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***GENERAL BUSINESS TRUST***

***FINANCIAL REPORT FOR THE  
YEAR ENDED 31 DECEMBER 2023***

**GENERAL BUSINESS TRUST**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**GENERAL BUSINESS TRUST  
TRUSTEES' DECLARATION  
FOR THE YEAR ENDED 31 DECEMBER 2023**

We, Kumul Consolidated Holdings, as Trustee of the General Business Trust, hereby state that in our opinion:

The accompanying Financial Statements have been properly drawn up so as to exhibit a true and fair view of the state of affairs of the General Business Trust (the "Trust" or "GBT") as at 31 December 2023, and a true and fair view of the results of the Trust's operations and its cash flows for the year then ended. Accordingly, these financial statements have been prepared to satisfy the Trust's reporting requirements under the Trust Deed. The Trustees hereby declare that:

- a) The attached financial statements and notes hereto present fairly in accordance with the accounting policies described in Note 2 of the financial statements;
- b) All of the management accounts were made available by the companies vested in the Kumul Consolidated Holdings of Papua New Guinea (the "Trustee" or "KCH") in-trust for the GBT so as to reflect the values of the companies as of 31 December 2023;
- c) The current assets of the Trust, including debtors, are expected to be realised in the ordinary course of business for the value at which they are shown in the financial statements;
- d) The investment properties at the values shown in the statements, were in existence at 31 December 2023;
- e) In the Trustees opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and,
- f) All contingent liabilities which would materially affect the ability of the Trust to meet its obligations as and when they become due have been disclosed in the statements or notes thereto.

Kumul Consolidated Holdings is a Trustee of the Trust. The Board of Directors of KCH during the financial year and since the end of the financial year to the date of this report were:

| <u>Name</u>                      | <u>Position</u>               |
|----------------------------------|-------------------------------|
| Professor David Kavanamur, Ph. D | Managing Director             |
| Moses Maladina                   | Chairman                      |
| Professor David Kavanamur, Ph. D | Chairman                      |
| Matthew May                      | Director                      |
| Ian A. Tarutia, OBE              | Director                      |
| Dr Albert C. Mellam              | Director                      |
| Emma Waiwai                      | Director                      |
| Ambassador Gabriel Pepson        | Director (Appointed May 2024) |
| James Gore                       | Director (Resigned May 2024)  |

For and on behalf of the Directors on the 7th day of JULY 2025.

  
\_\_\_\_\_  
Moses Maladina  
Chairman of the Board

  
\_\_\_\_\_  
Professor David Kavanamur, Ph. D  
Managing Director

GENERAL BUSINESS TRUST  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023

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GENERAL BUSINESS TRUST  
INDEPENDENT AUDITOR'S REPORT  
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**GENERAL BUSINESS TRUST**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

|                                                 | Notes    | 2023<br>K           | 2022<br>K            |
|-------------------------------------------------|----------|---------------------|----------------------|
| <b>REVENUE</b>                                  |          |                     |                      |
| Interest income                                 | 5        | 247,936             | 106,264              |
| Dividend income                                 | 6        | 220,328,860         | 236,651,018          |
| Rental income                                   | 7(a)     | 20,000              | 20,000               |
| Other income                                    | 7(b)     | 5,034,321           | 1,795,498            |
|                                                 |          | <b>225,631,117</b>  | <b>238,572,780</b>   |
| <b>EXPENSES</b>                                 |          |                     |                      |
| Finance charges                                 | 8        | (47,866,874)        | (47,924,268)         |
| Impairment losses                               | 9        | (189,283,320)       | (400,244,622)        |
| (Loss)/gain arising from fair value change: of: |          |                     |                      |
| Investment properties                           | 11       | (10,964,778)        | 19,447,225           |
| Unquoted investments                            | 14(a)(d) | 152,398,000         | (186,176,000)        |
| Quoted investments                              | 14(c)    | 109,406,960         | 13,569,856           |
| Allocations to Trustee                          | 4        | (96,712,816)        | (107,330,696)        |
| Foreign exchange gain                           | 10       | 25,330              | 5,202                |
|                                                 |          | <b>(82,997,498)</b> | <b>(708,653,303)</b> |
| <b>PROFIT/(LOSS) BEFORE TAX</b>                 |          | <b>142,633,619</b>  | <b>(470,080,523)</b> |
| <b>INCOME TAX EXPENSE</b>                       |          | -                   | -                    |
| <b>PROFIT/(LOSS) FOR THE YEAR AFTER TAX</b>     |          | <b>142,633,619</b>  | <b>(470,080,523)</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>               |          | -                   | -                    |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>        |          | <b>142,633,619</b>  | <b>(470,080,523)</b> |

*This statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*



**GENERAL BUSINESS TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

|                                  | Notes | 2023<br>K                   | 2022<br>K                   |
|----------------------------------|-------|-----------------------------|-----------------------------|
| <b>CURRENT ASSETS</b>            |       |                             |                             |
| Cash and cash equivalents        | 12    | 271,053,321                 | 34,557,637                  |
| Trade and other receivables      |       | 16,390                      | 45,498                      |
| Related party receivables        | 16(a) | 1,144,628                   | 49,574,004                  |
| Term Deposit                     | 13    | 2,400,000                   | -                           |
| Total current assets             |       | <u>274,614,339</u>          | <u>84,177,139</u>           |
| <b>NON-CURRENT ASSETS</b>        |       |                             |                             |
| Investments                      | 14    | 4,063,978,981               | 3,752,051,928               |
| Investment properties            | 11    | 741,610,768                 | 721,343,138                 |
| Total non-current assets         |       | <u>4,805,589,749</u>        | <u>4,473,395,066</u>        |
| <b>Total Assets</b>              |       | <u><b>5,080,204,088</b></u> | <u><b>4,557,572,205</b></u> |
| <b>CURRENT LIABILITIES</b>       |       |                             |                             |
| Trade and other payables         | 15    | 78,394,554                  | 271,105                     |
| Related party payables           | 16(b) | 2,650,703                   | 52,126,798                  |
| Bank loans – current portion     | 17    | 822,500,000                 | 22,500,000                  |
| Total Current Liabilities        |       | <u>903,545,257</u>          | <u>74,897,903</u>           |
| <b>NON-CURRENT LIABILITIES</b>   |       |                             |                             |
| Bank loans – non-current portion | 17    | 22,542,529                  | 845,042,529                 |
| Total Non-Current Liabilities    |       | <u>22,542,529</u>           | <u>845,042,529</u>          |
| <b>Total Liabilities</b>         |       | <u><b>926,087,786</b></u>   | <u><b>919,940,432</b></u>   |
| <b>NET ASSETS</b>                |       | <u><b>4,154,116,302</b></u> | <u><b>3,637,631,773</b></u> |
| <b>EQUITY</b>                    |       |                             |                             |
| Capital                          |       | 4,077,692,024               | 3,626,776,409               |
| Retained earnings                |       | 76,424,278                  | 10,855,364                  |
| <b>Total Equity</b>              |       | <u><b>4,154,116,302</b></u> | <u><b>3,637,631,773</b></u> |

*This statement of financial position should be read in conjunction with the accompanying notes.*



**GENERAL BUSINESS TRUST**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

|                               | Note | Capital<br>K         | Retained<br>Earnings<br>K | Total<br>K           |
|-------------------------------|------|----------------------|---------------------------|----------------------|
| As at 1 January 2022          |      | 3,415,141,613        | 480,935,887               | 3,896,077,500        |
| Loss for the year             |      | -                    | (470,080,523)             | (470,080,523)        |
| Capital injection             | 18   | 211,634,796          | -                         | 211,634,796          |
| <b>As at 31 December 2022</b> |      | <b>3,626,776,409</b> | <b>10,855,364</b>         | <b>3,637,631,773</b> |
| Profit for the year           |      | -                    | 142,633,619               | 142,633,619          |
| Dividend Paid to State        |      |                      | (77,064,705)              | (77,064,705)         |
| Capital injection             | 18   | 450,915,615          | -                         | 450,915,615          |
| <b>As at 31 December 2023</b> |      | <b>4,077,692,024</b> | <b>76,424,278</b>         | <b>4,154,116,302</b> |

*This statement of changes in equity should be read in conjunction with the accompanying notes.*



**GENERAL BUSINESS TRUST**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

|                                                                  | Notes     | 2023<br>K           | 2022<br>K            |
|------------------------------------------------------------------|-----------|---------------------|----------------------|
| <b>OPERATING ACTIVITIES</b>                                      |           |                     |                      |
| Cash payments to Trustee                                         | 4         | (96,712,816)        | (102,677,919)        |
| Cash receipts/(payments) to suppliers and creditors              |           | 961,981             | 1,722,740            |
| Cash from other rental income                                    |           | 49,108              | 20,000               |
| <b>Net cash flows used in operating activities</b>               |           | <b>(95,701,727)</b> | <b>(100,935,179)</b> |
| <b>INVESTING ACTIVITIES</b>                                      |           |                     |                      |
| Interest received                                                | 5         | 247,936             | 106,264              |
| Dividends received                                               | 6 & 16(a) | 222,187,232         | 236,651,018          |
| Amounts advanced to related parties                              |           | (187,154,090)       | (393,290,119)        |
| Purchase of Term Deposit                                         | 13        | (2,400,000)         | -                    |
| Additions to projects under construction                         | 14(b)     | -                   | (1,649,852)          |
| Additions to investment in project investments                   | 14(d)     | -                   | (9,671,320)          |
| Additions to investment properties                               | 11        | (31,232,408)        | (36,296,732)         |
| Additional investments in equity securities                      |           | (50,000,000)        | -                    |
| Dividend paid to the State                                       |           | -                   | (80,000,000)         |
| Capital injection                                                | 18        | 450,915,615         | 211,634,796          |
| <b>Net cash flows (used in) provided by investing activities</b> |           | <b>402,564,285</b>  | <b>(72,515,945)</b>  |
| <b>FINANCING ACTIVITIES</b>                                      |           |                     |                      |
| Payments of borrowings                                           |           | (22,500,000)        | (22,500,000)         |
| Payments of interest and bank charges                            | 8         | (47,866,874)        | (47,924,268)         |
| <b>Net cash flows used in financing activities</b>               |           | <b>(70,366,874)</b> | <b>(70,424,268)</b>  |
| <b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>                 |           | <b>236,495,684</b>  | <b>(243,875,392)</b> |
| Cash and cash equivalents at the beginning of the year           | 12        | 34,557,637          | 278,433,029          |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>          | <b>12</b> | <b>271,053,321</b>  | <b>34,557,637</b>    |

*This statement of cash flows should be read in conjunction with the accompanying notes.*



**GENERAL BUSINESS TRUST**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**1. GENERAL**

General Business Trust (the "Trust" or "GBT") was established under Section 31 of the Independent Public Business Corporation of Papua New Guinea Act 2002 ("IPBC Act 2002"). The Independent Public Business Corporation of Papua New Guinea (the "Trustee" or "IPBC") was appointed as Trustee of the Trust, and all moneys belonging to the Trust is invested or dealt with by IPBC in accordance with the IPBC Act 2002.

IPBC name was changed to Kumul Consolidated Holdings ("KCH") on 12<sup>th</sup> August 2015 when the Kumul legislation was passed in Parliament.

**Kumul Restructure**

The Kumul legislation (including supplementary legislation) was passed by Parliament and certified on 12th August 2015 and gazettal was made on 2<sup>nd</sup> September 2015. The changes are only through the change of name of the IPBC to KCH and other changes to directors, roles, transfers, and annual plans. The ownership and structure of the GBT remained the same and KCH remains the Trustee of the GBT. The Independent State of Papua New Guinea continues to be the beneficiary of the GBT.

The registered office address of the Trust is Level 3, Harbour Side, Stanley Esplanade, PO Box 320, Port Moresby, NCD, Papua New Guinea. The financial statements were authorised for issue in accordance with a resolution of the directors on \_\_\_\_\_.

**2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in preparation of the Trust's financial statements are set out below. These policies have been constantly applied to all the years presented, unless otherwise stated.

**a) Statement of Compliance**

Pursuant to Section 62 of the Public Finances (Management) Act 1995, financial statements shall be in the form and in accordance with the accounting principles generally applied in commercial practice. These policies have been consistently applied to all the years presented, unless otherwise stated. Any deviations from IFRS have also been stated in the following notes to the financial statements.

**b) Basis of Preparation**

The financial statements have been prepared on the historical cost basis and, except for investments and investment properties that are carried at fair value. The financial statements are presented in Papua New Guinea Kina (PGK), and all values are rounded to the nearest PGK, except where otherwise indicated. The financial statements provide comparative information in respect of the previous period.

**Going concern**

In July 2015, the Trust acquired loan from BSP Bank amounting to K800m (in two tranches; Facility A for K200 million and Facility B for K600 million) for the acquisition of the Fairfax Harbour from PNG Ports to facilitate the relocation to Motukea. The initial term of the loan was for a term of three years which matured on 1 July 2018 (Refer to Note 15). In June 2018, June 2019, June 2020, June 2021, and in June 2022, the Trust filed for requests for extensions of the due date of Facility A and Facility B to 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022, and further extensions to 30 June 2024.



**GENERAL BUSINESS TRUST**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b) Basis of Preparation (continued)**

**Going concern (continued)**

As at 31 December 2023 the loan is classified as current because the loan was further extended for another 24 months from 1 July 2022 to 30 June 2024 and was approved by NEC on the 4th of May 2022 (NEC Decision No.191/2022). The planning and development of the port precinct has progressed with a reclamation project currently underway to not only increase value of the land but also to attract possible investors and developers. A proposal to seek further extension of the loan is underway to allow the Trust time to fully develop the Pom Port Development Project to monetize the asset in accordance with the loan covenants with BSP.

As at 31 December 2023, the Trust was in a net current liability position of K628.9 million (2022: net current asset position of K9.3 million) and has recognised current year gains of K142.6 million (2022: net loss of K470.1 million). Notwithstanding this, the financial statements have been prepared on a going concern basis due to the Trust's current and liquid assets (BSP shares) which fully covers the amount of the loan and finance the operations of the Trust.

The extension of the BSP Loan Facilities is required because the refinancing exercise and the Asset Sale & Development options extend beyond the repayment date of 30<sup>th</sup> June 2024. The restructure of the BSP Loan Facilities includes the repayment of principal and interest for seven years to 30 June 2031. KCH, BSP and Treasury to procure and execute the necessary documentation no later than 15<sup>th</sup> August 2025.

The government will continue to support the Trust in the next 12 months after 31 December 2023. The Trust has received total capital injection amounting to K418.5 million. Based on the aforementioned facts, the Board of the Trustee, considers there to be no material uncertainty on the Trust's ability to continue as a going concern.

**3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES**

**a) Financial Assets**

**i) Initial recognition and measurement**

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Trust's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Trust has applied the practical expedient, the Trust 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 costs. Trade receivables that do not contain a significant financing component or for which the Trust has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Trust classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- a. Amortised cost
- b. FVOCI
- c. FVPL

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Trust's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.



**GENERAL BUSINESS TRUST**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**a) Financial Assets (continued)**

**i) Initial recognition and measurement (continued)**

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Trust commits to purchase or sell the assets.

The Trust's financial assets include Cash and cash equivalents, Trade and other receivables, Related party receivables, term deposits and Investments.

Cash and cash equivalents, Trade and other receivables, Related party receivables and term deposits are all classified as receivables and are measured at amortised cost. Investment in equity shares are all measured at fair value through profit or loss.

**ii) Subsequent measurement**

On initial recognition, a financial asset is classified into three categories:

- a. Fair value through profit or loss (FVTPL)
- b. Fair value through other comprehensive income (FVOIC)
- c. Amortised cost

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

As at 31 December 2023 and 31 December 2022, the Trust's did not have financial assets classified as FVOIC.

**Financial assets carried at amortised cost**

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Interest income, foreign exchange gains and losses and impairments are recognised in profit and loss. Any gain or loss on derecognition is recognised in the profit and loss.

**Impairment of financial assets**

The adoption of IFRS 9 has changed the Trust's receivables impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL (Expected Credit Loss) approach. The Trust has been recording the allowance for expected credit losses for all financial assets not held at FVPL.

The Trust applies a simplified approach in calculating ECLs for financial assets. Therefore, the Trust does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

**Financial assets at fair value profit and loss**

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest of dividend income are recognised in profit and loss.

**iii) Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) was derecognised when:

- a. The rights to receive cash flows from the asset have expired; or



**GENERAL BUSINESS TRUST**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**iii) Derecognition (continued)**

- b. The Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Trust has transferred substantially all the risks and rewards of the asset, or (b) the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor

transferred control of the asset, the Trust continues to recognise the transferred asset to the extent of the Trust's continuing involvement. In that case, the Trust also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trust has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trust could be required to repay.

**Write-off**

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

**b) Financial liabilities**

**i) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition at fair value through profit or loss, loans and borrowings, payables, or amortised cost, as applicable.

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings and payables, net of directly attributable transactions costs.

The Trust's financial liabilities include trade and other payable, related party payable and loans payable.

**ii) Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss.

The Trust has not designated any financial liability as at fair value through profit or loss.

**iii) Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on issuance and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss. This category generally applies to interest-bearing loans and borrowings.



**GENERAL BUSINESS TRUST**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**iv) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**v) Offsetting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**c) Cash and Cash Equivalents**

Cash in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts, but exclude any restricted cash.

**d) Investment Property**

Investment properties consist of properties that are held to earn rentals. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an evaluation performed by an accredited external independent valuer applying a valuation model.

The fair value of an investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed. Upon completion of construction/development of an investment property, the assets will be carried at fair value. Any difference between the fair value at the date of transfer and the previous carrying amount should be recognized in profit or loss.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Trust accounts for such property in accordance with the policy stated under property, plant, and equipment up to the date of change in use.

**e) Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

**f) Borrowing cost**

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the



**GENERAL BUSINESS TRUST**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**f) Borrowing cost (continued)**

facility will be drawn down; the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowings costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to fund a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Parent entity during the period.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

**g) Foreign Currency**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

**h) Taxation**

i. KCH is not liable to pay taxes, duties, fees, charges, rates, excise, or other impost of any kind charged or imposed under any law except for legislation enacted by the National Parliament specifically to amend or repeal this section.

ii. The transfer to or vesting in KCH of any assets or liabilities, is not liable for any taxes, duties, fees, charges, rates, excise, or any other impost of any kind charged or imposed under any law except for legislation enacted by the National Parliament specifically to amend or repeal this section.

**i) Provisions**

Provisions are recognised when the Trust has a present obligation, the future sacrifice of economic benefits is probable, and the amount of provision can be measured reliably.

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

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

**j) Revenue Recognition**

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Dividend income is also recognised when the Trust's right to receive the payment is established, which is generally when shareholders or board of directors approve the dividend.



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**3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**j) Revenue Recognition (continued)**

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest revenue is included in finance income in the profit or loss.

**k) Costs and Expenses**

Costs and expenses are recognized as they are incurred and measured at the amount paid or payable.

**l) Contingencies**

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

**m) Comparative Figures**

Comparative figures have been re-classified as appropriate to comply with the current year's reporting format.

**n) Goods and Services Tax**

Expenses and assets are recognised gross of the amount of goods and services tax (GST), as the amount of GST incurred is not recoverable from the taxation authority:

- i. It is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- ii. Receivables and payables are recognised inclusive of GST.

**o) Fair Value Measurement**

The Trust measures investments in unquoted shares and investment properties at fair value at each reporting date and for the purposes of impairment testing, uses fair value less cost of disposals to determine the recoverable amount of some of its non-financial assets.

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 presumptions that the transaction to sell the asset or transfer the liability takes place either:

- i. In the principal market for the asset or liability, or
- ii. 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 Trust. 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 the market participants act in their economic best interest.

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

The Trust 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 minimising the use of unobservable inputs.



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**3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**o) Fair Value Measurement (continued)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- i. Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ii. Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- iii. Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

At each reporting date, the Trust analyses the movements in the values of assets and liabilities which are required to be re-measured or reassessed as per the Trust's accounting policies. For this analysis, the Trust verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

**p) Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Trust's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the

accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management's

experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Trust has identified the following areas where significant judgments, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

**q) Judgments**

In the process of applying the Trust accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

**Use of going concern assumption**

Management has made an assessment of the Trust's ability to continue as a going concern and is satisfied that the Trust has viable plans and resources to continue in business for the foreseeable future (see Note 1). Accordingly, the financial statements were prepared assuming that the Trust will realize its assets and discharge its liabilities in the normal course of business.

**r) Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of



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**3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**r) Estimates and Assumptions (continued)**

assets and liabilities within the next financial year, are describe below. The Trust based its assumptions and estimates on parameters available when the financial statements were prepared and existing circumstances arising beyond the control of the Trust. Such changes are reflected in the assumption when they occur.

**Provision for expected credit losses of trade receivables and contract assets**

The Trust uses a provision matrix to calculate ECLs for trade receivables and contract rates are based on days past due for groupings of various customer segments that have (i.e., by geography, product type, customer type and rating, and coverage by letters of forms of credit insurance). The provision matrix is initially based on the Trust's historical observed default rates for 3rd party customers and long-term corporate family ratings issued by a 3rd party agency for the related party balances.

The Trust will calibrate the matrix to adjust the historical credit loss experience and long term corporate family ratings with forward-looking instance, if forecast economic conditions (i.e., gross domestic product, inflation rate or commodity prices) are expected to the next year which can lead to an increased number of defaults in the petroleum sector default rates are adjusted. At every reporting date, the historical observed default rates changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, corporate family rating, forecast and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances

forecast economic conditions. The Trust's historical credit loss experience and forecast conditions may also not be representative of customer's actual default in the future.

**Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded in the Trust's statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair

values. These estimates may include considerations of liquidity, volatility, and correlation. (See Note 21) for the fair value information of the Trust's financial instruments.

**Fair value of investment properties**

The Trust measures investment properties at fair value. The direct comparison approach was taken into consideration and approximately used to determine the market value of the investment properties. The direct comparison approach considers the sales of similar or substitute properties and related market data and establishes a value for the investment properties valued.

The fair value of investment properties including investment properties under development amounted to K742 million and K721 million in 2023 and 2022, respectively (see Note 11).

**Contingencies**

The Trust is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Trust currently does not believe that these proceedings will have a material effect on the Trust's statement of financial position. It is possible, however that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

**s.1) New and amended standards and interpretations adopted during the year**

A number of new standards and amendments to standards have been issued by the IASB and are effective for annual reporting period beginning on 1 January 2023.



**GENERAL BUSINESS TRUST**  
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**3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**s.1) New and amended standards and interpretations adopted during the year (continued)**

The accounting policies adopted by the Trust are consistent with those of the previous financial year, except for these new and or amended standards

| Description                                                                                            | Effective for annual periods beginning on or after |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| IFRS 17 Insurance Contracts                                                                            | 1 January 2023                                     |
| Amendments to IAS 8: Definition of Accounting Estimates                                                | 1 January 2023                                     |
| Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies                   | 1 January 2023                                     |
| Amendments to IAS 12: Deferred tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023                                     |
| Amendments to IAS 12: Internal Tax Reform Ja- Pillar Two Model Rules                                   | 23 May 2023                                        |

**s.2) Standards issued but not yet effective**

A number of new standards and amendments to standards have been issued by the IASB and are required to be applied for annual reporting period after 1 January 2023 with early adoption permitted for annual reporting period beginning on 1 January 2023.

| Description                                                                                                              | Effective for annual periods beginning on or after |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Amendments to IFRS 16, Lease liability in a Sale and Leaseback                                                           | 1 January 2024                                     |
| Amendments to IAS 1: Classification of Liabilities as Current or Non-current                                             | 1 January 2024                                     |
| Amendments to IAS 1: Non-current Liabilities with Covenants                                                              | 1 January 2024                                     |
| Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements                                                            | 1 January 2024                                     |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 | Deferred Indefinitely                              |
| Amendments to IAS 21: Lack of Exchangeability                                                                            | 1 January 2025                                     |
| Annual Improvements to IFRS Accounting Standards – Volume 11                                                             | 1 January 2026                                     |
| Amendment to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments                                  | 1 January 2026                                     |
| IFRS 18: Presentation in Finance Statements                                                                              | 1 January 2027                                     |
| IFRS 19: Subsidiaries with Public Accountability: Disclosures                                                            | 1 January 2027                                     |

The Trust has not early adopted these new and/or amended standard and is currently assessing the impact on the financial statements.

**4. ALLOCATIONS TO TRUSTEE**

The core responsibility of the KCH is the administration of various state owned enterprises and state owned assets, which are vested in the General Business Trust. KCH manages the Trust and incur related operational and administration expenses. Expenses of KCH are funded by the Trust through approved monthly budgetary allocation in accordance with Section 9 (3) (d) and Section 35 of the KCH Act.



**GENERAL BUSINESS TRUST**  
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**4. ALLOCATIONS TO TRUSTEE (continued)**

Allocations paid by the Trust in 2023 amounted to K96.7 million (2022: K107.3 million). Of this amount nil was paid during the year for the purpose of the Trust's capital project (2022: nil). Monies received from the Trust towards capital projects have been capitalised during the year while on-going operational and revenue expenditure costs were expensed.

**5. INTEREST INCOME**

|                                  | 2023           | 2022           |
|----------------------------------|----------------|----------------|
|                                  | K              | K              |
| Cash and cash equivalents        | 231,549        | 106,264        |
| Investment – Short Term Deposits | 16,387         | -              |
|                                  | <u>247,936</u> | <u>106,264</u> |

**6. DIVIDEND INCOME**

|                                 | 2023               | 2022               |
|---------------------------------|--------------------|--------------------|
|                                 | K                  | K                  |
| Bank South Pacific Limited      | 150,116,527        | 142,483,483        |
| Motor Vehicle Insurance Limited | 42,931,032         | 36,838,508         |
| PNG Ports Corporations Limited  | 26,136,673         | 51,329,027         |
| PNG DataCo Limited              | 1,144,628          | 3,000,000          |
| Telikom Limited                 | -                  | 3,000,000          |
| <b>Total</b>                    | <u>220,328,860</u> | <u>236,651,018</u> |

**7. (a) RENTAL INCOME**

|                   | 2023          | 2022          |
|-------------------|---------------|---------------|
|                   | K             | K             |
| Government Stores | 20,000        | 20,000        |
| <b>Total</b>      | <u>20,000</u> | <u>20,000</u> |

**7. (b) OTHER INCOME**

|                     |                  |                  |
|---------------------|------------------|------------------|
| Bad debts recovered | 5,034,321        | 1,795,498        |
| <b>Total</b>        | <u>5,034,321</u> | <u>1,795,498</u> |

In 2023, bad debts of K5.0 million (2022: K1.8 million) were recovered from Kumul Technology Development Corporation Limited. Payments have been received after this balance had been provided for in the previous periods.

**8. FINANCE CHARGES**

|                        | 2023              | 2022              |
|------------------------|-------------------|-------------------|
|                        | K                 | K                 |
| Interest on bank loans | 47,865,118        | 47,922,749        |
| Bank fees              | 1,756             | 1,520             |
|                        | <u>47,866,874</u> | <u>47,924,269</u> |

Interest on bank loans in 2023 and 2022 relate to interest charges and bank fees pertaining to the K800 million Fairfax Harbour loan and Dividend loan obtained from BSP for K225 million (see Note 17). The State acts as a guarantor for the Trust's Facility B (K600m) loan from BSP. Based on the loan agreement, the State only acts as a guarantor to the loan and therefore, all interest whether paid by the Trust or by the State are recognised as interest expense in the Trust's statement of comprehensive income. In March



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**8. FINANCE CHARGES (continued)**

2020, there was a reduction on BSP interest rates for all 3 loan facilities by 1% due to the impacts on Covid-19 on the economy. This change in interest rate is still in effect on all facilities to date.

**9. IMPAIRMENT LOSSES**

|                                | 2023<br>K          | 2022<br>K          |
|--------------------------------|--------------------|--------------------|
| Telikom Limited (i)            | 8,000,000          | 11,155,329         |
| PNG Power Limited (ii)         | 139,545,224        | 380,949,673        |
| Post PNG Limited (iii)         | 11,860,380         | 8,139,620          |
| Water PNG Limited (iv)         | 25,000,000         | -                  |
| Kumul Agriculture Limited (iv) | 4,877,716          | -                  |
| <b>Total Impairment loss</b>   | <b>189,283,320</b> | <b>400,244,622</b> |

- (i) Telikom Limited was given a total advance of K8.0 million in 2023 (2022: K11.1 million) as shareholder loans funding assistance for the following:
- Assist Telikom as additional funding for cashflow support for post merger of K3.0 million; and,
  - Assist Telikom settle partial outstanding of K40.0 million as debts owed by Telikom to PNG DataCo Ltd of K5.0 million.
- (ii) In 2023, the Trust advanced PNG Power Limited a total amount of K139.5 million (2022: K380.9 million). This relates to the funding assistance for Stabilization Capex Grid of K139.5 million.
- (iii) Advance payments of K11.9 million (2022: K8.1 million) were made to Post PNG Limited for the purchase of third portion of land at Motukea.
- (iv) Advance payments of K25.0 million were made to Water PNG Ltd for the following:
- Tari Water Supply Project of K20.0 million; and
  - Construction of the Water PNG Ltd Head Quarters Building.
- (v) Advance payments of K4.9 million made to Kumul Agriculture Ltd as assistance for the restructure costs.

The aforementioned are not considered collectible.

**10. FOREIGN EXCHANGE LOSS (GAINS)**

|              | 2023<br>K       | 2022<br>K      |
|--------------|-----------------|----------------|
| Other        | (25,330)        | (5,202)        |
| <b>Total</b> | <b>(25,330)</b> | <b>(5,202)</b> |

Gains or losses in 2023 and 2022 resulted primarily from fluctuation between the PGK/AUD rate when settling invoices denominated in foreign currency.

**11. INVESTMENT PROPERTIES**

The fair value of the Trust's investment properties as at 31 December 2023 has been arrived at by desktop valuations prepared by the Board of Directors and management (2022: Property PNG Ltd, an unrelated entity to the Trust.)



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**11. INVESTMENT PROPERTIES (continued)**

|                                                          | 2023               | 2022               |
|----------------------------------------------------------|--------------------|--------------------|
|                                                          | K                  | K                  |
| Fairfax Harbour                                          | 563,575,962        | 538,285,568        |
| Lancron Naval Base                                       | 76,905,168         | 76,132,744         |
| Government Stores                                        | 38,607,216         | 38,607,296         |
| Land 17-mile property                                    | 6,509,000          | 6,509,000          |
| Dylup Plantation                                         | 17,180,000         | 17,910,784         |
| Cape Rodney Rubber Plantation                            | 7,601,014          | 7,601,014          |
| <b>Total investment properties carried at fair value</b> | <b>710,378,360</b> | <b>685,046,406</b> |
| <b>Work in progress at cost</b>                          | <b>31,232,408</b>  | <b>36,296,732</b>  |
| <b>Total investment properties</b>                       | <b>741,610,768</b> | <b>721,343,138</b> |

The amount of any loss arising from fair value change of investment property is as follows:

|                                                                     |                   |
|---------------------------------------------------------------------|-------------------|
| Opening balance - 1 January 2022                                    | 665,599,181       |
| Additions to investment property for 2022                           | 36,296,732        |
|                                                                     | 701,895,913       |
| Closing balance 31 December 2022                                    | 721,343,138       |
| <b>Gain from fair value change of investment properties in 2022</b> | <b>19,447,225</b> |
| Opening balance - 1 January 2023                                    | 721,343,138       |
| Additions to investment property for 2023                           | 31,232,408        |
|                                                                     | 752,575,546       |
| Closing balance 31 December 2023                                    | 741,610,768       |
| <b>Loss from fair value change of investment properties in 2023</b> | <b>10,964,778</b> |

The investment properties consist of undeveloped properties, cocoa and rubber plants and commercial properties.

KCH bought the Fairfax Harbour Port in Port Moresby area from PNG Ports Corporation to facilitate the relocation of the port to Motukea through a State backed loan from Bank South Pacific Limited.

As at 31 December 2023, the contractual practical completion date lapsed on 9th December 2023 and the contractor (PHDC) finally reached practical completion after submission of outstanding contract deliverables including independent design certification of critical works to bring the project to practical completion on 2 July 2024. The project is 100% practical complete.

The project is now in the defects liability period (DLP) for 12 months starting from 3 July 2024 to 2 July 2025. During this period, the superintendent (Kramer Ausenco) will monitor and provide quarterly reports to the principal (KCH) on the performance of the constructed works/built works. If defects are noticed or identified, the contractor will be notified to remedy the defects accordingly

Measurement of fair value, fair value model and significant unobservable inputs

Information about how the fair values of the Trust's investment properties are determined (in particular, the valuation methods and inputs used is detailed as follows:

*Investment Properties*

In the years 2023, and 2022, the direct comparison approach and depreciated replacement approach method was taken into consideration and appropriately used to determine the market value of the investment properties. The land component of the properties were valued using the direct comparison approach that considers the market trend of sales of similar type of properties sold within the respective town and city. The improvements were valued using the depreciated replacement cost whereby the current construction cost (cost new) of the assets were derived less depreciation for wear and tear.



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**11. INVESTMENT PROPERTIES (continued)**

The Trust has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance, and enhancements.

In the current year, the Board of Directors assessed that the carrying value of the investment properties are fairly stated.

The fair value measurement for investment properties of K741 million have been categorised at Level 3 fair value, as the inputs to the valuation techniques used made reference to significant unobservable inputs such as estimated historic construction cost and depreciation. The fair values are assessed are highly sensitive to changes to the estimated construction cost.

Below is the sensitivity analysis:

|                                                | 10% Increase<br>(K) | 10% Decrease<br>(K) |
|------------------------------------------------|---------------------|---------------------|
| Change in depreciation rate                    | (1,823,341)         | 1,823,341           |
| Change in estimated historic construction cost | 4,218,946           | (4,218,946)         |
| <b>Fair Value</b>                              |                     |                     |
| <b>Impact</b>                                  | <b>2,395,605</b>    | <b>(2,395,605)</b>  |

Operating lease arrangements

Rental income arising from investment properties amounted to K20,000 in 2023 (2022: K20,000), respectively. Direct operating expenses are responsibility of the lessee as stipulated in the lease agreement.

**12. CASH AND CASH EQUIVALENTS**

| (a) Cash in bank                          | 2023<br>K          | 2022<br>K         |
|-------------------------------------------|--------------------|-------------------|
| General Business Trust funds              | 248,072,415        | 23,884,073        |
| Project Trust funds                       |                    |                   |
| Lae Port Development Project              | 372,155            | 371,921           |
| Port Moresby Sewerage System Upgrade      | 711,132            | 711,213           |
| PNG LNG Equity                            | 699,344            | 699,344           |
|                                           | <b>249,855,046</b> | <b>25,666,551</b> |
| (b) Cash equivalents                      |                    |                   |
| Interest Reserve Accounts – Dividend Loan | 130,683            | 132,781           |
| Interest Reserve Account – Fairfax Loan   | 9,415,437          | 8,758,230         |
| Imprest Account                           | 11,652,155         | 75                |
|                                           | <b>21,198,275</b>  | <b>8,891,086</b>  |
| <b>Total</b>                              | <b>271,053,321</b> | <b>34,557,637</b> |

The interest reserve accounts relate to deposits held to meet monthly interest components of respective loan repayments for the Fairfax and Dividend bank loans from Bank South Pacific.



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**13. TERM DEPOSIT**

|              | 2023             | 2022     |
|--------------|------------------|----------|
|              | K                | K        |
| Term Deposit | 2,400,000        | -        |
| <b>Total</b> | <b>2,400,000</b> | <b>-</b> |

Deposit placed in Kina Wealth Management for a placement term deposit in September 2023 with interest accrued at 3.02% for 364 days and an expiry date to 20<sup>th</sup> September 2024.

**14. INVESTMENTS**

|                                   |       | 2023                 | 2022                 |
|-----------------------------------|-------|----------------------|----------------------|
|                                   |       | K                    | K                    |
| Unquoted Equity Investments       | 14(a) | 2,855,108,110        | 2,647,710,110        |
| Projects under construction       | 14(b) | 22,285,646           | 22,163,553           |
| Quoted Equity Investments         | 14(c) | 1,161,918,879        | 1,052,511,919        |
| Investment in project investments | 14(d) | 24,666,346           | 29,666,346           |
| <b>Total</b>                      |       | <b>4,063,978,981</b> | <b>3,752,051,928</b> |



**GENERAL BUSINESS TRUST**  
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**14. INVESTMENTS (continued)**

**(a) UNQUOTED EQUITY SECURITIES**

| Majority State Owned Enterprises              | 2023<br>K            | 2022<br>K            | Share<br>holding | Valuation approach |                  |
|-----------------------------------------------|----------------------|----------------------|------------------|--------------------|------------------|
|                                               |                      |                      |                  | 2023               | 2022             |
| Motor Vehicle Insurance Limited               | 737,000,000          | 656,000,000          | 100%             | Sum of parts       | Sum of parts     |
| PNG Ports Limited                             | 370,000,000          | 491,000,000          | 100%             | CME                | CME/ANA          |
| National Development Bank Limited             | 632,000,000          | 466,000,000          | 100%             | Sum of parts       | PBV/ANA          |
| Water PNG Limited                             | 388,000,000          | 364,000,000          | 100%             | CME/ANA            | CME/ANA          |
| PNG Dams Limited                              | 312,108,000          | 282,710,000          | 100%             | DRC                | DRC              |
|                                               |                      |                      |                  |                    | ANA/Sum of parts |
| Telikom Limited                               | 180,000,000          | 183,000,000          | 100%             | Sum of parts       | ANA              |
| Post PNG Limited                              | 117,000,000          | 107,000,000          | 100%             | ANA                | ANA/CME          |
| PNG DataCo Limited                            | 62,000,000           | 46,000,000           | 100%             | ANA/CME            | ANA/CME/ANA      |
| Air Niugini Limited                           | 24,000,000           | 26,000,000           | 100%             | ANA                | Sum of parts     |
| Kumul Technology Development Corporation      | 33,000,000           | 26,000,000           | 100%             | ANA                | -                |
| Investment Corporation of PNG                 | 8,660,957            | 8,660,957            | 100%             | -                  | CME/ANA          |
| PNG Power Limited                             | -                    | -                    | 100%             | CME/ANA            | -                |
| Mount Giluwe Water Limited                    | 842,105              | 842,105              | 100%             | -                  | ANA              |
| Kumul Agriculture Limited                     | -                    | -                    | 100%             | ANA                | -                |
| Shares BSP (ex MVIL)                          | 98                   | 98                   | 49%              | -                  | -                |
| Telikom PNG Limited (Prime Minister)          | 10                   | 10                   | 100%             | -                  | -                |
| Pacific Finance                               | 1                    | 1                    | 100%             | -                  | -                |
| Government Printer                            | 1                    | 1                    | 100%             | -                  | -                |
| Livestock Development Corporation Limited     | -                    | -                    | 100%             | -                  | -                |
| <b>Total unquoted equity investments</b>      | <b>2,864,611,172</b> | <b>2,657,213,172</b> |                  |                    |                  |
| <b>Less: Allowance for impairment</b>         | <b>(9,503,062)</b>   | <b>(9,503,062)</b>   |                  |                    |                  |
| <b>Total unquoted equity investments, net</b> | <b>2,855,108,110</b> | <b>2,647,710,110</b> |                  |                    |                  |



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**14. INVESTMENTS (continued)**

**(a) UNQUOTED EQUITY SECURITIES (continued)**

Unquoted equity investments are valued by the Trust based on independent valuation or, where no independent valuation is possible, the valuation is based on the most recent financial statements available.

Majority of the investments in the state-owned enterprises were valued at fair value as at 31 December 2023 and 2022 by Price Waterhouse Coopers. PNG Dams Limited was assessed by management and valued at 31 December 2023 using the depreciated replacement cost (2022: Deloitte).

Through an independent valuation, the fair value as at 31 December 2023 and 2022 were arrived at fair market value by using market approach and adjusted net assets (ANA) approach.

Market approach estimates the fair market value of a business based upon the capitalisation of maintainable earning of the business multiplied by appropriate earnings multiple, derived from comparable listed companies or transactions. The market approach was used for entities with no available reliable free cash flow forecasts and value is largely based on historic earnings trends.

The ANA approach seeks to determine the value of the organisation based on the net asset value of the company. The approach utilises the company's balance sheet to identify the fair value of assets (both tangible and intangible) and liabilities. It is utilised when main value of the company is based on its assets.

In arriving at the fair value, the valuers also considered information available as at the date of report, economic conditions, market factors and changes in the performance of the business.

Shareholdings remains the same for both years, 2022 and 2023.

An outcome of the Telco restructure Project in 2018 was the creation of the Kumul Telikom Holdings (KTH) and the merger of the three telecommunication companies, namely Bemobile, Telikom PNG Limited and PNG Dataco Limited into Kumul Telikom Holdings. The Share Transfer Agreements were finalized in 2019.

Further restructure in the Kumul Telikom Group dissolved the holding company (Kumul Telikom Holdings) with Telikom with Bemobile merged into a single retail entity and PNG DataCo Limited as a standalone entity to operate in the wholesale telecommunication space. These entities now have their own independent boards. The merger of the Telco restructure was approved by NEC on 02nd June 2021 (NEC Decision No.99/2021).

On 20 October 2021, the Registrar of Companies approved the amalgamation of Bemobile Limited with Telikom Limited. The effective date of amalgamation is 31 December 2021 and name of the amalgamated company is Telikom Limited. Under the amalgamation, the Company took control of all the assets of Bemobile Limited and assumed responsibility for its liabilities. Prior to the amalgamation, the ownership over Bemobile Limited was transferred from Kumul Telikom Holdings Limited.

On 20 November 2020, the National Parliament of Papua New Guinea gazetted a new Water Supply and Sanitation (Amendment) Act, 2020 ("the Amendment Act") that repealed the NCD Water and Sewerage Act, 1996. The Amendment Act amalgamated Water PNG Limited and NCD Water & Sewerage Limited (t/a Eda Ranu), the effective date being 13 April 2021, the date on which the amalgamation certificate was issued.

The following are the significant events that occurred in 2023 which resulted to the fair value change in the investment in unlisted shares:

- a) Air Niugini Ltd value declined primarily due to a fall in normalized earnings (EBITDA) from K49 million in 2022 to a loss of K8.0 million in 2023, which largely resulted from increased operating expenses;



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**14. INVESTMENTS (continued)**

**(a) UNQUOTED EQUITY SECURITIES (continued)**

- b) MVIL's value have increased significantly largely driven by an increase in value of its BSP shareholding;
- c) National Development Bank Group value increased as a result of GoPNG capital injections both in NDB (K115 million) and NBC (K50 million) during the year;
- d) As a result of PNG Power Ltd continued performance challenges (frozen tariffs in 2013 and loss making), the company is valued at using a ANA approach. High levels of debt suggest an unchanged value (nil). Its costs remain to be higher than its revenue;
- e) PNG Ports value decreased significantly following NEC decision to record the financing of the Lae Tidal Wharf construction;
- f) Telikom's continued performance challenges (significant fall in revenue as a result of Vodafone entry and the earthquake and loss making), the company is valued using an asset valuation approach only;
- g) Water PNG's value increased as a result of an increase in earnings (tariff increase).

**Note on Provision for Impairment Losses**

*Unquoted equity investments*

|                               | 2023<br>K        | 2022<br>K        |
|-------------------------------|------------------|------------------|
| Investment Corporation of PNG | 8,660,957        | 8,660,957        |
| Mt Giluwe Water Limited       | 842,105          | 842,105          |
| At 31 December                | <u>9,503,062</u> | <u>9,503,062</u> |

Impairment provisions were provided for Investment Corporation of PNG due to lack of records to support the investment while there was a loss of land title for Mount Giluwe Water Limited. An investigatory and recovery exercise is currently in progress thus any amount recovered for same will be written back appropriately.

**(b) PROJECTS UNDER CONSTRUCTION**

|                                         | 2023<br>K         | 2022<br>K         |
|-----------------------------------------|-------------------|-------------------|
| Ramu2 Project                           | 22,285,646        | 22,163,553        |
| <b>Total project under construction</b> | <u>22,285,646</u> | <u>22,163,553</u> |

**Note on Ramu2 Project**

Ramu 2 Hydropower Power Project is a major infrastructure project initiative of the Trust. The project site is located downstream from the existing Yonki Dam. The Government has affirmed its commitment to the project as an integral part of the Ramu Grid and future national grid expansions. The Implementation Agreement and 17 Power Purchase Agreement (PPA) was signed in February and March 2021 and in accordance with NEC Decision No 11/2019. Currently work underway to satisfy the Condition Precedent (CP) of the 17 Power Purchase Agreement to reach financial close and subsequent implementation. The key condition precedent is the execution of the downstream off-take agreements with major mining customers, including the Wafi-Golpu and Ramu NiCo mines. The State and the Trust endeavour to yet reach financial close. The main progress made in 2022 was the acquisition of the project site with Ministerial Directives issued by the Lands Minister for granting of 18 portions of customary land to special purpose titles for the hydropower facilities to be built upon and operated.

**(c) QUOTED EQUITY SECURITIES**

|                       | Share holding<br>18% | 2023<br>K            | 2022<br>K            |
|-----------------------|----------------------|----------------------|----------------------|
| Bank of South Pacific |                      | 1,161,918,879        | 1,052,511,919        |
|                       |                      | <u>1,161,918,879</u> | <u>1,052,511,919</u> |



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**14. INVESTMENTS (continued)**

**(d) INVESTMENT IN PROJECT INVESTMENTS**

|                                    | 2023<br>K         | 2022<br>K         |
|------------------------------------|-------------------|-------------------|
| Sepik AIC Limited (i)              | 20,166,346        | 20,166,346        |
| YuTru Digital Identity Scheme (ii) | 4,500,000         | 4,500,000         |
| NDB – PMBL Commercialization       | -                 | 5,000,000         |
|                                    | <b>24,666,346</b> | <b>29,666,346</b> |

- (i) Pursuant to National Executive Council Decision No. 152/2015 dated 10 June 2015 and NEC Decision No. 04/2018 dated 31 January 2018 and NEC Decision No. 277/2018 dated 11 September 2018, the Cabinet endorsed a strategic joint venture between Kumul Agriculture Limited, Innovative Agro-industry, Yangoru-Saussia DDA, East Sepik Provincial Government, and the Landowners, to develop an agro industrial centre in Yangoru Saussia District, East Sepik Province, Papua New Guinea. The State through KCH invested K14.3 million (50%), and an additional investment of K5.4 million over three instalments, required for a chicken hatchery. The Trust paid the final instalment of K0.93 million in April 2022 (2021: K1.3 million - second instalment); and
- (ii) KCH Board has approved equity take up of 9,000,000 shares in the YuTru Digital Identity Scheme sponsored by Digital Identification Bureau Limited (DIBL) with a cost of PGK4.5 million or shareholding of 90% of the total shares in the company for the operation of the Scheme. The YuTru Digital Identity Scheme will provide authorised institutions a standard means to register, identify, verify, and authenticate their respective customers with the aid of a digital platform. The Trust paid K4.5 million (2022: K3.7 million, 2021: Nil and 2020: K0.76 million) to DIBL as its final capital call in 2022. Further recommendations for the KCH Board to approve for a capital raise in DIBL.

**15. TRADE AND OTHER PAYABLES**

|                  | 2023<br>K         | 2022<br>K      |
|------------------|-------------------|----------------|
| Trade Creditors  | 1,329,849         | 240,132        |
| Other Payables   | -                 | 30,973         |
| Dividend Payable | 77,064,705        | -              |
| <b>Total</b>     | <b>78,394,554</b> | <b>271,105</b> |

Outstanding trade creditors of K1,329,849 (2022: K240,132) in 2023 relates mainly to unpaid supplier invoices for professional fees for the Ramu 2 project.

Dividend payable as at 31 December 2023 was paid in 2024.

**16. RELATED PARTY BALANCES**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or parties are subject to common control. Related parties may be individuals or corporate entities. The Trust believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.



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**16. RELATED PARTY BALANCES (continued)**

The Trust, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard 24, Related Party Disclosures. The Trust believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

| (a) Related Party Receivables                                                       | 2023<br>K            | 2022<br>K             |
|-------------------------------------------------------------------------------------|----------------------|-----------------------|
| <u>Current</u>                                                                      |                      |                       |
| PNG DataCo Ltd (Dividend Receivable) (i)                                            | 1,141,628            | 3,000,000             |
| <b>Total</b>                                                                        | <b>1,141,628</b>     | <b>3,000,000</b>      |
| <br><u>Non-current</u>                                                              | <br>2023<br>K        | <br>2022<br>K         |
| Telikom Limited (ii)                                                                | 101,862,298          | 136,891,855           |
| Air Niugini Limited (dividend & advance) (iii)                                      | 95,000,000           | 113,964,182           |
| PNG Power Limited (iv)                                                              | 583,875,770          | 444,330,545           |
| Kumul Technology Development Corp (v)                                               | -                    | 27,077                |
| Kumul Agriculture Limited (vi)                                                      | 7,005,549            | 2,124,082             |
| Post PNG Limited (vii)                                                              | 20,000,000           | 8,139,620             |
| Water PNG Limited (viii)                                                            | 25,000,000           | -                     |
| <b>Total</b>                                                                        | <b>833,885,245</b>   | <b>705,477,361</b>    |
| <br>Less allowance for impairment loss and bad debts recovered (Note 8 & Note 6(b)) | <br>(832,743,617)    | <br>(658,903,357)     |
| <br><b>Total related party receivables net of allowance for impairment loss</b>     | <br><b>1,141,628</b> | <br><b>49,574,004</b> |

- (i) In 2023, PNG DataCo Limited declared its final dividend for 2022 of K1.1 million (2022: K3.0m) and subsequently paid in 2024.
- (ii) Total advances made to Telikom Limited on merger of K101.8 million consists of the following:
- Advances made to Bemobile of K64.9 million before the merge are as follows:
    - a. Shareholder loan advance of K39.3 million.
    - b. Interest applies on loan at 9% of K25.6 million to date.
  - Advances made to Telikom Limited of K71.9 million after the merger are as follows:
    - c. The mobile core integration of K21.0 million as funding assistance.
    - d. K9.8 million to pay off ANZ loan as a prerequisite to restructure its BSP debt facility.
    - e. Settlement of intercompany debts of K30.0 million with PNG DataCo Limited.
    - f. Assist Telikom to pay outstanding invoices to NICTA of K6.1 million.
    - g. Assist Telikom for its working capital (Go to Market Plan) of K5.0 million.
- (iii) A total of K95.0 million has been provided to Air Niugini Limited (ANL) to assist with its precarious liquidity position mostly due to the Covid19 impact.
- a. In 2018, the Trust provided advances to Air Niugini of K25.0 million at an interest of 6.5% to assist with their liquidity position.
  - b. In 2020, Air Niugini Limited was advanced K20.0 million at an interest rate of 3%.
  - c. In 2021, a further advance of K50.0 million at an interest rate of 6.5%.
  - d. Interest applies on loan at 6.5% of K18.9 million.
- (iv) Advance to PNG Power Limited (PPL) of K583.8 million relates to payments for:
- a. Tari Substation 132Kv Transmission & Distribution Lines upgrades of K71.0 million.



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**16. RELATED PARTY BALANCES (continued)**

**(a) Related Party Receivables (continued)**

- b. Various contractor payments for the rural electrification projects in Mt Hagen, Western Highlands Province of K31.7 million.
- c. Total Electrification Community Projects of K164.4 million as per NEC Decision No 43 of 2022 approval of KCH's 2022-2024 Corporate Plan.
- d. Payment made to various suppliers for quick fixes on behalf of PNG Power Limited of K311.2 million; and
- e. Naoro Brown Hydropower Project development cost of K5.5 million represents cost paid by GBT on behalf of the project. The project has been handed over to PNG Power Limited to manage.
- (v) Kumul Technology Development Corporation Limited (KTDCL) paid K27k which represents the operational cost for paid for by GBT on behalf of Pacific International Hospital (PIH).
- (vi) Advances to Kumul Agriculture Limited (KAL) of K7.0 million relates to assistance to cover for its operational costs.
- (vii) Advances to Post PNG Limited of K20.0 million.
- (viii) Advances to Water PNG Limited of K25.0 million.

**(b) Related Party Payables**

|                                   | 2023<br>K        | 2022<br>K         |
|-----------------------------------|------------------|-------------------|
| Investment Corporation of PNG (i) | 900,017          | 900,017           |
| Telikom Limited (ii)              | -                | 46,574,003        |
| Kumul Consolidated Holdings (iii) | 1,750,686        | 4,652,778         |
| <b>Total</b>                      | <b>2,650,703</b> | <b>52,126,798</b> |

- (i) K0.9 million is owed to ICPNG for the sale of ICPNG shares in Madang Timbers for K1.8 million which is partially offset against receivable of K1.134 million.
- (ii) In 2011, Bemobile Limited shares in Telikom PNG Limited were transferred to KCH at a value of K123,151,968 and this owing has been subsequently reduced through payments by KCH to Telikom PNG Limited and payments made on behalf of Telikom PNG Limited; and
- (iii) The payables relate to the outstanding project payments to Kumul Consolidated Holdings.

**17. BANK LOANS**

|             | 2023<br>K          | 2022<br>K          |
|-------------|--------------------|--------------------|
| Current     | 822,500,000        | 22,500,000         |
| Non-Current | 22,542,529         | 845,042,529        |
|             | <b>845,042,529</b> | <b>867,542,529</b> |

In July 2015, the Trust acquired loan from BSP Bank amounting to K800m (in two tranches; Facility A for K200 million and Facility B for K600 million) for the acquisition of the Fairfax Harbour from PNG Ports to facilitate the relocation to Motukea. The initial term of the loan was for a term of three years which matured on 1 July 2018. Interest rate is 6.25% for Facility A (for K200m) and 6.75% for Facility B (K600m). An event of default also occurred for this Facility due to the Trust's failure to deliver the Fairfax Asset Sale Plan on or before 29 June 2018.

A second loan of K225 million from BSP was drawn down on the 17th of December 2015 to facilitate an additional K200 million dividends to the Independent State of Papua New Guinea. K25 million was set aside as interest reserve account as buffer in the event of nil dividends from investments in BSP. The term of the loan is ten years and the repayment of principal and interest on this loan will be through dividends earned from investments in BSP. Interest rate on the loan is 6.75%. In March 2020, there was a reduction on BSP interest rates for all 3 loan facilities Fac A (5.25%), Fac B (5.75%) and dividend loan (5.25%) by 1% due to the impact of COVID-19 to the economy. This change in interest rate is still in effect on all



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**17. BANK LOANS (continued)**

facilities to date. The current portion of the bank loan represents the principal repayment portion of the loan for 2023.

The K800 million loan facility entails interest repayment only. The Facility B loan (K600m) is guaranteed by the State and interest repayment is also provided by the State. Interest cost of Facility A loan (K200m) is funded by the Trust from 2015 until expiry.

The following are the securities held by BSP for the loans:

- a. 1<sup>st</sup> ranking charge over the Borrower's 84,311,597 shares in Bank of South Pacific Limited.
- b. 2<sup>nd</sup> registered mortgage over Port Moresby Fairfax Port.
- c. 1<sup>st</sup> ranking charge over Principal and Interest Reserve Accounts; and
- d. 1<sup>st</sup> ranking charge over Dividend Receipt Account.

On 30 June 2018, the loan was extended for another 12 months to 30 June 2019. On 30 June 2019, the loan was further extended by additional 12 months to 30 June 2020. In June 2020, the loan was extended again by another 12 months to 30 June 2021 and a further 12 months to 30 June 2022. The loan was further extended for another 24 months to 30 June 2024 through NEC Decision No.191/2022 on May 4<sup>th</sup>, 2022.

**18. CAPITAL INJECTION**

In 2023, the Trust received K418.5 million (2022: K180.0m) from the Department Finance for PIP Funding (K207.5m), SOE Reform Programme (K100.0m) and PNG Power Ltd Recovery Programme (K111.0m).

In 2023, the Trust further received K32.4 million from the State for the payment of the interest on its Facility B loan from BSP (2022: K31.6 million). Based on the loan agreement, the State only acts as a guarantor to the loan and therefore, all interest whether paid by the Trust or by the State are recognised as interest expense in the Trust's statement of profit and loss and other comprehensive income.

**19. ASSETS HELD IN TRUST**

KCH is a trustee of the General Business Trust as outlined in the provisions of the KCH Act 2002. The Vesting Notices issued under Gazettal Notice 116 dated 18th July 2002 and Gazettal Notice G125 dated 2 August 2002, vests assets in KCH in its capacity as trustee of the General Business Trust.



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**20. ASSETS HELD IN TRUST AND CONTINGENCIES**

**a) Assets held in trust**

**Vested Assets pursuant to Gazettal Notice G125 on 2 August 2002**

**Shares in:**

- Air Niugini Limited
  - PNG Power Limited
  - Motor Vehicle Insurance Limited
  - Oil Search Limited
  - Highlands Pacific Limited
  - Bank of South Pacific Limited
  - PNG Dams Limited
  - Livestock Development Corp Limited
  - Pacific Rim Plantations Limited
  - Gogol Reforestation Co Limited
  - PNG Forest Products Limited
  - Pom Private Hospital Limited
  - Aquarius No 21 Limited
  - Finance Pacific Limited
- Ex Privatisation Commission  
Ex Privatisation Commission  
  
Ex Privatisation Commission  
Ex Privatisation Commission

**Others:**

- Liability of Post PNG Ltd – advances of K12,276,539.54 made by the State to the Interim Liquidator
- 5 Ordinary shares in Telikom held by the Prime Minister and Minister for Treasury on Trust for the State of PNG
- Cape Rodney Rubber assets and liabilities.

Assets that are to be transferred by KCH to the People's Unit Trust (PUT) as per Gazettal 125 will not occur following the amendment to the KCH Act in 2007. The assets to be transferred were as follows:

- 30% of the vested Air Niugini Limited shares
- at least 65,534,726 shares in Oil Search Limited (only shares not already pledged as security to the European Investment Bank).
- 1,071,082 shares in Bank of South Pacific Limited.

The PUT was terminated on the basis that it was never fully constituted, and any assets and liabilities held by the KCH as trustee of that Trust, or by any other person as beneficiary of the trust, are held absolutely by the KCH.

**Vested Assets pursuant to Gazettal Notice G116 on 18 July 2002**

**Shares in:**

- Post PNG Ltd
- PNG Telikom Ltd
- PNG Ports Ltd (formerly PNG Harbours Ltd)

**Vested Assets held in trust for the Water and Wastewater Trust pursuant to Gazettal Notice G125 on 2 August 2002**

Gazettal Notice G125 dated on 2 August 2002 vested the Edu Ranu and Water PNG (formerly Water Board) assets and liabilities to the KCH in its capacity as trustee of the Water and Wastewater Trust. To date, the Water and Wastewater Trust has not commenced operations and as a result the GBT holds these assets in trust.

**Vesting Notice G42 dated 27 March 2003**



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**20. ASSETS HELD IN TRUST AND CONTINGENCIES (continued)**

**a) Assets held in trust (continued)**

Pursuant to Gazette Notice No. 42, published on 27 March 2003, Portion 83, Milinch of Hagen, Fourmil of Ramu, Kagamuga, Western Highlands Province owned by Kagamuga Natural Products Company Pty Ltd was transferred to the KCH in trust for the GBT.

**Vesting Notice G55 dated 30 April 2003**

Pursuant to Gazettal Notice No. 55, shares in the following entities were vested to the KCH in its capacity as trustee of the GBT.

- Rural Development Bank Limited
- Government Printer
- Government Stores (17 stores nationwide)
- Niugini Insurance Limited
- Revenue Haus (Land and Building)

The NEC vested the Ok Tedi shares to KCH on 5 June 2002. The vesting notice was published in 2004.

**21. CONTINGENT LIABILITIES**

**Finance Pacific Ltd (FPL) ats Rimbink Pato & Rijopa (WS No.741/2002)**

This is a claim for wrongful termination of Rimbink Pato. The matter went for hearing in 2002, and a decision is yet to be handed down by the courts. The plaintiff Mr. Pato has requested for an out of court settlement which had been refused by the Board and Mr. Pato has been advised accordingly. Until such time that the court is able to hand down its decision, the file will be held in abeyance then. Amount of damages claimed: K7,000,000.

The Plaintiff wrote to the Minister for Public Enterprise and State Investments to settle the matter at K11,000,000 in or about 11 February 2016. Advice was given to the Managing Director that the Court had not handed down its decision on liability hence, matter cannot be settled out of Court. File held in abeyance.

The matter remains active as at 31 December 2023.

**WS No. 709 of 2015: KCH & Ors - ats-Igimu Momo OBE**

The Plaintiff commenced action against the Defendants for unlawful termination. The matter has progressed to trial, and we are currently waiting on the decision of the Court which will determine the outcome of the matter. Estimated Liability: K800,000 (Salary Package per employment contract) plus interest and cost.

Decision has been made in favour of KCH. The matter has been dismissed and is in the process of formally closing this matter with our briefed lawyers.

**OS No. 860 of 2016: Anawa Unasi v KCH**

The Plaintiff alleges that he is the principal landowner of Baena land on which the Ramu project is located. On 15 December 2016, the Plaintiff commenced legal proceedings against KCH seeking various declaratory orders inter alia that the Court recognise him as the principal landowner and also sought interim injunctive orders to restrain the Ramu project from progressing. The matter is placed on the list for summary determination estimated to be in March 2021 with a date to be advised by the National Court Registry. Should this matter die naturally, there will be no estimated liability.

As at 31 December 2023, there has been no communication to KCH regarding the exploration of settlement discussions and negotiations between KCH and Anawa Unasi. It appears that there is no liability in respect of this proceedings except for legal bills.



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**21. CONTINGENT LIABILITIES (continued)**

**WS No. 697 of 2017: TLA Media Limited v KCH**

On 28 July 2017, the Plaintiff commenced legal proceedings claiming a debt of K261,459. The matter progressed to trial before David J and we now await His Honour's decision. The matter is active, and a decision is yet to be provided by David J. The file is currently in His Honour's chambers. This status remains

to the date of this amendment. On 16 December 2019, judgement was orally entered against KCH for K261, 459. 35 as debt due and owing. To date, the written judgement is yet to be delivered to parties.

KCH has given instructions and obtained orders at the Supreme Court to extend time to appeal against the decision of the National Court once the written decision of the National Court Orders are issued to the respective parties.

The matter remains active as at 31 December 2023. Estimated Liability: K261,459 plus cost and interest.

**KEL ats The State (WS 981 of 2016)**

This matter was commenced by KEL against the State (DLPP) for breach of agreement to pay KEL K46.6 million as compensation for compulsory acquisition of Portion 406 Manu. KCH successfully applied to be a party to the proceeding and has filed its Cross-claim against the Plaintiff has filed a Notice of Motion to dismiss the Cross-Claim. Motion pending hearing. Estimated Liability: Nil.

The matter is open but needs to be closed. KCH has issued instructions to Dentons Lawyers (Law firm in carriage of this matter) to close this file.

**OS (JR) No. 370 of 2017: M&M Investments Limited v Secretary for Lands, KCH and Ors**

This is a judicial review application by M&M Investments Limited seeking leave to judicially review the decision of the Department of Lands to forfeit the State Lease held by M&M over, portion 406, Milinch Manu, Fourmil Aroa and the granting of that state lease to KEL. The matter is currently and is open. The Court issued Orders on 20 May 2019 for the matter to be "*referred for Summary Determination on a date to be fixed by the Register*"

The plaintiff has filed but not received a date to move his application to have this matter removed from the Summary Determination List. It appears that there is no cost liability in respect of these proceedings except for legal bills.

The matter remains active as at 31 December 2023. Estimated Liability: Cost of the proceeding to be determined by the Court.

**WS No.1144 of 2019: Coffee Connection v PMAL and KCH**

On 18 September 2019, the Plaintiff filed a writ of summons claiming liquidated damages in the amount of K250,000 against the Defendants for breach of conduct executed by the First Defendant and the Plaintiff on the 19 February 2019.

KCH successfully obtained orders to be removed as a party to these proceedings on 24 June 2020 therefore no liabilities arising out of this matter are expected. Orders obtained on the 24 June 2020 stand. KCH internal Legal Division is to take administrative steps to close the file. It appears that there is no cost liability in respect of these proceedings except for legal bills.

**WS No. 176 OF 2020: Paul Nerau v Darren Young (In His Capacity as Managing Director of KCH) and 6 Ors.**

On 5 March 2020, the plaintiff commenced legal proceedings against Darren Young, Isikeli Taureka, Charles Abel, Sasindran Muthuvel, (In respective capacities), KCH, and the State as Defendants for a claim of K763,562.00.



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**21. CONTINGENT LIABILITIES (continued)**

**WS No. 176 OF 2020: Paul Nerau v Darren Young (In His Capacity as Managing Director of KCH) and 6 Ors. (continued)**

Orders issued by the Court on the 05<sup>th</sup> May 2022 among other things were that *"the proceeding is dismissed for failure to disclose a reasonable cause of action, being frivolous and vexatious pursuant to Order 12 Rule 40(1) of the National Court Rules"*.

This matter was argued in 2023. On 20<sup>th</sup> October 2023, the matter was dismissed by the Court. Estimated Contingent Liabilities: K763,562

**WS No. 1252 of 2010: IPBC v MVIL & Nominees Niugini Ltd**

The Plaintiff as the Trustee and Controller of Majority State Owned Enterprises under the IPBC Act, has exercised its rights under the IPBC Act and as a sole shareholder of MVIL, commenced these proceeding by way of a Writ of Summons endorsed with a Statement of Claim on 7 October 2021 seeking declaratory orders that the EMC was void on the basis that no recommendation, or Ministerial approval, was granted under Section 46B of the IPBC Act and Section 61 of the Public Finance (Management) Act 1995. The initial pleadings were against MVIL and NNL.

The issues in the proceedings were extended when the initial First and Second Defendants filed cross-claims and applied to be joined as related parties. A total of 9 parties are involved in the current proceedings.

**WS No. 40 of 2024: Dirio Gas PPL KCH & The State**

Dirio Gas and Power Limited has filed a National Court Proceeding (enclosed) titled WS No. 40 of 2024: against PNG Power Limited (First Defendant); Kumul Consolidated Holdings (Second Defendant); and The Independent State Of Papua New Guinea (Third Defendant) on 27 June 2024 (WS No. 40 of 2024).

The Claim is that PPL has been charged and has not paid Dirio an alleged total of K 180,778,464 for electricity it has been supplying into the Port Moresby Grid despite entering into a Power Purchase Agreement signed by both parties on 12 September 2019 (Dirio PPA). KCH has been named as the Second Defendant on the basis that KCH paid K40 million to Dirio, which Dirio claims to be an act that constitutes to a waiver of any shareholder rights or authority over this agreement. KCH has mounted a Defence (as the Second Defendant and Shareholder of PPL) to secure and protect its interests which will at some point in the proceeding aim to dismantle the Dirio PPA.

**22. FAIR VALUE**

The following table presents assets and liabilities that are measured at fair value (in million kina):

| <b>2023</b>                       | <b>Level 1</b>       | <b>Level 2</b> | <b>Level 3</b>       | <b>Total</b>         |
|-----------------------------------|----------------------|----------------|----------------------|----------------------|
| <b>Assets</b>                     |                      |                |                      |                      |
| Quoted equity investments         | 1,161,918,879        | -              | -                    | 1,161,918,879        |
| Unquoted equity investments       | -                    | -              | 2,855,108,110        | 2,855,108,110        |
| Investment properties             | -                    | -              | 741,610,768          | 741,610,768          |
| Projects under construction       | -                    | -              | 22,285,646           | 22,285,646           |
| Investment in project investments | -                    | -              | 24,666,346           | 24,666,346           |
| <b>At 31 December 2023</b>        | <b>1,161,918,879</b> | <b>-</b>       | <b>3,643,670,870</b> | <b>4,805,589,749</b> |
| <b>2022</b>                       | <b>Level 1</b>       | <b>Level 2</b> | <b>Level 3</b>       | <b>Total</b>         |
| <b>Assets</b>                     |                      |                |                      |                      |
| Quoted equity investments         | 1,052,511,919        | -              | -                    | 1,052,511,919        |
| Unquoted equity investments       | -                    | -              | 2,647,710,110        | 2,647,710,110        |
| Investment properties             | -                    | -              | 721,343,138          | 721,343,138          |
| Projects under construction       | -                    | -              | 22,163,553           | 22,163,553           |
| Investment in project investments | -                    | -              | 29,666,346           | 29,666,346           |
| <b>Total - 31 December 2022</b>   | <b>1,052,511,919</b> | <b>-</b>       | <b>3,420,883,147</b> | <b>4,473,395,066</b> |



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**22. FAIR VALUE (continued)**

The fair value of the financial instruments is included at 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.

Other than noted above, the carrying value of all other assets and liabilities approximates fair value.

The following methods and assumptions were used to estimate the fair values:

- Fair value of the quoted shares is based on price quotations at the reporting date.
- Fair value on unquoted shares is based significantly on Market and income approach, whichever is applicable as at reporting date.

**23. FINANCIAL RISK MANAGEMENT**

**Financial risk factors**

The Trust activities expose it to a variety of financial risks: market risk (including currency risk, equity price risk and cash flow interest rate risk), liquidity risk and credit risk. The Trust overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Trust's financial performance. Risk management is carried out under policies approved by the board of directors.

(a) Market risk

(b) Foreign exchange risk

The Trust's foreign exchange risk arises on administrative expenditure incurred at the corporate level in the PNG Kina and loan transactions in AUD. The Trust is not exposed to major translation exposures as the majority of the Trust's assets and liabilities are denoted in Kina.

There are no amounts denominated in foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change on the foreign exchange rate, with all other variables held constant, of the Trust's profit before tax due to changes on the carrying value of monetary assets and liabilities.

| Increase/decrease in<br>foreign exchange rate | Effect on profit for<br>the year ended 31<br>December 2023<br>Increase/(Decrease) | Effect on profit for<br>the year ended 31<br>December 2022<br>Increase/(Decrease) |
|-----------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
|                                               | Kina                                                                              | Kina                                                                              |
| +5%                                           | (26,597)                                                                          | (5,461)                                                                           |
| -5%                                           | 26,597                                                                            | 5,461                                                                             |

(iii) Equity price risk

The Trust's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Trust manages the equity price risk by placing limits on individual and total equity instruments.

With all other variables held constant, the 10% increase or decrease in price of equity listed securities would increase/decrease the equity approximately K116.19 million (2022: K105.25m), respectively.



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**23. FINANCIAL RISK MANAGEMENT (continued)**

*(c) Liquidity risk*

Cash flow forecasting is performed by the Trust and monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet its operational needs.

The table below summarises the maturity profile of the Trust's financial liabilities based on contractual undiscounted payments (in millions).

| Year ended 31 December 2023 | On demand | <1 year            | 1–5 years          | Total              |
|-----------------------------|-----------|--------------------|--------------------|--------------------|
|                             | K         | K                  | K                  | K                  |
| Bank loans                  | –         | 822,500,000        | 22,542,529         | 845,042,529        |
| Related party payables      | –         | 2,650,703          | –                  | 2,650,703          |
| Trade and other payables    | –         | 78,394,554         | –                  | 78,394,554         |
|                             | –         | <b>903,545,257</b> | <b>22,542,529</b>  | <b>926,087,786</b> |
| Year ended 31 December 2022 |           |                    |                    |                    |
| Bank loans                  | –         | 22,500,000         | 845,042,529        | 867,542,529        |
| Related party payables      | –         | 52,126,798         | –                  | 52,126,798         |
| Trade and other payables    | –         | 271,105            | –                  | 271,105            |
|                             | –         | <b>74,897,903</b>  | <b>845,042,529</b> | <b>919,940,432</b> |

*(d) Credit risk*

The Trust is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions. The Trust's maximum exposure to credit risk at reporting date in the event other parties fail to perform their obligations is as follows (in millions):

|                             | 2023               | 2022              |
|-----------------------------|--------------------|-------------------|
|                             | K                  | K                 |
| Cash and cash equivalents   | 271,053,321        | 34,557,637        |
| Trade and other receivables | 16,390             | 45,498            |
| Related party receivables   | 1,144,628          | 49,574,004        |
| Term Deposit                | 2,400,000          | –                 |
|                             | <b>274,614,339</b> | <b>84,177,139</b> |

The Trust reduces its risk on cash at bank by dealing only with reputed major banks.

*(e) Capital management*

The Trust manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to its stakeholders through optimization of the debt and equity balances.

This involves the use of corporate forecasting models which facilitate analysis of the Trust's financial position including cash flow forecasts to determine future capital management requirements. Capital management is undertaken to ensure a secure cost effective and flexible supply of funds is available to meet the Trust's operating and capital expenditure requirements.

**24. SUBSEQUENT EVENTS**

The extension of the BSP Loan Facilities is required because the refinancing exercise and the Asset Sale & Development options extend beyond the repayment date of 30th June 2024. The restructure of the BSP Loan Facilities includes the repayment of principal and interest for seven years to 30 June 2031. KCH, BSP and Treasury to procure and execute the necessary documentation no later than 15th August 2025.



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**24. SUBSEQUENT EVENTS (continued)**

**Bank Loans**

The government will continue to support the Trust in the next 12 months after 31 December 2023. The Trust has received total capital injection amounting to K418.5 million. Based on this no doubt that Trust will continue to operate as going concern.

**WS No 40 of 2024: Dirio Gas PPL KCH and the State as non-adjustment event**

The Board has associated the events subsequent to the year 2023 and end up to the date of signing these financial statements and determined that no adjustment or additional discloses, other than what is disclosed here, are required. Kumul Consolidated Holdings has been named as a second Defendant on WS no.40 of 2024 on 27 June 2024 on Dirio Gas and Power Limited. The Claim is that PPL has been charged and has not paid Dirio an alleged total of K 180,778,464 for electricity it has been supplying into the Port Moresby Grid despite entering into a Power Purchase Agreement signed by both parties on 12 September 2019 (Dirio PPA). KCH has been named as the Second Defendant on the basis that KCH paid K40 million to Dirio, which Dirio claims to be an act that constitutes to a waiver of any shareholder rights or authority over this agreement. KCH has mounted a Defence (as the Second Defendant and Shareholder of PPL) to secure and protect its interests which will at some point in the proceeding aim to dismantle the Dirio PPA.

**25. OTHER INFORMATION**

There were nil (2022: nil) employees employed by the Trust as at 31 December 2023.

**26. COMMITMENTS**

The requirements set out in Clause 18.4 (and other provisions) of the Facility Agreement (Facility A and B) are as follows:

- a) Deliver the Fairfax Asset Sale Plan;
- b) Deliver a valuation on the properties; and,
- c) Deliver a report on the properties at the times required.

