2022

PNGSDP ANNUAL REPORT

SDP OFFICES

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Contents


Aviation support for our outreach initiatives


Community consultation
in Honinabi

LETTER FROM THE CHAIRMAN

In the aftermath of the COVID 19 pandemic and in the face of continuing economic uncertainty, PNG Sustainable Development Program Limited (PNGSDP) ramped up its activities in Western Province during 2022. I am pleased to present the 2022 Annual Report for PNGSDP outlining our development approach, financial situation, and program status and plans.

Our mission is to invest in development initiatives which provide lasting benefits primarily for the people of Western Province. We aim to be a valued partner in helping communities become healthy, educated and financially self-reliant.

In 2022 we continued to engage in careful consultations to understand provincial government and community priorities. Our activities in 2022 were closely aligned with Western Province's 2018-2022 Development Plan and its health, education, livelihoods and enabling infrastructure priorities. Building stakeholder support is critical for our success.

Experience has taught us that, to be effective, our projects must have scale and in 2022 we remained focused on a few substantive initiatives rather than many small projects unlikely to have a sustained impact. In keeping with our sustainability mandate, we remained actively involved with those programs initiated in prior years.

We have a strong preference for delivering our programs through partnerships. At a community level, we continue seeking joint efforts rather than providing charity. We are an "impact investor" not an NGO, donor, or arm of government, applying commercial disciplines to achieve social outcomes. In 2022 we continued to work with our trusted and capable partners.

Long Term Fund

Our programs are funded by income earned by the Long Term Fund. Since 2013 PNGSDP no longer receives dividends from Ok Tedi Mining Limited. In 2016 a new investment strategy was introduced consistent with the Program Rules. It has two objectives. Firstly, to increase the returns so we can sustain a gradual increase in our annual program spend in Western Province and secondly, to manage the risks associated with financial market volatility more effectively.

The new strategy is based on strategic asset allocations benchmarked against peer endowments. It is reflected in a marked transition from an 86% holding of fixed interest securities and 14% publicly listed equities towards a more diversified portfolio

Community-supplied housing in Ali for our health patrols

(10% fixed interest; 35% publicly listed shares; 20% diversifiers; 20% private equity; and 15% real assets). The new diversification also covers geographies, currencies and fund managers.

The results since 2016 have broadly met expectations given our long-term perspective. Investment returns (which had been tracking at 1.4% pa) reached 11.3% in 2021. Over the 6-year period ending 2022, the value of our Long Term Fund increased from US $1,332 million to US $1,547 and the returns have averaged 5.3% pa.

2022 was a period of financial market turmoil and we suffered an 8.5% "paper" loss, less than our peer endowments (9.6% loss); global bonds (16.2% loss) and global equities (18.1% loss). Had our investment strategy remained unchanged, the loss in 2022 would have been 16.5%.

The performance of the Long Term Fund is detailed in the attached independently audited accounts. In summary its year-end balance stood at US $1,547 million after transferring US $16 million to the Development Fund which held US $83 million for our development programs.

Since year-end 2022, our portfolio has generated positive returns and we are quietly confident in our ability to sustain our targeted level of spending on approved development projects in Western Province.

Our Programs and Projects

We have adopted a "hub strategy" to better capture the benefits of scale and the efficiency gains from shared services, shared infrastructure and concentrated management. The hubs also provide an effective platform for our outreach activities which serve remote rural communities.

We are aiming to sustain five scalable hubs across Western Province. While the configuration of each hub will vary according to local needs, the core elements include a solar power supply; reliable airstrip access; a PPP health facility; a platform for providing education support; and a nucleus estate agribusiness to create livelihoods in the cash economy.

In 2022, a total of US $57.5 million was spent across the hubs, with US $7.1 million on health, US $4.3 million on education, US $25.3 million on agriculture and US $21.1 million on enabling infrastructure.

> Our mission is to invest in development initiatives which provide lasting benefits primarily for the people of Western Province. We aim to be a valued partner in helping communities become healthy, educated and financially self-reliant.

Monitoring the success of our projects is challenging because these long-term programs are still in their infancy. None the less, we already have some positive indicators. In 2022, 76% of the grade 12 students enrolled in our FODE program completed all their exams and 42% achieved a GPA sufficient to undertake tertiary studies. Our teacher training program enrolled 40 students in 2022, 3 dropped out and all the others passed their year-end


Vaccinations being delivered to rural communities

exams and re-enrolled for second year studies.

Our aerial health patrols served 10 communities when launched in mid-2019. By 2022, 38 communities were benefiting from this primary health care service. Our agribusiness initiatives are making good progress with established vanilla and cocoa plantings, restarting rubber collections, and the development of aqua-culture facilities on Daru. However saleable production is not scheduled to start until 2024. Our capital projects were delivered on budget and schedule.

Details of the progress achieved in each hub during 2022 and plans for the future are outlined later in this report.

Looking Forward

As our program and project workload continues to grow, we continue to build a capable, lean and fit-for-purpose organisation to effectively manage our agenda. In 2022 we invested in strengthening systems, processes and policies to meet the changing nature, scale and complexity of our programs. Substantial efforts were also devoted to the training and development of PNGSDP's future leaders.

Good governance is critical for our success. We operate in accordance with the company's Program Rules; monitor the integrity of our systems and processes; and assess program outcomes.

In 2022 we commissioned another Independent Review of our operations as required by the Program Rules. I am pleased to report that Port Jackson Partners (who conducted the review) concluded that the company was in full compliance with the Program Rules and is delivering effective projects and programs.

There have been a number of changes in our governance arrangements.

Sadly, I note the January 2023 passing of the Late Sir Wilson Kamit who served as a director for nine years and chaired the Investment Committee. He played an important role in efforts to protect our Long Term Fund from various legal challenges and in reshaping its investment strategy.

In March 2023 Sir Rabbie Namaliu passed away after serving as a Member. As one of the nation's founding leaders, his wise counsel will be missed.

The appointment of candidates to fill these very important roles will be completed in 2023.

We are conscious that the Ok Tedi Mine life is limited with mine closure currently forecast to be around 2032. This will result in the loss of significant employment opportunities and a loss of income for the Provincial Government and CMCA communities for which there is no ready substitute.

Agriculture is the most viable alternative for the creation of new opportunities in the cash economy. However, it takes many years for agri-business start-ups to generate cash returns and so our plans are increasingly drawn towards establishing large-scale agriculture projects linked to our hub concept.

The health of our Long Term Fund is critical for sustaining our expanding portfolio of programs and projects. PNGSDP is firmly resolved to protect and grow this asset so that we can build on the foundations we have established in our hubs.

Finally, I wish to thank our dedicated staff and partners for their continuing support and drive to improve the lives of the people of Western Province.

Peter M Graham CBE
Chairman

Daru clean water storage tanks

SNAPSHOT OF CURRENT HUBS

Community engagement at Dewara

High tech aquaculture:
Seahorse production

SDP aims to be innovative in its approach.

High tech desalination:
Daru water


Balimo Hub

BALIMO HUB

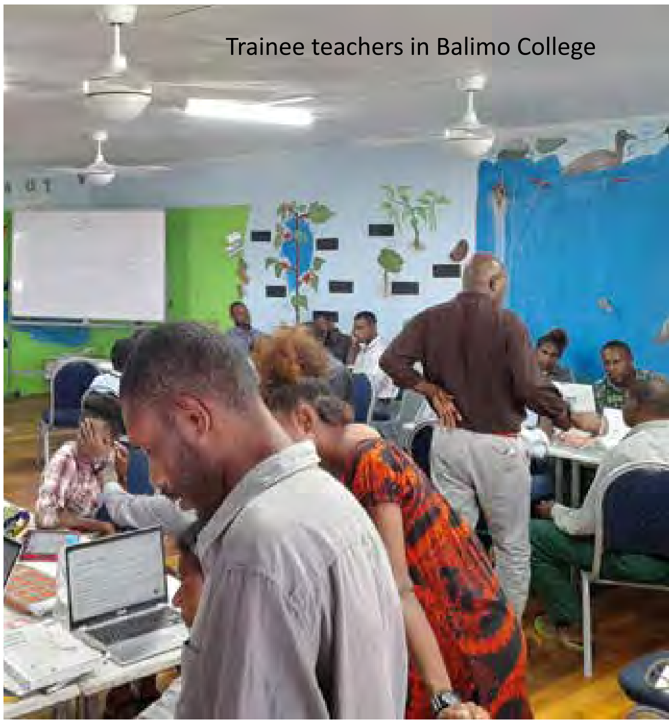

An outpatient clinic in Ali

This initiative stemmed from a collaborative effort with the late Member, Hon Roy Biyama who provided temporary housing, land and run down buildings to facilitate a low-cost, rapid hub start-up:

- Our aerial health patrols deliver primary health care (outpatient clinics, vaccinations, maternal & child health, as well as hygiene and nutrition awareness) for remote rural communities. These patrols also train community health workers and deliver medical supplies to rural health centers. They fly in and stay with each community for four days before returning


An aerial health patrol ready for departure


Snakebite training in Dewara


Trainee teachers in Balimo College

on a regular six-weekly cycle. This initiative currently employs 120 staff and deploys 10 patrol teams to support 38 airstrip communities. Water transport is also used to serve other communities. This program will be expanded over time to service 45 airstrip communities.

- We refurbished abandoned, run-down facilities to develop a teacher training college which, in 2022, enrolled its first intake of students who embarked on a 3-year diploma or 4-year degree course. Balimo College also supports two education outreach initiatives. The FODE program enables school dropouts to re-enter the education system and our e-learning program supports 36 schools with modern technology and regular coaching for the teachers. These programs will be expanded to meet the need.

- Looking forward, we are working with the Provincial Education Board to develop a model school which will offer classes from elementary to year 12. It will be developed in partially built facilities adjacent to Balimo College.

- Two agribusiness initiatives aimed at creating jobs in the cash economy were initiated in 2022. A proof-of-concept rubber trial is being conducted in nearby Kawito with a view to demonstrating that

Family-friendly accommodation for our Balimo Hub staff

New housing under construction for our growing workforce

existing growers can earn a reasonable income if supported by a professionally managed extension service, efficient logistics and regular payments. Initial results are encouraging. The second initiative involves a vanilla nucleus estate with a model farm located on the outskirts of Balimo.

- A key enabler of the Hub's outreach initiatives has been the airstrip maintenance and remediation program which is managed from Balimo. By year-end 2022 the number of rural airstrips with safe and reliable access had increased from 12 at the outset to 34 and we plan to extend this to 48 in the foreseeable future.

- Other enabling infrastructure investments in 2022 include family friendly accommodation for our staff (60 houses and 20 units now complete) and clean water supply from deep bores with advanced filtration systems. Our previous investments in the mobile telecommunications network and VSAT satellite systems support our hub outreach activities. Looking forward, our solar power system will be extended to supply the Balimo township. An all-weather access road is nearing completion and a new airstrip terminal and hangar facility have been planned and approved by the District Administrator.

Daru Hub

DARU HUB

Vanilla seedlings in a controlled environment “greenhouse”

Our initial focus was to create an “industrial estate” to support agribusiness developments which create jobs and provide support for smallholder growers. The focus is on high-value exports.

Daru solar farm

High tech aquaculture facility

- By year-end 2022, the aquaculture facilities to produce barramundi, sea horse and sea cucumber were essentially complete and the process of obtaining permits to export these products was well advanced. Other enabling infrastructure (housing; solar power; clean water; road access) was also nearing completion.

- Large scale "controlled environment" nursery facilities have been constructed to supply vanilla and cocoa seedlings for our Oriomo and Tapila nucleus estates which are being developed to support local farmers. Aside from providing assured purchasing for grower outputs, they will benefit from other essential inputs (logistics support, fertilizers and tools, specialist expertise for extension services and quality control, value-added processing and export marketing).

- A 1.5 MW solar power facility (solar panels; batteries; control center) was constructed and commissioned in August 2022. While initially intended to support our agri-business and a clean water supply for the Daru community, this facility will now be expanded in accordance with an MOU signed with PNG Power Ltd in early 2023 to use our facility to supply the Daru community with low-cost, reliable power.

- An innovative clean water system (based on bores to tap deep aquifers; a solar powered desalination plant; storage tanks; and distribution pipeline) was installed to supply the Daru community. In 2022 we signed a revised MOU with Water PNG and are currently finalizing regulatory, compliance and contractual requirements prior to commissioning.

Morehead FODE graduation

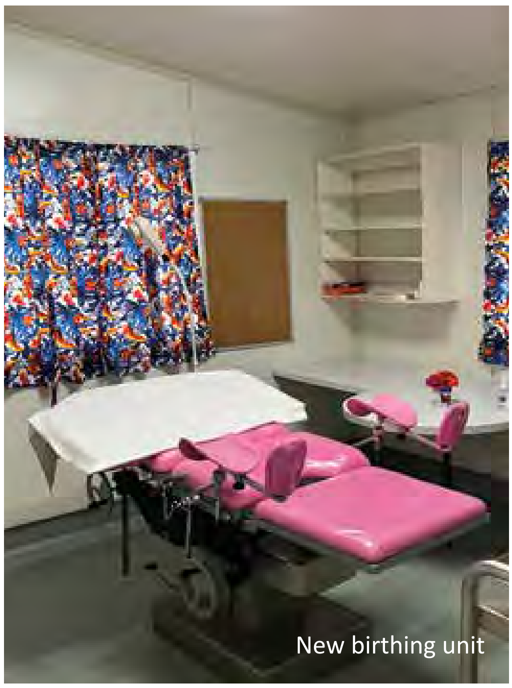
MOREHEAD HUB

In 2022 we commenced supporting the Morehead community with regular health patrols as a pre-cursor to this hub development which is being facilitated by strong community support.

Morehead hospital before

Morehead hospital after

- A phased program of infrastructure improvements commenced in 2022, starting with a birthing unit facility developed in a restored and repurposed building. A dilapidated health facility building has been rebuilt and a concerted training and recruiting effort is now underway to facilitate its smooth opening. Contracts for constructing the phase 2 hospital facilities (including solar power) have recently been let as the next step towards creating a PPP Level 4 District Hospital.
- A FODE sub-centre was opened in 2021 with 76 enrolled students (now 150) and plans are well advanced to provide an education outreach service for more isolated communities best serviced from Morehead.
- A professionally managed model farm is currently being developed to produce vanilla and support local out growers in a nucleus estate network.



New birthing unit

Lake Murray Hub

LAKE MURRAY HUB

This hub was launched in 2021 as an agribusiness initiative with both a rubber proof-of-concept, vanilla model farm and network of out growers. Tapped rubber is now being purchased from growers to promote their interest in maintaining a regular supply and vanilla seedlings are being inter-planted among established rubber trees to boost grower incomes.

A FODE sub-centre has now been established in Lake Murray and plans are progressing to expand this hub to include a health sub-centre with outreach capabilities to support the 20,000 people living in communities around the lake.

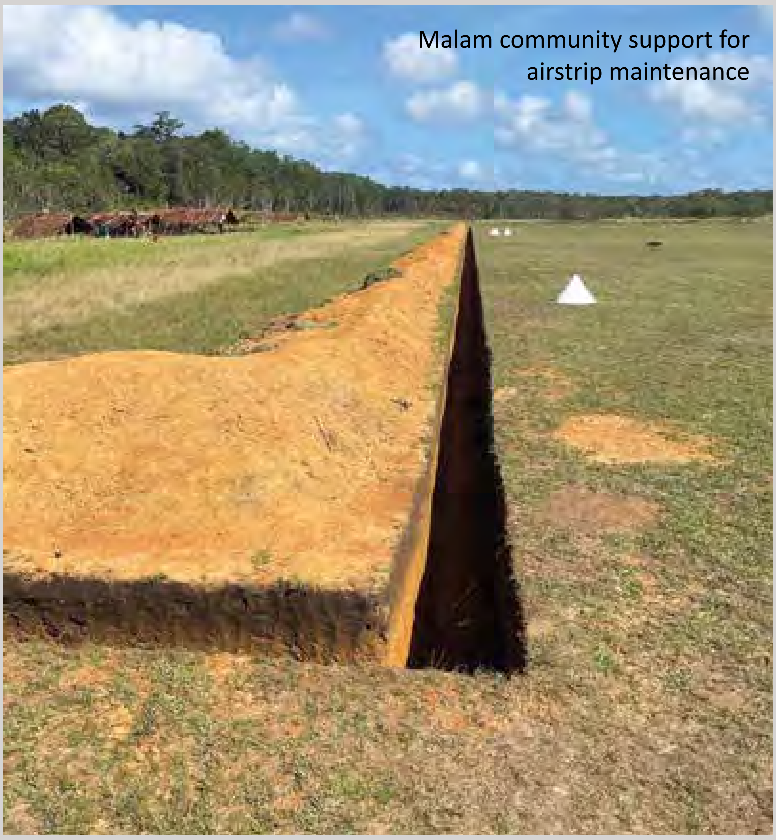
Rubber collection warehouse

Agriculture extension services for smallholders

OTHER POSSIBILITIES

We are examining the expansion of our presence in North Fly beyond the existing Kiunga initiatives (school infrastructure for St Gabriel's and Kiunga High School; clean water supply for the Sare Ward 5 community; a FODE sub-centre; and the new airstrip terminal currently under construction). Future possibilities might include a solar power supply and agribusiness developments.

We have also approved a cocoa agribusiness initiative in Suki subject to finalising secure access to the land. This could provide a platform for another hub development.



Malam community support for airstrip maintenance

Fly River Queen departing on her maiden voyage

SDP LOGISTICS SUPPORT


Loading cargo in Port Moresby


Fly River Queen arriving in Balimo

FINANCIAL STATEMENTS

PNG SUSTAINABLE DEVELOPMENT PROGRAM LIMITED AND ITS SUBSIDIARIES

For the Year Ended 31 December 2022

Contents

Directors' Statement
31 December 2022

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2022.

In the opinion of the directors,

a) the financial statements set out on pages 6 to 58 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; and

b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Sir Wilson Kamit CBE (Resigned on 22 May 2022)
Betty Lovai
John Malcolm Wylie
Robert Alphonse Kaiyun
Gregory Werner James Ridder
Wong Cheong Fook David Cecil Vivian
Lesieli Moala Taviri
Peter Maxwell Graham CBE
Dame Meg Taylor DBE

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, any other body corporate.

Directors' interests in shares, debentures and share options

The Company is limited by guarantee and has no share capital, debentures, share options or unissued shares. None of the directors had any interest in the shares, debentures or share options of any related corporations.

PNG Sustainable Development Program Limited and its Subsidiaries

Directors' Statement
31 December 2022

Independent Auditor

The independent auditor, KPMG has expressed its willingness to accept reappointment.

On behalf of the directors

PETER GRAHAM
Director

GREGORY WERNER JAMES RIDDER
Director

WONG CHEONG FOOK DAVID CECIL VIVIAN
Director (Audit Committee Chairman)

Signed at..................Singapore ....on this ......30th.................... day of ......May........................ 2023

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Independent auditors' report

Members of the Company
PNG Sustainable Development Program Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PNG Sustainable Development Program Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 58.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of Companies Act 1967 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 May 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

		Group		Company	
		2022	2021	2022	2021
	Note	US$	US$	US$	US$
Revenue					
Investment income	4	**19,885,199**	192,785,712	**19,885,199**	192,785,712
Revenue from other activities - net	4	**3,690,733**	2,783,321	**424,668**	306,678
		23,575,932	195,569,033	**20,309,867**	193,092,390
Expenses					
Investment losses	5	**(153,357,478)**	-	**(153,357,478)**	-
Governance costs	5	**(1,108,746)**	(1,096,818)	**(1,087,433)**	(1,082,251)
Administration costs	5	**(5,202,254)**	(3,132,337)	**(5,050,510)**	(6,700,848)
Fund management costs	5	**(3,856,306)**	(3,895,199)	**(3,856,306)**	(3,895,199)
		(163,524,784)	(8,124,354)	**(163,351,727)**	(11,678,298)
Operating (deficit) / surplus before development program costs		**(139,948,852)**	187,444,679	**(143,041,860)**	181,414,092
Development program costs	5	**(34,793,431)**	(41,923,384)	**(34,793,431)**	(41,923,384)
Impairment reversal on financial assets		**-**	-	**-**	3,387,979
Other losses - net	5	**(145,835)**	(30,987)	**(145,835)**	(31,094)
Share of results of joint venture	11	**449,431**	62,022	**-**	-
(Deficit) / surplus before income tax		**(174,438,687)**	145,552,330	**(177,981,126)**	142,847,593
Income tax expense	7	**(1,722,321)**	(2,742,663)	**(1,194,820)**	(1,480,348)
(Deficit) / surplus from operations		**(176,161,008)**	142,809,667	**(179,175,946)**	141,367,245
Other comprehensive deficit:					
Currency translation difference arising from consolidation		**(12,385)**	(329,614)	**-**	-
		(12,385)	(329,614)	**-**	-
Total comprehensive (deficit) / surplus		**(176,173,393)**	142,480,053	**(179,175,946)**	141,367,245
(Deficit) / surplus from operations attributable to:					
Equity holders of the Company		**(176,148,816)**	142,809,667	**(179,175,946)**	141,367,245
Non-controlling interests		**(12,192)**	-	**-**	-
		(176,161,008)	142,809,667	**(179,175,946)**	141,367,245
Total comprehensive (deficit) / surplus attributable to:					
Equity holders of the Company		**(176,161,201)**	142,480,053	**(179,175,946)**	141,367,245
Non-controlling interests		**(12,192)**	-	**-**	-
		(176,173,393)	142,480,053	**(179,175,946)**	141,367,245

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	Group 2022 US$	Group 2021 US$	Company 2022 US$	Company 2021 US$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	**215,262,266**	62,210,808	**206,744,107**	55,824,193
Other receivables	10	**1,998,423**	921,616	**58,553,036**	46,580,554
Current income tax assets	7	**-**	74,644	**-**	-
TOTAL CURRENT ASSETS		**217,260,689**	63,207,068	**265,297,143**	102,404,747
NON-CURRENT ASSETS					
Financial assets, at fair value through profit or loss (FVPL)	9	**1,326,359,257**	1,689,576,361	**1,326,359,257**	1,689,576,361
Other receivables	10	**46,749,357**	35,137,609	**-**	-
Investments in joint ventures	11	**4,707,998**	4,273,695	**-**	-
Investments in subsidiaries	12	**-**	-	**41,151,906**	18,429,106
Property, plant and equipment	13	**50,600,165**	22,627,476	**200,808**	200,808
Investment property	14	**2,617,903**	2,687,559	**2,617,903**	2,687,559
TOTAL NON-CURRENT ASSETS		**1,431,034,680**	1,754,302,700	**1,370,329,874**	1,710,893,834
TOTAL ASSETS		**1,648,295,369**	1,817,509,768	**1,635,627,017**	1,813,298,581
LIABILITIES					
CURRENT LIABILITIES					
Sundry creditors and accruals	15	**5,589,183**	4,290,667	**4,677,098**	3,386,600
Current tax liability	7	**15,960**	-	**-**	-
Provisions for employee leave		**757,709**	441,882	**389,613**	175,729
TOTAL CURRENT LIABILITIES		**6,362,852**	4,732,549	**5,066,711**	3,562,329
NON-CURRENT LIABILITIES					
Deferred income tax liability	16	**27,067**	79,629	**-**	-
TOTAL NON-CURRENT LIABILITIES		**27,067**	79,629	**-**	-
TOTAL LIABILITIES		**6,389,919**	4,812,178	**5,066,711**	3,562,329
NET ASSETS		**1,641,905,450**	1,812,697,590	**1,630,560,306**	1,809,736,252
CAPITAL EMPLOYED AND RESERVES					
Members' subscriptions	17	**31**	31	**31**	31
Funds, comprises:		**1,629,898,393**	1,806,047,209	**-**	-
- General Fund	18	**-**	-	**-**	-
- Long Term Fund	18	**-**	-	**1,547,180,119**	1,698,098,397
- Development Fund	18	**-**	-	**83,380,156**	111,637,824
Foreign currency translation reserve		**2,746,644**	2,759,029	**-**	-
Total equity attributable to equity holders of the Company		**1,632,645,068**	1,808,806,269	**1,630,560,306**	1,809,736,252
Non-controlling interests		**9,260,382**	3,891,321	**-**	-
TOTAL EQUITY		**1,641,905,450**	1,812,697,590	**1,630,560,306**	1,809,736,252

The accompanying notes form part of these financial statements.

PNG Sustainable Development Program Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Group					
	Members' subscriptions US$	Total funds US$	Foreign currency translation reserve US$	Attributable to Group US$	Attributable to non-controlling interests US$	Total US$
Balance at 1 January 2021	24	1,663,237,542	3,088,643	1,666,326,209	3,054,540	1,669,380,749
Surplus from operations	-	142,809,667	-	142,809,667	-	142,809,667
Other comprehensive deficit	-	-	(329,614)	(329,614)	-	(329,614)
Total comprehensive surplus	-	142,809,667	(329,614)	142,480,053	-	142,480,053
Contribution from members	7	-	-	7	-	7
Contribution from non-controlling interests **	-	-	-	-	836,781	836,781
Balance at 31 December 2021	31	1,806,047,209	2,759,029	1,808,806,269	3,891,321	1,812,697,590
Balance at 1 January 2022	31	1,806,047,209	2,759,029	1,808,806,269	3,891,321	1,812,697,590
Deficit from operations	-	(176,148,816)	-	(176,148,816)	(12,192)	(176,161,008)
Other comprehensive deficit	-	-	(12,385)	(12,385)	-	(12,385)
Total comprehensive deficit	**-**	**(176,148,816)**	**(12,385)**	**(176,161,201)**	**(12,192)**	**(176,173,393)**
Contribution from non-controlling interests **	-	-	-	-	5,381,253	5,381,253
Balance at 31 December 2022	**31**	**1,629,898,393**	**2,746,644**	**1,632,645,068**	**9,260,382**	**1,641,905,450**

** Capital contributed by non-controlling interests in South Fly Agribusiness Limited (Note 12).

The accompanying notes form part of these financial statements.

PNG Sustainable Development Program Limited and its Subsidiaries

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Company				
		Members' subscriptions	**General Fund**	**Long Term Fund**	**Development Fund**	**Total**
		US$	**US$**	**US$**	**US$**	**US$**
Balance at 1 January 2021		24	-	1,622,010,660	46,358,316	1,668,369,000
Total comprehensive (deficit) / surplus	18	-	(7,783,099)	183,870,836	(34,720,492)	141,367,245
Transfer between funds		-	7,783,099	(107,783,099)	100,000,000	-
Contribution from members		7	-	-	-	7
End of financial year		31	-	1,698,098,397	111,637,824	1,809,736,252
Balance at 1 January 2022		31	-	1,698,098,397	111,637,824	1,809,736,252
Total comprehensive deficit	18	-	(6,137,943)	(128,780,335)	(44,257,668)	(179,175,946)
Transfer between funds		-	6,137,943	(22,137,943)	16,000,000	-
End of financial year		**31**	**-**	**1,547,180,119**	**83,380,156**	**1,630,560,306**

The allocation of revenues and expenses and transfers from the General Fund to the Long Term Fund and the Development Fund are determined in accordance with the rules of the Company (Note 2(m)).

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 US$	2021 US$
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Deficit) / surplus from operations		**(176,161,008)**	142,809,667
Adjustments for:			
- Income tax expense	7	**1,722,321**	2,742,663
- Fair value losses / (gains) on financial assets, at FVPL		**153,357,478**	(175,238,343)
- Interest income		**(15,256,966)**	(10,455,126)
- Share of profit of joint ventures	11	**(449,431)**	(62,022)
- Depreciation		**69,656**	69,656
		(36,717,950)	(40,133,505)
Change in working capital:			
- Other receivables		**(12,688,555)**	(15,877,392)
- Sundry creditors and accruals		**1,614,343**	(1,328,385)
Cash used in operations		**(47,792,162)**	(57,339,282)
Interest received		**15,256,966**	10,455,126
Withholding and other taxes paid		**(1,684,279)**	(2,297,111)
Purchases of financial assets, at FVPL		**(327,069,318)**	(592,594,014)
Proceeds from disposal of financial assets, at FVPL		**536,931,687**	539,258,794
Net cash generated from / (used in) operating activities		**175,642,894**	(102,516,487)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	13	**(27,972,689)**	(4,358,888)
Net cash used in investing activities		**(27,972,689)**	(4,358,888)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Subscriptions received from members		**-**	7
Capital contribution from non-controlling interests		**5,381,253**	836,781
Net cash from financing activities		**5,381,253**	836,788
Net increase / (decrease) in cash and cash equivalents		**153,051,458**	(106,038,587)
Cash and cash equivalents at the beginning of the financial year	8	**62,210,808**	168,249,395
Cash and cash equivalents at the end of the financial year	8	**215,262,266**	62,210,808

The accompanying notes form part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General information

PNG Sustainable Development Program Limited ("PNGSDP" or the "Company") is incorporated and domiciled in Singapore. The address of its principal place of business is Level 1, Harbourside West Building, Stanley Esplanade, PO Box 1786, Port Moresby, Papua New Guinea. The address of its registered office is 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624.

The principal activities of the Company are to promote sustainable development within Papua New Guinea, and advance the general welfare of the people of Papua New Guinea, particularly those of the Western Province of Papua New Guinea, through supporting programs and projects in accordance with the Program Rules.

The principal activities of the subsidiaries are stated in Note 12.

2 Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement when applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions. Areas involving significant judgements, complexities, assumptions and estimates are disclosed in Note 3.

These financial statements are prepared on the basis that the Group retains its control over the recorded assets of the Group at reporting date and continues to manage those assets in accordance with the Program Rules for the foreseeable future.

(b) Revenue recognition

(i) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefit associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(ii) Interest income

Interest income is recognised using the effective interest method.

(c) Group accounting

(i) Subsidiaries

1. *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 Significant accounting policies (Continued)

(c) Group accounting (Continued)

(i) Subsidiaries (Continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

i. *Acquisitions*

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the net identifiable assets acquired is recorded as goodwill.

3. *Disposals*

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2(d) for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2 Significant accounting policies (Continued)

(c) Group accounting (Continued)

(ii) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(iii) Joint ventures

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

a. *Acquisitions*

Investments in joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on joint ventures represents the excess of the cost of acquisition of the joint venture over the Group's share of the fair value of the identifiable net assets of the joint venture and is included in the carrying amount of the investments.

b. *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in a joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

c. *Disposals*

Investments in joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2 Significant accounting policies (Continued)

(c) Group accounting (Continued)

(iii) Joint ventures (Continued)

Please refer to the Note 2(d) “Investments in subsidiaries and joint ventures” for the accounting policy on investments in joint ventures in the separate financial statements of the Company.

(d) Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are carried at cost, less accumulated impairment losses in the Company’s statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(e) Property, plant and equipment

(i) Measurement

a. *Land and buildings*

Land and buildings are initially recognised at cost. Buildings and leasehold land are subsequently carried at their costs less accumulated depreciation and accumulated impairment losses.

b. *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Constructions-in-progress are accounted for at cost and subsequently reclassified to completed asset upon completion.

c. *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(ii) Depreciation

Depreciation on property, plant and equipment is calculated using a straight-line method to allocate their depreciable amounts of plant and equipment over their estimated useful lives. The annual rates used for this purpose are as follows:

	Annual Rates %
Leasehold land	Nil

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

2 Significant accounting policies (Continued)

(e) Property, plant and equipment (Continued)

(iii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. Repair and maintenance expense are recognised in profit or loss when incurred.

(iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

(f) Investment property

Investment property are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Investment property is depreciated on a straight-line basis over its estimated useful life. The annual rate used for this purpose is 2.5%.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) are recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(g) Impairment of non-financial assets

(i) Property, plant and equipment
Investments in subsidiaries and joint ventures

Property, plant and equipment and investments in subsidiaries and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2 Significant accounting policies (Continued)

(g) Impairment of non-financial assets (Continued)

(i) Property, plant and equipment
Investments in subsidiaries and joint ventures (Continued)

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment is also recognised in profit or loss.

(h) Income taxes

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

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the carrying amount of the investment property is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2 Significant accounting policies (Continued)

(h) Income taxes (Continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

(i) Provisions

Provisions are recognised when the Group and the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(j) Employee compensation

Employee benefits are recognised as an expense, unless they can be capitalised as an asset.

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pays fixed contributions into separate entities such as National Superannuation Fund and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Group and the Company contributions to defined contribution plans are recognised as employee benefit expense when they are due.

(ii) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date at the future expected cost.

(k) Functional and presentation currency

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group and the Company are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in United States Dollar (“US$”) which is the Company’s functional currency.

2 Significant accounting policies (Continued)

(k) Functional and presentation currency (Continued)

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

b. Income and expenses for each statement comprehensive income are translated at average exchange rates; and

c. All resulting currency translation differences are recognised in the foreign currency translation reserve in equity.

(l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash and bank balances, treasury bills, commercial papers and certificates of deposit, which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings in the statement of financial position. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

(m) Long Term Fund, Development Fund and General Fund

In pursuing its objectives, the Company is able to invest and utilise its available resources from the Long Term Fund, the Development Fund and General Fund in accordance with the Rules of the Company.

Long Term Fund

The Long Term Fund represents 2/3 of net income received from Ok Tedi Mining Limited after deducting operating expenses and all other legal contractual obligations as specified in the rules of the program relating to the application of the income received.

Funds from the Long Term Fund must be invested to achieve low risk for the aggregate investment portfolio.

2 Significant accounting policies (Continued)

(m) Long Term Fund, Development Fund and General Fund (Continued)

Before the mine closure date, investment income from the Long Term Fund will be used in the following order of priority:

a) Operating expenses for next 6 months in accordance with the budget approved by the board from time to time.

b) To the extent the amounts under Rules clauses 9.2 (b) and 9.3 (b) and that part of the commitment which is undrawn are insufficient, to meet contractual obligations.

c) To the extent the amount under clause 9.2 (c) is insufficient, if determined by the board, to meet a call by Ok Tedi Mining Limited in accordance with clause 12 (further capital requirements by Ok Tedi Mining Limited), with the balance to be added to and form part of the Long Term Fund.

The Program Rules are applied taking into account that the Company no longer receives dividends from Ok Tedi Mining Limited and neither does the Company have any continuing obligations relating to Ok Tedi Mining Limited.

An annual budget is prepared and submitted to the board of directors for review and actual operating expenditure is monitored progressively against the approved budget. The budget is approved taking into account the Program Rules under clause 9.3 applicable to the funding of operating expenses from investment income received by the Company on the Long Term Fund prior to mine closure.

After mine closure the funds will be applied in the following order of priority:

a) Operating expenses for next 6 months in accordance with the budget approved by the board from time to time.

b) To the extent that distributions and investment income received after the mine closure date are insufficient to meet contractual obligations as they fall due for payment.

c) Calls from Ok Tedi Mining Limited (on Shareholders).

d) To fund Sustainable Development Purposes in proportions to be determined by the board of directors in accordance with Rules clause 10.4.

Development Fund

The fund is to be used to support and fund programs and projects which promote sustainable development in accordance with the “Rules for the PNG Sustainable Development Program” scheduled to and forming part of the Articles of Association of the Company.

The Development Fund represents 1/3 of income received from OK Tedi Mining Limited investments after deducting operating expenses and all other contractual obligations as specified in the rules relating to the application of income received.

2 Significant accounting policies (Continued)

(m) Long Term Fund, Development Fund and General Fund (Continued)

In accordance with Rules clause 9.2 (e), the funds are to be applied as follows:

a) 1/3 of these funds to be used in accordance with the Objects of the Articles of Association of the Company and at the discretion of the board for the benefit of the people of Western Province; and

b) 2/3 of these funds to be used in accordance with the Objects of the Articles of Association of the Company and at the discretion of the board for the benefit of the people of Papua New Guinea.

These funds will be used mainly to fund projects covering core areas in health, education, capacity building, economic development, infrastructure community self-reliance, local community leadership and institutional capacity and other social and environmental purposes for the benefit of the people of Papua New Guinea, in particular, the people of the Western Province.

An annual budget including development expenditure is prepared and submitted to the board of directors for review and actual expenditure is monitored progressively against the approved budget. The budget is approved taking into account the funds available for use in the Development Fund.

General Fund

In accordance with clause 14 of the “Rules for the PNG Sustainable Development Program”, a yearly budget of administration costs must be prepared and approved by the board of directors.

The budget prepared for each year after the third year of the Program must reflect that the portion of the operating expenses attributable to the operation of the Company (but not to the running of the Program) should not exceed 15% of the average annual income of the Program during the immediate preceding 3 accounting years.

The administration costs cover the normal operating expenses of the Company and of the Program including (without limitation) establishment costs, directors’ fees, the cost of directors’ and officers’ liability insurance, expenditure of the program manager and the program manager’s remuneration, and any tax payable by the Company.

(n) Grants

Grants provided to subsidiaries, joint ventures and third parties are expensed in the period in which the grants are released.

(o) Financial assets

(i) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss (FVPL).

2 Significant accounting policies (Continued)

(o) Financial assets (Continued)

(i) *Classification and measurement (Continued)*

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

a) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities and equity investments.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or fair value through other comprehensive income (FVOCI) are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in revenue in "fair value gains / losses on financial assets, at FVPL".

b) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in revenue in "fair value gains / losses on financial assets, at FVPL". Dividends from equity investments are recognised in profit or loss as "dividend income".

2 Significant accounting policies (Continued)

(o) Financial assets (Continued)

(ii) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 20 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For cash and cash equivalents and other receivables, the general 3 stage approach is applied. Credit loss allowance is based on 12 month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

(iii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

(p) Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2022

2 Significant accounting policies (Continued)

(p) Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses (Continued)

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They 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). Otherwise, they are presented as non-current liabilities. Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Financial assets, at FVPL

The Group and the Company uses market or quoted prices to fair value its financial assets. In cases where market or quoted prices are not used, fair value is determined by using valuation techniques and a set of key assumptions that are subject to change depending on the market conditions prevailing at the time in which fair value is determined. Furthermore, the Group and the Company follows guidance of FRS 109 to classify financial assets as financial assets, at FVPL. The current classification is based on the premise that these financial assets are managed on a portfolio basis and traded accordingly. Prevailing market conditions could change resulting in reassessment of the current classification.

4 Revenue

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
Interest income from commercial papers, certificates of deposits, bonds and cash balances	**11,990,901**	7,978,483	**11,990,901**	7,978,483
Fair value gains on financial assets, at FVPL	**-**	175,238,343	**-**	175,238,343
Dividend income *	**7,894,298**	9,568,886	**7,894,298**	9,568,886
	19,885,199	192,785,712	**19,885,199**	192,785,712
Revenue from other activities				
Interest income	**3,266,065**	2,476,643	**-**	-
Rental income	**424,668**	306,678	**424,668**	306,678
	3,690,733	2,783,321	**424,668**	306,678
Total revenue	**23,575,932**	195,569,033	**20,309,867**	193,092,390

Notes to the Financial Statements
For the year ended 31 December 2022

4 Revenue (Continued)

* Dividends relate to dividends received from In-house Managed Funds (Note 9).

5 Expenses

	Group		Company	
	2022	2021	2022	2021
	US$	US$	US$	US$
Investment losses				
Fair value losses on financial assets, at FVPL	**150,246,991**	-	**150,246,991**	-
Foreign exchange loss on local investments	**3,110,487**	-	**3,110,487**	-
	153,357,478	-	**153,357,478**	-
Governance costs				
Board administration	**796,751**	756,994	**796,751**	756,994
Audit fees	**122,184**	115,438	**100,871**	100,871
Company secretary and trustee fees	**97,868**	117,367	**97,868**	117,367
Members and advisory council fees	**85,343**	95,857	**85,343**	95,857
Annual report meeting expenses	**6,600**	11,162	**6,600**	11,162
	1,108,746	1,096,818	**1,087,433**	1,082,251
Administration costs				
Management fees	**-**	-	**1,266,402**	4,665,697
Employee compensation (Note 6)	**2,986,841**	1,749,290	**1,761,662**	763,023
Professional services	**1,080,511**	658,786	**983,351**	627,487
Travel	**321,575**	146,253	**290,784**	141,927
Insurance	**260,370**	230,871	**258,757**	218,219
Information services	**200,593**	117,039	**191,040**	100,600
Office rent	**190,157**	73,740	**166,719**	49,797
Repairs and maintenance	**78,998**	76,852	**78,998**	76,852
Other expenses	**83,209**	79,506	**52,797**	57,246
	5,202,254	3,132,337	**5,050,510**	6,700,848
Fund management costs				
Investment services fees **	**2,682,077**	2,675,016	**2,682,077**	2,675,016
Professional services	**1,174,229**	1,220,183	**1,174,229**	1,220,183
	3,856,306	3,895,199	**3,856,306**	3,895,199
Development program costs	**34,793,431**	41,923,384	**34,793,431**	41,923,384
	34,793,431	41,923,384	**34,793,431**	41,923,384
Other (gain) / losses - net				
Foreign currency exchange loss, net	**145,835**	30,987	**145,835**	31,094
	145,835	30,987	**145,835**	31,094
Total expenses	**198,464,050**	50,078,725	**198,290,993**	53,632,776

Notes to the Financial Statements
For the year ended 31 December 2022

5 Expenses (Continued)

** Fund management costs charged to the Long Term Fund and Development Fund were US$3,719,353 (2021: US$3,782,340) and US$136,953 (2021: US$112,859), respectively.

6 Employee compensation

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
Wages and salaries	**2,453,941**	1,384,456	**1,378,522**	514,494
Other employee benefits and costs	**275,948**	222,775	**216,135**	167,500
Employer's contribution to defined contribution plans	**256,952**	142,059	**167,005**	81,029
	2,986,841	1,749,290	**1,761,662**	763,023

Key management personnel compensation is disclosed in Note 21.

7 Income tax

(a) Income tax expense

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
Tax expense attributable to the operating surplus is made up of:				
Current income tax	**1,774,883**	2,179,892	**1,194,820**	1,480,348
Deferred income tax	**(52,562)**	562,771	**-**	-
	1,722,321	2,742,663	**1,194,820**	1,480,348

The tax expense is comprised of:

- US$1,194,820 (2021: US$1,480,348) in connection with the withholding tax deducted from dividend income from its Papua New Guinea equity investments;
- US$580,063 (2021: US$699,544) in connection with the current income tax payable for a subsidiary; and
- US$52,562 (2021: US$562,771) in connection with the deferred income tax for a subsidiary.

No Singapore income tax is payable on the basis that the dividend and interest income is not remitted to Singapore.

Notes to the Financial Statements
For the year ended 31 December 2022

7 Income tax (Continued)

(a) Income tax expense (Continued)

The tax on results differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
(Deficit) / surplus before income tax	**(174,438,687)**	145,552,330	**(177,981,126)**	142,847,593
Tax calculated at Singapore rate applicable to income in Papua New Guinea at 17% (2021: 17%)	**(29,654,577)**	24,743,896	**(30,256,791)**	24,284,091
Income not subject to tax	**(2,729,869)**	(31,579,173)	**(2,098,235)**	(31,147,600)
Expenses not deductible for tax purposes	**33,738,889**	8,513,383	**33,709,469**	8,541,615
Effect of tax rates in other countries	**(159,623)**	(197,758)	**(159,623)**	(197,758)
Tax expense of subsidiaries	**527,501**	1,262,315	**-**	-
Tax expense	**1,722,321**	2,742,663	**1,194,820**	1,480,348
Comprising:				
Dividend / interest withholding tax paid to the IRC of Papua New Guinea	**1,194,820**	1,480,348	**1,194,820**	1,480,348
Current income tax expense	**580,063**	699,544	**-**	-
Deferred income tax (credit) / expense	**(52,562)**	562,771	**-**	-
	1,722,321	2,742,663	**1,194,820**	1,480,348

(b) Movement in current income tax liability / (asset):

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
Beginning of financial year	**(74,644)**	42,575	**-**	-
Tax expense	**580,063**	699,544	**-**	-
Income tax paid	**(489,459)**	(816,763)	**-**	-
End of financial year	**15,960**	(74,644)	**-**	-

Notes to the Financial Statements
For the year ended 31 December 2022

8 Cash and cash equivalents

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
Cash and bank balances	**12,481,425**	15,461,415	**3,963,266**	9,074,800
Funds under management:				
Deposits at call *	**202,780,841**	46,749,393	**202,780,841**	46,749,393
	215,262,266	62,210,808	**206,744,107**	55,824,193

* Deposits at call have a maturity of no more than 3 months.

For the purpose of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2022 **US$**	**2021** **US$**
Cash and cash equivalents	**215,262,266**	62,210,808

9 Financial assets

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
Non-current				
Funds under management:				
Financial assets, at FVPL				
Bonds, equity securities* and funds	**1,286,462,174**	1,627,080,763	**1,286,462,174**	1,627,080,763
In-house managed funds:				
Financial assets, at FVPL				
Bonds and equity securities*	**39,897,083**	62,495,598	**39,897,083**	62,495,598
Total non-current	**1,326,359,257**	1,689,576,361	**1,326,359,257**	1,689,576,361
Total	**1,326,359,257**	1,689,576,361	**1,326,359,257**	1,689,576,361

* Investments in listed equity securities.

Funds under management

The financial assets that are externally-managed comprised funds placed with various professional fund managers pursuant to investment management agreements and other direct investments in equity funds. To achieve diversification, funds allocated to different fund managers are invested in different asset classes to reduce overall portfolio risk. The Group can, pursuant to the terms, terminate the agreements by giving the requisite prior notice in writing to the fund managers. The professional fund managers are given discretionary powers within certain guidelines to invest the funds and these financial assets are managed on a portfolio basis and their performance evaluated on a fair value basis.

Notes to the Financial Statements
For the year ended 31 December 2022

10 Other receivables

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
Current				
Loans and receivables *	**393,784**	393,784	**57,244,156**	46,287,535
Other receivables	**1,998,423**	921,616	**2,632,409**	1,616,548
	2,392,207	1,315,400	**59,876,565**	47,904,083
Less: Allowance for loan losses	**(393,784)**	(393,784)	**(1,323,529)**	(1,323,529)
	1,998,423	921,616	**58,553,036**	46,580,554
Non-current				
Loan receivable, from a joint venture (Note (i))	**46,749,357**	35,137,609	**-**	-
Total	**48,747,780**	36,059,225	**58,553,036**	46,580,554

	Company	
	2022 US$	**2021 US$**
*** Loans receivable from subsidiaries:**		
Champion No. 34 Limited (Note (ii))	**56,944,977**	45,882,690
PNG Sustainable Development Program (Australia) Pty Limited (Note (iii))	**299,179**	404,845
	57,244,156	**46,287,535**

i. Champion No. 34 Limited, a subsidiary of the Company, is a 50% shareholder of a real estate joint venture in Papua New Guinea named Harbourside Development Limited. On 29 September 2017, the shareholders of the joint venture entered into a loan arrangement where each shareholder equally provided a loan of PNG Kina 33,615,323 directly to the joint venture at 6.5% interest per annum. The principal of the loan is repayable after 5 years from the date of draw down. In 2019, the joint venture entered into an agreement for the expansion of the office complex development funded by further shareholders loans. The Company's contributions as shareholder are required to be first deposited into an escrow account and then drawn down as loan funding for the construction of the new development. Drawdowns for the current year amounted to US$10,444,846 (2021: US$14,202,413). At the reporting date, the fair value of the total loan receivable from a joint venture is US$46,347,866 (2021: US$34,882,541) and is computed based on cash flow discounted at the interest rates at 8.5% per annum (2021: 8.5% per annum).

ii. The loan receivable from Champion No. 34 Limited is interest-free, unsecured with no fixed repayment period and will be called upon when the subsidiary has the capacity to repay the loan.

iii. The loan receivable from PNGSDP (Australia) Pty Limited is interest-free, unsecured with no fixed repayment period and will be called upon when the subsidiary has the capacity to repay the loan.

Loans and receivables (excluding prepayments and interest receivable) and other receivables are denominated in PNG Kina and US Dollars. The carrying amounts of loans and receivables, and other receivables approximate their fair values.

Notes to the Financial Statements

For the year ended 31 December 2022

11 Investments in joint ventures

	Company	
	2022 US$	**2021 US$**
Investment in PNG Energy Development Limited ("PNGEDL"), at cost	**-**	45,109,368
Provision for impairment of investment in PNGEDL*	**-**	(45,109,368)
	-	-

** The impairment arose in 2013, following loss of income from Ok Tedi Mining Limited. The Company no longer has the capacity to fund the project.*

	Group	
	2022 US$	**2021 US$**
Beginning of financial year	**4,273,695**	4,237,847
Share of results after tax	**449,431**	62,022
Currency translation differences	**(15,128)**	(26,174)
End of financial year	**4,707,998**	4,273,695

The investments in joint ventures are represented by:

	Group	
	2022 US$	**2021 US$**
Share of net assets in PNGEDL	-	-
Share of net assets in Harbourside Development Ltd	**4,707,998**	4,273,695
Total	**4,707,998**	4,273,695

The following amounts represent the Group's share of the assets, liabilities, income and expenses of the joint ventures:

	2022 US$	**2021 US$**
Assets	**61,813,916**	50,265,931
Liabilities	**57,105,918**	45,992,236
Revenue	**3,488,101**	3,051,032
Net results	**449,431**	62,022

PNG Energy Development Limited

Given the inactivity of the joint venture, PNG Energy Development Limited was de-registered on 18 November 2022 and residual cash distributed equally to joint venture participants.

11 Investments in joint ventures (Continued)

Harbourside Development Limited

Champion No. 34 Limited has a 50% joint venture agreement with Steamships Trading Company Limited to own and operate an office complex on the waterfront in Port Moresby. The construction of this office complex was completed and the commercial letting of the premises commenced during the 2nd half of 2016. The investment in this development was US$9,330,000 which has been equity accounted in accordance with the Group's policy for joint ventures.

Details of the joint ventures are as follows:

Name of joint venture	Principal activities	Country of Incorporation	Effective Interest	
			2022 %	2021 %
PNG Energy Development Limited	Development of energy projects	Papua New Guinea	-	50
Harbourside Development Limited	Property development	Papua New Guinea	50	50

There are no contingent liabilities relating to the Group's interest in the joint ventures.

Summarised financial information for PNG Energy Development Limited

Set out below are the summarised financial information for PNG Energy Development Limited which is accounted for using the equity method.

Summarised statement of financial position

	2022 US$	2021 US$
Current		
Cash and cash equivalents	-	26,167
Total current assets	-	26,167
Other current liabilities (including trade payables)	-	17,089
Total current liabilities	-	17,089
Net assets	-	9,078
Interest in joint venture at 50%	-	4,539
Impairment	-	(4,539)
Carrying value	-	-

11 Investments in joint ventures (Continued)

Summarised statement of comprehensive income

	2022 US$	2021 US$
Interest income	-	75
Administration expenses	-	(16,230)
Total comprehensive loss for the year attributable to equity holders of the Company	**-**	(16,155)

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint venture.

Summarised financial information for Harbourside Development Limited

Set out below is the summarised financial information for Harbourside Development Limited which is accounted for using the equity method.

Summarised statement of financial position

	2022 US$	2021 US$
Current		
Cash and cash equivalents	**142**	143
Other current assets (excluding cash)	**12,120,839**	10,189,893
Total current assets	**12,120,981**	10,190,036
Financial liabilities (excluding trade payables)	**110,303,176**	89,461,913
Other current liabilities (including trade payables)	**3,908,660**	2,522,560
Total current liabilities	**114,211,836**	91,984,473
Non-current		
Fixed assets	**111,506,851**	90,341,827
Total non-current assets	**111,506,851**	90,341,827
Net assets	**9,415,996**	8,547,390
Net assets including the foreign currency translation differences	**9,415,996**	8,547,390
Interest in joint venture at 50% and carrying value	**4,707,998**	4,273,695

Notes to the Financial Statements
For the year ended 31 December 2022

11 Investments in joint ventures (Continued)

Summarised financial information for Harbourside Development Limited (Continued)

Summarised statement of comprehensive income

	2022 US$	2021 US$
Revenue from continuing operations	**6,976,203**	6,102,064
Operating costs	**(6,016,348)**	(6,249,035)
Loss before income tax	**959,855**	(146,971)
Income tax expense	**(60,993)**	271,015
Total comprehensive income for the year attributable to equity holders of the Company	**898,862**	124,044

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint venture.

12 Investments in subsidiaries

	Company	
	2022 US$	2021 US$
Unquoted investments at cost		
South Fly Agribusiness Limited	**41,151,904**	18,429,104
PNG Sustainable Infrastructure Limited	**1**	1
Impairment of PNG Sustainable Infrastructure Limited	**(1)**	(1)
PNG Sustainable Energy Limited	**-**	5,450,000
Impairment of PNG Sustainable Energy Limited	**-**	(5,450,000)
Champion No. 34 Limited	**1**	1
PNG Sustainable Development Program (Australia) Pty Limited	**1**	1
Champion No 53 Limited**	**-**	-
Daru Port Development Company Ltd	**31,914,150**	31,914,150
Impairment of Daru Port Development Company Ltd	**(31,914,150)**	(31,914,150)
	41,151,906	18,429,106

** Less than US$1.

Notes to the Financial Statements
For the year ended 31 December 2022

12 Investments in subsidiaries (Continued)

Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective Interest 2022 %	Effective Interest 2021 %
South Fly Agribusiness Limited	Agriculture and aquaculture activities in Western Province	Papua New Guinea	83	83
PNG Sustainable Infrastructure Limited	Infrastructure Projects (Inactive)	Papua New Guinea	100	100
PNG Sustainable Energy Limited	Development of energy Projects (Inactive)	Papua New Guinea	100	100
Champion No. 34 Limited	Real estate and other investment activities	Papua New Guinea	100	100
PNG Sustainable Development Program (Australia) Pty Limited	Administration, accounting and investment management services	Australia	100	100
Champion No 53 Limited	Investment holding company (Inactive)	Papua New Guinea	100	100
Daru Port Development Company Ltd	Construction of port facilities (Inactive)	Papua New Guinea	100	100

13 Property, plant and equipment

Group	Leasehold land US$	Construction-in-progress US$	Total US$
2022			
Cost			
Beginning of financial year	200,808	22,426,668	22,627,476
Additions	-	27,972,689	27,972,689
End of financial year	**200,808**	**50,399,357**	**50,600,165**
Accumulated depreciation			
Beginning and end of financial year	-	-	-
Net book value			
End of financial year	**200,808**	**50,399,357**	**50,600,165**

Notes to the Financial Statements

For the year ended 31 December 2022

13 Property, plant and equipment (Continued)

Group	Leasehold land US$	Construction-in-progress US$	Total US$
2021			
Cost			
Beginning of financial year	200,808	18,067,780	18,268,588
Additions	-	4,358,888	4,358,888
End of financial year	200,808	22,426,668	22,627,476
Accumulated depreciation			
Beginning and end of financial year	-	-	-
Net book value			
End of financial year	200,808	22,426,668	22,627,476

Company	Leasehold land US$	Construction-in-progress US$	Total US$
2022			
Cost			
Beginning of financial year	200,808	-	200,808
Accumulated depreciation			
Beginning and end of financial year	-	-	-
Net book value			
End of financial year	**200,808**	**-**	**200,808**
2021			
Cost			
Beginning of financial year	200,808	-	200,808
Accumulated depreciation			
Beginning and end of financial year	-	-	-
Net book value			
End of financial year	200,808	-	200,808

14 Investment property

	Group		Company	
	2022 US$	2021 US$	2022 US$	2021 US$
Cost				
Balance at 1 January	**2,786,240**	2,786,240	**2,786,240**	2,786,240
Acquisitions	-	-	-	-
Balance at 31 December	**2,786,240**	2,786,240	**2,786,240**	2,786,240
Accumulated depreciation				
Balance at 1 January	**(98,681)**	(29,025)	**(98,681)**	(29,025)
Charge for the year	**(69,656)**	(69,656)	**(69,656)**	(69,656)
Balance at 31 December	**(168,337)**	(98,681)	**(168,337)**	(98,681)
Net Book Value	**2,617,903**	2,687,559	**2,617,903**	2,687,559

Amounts recognised in profit and loss

Rental income recognised by the Group during 2022 was $424,668 (2021: $306,678) and was included in revenue disclosed under Note 4. Repairs and maintenance and other costs associated with the property was $380,757 (2021: $208,988).

Measurement of fair value

Investment property comprises a residential complex in Daru, Western Province that is leased to third parties. Fair value cannot be measured reliably given there is no active market for similar assets at measurement date.

15 Sundry creditors and accruals

	Group		Company	
	2022 US$	2021 US$	2022 US$	2021 US$
Amounts due to:				
Other non-related parties	**5,589,183**	4,290,667	**4,677,098**	3,386,600
	5,589,183	4,290,667	**4,677,098**	3,386,600

16 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Notes to the Financial Statements
For the year ended 31 December 2022

16 Deferred income tax (Continued)

Movement in the deferred income tax account is as follows:

	Group		Company	
	2022	2021	2022	2021
	US$	US$	US$	US$
Beginning of financial year	**79,629**	(483,142)	**-**	-
(Credited) / charged to profit or loss	**(52,562)**	562,771	**-**	-
End of financial year	**27,067**	79,629	**-**	-

The deferred tax liability of the group relates to temporary differences arising from accrued interest in a subsidiary.

17 Members' subscriptions

As a Company limited by guarantee, the Company does not have any issued shares or shareholders. At 31 December 2022, there are 5 (2021: 5) members of the Company:

1. David Sode;
2. Philip Bainbridge;
3. Peter Graham;
4. Sir Rabbie Namaliu (demise 31 March 2023); and
5. Charles Jean Mercey.

Every member of the Company undertakes to contribute to the assets of the Company an amount not exceeding Singapore Dollar 10, in the event of winding up of the Company.

18 General Fund, Long Term Fund and Development Fund

General Fund

The General Fund is accounted for in accordance with the policy set out in Note 2(m).

	Company	
	2022 US$	2021 US$
Beginning of financial year	**-**	-
Income transferred from Long Term Fund	**6,137,943**	7,783,099
Governance and administrative expenses**	**(6,137,943)**	(7,783,099)
End of financial year	**-**	**-**

** The directors confirm that the total administrative expenses for the year are within the limit prescribed in the Program rules and do not exceed 15% of the average annual income of the immediate preceding 3 accounting years.

Notes to the Financial Statements

For the year ended 31 December 2022

18 General Fund, Long Term Fund and Development Fund (Continued)

Long Term Fund

The Long Term Fund is accounted for in accordance with the policy set out in Note 2(m).

	Company	
	2022 US$	**2021 US$**
Beginning of financial year	**1,698,098,397**	1,622,010,660
Investment (loss) / income - net	**(123,720,327)**	185,776,639
Investment and professional expenses (Note 5)	**(3,719,353)**	(3,782,340)
Foreign exchange losses (Note 5)	**(145,835)**	(31,094)
Withholding tax paid to IRC of Papua New Guinea	**(1,194,820)**	(1,480,348)
Write-back of allowance for loan losses (Note 20 (b))	**-**	3,387,979
Income transferred to General Fund*	**(6,137,943)**	(7,783,099)
Income transferred to Development Fund*	**(16,000,000)**	(100,000,000)
End of financial year	**1,547,180,119**	**1,698,098,397**

*In accordance with the clause 9.3 of the Program Rules this portion of income earned during the year was transferred to the General Fund to pay for administrative expenditure. The Program Rules allow the funding of operating expenses from investment income received by the Company on the Long Term Fund prior to mine closure.

Development Fund

The Development Fund is accounted for in accordance with the policy set out in Note 2(m).

Following the expropriation of the Ok Tedi Mine, the Company no longer receives any dividend income therefore the Development Fund will be used in accordance with the Objects of the Articles of Association and at the discretion of the board for the benefit of the people of the Western Province. As such the allocation of the Development Fund between the Western Province Program Fund and the National Program Fund has been discontinued.

	Company	
	2022 US$	**2021 US$**
Beginning of financial year	**111,637,824**	46,358,316
Investment (loss) / income	**(9,327,284)**	7,315,751
Investment and professional expenses (Note 5)	**(136,953)**	(112,859)
Development expenses	**(34,793,431)**	(41,923,384)
Income transferred from Long Term Fund	**16,000,000**	100,000,000
End of financial year	**83,380,156**	**111,637,824**

Notes to the Financial Statements
For the year ended 31 December 2022

19 Commitments

(a) Operating lease commitments – where the Group is a lessee

The Group leases office space from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group		Company	
	2022	2021	2022	2021
	US$	US$	US$	US$
Not later than one year	**126,476**	33,228	**111,339**	24,099
Later than one year but not later than five years	**-**	-	**-**	-
	126,476	33,228	**111,339**	24,099

(b) Compensation commitments

The Group was a party to various compensation agreements with landowners and other surrounding communities affected by the Ok Tedi mine. Compensation packages are denominated in the local currency and, in the majority of instances, are payable over the life of the open pit mine.

Under these arrangements PNGSDP had an annual commitment to spend at least PGK 21,500,000 (US$ 6,654,250) or 2.5% of dividends declared each year, whichever is greater, in mine affected communities until mine closure date.

The directors are of the view that there are no ongoing obligations in respect of the compensation agreements subsequent to the expropriation of the shares in Ok Tedi Mining Limited by the PNG Government as these are predicated on PNGSDP continuing as a shareholder in Ok Tedi Mining Limited and receiving dividends from Ok Tedi Mining Limited.

20 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Group to transfer securities might be temporarily impaired.

The Group's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Group is exposed and seeks to minimise potential adverse effects on the Group's financial performance. All securities investments present a risk of loss of capital. The maximum loss of capital is limited to the fair value of those positions.

20 Financial risk management (Continued)

Financial risk factors (Continued)

The management of these risks is carried out by the investment managers under policies approved by the board of directors. The board of directors is responsible for setting the objectives and the underlying principles of financial risk management for the Group and the Company. The Investment and Finance Committee then establishes the detailed policies for reviewing each manager to ensure in accordance with desired role within the approved asset allocation and to assure appropriate due diligence has been conducted to satisfaction via an independent third party advisor.

The Group and Company has approved direct investments with 41 (2021: 41) managed funds to carry out investment activities in accordance with the investment policies and guidelines approved by the board. An Investment and Finance Committee of the board has been established to monitor investment and risk management and the performance of the fund managers and managed funds.

(a) Market risk

i. Price risk

The Group is exposed to equity and bond securities price risk and derivative price risk. This arises from investments held by the Fund Managers for which prices in the future are uncertain.

The Group's policy is to manage price risk through diversification and selection of reputable and experienced Fund Managers that manages the securities and other financial instruments within specified limits set by the board of directors. A summary analysis of investments by nature is presented in Note 9.

The majority of the Group's equity investments are publicly traded with good credit quality ratings. The Group's policy requires that the overall market position is monitored by the Group's Investment and Finance Committee and is reviewed on a quarterly basis by the board of directors. Compliance with the Group's investment policies are reported to the board by the Investment and Finance Committee on a quarterly basis.

At 31 December, the fair value of bonds and equity securities exposed to price risk were as follows:

	Fair Value	
	2022 US$	**2021 US$**
Group		
Bonds, equity securities and funds designated at FVPL	**1,326,359,257**	1,689,576,361

	Fair Value	
	2022 US$	**2021 US$**
Company		
Bonds and equity securities designated at FVPL	**1,326,359,257**	1,689,576,361

The table below summarises the sensitivity of the Group's and Company's investments to equity and bond price movements as at 31 December. The analysis is based on the assumptions that the Market Index changed by 5% (2021: 5%) with all other variables held constant. The impact below arises from the reasonably possible change in the fair value of securities held via fund managers.

Notes to the Financial Statements

For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

i. **Price risk (Continued)**

	2022	2021
	Increase / Decrease	
	Surplus from operations US$	Surplus from operations US$
Group		
Managed by fund managers		
- increased by	**64,323,109**	81,354,038
- decreased by	**(64,323,109)**	(81,354,038)
Managed in-house		
- increased by	**1,994,854**	3,124,780
- decreased by	**(1,994,854)**	(3,124,780)
Company		
Managed by fund managers		
- increased by	**64,323,109**	81,354,038
- decreased by	**(64,323,109)**	(81,354,038)
Managed in-house		
- increased by	**1,994,854**	3,124,780
- decreased by	**(1,994,854)**	(3,124,780)

Diversification via fund managers may reduce sensitivity to market movements. The sensitivity analysis presented is based upon the portfolio composition as at 31 December and the historical correlation of the securities comprising the portfolio to the respective indices. The composition of the Group's investment portfolio as managed by the Fund Managers is expected to change over time.

ii. **Currency risk**

The fund managers of the Group operate internationally and hold monetary assets denominated in currencies other than the US Dollar, the functional currency. Currency risk, as defined in FRS 107, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

Management monitors the exposure on all foreign currency denominated assets and liabilities. The table below summarises the Group's assets and liabilities, which are denominated in a currency other than the United States Dollar.

Notes to the Financial Statements

For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

i. **Currency risk (Continued)**

The Group's and Company's currency exposure based on the information used by key management is as follows:

	PGK US$	EUR US$	USD US$	AUD US$	Other US$	Total US$
Group						
2022						
Financial assets						
Cash and cash equivalents	11,924,031	3,392,710	199,571,331	353,746	20,448	215,262,266
Financial assets, at FVPL	39,633,294	60,769,343	1,156,975,270	68,981,350	-	1,326,359,257
Other receivables	48,740,405	-	-	7,375	-	48,747,780
	100,297,730	**64,162,053**	**1,356,546,601**	**69,342,471**	**20,448**	**1,590,369,303**
Financial liabilities						
Trade and other creditors	(4,458,394)	-	(780,476)	(875,576)	(248,406)	(6,362,852)
Net financial assets / (liabilities)	95,839,336	64,162,053	1,355,766,125	68,466,895	(227,958)	1,584,006,451
Less: Net financial assets denominated in the Group's functional currency	-	-	(1,355,766,125)	-	-	(1,355,766,125)
Currency exposure	**95,839,336**	**64,162,053**	**-**	**68,466,895**	**(227,958)**	**228,240,326**

Notes to the Financial Statements

For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

ii. **Currency risk (Continued)**

	PGK US$	EUR US$	USD US$	AUD US$	Other US$	Total US$
Group						
2021						
Financial assets						
Cash and cash equivalents	13,422,852	3,126	48,353,200	409,614	22,016	62,210,808
Financial assets, at FVPL	62,230,972	54,654,124	1,499,643,449	73,047,816	-	1,689,576,361
Other receivables	36,019,823	-	39,402	-	-	36,059,225
	111,673,647	**54,657,250**	**1,548,036,051**	**73,457,430**	**22,016**	**1,787,846,394**
Financial liabilities						
Trade and other creditors	(3,177,457)	-	(867,002)	(618,754)	(69,336)	(4,732,549)
Net financial assets / (liabilities)	108,496,190	54,657,250	1,547,169,049	72,838,676	(47,320)	1,783,113,845
Less: Net financial assets denominated in the Group's functional currency	-	-	(1,547,169,049)	-	-	(1,547,169,049)
Currency exposure	**108,496,190**	**54,657,250**	**-**	**72,838,676**	**(47,320)**	**235,944,796**

Notes to the Financial Statements
For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

ii. **Currency risk (Continued)**

	PGK US$	EUR US$	USD US$	AUD US$	Other US$	Total US$
Company						
2022						
Financial assets						
Cash and cash equivalents	3,748,178	3,392,710	199,571,331	11,440	20,448	206,744,107
Financial assets, at FVPL	39,633,294	60,769,343	1,156,975,270	68,981,350	-	1,326,359,257
Other receivables	58,227,877	-	25,980	299,179	-	58,553,036
	101,609,349	**64,162,053**	**1,356,572,581**	**69,291,969**	**20,448**	**1,591,656,400**
Financial liabilities						
Trade and other creditors	(3,530,350)	-	(780,476)	(507,480)	(248,405)	(5,066,711)
Net financial assets / (liabilities)	98,078,999	64,162,053	1,355,792,105	68,784,489	(227,957)	1,586,589,689
Less: Net financial assets denominated in the Group's functional currency	-	-	(1,355,792,105)	-	-	(1,355,792,105)
Currency exposure	**98,078,999**	**64,162,053**	**-**	**68,784,489**	**(227,957)**	**230,797,584**

Notes to the Financial Statements

For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

ii. **Currency risk (Continued)**

	PGK US$	EUR US$	USD US$	AUD US$	Other US$	Total US$
Company						
2021						
Financial assets						
Cash and cash equivalents	7,443,142	3,126	48,353,200	2,709	22,016	55,824,193
Financial assets, at FVPL	62,230,972	54,654,124	1,499,643,449	73,047,816	-	1,689,576,361
Other receivables	46,136,307	-	39,402	404,845	-	46,580,554
	115,810,421	**54,657,250**	**1,548,036,051**	**73,455,370**	**22,016**	**1,791,981,108**
Financial liabilities						
Trade and other creditors	(2,273,389)	-	(867,002)	(352,604)	(69,334)	(3,562,329)
Net financial assets / (liabilities)	113,537,032	54,657,250	1,547,169,049	73,102,766	(47,318)	1,788,418,779
Less: Net financial assets denominated in the Group's functional currency	-	-	(1,547,169,049)	-	-	(1,547,169,049)
Currency exposure	**113,537,032**	**54,657,250**	**-**	**73,102,766**	**(47,318)**	**241,249,730**

20 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

ii. **Currency risk (Continued)**

In accordance with the Group's policy, the fund managers monitor the Group's currency exposure on a daily basis, and the Investment and Finance Committee reviews it on a quarterly basis. The table below summarises the sensitivity of the Group's investment portfolio to changes in foreign exchange movements at year end. The analysis is based on the assumptions that the relevant foreign exchange rate increased / decreased against the USD by the percentages disclosed in the table below, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

If the PGK changed against the USD by 4% (2021: 2%) with all other variables including tax rate being held constant, the effects arising from the net financial asset position will be as follows:

	Increase / Decrease	
	Surplus from operations 2022 US$	Surplus from operations 2021 US$
Group		
PGK against USD		
- strengthened	**3,833,574**	2,169,924
- weakened	**(3,833,574)**	(2,169,924)
Company		
PGK against USD		
- strengthened	**3,923,160**	2,270,741
- weakened	**(3,923,160)**	(2,270,741)

Notes to the Financial Statements
For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

ii. **Currency risk (Continued)**

If the EUR changed against the USD by 13% (2021: 3%) with all other variables including tax rate being held constant, the effects arising from the net financial liability / asset position will be as follows:

	Increase / Decrease	
	Surplus from operations 2022 US$	**Surplus from operations 2021 US$**
Group		
EUR against USD		
- strengthened	**8,341,067**	1,639,718
- weakened	**(8,341,067)**	(1,639,718)
Company		
EUR against USD		
- strengthened	**8,341,067**	1,639,718
- weakened	**(8,341,067)**	(1,639,718)

If the AUD changed against the USD by 8% (2021: 8%) with all other variables including tax rate being held constant, the effects arising from the net financial asset position will be as follows:

	Increase / Decrease	
	Surplus from operations 2022 US$	**Surplus from operations 2021 US$**
Group		
AUD against USD		
- strengthened	**5,477,351**	5,827,094
- weakened	**(5,477,351)**	(5,827,094)
Company		
AUD against USD		
- strengthened	**5,502,759**	5,848,221
- weakened	**(5,502,759)**	(5,848,221)

20 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

iii. **Cash flow and fair value interest rate risk**

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Group holds bonds that expose the Group to fair value interest rate risk. The Group also holds a limited amount of floating rate securities, cash and cash equivalents that expose the Group to cash flow interest rate risk. The Group's policy requires the Investment Manager to manage this risk by calculating the average duration of the portfolio of fixed interest securities. The average effective duration of the Group's portfolio is a measure of the sensitivity of the fair value of the Group's fixed interest securities to changes in market interest rates.

The Group's and the Company's interest rate risk arises from term deposits, commercial papers and bonds. The Group's and the Company's risk management policy is to invest in predominantly high-quality, sovereign, long-term issues. Credit may be included in this allocation as well for increased yield and diversification purposes with the recognition that credit will not provide as strong of a hedge during a period of prolonged economic contraction. Low volatility absolute return strategies may also play a diversification role in this portion of the portfolio.

At 31 December 2022 and 31 December 2021, if interest rates had been 5% higher / lower with all other variable constant there would not have been a material movement in the interest-bearing assets in the Group and Company.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The major classes of financial assets of the Group and of the Company are cash and bank balances, receivables and financial instruments. For receivables due from third parties, the Group and the Company adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group and the Company adopts the policy of dealing only with high credit quality counterparties.

A BBB/Baa rating is the lowest rating a bond can have and still be considered an investment grade bond. An investment grade bond is a bond considered to have a relatively low risk of default. The bonds that the Group and Company have invested in 2022 were rated A and above (2021: A). The majority of unrated securities have been assessed by the fund managers to have credit quality consistent with the investment policies and guidelines approved by the board of directors for an investment grade bond.

Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. For banks and financial institutions, the Group only transacts with independently rated parties with high credit ratings. The investment in commercial papers and bonds are restricted to institutions in OECD member countries.

In accordance with the Group's policy, the fund managers monitor the Group's credit position on a daily basis and the Investment and Finance Committee reviews it on a quarterly basis.

As the Group and the Company do not hold any collateral, the maximum risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

Notes to the Financial Statements
For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

The maximum exposure to credit risk at year end is the carrying amount of the financial assets as set out below:

	2022 US$	2021 US$
Group		
Bonds, and funds and certificates of deposit	**977,315,719**	1,021,093,275
Cash and cash equivalents	**215,262,266**	62,210,808
Other receivables	**48,747,780**	36,059,225
	1,241,325,765	1,119,363,308

	2022 US$	2021 US$
Company		
Bonds, and funds and certificates of deposit	**977,315,719**	1,021,093,275
Cash and cash equivalents	**206,744,107**	55,824,193
Other receivables	**58,553,036**	46,580,554
	1,242,612,862	1,123,498,022

The Group and the Company held cash at bank of US$215,262,266 and US$206,744,107 respectively at 31 December 2022 (2021: US$62,210,808 and US$55,824,193 respectively). The cash and cash equivalents are held with bank and financial institution with good credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

The Group held other receivables of US$48,747,780 (2021: US$36,059,225). Impairment of this balance has been measured on a 12 month expected credit loss basis; and the amount of the allowance is insignificant.

Other receivables are impaired when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group and Company considers a financial asset as in default if the counterparty fails to make contractual payments within 90 days when they fall due, and impairs the financial asset when a debtor fails to make contractual payments greater than 360 days past due. Where other receivables are impaired, the Group and Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment provisions are determined based on collective assessment of loans. For the purposes of impairment provisioning under FRS 109 the Group and Company groups receivables in subsidiaries in accordance with their different credit risk and characteristics. The Group and Company does not use credit risk rating grades for subsidiary receivables, but rather monitors its loans based on days past due, which is consistent to the FRS 109 three stage approach.

Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The age analysis of other receivables past due and / or impaired are as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$	**US$**	**US$**	**US$**
Not past due	**49,141,564**	36,453,009	**59,876,565**	47,904,083
Past due < 3 months	**-**	-	**-**	-
Past due 3 to 6 months	**-**	-	**-**	-
Past due over 6 months	**-**	-	**-**	-
	49,141,564	36,453,009	**59,876,565**	47,904,083
Impairment allowance	**(393,784)**	(393,784)	**(1,323,529)**	(1,323,529)
	48,747,780	36,059,225	**58,553,036**	46,580,554

The movements in credit loss allowance for financial assets are set out as follows:

	Other receivables*	
	2022 US$	**2021 US$**
Group		
Balance as at 1 January	**393,784**	393,784
Loss allowance recognised in profit or loss during the year on:		
Assets originated	**-**	-
Reversal of unutilised amounts	**-**	-
	-	-
Balance as at 31 December	**393,784**	393,784

Notes to the Financial Statements
For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

	Other receivables*	
	2022 US$	**2021 US$**
Company		
Balance as at 1 January	**1,323,529**	4,711,508
Loss allowance recognised in profit or loss during the year on:		
- Assets originated	**-**	-
- Write-back of loss allowance	**-**	(3,387,979)
	-	(3,387,979)
Balance as at 31 December	**1,323,529**	1,323,529

Loss allowance measured at lifetime ECL.

Other than the above, there are no credit loss allowance for other financial assets at amortised cost as at 31 December 2022 and 2021.

Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk, including accepting collateral for funds advanced, in case of asset finance loan receivables. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses as at 31 December 2022 and 2021 are shown below:

	Gross exposure US$	Impairment allowance US$	Net carrying amount US$	Fair value of collateral held US$
2022				
Loan receivable from a joint venture	46,749,357	-	46,749,357	-
Loans and receivables and other receivables	2,392,207	(393,784)	1,998,423	-
	49,141,564	**(393,784)**	**48,747,780**	**-**

20 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

	Gross exposure US$	Impairment allowance US$	Net carrying amount US$	Fair value of collateral held US$
2021				
Loan receivable from a joint venture	35,137,609	-	35,137,609	-
Loans and receivables and other receivables	1,315,400	(393,784)	921,616	-
	36,453,009	**(393,784)**	**36,059,225**	**-**

(c) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group maintains sufficient funds in cash and cash equivalents to meet its operating commitments. The Group also monitors liquidity in all asset classes and all investment managers to ensure medium-term and long-term liabilities can be met even in stressed environments.

In accordance with the Group's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis; the Investment and Finance Committee reviews it on a quarterly basis.

The Group manages its liquidity risk by maintaining adequate securities that is able to liquidate in 90 days or less to meet current obligations.

	1 to 3 months US$	3 to 12 months US$	More than 12 months US$	Total US$
Group				
2022				
Financial assets				
Cash and cash equivalents	215,262,266	-	-	215,262,266
Financial assets, at FVPL	-	-	1,326,359,257	1,326,359,257
Other receivables	1,998,423	-	46,749,357	48,747,780
	217,260,689	**-**	**1,373,108,614**	**1,590,369,303**
Financial liabilities				
Trade and other creditors	(5,690,028)	(379,251)	(293,573)	(6,362,852)
Net financial assets	**211,570,661**	**(379,251)**	**1,372,815,041**	**1,584,006,451**

Notes to the Financial Statements
For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	1 to 3 months US$	3 to 12 months US$	More than 12 months US$	Total US$
Group				
2021				
Financial assets				
Cash and cash equivalents	62,210,808	-	-	62,210,808
Financial assets, at FVPL	-	-	1,689,576,361	1,689,576,361
Other receivables	921,616	-	35,137,609	36,059,225
	63,132,424	**-**	**1,724,713,970**	**1,787,846,394**
Financial liabilities				
Trade and other creditors	(4,732,549)	-	-	(4,732,549)
Net financial assets	**58,399,875**	**-**	**1,724,713,970**	**1,783,113,845**

The Group has certain financial assets in Papua New Guinea amounting to US$39,633,294 (2021: US$62,230,972). Access to these assets may be restricted if these assets are realised in the form of cash and cash equivalent in Papua New Guinea as the tax authorities have declined the Company's tax clearance applications to remit further funds overseas (Note 8).

The Company manages its liquidity risk by maintaining adequate securities that is able to liquidate in 90 days or less to meet current obligations.

	1 to 3 months US$	3 to 12 months US$	More than 12 months US$	Total US$
Company				
2022				
Financial assets				
Cash and cash equivalents	206,744,107	-	-	206,744,107
Financial assets, at FVPL	-	-	1,326,359,257	1,326,359,257
Other receivables	1,308,881	57,244,155	-	58,553,036
	208,052,988	**57,244,155**	**1,326,359,257**	**1,591,656,400**
Financial liabilities				
Trade and other creditors	(4,677,096)	(184,559)	(205,056)	(5,066,711)
Net financial assets	**203,375,892**	**57,059,596**	**1,326,154,201**	**1,586,589,689**

20 Financial risk management (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	1 to 3 months US$	3 to 12 months US$	More than 12 months US$	Total US$
Company				
2021				
Financial assets				
Cash and cash equivalents	55,824,193	-	-	55,824,193
Financial assets, at FVPL	-	-	1,689,576,361	1,689,576,361
Other receivables	293,019	46,287,535	-	46,580,554
	56,117,212	**46,287,535**	**1,689,576,361**	**1,791,981,108**
Financial liabilities				
Trade and other creditors	(3,562,329)	-	-	(3,562,329)
Net financial assets	**52,554,883**	**46,287,535**	**1,689,576,361**	**1,788,418,779**

(d) Capital risk management

The Company is limited by guarantee which means that it has no share capital, debentures, share options or unissued shares. The Group's operations are governed by a set of rules and agreements that pertain to its unique structure and circumstances.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to promote sustainable development within Papua New Guinea, and advance the general welfare of the people of Papua New Guinea.

The Long Term Fund (LTF) and the Development Fund are governed by the rules as described in Note 2(m).

Project commitments and funding requirements are monitored on a daily basis by the finance department and reported to the board on a quarterly basis.

(e) Fair value measurements

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The fund managers use a variety of methods and make assumptions that are based on market conditions existing at each year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

20 Financial risk management (Continued)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

For instruments for which there is no active market, the fund managers may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the fund managers hold for the Group.

Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

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

a) Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

b) Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not considered active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

c) Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, cash and cash equivalents and bank overdrafts, because their carrying amounts are a reasonable approximation of fair values.

Notes to the Financial Statements

For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Group and Company				
2022				
Assets				
Financial assets at fair value through profit or loss				
Public equity	272,545,686	68,080,652	-	340,626,338
Private equity	-	-	250,943,351	250,943,351
Real assets	-	84,254,345	120,143,012	204,397,357
Fixed interest	130,121,636	-	109,921,035	240,042,671
Diversifiers	-	225,847,934	64,501,606	290,349,540
Total assets	**402,667,322**	**378,182,931**	**545,509,004**	**1,326,359,257**
2021				
Assets				
Financial assets at fair value through profit or loss				
Public equity	576,248,100	135,242,855	-	711,490,955
Private equity	-	-	217,447,160	217,447,160
Real assets	-	77,666,892	68,935,726	146,602,618
Fixed interest	103,891,920	17,012,278	123,907,430	244,811,628
Diversifiers	-	297,243,842	71,980,158	369,224,000
Total assets	**680,140,020**	**527,165,867**	**482,270,474**	**1,689,576,361**

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities and exchange traded derivatives, US government treasury bills and certain non-US sovereign obligations. The Group does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds and certain non-US sovereign obligations, listed equities and over the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and / or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and / or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the fund managers have used valuation techniques to derive the fair value.

Notes to the Financial Statements

For the year ended 31 December 2022

20 Financial risk management (Continued)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	Private equity US$	Real assets US$	Fixed interest US$	Diversifiers US$	Total US$
Balance at 1 January 2022	217,447,160	68,935,726	123,907,430	71,980,158	482,270,474
Purchases	75,881,666	39,654,323	607,933	-	116,143,922
Sales	-	-	(2,293,124)	-	(2,293,124)
Total gains or losses recognised in profit or loss	(42,385,475)	11,552,963	(12,301,204)	(7,478,552)	(50,612,268)
Balance at 31 December 2022	**250,943,351**	**120,143,012**	**109,921,035**	**64,501,606**	**545,509,004**

	Private equity US$	Real assets US$	Fixed interest US$	Diversifiers US$	Total US$
Balance at 1 January 2021	103,174,031	41,267,274	121,201,310	47,108,229	312,750,844
Purchases	82,591,573	27,575,596	4,400,000	-	114,567,169
Total gains or losses recognised in profit or loss	31,681,556	92,856	(1,693,880)	24,871,929	54,952,461
Balance at 31 December 2021	**217,447,160**	**68,935,726**	**123,907,430**	**71,980,158**	**482,270,474**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

20 Financial risk management (Continued)

Financial risk factors (Continued)

(f) Financial instruments by category

The carrying amount of financial assets, at FVPL is as disclosed in Note 9 to the financial statements.

The aggregate carrying amounts of financial assets and liabilities at amortised cost are as follows:

	Group		Company	
	2022	2021	2022	2021
	US$	US$	US$	US$
Financial assets, at amortised cost	**264,010,046**	98,270,033	**265,297,143**	102,404,747
Financial liabilities, at amortised cost	**6,362,852**	4,732,549	**5,066,711**	3,562,329

21 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following table summarises significant transactions between the Group and Company and related parties during the financial year:

Key management personnel compensation

	Group		Company	
	2022	2021	2022	2021
	US$	US$	US$	US$
Directors - fees	**660,844**	743,989	**660,844**	743,989
Management salaries and other short-term benefits	**1,249,166**	1,126,267	**-**	-
	1,910,010	1,870,256	**660,844**	743,989

There has been a Consumer Price Index (CPI) adjustment in the amount of remuneration payable to individual directors.

22 New standards and interpretations not adopted

A number of new standards and interpretations and amendments are effective for the Company's annual period beginning 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2022

22 New standards and interpretations not adopted (Continued)

The following amendments to FRSs are not expected to have a significant impact on the Group's consolidated financial statements and the Group's statement of financial position:

- FRS 117 Insurance Contracts and Amendments to FRS 117: Insurance Contracts
- Amendments to FRS 1 and FRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to FRS 116: Lease Liability in a Sale and Leaseback
- Amendments to FRS 8: Definition of Accounting Estimates
- Amendments to FRS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to FRS 1: Classification of Liabilities as Current or Non-Current

23 Events occurring after the reporting date

No other matter or circumstance has occurred subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

24 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the board of directors of PNG Sustainable Development Program Limited on 30 May 2023.

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2022 PNGSDP ANNUAL REPORT