
GENERAL BUSINESS TRUST

***FINANCIAL REPORT FOR THE
YEAR ENDED 31 DECEMBER 2021***

GENERAL BUSINESS TRUST
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

	Page No.
Trustees' Declaration	1
Independent Auditor's Report	2 -5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 34

**GENERAL BUSINESS TRUST
TRUSTEES' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

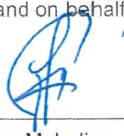
The accompanying Financial Statements have been properly drawn up so as to exhibit a true and fair view of the state of affairs of the General Business Trust (the "Trust" or "GBT") as at 31 December 2021, and a true and fair view of the results of the Trust's operations and its cash flows for the year 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 2021;
- 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 2021;
- 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.

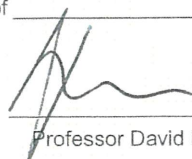
Kumul Consolidated Holdings is a Trustee of the Trust. The Board of Directors of KCH during the financial year and since the end of the financial year to the date of this report were:

<u>Name</u>	<u>Position</u>
Professor David Kavanamur, Ph. D	Managing Director (incoming Nov 2021)
Isikeli R Taureka	Managing Director (outgoing Nov 2021)
Parkop Kurua	Acting Managing Director (outgoing Feb 2020)
Moses Maladina	Chairman (incoming Nov 2021)
Matthew May	Director (incoming May 2022)
Peter J Aitsi, MBE	Chairman (outgoing Nov 2020)
Ian Clark	Director (outgoing Nov 2020)
Ian A. Tarutia, OBE	Director (incoming Nov 2020)
Dr Albert C. Mellam	Director (incoming Nov 2020)
Emma Waiwai	Director (incoming June 2020)
James Gore	Director (incoming Oct 2019)

For and on behalf of the Directors on the _____ day of _____ 2022.



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 2021**

**GENERAL BUSINESS TRUST
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

**GENERAL BUSINESS TRUST
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

**GENERAL BUSINESS TRUST
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

**GENERAL BUSINESS TRUST
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 K	2020 K
INCOME			
Interest income	4	152,073	151,710
Dividend income	5	216,591,461	197,696,226
Rental income	6(a)	20,000	20,000
Other income	6(b)	1,500,000	700,000
		218,263,534	198,567,936
EXPENSES			
Finance charges	7	48,323,308	51,874,312
Impairment losses	8	122,109,617	20,827,769
Loss (gain) arising from fair value change:			
Investment properties	10	9,775,795	132,051,026
Unquoted investments	12(a)	154,570,000	423,300,368
Quoted investments	12(c)	(21,202,899)	(18,658,551)
Allocations to Trustee	3	54,503,942	36,887,853
Foreign exchange losses (gains)	9	24,789	(308)
Other expenses		-	(256,758)
		368,104,552	646,025,711
NET LOSS		(149,841,018)	(447,457,775)

This statement of comprehensive income should be read in conjunction with the accompanying notes.



GENERAL BUSINESS TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 K	2020 K
CURRENT ASSETS			
Cash and cash equivalents	11	278,433,029	219,567,428
Related party receivables	14(a)	56,574,005	50,000,000
Total current assets		<u>335,007,034</u>	<u>269,567,428</u>
NON-CURRENT ASSETS			
Investments	12	3,913,336,900	4,042,110,936
Investment properties	10	665,599,181	674,694,666
Total non-current assets		<u>4,578,936,081</u>	<u>4,716,805,602</u>
Total Assets		<u>4,913,943,115</u>	<u>4,986,373,030</u>
CURRENT LIABILITIES			
Trade and other payables	13	80,349,065	115,997,207
Related party payables	14(b)	47,474,021	75,652,303
Bank loans – current portion	15	822,500,000	822,500,000
Total Current Liabilities		<u>950,323,086</u>	<u>1,014,149,510</u>
NON-CURRENT LIABILITIES			
Bank loans – non-current portion	15	67,542,529	90,042,529
Total Non-Current Liabilities		<u>67,542,529</u>	<u>90,042,529</u>
Total Liabilities		<u>1,017,865,615</u>	<u>1,104,192,039</u>
NET ASSETS		<u>3,896,077,500</u>	<u>3,882,180,991</u>
EQUITY			
Capital		3,415,141,613	3,251,404,086
Retained earnings		480,935,887	630,776,905
Total Equity		<u>3,896,077,500</u>	<u>3,882,180,991</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 2021

	Note	Capital K	Retained Earnings K	Total K
As at 1 January 2020		3,205,008,195	1,099,234,680	4,304,242,875
Comprehensive loss		-	(447,457,775)	(447,457,775)
Dividend	17		(21,000,000)	(21,000,000)
Capital injection	16	46,395,891	-	46,395,891
As at 31 December 2020		3,251,404,086	630,776,905	3,882,180,991
Comprehensive loss		-	(149,841,018)	(149,841,018)
Capital injection	16	163,737,527	-	163,737,527
As at 31 December 2021		3,415,141,613	480,935,887	3,896,077,500

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 2021

	Notes	2021 K	2020 K
OPERATING ACTIVITIES			
Cash payments to Trustee	3	(54,503,942)	(36,887,853)
Cash payments to suppliers and creditors		(34,172,931)	(16,424,530)
Cash from other rental income		20,000	20,000
Net cash flows used in operating activities		(88,656,873)	(53,292,383)
INVESTING ACTIVITIES			
Interest received	4	152,073	151,710
Dividends received	5	216,591,461	147,696,226
Amounts received (advanced) to related parties - net		(156,861,904)	(23,893,486)
Additions to projects under construction	12(b)	(3,267,230)	(59,513)
Additions to investment in joint ventures	12(d)	(1,325,835)	(4,447,456)
Additions to investment properties	10	(680,310)	-
Dividend paid to the State	17	-	(21,000,000)
Capital injection	16	163,737,527	46,395,891
Net cash flows provided by investing activities		218,345,782	144,843,372
FINANCING ACTIVITIES			
Payments of borrowings		(22,500,000)	(22,500,000)
Payments of interest and bank charges	7	(48,323,308)	(51,874,312)
Net cash flows used in financing activities		(70,823,308)	(74,374,312)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		58,865,601	17,176,677
Cash and cash equivalents at the beginning of the year		219,567,428	202,390,751
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		278,433,029	219,567,428

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 2021

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 on 12th 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 02nd September 2015. The changes are only through the change of name of the Independent Public Business Corporation to Kumul Consolidated Holdings (KCH) and other changes to directors, roles, transfers, and annual plans. The ownership and structure of the General Business Trust remained the same and KCH remains the Trustee of the General Business Trust. The Independent State of Papua New Guinea continues to be the beneficiary of the General Business Trust.

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.

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 2021, and further extensions to 30 June 2022, and further to 30 June 2024. BSP approved all requests for extension. As at 31 December 2021 the loan is classified as current because at the end of the reporting period, BSP had a right to demand settlement of the loan, which is 12 months from the end of the reporting period. The loan is expected to be further extended for another 24 months to 30 June 2024 and is approved by NEC on the 4th of May 2022 (NEC Decision No.191/2022).



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

As at 31 December 2021, the Trust was in a net current liability position of K615.3 million (2020: K744.6 million) and has recognised current year losses of K149.8 million (2020: net loss of K447.5 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.

c) Significant Accounting Policies and Disclosures

Financial assets

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.

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 at banks, trade receivables and investment in equity shares.

Cash and trade receivables financial assets 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.

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:

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



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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 carried at amortised cost

Financial assets that are measured at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, 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.

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.

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 2021

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.

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

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.

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.

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.

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.

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 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.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

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.

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.

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.

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.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Costs and Expenses

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

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.

Comparative Figures

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

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.

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.

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



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

d) 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.

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.

e.2) 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 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.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 has adopted the fair value approach in determining the carrying value of its investment properties. In determining the fair value for financial reporting purposes, reference is made to the valuations performed by registered valuers ("the valuers") whose valuation reports indicate several methods that have been considered as a part of the valuation process and include methods such as capitalization method, summation method and comparable sales method. The valuation reports provided by the valuers are performed independently and the valuation methodology used takes into consideration the applicability of each methodology respectively with the type of assets being valued which are reflective of prevailing economic and market conditions to ensure that the values adopted are fair and appropriate for financial reporting purposes.

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.

3. 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 (d) and Section 32 of the KCH Act 2002.

Allocations paid by the Trust in 2021 amounted to K54.5 million (2020: K36.9 million). Of this amount nil was paid during the year for the purpose of the Trust's capital project (2020: 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.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. INTEREST INCOME

	2021	2020
	K	K
Cash and cash equivalents	152,073	151,710
Total	152,073	151,710

5. DIVIDEND INCOME

	2021	2020
	K	K
Bank South Pacific Limited	122,128,700	102,622,032
Motor Vehicle Insurance Limited	42,130,463	70,000,000
PNG Ports Corporations Limited	32,332,298	15,274,194
Water PNG Limited	20,000,000	2,700,000
Eda Ranu Limited	-	5,600,000
Post PNG Limited	-	1,500,000
Total	216,591,461	197,696,226

6. (a) RENTAL INCOME

	2021	2020
	K	K
Government Stores	20,000	20,000
Total	20,000	20,000

(b) OTHER INCOME

Bad debts recovered	1,500,000	700,000
Total	1,500,000	700,000

In 2021, bad debts of K1.5 million (2020: K0.7 million) were recovered from Kumul Technology Development Corporation Limited. Payments have been received after this balance has been provided for in the previous periods.

7. FINANCE CHARGES

	2021	2020
	K	K
Interest on bank loans	48,322,224	51,873,687
Bank fees	1,084	625
Total	48,323,308	51,874,312

Interest on bank loans in 2021 and 2020 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 15). 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 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.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

8. IMPAIRMENT LOSSES

	2021 K	2020 K
Related party receivables (Note 14a):		
Air Niugini Limited (i)	50,000,000	20,000,000
Telikom Limited (ii)	14,229,704	-
PNG Power Limited (iii)	57,879,913	-
Kumul Agriculture Limited	-	827,769
Total Impairment loss	122,109,617	20,827,769

- (i) In 2021, the Trust advanced Air Niugini Limited amounting to K50.0 million (2020: K20.0 million) at an interest of 6.5%. This is considered not collectible due to its perilous cashflow situation.
- (ii) Telikom Ltd was given a total advance of K60.2 million in 2021 (2020: Nil) as shareholder loans funding assistance for the following:
- K21.0 million for the mobile core integration (CNC1) project;
 - K9.8 million to settle outstanding balance of Huawei invoices;
 - K30.0 million as a further drawdown notice from the shareholder loan facility to help settle its intercompany debt to PNG DataCo Ltd; and
- The above is partially offset by payable to Telikom of K46.5 million (Note 14b(ii)).
- (iii) In 2021, the Trust advanced PNG Power Ltd a total amount of K57.9 million (2020: Nil). This relates to the funding assistance for:
- The rural electrification projects of K15.3 million in Western Highland Province;
 - The upgrade of the 132Kv transmission and distribution lines of K32.7 million for the Tari Substation; and
 - K9.8 million upgrade for the 132Kv for Mt Hagen-Mendi-Tari for the Substation and transmission lines.

9. FOREIGN EXCHANGE LOSS (GAINS)

	2021 K	2020 K
Other	24,789	(308)
Total	24,789	(308)

Gains or losses in 2021 and 2020 resulted primarily from fluctuation between the PGK/AUD rate when settling invoices denominated in foreign currency.

10. INVESTMENT PROPERTIES

The fair value of the Trust's investment properties as at 31 December 2021 has been arrived at by considering valuation assessments carried out by Property PNG Ltd valuers (2020: Property PNG Ltd), which are unrelated entities to the Trust.

	2021 K	2020 K
Fairfax Harbour	520,797,610	524,500,000
Lancron Naval Base	74,597,310	79,500,000
Government Stores	38,349,883	38,669,000
Land 17-mile property	5,943,000	5,660,000
Dylup Plantation	18,282,883	18,700,000
Cape Rodney Rubber Plantation	7,628,495	7,665,666
Total	665,599,181	674,694,666



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Opening balance - 1 January 2020	806,745,692
Additions to investment property for 2020	-
Closing balance 31 December 2020	806,745,692
Loss from fair value change of investment properties in 2020	(132,051,026)
Opening balance - 1 January 2021	674,694,666
Additions to investment property for 2021	680,310
Closing balance 31 December 2021	675,374,976
Loss from fair value change of investment properties in 2021	(9,775,795)

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 2021, the Fairfax Harbour Port Project was delayed in implementation and was still in the planning stage and the property remains undeveloped.

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 2021, and 2020, 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.

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.

Operating lease arrangements

Rental income arising from investment properties amounted to K20,000 in 2021 (2020: K20,000), respectively. Direct operating expenses are responsibility of the lessee as stipulated in the lease agreement.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. CASH AND CASH EQUIVALENTS

(a) Cash in bank	2021 K	2020 K
General Business Trust funds	270,882,534	200,746,805
Project Trust funds		
Lae Port Development Project	371,570	371,417
Port Moresby Sewerage System Upgrade	710,488	11,980,877
PNG LNG Equity	699,344	699,344
	<u>272,663,936</u>	<u>213,798,443</u>
(b) Cash equivalents		
Interest Reserve Accounts – Dividend Loan	132,781	132,781
Interest Reserve Account – Fairfax Loan	5,636,212	5,636,204
Imprest Account	100	-
	<u>5,769,093</u>	<u>5,768,985</u>
	<u>278,433,029</u>	<u>219,567,428</u>

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.

12. INVESTMENTS

		2021 K	2020 K
Unquoted Equity Investments	12(a)	2,833,886,110	2,988,456,110
Projects under construction	12(b)	20,519,701	17,252,471
Quoted Equity Investments	12(c)	1,038,942,063	1,017,739,164
Investment in project investments	12(d)	19,989,026	18,663,191
Total		<u>3,913,336,900</u>	<u>4,042,110,936</u>



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

(a) UNQUOTED EQUITY SECURITIES

Majority State Owned Enterprises

	2021 K	2020 K	Share holding	Valuation approach 2021	2020
Motor Vehicle Insurance Limited	621,000,000	623,000,000	100%	Sum of parts	Sum of parts
PNG Ports Limited	632,000,000	530,000,000	100%	CME	CME
Telikom Limited	246,000,000	362,000,000	100%	CME/ANA	CME
National Development Bank Limited	482,000,000	442,000,000	100%	PBV/ANA	PBV/ANA
PNG Dams Limited	283,886,000	288,456,000	100%	ANA	ANA
Eda Ranu Limited	-	270,000,000	100%	CME/ANA	CME/ANA
Post PNG Limited	111,000,000	154,000,000	100%	ANA	ANA
Water PNG Limited	393,000,000	136,000,000	100%	CME/ANA	CME/ANA
PNG Power Limited	4,000,000	32,000,000	100%	ANA	ANA
PNG DataCo Limited	37,000,000	123,000,000	100%	Sum of parts	Sum of parts
Kumul Technology Development Corporation	24,000,000	21,000,000	100%	Sum of parts	Sum of parts
Investment Corporation of PNG	8,660,957	8,660,957	100%	-	-
Kumul Agriculture Limited	-	7,000,000	100%	ANA	ANA
Mount Giluwe Water Limited	842,105	842,105	100%	-	-
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%	-	-
Air Niugini Limited	-	-	100%	CME/ANA	ANA
Pacific MMI Insurance Limited	-	-	100%	-	-
Livestock Development Corporation Limited	-	-	100%	-	-
Total unquoted equity investments	2,843,389,172	2,997,959,172			
Less: Allowance for impairment	(9,503,062)	(9,503,062)			
Total unquoted equity investments, net	2,833,886,110	2,988,456,110			



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 and 2020 by Price Waterhouse Coopers. PNG Dams Limited was valued at 31 December 2021 and 2020 by other external independent valuation specialist.

Through an independent valuation, the fair value as at 31 December 2021 and 2020 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, 2020 and 2021.

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 2021 which resulted to the fair value change in the investment in unlisted shares:

- a) PNG Ports surplus assets increased by K26 million;
- b) Uplift in the performance of the PIH business which impacted MVIL and KTDCL equity value;
- c) Telikom and Bemobile merged during the year thereby KTHL consolidating the net liability position of Bemobile. This is partially offset by Telikom's revaluation of its land and buildings resulting to a revaluation increase of K396 million;
- d) DataCo recognized the China Exim loan of K753 million;



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

- e) Post PNG wrote-off fixed assets by K41 million; and
f) PNG Power Limited, Air Niugini and Kumul Agriculture Limited have consistently declining financial performance.

Note on Provision for Impairment Losses
Unquoted equity investments

	2021 K	2020 K
Investment Corporation of PNG	8,660,957	8,660,957
Mount Giluwe Water Limited	842,105	842,105
At 31 December	9,503,062	9,503,062

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

	2021 K	2020 K
Ramu2 Project	20,519,701	17,252,471
Total project under construction	20,519,701	17,252,471

Note on Ramu2 Project

Ramu 2 Hydropower Power Project is a major infrastructure project managed by Kumul Consolidated Holdings. The project site is located downstream from the existing Yonki Dam. The new Government has affirmed its commitment to the Project as an integral part of Ramu 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 after a year's delay. The commercial close was done in March 2021. Currently working to satisfy the Condition Precedent 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 Trust are nevertheless, endeavoring to reach financial close within the 2022 financial year.

(c) QUOTED EQUITY SECURITIES

	2021 K	2020 K	Share holding
Bank of South Pacific	1,038,942,063	1,017,739,164	18.15%
	1,038,942,063	1,017,739,164	

(d) INVESTMENT IN PROJECT INVESTMENTS

	2021 K	2020 K
Sepik AIC Limited (i)	19,225,241	17,899,406
YuTru Digital Identity Scheme (ii)	763,785	763,785
	19,989,026	18,663,191



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

- (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 State of Papua New Guinea has endorsed a strategic joint venture between Kumul Agriculture Limited, Provincial District Authorities, Landowners, and the Innovative Agro-Industry to develop an agro industrial centre in Yangoru Saussia District, East Sepik Province, Papua New Guinea. Additional investment of K5.4 million was required for the chicken hatchery. The Trust paid K1.3 million in April 2021 (2020: K3.6 million); 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 K0.7 million to DIBL as its first capital call in 2020. Further recommendations for the KCH Board to approve for a capital raise in DIBL.

13. TRADE AND OTHER PAYABLES

	2021 K	2020 K
Trade Creditors	333,337	35,997,207
Other Payables	15,728	-
Dividend Payable (Note 17)	80,000,000	80,000,000
Total	80,349,065	115,997,207

Outstanding trade creditors of K333,337 (2020: K35.9 million) in 2021 relates mainly to unpaid supplier invoices for professional fees for the Ramu 2 project. The decrease from 2020 results in settlement of invoices owed to the project contractors of Port Moresby Sewerage System Upgrade (K35.6 million)..

Dividend payable of K80.0 million remains unpaid as at 31 December 2021 (2020: K80.0m).

14. 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.

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	2021 K	2020 K
<i>Current</i>		
Motor Vehicle Insurance Limited (dividend) (i)	-	50,000,000
Kumul Consolidated Holdings (ii)	10,000,000	-
Total	10,000,000	50,000,000



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

<i>Non-current</i>	2021 K	2020 K
Telikom Limited (iii)	122,192,083	50,744,828
Air Niugini Limited (dividend & advance) (iv)	107,789,182	51,358,607
PNG Power Limited (v)	63,380,874	5,500,960
Kumul Technology Development Corp (vi)	1,777,077	3,277,077
Kumul Agriculture Limited (vii)	2,124,082	2,124,082
Total	297,263,298	113,005,554
Less allowance for impairment loss and bad debts recovered (Note 8 & Note 6(b))	(250,689,293)	(113,005,554)
Total related party receivables net of allowance for impairment loss	56,574,005	50,000,000

- (i) Dividend receivable of K50.0 million from MVIL pertains to 2019 final dividend declared in 2020 and paid in January 2021.
- (ii) In 2021, advances made to Kumul Consolidated Holding of K10.0 million relate to renewable energy project initiatives paid on behalf of General Business Trust relating to the water wash basin project in Central Province.
- (iii) Advances to Telikom Limited of K122.1 million consists of the following:
 - Advances made to Bemobile before the merger with Telikom:
 - a. Shareholder loan advance of K39.3 million
 - b. Interest applies on loan at 9% of K22.0 million to date
 - Advances made to Telikom after the merger as follows:
 - c. The mobile core integration (K21.0m) and a further funding assistance.
 - d. (K9.8m) 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.
- (iv) A total of K107.5 million has been provided to Air Niugini Limited to assist with its precarious liquidity position mostly due to the Covid19 impact.
 - a. Shareholder loan advanced to Air Niugini Limited declared a dividend of K10 million in 2016 and only paid K5 million in 2017 with K5 million dividend still outstanding.
 - b. 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.
 - c. In 2020, Air Niugini Limited was advanced K20.0 million at an interest rate of 3%.
 - d. In 2021, a further advance of K50.0 million at an interest rate of 6.5%.
- (v) PNG Power Limited loan relates to payments for:
 - a. Tari Substation 132Kv Transmission & Distribution Lines upgrades of K32.7 million;
 - b. Various contractor payments for the rural electrification projects in Mt Hagen, Western Highlands Province of K15.3 million.
 - c. K9.8 million upgrade for the 132Kv for Mt Hagen-Mendi-Tari for the Substation Transmission & Distribution Lines upgrade; and
 - d. 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.
- (vi) Kumul Technology Development Corporation Limited (KTDCL) receivables of K1.7 million represents the operational costs paid for by GBT on behalf of Pacific International Hospital (PIH).
- (vii) Advances to Kumul Agriculture Limited of K2.1 million relates to assistance to cover for its operational cost.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

(b) Related Party Payables

	2021	2020
	K	K
Investment Corporation of PNG (i)	900,017	900,017
Telikom Limited (ii)	46,574,004	46,574,004
Kumul Consolidated Holdings (iii)	-	28,178,282
Total	47,474,021	75,652,303

- (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) This balance represents Trust's project costs paid on its behalf by Kumul Consolidated Holdings. This has been paid in 2021.

15. BANK LOANS

	2021	2020
	K	K
Current	822,500,000	822,500,000
Non-Current	67,542,529	90,042,529
	890,042,529	912,542,529

In July 2015, the Corporation 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 December 2015 to facilitate an additional K200 million dividend 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 (Note 16). This change in interest rate is still in effect on all facilities to date. The current portion of the bank loan represents the principal repayment portion of the loan for 2021.

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



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 is expected to be further extended for another 24 months to 30 June 2024 and is approved by NEC on the 4th of May 2022 (NEC Decision No.191/2022).

16. CAPITAL INJECTION

In 2021, the Trust received K108.0 million (USD\$35.0m) in ADB SOE Funding from the Department Finance (2020: Nil). The Trust also received K25.5 million (2020: K20.0 million) in GoPNG funding from the Department of Finance earmarked for final settlement of funds owed to the contractor responsible for the construction for the Port Moresby Sewerage Upgrade Project.

The Trust further received K30.2 million from the State for the payment of the interest on its Facility B loan from BSP (2020: K32.4 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 comprehensive income.

17. DIVIDEND PAID TO STATE

	2021 K	2020 K
Dividend Paid to State	-	21,000,000
	-	21,000,000

On 24 June 2019, the Board agreed and resolved to declare a dividend of K80 million to the Independent State of Papua New Guinea. This remains unpaid as of 31 December 2021.

On 26 May 2020, the State through the Treasury Minister, requested KCH to assist the Independent State of Papua New Guinea to settle the State's accumulated debt owed to Air Niugini amounting to K21.0 million for the use of the Falcon Jet Charter service by the State by endorsing Treasury's position for the financial assistance to be recorded as deemed dividend from KCH to the State. The KCH Board approved the payment in May 2020 with the K21.0 million paid to Air Niugini Limited.

18. 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.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

19. 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 | Ex Privatisation Commission |
| • Bank of South Pacific Limited | Ex Privatisation Commission |
| • PNG Dams Limited | |
| • Livestock Development Corp Limited | |
| • Pacific Rim Plantations Limited | |
| • Gogol Reforestation Co Limited | |
| • PNG Forest Products Limited | Ex Privatisation Commission |
| • Pom Private Hospital Limited | Ex Privatisation Commission |
| • Aquarius No 21 Limited | |
| • Finance Pacific Limited | |

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.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Vesting Notice G42 dated 27 March 2003

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.

b) 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.

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.

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.

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.

Estimated Liability: K261,459 plus cost and interest.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Matter is dismissed.

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 active before the court but has not been progressed.

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.

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, Saindran Muthuvel, (In respective capacities), KCH, and the State as Defendants for a claim of K763,562.00.

Estimated Liabilities: K763,562

20. FAIR VALUE

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

2021	Level 1	Level 2	Level 3	Total
Assets				
Quoted equity investments	1,038,942,063	-	-	1,038,942,063
Unquoted equity investments	-	-	2,833,886,110	2,833,886,110
Investment properties	-	-	665,599,181	665,599,181
Liabilities				
Loans and borrowings	-	(890,042,529)	-	(890,042,529)
At 31 December 2021	1,038,942,063	(890,042,529)	3,499,485,291	3,648,384,825



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2020	Level 1	Level 2	Level 3	Total
Assets				
Quoted equity investments	1,017,739,164	-	-	1,017,739,164
Unquoted equity investments	-	-	2,988,456,110	2,988,456,110
Investment properties	-	-	674,694,666	674,694,666
Liabilities				
Loans and borrowings	-	(912,542,529)	-	(912,542,529)
Total - 31 December 2020	1,017,739,164	(912,542,529)	3,663,150,776	3,768,347,411

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.

21. 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

(i) 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 foreign exchange rate	Effect on profit for the year ended 31 December 2021 Increase/(Decrease)	Effect on profit for the year ended 31 December 2020 Increase/(Decrease)
	Kina	Kina
+5%	24,789	308
-5%	(24,789)	(308)



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

(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 K103.89 million (2020: K101.77m), respectively.

(b) 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 2021	On demand	<1 year	1–5 years	Total
	K	K	K	K
Bank loans	–	822,500,000	67,542,529	890,042,529
Related party payables	–	47,474,021	–	47,474,021
Trade and other payables	–	80,349,065	–	80,349,065
	–	950,323,086	67,542,529	1,071,865,615
Year ended 31 December 2020				
Bank loans	–	822,500,000	90,042,529	912,542,529
Related party payables	–	75,652,303	–	75,652,303
Trade and other payables	–	115,997,207	–	115,997,207
	–	1,014,149,510	90,042,529	1,104,192,039

(c) 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):

	2021	2020
	K	K
Cash and cash equivalents	278,433,029	219,567,428
Related party receivables	56,574,005	50,000,000
	335,007,034	269,567,428

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

(d) 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.



GENERAL BUSINESS TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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.

22. SUBSEQUENT EVENTS

Loan extension

In June 2018, June 2019, June 2020, June 2021, and June 2022 the Trust filed for requests for extensions of the due date of Facility A and Facility B (total amount of K800 million) to 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022, and 30 June 2024 respectively. BSP approved the first, second, third, fourth and fifth extensions. To satisfy the loan covenant, the Trust has recently gone to the market seeking potential investors to purchase part or whole of the Fairfax Harbour property and is yet to finalise prospective buyer(s). The proposal for further extension to 30 June 2024 is subsequently approved by NEC on the 04th of May 2022 (NEC Decision No. 191/2022).

Pom Port Redevelopment Project

Trust has commenced the process of investigating the possible monetisation of the old Port Moresby wharf site. A significant amount of work has been completed including the preparation of an overall concept design and a mixed development comprising of commercial high class retail, residential and recreation use. Paga Hill Development Company PNG Ltd and Kramer Ausenco have been engaged to complete the land reclamation project at Pom Port Precinct. Total contract value of K73.6 million has been earmarked for the Pom Precinct backfill and engineering cost and expenditure cost spent to date in 2022 of K23.2 million. The project is expected to complete in quarter 3 of 2023.

There were no other events that occurred after 31 December 2021, the balance sheet date, other than what has been disclosed in the notes to the financial statements that would require an adjustment or disclosure in the financial statements.

23. OTHER INFORMATION

There were nil (2020: nil) employees employed by the Trust as at 31 December 2021.

24. 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.

