 New accounting standards or amendments and forthcoming requirements

4.1 New effective standards

A number of new standards and amendments to standards are effective for the annual period beginning after 1 January 2024. However, the application of new and amended accounting standards and interpretations has no material impact on the disclosures or on the amounts recognised in the financial statements.

Effective date	*New Standards or amendment*
1 January 2024	Non-current Liabilities with Covenant - Amendments to IAS 1
	Classification of Liabilities as Current or Non-current - Amendments to IAS 1
	Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
	Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

4 New accounting standards or amendments and forthcoming requirements (Continued)

4.2 Accounting standards issued but not effective

A number of new accounting standards are effective for annual reporting periods beginning on or after 1 January 2025 and earlier application is permitted. However, the Company has not early adopted the following new or amended accounting standards in preparing these financial statements.

(a) IFRS 18 Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

(b) Other accounting standards

The following new and amended accounting standards are not expected to have significant impact on the Company.

Effective date	*New Standards or amendment*
1 January 2025	Lack of Exchangeability - Amendments to IAS 21
1 January 2026	Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7
	Annual Improvements to IFRS Accounting Standards - Volume 11
1 January 2027	IFRS 19 Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures

5 Risk Management

The Company is exposed to insurance risk and financial risk through its insurance assets and insurance liabilities, financial assets and financial liabilities. The insurance risk covers such things as the vagaries of the weather, the unpredictability of serious injury losses and fortuitous events such as outbreaks of fire. The main components of the financial risk are credit risk, liquidity risk and interest-rate risk. The Company's financial performance is affected by its capacity to understand and effectively manage these risks. The Company's challenge is not only to measure and monitor these risks but also to manage them as profit opportunities. A critical goal of the Company is to ensure that its financial assets are always more than sufficient to fund the obligations arising from its insurance contracts. The following notes expand on the nature of the aforementioned risk and the manner in which the Company managed them.

(a) Insurance risk

Insurance risk is the risk that an insured event might occur. At the individual policy level and also at the portfolio level, there is uncertainty in terms of both frequency of occurrence and severity of loss. For any given portfolio of insurance contracts, where the theory of probability is applied to pricing and loss reserving, the principal risk that the Company faces is that claims, and other costs might exceed premiums earned. This could occur because the frequency or severity of claims is greater than estimated or that estimated original policy rates prove not to be sustainable or a combination of both.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

5 Risk Management (Continued)

(a) Insurance risk (Continued)

Experience shows that the greater the commonality of risk within a class of business, the smaller will be the relative variability in the expected outcome.

In addition, a more diversified portfolio is less vulnerable to a deterioration in the loss experience in any particular class of business. The Company has developed its underwriting strategy to produce a diversified portfolio of insurance risks. Within each of the individual classes of business it has sought to achieve, wherever possible, a sufficiently large population of risks to reduce the variability of the expected outcome.

i. Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. Claims frequency can be influenced by changes in the size, composition and quality of a portfolio. Changes in social / economic conditions can also severely impact claims frequency. Claim severity is impacted by such things as general inflation. In the case of liability claims, the most significant factor is the increasing level of awards for personal injury.

The Company manages these risks by means of its well-developed underwriting and reinsurance strategies and also by adopting a proactive approach to claims handling. The underwriting strategy attempts to ensure that the portfolio remains biased towards high quality risks. Underwriting guidelines are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include both proportional and catastrophe excess of loss coverage. The effect of such reinsurance arrangements is to limit the total net insurance loss that the Company can suffer in any one year.

ii. Sources of uncertainty in the estimation of future claim

Claims on casualty contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and an element of the claims provision relates to IBNR and unexpired risks. Given the uncertainty in establishing claims provisions, it is likely in many cases that the final cost of a claim will vary significantly from the initial reserve. In calculating the estimated cost of outstanding claims (both reported or not), the Company uses various industry standard loss estimation techniques and the experience of its agents in settling claims of similar type.

Property insurance contracts

i. Frequency and severity of claims

For property insurance contracts, climatic changes are giving rise to more frequent severe extreme weather events (e.g., flooding) and their consequences. The Company has the right to re-price each individual risk on renewal. It also has the ability to impose or increase deductibles. Contracts are priced on the basis of the commercial replacement value of the properties and contents insured.

The sum insured represents the maximum amount payable under a policy. The cost of repairing or rebuilding properties, the cost of providing indemnity for damaged or stolen contents and the lime taken to restart business operations (business interruption insurances) are the key factors that influence the value of claims under these policies. The most likely cause of major loss under the property portfolio arises from serious weather-related event.

ii. Source of uncertainty in the estimation of future claim

The development of large losses/catastrophes is analysed separately. Property claims can be estimated with greater reliability due to the shorter settlement period for these claims and relatively little IBNR is held at year-end.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

5 Risk Management (Continued)

(a) Insurance risk (Continued)

Sensitivity analysis

The sensitivity of the Company's profit and equity to key valuation assumptions is tabulated below:

Assumption	Sensitivity	PGK	Change %
Accident numbers	Number of 2024 accidents equal to 2016	7.6	6%
Average accidents size	10% higher that assumed (for years where we adopt PPAI)	11.7	9%
Open accidents	Open litigated accidents (2013 and prior) settle for K15,000 more than we have assumed (i.e. K65,000 instead of K50,000)	3.2	3%
Open accidents	Open litigated accidents (2013 and prior) settle for K15,000 more than we have assumed (i.e. K35,000 instead of K50,000)	(3.2)	-3%
Discount rate	Rate reduces 2% from 6.5% p.a. to 4.5% p.a.	8.9	7%
Claims inflation	Rate increases 2% from 5.5% p.a. to 7.5% p.a.	8.5	7%

The above table demonstrates the sensitivity of our results to changes in key assumptions. If accident numbers for 2024 ultimately end up higher, similar to the 2016 level, the provision increases by K7.6m (+6%).

A 10% increase in average size results in a K11.7m (+9%) increase in the estimated provision, while if 2013 and prior accidents settle for K15,000 more than we have assumed (i.e. K65,000 instead of K50,000) then this would increase the provision by K3.2m (+3%). A K15,000 reduction in the average settlement size (i.e. from K50,000 to K35,000) reduces the provision by K3.2m (-3%).

Due to the long tail nature of the Company's liabilities the estimated provision is also sensitive to changes in the discount and inflation rate adopted. A 2% movement in the discount rate or inflation rate has roughly a K8.00million to K9.00million impact on the provision.

Risk Adjustment

There are many sources of uncertainty as to the eventual (final) values of outstanding claims, including but not restricted to: quality of data used in the valuation; appropriateness of the valuation model and assumptions, impact of past legislative reform; future legislative changes, future economic and environmental factors; etc.. A risk margin increases the Company's reserves to a level that is intended to have 80% probability of adequacy.

Underwriting policies and reinsurance agreements

The Company follows the policy of underwriting and reinsuring all major contracts of insurance with a sum insured or limit of liability over K1 million, which limits the retained liability of the Company. The reinsurance of contracts does not, however, relieve the Company of its primary obligation to the policy holders. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would also be liable for the reinsured amount.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

5 Risk Management (Continued)

(b) Claims development tables

Gross undiscounted outstanding claims for the five most recent accident years:

Gross incurred (K000's)	2020 and prior years	2021	2022	2023	2024
End of accident year	115,721	5,903	7,610	5,709	5,237
One year later	239,816	12,962	17,995	13,025	-
Two years later	270,346	15,017	19,891	-	-
Three years later	282,046	15,764	-	-	-
Four years later	292,495	-	-	-	-
	1,200,424	**49,646**	**45,496**	**18,734**	**5,237**

Gross cumulative payments (K000's)	2020 and prior years	2021	2022	2023	2024
End of accident year	39,654	2,884	7,599	5,038	3,998
One year later	166,253	15,667	16,300	13,334	-
Two years later	137,079	7,151	5,710	-	-
Three years later	84,910	2,258	-	-	-
Four years later	221,954	-	-	-	-
	649,850	**27,960**	**29,609**	**18,372**	**3,998**

Gross (K000's)	2020 and prior years	2021	2022	2023	2024	Total
Undiscounted central estimate	52,595	11,897	17,408	21,178	30,133	**133,211**
Impact of discounting	(10,407)	(2,726)	(4,132)	(4,959)	(6,572)	**(28,796)**
	42,188	**9,171**	**13,276**	**16,219**	**23,561**	**104,415**
Discounted central estimate, exc. GST	38,353	8,337	12,069	14,745	21,419	**94,923**
Allowance for claims handling expenses	4,602	1,000	1,448	1,769	2,570	**11,389**
Allowance for risk adjustment	7,671	1,667	2,414	2,949	4,284	**18,985**
	50,626	**11,004**	**15,931**	**19,463**	**28,273**	**125,297**

(c) Credit risk

Credit risk arises from the failure of counterpart to perform according to the terms of the contract. In the normal course of business, the Company seeks to limit its exposure to losses that may arise from any single occurrence. Reinsurance is primarily placed using a combination of proportional and excess of loss treaties. Obtaining reinsurance does not, however, relieve the Company of its primary obligations to the policy holders, therefore the Company is exposed to the risk that the reinsurers may be unable to fulfil their obligations under the contracts.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

5 Risk Management (Continued)

(c) Credit risk (Continued)

The Company seeks to mitigate this risk by placing its reinsurance coverage with large multi-national companies and syndicates.

The Company, with the assistance of its reinsurance broker, also evaluates the financial condition of its reinsurers and monitors the credit risk of the reinsurers on an ongoing basis to minimize its exposure to significant losses from insurer insolvency. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

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

	2024 PGK	2023 PGK
Cash and cash equivalents	**83,743,248**	84,758,924
Short-term investments	**223,000,000**	223,000,000
Investment securities	**756,701,126**	549,996,262
	1,063,444,374	857,755,186

(d) Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to honour all of the Company's financial commitments including claims. The Company maintains a level of liquid assets, which mature or could be sold immediately to meet cash requirements for normal operating purpose.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreement.

Amounts at 31 December 2024

Non-derivative financial liabilities	Carrying amount (K'000)	Less than one year (K'000)	1-2 years (K'000)	2-5 years (K'000)	More than 5 years (K'000)
Trade and other payables	21,811	21,811	-	-	-
Insurance contract liabilities	174,223	30,133	21,178	39,049	42,852
Lease liabilities	1,945	660	1,285	-	-
	197,979	**52,604**	**22,463**	39,049	**42,852**

Amounts at 31 December 2023

Non-derivative financial liabilities	Carrying amount (K'000)	Less than one year (K'000)	1-2 years (K'000)	2-5 years (K'000)	More than 5 years (K'000)
Trade and other payables	38,956	38,956	-	-	-
Insurance contract liabilities	177,554	45,722	7,748	28,543	95,541
Lease liabilities	1,375	344	1,166	-	-
	217,885	**85,022**	**8,914**	**28,543**	**95,541**

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

5 Risk Management (Continued)

(e) Interest-rate risk

Interest rate risk arises primarily from the Company's fixed rate instruments and insurance contracts.

However, changes in market interest rate are mitigated by corresponding and partially offsetting changes in the economic value of insurance provisions.

The Company manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Fixed rate financial assets are primarily represented by short-term investments, which have been contracted at fixed interest rates for the duration of the term. The Company does not account for the fixed rate financial assets at fair value through profit of loss. Therefore, a change in market interest rates at the reporting date would not affect profit or loss.

At the reporting date, the Company is exposed to interest rate risk through its liabilities for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred as follows:

	2024 PGK	2023 PGK
Insurance contract liabilities	**105,430,774**	110,088,475

Sensitivity analysis for insurance contract liabilities

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of insurance contract liabilities affected. With all other variables held constant, the Company's profit before tax is affected through the impact on insurance contracts as follows:

		Impact on profit before tax	
	Change in interest rate	2024 PGK	2023 PGK
Insurance contract liabilities	**100 bps**	**(1,332,114)**	**(1,509,215)**
	-100 bps	**1,332,114**	**1,509,215**

(f) Price risk

The Company is exposed primarily to equity securities price risk. This arises from investments held by the Company and classified as fair value through profit and loss (FVTPL) investments (Note 14). The Company aims to minimize exposure to risk through investing in reputable and assessed high quality quoted shares, and reviews annually the profitability in maintaining noted shares in its portfolio for the period.

31 December 2024	**Asset Value**	**Profit value**
Appreciation in share price	**776,750,575**	**70,613,689**
Depreciation in share price	**635,523,198**	**(70,613,689)**

31 December 2023	**Asset Value**	**Profit value**
Appreciation in share price	549,375,225	49,943,202
Depreciation in share price	449,488,821	(49,943,202)

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

5 Risk Management (Continued)

(g) Capital management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements that the Office of the Insurance Commissioner requires based on a Risk Based Capital requirement.
- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stake holders, and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Minimum Capital Requirement by regulatory standard applicable to the insurers in Papua New Guinea is PGK 2 million. As at 31 December 2024, the Company held 511.7 (2023: 403.5) times the minimum regulatory capital requirement.

6 Net investment income on assets backing insurance liabilities

	2024 PGK	2023 PGK
Fair value movement of investments (Note 14)	**208,131,164**	42,694,419
Dividend income	**55,924,885**	63,285,877
Interest income	**12,502,545**	14,154,670
	276,558,594	120,134,966

7 Other Income

	2024 PGK	2023 PGK
Commission	**507,519**	2,192,407
Other income - net	**36,001**	78,369
	543,520	2,270,776

8 Taxation

(a) Income tax (benefit) / expense

	2024 PGK	2023 PGK
Income tax expense		
Current	**10,742,999**	22,895,529
Deferred	**(1,971,974)**	(1,324,380)
Prior year adjustment	**(16,667,830)**	-
Income tax (benefit) / expense	**(7,896,805)**	21,571,149

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

8 Taxation (Continued)

(a) Income tax (benefit) / expense (Continued)

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

	2024 PGK	2023 PGK
Accounting profit before tax	**296,451,179**	128,603,997
Tax on the profit for the year at 30%	**88,935,354**	38,581,199
(Less) / add non-temporary differences	**(62,269,654)**	-
Non-temporary difference on dividend rebate	**(16,777,466)**	(18,985,763)
Prior year adjustment - temporary difference	**(1,020,428)**	-
Deferred tax movements	**(96,781)**	-
Prior year (over) / under provision	**(16,667,830)**	1,975,713
Income tax (benefit) / expense	**(7,896,805)**	21,571,149

(b) Income tax receivable / payable

Income tax payable	2024 PGK	2023 PGK
Balance at 1 January	**(14,320,898)**	(296,957)
Current tax	**(10,742,999)**	(22,895,529)
Payments and credits during the year	**7,794,882**	9,103,434
Prior year adjustment - under provision 2023	**14,290,110**	-
Prior year adjustment - 2022 amendment	**2,329,799**	-
Prior period adjustments	**47,921**	(231,846)
IWT paid	**1,875,383**	-
Balance at 31 December	**1,274,198**	(14,320,898)

(c) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2024 and 2023 are attributable to the items detailed in the below table.

2024	Asset PGK	Liability PGK	Net PGK
Prepayment	-	**(274,182)**	**(274,182)**
Insurance contract liabilities	-	-	-
Provision for doubtful debts	**20,395**	-	**20,395**
Provision for leave	**2,761,962**	-	**2,761,962**
Provision for investment in subsidiaries	-	-	-
Fixed assets	**609,085**	-	**609,085**
Others	**770,183**	**(590,061)**	**180,122**
Net tax assets / (liabilities)	**4,161,625**	**(864,243)**	**3,297,382**

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

8 Taxation (Continued)

(c) Deferred tax assets and liabilities (Continued)

2023	Asset PGK	Liability PGK	Net PGK
Prepayment	-	(203,067)	(203,067)
Insurance contract liabilities	-	(629,644)	(629,644)
Provision for doubtful debts	20,395	-	20,395
Provision for leave	884,025	-	884,025
Provision for investment in subsidiaries	1,481,785	-	1,481,785
Fixed assets	593,582	-	593,582
Others	452,163	(883,047)	(430,884)
Net tax assets / (liabilities)	**3,431,950**	**(1,715,758)**	**1,716,192**

Movements in deferred tax assets and liability:

2024	Asset PGK	Liability PGK	Net PGK
Balance at 1 January	3,431,950	(2,106,541)	**1,325,409**
Movement for the year	729,675	221,870	**951,545**
Prior year adjustments	-	1,020,428	**1,020,428**
Balance at 31 December	**4,161,625**	**(864,243)**	**3,297,382**

2023	Asset PGK	Liability PGK	Net PGK
Balance at 1 January	1,861,961	(1,701,995)	**159,966**
Movement for the year	88,204	(13,762)	**74,442**
Prior year adjustments	1,481,785	-	**1,481,785**
Balance at 31 December	**3,431,950**	**(1,715,757)**	**1,716,192**

9 Cash and Cash equivalents and short-term investments

	2024 PGK	2023 PGK
Cash on hand	**66,671**	45,400
Cash and cash equivalents	**83,676,577**	84,713,524
Total cash and cash equivalents	**83,743,248**	84,758,924
Short-term investments	**223,000,000**	223,000,000
	306,743,248	307,758,924

Cash at bank earns interest at floating rates 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%.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

10 Prepayments and other receivables

	2024 PGK	2023 PGK
Withholding tax receivable	**364,719**	364,719
Employee costs in advance	**32,018**	105,833
Prepaid expenses	**1,454,786**	2,751,916
GST receivable	**695,438**	-
Other receivables	**9,124,748**	9,782,329
	11,671,709	13,004,797

11 Trade and other payables

	2024 PGK	2023 PGK
Trade creditors	**4,770,027**	272,620
Goods and services tax - net	**-**	609,765
Accrued expense	**3,230,577**	2,121,959
Group tax payable	**1,622,851**	280,584
Other creditors	**12,187,990**	36,566,449
	21,811,445	39,851,377

Other creditors includes the K20.53 million in 2024 (2023: 34.55 million) registration and licensing fees received to be payable to Department of Finance based on the Revenue Sharing Agreement in line with the NEC decision. The Company retains the 15% to cover the administration cost while the 85% is payable to Department of Finance.

Break down as follows:

	2024 PGK	2023 PGK
Unpaid fees for the period		
2023 end	**2,572,966**	17,428,392
2024 end	**8,432,262**	-
	11,005,228	17,428,392

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements

For the year ended 31 December 2024

12 Insurance

Reconciliation of the liability for remaining coverage and the liability for incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims central		
	Carrying amount	Loss component	Estimate of the present value to future cashflows	Risk adjustment	Total
Insurance contract liabilities at 1 January 2024	**45,722,459**	**-**	**110,088,475**	**21,743,791**	**177,554,725**
Changes in the statement of profit or loss and OCI	-	-	-	-	-
Insurance revenue	(94,700,252)	-	-	-	(94,700,252)
Insurance Service expenses					
Incurred claims and claim-related	-	-	-	-	-
Changes to insurance liabilities for incurred claims relating to past services	-	-	(5,193,034)	(4,724,481)	(9,917,515)
New incurred insurance liabilities	-	-	27,112,302	4,066,845	31,179,147
Other attributable expenses	-	-	42,630,772	-	42,630,772
Total insurance service expenses	-	-	64,550,040	(657,636)	63,892,404
Insurance service results	(94,700,252)	-	64,550,040	(657,636)	(30,807,848)
Finance expenses from insurance contracts issued	-	-	(11,541,057)	-	(11,541,057)
Effect of movements in exchange rates on insurance contracts	-	-	-	-	-
Insurance finance impact	-	-	(11,541,057)	-	(11,541,057)
Cashflows					
Premium received	96,683,644	-	-	-	96,683,644
Claims paid	-	-	(29,267,399)	-	(29,267,399)
Other attributable expenses paid	-	-	(36,070,521)	-	(36,070,521)
Total cash flows	96,683,644	-	(65,337,920)	-	31,345,724
Other movements in the net balance - others	-	-	7,671,236	-	7,671,236
Insurance contact liabilities at 31 December 2024	**47,705,851**	**-**	**105,430,774**	**21,086,155**	**174,222,780**



Notes to the Financial Statements

For the year ended 31 December 2024

12 Insurance (Continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims central		
	Carrying amount	Loss component	Estimate of present value of the future cash flows	Risk adjustment	Total
Insurance contract liabilities at 1 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	-	-	-	-	-
Changes to insurance liabilities for incurred claims relating to past services	-	-	(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	658,190	72,923,642
Insurance service results	**(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)**
Cashflows					
Premium 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 - others	-	-	6,575,744	-	6,575,744
Insurance contact liabilities at 31 December 2023	**45,722,459**	**-**	**110,088,475**	**21,743,791**	**177,554,724**

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

13 Property, plant and equipment

	Land PGK	Buildings PGK	Office equipment PGK	Motor Vehicles PGK	Work-in-Progress PGK	Total PGK
Cost						
Balance at 1 January 2023	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	**8,196,725**
Disposals	-	-	-	(265,526)	-	**(265,526)**
Balance at 31 December 2023	**7,075,007**	**20,701,705**	**24,956,948**	**1,892,147**	**7,880,118**	**62,505,925**
Additions	-	147,549	379,517	81,482	9,220,991	**9,829,539**
Balance at 31 December 2024	**7,075,007**	**20,849,254**	**25,336,465**	**1,973,629**	**17,101,109**	**72,335,464**
Accumulated depreciation						
Balance at 1 January 2023	**781,732**	**6,652,516**	**19,574,139**	**1,197,118**	-	**28,205,505**
Depreciation for the year	34,889	642,241	746,734	195,056	-	**1,618,920**
Disposals	-	(59)	(1,227)	(265,526)	-	**(266,812)**
Balance at 31 December 2023	**816,621**	**7,294,698**	**20,319,646**	**1,126,648**	-	**29,557,613**
Depreciation for the year	26,166	699,246	813,723	49,164	-	**1,588,299**
Improvement	-	8,722	-	-	-	**8,722**
Balance at 31 December 2024	**842,787**	**8,002,666**	**21,133,369**	**1,175,812**	-	**31,154,634**
Carrying value at 31 December 2023	6,258,386	13,407,007	4,637,301	765,499	7,880,118	32,948,312
Carrying value at 31 December 2024	**6,232,220**	**12,846,588**	**4,203,096**	**797,817**	**17,101,109**	**41,180,830**

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

14 Investment securities

	2024 PGK	2023 PGK
Measured at fair value through profit or loss		
Listed Companies	**673,520,347**	465,389,183
Unlisted Companies	**32,616,540**	34,042,840
	706,136,887	499,432,023
Measured at amortised cost		
Investment in central / treasury bill	**50,564,239**	50,564,239
Total investment in securities	**756,701,126**	549,996,262

a) Measured at fair value through profit or loss

Assets measured at fair value through profit or loss includes listed and unlisted shares such as Bank of South Pacific, Credit Corporation, Kina Asset Management, Westpac PNG and Pacific International Hospital.

The fair value changes of these investments are presented below:

	Opening Balances	Fair value changes	Disposal	Closing Balance
Investment in 2024:				
Listed shares (Notes 6)	465,389,183	208,131,164	-	673,520,347
Unlisted shares	34,042,840	(1,426,300)	-	32,616,540
Balance at 31 December 2024	**499,432,023**	**206,704,864**	**-**	**706,136,887**

	Opening Balances	Fair value changes	Disposal	Closing Balance
Investment in 2023:				
Listed shares (Notes 6)	422,694,764	42,694,419	-	465,389,183
Unlisted shares	36,300,000	(2,257,160)	-	34,042,840
Balance at 31 December 2023	**458,994,764**	**40,437,259**	**-**	**499,432,023**

b) Measured at amortised cost

Assets measured at amortised cost include treasury bills and statutory deposits held with the Bank of Papua New Guinea.

15 Investment in subsidiaries

The Company has the following investment in subsidiaries:

Subsidiaries	Ownership	2024 PGK	2023 PGK
Pacific MMI Insurance Limited (PMMI)	100%	**67,000,000**	**67,000,000**
Pacific Re Limited (PRL)	98%	**44,688,000**	**44,688,000**
		111,688,000	**111,688,000**

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

15 Investment in subsidiaries (Continued)

The carrying value of the investment in subsidiaries is as follows:

	PRL	PMMI	Total
Cost	**PGK**	**PGK**	**PGK**
Balance at 1 January 2024	49,627,282	67,000,000	116,627,282
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December 2024	49,627,282	67,000,000	116,627,282
Accumulated impairment loss			
Balance at 1 January 2024	4,939,282	-	4,939,282
Impairment	-	-	-
Reversal	-	-	-
Balance at 31 December 2023	**4,939,282**	-	**4,939,282**
NBV at 31 December 2024	**44,688,000**	**67,000,000**	**111,688,000**

	PRL	PMMI	Total
Cost	**PGK**	**PGK**	**PGK**
Balance at 1 January 2023	49,627,282	67,000,000	116,627,282
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December 2023	49,627,282	67,000,000	116,627,282
Accumulated impairment loss			
Balance at 1 January 2023	4,939,282	-	4,939,282
Impairment	-	-	-
Reversal	-	-	-
Balance at 31 December 2023	4,939,282	-	4,939,282
NBV at 31 December 2023	44,688,000	67,000,000	111,688,000

No impairment loss recognised for the year ended 31 December 2024 (2023: KNil).

The financial information of the subsidiaries as at and for the year ended 31 December 2024 and 2023 is as follows:

	Total assets	Total liabilities	Net assets	Net profit
	PGK	PGK	PGK	PGK
31 December 2024				
Pacific MMI Insurance Limited (PMMI)	197,585,633	(109,182,795)	**88,402,838**	**10,439,656**
Pacific Re Limited (PRL)	66,369,000	(10,553,000)	**55,816,000**	**3,521,000**
31 December 2023				
Pacific MMI Insurance Limited (PMMI)	170,797,777	(83,354,589)	**87,443,188**	**9,635,107**
Pacific Re Limited (PRL)	56,532,000	(4,238,000)	**52,294,000**	**2,623,000**

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

16 Employee benefits

The Company contributes to superannuation plans for employees. The plan for general employees is a defined contribution type, whereby the Company matches contributions to the scheme made by employees at the rate of 6% of the employee's base salary. Employees contributions are based on various percentages of their gross salaries.

	2024 PGK	2023 PGK
Annual leave	1,079,669	878,149
Long service leave	2,249,713	1,854,976
Total employee benefits	3,329,382	2,733,125

The movement in the long service leave during the year is as follows:

	2024 PGK	2023 PGK
As at 1st January	1,854,976	1,661,190
Increase in provision	650,311	325,577
Payments	(255,574)	(131,791)
Total Employee benefits	2,249,713	1,854,976

17 Share capital

	2024 PGK	2023 PGK
Issued ordinary share capital 33,519,070 shares on issue	33,519,070	33,519,070

In accordance with the provisions of the Companies Act 1997 the share capital does not have a par value. All issued share are fully paid.

18 Leases

(a) Right-of-use assets

	2024 PGK	2023 PGK
Balance at 1 January	1,366,751	930,425
Additions	1,136,320	1,401,685
Depreciation	(665,431)	(965,359)
Balance at 31 December	1,837,640	1,366,751

(b) Lease liabilities

	2024 PGK	2023 PGK
Balance at 1 January	(1,374,712)	(823,015)
Additions	(1,136,320)	(1,401,685)
Finance costs	(78,801)	(36,408)
Payments	644,489	886,396
Balance at 31 December	(1,945,344)	(1,374,712)

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

18 Leases (Continued)

(b) Lease liabilities (Continued)

The following are the amounts recognised in the Company's profit or loss for the year.

	2024 PGK	2023 PGK
Depreciation expense of right-of-use assets	(665,431)	(965,359)
Interest expense on lease liabilities	(78,801)	(36,408)
Expense relating to short-term lease	(833,179)	(446,830)
Balance at 31 December	(1,577,411)	(1,448,597)

Lease liabilities are classified as follows:

Lease liabilities	2024 PGK	2023 PGK
Current	(659,780)	(294,966)
Non-current	(1,285,564)	(1,079,746)
Total lease liabilities	(1,945,344)	(1,374,712)

(c) Maturity analysis for lease liabilities

At 31 December 2024, the future minimum lease payments under non-cancelable operating leases were payable:

	2024 PGK	2023 PGK
Maturity analysis - contractual undiscounted cash flow		
Less than one year	(659,780)	(294,966)
More than one year	(1,285,564)	(1,079,746)
Total undiscounted lease liabilities at 31 December	(1,945,344)	(1,374,712)
Future interest expense	-	-

(d) Amounts recognised in statement of cash flows

	2024 PGK	2023 PGK
Total cash outflow for leases	644,489	886,396

19 Dividends

The Company paid a dividend of K53.52 million in 2024 (2023: 42.93 million).

20 Related parties

Related parties are considered to be enterprises or individuals with whom the company is especially related because either they or the Company are in a position to significantly influence the outcome of transactions entered into with the Company, by virtue of being able to control, dominate or participate in a fiduciary capacity in decision making functions or processes.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

20 Related parties (Continued)

All related party transactions entered by the Company are remuneration of key management personnel which are based on contractual agreement, within normal course of business. These terms have been are carried out on commercial terms and market rates.

(i) Remuneration of Directors

	2024 PGK	2023 PGK
Eno Daera	-	358,456
Ian Prentice	138,765	220,846
John Mckup	193,765	231,349
Stanley Komunt	214,590	222,874
Joe Kandamein Krammer	138,765	221,117
Daniel Katie	214,590	233,995
Stanley Hondina	118,250	-
Elizabeth Bradshaw	118,250	-
	1,136,975	1,488,637

(ii) Remuneration of key management personnel

Aggregate remuneration of key management personnel, considered to be the Company's senior executives, is as follows:

	2024 PGK	2023 PGK
Salary and wages	1,392,435	1,180,537
Housing benefits	1,008,000	834,000
Education	101,380	280,000
Others	208,400	1,176,499
	2,710,215	3,471,036

21 Financial instruments

(a) Fair value of financial instruments

Fair value amounts represent estimates of the arm's-length consideration that would currently agree between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price if one exists. Where quoted market prices are not available, the fair values of these instruments are determined using a generally accepted alternative method. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision.

The fair values of financial assets and financial liabilities are broadly equivalent to the carrying amounts shown in the statement of financial position due to one or all of the following reasons:

- immediate or short-term maturity.
- carrying amount approximates or equals market value.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

21 Financial instruments (Continued)

(a) Fair value of financial instruments (Continued)

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

	Fair values		Carrying values	
	2024	2023	2024	2023
	PGK	PGK	PGK	PGK
Investment in securities - at FVTPL	**706,136,887**	499,432,023	**706,136,887**	499,432,023

Categories of financial instruments

	2024	2023
	PGK	PGK
Financial assets		
Cash and cash equivalents	**83,743,248**	84,758,924
Prepayments and other receivables	**11,671,709**	13,004,797
Investment in subsidiaries	**111,688,000**	111,688,000
Investment securities	**756,701,126**	549,996,262
	963,804,083	759,447,983
Financial liabilities		
Trade and other payables	**21,811,445**	39,851,377

The Directors consider that the carrying amounts of financial assets and liabilities recognised in the financial statements approximate their fair values. Some reinsurance treaties of the Company, include netting arrangements where the receivables from and payments to reinsurers are settled on a net basis. As such the Company has applied offsetting in statement of financial position.

(b) Fair value hierarchy

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

i. Level 1: quoted prices in active markets for identical assets or liabilities.

ii. Level 2: inputs other tan quoted prices included within level 1 that are observable for the assets or liability, either directly (i.e. as prices) and indirectly (derived from prices).

iii. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss	673,520,347	-	32,616,540	**706,136,887**
Financial liabilities				
Trade and other payables	-	-	(20,188,594)	**(20,188,594)**

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

21 Financial instruments (Continued)

(b) Fair value hierarchy (Continued)

31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through profit or loss	465,389,183	-	34,042,840	**499,432,023**
Financial liabilities				
Trade and other payables	-	-	(38,955,961)	**(38,955,961)**

22 Information of the actuarial report

The actuarial report, finalised in April 2025, was performed by Mark Hurst and Jonathan Hua (FIAA) from Finity Consulting Pty Limited, documenting the results of the valuation of the Company's outstanding claims liabilities as at 31 December 2024.

(a) Valuation methodology

As for the previous valuations, a variety of methods were examined to assess the valuation results:

Number of open accident files times average size method

For the 2013 and earlier accident years, the number of open accidents as at 31 December 2024 have been multiplied by an assumed open accident average size. Recent settlement experience was examined to support assumptions.

This method is considered appropriate given the relatively low number of open accidents remaining. The case estimates currently on these claims are not considered to reflect likely outcomes, which makes aggregate actuarial techniques inappropriate.

Payments per Accident Incurred (PPAI) method

For 2014 and later accident years, the results from the "Payments per Accident Incurred" (PPAI) method were adopted.

The PPAI method models the claims process by assuming that the payments arising from each year's accidents develop in a predictable pattern over a period of years. The PPAI method requires assumptions regarding:

- The number of accidents ultimately arising each calendar year (also referred to as "accident year" in this report)
- The average payment per accident (or average accident size)
- The pattern of claim payments.

Future payments for each accident year are projected by multiplying together:

- The projected number of accidents incurred.
- The assumed payments per accident incurred in each future development period (based on the assumed size and pattern of claim payments).
- An inflation index based on the projected rates of claims inflation (both normal and superimposed).

The discounted value of liabilities is calculated by discounting the projected payments to the valuation date at the assumed discount rate.

This payments-based method is considered more appropriate for more recent years, as claims have often not yet stabilised, and therefore case estimates are less reliable. In addition, there are likely to be numerous late reported claims which are not accounted for by using a method directly related to case estimates.

Reinsurance

The valuation approach for reinsurance recoveries is based on MVIL's recovery estimates for known claims (noting that MVIL has no recorded recovery estimates as at 31 December 2024).

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

22 Information of the actuarial report (Continued)

(a) Valuation methodology (Continued)

At the previous valuation, MVIL was not eligible to receive recoveries on a number of large cost recent accidents due to not meeting the Claims Reporting Clause of Pacific Re. At this valuation, the process to notify large accidents to Pacific Re had not yet been established, so no recoveries were booked in MVIL's accounts. The process is envisaged to be established in 2025.

Given the uncertainty around the eligibility of reinsurance, and the lack of any reinsurance estimates in the accounts, no recoveries have been included in any of the provision.

(b) Summary of claims and assumptions

Accident number

The number of accidents reported during 2024 was lower than expectations from previous valuation. During 2024, 576 accidents were expected to be reported with 521 actually being notified (-11%). Accident numbers for the 2022 to 2024 accident years are projected to continue to be below pre-Covid levels.

Discussions with MVIL noted that the reduction in accidents is likely due to continued improvements in detecting fraudulent claims as well as declining claims from uninsured vehicles. There is a lower liability for incurred claims.

Claims costs - accident years 2013 and earlier

Seven accidents from 2013 and earlier were finalised during the year out of the 197 previously open, at an average of K14,000 to bring these to closure. This compares to an expectation of K55,000 per accident adopted at the previous valuation. In addition, 5 accidents were reopened, leaving 195 currently open accidents at the end of 2024.

While a favourable result for 2013 and prior years, there have been fewer finalisations than had been anticipated which represents a substantial slowing down compared to last year where 63 claims were finalised. Payment activity still occurred, with total payments of K1.9m relating to 10 accidents (i.e. an average payment of K28,000) suggesting the claims team remained focused on managing active accidents. The ongoing payments could suggest future expected payments could be reduced. Operational issues, where some claims were finalised but the entire accident may not have been finalised, potentially explains the tow finalisation numbers. This will be investigated further throughout 2025.

In response, expected average size was reduced for the remaining 195 open accidents to be finalised, from K55,000 to K50,000. This is further supported by experience from the 2014 and later accidents, where there were 136 finalisations, with the average payment to bring these to finalisation being K35,000.

There is a lower liability for incurred claims due to lower average size. A higher liability would be due to fewer than expected number of finalisations.

Claims costs - accident years 2014 and later

For more recent accident years, valuers continued to adopt the Payments Per Accident Incurred (PPAI) methodology.

An average accident size of K49,100 was selected, based on MVIL's Payments Per Accident Incurred (PPAI) experience.

This is 4% lower than the average accident size (inflated to Dec 24 values) adopted at the previous valuation and reflects the lower-than-expected payments made in the last 12 months for the 2018 to 2022 accident years.

This experience is likely due to MVIL's intention to settle claims sooner at higher amounts than previously was the case to avoid the significant increase observed once claims are litigated.

There is a lower liability for incurred claims due to reduction in future expected payments.

Economic assumptions

Treasury yields increased substantiality over 2024 to over 8% for a 1-year duration as the cash rate rebounded. At the same time, headline inflation averaged around 2%, while underlying inflation has been broadly stable at around 5% in the last 3 years. A single equivalent discount rate of 6.5% p.a. and inflation of 5.5% p.a. were adopted, which are both higher than the previous valuation of 4.5% p.a. for both assumptions.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

22 Information of the actuarial report (Continued)

(b) Summary of claims and assumptions (Continued)

The Increase in discount rate relative to inflation means there is reduction in the liability for incurred claims.

Claims handling expenses and risk adjustment

Claims handling expenses are unchanged at 12%. The risk adjustment under IFRS17 is set at 20%, unchanged from the previous valuation.

As the central estimate is lower than the previous valuation, the contribution of claims handling expenses and risk adjustment is also lower.

(c) Valuation results

The results of the 31 December 2024 valuation are summarised in table below.

Estimated liability for incurred claims at 31 December 2024

		2024	2023
	%	PGK million	PGK million
Gross Central Estimate	-	**104.4**	108.2
Less: Reinsurance Recoveries	-	-	-
Net Central Estimate	-	**104.4**	108.2
Less: GST Recoveries	-	**(9.5)**	(9.8)
Net Central Estimate	-	**94.9**	98.4
Add: Claims Handling Expenses (CHE)	12	**11.4**	11.8
Add: Risk Adjustment (RA)	20	**21**	21.7
	-	**127.3**	131.9

23 Commitments

The Company had no capital commitments not otherwise provided for in the financial statements as at 31 December 2024 (2023: KNil).

24 Contingencies

In the normal course of its business, the Company is involved in various legal proceedings arising out of and incidental of its operations. Management of the company does not anticipate that the losses, if any, incurred as a result of these legal proceedings will materially affect the financial position of the Company.

25 Matters or circumstances arising after the end of the year

Subsequent to the reporting date, Motor Vehicles Insurance Limited ("MVIL") disposed of part of its investments in BSP Financial Group Limited through transactions executed on the POMSOX market during June 2025.

At 31 December 2024, MVIL held 31,243,736 ordinary shares, representing approximately 6.69% equity interest in BSP Financial Group Limited.

During June 2025, MVIL disposed of 15,621,868 ordinary shares at a price of approximately K22.40 per share, resulting in total gross proceeds of K349,983,718.

AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
For the year ended 31 December 2024

25 Matters or circumstances arising after the end of the year (Continued)

Following the disposal, MVIL's remaining holding in BSP Financial Group Limited is 15,621,868 ordinary shares, representing an estimated residual interest of approximately 3.35%.

Other than the above mentioned no other 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.

AUDITOR-GENERAL'S OFFICE