2020

PNGSDP ANNUAL REPORT

SDP OFFICES

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Letter from the Chairman

I am pleased to present the 2020 Annual Report for the PNG Sustainable Development Program together with the independently audited accounts for the year.

The year in review was particularly challenging given the additional operational difficulties resulting from the spread of the coronavirus in Western Province and PNG generally. The health and safety of our staff and those with whom we interact is a core value. Appropriate measures were put in place to limit exposure to the virus through awareness training, hygiene measures, and personal protective equipment.

Despite the challenges, PNGSDP staff maintained the momentum of our core programs which remain focused on providing lasting benefits for the people of Western Province. Our priorities are aligned with the Provincial Government's Five-Year Development Plan tabled in 2018. Our programs have been established on four pillars - Health, Education, Livelihoods (principally Agriculture) and Enabling Infrastructure in the Western Province. They are designed to complement and supplement the work of government.

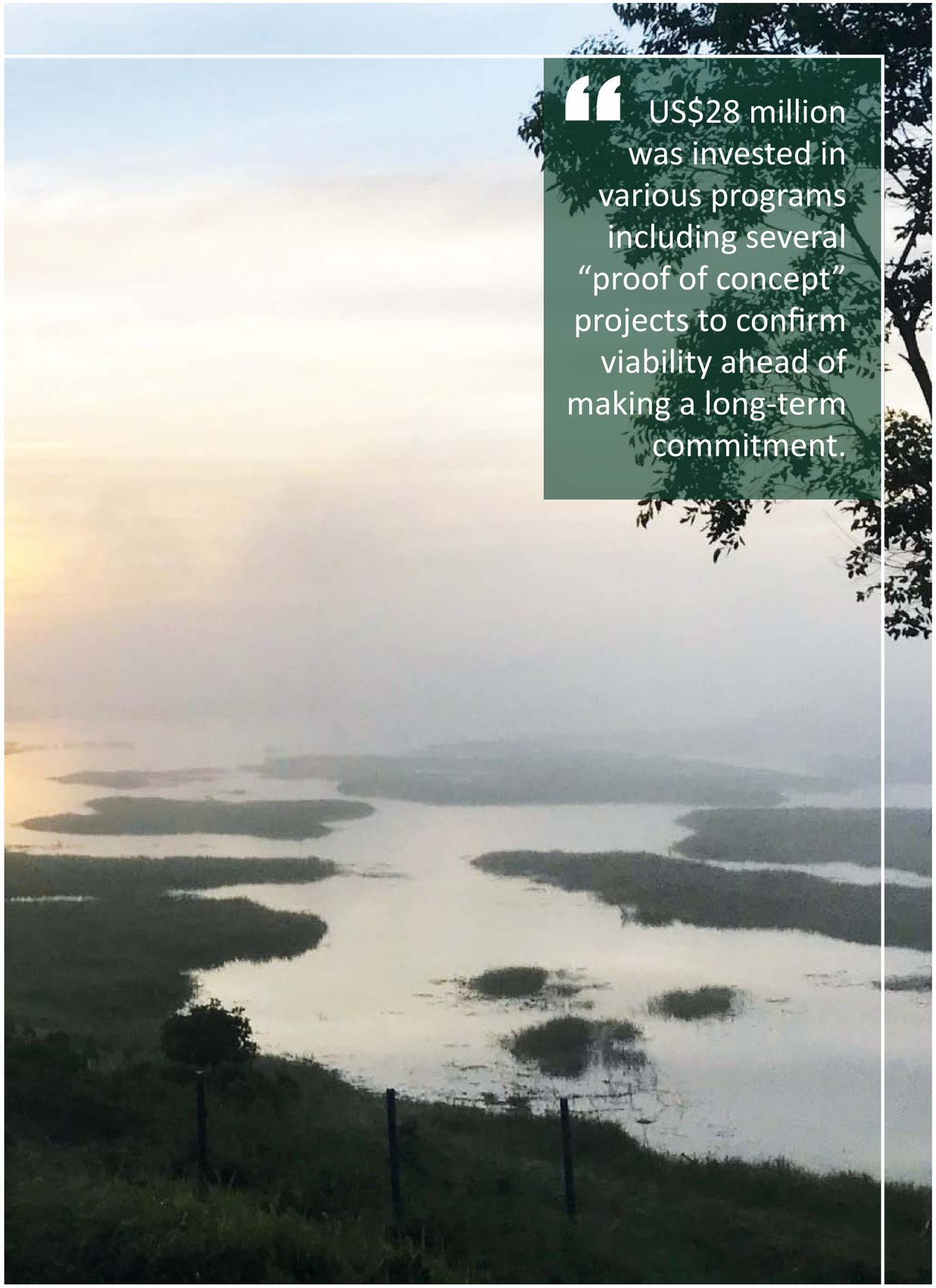
Our programs are funded using income earned by the Long Term Fund in accordance with the Program Rules. Sound governance, transparency and integrity are required in all of our transactions and activities. In 2020 some US$28 million was invested in various programs including several "proof of concept" projects to confirm viability ahead of making a long-term commitment. Our programs typically take time to research and establish and our investments must be sustainable for the long term.

"PNGSDP staff maintained the momentum of core programs which remain focused on providing lasting benefits for the people of Western Province."

Our organization is lean and staffed primarily by Papua New Guineans located in Port Moresby, Daru and Balimo, supplemented with a small cadre of expatriates to strengthen our capabilities. We invest in the professional development of our staff so they can continue to effectively and efficiently lead the delivery of our programs.

PNGSDP works with capable development partners, preferably those with experience in PNG, including NGO's, foundations, contractors and commercial joint ventures. We are typically involved in shaping each initiative before a final investment decision and actively oversee our partners' program delivery.

During 2020 programs in each of the four pillars were substantially progressed as outlined later in this report. Having successfully defended the Long Term Fund from multiple legal challenges over the past decade and restructured and refocused the organization based on lessons learned from the past, our programs in health, education and agriculture are now maturing and beginning to show the expected outcomes.



"US$28 million was invested in various programs including several "proof of concept" projects to confirm viability ahead of making a long-term commitment.

Long Term Fund

PNGSDP manages its Long Term Fund in accordance with the "low risk" investment policy specified by our Program Rules. Investment guidance is obtained from a leading independent investment firm which has access to top-tier, best-in-class investment managers. The fund is maintained as a low risk investment by adopting carefully formulated diversification measures.

The performance of the Long Term Fund is detailed in the attached independently audited accounts. In summary during 2020 the fund grew 9% from US$1.49 billion to US$1.62 billion after transferring US$35 million to the Development Fund for our development programs.

Growth in the fund in 2020 was particularly pleasing given the turbulence resulting from the global pandemic. This reinforces the value of PNGSDP's investment strategy and diversification policy.

"Growth in the fund in 2020 was particularly pleasing given the turbulence resulting from the global pandemic and reinforces the value of PNGSDP's investment strategy and diversification policy."

Looking Forward

The Singapore suit by OTFRDFL and Others against PNGSDP and Others was struck-out in its entirety by the judge in January 2021, with costs. The plaintiffs have since filed an appeal to the Apellate Division of the High Court to be heard later in 2021. Our defence of the Long Term Fund remains resolute.

Improving health outcomes in Western Province is an immediate and pressing priority, more so with the rapid spread of COVID-19 virus when the public health system is under-resourced. PNGSDP has offered to apply its health resources including the Aerial Health Patrol to assist with roll-out of vaccinations in Western Province during 2021 and beyond.

However, health needs are broader than COVID-19 and will continue to require special attention. In 2021 working in conjunction with Western Province Provincial Health Authority we will explore the establishment of private hospitals to supplement the public system.

Programs in agriculture will also be expanded in 2021 with consolidation of our nucleus estate agribusiness in Oriomo / Daru and "proof of concept" investment in a restructuring of the rubber industry in Western Province.

In education, our focus on FODE will continue along with in-service training and accreditation of teachers. Investment in infrastructure will primarily be directed to enabling our core programs.

How we help

Our programs are focussed on four pillars designed to complement and supplement the work of government.

HEALTH

Our health patrols deliver primary health care to remote communities

EDUCATION

We invest in education as a pathway to a better future

LIVELIHOODS

We invest in commercial ventures to create jobs in the cash economy

INFRASTRUCTURE

We invest in enabling infrastructure to facilitate other initiatives

Good governance is critical for our success. Board succession has continued:

- Mr. Phil Bainbridge and Mr. David Sode stepped-down having each completed their maximum nine-year term.
- Ms. Lesieli Taviri and Mr. Peter Graham were appointed as Directors.

PNGSDP is planning to increase the number of Papua New Guinean directors and a further announcement will be made shortly.

As the newly appointed chairman, I wish to acknowledge the leadership of Mr. Philip Bainbridge who, as a director for the past 9 years and chairman for the past three and a half years, guided PNGSDP, protecting its Long Term Fund from multiple legal challenges, and restructuring it into a lean more efficient and focused organization.

Sadly, I also note the passing in early 2021 of Late Sir Mekere Morauta, who as Prime Minister, oversaw the foundation of PNGSDP and subsequently became our chairman for 5 crucial years from 2012 to 2017.

PNGSDP continues to listen to the voices of our constituents, strengthening communications and on-the-ground engagement. While focus on our four pillars of health, education, livelihoods and enabling infrastructure is fundamental, collaboration on needs, program design and implementation is recognized as critical to the sustainability of our programs.

"PNGSDP is resolved to protect and grow the Long Term Fund and is well positioned to build on the solid foundations established for each of our four pillars in 2020, for the benefit of the people of Western Province."

PNGSDP is resolved to protect and grow the Long Term Fund and is well positioned to build on the solid foundations established for each of our four pillars in 2020, for the benefit of the people of Western Province.

Finally I wish to thank our dedicated staff and partners for their contributions during a very challenging 2020.

Peter Graham CBE

Chairman

A snapshot of our projects

AHP community awareness session (Water, Sanitation and Hygiene).

Construction works underway in Daru.

An SDP work party departing Balimo to install some health centre infrastructure.

Barge arrives in Daru with building materials.

Utilising one of the hand-washing stations in Balimo.

An SDP-funded classroom.

Vanilla nursery in Daru.

Satellite dish installation to provide connectivity for Hesalibi health centre.

An Aerial Health Patrol flight into remote communities in Western Province.

Students embracing learning in a new classroom.

Construction work at the South Fly Agri-Business.

Work in progress for the Daru water project.

Health

The Aerial Health Patrols (AHP) program was launched in 2019 to deliver primary health care to remote communities (family planning, maternal & child health, vaccinations, village hygiene (WASH), communicable disease management, outpatient clinics, training community health workers and the delivery of medical supplies).

Each seven-person patrol is staffed with a doctor or HEO, nurses and WASH officers. They visit each airstrip community every six weeks and stay there for four days before returning to base. Communities contribute by maintaining their airstrip and providing food and accommodation for our patrol members.

We currently visit 20 airstrip communities and are expanding our capabilities with more aircraft and more patrols to expand our coverage to 50 airstrip communities plus communities best accessed by amphibious aircraft.

Aviation safety receives special attention so we have appointed our own Aviation Safety Adviser (who recently attended the Accredited BARS Auditors course and is Certified as a Lead Auditor under ISO9001) as well as our own experienced pilot who coordinates flight operations with MAF (who pilot our aircraft) and manages our airstrip maintenance program.

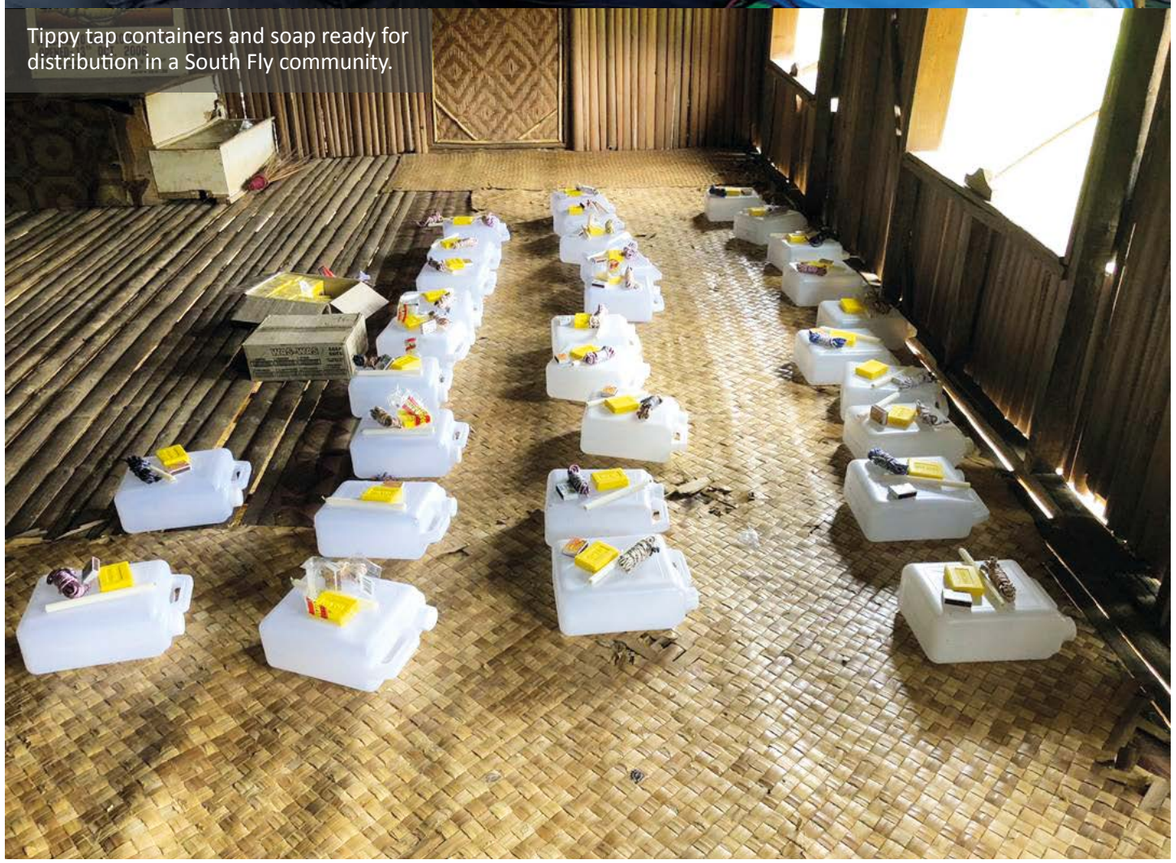
AHP maintained its momentum throughout the Covid-19 disruptions by supplying PPE; conducting awareness training; and creating a triage centre at Balimo Hospital. We are currently working closely with the Western Province Provincial Health Authority (WPHA) to assist their vaccination program.

We are also working with partners to install modern satellite communications to link rural health centres to the outside world and have co-funded the deployment of YWAM's hospital ship to Western Province where it will operate in collaboration with AHP to deliver primary health care to those communities which cannot be reached by aircraft.

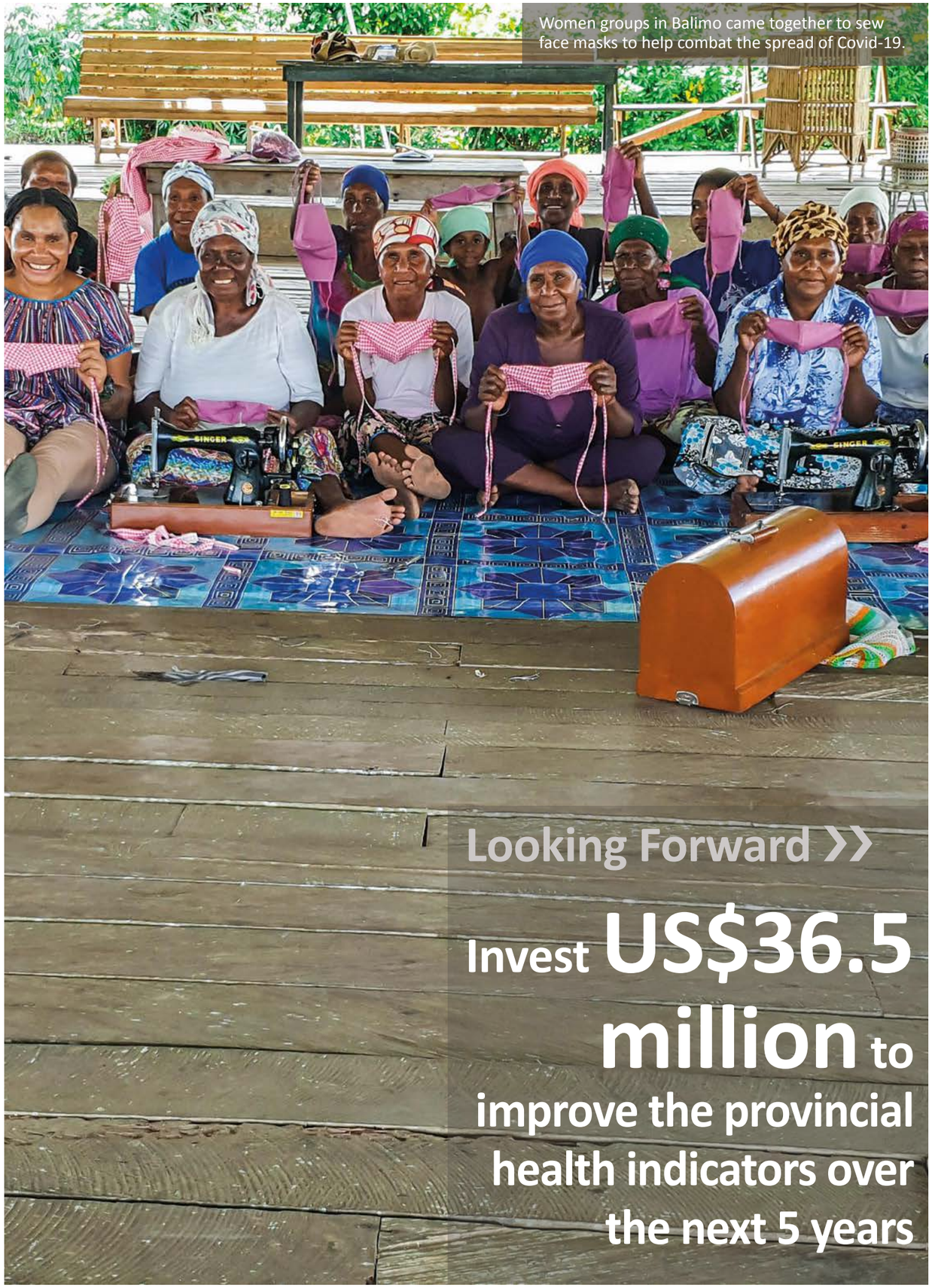
We are in ongoing discussions with WPHA about improving hospital capabilities through two PPP initiatives in keeping with the Health Sector Partnership Policy. We continue funding Marie Stopes, World Vision and Rotarians Against Malaria to provide other health services in Western Province.

> "AHP maintained its momentum throughout the Covid-19 disruptions by supplying PPE; conducting awareness training; and creating a triage centre at Balimo Hospital.

AHP is assisting WPHA's Covid-19 response by conducting awareness programs and administering vaccines.



Tippy tap containers and soap ready for distribution in a South Fly community.



Women groups in Balimo came together to sew face masks to help combat the spread of Covid-19.

Looking Forward ››

Invest US$36.5 million to improve the provincial health indicators over the next 5 years

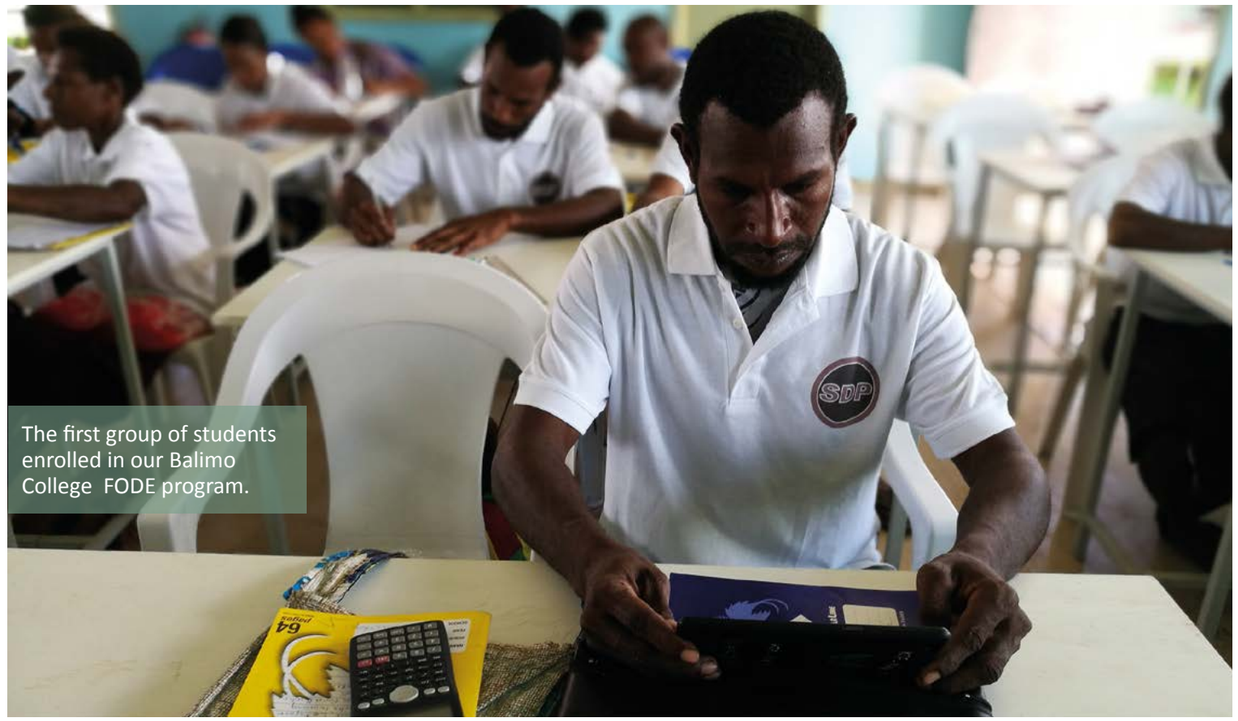
Education

We continue to develop Balimo College in partnership with Kokoda Track Foundation (KTF) and University of Western Sydney. Our FDDE program has achieved pleasing results with enrolments increasing 105 in 2019; 210 in 2020; and now 316. We have recently opened FODE sub-centers in Morehead (75 enrollments) and Kiunga (35 enrollments).

Arrangements to have Balimo College formally accredited as a tertiary institution offering pre-service and in-service teacher training are now well advanced. From there we will seek accreditation to offer formal health worker qualifications.

We are currently running two separate e-learning "proof-of-concept" trials in 58 schools. This innovative education initiative using modern technology and coaching to support teachers and students in remote communities by connecting them to libraries, lesson plans, and lessons through the internet and other broadcast channels. The intention is to roll the initiative out to other schools once we have a successful model.

SDP is also making investments to improve school facilities. We previously constructed 40 new classrooms and associated staff housing and funded a "school fees" program to assist schools implement their own improvements. Following an evaluation of that scheme, we have switched to a phased program of delivering bigger projects to fewer schools on a rolling basis. For example, we are currently building toilet facilities in 30 schools and other projects are in the pipeline.



The first group of students enrolled in our Balimo College FODE program.

"We are currently running two separate e-learning "proof-of-concept" trials in 58 schools as an innovative education initiative using modern technology and coaching...

Looking Forward ››

Invest US$30.4 million

to support the education system over the next 5 years

LIVELIHOODS

SDP is currently generating paid employment for 440 people through its various programs (over 75 percent for Western Province locals).

Our South Fly Agribusiness joint venture currently employs 70 people during the construction phase. It will employ 250 people when fully developed producing, processing and exporting black pepper, vanilla and aquaculture products.

More importantly, this commercially viable nucleus estate will create livelihoods in the cash economy for some 500 smallholders who, as independent producers will play an integral part in the development of a fully integrated and professionally managed supply chain.

This "tried and true" business model actively supports smallholders with agricultural extension services, logistics, value-added processing and marketing. It has operated successfully in Papua New Guinea for decades, particularly in the palm oil industry.

SDP is committed to developing more of these nucleus estate joint ventures in Western Province in the belief that commercially viable agribusinesses will be the best way of creating sustainable livelihoods for people over the foreseeable future.

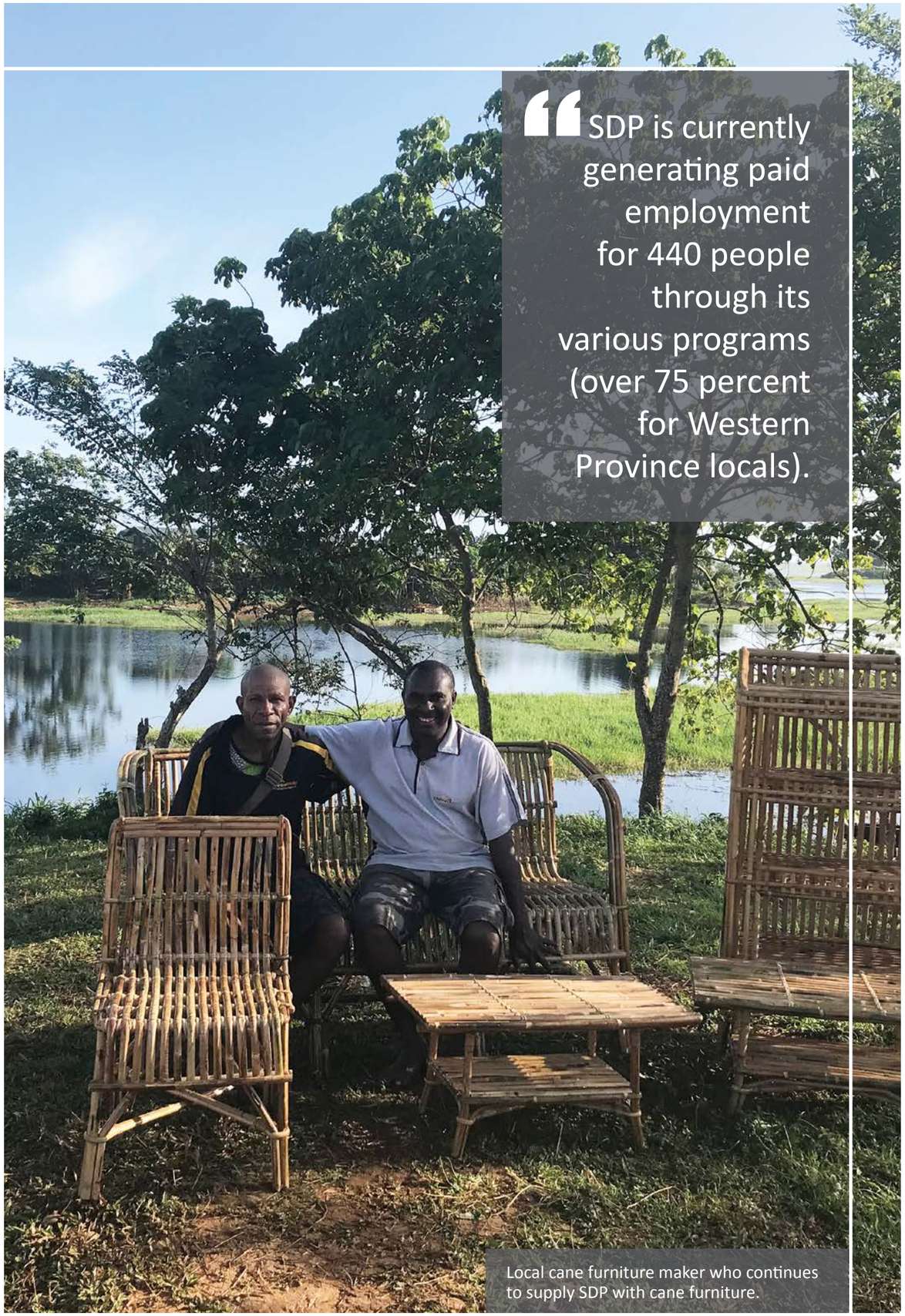
With this in mind, we have launched two proof-of-concept trials (in Lake Murray and Balimo) as a first step towards putting the rubber industry onto a sound commercial footing where it can be professionally managed and operate sustainably without ongoing subsidies. These trials will support existing growers with an extension service aimed at introducing modern tapping and handling techniques. They will also provide an efficient logistics which will enable frequent collections and payments.

The aim is to demonstrate that, with appropriate support, existing growers can increase cuplump yields from their existing trees to the point where further investments in industry reform can be justified (more efficient processing; geographic rollout of the extension service; improved export logistics; and new plantings). If successful, this initiative will enable thousands of smallholders to earn cash incomes above the rural minimum wage.

We have also taken the first steps towards investigating other commercial opportunities such as joint venture nucleus estates in cocoa, vanilla and palm oil etc.

Our other programs such as AHP will continue to employ more people as they grow and the Balimo College is there to prepare Western Province people for employment in Western Province as teachers and health workers.

Visiting existing vanilla farmers in the Oriomo area.



"SDP is currently generating paid employment for 440 people through its various programs (over 75 percent for Western Province locals).

Local cane furniture maker who continues to supply SDP with cane furniture.

Vanilla experts visit to farmers in Murr village.

INFRASTRUCTURE

We are undertaking construction projects in Balimo to facilitate our health and education initiatives. Projects including the campus refurbishment and expansion, staff housing and rebuilding the access road are making good progress.

In Kiunga, we are building new student dormitories (St Gabriel's and the Secondary School) and a new airstrip terminal. A clean water pipeline from Kiunga to Sare village in Ward 5, was also funded in collaboration with the local Member.

On Daru we have completed a housing estate and a bore water filtration project. A contract has been let for the construction of a solar powered desalination plant to supply clean water to the community and a technical assessment for a new solar power system (generation, transmission and distribution) for the community is now well advanced.

We have also undertaken a major program of airstrip upgrades and ongoing maintenance. When we started this work, only 12 rural airstrips were operational in Western Province. We now have 45, and this important work is continuing to improve access for remote communities.

Telecommunications is another important means of access for remote communities. PNGSDP developed a network of 58 towers in 2010. In 2017, we invested in a major upgrade of this network to provide 4G connectivity and improve its geographic coverage and reliability. This service is now facilitating innovations such as e-learning and tele-health. While some coverage gaps remain, we are working to rectify these problems.

More recently, we launched a "satisfactory results" Health Centre connectivity project in 30 locations based on the installation of satellite dishes. This project was carried out through a partnership with Kacific (they supplied the communications equipment and SDP supplied the solar power and logistics). This modern technology has opened communication lines enabling better health worker access to support from the outside world. Subject to satisfactory "proof of concept" results, the intention is to extend this connectivity to other remote communities.

Looking to the future, we are exploring options for introducing solar powered household lighting as well as mini grid systems for small remote communities.

Access road construction for the Balimo College.

> "This modern technology has opened communication lines for rural health facilities enabling better health workers to access support from the outside world.

Test drilling for the Daru water project.

Daru telecommunications tower

Looking Forward »

Invest US$72.6 million on enabling infrastructure over the next 5 years

FINANCIAL STATEMENTS

PNG SUSTAINABLE DEVELOPMENT PROGRAM LIMITED AND ITS SUBSIDIARIES

For the Year Ended 31 December 2020

Directors' Statement

31 December 2020

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 2020

In the opinion of the directors,

a) the financial statements set out on pages 6 to 61 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 2020, the financial performance and changes in equity of the Group and the Company, and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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	
Betty Lovai	
John Malcolm Wylie	
Robert Alphonse Kaiyun	
Gregory Werner James Ridder	(Appointed on 30 March 2020)
Wong Cheong Fook David Cecil Vivian	(Appointed on 3 April 2020
Lesieli Moala Taviri	(Appointed on 9 December 2020)
Peter Maxwell Graham	(Appointed on 11 January 2021)

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.

Directors' Statement
31 December 2020

Independent Auditor

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

On behalf of the directors

.....
PETER GRAHAM
Director

.....
SIR WILSON KAMIT
Director

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

Signed at.....Singapore.....on this .....25th..... day of .....May..... 2021

KPMG

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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 ('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 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of comprehensive income and statement of changes in equity of the Company 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 61.

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 the Companies Act, Chapter 50 ('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 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Company 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 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 matter

The 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 for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 21 May 2020.

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 have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
25 May 2021

Statements of Comprehensive Income

For the Year Ended 31 December 2020

	Note	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
Revenue					
Investment income	4	**190,879,942**	190,857,893	**190,851,319**	190,424,944
Revenue from other activities - net	4	**1,760,189**	2,694,861	**-**	-
		192,640,131	193,552,754	**190,851,319**	190,424,944
Expenses					
Other investment losses	5	**(2,458,147)**	(1,255,142)	**(2,458,147)**	(1,255,142)
Governance costs	5	**(1,042,783)**	(1,058,805)	**(1,022,783)**	(983,366)
Administration costs	5	**(2,674,228)**	(6,305,481)	**(1,747,906)**	(1,417,148)
Fund management costs	5	**(5,375,108)**	(3,250,249)	**(5,375,108)**	(3,250,249)
		(11,550,266)	(11,869,677)	**(10,603,944)**	(6,905,905)
Operating surplus before development program costs		**181,089,865**	181,683,077	**180,247,375**	183,519,039
Development program costs	5	**(27,667,197)**	(29,991,956)	**(27,667,197)**	(29,991,956)
Impairment loss on financial assets		**-**	(1,384,394)	**(777,727)**	(611,574)
Other gains / (losses) - net	5	**232,313**	(753,851)	**(3,061,453)**	-
Share of results of joint venture	11	**(52,557)**	77,753	**-**	-
Surplus before income tax		**153,602,424**	149,630,629	**148,740,998**	152,915,509
Income tax expense	7	**(989,877)**	(2,194,688)	**(1,334,149)**	(1,886,360)
Surplus from operations		**152,612,547**	147,435,941	**147,406,849**	151,029,149
Other comprehensive deficit:					
Currency translation difference arising from consolidation					
- Losses		**(89,612)**	(84,269)	**-**	-
- Reclassifications		**(1,990,215)**	-	**-**	-
		(2,079,827)	(84,269)	**-**	-
Total comprehensive surplus		**150,532,720**	147,351,672	**147,406,849**	151,029,149
Surplus from operations attributable to:					
Equity holders of the Company		**152,612,547**	148,028,608	**147,406,849**	151,029,149
Non-controlling interests		**-**	(592,667)	**-**	-
		152,612,547	147,435,941	**147,406,849**	151,029,149
Total comprehensive surplus attributable to:					
Equity holders of the Company		**150,532,720**	147,938,848	**147,406,849**	151,029,149
Non-controlling interests		**-**	(587,176)	**-**	-
		150,532,720	147,351,672	**147,406,849**	151,029,149

The accompanying notes form part of these financial statements.

Statements of Financial Position

As At 31 December 2020

	Note	Group 2020 US$	Group 2019 US$	Company 2020 US$	Company 2019 US$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	**168,249,395**	56,863,387	**158,780,063**	51,071,441
Financial assets, at amortised cost	9	**-**	16,209,028	**-**	-
Other receivables	10	**935,420**	2,226,384	**34,915,453**	37,888,130
Current income tax assets	7	**-**	277,935	**-**	-
TOTAL CURRENT ASSETS		**169,184,815**	75,576,734	**193,695,516**	88,959,571
NON-CURRENT ASSETS					
Financial assets, at fair value through profit or loss (FVPL)	9	**1,461,306,238**	1,424,542,965	**1,461,306,238**	1,424,542,965
Other receivables	10	**19,246,413**	15,980,150	**-**	-
Investments in joint ventures	11	**4,237,847**	4,380,016	**-**	-
Deferred Tax Asset, (net)	16	**483,142**	-	**-**	-
Investments in subsidiaries	12	**-**	-	**15,299,245**	6,789,692
Property, plant and equipment	13	**18,268,588**	10,290,356	**200,808**	2,575,047
Investment property	14	**2,757,215**	-	**2,757,215**	-
TOTAL NON-CURRENT ASSETS		**1,506,299,443**	1,455,193,487	**1,479,563,506**	1,433,907,704
TOTAL ASSETS		**1,675,484,258**	1,530,770,221	**1,673,259,022**	1,522,867,275
LIABILITIES					
CURRENT LIABILITIES					
Sundry creditors and accruals	15	**5,800,072**	14,283,527	**4,890,022**	1,905,131
Current tax liability	7	**42,575**	-	**-**	-
Provisions for employee leave		**260,862**	264,957	**-**	-
TOTAL CURRENT LIABILITIES		**6,103,509**	14,548,484	**4,890,022**	1,905,131
NON-CURRENT LIABILITIES					
Deferred income tax liability	16	**-**	26,838	**-**	-
TOTAL NON-CURRENT LIABILITIES		**-**	26,838	**-**	-
TOTAL LIABILITIES		**6,103,509**	14,575,322	**4,890,022**	1,905,131
NET ASSETS		**1,669,380,749**	1,516,194,899	**1,668,369,000**	1,520,962,144
CAPITAL EMPLOYED AND RESERVES					
Members' subscriptions	17	**24**	17	**24**	17
Funds, comprises:		**1,663,237,542**	1,510,624,995	**-**	-
- General Fund	18	**-**	-	**-**	-
- Long Term Fund	18	**-**	-	**1,622,010,660**	1,483,657,526
- Development Fund	18	**-**	-	**46,358,316**	37,304,601
Foreign currency translation reserve		**3,088,643**	5,168,470	**-**	-
Total equity attributable to equity holders of the Company		**1,666,326,209**	1,515,793,482	**1,668,369,000**	1,520,962,144
Non-controlling interests		**3,054,540**	401,417	**-**	-
TOTAL EQUITY		**1,669,380,749**	1,516,194,899	**1,668,369,000**	1,520,962,144

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2020

	Members' subscriptions US$	Total funds US$	Foreign currency translation reserve US$	Attributable to Company US$	Attributable to non-controlling interests US$	Total US$
Group						
Balance at 1 January 2019	**17**	**1,362,596,387**	**5,258,230**	**1,367,854,634**	**(29,587)**	**1,367,825,047**
Surplus / (deficit) from operations	-	148,028,608	-	148,028,608	(592,667)	147,435,941
Other comprehensive (deficit) / surplus	-	-	(89,760)	(89,760)	5,491	(84,269)
Total comprehensive surplus	**-**	**148,028,608**	**(89,760)**	**147,938,848**	**(587,176)**	**147,351,672**
Contribution from non-controlling interests **	-	-	-	-	1,018,180	**1,018,180**
End of financial year	**17**	**1,510,624,995**	**5,168,470**	**1,515,793,482**	**401,417**	**1,516,194,899**
Balance at 1 January 2020	**17**	**1,510,624,995**	**5,168,470**	**1,515,793,482**	**401,417**	**1,516,194,899**
Surplus from operations	-	152,612,547	-	152,612,547	-	152,612,547
Other comprehensive deficit	-	-	(2,079,827)	(2,079,827)	-	(2,079,827)
Total comprehensive surplus	**-**	**152,612,547**	**(2,079,827)**	**150,532,720**	**-**	**150,532,720**
Contribution from members	7	-	-	7	-	7
Contribution from non-controlling interests **	-	-	-	-	2,653,123	**2,653,123**
Balance at 31 December 2020	**24**	**1,663,237,542**	**3,088,643**	**1,666,326,209**	**3,054,540**	**1,669,380,749**

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

The accompanying notes form part of these financial statements.

Statement of Changes in Equity - Company

For the Year Ended 31 December 2020

	Note	Members' subscriptions US$	General Fund US$	Long Term Fund US$	Development Fund US$	Total US$
Company						
Balance at 1 January 2019		**17**	**-**	**1,349,371,594**	**20,561,384**	**1,369,932,995**
Total comprehensive surplus	18	-	(2,400,514)	181,686,446	(28,256,783)	151,029,149
Transfer between funds		-	2,400,514	(47,400,514)	45,000,000	-
End of financial year		**17**	**-**	**1,483,657,526**	**37,304,601**	**1,520,962,144**
Balance at 1 January 2020		**17**	**-**	**1,483,657,526**	**37,304,601**	**1,520,962,144**
Total comprehensive surplus	18	-	(2,770,689)	176,123,823	(25,946,285)	147,406,849
Transfer between funds		-	2,770,689	(37,770,689)	35,000,000	-
Contribution from members		7	-	-	-	7
End of financial year		**24**	**-**	**1,622,010,660**	**46,358,316**	**1,668,369,000**

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.

Statement of Cash Flows
For the Year Ended 31 December 2020

	Note	2020 US$	2019 US$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus from operations		**152,612,547**	147,435,941
Adjustments for:			
- Income tax expense		**989,877**	2,194,688
- Fair value gains on financial assets, at FVPL		**(172,686,024)**	(168,788,568)
- Interest income		**(9,179,183)**	(11,253,936)
- Share of (loss)/profit of joint ventures		**52,557**	(77,753)
- Gain on disposal of subsidiary		**(1,308,293)**	-
- Impairment loss on financial assets		**-**	1,384,394
- Unrealised currency translation losses		**-**	5,491
- Depreciation		**29,025**	-
		(29,489,494)	(29,099,743)
Change in working capital:			
- Other receivables		**(1,975,299)**	(1,661,775)
- Sundry creditors and accruals		**(8,487,550)**	(9,151,194)
Cash used in operations		**(39,952,343)**	(39,912,712)
Interest received		**9,179,183**	11,253,936
Withholding and other taxes paid		**(1,554,371)**	(1,934,755)
Purchases of financial assets, at FVPL		**(285,477,903)**	(1,099,482,378)
Proceeds from disposal of financial assets, at FVPL		**440,056,960**	1,089,589,271
Net cash from / (used in) operating activities		**122,251,526**	(40,486,638)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment		**(10,764,472)**	(10,089,548)
Subsidiary disposal costs		**(2,754,176)**	-
Net cash used in investing activities		**(13,518,648)**	(10,089,548)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Subscriptions received from members		**7**	-
Capital contribution from non-controlling interests		**2,653,123**	1,018,180
Net cash from financing activities		**2,653,130**	1,018,180
Net increase / (decrease) in cash and cash equivalents		**111,386,008**	(49,558,006)
Cash and cash equivalents at the beginning of financial year	8	**56,863,387**	106,421,393
Cash and cash equivalents at the end of financial year	8	**168,249,395**	56,863,387

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2020

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 Singapore Financial Reporting Standards ("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.

As disclosed in Note 20(b) the Company successfully defended the actions brought against it by the Government of Papua New Guinea in the Singapore court and the case is essentially concluded. Accordingly, the financial statements have been prepared on the basis that the Group is a going concern.

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.

2 Significant accounting policies

(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.

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.

2. *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.

2 Significant accounting policies

(c) Group accounting

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.

(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.

2 Significant accounting policies

(c) Group accounting

(iii) Joint ventures

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.

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 property, plant and equipment over their estimated useful lives. The annual rates used for this purpose are as follows:

2 Significant accounting policies

(e) Property, plant and equipment

(ii) Depreciation

	Annual Rates %
Motor vehicles	20
Leasehold improvements	33.3
Buildings	2
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.

(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.

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) is 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.

2 Significant accounting policies

(g) Impairment of non-financial assets

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

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.

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

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

Deferred income tax is measured:

i. at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

ii. based on the tax consequence that will follow from the manner in which the Group and the Company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from business combination is adjusted against goodwill on acquisition.

2 Significant accounting policies

(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.

(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.

2 Significant accounting policies

(k) Functional and presentation currency

(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, money market investments, 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.

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.

2 Significant accounting policies

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

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.

2 Significant accounting policies

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

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.

2 Significant accounting policies

(o) Financial assets

(i) Classification and measurement

At subsequent measurement

a) Debt instruments

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

The following are the 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".

(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 21 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.

2 Significant accounting policies

(o) Financial assets

(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) 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	
	2020 US$	2019 US$	2020 US$	2019 US$
Interest income from commercial papers, certificates of deposits, bonds and cash balances	**7,418,994**	8,826,124	**7,410,010**	8,393,175
Fair value gains on financial assets, at FVPL	**175,144,171**	170,046,381	**175,124,532**	170,046,381
Dividend income	**8,316,777**	11,985,388	**8,316,777**	11,985,388
	190,879,942	190,857,893	**190,851,319**	190,424,944
Revenue from other activities				
Interest income	**1,760,189**	2,427,812	**-**	-
Fee and deposit services income	**-**	267,049	**-**	-
	1,760,189	2,694,861	**-**	-
Total revenue	**192,640,131**	193,552,754	**190,851,319**	190,424,944

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

5 Expenses

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Other investment losses				
Foreign exchange loss on local investments	**2,458,147**	1,255,142	**2,458,147**	1,255,142
	2,458,147	1,255,142	**2,458,147**	1,255,142
Governance costs				
Board of directors' fees	**670,234**	634,131	**670,234**	611,622
Board administration	**52,084**	177,368	**52,084**	177,368
Audit fees	**134,872**	140,830	**114,872**	87,900
Annual report meeting expenses	**5,930**	3,932	**5,930**	3,932
Company secretary	**152,244**	80,314	**152,244**	80,314
Annual report	**2,000**	2,000	**2,000**	2,000
Advisory council fees	**25,419**	20,230	**25,419**	20,230
	1,042,783	1,058,805	**1,022,783**	983,366

Notes to the Financial Statements
For the Year Ended 31 December 2020

5 Expenses

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Administration costs				
Employee compensation (Note 6)	**1,420,125**	2,420,280	**501,301**	313,894
Professional services	**693,597**	496,664	**662,260**	321,610
Travel	**76,125**	250,351	**76,125**	183,722
Insurance	**187,180**	217,493	**187,180**	164,395
Office rent and security expenses	**75,597**	1,063,808	**75,597**	82,652
Information services	**90,760**	308,191	**90,760**	111,185
Advertising and media cost	**5,095**	39,644	**5,095**	11,045
Motor vehicle expenses	**11,391**	97,143	**11,391**	7,730
Other expenses	**114,358**	1,411,907	**138,197**	220,915
	2,674,228	6,305,481	**1,747,906**	1,417,148
Fund management costs **				
Investment services fees	**2,423,508**	2,415,666	**2,423,508**	2,415,666
Professional services	**2,951,600**	834,583	**2,951,600**	834,583
	5,375,108	3,250,249	**5,375,108**	3,250,249
Development program costs	**27,667,197**	29,991,956	**27,667,197**	29,991,956
	27,667,197	29,991,956	**27,667,197**	29,991,956
Other (gain) / losses - net				
(Gain) / Loss on sale of subsidiary	**(1,308,293)**	-	**2,973,443**	-
Foreign currency exchange loss, net	**1,075,980**	753,851	**88,010**	-
	(232,313)	753,851	**3,061,453**	-
Total expenses	**38,985,150**	42,615,484	**41,332,594**	36,897,861

** Fund management costs charged to the Long Term Fund and Development Fund were US$5,265,009 (2019: US$3,214,949) and US$110,099 (2019: US$35,300), respectively.

6 Employee compensation

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Wages and salaries	**1,159,227**	2,135,698	**368,334**	257,707
Other employee benefits and costs	**125,293**	83,446	**64,459**	30,700
Employer's contribution to defined contribution plans	**135,605**	201,136	**68,508**	25,487
	1,420,125	2,420,280	**501,301**	313,894

Key management personnel compensation is disclosed in Note 22.

Notes to the Financial Statements
For the Year Ended 31 December 2020

7 Income tax

(a) Income tax expense

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Tax expense attributable to the operating surplus is made up of:				
Current income tax	**1,499,857**	2,254,366	**1,334,149**	1,886,360
Deferred income tax credit	**(509,980)**	(59,678)	**-**	-
	989,877	2,194,688	**1,334,149**	1,886,360

The tax expense is comprised of:

- US$1,334,149 (2019: US$1,886,360) in connection with the withholding tax deducted from dividend income from its Papua New Guinea equity investments;
- US$165,708 (2019: US$368,006) in connection with the current income tax payable for a subsidiary; and
- US$509,980 credit (2019: US$59,678 credit) 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.

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

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Surplus before income tax	**153,602,424**	149,630,629	**148,740,998**	152,915,509
Tax calculated at Singapore rate applicable to income in Papua New Guinea at 17% (2019: 17%)	**26,112,412**	25,437,207	**25,285,970**	25,995,637
Income not subject to tax	**(31,227,852)**	(30,779,310)	**(30,932,688)**	(30,234,365)
Expenses not deductible for tax purposes	**6,627,476**	7,479,979	**7,158,754**	6,376,604
Effect of tax rates in other countries	**(177,887)**	(251,516)	**(177,887)**	(251,516)
Tax expense of subsidiaries	**(344,272)**	308,328	**-**	-
Tax expense	**989,877**	2,194,688	**1,334,149**	1,886,360

Notes to the Financial Statements
For the Year Ended 31 December 2020

7 Income tax

(a) Income tax expense

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Comprising:				
Dividend / interest withholding tax paid to the IRC of Papua New Guinea	**1,334,149**	1,886,360	**1,334,149**	1,886,360
Current income tax expense	**165,708**	368,006	**-**	-
Deferred income tax credit	**(509,980)**	(59,678)	**-**	-
	989,877	2,194,688	**1,334,149**	1,886,360

(b) Movement in current income tax (assets) / liabilities:

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Beginning of financial year	**(277,935)**	(597,546)	**-**	-
Tax expense	**540,732**	368,006	**-**	-
Income tax paid	**(220,222)**	(48,395)	**-**	-
End of financial year	**42,575**	(277,935)	**-**	-

8 Cash and cash equivalents

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Cash and bank balances	**13,829,147**	10,393,020	**4,359,815**	4,601,074
Funds under management:				
Short-term deposits	**-**	11,663,741	**-**	11,663,741
Deposits at call	**154,420,248**	34,806,626	**154,420,248**	34,806,626
	154,420,248	46,470,367	**154,420,248**	46,470,367
	168,249,395	56,863,387	**158,780,063**	51,071,441

In the prior year the Company had restricted access to cash and cash equivalents held in Papua New Guinea of US$447,560 and other assets held in Papua New Guinea as the tax authorities have declined to provide taxation clearance to remit funds overseas. Given the increase in development activities the cash was deployed to fund projects in the current year.

Notes to the Financial Statements
For the Year Ended 31 December 2020

8 Cash and cash equivalents

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

	Group	
	2020 US$	2019 US$
Cash and cash equivalents	**168,249,395**	56,863,387

9 Financial assets

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Current				
In-house managed funds:				
Financial assets, at amortised costs				
Bonds and certificates of deposit	**-**	16,209,028	**-**	-
Total current	**-**	16,209,028	**-**	-
Non-current				
Funds under management:				
Financial assets, at FVPL				
Bonds and equity securities* and funds	**1,379,550,564**	1,315,855,557	**1,379,550,564**	1,315,855,557
In-house managed funds:				
Financial assets, at FVPL				
Bonds and equity securities	**81,755,674**	108,687,408	**81,755,674**	108,687,408
Total non-current	**1,461,306,238**	1,424,542,965	**1,461,306,238**	1,424,542,965
Total	**1,461,306,238**	1,440,751,993	**1,461,306,238**	1,424,542,965

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 2020

10 Other receivables

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Current				
Loans and receivables	**393,784**	4,364,617	**37,856,727**	40,121,081
Other receivables	**935,420**	646,051	**51,770,234**	1,700,830
	1,329,204	5,010,668	**39,626,961**	41,821,911
Less: Allowance for loan losses	**(393,784)**	(2,784,284)	**(4,711,508)**	(3,933,781)
	935,420	2,226,384	**34,915,453**	37,888,130
Non-current				
Loan receivable, from a joint venture (Note (i))	**19,246,413**	15,980,150	**-**	-
Total	**20,181,833**	18,206,534	**34,915,453**	37,888,130

	Company	
	2020 US$	2019 US$
Loans receivable from subsidiaries:		
Champion No. 34 Limited (Note (ii))	**33,995,719**	37,166,376
PNG Sustainable Development Program (Australia) Pty Limited (Note (iii))	**3,861,008**	2,954,705
Less: Allowance for loan losses	**(3,387,979)**	(2,610,252)
	34,468,748	**37,510,829**

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. At the reporting date, the fair value of the loan receivable from a joint venture is US$19,143,821 (2019: US$15,656,076) and is computed based on cash flow discounted at the interest rates at 6.5% per annum (2019: 6.5% 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 2020

11 Investments in joint ventures

	Company	
	2020 US$	2019 US$
Investment in PNG Energy Development Limited ("PNGEDL"), at cost	**45,109,368**	45,109,368
Provision for impairment of investment in PNGEDL*	**(45,109,368)**	(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	
	2020 US$	2019 US$
Beginning of financial year	**4,380,016**	4,392,023
Share of results after tax	**(52,557)**	77,753
Currency translation differences	**(89,612)**	(89,760)
End of financial year	4,237,847	4,380,016

The investments in joint ventures are represented by:

	Group	
	2020 US$	2019 US$
Share of net assets in PNGEDL	-	-
Share of net assets in Harbourside Development Ltd	**4,237,847**	4,380,016
Total	4,237,847	4,380,016

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

	2020 US$	2019 US$
Assets	**34,094,296**	32,032,922
Liabilities	**29,838,132**	26,864,386
Revenue	**2,857,040**	2,909,038
Net results	**(52,557)**	77,753

PNG Energy Development Limited

Pursuant to a shareholder agreement, PNGEDL is equally owned by PNGSDP and Origin Energy Ltd. The principal activity of PNGEDL is to implement and manage electricity and energy projects which are in line with the overall goals and objectives of PNGSDP. Origin Energy Ltd was providing technical expertise whilst PNGSDP provided funding for the projects.

Notes to the Financial Statements
For the Year Ended 31 December 2020

11 Investments in joint ventures

In 2013, a decision was made by the directors to impair the full value of the investment based on the fact that its key project, the Purari River Project is long dated and the scale of PNGSDP's involvement in the future is uncertain given the Company no longer has the capacity to continue funding the project after the loss of its dividend income from the investment in Ok Tedi Mining Limited. During the year the directors approved the handover of project intellectual property to PNG Power Limited and steps to commence the wind-up of the joint venture company.

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 2020 %	Effective Interest 2019 %
PNG Energy Development Limited	Development of energy projects	Papua New Guinea	50	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

	2020 US$	2019 US$
Current		
Cash and cash equivalents	**42,808**	1,579,240
Total current assets	**42,808**	1,579,240
Other current liabilities (including trade payables)	**6,174**	2,200
Total current liabilities	**6,174**	2,200
Net assets	**36,634**	1,577,040
Interest in joint venture at 50%	**18,317**	788,520
Impairment	**(18,317)**	(788,520)
Carrying value	**-**	-

Notes to the Financial Statements
For the Year Ended 31 December 2020

11 Investments in joint ventures

Summarised statement of comprehensive income

	2020 US$	2019 US$
Foreign exchange loss	**-**	(43,898)
Interest income	**4,140**	15,296
Administration expenses	**(11,046)**	(17,562)
Total comprehensive loss for the year attributable to equity holders of the Company	**(6,906)**	(46,164)

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

	2020 US$	2019 US$
Current		
Cash and cash equivalents	**143**	146
Other current assets (excluding cash)	**3,033,284**	2,218,780
Total current assets	**3,033,427**	2,218,926
Financial liabilities (excluding trade payables)	**59,330,440**	52,842,205
Other current liabilities (including trade payables)	**339,650**	884,368
Total current liabilities	**59,670,090**	53,726,573
Non-current		
Fixed assets	**65,112,357**	60,267,678
Total non-current assets	**65,112,357**	60,267,678
Net assets	**8,475,694**	8,760,031
Net assets including the foreign currency translation differences	**8,475,694**	8,760,031
Interest in joint venture at 50% and carrying value	**4,237,847**	4,380,016

Notes to the Financial Statements
For the Year Ended 31 December 2020

11 Investments in joint ventures

Summarised financial information for Harbourside Development Limited

Summarised statement of comprehensive income

	2020 US$	2019 US$
Revenue from continuing operations	**5,709,940**	5,802,780
Operating costs	**(5,856,250)**	(5,572,834)
(Loss) / profit before income tax	**(146,310)**	229,946
Income tax credit / (expense)	**41,197**	(74,441)
Total comprehensive (loss) / income for the year attributable to equity holders of the Company	**(105,113)**	155,505

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	
	2020 US$	2019 US$
Unquoted investments at cost		
South Fly AIC Limited	**15,299,243**	6,789,690
PNG Sustainable Infrastructure Limited	**1**	1
Impairment of PNG Sustainable Infrastructure Limited	**(1)**	(1)
PNG Sustainable Energy Limited	**5,450,000**	5,450,000
Impairment of PNG Sustainable Energy Limited	**(5,450,000)**	(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)
PNG Microfinance Ltd	**-**	1,940,787
Impairment of PNG Microfinance Ltd	**-**	(1,940,787)
	15,299,245	**6,789,692**

** less than US$1.

Notes to the Financial Statements
For the Year Ended 31 December 2020

12 Investments in subsidiaries

Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective Interest 2020 %	Effective Interest 2019 %
South Fly AIC 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
PNG Microfinance Ltd	Financial institution	Papua New Guinea	0	83
Daru Port Development Company Ltd	Construction of port facilities (Inactive)	Papua New Guinea	100	100

On 30 August 2019, the Group's board of directors approved the sale of its 83%-owned subsidiary, PNG Microfinance Limited. The disposal was completed on 31 January 2020.

Notes to the Financial Statements
For the Year Ended 31 December 2020

13 Property, plant and equipment

Group	Leasehold land US$	Construction-in-progress US$	Total US$
2020			
Cost			
Beginning of financial year	200,808	10,089,548	10,290,356
Additions	-	10,764,472	10,764,472
Reclassification to investment property (Note 14)	-	(2,786,240)	(2,786,240)
End of financial year	**200,808**	**18,067,780**	**18,268,588**
Accumulated depreciation			
Beginning and end of financial year	-	-	-
Net book value			
End of financial year	**200,808**	**18,067,780**	**18,268,588**
2019			
Cost			
Beginning of financial year	200,808	10,089,548	10,290,356
Accumulated depreciation			
Beginning and end of financial year	-	-	-
Net book value			
End of financial year	**200,808**	**10,089,548**	**10,290,356**

Notes to the Financial Statements
For the Year Ended 31 December 2020

13 Property, plant and equipment

Company	Leasehold land US$	Construction-in-progress US$	Total US$
2020			
Cost			
Beginning of financial year	200,808	2,374,239	2,575,047
Additions	-	412,001	412,001
Reclassification to investment property (Note 14)	-	(2,786,240)	(2,786,240)
End 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**
2019			
Cost			
Beginning and end of financial year	200,808	2,374,239	2,575,047
Accumulated depreciation			
Beginning and end of financial year	-	-	-
Net book value			
End of financial year	200,808	2,374,239	2,575,047

14 Investment property

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Cost				
Balance at 1 January	-	-	-	-
Reclassification from property, plant and equipment	**2,786,240**	-	**2,786,240**	-
Balance at 31 December	**2,786,240**	-	**2,786,240**	-
Accumulated depreciation				
Balance at 1 January	-	-	-	-
Charge for the year	**(29,025)**	-	**(29,025)**	-
Balance at 31 December	**(29,025)**	-	**(29,025)**	-
Net Book Value	**2,757,215**	-	**2,757,215**	-

* Investment property comprises a residential complex in Daru, Western Province that is leased to third parties.

Notes to the Financial Statements
For the Year Ended 31 December 2020

15 Sundry creditors and accruals

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Amounts due to:				
Depositors of subsidiary	-	11,664,830	-	-
Other non-related parties	**5,800,072**	2,618,697	**4,890,022**	1,905,131
	5,800,072	14,283,527	**4,890,022**	1,905,131

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.

Movement in the deferred income tax account is as follows:

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Beginning of financial year	**26,838**	86,516	-	-
(Credited) / charged to profit or loss	**(509,980)**	(59,678)	-	-
End of financial year	**(483,142)**	26,838	-	-

The deferred tax asset of the group relates to temporary differences arising from accrued expenses 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 2020, there are 5 (2019: 4) members of the Company, (Donald Manoa, Philip Bainbridge, Sir Mekere Morauta, Lim How Tech and Charles Jean Mercey). Every member of the Company undertakes to contribute to the assets of the Company an amount not exceeding Singapore Dollars 10, in the event of winding up of the Company.

Notes to the Financial Statements
For the Year Ended 31 December 2020

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	
	2020 US$	2019 US$
Beginning of financial year	-	-
Governance and administrative expenses**	**(2,770,689)**	(2,400,514)
Income transferred from Long Term Fund	**2,770,689**	2,400,514
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 preceeding 3 accounting years.

Long Term Fund

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

	Company	
	2020 US$	2019 US$
Beginning of financial year	**1,483,657,526**	1,349,371,594
Investment income	**183,588,718**	186,825,274
Investment and professional expenses (Note 5)	**(5,265,009)**	(3,214,949)
Foreign exchange losses (Note 5)	**(88,010)**	-
Withholding tax paid to IRC of Papua New Guinea	**(1,334,149)**	(1,886,360)
Allowance for loan losses (Note 21 (b))	**(777,727)**	(37,519)
Income transferred to General Fund*	**(2,770,689)**	(2,400,514)
Income transferred to Development Fund*	**(35,000,000)**	(45,000,000)
End of financial year	**1,622,010,660**	**1,483,657,526**

*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.

18 General Fund, Long Term Fund and Development Fund

Development Fund

	Company	
	2020 US$	2019 US$
Beginning of financial year	**37,304,601**	20,561,384
Investment income	**4,804,454**	2,344,528
Investment and professional expenses (Note 5)	**(110,099)**	(35,300)
Loss on sale of subsidiary (Note 5)	**(2,973,443)**	-
Development expenses	**(27,667,197)**	(29,991,956)
Income transferred from Long Term Fund	**35,000,000**	45,000,000
Allowance for loan losses (Note 21 (b))	**-**	(574,055)
End of financial year	**46,358,316**	**37,304,601**

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 Group leases office property with a contract term of less than one year. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

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	
	2020 US$	2019 US$	2020 US$	2019 US$
Not later than one year	**50,525**	721,331	**50,525**	35,119
Later than one year but not later than five years	**20,671**	1,213,843	**20,671**	-
	71,196	1,935,174	**71,196**	35,119

(b) Capital commitments

Capital expenditures contracted for at the reporting date but not recognised in the financial statements are as follows:

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Property, plant and equipment	**-**	12,331,825	**-**	411,890
	-	12,331,825	**-**	411,890

19 Commitments

(c) 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 Contingencies

(a) Contingent liabilities

The Shareholder Agreement between PNGSDP, PNG Microfinance Ltd (“PNGMF”) and International Finance Corporation (“IFC”) was amended and restated on 22 May 2006 to cater for a subscription agreement between PNGMF and International Finance Corporation (“IFC”) dated 24 June 2005. IFC agreed on the terms and conditions set out therein and subscribed for approximately 2,900,000 shares ("option shares") of PNGMF. As a condition for investing in PNGMF, the IFC entered into a Put Option Agreement with PNGSDP on 22 May 2006. The Put Option Agreement binds PNGSDP to acquire the option shares when IFC exercises the right to require PNGSDP to purchase any or all of the option shares. The Put Option Agreement specifies that the put option can be exercised by IFC when a "Put Triggering Event" occurs, such as default or non-compliance by PNGSDP or PNGMF with any of its respective obligations, or any misrepresentation or breach of warranty by PNGSDP or PNGMF under the Shareholders Agreement. The Put Option effectively expired with the disposal of the IFC shareholding to the Group (Note 23).

(b) Litigation

The Company successfully defended the actions brought against it by the PNG Government in Singapore courts. The court ruled in favour of PNGSDP on all counts and as such the directors are satisfied that there is no immediate threat to the control over its assets and the future operations of the Company.

21 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.

Notes to the Financial Statements
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21 Financial risk management

Financial risk factors

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 30 (2019: 27) 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	
	2020 US$	**2019 US$**
Group		
Bonds and equity securities designated at FVPL	**1,461,306,238**	1,424,542,965

	Fair Value	
	2020 US$	**2019 US$**
Company		
Bonds and equity securities designated at FVPL	**1,461,306,238**	1,424,542,965

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% (2019: 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 2020

21 Financial risk management

Financial risk factors

(a) Market risk

	2020	2019
	Increase / Decrease	
	Surplus from operations US$	**Surplus from operations US$**
Group		
Managed by fund managers		
- increased by	**68,977,528**	65,792,778
- decreased by	**(68,977,528)**	(65,792,778)
Managed in-house		
- increased by	**4,087,784**	5,434,370
- decreased by	**(4,087,784)**	(5,434,370)
Company		
Managed by fund managers		
- increased by	**68,977,528**	65,792,778
- decreased by	**(68,977,528)**	(65,792,778)
Managed in-house		
- increased by	**4,087,784**	5,434,370
- decreased by	**(4,087,784)**	(5,434,370)

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 2020

21 Financial risk management

Financial risk factors

(a) Market risk

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						
2020						
Financial assets						
Cash and cash equivalents	10,758,821	36,107	157,005,953	426,562	21,952	168,249,395
Financial assets, at FVPL	81,488,871	35,528,893	1,271,967,931	72,320,543	-	1,461,306,238
Other receivables	166,343	-	19,970,804	44,686	-	20,181,833
	92,414,035	**35,565,000**	**1,448,944,688**	**72,791,791**	**21,952**	**1,649,737,466**
Financial liabilities						
Sundry creditors, accruals and provisions	(4,271,626)	-	(1,659,163)	(142,688)	(30,032)	(6,103,509)
Net financial assets / (liabilities)	88,142,409	35,565,000	1,447,285,525	72,649,103	(8,080)	1,643,633,957
Less: Net financial assets denominated in the Group's functional currency	-	-	(1,447,285,525)	-	-	(1,447,285,525)
Currency exposure	**88,142,409**	**35,565,000**	**-**	**72,649,103**	**(8,080)**	**196,348,432**

PNG Sustainable Development Program Limited and its Subsidiaries

Notes to the Financial Statements
For the Year Ended 31 December 2020

21 Financial risk management

Financial risk factors

(a) Market risk

	PGK US$	EUR US$	USD US$	AUD US$	Other US$	Total US$
Group						
2019						
Financial assets						
Cash and cash equivalents	5,895,230	5,339	50,597,394	344,197	21,227	56,863,387
Financial assets, at FVPL	108,304,020	14,608,813	1,237,932,782	63,697,350	-	1,424,542,965
Financial assets, at amortised cost	16,209,028	-	-	-	-	16,209,028
Other receivables	15,980,150	-	2,226,384	-	-	18,206,534
	146,388,428	**14,614,152**	**1,290,756,560**	**64,041,547**	**21,227**	**1,515,821,914**
Financial liabilities						
Sundry creditors, accruals and provisions	(13,058,880)	-	(1,237,331)	(225,489)	(26,784)	(14,548,484)
Net financial assets / (liabilities)	133,329,548	14,614,152	1,289,519,229	63,816,058	(5,557)	1,501,273,430
Less: Net financial assets denominated in the Group's functional currency	-	-	(1,289,519,229)	-	-	(1,289,519,229)
Currency exposure	**133,329,548**	**14,614,152**	**-**	**63,816,058**	**(5,557)**	**211,754,201**

Notes to the Financial Statements
For the Year Ended 31 December 2020

21 Financial risk management

Financial risk factors

(a) Market risk

	PGK US$	EUR US$	USD US$	AUD US$	Other US$	Total US$
Company						
2020						
Financial assets						
Cash and cash equivalents	1,716,051	36,107	157,005,953	-	21,952	158,780,063
Financial assets, at FVPL	81,488,871	35,528,893	1,271,967,931	72,320,543	-	1,461,306,238
Other receivables	34,335,228	-	37,335	542,890	-	34,915,453
	117,540,150	**35,565,000**	**1,429,011,219**	**72,863,433**	**21,952**	**1,655,001,754**
Financial liabilities						
Sundry creditors, accruals and provisions	(3,058,139)	-	(1,659,163)	(142,688)	(30,032)	(4,890,022)
Net financial assets / (liabilities)	114,482,011	35,565,000	1,427,352,056	72,720,745	(8,080)	1,650,111,732
Less: Net financial assets denominated in the Group's functional currency	-	-	(1,427,352,056)	-	-	(1,427,352,056)
Currency exposure	**114,482,011**	**35,565,000**	**-**	**72,720,745**	**(8,080)**	**222,759,676**

PNG Sustainable Development Program Limited and its Subsidiaries

Notes to the Financial Statements
For the Year Ended 31 December 2020

21 Financial risk management

Financial risk factors

(a) Market risk

	PGK US$	EUR US$	USD US$	AUD US$	Other US$	Total US$
Company						
2019						
Financial assets						
Cash and cash equivalents	447,737	5,339	50,597,394	-	20,971	51,071,441
Financial assets, at FVPL	108,304,020	14,608,813	1,237,932,782	63,697,350	-	1,424,542,965
Other receivables	37,451,990	-	38,266	397,874	-	37,888,130
	146,203,747	**14,614,152**	**1,288,568,442**	**64,095,224**	**20,971**	**1,513,502,536**
Financial liabilities						
Sundry creditors, accruals and provisions	(415,526)	-	(1,237,332)	(225,489)	(26,784)	(1,905,131)
Net financial assets / (liabilities)	145,788,221	14,614,152	1,287,331,110	63,869,735	(5,813)	1,511,597,405
Less: Net financial assets denominated in the Group's functional currency	-	-	(1,287,331,110)	-	-	(1,287,331,110)
Currency exposure	**145,788,221**	**14,614,152**	**-**	**63,869,735**	**(5,813)**	**224,266,295**

Notes to the Financial Statements
For the Year Ended 31 December 2020

21 Financial risk management

Financial risk factors

(a) Market risk

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 3% (2019: 4%) 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 2020 US$	**Surplus from operations 2019 US$**
Group		
PGK against USD		
- strengthened	**2,644,272**	5,333,182
- weakened	**(2,644,272)**	(5,333,182)
Company		
PGK against USD		
- strengthened	**3,434,460**	5,831,529
- weakened	**(3,434,460)**	(5,831,529)

Notes to the Financial Statements
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21 Financial risk management

Financial risk factors

(a) Market risk

If the EUR changed against the USD by 3% (2019: 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 2020 US$	**Surplus from operations 2019 US$**
Group		
EUR against USD		
- strengthened	**1,066,950**	1,169,132
- weakened	**(1,066,950)**	(1,169,132)
Company		
EUR against USD		
- strengthened	**1,066,950**	1,169,132
- weakened	**(1,066,950)**	(1,169,132)

If the AUD changed against the USD by 1% (2019: 7%) 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 2020 US$	**Surplus from operations 2019 US$**
Group		
AUD against USD		
- strengthened	**726,491**	4,467,124
- weakened	**(726,491)**	(4,467,124)
Company		
AUD against USD		
- strengthened	**727,207**	4,470,881
- weakened	**(727,207)**	(4,470,881)

21 Financial risk management

Financial risk factors

(a) Market risk

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 fixed interest securities 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 2020 and 31 December 2019, 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 2020 were rated A and above (2019: A and above). 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.

21 Financial risk management

Financial risk factors

(b) Credit risk

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

	2020 US$	2019 US$
Group		
Bonds, and funds and certificates of deposit	**884,150,845**	867,651,849
Cash and cash equivalents	**168,249,395**	56,863,387
Other receivables	**20,181,833**	18,206,534
	1,072,582,073	942,721,770

	2020 US$	2019 US$
Company		
Bonds, and funds and certificates of deposit	**884,150,845**	851,442,822
Cash and cash equivalents	**158,780,063**	51,071,441
Other receivables	**34,915,453**	37,888,130
	1,077,846,361	940,402,393

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.

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.

21 Financial risk management

Financial risk factors

(b) Credit risk

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

	Group		Company	
	2020 US$	2019 US$	2020 US$	2019 US$
Not past due	**20,575,617**	18,528,180	**39,626,961**	41,821,911
Past due < 3 months	**-**	462,237	**-**	-
Past due 3 to 6 months	**-**	343,127	**-**	-
Past due over 6 months	**-**	1,617,274	**-**	-
	20,575,617	20,950,818	**39,626,961**	41,821,911
Impairment allowance	**(393,784)**	(2,744,284)	**(4,711,508)**	(3,933,781)
	20,181,833	18,206,534	**34,915,453**	37,888,130

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

	Other receivables*	
	2020 US$	2019 US$
Group		
Balance as at 1 January	**2,744,284**	1,359,890
Loss allowance recognised in profit or loss during the year on:		
Assets originated	**-**	1,384,394
Reversal of unutilised amounts	**(2,350,500)**	-
	(2,350,500)	**1,384,394**
Balance as at 31 December	**393,784**	**2,744,284**
Company		
Balance as at 1 January	**3,933,781**	3,322,207
Loss allowance recognised in profit or loss during the year on:		
- Assets originated	**777,727**	611,574
	777,727	**611,574**
Balance as at 31 December	**4,711,508**	**3,933,781**

PNG Sustainable Development Program Limited and its Subsidiaries

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21 Financial risk management

Financial risk factors

(b) Credit risk

* 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 2020 and 2019.

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 2020 and 2019 are shown below:

	Gross exposure US$	Impairment allowance US$	Net carrying amount US$	Fair value of collateral held US$
2020				
Loan receivable from a joint venture	19,246,413	-	19,246,413	-
Other receivables	1,329,204	(393,784)	935,420	-
	20,575,617	**(393,784)**	**20,181,833**	**-**

	Gross exposure US$	Impairment allowance US$	Net carrying amount US$	Fair value of collateral held US$
2019				
Loan receivable from a joint venture	15,980,150	-	15,980,150	-
Other receivables	5,010,668	(2,784,284)	2,226,384	5,414,954
	20,990,818	**(2,784,284)**	**18,206,534**	**5,414,954**

Notes to the Financial Statements
For the Year Ended 31 December 2020

21 Financial risk management

Financial risk factors

(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 investing predominantly in securities that it expects to be able to liquidate within 90 days or less. The following table illustrates the expected liquidity of assets held.

	1 to 3 months US$	3 to 12 months US$	More than 12 months US$	Total US$
Group				
2020				
Financial assets				
Cash and cash equivalents	168,249,395	-	-	168,249,395
Financial assets, at FVPL	-	-	1,461,306,238	1,461,306,238
Other receivables	935,420	-	19,246,413	20,181,833
	169,184,815	**-**	**1,480,552,651**	**1,649,737,466**
Financial liabilities				
Sundry creditors, accruals and provisions	(6,103,509)	-	-	(6,103,509)
Net financial assets	**163,081,306**	**-**	**1,480,552,651**	**1,643,633,957**

Notes to the Financial Statements
For the Year Ended 31 December 2020

21 Financial risk management

Financial risk factors

(c) Liquidity risk

	1 to 3 months US$	3 to 12 months US$	More than 12 months US$	Total US$
Group				
2019				
Financial assets				
Cash and cash equivalents	56,863,387	-	-	56,863,387
Financial assets, at FVPL	-	-	1,424,542,965	1,424,542,965
Financial assets, at amortised cost	-	16,209,028	-	16,209,028
Other receivables	1,655,133	571,251	15,980,150	18,206,534
	58,518,520	**16,780,279**	**1,440,523,115**	**1,515,821,914**
Financial liabilities				
Sundry creditors, accruals and provisions	(10,875,661)	(3,672,823)	-	(14,548,484)
Net financial assets	**47,642,859**	**13,107,456**	**1,440,523,115**	**1,501,273,430**

The Group has certain financial assets in Papua New Guinea amounting to US$81,775,674 (2019: US$108,687,408). 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 9).

The Company manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within 90 days or less. The following table illustrates the expected liquidity of assets held.

	1 to 3 months US$	3 to 12 months US$	More than 12 months US$	Total US$
Company				
2020				
Financial assets				
Cash and cash equivalents	158,780,063	-	-	158,780,063
Financial assets, at FVPL	-	-	1,461,306,238	1,461,306,238
Other receivables	446,705	34,468,748	-	34,915,453
	159,226,768	**34,468,748**	**1,461,306,238**	**1,655,001,754**
Financial liabilities				
Sundry creditors, accruals and provisions	(4,890,022)	-	-	(4,890,022)
Net financial assets	**154,336,746**	**34,468,748**	**1,461,306,238**	**1,650,111,732**

21 Financial risk management

Financial risk factors

(c) Liquidity risk

	1 to 3 months US$	3 to 12 months US$	More than 12 months US$	Total US$
Company				
2019				
Financial assets				
Cash and cash equivalents	51,071,441	-	-	51,071,441
Financial assets, at FVPL	-	-	1,424,542,965	1,424,542,965
Other receivables	371,849	37,516,281	-	37,888,130
	51,443,290	**37,516,281**	**1,424,542,965**	**1,513,502,536**
Financial liabilities				
Sundry creditors, accruals and provisions	(1,905,131)	-	-	(1,905,131)
Net financial assets	**49,538,159**	**37,516,281**	**1,424,542,965**	**1,511,597,405**

(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.

PNG Sustainable Development Program Limited and its Subsidiaries

Notes to the Financial Statements
For the Year Ended 31 December 2020

21 Financial risk management

Financial risk factors

(e) Fair value measurements

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.

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.

21 Financial risk management

Financial risk factors

(e) Fair value measurements

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.

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Group and Company				
2020				
Assets				
Financial assets at fair value through profit or loss				
Public equity	501,484,985	112,879,858	-	614,364,843
Private equity	-	-	108,391,823	108,391,823
Diversifiers	-	390,866,484	-	390,866,484
Real assets	-	62,962,243	36,049,482	99,011,725
Fixed interest	35,807,157	91,662,896	121,201,310	248,671,363
Total assets	**537,292,142**	**658,371,481**	**265,642,615**	**1,461,306,238**
2019				
Assets				
Financial assets at fair value through profit or loss				
Public equity	574,021,206	92,787,325	-	666,808,531
Private equity	-	-	47,088,898	47,088,898
Diversifiers	-	331,032,359	-	331,032,359
Real assets	-	61,976,026	8,397,431	70,373,457
Fixed interest	64,333,726	140,440,866	104,465,128	309,239,720
Total assets	**638,354,932**	**626,236,576**	**159,951,457**	**1,424,542,965**

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.

21 Financial risk management

Financial risk factors

(e) Fair value measurements

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$	Total US$
Balance at 1 January 2019	4,153,786	-	68,757,676	72,911,462
Purchases	40,529,218	8,997,828	33,410,440	82,937,486
Total gains or losses recognised in profit or loss	2,405,894	(600,397)	2,297,012	4,102,509
Balance at 31 December 2019	**47,088,898**	**8,397,431**	**104,465,128**	**159,951,457**
Balance at 1 January 2020	47,088,898	8,397,431	104,465,128	159,951,457
Purchases	36,660,010	30,146,847	8,010,895	74,817,752
Total gains or losses recognised in profit or loss	24,642,915	(2,494,797)	8,725,287	30,873,406
Balance at 31 December 2020	**108,391,823**	**36,049,482**	**121,201,310**	**265,642,615**

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

(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	
	2020 US$	2019 US$	2020 US$	2019 US$
Financial assets, at amortised cost	**188,431,228**	91,278,949	**193,695,516**	88,959,571
Financial liabilities, at amortised cost	**6,103,509**	14,548,484	**4,890,022**	1,905,131

21 Financial risk management

Financial risk factors

(e) Fair value measurements

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$	Total US$
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Balance at 31 December 2019	**47,088,898**	**8,397,431**	**104,465,128**	**159,951,457**
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	Group		Company	
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Financial liabilities, at amortised cost	**6,103,509**	14,548,484	**4,890,022**	1,905,131

23 Disposal of subsidiary

Analysis of assets and liabilities over which control was lost

	Group 2020 US$
Assets	
Cash and cash equivalents	2,140,249
Loans and other receivables	3,114,271
Financial assets at fair value through profit or loss	4,677,310
Property, plant and equipment	517,993
	10,449,823
Liabilities	
Sundry creditors & accruals	(1,099,035)
Amounts due to depositors	(12,111,644)
	(13,210,679)
Net liabilities disposed	**(2,760,856)**

Gain on disposal of subsidiaries

	Group 2020 US$
Disposal and restructure costs	(2,973,433)
Share of net liabilities disposed of	2,760,856
Non-controlling interest	(469,345)
Cumulative exchange gains reclassified from equity to profit and loss on disposal of subsidiary	1,990,215
Gain on disposal (Note 5)	**1,308,293**

(a) Net cash inflow on disposal of subsidiaries

	Group 2020 US$
Consideration received in cash and cash equivalents	-
Less: cash and cash equivalents balances disposed of	(2,140,249)
	(2,140,249)

24 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.

Notes to the Financial Statements
For the Year Ended 31 December 2020

25 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 25 May 2021.

SDP

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