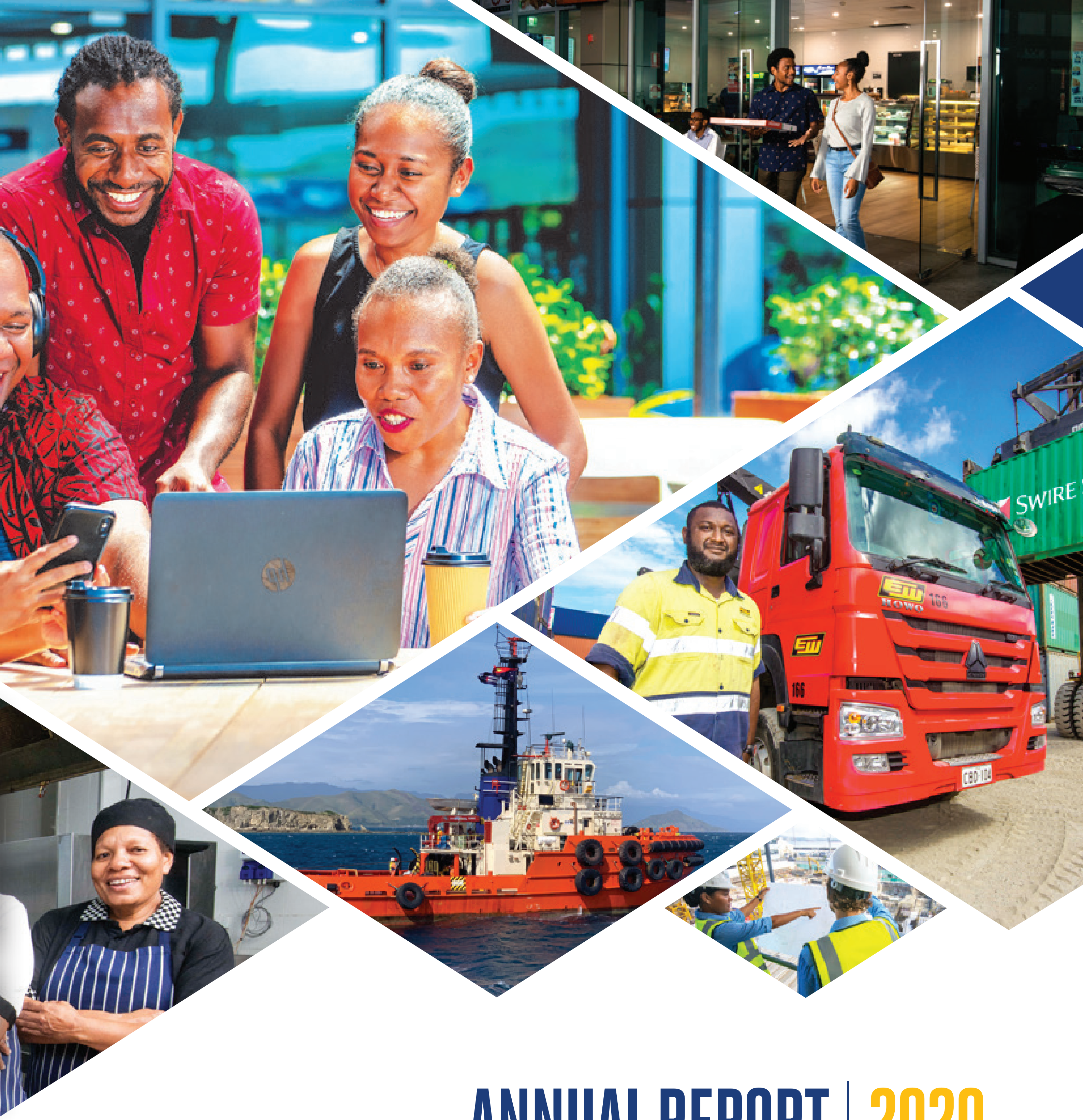

ANNUAL REPORT | 2020

STEAMSHIPS
TRADING COMPANY LIMITED


BOUGAINVILLE COAST

CONTENTS

BRIEF PROFILE OF THE STEAMSHIPS GROUP

Steamships Trading Company (Steamships or Group) is a committed investor in Papua New Guinea with over a century of experience. The Group is a well-established business conglomerate with diverse commercial interests and listings on both the Australian and Port Moresby Stock Exchanges.

Steamships has a vision to build a valuable and profitable business that is widely respected as being the best group to work for and with which to do business.

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Integral to this vision are the following business strategies:

- The long-term development of a diversified range of businesses in which shareholder value can be created,
- Employment of staff who we believe will further our strategic objectives and will be committed to the group for the long term and providing them with rewarding careers,
- Operational excellence in the way we conduct our business,
- Doing business in a sustainable manner, and
- Commitment to the highest standards of corporate governance.

The Group employs over 2,400 PNG citizens and non-citizens in diverse divisions grouped under the operating categories of Logistics, Property and Commercial & Investments. Steamships core values include the following:

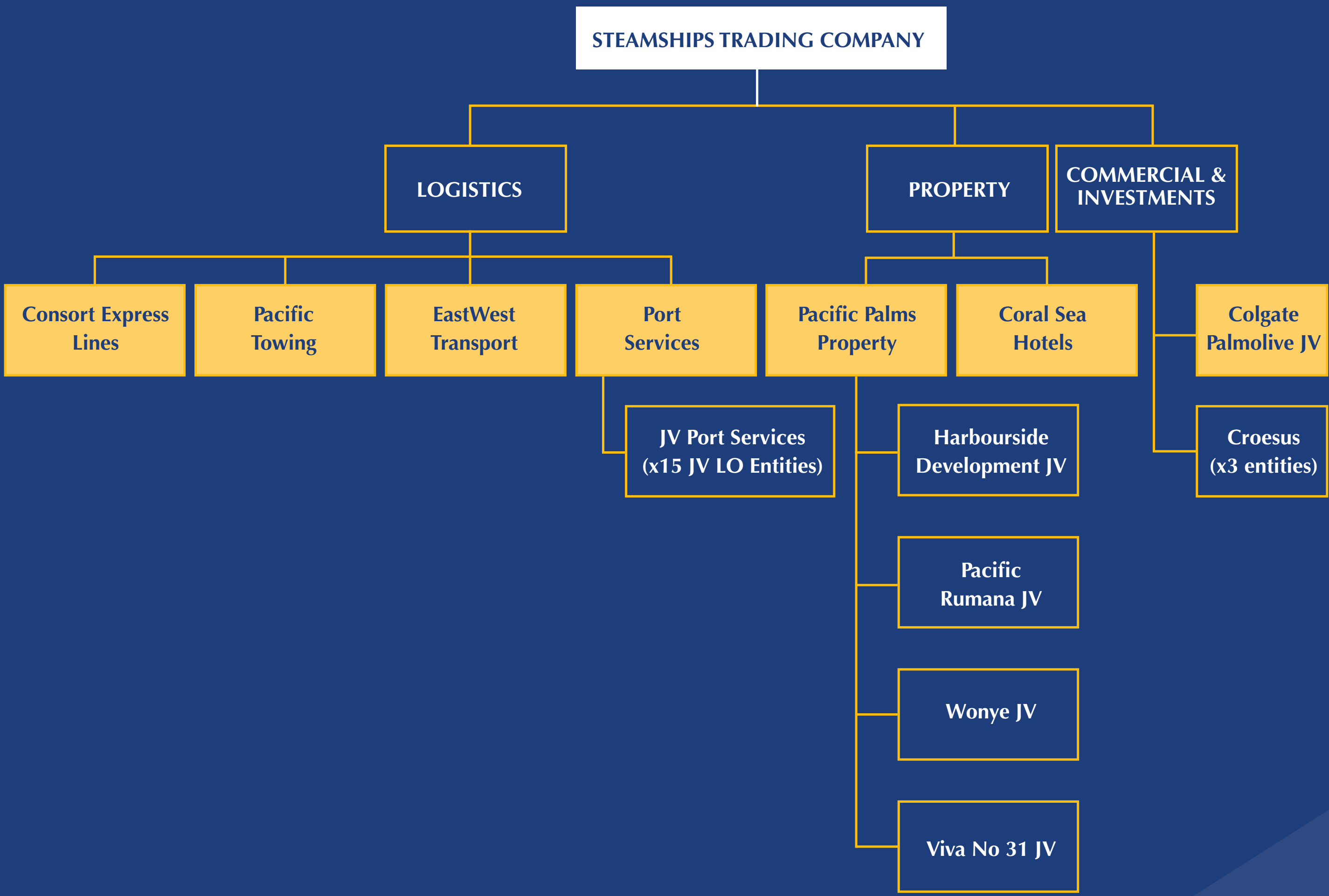
- Safety – We prioritise safety awareness and compliance to ensure our business operations are conducted safely.
- Integrity – Taking the more ethical and honest path; honouring our commitments and delivering on our promises; creating a bond of trust that sustains relationships with our staff, customers, shareholders, business partners and the communities in which we do business.
- Excellence – Our customers and colleagues expect us to deliver high quality goods and services. If something is to be done, we believe it should be done in the best possible way.
- Customer Focus – Our customers are the final judges of our success or failure. We understand and respond to the needs of our customers.
- People Development – We value a working environment that fosters innovation and encourages personal development and learning.
- Humility – We believe in the need to respect and to learn from others. To do this we must be aware of our own limitations and to seek to understand other perspectives.
- Continuity – We take a long term view. We grow our business sustainably and create enduring value that earns the respect of our customers, our staff, our communities and our shareholders.

Steamships is aware of its prominent position in the community and its responsibility to serve that community. The Group continues to be one of PNG's largest private sector employers and one of the largest supporters of community initiatives in education, health and social welfare. Steamships ensures that core sustainability concepts are embedded in its business models and systems. The Group is wholly aware that its business goals cannot be achieved unless this is the case. Steamships cannot succeed without the engagement and support of the people it employs, the loyalty and satisfaction of its customers, the local communities and the environment in which it operates.

Steamships is still showing it has the resources and capacity, vision and capability to meet the dynamic needs of a growing country.

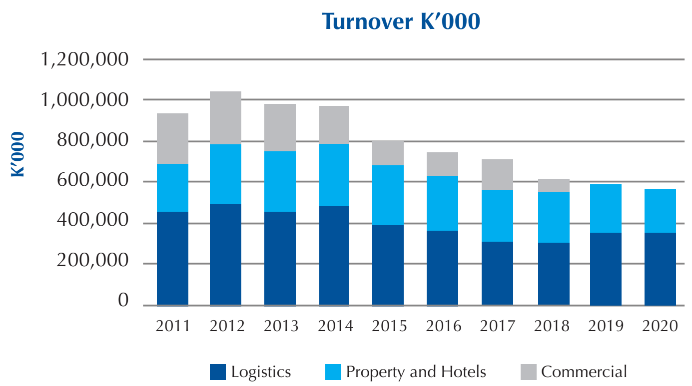
BRIEF PROFILE OF STEAMSHIPS GROUP

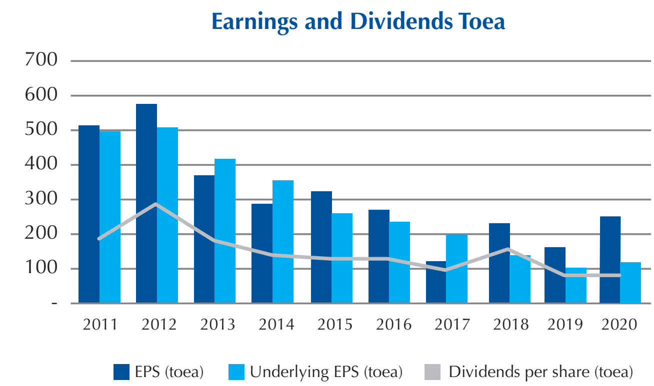
STEAMSHIPS' ORGANISATIONAL STRUCTURE

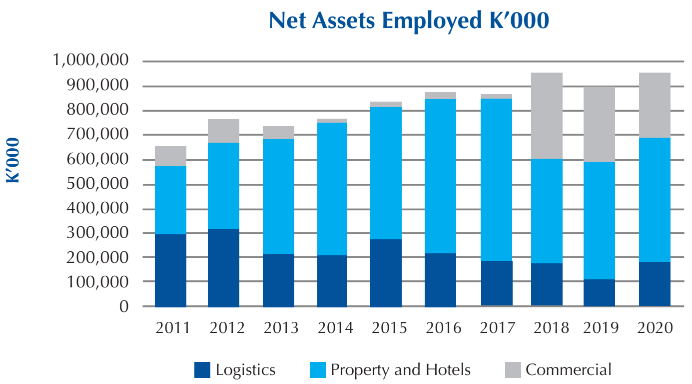


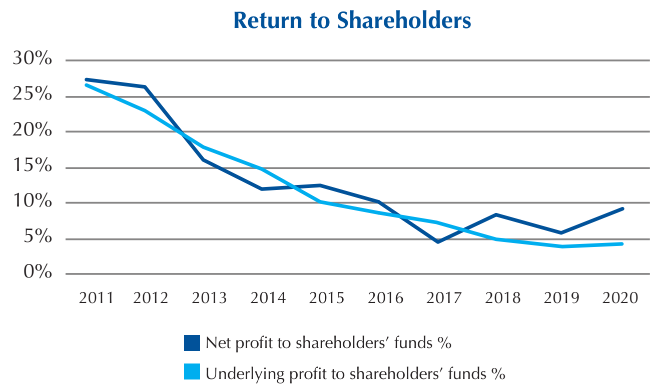
FINANCIAL HIGHLIGHTS

2020 FINANCIAL HIGHLIGHTS (including discontinued operations)	2020 K'000	2019 K'000	Change %
Revenue (including discontinued operations)	540,406	585,168	-8%
Profit attributable to shareholders	78,855	49,995	58%
Cash generated from operations	149,477	111,855	34%
Net cash inflow before financing	75,347	42,656	77%
Shareholders' funds	946,843	885,043	7%
External Borrowings	309,530	319,565	0%
Earnings per share (toea)	254	161	58%
Dividends per share (toea)	80	80	0%
Shareholders' funds per share	30.54	28.54	7%
Underlying profit attributable to shareholders	36,927	31,505	17%
Underlying earnings per share	119	102	17%
Gearing ratio	13.7%	19.5%	-30%
Interest cover	11.5	7.7	49%
Dividend cover	4.6	1.1	316%









FINANCIAL HIGHLIGHTS

SUMMARY OF PAST PEFORMANCE

	2011 K'000	2012 K'000	2013 K'000	2014 K'000	2015 K'000	2016 K'000	2017 K'000	2018 K'000	2019 K'000	2020 K'000
INCOME STATEMENT (including discontinued operations)										
Revenue	920,357	986,310	930,934	941,708	773,535	732,701	705,687	648,106	585,168	540,406
Profit before tax	233,967	265,574	79,747	134,789	136,042	118,686	62,686	112,493	61,284	63,813
Share of associates profit	13,859	14,188	9,697	3,843	3,062	5,865	7,525	5,628	5,010	4,026
Income tax (expense)/credit	(67,727)	(81,414)	(14,042)	(38,487)	(37,710)	(35,677)	(32,621)	(54,420)	(18,928)	11,198
Minority interests	(21,838)	(20,648)	38,609	(11,490)	(2,415)	(4,664)	3,926	5,828	2,629	(182)
Net profit attributable to shareholders	**158,261**	**177,700**	**114,011**	**88,655**	**98,979**	**84,210**	**41,516**	**69,529**	**49,995**	**78,855**
Depreciation transfer	(1,061)	-	-	-	-	-	-	-	-	-
Equity adjustment	-	-	(8,994)	-	2,206	-	-	-	-	-
Dividends paid or provided for the year	(58,916)	(88,373)	(57,365)	(43,411)	(48,062)	(40,291)	(32,559)	(26,357)	(44,962)	(17,055)
Earnings retained this year	**98,284**	**89,327**	**47,652**	**45,244**	**53,123**	**43,919**	**8,957**	**43,172**	**5,033**	**61,800**
Underlying profit attributable to shareholders (adjusted for significant items)	**153,566**	**156,213**	**128,367**	**108,808**	**80,651**	**71,721**	**61,775**	**43,304**	**31,505**	**36,927**
BALANCE SHEET										
SHARE CAPITAL & RESERVES										
Issued Capital	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200
Retained Earnings	554,349	652,978	689,777	711,764	764,887	808,806	817,764	896,105	860,843	922,643
Shareholders' funds	**578,549**	**677,178**	**713,977**	**735,964**	**789,087**	**833,006**	**841,964**	**920,305**	**885,043**	**946,843**
Non-controlling interests	75,365	84,322	22,907	30,773	47,515	48,831	36,190	19,723	17,747	16,983
EQUITY	**653,914**	**761,500**	**736,884**	**766,737**	**836,602**	**881,837**	**878,154**	**940,028**	**902,790**	**963,826**
Fixed Assets / Investment Properties	938,709	1,023,861	1,066,393	1,115,123	1,072,955	1,068,892	997,125	890,576	970,928	945,075
Investments in Associated Companies	28,445	38,687	31,471	33,193	36,458	66,445	67,196	65,276	41,586	36,992
Future Income Tax Benefit	-	-	21,081	33,521	36,914	36,680	30,250	1,683	2,311	1,010
Goodwill	17,183	17,183	93,617	80,491	80,491	80,491	80,002	76,433	76,433	76,433
Other assets	299,634	411,920	352,549	366,479	400,480	284,200	294,800	470,810	360,385	428,703
TOTAL ASSETS	**1,283,971**	**1,491,651**	**1,565,111**	**1,628,807**	**1,627,298**	**1,536,708**	**1,469,373**	**1,504,778**	**1,451,643**	**1,488,213**
Current Liabilities	283,445	370,396	230,390	190,621	541,292	184,646	221,560	352,541	148,286	229,779
Non-Current Liabilities	346,612	359,755	597,837	671,449	249,404	470,225	369,659	212,209	400,567	294,608
TOTAL LIABILITIES	**630,057**	**730,151**	**828,227**	**862,070**	**790,696**	**654,871**	**591,219**	**564,750**	**548,853**	**524,387**
NET ASSETS	**653,914**	**761,500**	**736,884**	**766,737**	**836,602**	**881,837**	**878,154**	**940,028**	**902,790**	**963,826**
RATIOS										
Current assets to current liabilities	1.06	1.11	1.53	1.92	0.74	1.16	1.00	1.15	1.83	1.40
Borrowings to shareholders funds	70.1%	72.6%	89.7%	95.2%	81.7%	57.0%	50.2%	39.7%	35.4%	32.1%
Gearing	38.3%	39.2%	46.5%	47.8%	43.1%	34.6%	33.1%	28.2%	19.5%	13.7%
Tangible net asset backing per share (Kina)	20.53	24.00	20.75	22.13	24.38	25.84	25.74	27.85	26.65	28.62
Net profit to revenue %	17.2%	18.0%	12.2%	9.4%	12.8%	11.5%	5.9%	11.1%	8.5%	14.6%
Net profit to shareholders' funds %	27.4%	26.2%	16.0%	12.0%	12.5%	10.1%	4.9%	7.6%	5.6%	8.3%
Underlying profit to shareholders' funds %	26.5%	23.1%	18.0%	14.8%	10.2%	8.6%	7.3%	4.7%	3.6%	3.9%
Dividends per share (toea)	190	285	185	140	155	130	110	165	80	80
EPS (toea)	510	573	368	286	319	272	134	224	161	254
Underlying EPS (toea)	495	504	414	351	260	231	199	140	102	119
Earnings retained %	62.1%	50.3%	41.8%	51.0%	53.7%	52.2%	21.6%	62.1%	10.1%	78.4%

Notes

Earnings per share = profit attributable to shareholders / average shares in issue

Gearing = debt / debt plus equity

Interest cover = earnings before interest and tax / net finance charge

Dividend cover = profit attributable to shareholders / total dividend paid and provided

CHAIRMAN'S REPORT

It has been a year since the Office of the Prime Minister declared a State of Emergency in Papua New Guinea because of the global COVID-19 virus pandemic. PNG is still experiencing the ravages of the virus. There has inevitably been an impact on businesses with increased regulatory restrictions and a reduction in demand for goods and services. Steamships is well positioned to overcome the challenges arising from the pandemic.

The impact of the pandemic was mostly experienced by the hospitality sector, where Steamships hotel group, Coral Sea Hotels, was immediately and deeply impacted by border closures and restrictions on domestic travel. Our logistics businesses quickly adjusted to the new operating constraints caused by the pandemic, and whilst all were impacted, the feared worst-case scenarios have not transpired. Property occupancy and rates have suffered as expatriates have left the country as business and aid agencies scaled back their operations. The impact of reduced occupancy and rental rates may impact the property market for several years.

Further commentary on the impact of COVID-19 on each of our divisions is set out in the Review of Operations on page 12 to 17.

After a disappointing 2019 when the expected benefits from the APEC Leaders' Summit did not materialise, resource project developments were stalled and a change in government increased uncertainty, 2020 saw a modest improvement in the group's performance, notwithstanding the negative impacts of COVID-19.

After taking office in 2019, the government of James Marape announced an intention to broaden the base of the economy and redress the allocation of benefits from resource projects. While being a necessary long-term goal that should drive employment opportunities for a rapidly growing young population, the lack of progress in new resource projects is constraining economic activity. Wafi-Golpu, PNG-LNG, P'nyang and Pasca-A remain mired in complex negotiations

CHAIRMAN'S REPORT

with little immediate prospect for progress. The lack of progress compounded by the impact of COVID-19 led to a very subdued business climate in 2020. The closure of the Porgera mine in March, added further stress to the economy, put downward pressure on the Kina and further impacted availability of foreign currency. Progress on projects and the associated generation of trickle-down benefits, while no panacea to PNG's underlying economic challenges, would create a much-needed boost to the economy.

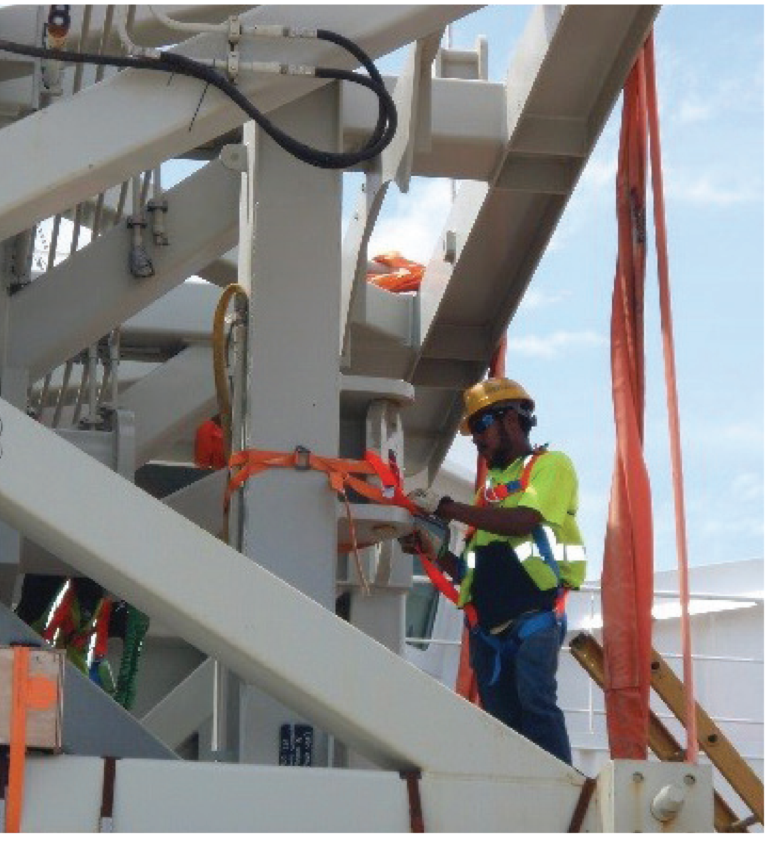
An increasing budget deficit that constrains capacity for economic stimulus combined with an absence of new resource projects will likely undermine business investment confidence for 2021. Progress in combatting COVID-19 may generate some upside potential.

With the twin challenges of a weak underlying economy and the global implications of COVID-19 as the backdrop, Steamships' businesses managed to adjust quickly in 2020. Consort's improved performance and modest contributions from the other logistics businesses were sufficient to offset the loss in Coral Sea Hotels and a weaker result for Pacific Palms Property. Underlying performance (before significant items) saw a 17.2% improvement over 2019. Profit attributable to shareholders increased 57.7% to PGK 78.9 million.

Coastal shipping continues to be a highly competitive market with growth in domestic volumes constrained by the lacklustre economy and small domestic manufacturing base. After a reasonable start to the year, Consort's cargo volumes in the second quarter were impacted by the onset of domestic COVID-19 restrictions and a contraction of the global supply chain. The turnaround programme initiated in late 2019 made good progress. Liner volumes recovered on the back of improved schedule reliability and enhanced customer service. Project and charter activity was subdued, consistent with recent years. Prospects for 2021 are reliant on a recovery in the general economy and progress on the major resource projects.

Pacific Towing had a disappointing year on the back of reduced harbour towage and the absence of salvage or emergency towage work. Limited deep-sea towage was another drag on results. East West Transport suffered from reduced activity, particularly for its aviation fuel business. Business in Lae was negatively impacted as competitors redeployed assets from the Highlands Highway following

CHAIRMAN'S REPORT



the closure of Porgera. The company remains committed to the logistics sector and its customers, winning several significant contracts during the year.

Pacific Palms Property was challenged by oversupply conditions in all sectors as demand continued to weaken and additional supply entered the market. Residential rent and occupancy levels were under significant pressure with the departure of expatriates due to COVID-19. A measured response to requests for Covid relief ensured that tenancy defaults were less impactful than feared at the onset of the pandemic. The reduction in rental rates may impact the market into the medium term. Despite operational challenges caused by COVID-19, work on Pacific Palms Property's mixed use Harbourside South project continued throughout the year with the project only marginally behind schedule. During the year, the company completed the purchase of a commercial property in Port Moresby and disposed of non-core assets in Oro Province. The company anticipates fresh investment opportunities may arise for consideration due to the challenging market.

Coral Sea Hotel's performance reflected the profound impact of COVID-19 restrictions and the reduction in international air travel, which resulted in the temporary closure of two of the group's hotels. Management rationalised capital and operational expenditure that unfortunately included a redundancy programme being implemented. Coral Sea Hotels responded rapidly to the demand for quarantine accommodation, which helped minimise losses. The division made a loss in 2020 and is forecast to do so again in 2021.

The Colgate Palmolive joint venture weathered the Covid storm relatively well, with strong demand for cleaning products partially offsetting declines in discretionary expenditure on personal care products.

Steamships remains confident in the medium-term prospects for the PNG economy and projects an improved result for 2021 subject to caveats on the impact of COVID-19. Management will remain vigilant in managing costs while being responsive to opportunities created by a challenging market conditions.

As ever, and with PNG being both our home and only substantive place of business, Steamships will continue to contribute and participate in PNG's economic and social development.

We are well-positioned for a recovery and our team will continue to grow Steamships and its contribution to PNG. I thank all our staff for their commitment and in many cases their personal sacrifices during what has been one of the more challenging years in recent times. The team have been and will remain critical to the success of Steamships we will continue to invest in the future generation of Steamships leaders.


中國建築
KPMG

DIRECTORS' REVIEW

2020 was a difficult year as the global economy was ravaged by the impact of the COVID-19 virus. PNG was no exception. The economy remained weak due to restrictions imposed to limit the spread of the virus and the uncertainty for businesses that this created. Failure of the various parties to progress investment in any of the major resource projects weighed heavily on the economy. The situation worsened with the sudden closure of the Porgera gold mine mid-year as a result of the Government not granting an extension to the mine lease. Investment sentiment and demand remains poor. The National Budget presented in November 2020 projects a K6.6Bn budget deficit. Government spending will therefore remain tight into 2021. The ongoing shortage of foreign currency in PNG also continues to suppress economic activity.

Continued budget support from multilateral agencies will be essential and could entail economic reforms that will impair economic activity in the short term.

2020 was therefore a difficult year for the PNG private sector as a whole and Steamships diverse business activities, being closely integrated to the domestic economy, were impacted by the negative impacts of the COVID-19 virus and economic slowdown. However, prudent cost management, a dedication to customer service and cautious investment have delivered improved results in 2020.

Steamships' sales revenue on a continuing basis declined 7.6% to K540.4 million against last year's K585.2 million, with improved revenue for Consort shipping only partially offsetting declines for East West Transport, Pacific Towing and Coral Sea Hotels. Leasing revenue from property investments was flat.

Depreciation in 2020 was K88.3 million against K82.3 million in 2019, and interest on net borrowings (excluding capitalised interest) was K8.9 million against K9.8 million in 2019. Capital expenditure for the year was K66.7 million against K94.2 million in 2019.

The group's net operating cash flow generation increased 33.6% to K149.5 million against K111.8 million in 2019. The cash balance at year end is K142.4 million.

A dividend of 80 toea per share has been proposed and will be paid after the Annual General Meeting on 18th June 2021, subject to Steamships' ability to secure foreign exchange for non-PNG shareholders. As there was no interim dividend paid during the year the total dividend for the year is 80 toea per share (2019: 80 toea per share). The dividend is unfranked and there is no conduit foreign income.

	2020 K000's	2019 K000's	Change
Net Profit attributable to shareholders	**78,855**	**49,995**	**57.7%**
Add back/(less) impact of significant items (post tax and minority interests)			
Impairment of Fixed Assets, Goodwill (incl Vessels)	919	-	
Recognition of tax losses previously not recognised	(25,197)	-	
Fixed Assets Write Off	613	-	
Refund of SWT Assessment	(8,467)	-	
(Gain)/Loss on Disposal of Vessels	(1,362)	789	
Gain on Sale of Properties	(7,333)	(16,910)	
Salvage Profit	(1,101)	(2,369)	
Total impact of significant items	**(41,928)**	**(18,490)**	
Underlying profit attributable to shareholders	**36,927**	**31,505**	**17.2%**

DIRECTORS' REVIEW

Significant items

Following the amalgamation of wholly-owned subsidiary, Consort Express Lines Ltd ("CEL') with Steamships Ltd in 2019, previously unutilised tax losses from prior periods were made available.

The Company reached a settlement with the IRC on a default assessment for salaries and wages tax that was paid in 2017. The amount represents the net credit to the Company.

Coral Sea Hotels

Coral Sea Hotels (CSH) was impacted by COVID-19. International and domestic travel restrictions significantly reduced demand for hotel rooms from the end of the first quarter onwards. There was some upside from quarantine business, largely from the resource sector, and this gained strength in the fourth quarter albeit at low margins. CSH expanded its food and beverage offering with the opening of new outlets and a restaurant at Ela Beach Hotel, an Enzo's at the Port Moresby Nature Park and has taken over management of the Bonjour Café at Deloitte Tower.

Pacific Palms Property

Pacific Palms Property's (PPP) financial performance was broadly in line with last year. The impact of COVID-19 primarily affected the premium residential portfolio in Port Moresby due to a decline of expatriates in country. Industrial and retail in Port Moresby was resilient and commercial fell behind expectation, though improved slightly towards the end of the year. Outside of Port Moresby, occupancy and yields were generally stable with the main exception being weak industrial demand in Lae. Construction of Harbourside South continues to progress and is expected to complete in the second half of 2022.

Logistics

After a generally strong first quarter for the logistics businesses, April was a particularly challenging month with the State of Emergency severely restricting the movement of freight. Initiatives such as contactless port calls between Consort Express Lines (CEL) and Joint Venture Port Services (JVPS) were put in place to ensure the safety of operations. Volumes gradually recovered from the April lows though generally remained soft for the remainder of the year.

Liner volumes strengthened in the fourth quarter and the project and charters side of the business performed in line with expectation. A focus on maintenance and operational efficiencies continues to deliver improved fleet and schedule reliability.

JVPS performed well largely due to stronger-than-expected vessel revenue and improved results at Joint Venture Hire Company (JVHC), which hires out heavy machinery. JVPS took over management of United Stevedoring Limited thus consolidating all of Steamships' stevedoring activities under JVPS management.

EastWest Transport's (EWT) business remained soft. Fuel transport was negatively impacted by reduced air traffic, particularly on EWT's high volume contract for aviation fuel in Port Moresby. Freight movements in general were also below expectations.

Pacific Towing experienced a similar volume of harbour towage jobs in 2020 compared to 2019. However, non-harbour towing operations fared poorly on lower jobs available. It was a particularly quiet year for salvage opportunities.

Commercial

Colgate-Palmolive (PNG) Limited a PNG incorporated joint venture, overcame distribution problems associated with COVID-19 travel restrictions in 2020, although Home Care category sales suffered as a result. However, overall revenue was only slightly behind prior year with both Oral Care and Personal Care categories showing growth in volume, with Oral care also exhibiting growth in sales revenue. The overall margin for the business was slightly lower as a result of promotional activity and sales mix.

Trading Outlook

The new year has started on a more positive note with the signing of a the Fiscal Stability Agreement for the Papua LNG gas project and approval of the environmental permit for the Wafi-Golpu copper and gold mine in Morobe province. There is even hope of re-opening the Porgera mine mid-year. The investment and job creation from these projects is essential to the recovery and future development of PNG.

Whether the key resource projects proceed or not, 2021 is expected to be another challenging year for PNG and Steamships.

We remain firmly focused on the future and our commitment to the development of the country and people of PNG and the exciting opportunities that lie ahead.

REVIEW OF OPERATIONS - LOGISTICS

CONSORT EXPRESS LINES

Consort operates a fleet of 10 coastal vessels, all of which are PNG flagged.

LINER SERVICES

Consort consistently connects 14 ports around PNG. The Company has scheduled services to the North Coast, South Coast, New Guinea Islands, Bougainville and Western Province. Consort proudly serves the people of PNG by providing an important supply link to many of the communities on its routes.

The Company carries a range of cargoes including containerised, break-bulk, reefer, LCL and project cargo. Consort transports cargo for a diverse customer base from domestic manufacturers and wholesalers to international liner carriers transhipping cargo. In addition to owning and operating ships, Consort manages PNG's largest fleet of containers offering customers easy access to a wide range of container types.

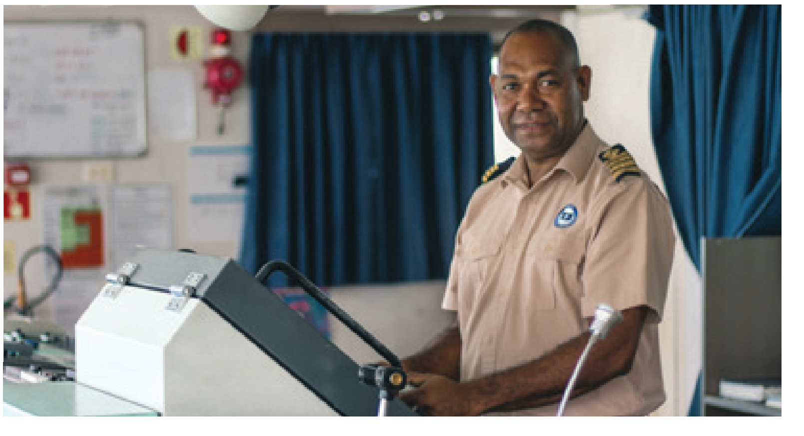
PROJECT CHARTERS

Consort provides short and long-term vessel charters specialising in shallow water river shipping, and develops, implements and supports intermodal logistics solutions linked to land-based services such as road transport, cargo handling, storage, customs clearance, lay down areas and warehousing.

Consort's liner performance in 2020 was broadly in line with the expectations laid out at the start of the year, though the shape of that performance was impacted by COVID-19. The first quarter was strong, April 2020 was well below expectation due to the COVID-19 lockdown, volumes then gradually returned to normal levels month-on-month from May 2020 and the fourth quarter of 2020 finished off strongly.

Consort's project and charter business performed in line with expectations as it had already become apparent by the start of the year that significant new resource investments were unlikely to progress in 2020. There is slightly more optimism around infrastructure projects in 2021.

Overall, the outlook in 2021 remains clouded by the uncertain impact of COVID-19. However, at the time of writing, business fundamentals are solid and Consort remains committed to its customers and the Papua New Guinean market. Consort intends to further differentiate itself through improved systems, its schedule, and customer service.



REVIEW OF OPERATIONS - LOGISTICS

PACIFIC TOWING

Pacific Towing is PNG's market leader in the provision of a diverse range of marine services, enjoying a reputation for excellence and reliability across the region. The company is a full member of the International Salvage Union and the International Spill Control Organisation.

Core services include towage, moorage, salvage, commercial diving, and life rafts (sales and servicing). The company operates a fleet of 25 vessels (15 tugs and 10 associated support vessels) and has fast responder salvage capability. Vessels are located in five ports across PNG (being Port Moresby, Lae, Rabaul, Kimbe and Madang). An additional tug dedicated to harbour towage services continues to be based in Honiara at the company's operations in the Solomon Islands. The company expanded its fleet in 2020 with the purchase of tug 'Waiowa', which increased towage and salvage capabilities.

Although primarily operating in PNG waters, Pacific Towing services broader Oceania and South East Asia. 2020 also saw a company vessel and crew enter American waters for the first time with a tandem open ocean tow from Guam to Port Moresby.

Pacific Towing experienced a similar volume of harbour towage jobs in 2020 compared to 2019. However, non-harbour operations fared poorly and it was a particularly quiet year for salvage opportunities.

Despite a particularly challenging year for the maritime industry, Pacific Towing maintained its strategy of localisation and people development. The company invested heavily in domestic training and, despite COVID-19 challenges, the first batch of Pacific Towing cadets completed their final year of training at the Maritime Academy of Fiji and will enter the workforce in the first quarter of 2021. The Women in Maritime cadetship program took on another six female deck and engine cadets at the beginning of 2020. The total number of cadets in this program is now 26. A further intake is planned for 2021.

Despite COVID-19's continued negative impact on the maritime industry and PNG economy, Pacific Towing remains well positioned throughout the Pacific Islands region. Pacific Towing's strategy is focused on pursuing greater international expansion and claiming a larger share of opportunities in PNG's growing oil and gas sector. A new International Operations Manager has been recruited to join in 2021 and will add considerable towage, salvage and oil and gas experience.

REVIEW OF OPERATIONS - LOGISTICS

JOINT VENTURE PORT SERVICES

Joint Venture Port Services (JVPS) operate 11 businesses throughout the country including in the principal ports of Port Moresby and Lae as well as elsewhere on the mainland and on Bougainville, New Ireland and New Britain.

The core port businesses offer a full range of stevedoring and handling facilities. With a fleet of specialist equipment, the businesses handle all types of containers, as well as project cargo, break-bulk, RO-RO, LO-LO, grains and cement. The stevedoring companies are joint ventures between Steamships and local landowner groups at the respective ports around the country. Each joint venture employs a local workforce and is structured in a manner so that a significant share of earnings is returned to the community in which the joint ventures operate.

JVPS is the only group of stevedoring and handling companies in PNG to be ISO accredited for Quality, Safety and Environment. The business continues to work hard to provide a seamless logistics solution for customers in PNG.

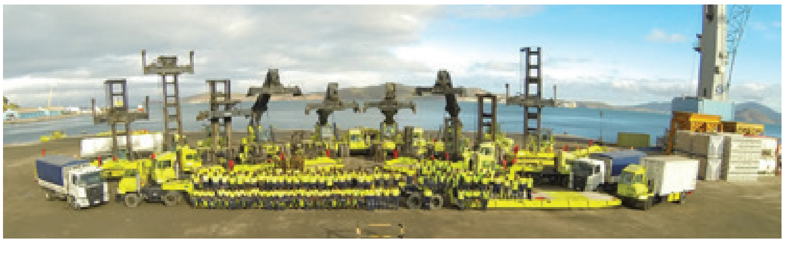
During 2020, JVPS took over United Stevedoring Limited (USL) from Consort thus consolidating all 11 of Steamships' stevedoring activities under the JVPS banner. As the country's largest professional stevedore, JVPS brings to these operations a renewed focus on safety, professionalism, standardisation, and financial discipline.

The focus in 2020 has been to improve customer service standards whilst reducing costs. In response to the threat of COVID-19, JVPS worked closely with Swire Shipping, Consort and local authorities to develop 'contactless stevedoring' across all 11 operations. There has been a strong focus on deploying digital technology including the introduction of live cargo updates, electronic payroll and increased levels of surveillance. A strong focus on safety and governance, coupled with high levels of productivity and professionalisms, continues to provide a point of difference between JVPS and its competitors.

Most of JVPS' businesses performed in line with expectation except for Oro Bay and Palm Stevedoring in Alotau, mainly due to increased competition in those ports. Operations in the ports of Buka and Kieta in Bougainville saw a welcome recovery of volumes after a poor 2019.

Joint Venture Hire Company (JVHC), which hires out heavy machinery on wet leases, completed its second year of operating with full year results much improved from 2019. The company has been successful in securing several long-term service contracts.

The focus for 2021 will be on improving customer service, driving safety and professionalism, and the further deployment of new technology.



REVIEW OF OPERATIONS - LOGISTICS

EAST WEST TRANSPORT

EastWest Transport (EWT) is one of Papua New Guinea's largest multifaceted transport and logistics companies. It is ISO accredited for Environmental Management, Occupational Health & Safety and Quality. Based in Port Moresby, EWT has operations in Lae, Kimbe, Rabaul, Madang, Wewak, Alotau and Kavieng. The company has a sizable fleet of prime movers, heavy and light trucks, forklifts and reach stackers ranging from 2.5 to 80 tons in capacity. All equipment is supported by localised workshop facilities, safety teams and emergency response teams and vehicles.

EWT operates across a wide spectrum of transport related activities including bulk fuel, containerised cargo and break-bulk cargo, and provides depot services such as equipment hire, warehousing and bonded or unbonded yard storage. EWT also offers a licensed customs cargo clearance service in Lae and Port Moresby with the ability to clear cargo in any location where EWT has a presence. The division capitalises on its close relationships with sister companies in shipping and stevedoring by offering specialised end-to-end logistics and project solutions for the mining, oil and gas sectors and new or existing commercial sectors.

2020 proved a tough year for EWT. The first COVID-19 lockdown caused significant challenges in April and, despite recovering from May, the business environment remained soft for the rest of the year. Fuel transport was negatively impacted by reduced air traffic, particularly on EWT's high volume contract for aviation fuel in Port Moresby. Freight movements in general were also below expectation, impacting general transport, depot services, and customs clearance.

In a competitive market, EWT made necessary cost savings during the year and have maintained safety, customer service and reliability as points of differentiation. The operational and commercial functions of EWT Lae was strengthened with a new National Operations Manager who joined in August 2020.

Pressure on rates is expected to remain intense. EWT is focused on defending its market share and achieving modest business growth through improved productivity and continuing to justify its points of differentiation.

REVIEW OF OPERATIONS - PROPERTY

CORAL SEA HOTELS

Coral Sea Hotels (CSH) is the largest hotel group in PNG, managing eight hotels and one serviced apartment block. The group comprises the Grand Papua Hotel, the Gateway Hotel and Apartments, the Ela Beach Hotel and Apartments, Whittaker Apartments and the Air Niugini Residence (under a management agreement) in Port Moresby; the Huon Gulf Hotel in Lae; the Highlander Hotel and Apartments in Mount Hagen; the Bird of Paradise Hotel in Goroka and the Cassowary Hotel in Kiunga. The group also operates a number of food and beverage (F&B) outlets including the fast-food chain Enzo's, Ela Beach Bakery and Bonjour Café in Deloitte Tower.

COVID-19 presented unprecedented challenges in 2020 for the hotel industry. International and domestic travel restrictions significantly impacted demand for hotel rooms. However, there was some upside from quarantine business, particularly in the fourth quarter, though at depressed rates.

There was a strong focus on ensuring the safety and security of our customers in the context of COVID-19. The business carried out extensive cost savings in 2020 and will continue to push business improvement initiatives to ensure it remains competitive in a challenging market. The Grand Papua Hotel was once again the recipient of the 'World Luxury Hotel Award' in the Australasia and Oceania category.

Despite the challenging environment, CSH has made targeted investments to add to CSH's food and beverage offering as part of a new F&B strategy. An exciting new precinct at Ela Beach Hotel completed in December 2020, offering a bakery, Enzo's, SALT Restaurant and Beachside Bar. A stand-alone Enzo's opened in Port Moresby Nature Park and CSH took over the operations of Café Bonjour in Deloitte Tower.

Demand is expected to remain soft in 2021 and the Port Moresby market remains significantly oversupplied in hotel rooms. The focus will be on delivering a consistent, high quality and affordable service across all hotels and improving the CSH's food and beverage offering.

REVIEW OF OPERATIONS - PROPERTY

PACIFIC PALMS PROPERTY

Pacific Palms Property (PPP) is one of the largest and most dynamic property developers and managers in PNG. The division continues to develop and hold property in the Residential, Commercial, Retail and Industrial sectors with building and land assets located in Port Moresby, Lae, Madang, Wewak, Goroka, Mt. Hagen and Rabaul. PPP's strategy of making investments of scale and quality in good locations continues to support stable revenues.

PPP's financial performance was broadly in line with last year. The impact of COVID-19 primarily affected the upmarket residential portfolio in Port Moresby due to a decline of expatriates in country. Industrial and retail in Port Moresby was resilient and commercial fell behind expectation, though improved slightly towards the end of the year. Outside of Port Moresby, occupancy and yields were generally stable with the main exception being weak industrial demand in Lae.

PPP's joint-venture projects in Mount Hagen, Madang and Port Moresby are performing to expectation. Occupancy in Hagen Central has improved and is approaching full occupancy as is the Pacific Rumana building in Port Moresby.

PPP's flagship development, the Harbourside East and West precinct in Port Moresby, finished the year at 100% commercial occupancy and the construction of Harbourside South continues to progress. Upon completion, the fully integrated Harbourside precinct will offer a range of premium commercial, retail and residential services. PPP's property development team have expanded their capabilities to offer end-to-end project management of large-scale projects from feasibility studies to handover. This will be increasingly important as PPP looks to develop and manage projects of scale in the coming years.

Burns Haus on Stanley Esplanade, Port Moresby, was acquired and will be refurbished for commercial and retail. This project was funded through the sale of non-core plots in Popondetta.

The focus for 2021 is to continue to improve customer service, maintain high maintenance standards and maximise occupancy. The outlook for 2021 is for a relatively flat year, emulating 2020. Longer term, PPP remains well positioned to benefit from the next cycle with high quality properties across all categories and is confident of its future prospects.

SUSTAINABILITY

A genuine commitment to the principles of Sustainable Development has always underpinned the way that Steamships operates and is key to delivering lasting value to its customers and shareholders. This commitment, articulated by a focus on Our People, Our Community, and Our Environment, will ensure that the Company remains relevant, and continues to make a valuable and lasting economic and social contribution to Papua New Guinea.

Amidst the challenges of 2020, Steamships steadily maintained its focus on its greatest asset, people. The STC Frontline Leader Development Program was successfully launched with 22 managers, in parallel with re-runs of the Team Leader Development and Graduate Development Programs. Despite local and international restrictions on movement of staff and trainers, opportunities through virtual sharing platforms strengthened business communications and staff morale. Additional initiatives were executed including a series of robust 60 minute leadership trainings called 'Reunite & Refresh' to inspire Senior Managers through crisis, and a Special Voluntary Leave Scheme for staff retention. In the area of safety, the company achieved the impressive milestone of celebrating 12 months LTI (lost time injury) free, and two of our businesses, JVPS and EWT, achieved ISO certification in 2020.

Community engagement continues to be a priority for Steamships. Having a positive impact on the various communities in which the company operates is important, and this is done by identifying projects and partnerships that bring measurable, meaningful, and positive impact to those in most need. Activity in 2020 was challenged by the onset of the COVID-19 pandemic, however several key partnerships and some new projects received funding throughout the year. Support for Buk bilong Pikinini, The Salvation Army House of Hope, and the Bel Isi Project, continued, as did scholarship funding for nursing students and female maritime cadets. New projects included an aid post for the Mortlock Islands and a hygiene and sanitation project in the Central Province.

Responsible and sustainable energy consumption continues to be encouraged through the regular monitoring and reporting of energy use, water use and environmental emissions at operational level. The company again partnered with the Conservation and Environment Protection Authority to sponsor World Environment Day, delivering awareness lectures to selected school children, and coordinating a number of educational activities to highlight the importance of environmental sustainability. Steamships also funded activity around turtle conservation in the Conflict Islands.

Steamships' sustainability performance aligns with the requirements of the Global Reporting Initiative (GRI), a worldwide corporate transparency initiative that Steamships has followed since 2013. The full GRI report and a comprehensive Sustainability Report are available on the Steamships website at www.steamships.com.pg.

CORPORATE GOVERNANCE

Steamships and its Board are committed to achieving and demonstrating the highest standards of corporate governance and ethical behaviour, and they expect these standards from all employees. The Group believes that the maximisation of long term returns to shareholders is best achieved by acting in a socially responsible manner that recognises the interests of community stakeholders.

Steamships is committed to:

- Providing high-quality products and services to meet customers' needs;
- Maintaining high standards of business ethics and corporate governance;
- Ensuring the safety and wellbeing of employees and others with whom the Group has contact; and
- Promoting sustainable business practice.

Steamships reports against the Australian Stock Exchange (ASX) recommendations by addressing each key principle in the order it is listed in the ASX guidelines. Each section addressing a key principle includes references to relevant information that appears elsewhere in the 2020 Annual Report or on the Steamships' website.

Steamships believes it complied with the Australian Stock Exchange Corporate Governance Principles (the fourth edition) during the twelve months ended 31 December 2020, except where noted in the Corporate Governance Report.

Steamships' Corporate Governance Report can be found at http://www.steamships.com.pg/aboutus/corporategoverance

STATEMENTS OF COMPREHENSIVE INCOME

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's)

	Note	Consolidated 2020	Consolidated 2019	Parent Entity 2020	Parent Entity 2019
Continuing Operations					
Revenue	3(a)	540,406	585,168	9,443	48,000
Other income	3(a)	-	-	2,925	3,021
Operating expenses	3(b)	(467,603)	(514,038)	(2,137)	(1,870)
OPERATING PROFIT		72,803	71,130	10,231	49,151
Finance income	3(e)	7,416	7,938	72	72
Finance costs	3(e)	(16,406)	(17,784)	-	-
Share of profit of associates and joint ventures	4(b)	4,026	5,010	-	-
PROFIT BEFORE INCOME TAX		67,839	66,294	10,303	49,223
Income tax credit / (expense)	5(a)	11,198	(18,928)	(187)	(307)
PROFIT FROM CONTINUING OPERATIONS		79,037	47,366	10,116	48,916
PROFIT FOR THE YEAR		79,037	47,366	10,116	48,916
Attributable to:					
Non-controlling interests		182	(2,629)	-	-
Shareholders		78,855	49,995	10,116	48,916
		79,037	47,366	10,116	48,916
TOTAL COMPREHENSIVE INCOME FOR THE YEAR attributable to owners arises from:					
Continuing operations		78,855	49,995	10,116	48,916
Discontinued operations		-	-	-	-
		78,855	49,995	10,116	48,916
Basic and Diluted Earnings per share					
Continuing & discontinued (toea)	3(f)	254t	161t		
Continuing (toea)	3(f)	254t	161t		

These Statements of Comprehensive Income are to be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's)

Consolidated	Share Capital	Retained Earnings	Other Reserves	Total Capital & Reserves	Non-Controlling Interest	Total Equity
BALANCE AT 1 JANUARY 2018	24,200	896,105	-	920,305	19,723	940,028
Profit for the year	-	49,995	-	49,995	(2,629)	47,366
Adjustment on acquisition of minority interest in subsidiary (Note 24)	-	-	(40,295)	(40,295)	10,738	(29,557)
Dividends paid 2019	-	(44,962)	-	(44,962)	(10,085)	(55,047)
BALANCE AT 31 DECEMBER 2019	24,200	901,138	(40,295)	885,043	17,747	902,790
Profit for the year	-	78,855	-	78,855	182	79,037
Dividends paid 2020	-	(17,055)	-	(17,055)	(946)	(18,001)
BALANCE AT 31 DECEMBER 2020	24,200	962,938	(40,295)	946,843	16,983	963,826

Parent Entity	Share Capital	Retained Earnings	Total Equity
BALANCE AT 1 JANUARY 2019	24,200	65,245	89,445
Profit for the year	-	48,916	48,916
Dividends paid 2019	-	(44,962)	(44,962)
BALANCE AT 31 DECEMBER 2019	24,200	69,199	93,399
Profit for the year	-	10,116	10,116
Dividends paid 2020	-	(17,055)	(17,055)
BALANCE AT 31 DECEMBER 2020	24,200	62,260	86,460

These Statements of Changes in Equity is to be read in conjunction with the accompanying notes.

There is no other comprehensive income.

STATEMENTS OF FINANCIAL POSITION

Steamships Trading Company Limited As At 31 December 2020 (Amounts in Kina 000's)

	Note	Consolidated 2020	Consolidated 2019	Parent Entity 2020	Parent Entity 2019
Current assets					
Cash and cash equivalents	6	142,424	100,832	-	-
Term Deposit		8,063	-	-	-
Trade and other receivables	7	125,568	148,118	2,473	471
Inventories	8	17,282	13,351	-	-
Income tax receivable	5(e)	23,923	9,507	325	-
Asset held for sale	10	4,987	-	-	-
		322,247	271,808	2,798	471
Non-current assets					
Property, plant and equipment	10	550,737	610,646	25,102	23,396
Investment properties	11	394,338	360,282	-	-
Investments in related companies	4(a)	36,992	41,586	101,838	195,887
Loans to related companies	9	106,456	88,577	500	5,635
Intangible assets	12	76,433	76,433	-	-
Deferred tax assets	5(c)	1,010	2,311	512	485
		1,165,966	1,179,835	127,952	225,403
TOTAL ASSETS		1,488,213	1,451,643	130,750	225,874
Current liabilities					
Trade and other payables	13	61,689	75,407	-	-
Lease liabilities	14	2,662	3,772	-	-
Provisions for other liabilities and charges	15	55,398	51,542	-	-
Loans from related companies	9	4,864	15,662	44,290	132,415
Loan from minority shareholder	16	160	160	-	-
Borrowings	16	105,006	1,743	-	-
Income tax payable	5(e)	-	-	-	60
		229,779	148,286	44,290	132,475
Non-current liabilities					
Lease liabilities	14	70,428	68,464	-	-
Deferred tax liabilities	5(c)	14,743	18,866	-	-
Provisions for other liabilities and charges	15	9,937	11,237	-	-
Borrowings	16	199,500	302,000	-	-
		294,608	400,567	-	-
TOTAL LIABILITIES		524,387	548,853	44,290	132,475
NET ASSETS		963,826	902,790	86,460	93,399
EQUITY					
Issued capital	17	24,200	24,200	24,200	24,200
Reserves		922,643	860,843	62,260	69,199
Capital and reserves attributable to the Company's shareholders		946,843	885,043	86,460	93,399
Non-controlling interests		16,983	17,747	-	-
TOTAL EQUITY		963,826	902,790	86,460	93,399

These Statements of Financial Position are to be read in conjunction with the accompanying notes.

For and on behalf of the Board:

Geoffrey. Cundle

G.L. Cundle
Chairman

R P N Bray

R.P.N. Bray
Managing Director

31 March 2021

STATEMENTS OF CASH FLOWS

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's)

	Note	Consolidated		Parent Entity	
		2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		562,956	595,374	2,970	5,022
Payments to suppliers and employees		(405,047)	(451,452)	(1,815)	(1,967)
Interest received		7,416	7,938	72	72
Interest and other finance costs paid		(12,460)	(14,502)	-	-
Income tax paid		(3,388)	(25,503)	(427)	(250)
Net cash provided by operating activities	19(a)	149,477	111,855	800	2,877
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(66,716)	(94,250)	(3,925)	(783)
Proceeds from sales of property, plant and equipment		9,909	24,409	-	-
Proceeds on sale of investment		-	-	-	-
Investment in term deposits		(8,063)	-	-	-
Loans issued to associated companies		(17,879)	(22,846)	-	-
Dividends received		8,619	23,488	9,443	48,000
Net cash (used in)/provided by investing activities		(74,130)	(69,199)	5,518	47,217
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of borrowings		-	(10,000)	-	-
Proceeds from borrowings		-	10,000	-	-
Loans received from subsidiaries		-	-	10,737	26,717
Loans repaid to associated companies		(10,798)	(31,732)	-	-
Purchase of additional shares in subsidiary		-	(40,379)	-	(31,850)
Lease repayments		(5,719)	(5,248)	-	-
Dividends paid		(18,001)	(55,047)	(17,055)	(44,961)
Net cash used in by financing activities		(34,518)	(132,406)	(6,318)	(50,094)
NET (DECREASE)/INCREASE IN CASH HELD		40,829	(89,750)	-	-
NET CASH AT BEGINNING OF THE YEAR		99,089	188,839	-	-
NET CASH AT END OF THE YEAR		139,918	99,089	-	-
CASH COMPRISES:					
Cash and cash equivalents	6	142,424	100,832	-	-
Bank overdrafts	16	(2,506)	(1,743)	-	-
		139,918	99,089	-	-

These Statements of Cash Flows are to be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

The Company is a company limited by shares and is incorporated and domiciled in Papua New Guinea.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 31 March 2021.

The Board of Directors has the power to amend the financial statements after their issue.

(a) Basis of preparation

The financial statements have been prepared in accordance with the Papua New Guinea Companies Act 1997 (as amended) and comply with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS and other generally accepted accounting practice in Papua New Guinea. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(z).

Going concern

The financial statements for the year ended 31 December 2020 have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the normal course of business as they become due.

As at 31 December 2020, the Group had cash reserves of K139.9m and net current assets of K92.5m. During the year ended 31 December 2020 the Group reported a profit after tax of K79.0m and a net cash inflow from operating activities of K149.5m. At 31 December 2020 the Group had K243.0m in committed, undrawn bank facilities, with financial institutions. The Group has bank borrowings of K304.5m, including K102.5m that is due for repayment in 2021.

(i) Standards, amendment and interpretations effective in the year ended 31 December 2020

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2020.

- Amendments to IFRS 3 – definition of a business. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- Amendments to IAS 1 and IAS 8 on the definition of 'material'. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
  - use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting
  - clarify the explanation of the definition of material;
  - and incorporate some of the guidance in IAS 1 about immaterial information.
- Amendments to IFRS 9, IAS 39 and IFRS 7 – interest rate benchmark reform. These Phase 1 amendments provide reliefs in relation to hedge accounting and interest rate benchmark reform and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries who do hedge accounting.
- Amendment to IFRS 16,'Leases' – COVID-19 related rent concessions. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. This amendment provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The above changes did not have any material impact on the Group.

(ii) Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2020 or adopted early.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2021 or later periods, but the entity has not early adopted them:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1.1.21) - The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities (effective 1.1.22). These narrow-scope amendments to IAS 1 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective 1.1.22).
- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs an entity includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.
- IFRS 17 'Insurance contracts" (effective 1 January 23) replaces IFRS 4. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contacts with discretionary participation features. The Group is in the process of assessing the impact of the application of IFRS 17.

Apart from the possible impact of IFRS 17, the Group conducted investigations and does not consider that there are any material measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the Group.

(iii) Comparative information

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year and comparative purpose.

(b) Foreign currency

The Company's functional and presentation currency is the Papua New Guinea Kina. Transactions in foreign currencies have been translated into the functional currency at rates ruling at the date of the transaction. Amounts payable to and by the Group in foreign currencies have been translated to the functional currency at rates of exchange ruling at the year end. Gains and losses arising from movements in foreign exchange rates are recognised in the statement of comprehensive income when they arise.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Steamships Trading Company Limited as at 31 December 2020 and the results of all subsidiaries for the year then ended. Steamships Trading Company Limited and its subsidiaries together are referred to as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has control, that is 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 de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(d)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment 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 in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures

Joint venture entities

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost as for associates.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to shareholders.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values 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 asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are 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 either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of 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 fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in determining profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

Predecessor accounting is applied for business combinations among entities and amalgamations of entities under common control. Under this method, the financial statements of the combined entity are presented as if the businesses had been combined from the date when the combining entities were amalgamated. Assets and liabilities of the acquired or amalgamated entity are stated at predecessor carrying values. Fair value measurement is not required and no new goodwill arises in predecessor accounting. Any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired or amalgamated entity at the date of the transaction is included in equity in retained earnings.

(e) Revenue recognition

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with the customer when or as the Group transfers the control of the goods or services promised in a contract to the customer. Depending on the substance of the respective contract with the customer, the control of the promised goods or services may transfer over time or at a point in time. A contract with a customer exists when the contract has commercial substance, the Group and its customer have approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services. At the inception of each contract with a customer, the Group assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with the customer is recognised. A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices. A good or service is distinct if:

- the customer can either benefit from the good or service on its own or together with other readily available resources; and
- the good or service is separately identifiable from other promises in the contract (e.g. the good or service is not integrated with, or highly interrelated with, other goods or services promised in the contract)

If a good or service is not distinct, the Group combines it with other promised goods or services until the Group identifies a distinct performance obligation consisting of a distinct bundle of goods or services.

As disclosed in Note 25, revenue from external customers comes from the logistics business, hotels & property business, and commercial business.

Revenue from the logistics business includes revenue from providing the following services: freight and shipping activities, land transport activities, towage and salvage activities, and sale of goods.

Revenue from freight and shipping services, land transport services and towage services is recognised over time as the performance obligation (in this case transport or towage activity) is performed taking into consideration the days of shipment. In case of sale of goods (such as containers), revenue is recognized at a point of time. Payment terms for freight and shipping services and land transport services are typically 30 days; payment terms for towage services are typically within 30 days after completion of service delivery.

Salvage revenue is recognised over time as the performance obligation (in this case salvaging activity) is performed, based on the days of provision of service, or at a point of time (upon completion of the salvage job), depending on the nature of the salvage activity and the contractual terms. The Group recognises salvage revenue over time if the customer simultaneously receives and consume the benefits provided by the Group's performance as the Group performs. In such cases, the Group typically has a right to payment based on work performed until the reporting date. The Group recognises salvage revenue at a point in time when the customer does not simultaneously receive and consume the benefits provided by the Group's performance as the Group performs and has no enforceable right to payment for performance completed to date.

Payment terms for salvage work vary between one and three months. Where salvage work is completed but the amount of proceeds is not known at the reporting date, revenue is determined on the basis of expected proceeds taking into account estimation uncertainty. The estimated amount of consideration will be recognised as revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the consideration is subsequently resolved.

The Company incurs costs needed to fulfil salvage contracts and defers these costs incurred directly related to salvage work, if their recovery is considered probable based on management's assessment. If management's assessment suggests the expenses is not expected to be recovered, the estimated unrecoverable portion is expensed when incurred. Probability of recoverability of initially recognised deferred salvage costs is assessed at the end of each reporting period. In the reporting period when management's assessment suggests that these expenses will not likely be recovered by revenues i.e. the related contract asset is deemed impaired, the estimated unrecoverable portion is expensed. Deferred salvage costs are amortised in profit or loss on a systematic basis consistent with the pattern of recognition of the associated revenue.

Revenue from the hotels business from provision of services is recognised over time based on the days of provision of service; payments for provided services are made upon service delivery. Revenue from sale of goods in hotels business is recognized at a point in time upon delivery of goods under typical credit term of 30 days or in cash. Lease income from the property business is recognized on a straight-line basis over the term of the lease.

Revenue from the commercial business relates to sale of goods and is recognized when the goods are accepted by the customers, under typical payment terms of 30 days after the delivery of goods.

The following other income is recognized across the Group as follows:

Interest income - Interest income is recognised using the effective interest method.

Dividend income - Dividends are recognized when the right to receive payment is established.

(f) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and Treasury Bills with an original maturity of up to 3 months. Bank overdrafts are shown in current liabilities in the statement of financial position.

(h) Receivables

Trade receivables are amounts due from customers for merchandise sold or services provided in the ordinary course of business. There are classified as current assets if collection is expected within one year. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on the weighted average basis and, where appropriate, includes a proportion of variable overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

(j) Non-current assets held for resale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(k) Financial assets

The Group classifies all of its financial assets in the measurement category 'Financial assets at amortised cost'.

The Group classifies its financial assets at amortised cost when the asset is held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest ("SPPI"). Financial assets of the Group that fall under this category are trade and other receivables, bank balances, deposits and cash, and loans to related companies.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains and losses together with foreign exchange gains and losses.

As of 31 December 2020 and 31 December 2019, the Group had no financial instruments classified as financial assets at fair value through other comprehensive income ("FVOCI") - Equity instruments (previously classified as available-for-sale financial assets) or financial assets at fair value through profit or loss ("FVTPL").

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 the risks and rewards of ownership.

Financial assets are classified as current assets for those having maturity dates of not more than 12 months after the end of the reporting period, and the balance is classified as non-current.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments and financial guarantee contracts issued. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For financial guarantee contracts, the ECL is the difference between expected payments to reimburse the holder of the guarantee debt instruments less any amounts the company expects to recover from the other party.

ECL is measured based on either the general 3-stage approach or the simplified approach.

The general 3-stage approach is applied for loans to related parties and financial guarantee contracts issued.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Collective assessment

To measure ECL, trade receivables and other receivables have been grouped based on shared credit risk characteristics, such as days past due.

Individual assessment

Trade receivables, other receivables and amounts due from related parties which are in default or credit-impaired are assessed individually.

(l) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets until the assets are ready for their intended use. Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated on the straight-line method to write off the cost of each asset to their residual values using the below rates which is reflective of their estimated useful life as follows:

Buildings	2 – 4%
Ships	5 - 10%
Plant and fittings	10 - 33%
Motor vehicles	20 - 33%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.

(m) Investment properties

Investment properties include land held for long-term capital appreciation and buildings leased out under operating leases. Properties that comprise a portion held to earn rentals and a portion for own use or occupation will only be classified as investment property if an insignificant portion is held for own use of occupation. Investment properties are recognised when it is probable that future economic benefits associated with the property will flow to the Group and the cost of the investment property can be reliably measured. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Transaction costs are included on initial measurement. Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets until the assets are ready for their intended use. The fair values of investment properties are disclosed in the Note 11. These are assessed using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. Like property, plant and equipment, investment properties are normally depreciated using the straight-line method over similar useful lives.

(n) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition.

Goodwill is capitalised and assessed for impairment annually or more frequently if events or changes in circumstances indicate a potential for impairment and is carried at cost less impairment losses. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(o) Trade and other payables

These amounts represent obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

A liability for annual leave is recognised and measured at the amount of unpaid leave at amounts expected to be paid to settle the present entitlements. A liability for long service leave is recognised taking into consideration expected future wage and salary levels, experience of employee departures and periods of service, discounted to present values.

A provision for estimated ship dry docking costs is only recognised where the Group has a contractual obligation under a Bare Boat charter agreement from a third party. Dry docking costs relating to ships not under third-party long-term charter agreements are only recognised as incurred and are capitalised to the extent that the previously assessed economic benefits associated with the asset are restored.

(q) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of period in which the employees render the related service is recognised in the provision for the employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(r) Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(s) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(t) Borrowing costs

Borrowing costs incurred for the construction of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 5.85% (2019 – 4.5%).

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Strategic Steering Committee.

(v) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, by the weighted average number of ordinary shares outstanding during the financial year. There are no potential ordinary shares on issue and hence the diluted earnings per share is equal to the basic earnings per share.

(w) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST. Receivables and payables are stated inclusive of GST. The amount of GST recoverable from, or payable to, the Taxation authority is included with other receivables or payables in the balance sheet.

(x) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(y) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand Kina.

(z) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and 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 discussed below:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 12.

(ii) Estimated impairment of ships and other plant and equipment

The Group tests the recoverable amount of ships and other plant and equipment when impairment indicators are identified. Recoverable amounts have been determined using the higher of fair value less cost to sell and its value in use. Fair value has been determined using market-based information, while value in use has been determined using a pre-tax discount rate of 12.5%. Refer to Note 10.

(iii) Deferred tax assets relating to carry forward tax losses

The analysis of the recognition and recoverability of the deferred tax assets relating to carry forward tax losses is complex and judgmental and estimating future taxable income is based on assumptions that are affected by expected future market or economic conditions. For management's judgments in relation to recoverability of deferred tax assets, refer to Note 5.

(iv) Incremental borrowing rate relating to lease liabilities

As disclosed in Note 14, management assessed that the weighted average interest rate on collateralized borrowings obtained from financial institutions during 2020 and previous years of 4.5% approximates the incremental borrowing rate at the date of initial adoption of IFRS 16 and at 31 December 2020. Therefore, this rate has been used for discounting lease payments arising from state land leases and property leases. In making this judgment, management considered the period of leases (including extension and termination options), the quality of leased assets compared to assets used as collateral for relevant borrowings and made an assessment whether any adjustments to the weighted average rate on borrowings are needed to reflect differences in secured assets, lease periods compared to maturity of borrowings, and other factors affecting the incremental borrowing rate. Based on assessment performed, management concluded that the average weighted interest rate on borrowings of approximately 4.5% p.a. approximates the rate that the Group would expect to borrow to acquire the right-of-use assets in relation to land leases and property leases. If the incremental borrowing rate were 1.0% higher/(lower), lease liabilities as of 31 December 2020 would be K6.1M lower and K10.1M higher, respectively (1 January 2020: K6.0M lower and K10.0M higher).

2. Financial risk management

The Group's activities expose it to a variety of financial risks including market risk (including currency, and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group engages in international purchase transactions and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar. Foreign exchange risk arises from recognised assets and liabilities.

The Group's foreign currency purchases do not represent a significant proportion of the Group's costs and as such exposure to foreign currency risk is minimal. It is not the Group's policy to hedge foreign currency risk. As the foreign currency exposure is minimal no sensitivity analysis is provided.

(ii) Price risk

The Group is not significantly exposed to equity securities or commodities price risk.

(iii) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Long term borrowings are a mix of fixed and variable rate interest. It is not the Group's policy to hedge cash flow and interest rate risk.

At 31 December 2020, if interest rates on PNG Kina-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been K4,394,000 (2019: K3,058,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group has no significant concentration of credit risk and it is not the Group's policy to hedge credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and has policies that limit the amount of credit exposure to any one customer. Where credit limits were exceeded during the reporting period management has made provision for amounts considered uncollectible.

The Group has the following types of financial assets that are subject to the expected credit loss model: trade receivables, other receivables (including inter- company receivables) and loans to related parties. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, impairment loss is immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, for all financial assets, other than loans to related parties and other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward- looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has analyzed GDP and employment rate of PNG to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Management concluded that the impairment provision for trade receivables is not materially affected by changes in GDP and employment rate.

For loans to related parties and other receivables, the Group applies a 'three-stage' model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instrument in Stage 1 has their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Loans in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

Forward-looking information incorporated in the model includes GDP Growth (%) of Papua New Guinea economy.

The Group considers a loan or other receivable to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met: delay in payment of over 30 days, early signs of cash flow/ liquidity problems, significant adverse changes in business, financial and/or economic conditions in which related party operates, actual or expected forbearance or restructuring, significant change in collateral value (for collateralised loans).

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria: delay in payment of over 90 days, significant financial difficulty of related party (such as long-term forbearance, insolvency, or probability of bankruptcy). A loan or other receivable is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria at the reporting date.

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

All of the Group's loans to related parties as at 31 December 2020 and 31 December 2019 are classified in 'Stage 1'. Further, management assessed that no material impairment provision on loans to related parties is necessary given the following:

- Loans to related parties are repayable on demand and the Group expects to be able to recover the outstanding balance of related loans, if demanded;
- Loans to related parties have not had significant increase in credit risk since the loans were first recognized;
- There are no historic losses or write offs on these loans;
- As a result, impairment provision is based on 12-month expected credit losses, which results in immaterial impairment provision.

Similarly, the Group's other receivables as at 31 December 2020 and 31 December 2019 are classified in 'Stage 1', as they are either current or overdue up to 30 days, and the Group has not noted a significant increase in credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by maintaining sufficient bank balances to fund its operations and the availability of funding through committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

Undrawn finance facilities as of 31 December were as follows:

	2020 K'000	2019 K'000
Undrawn Facilities	243,000	263,000

The table on the following page analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year K'000	Between 1 & 2 years K'000	Between 2 & 5 years K'000	Over 5 years K'000	Total K'000	Carrying amount
At 31 December 2020						
Borrowings	(108,743)	(54,500)	(168,337)	-	(331,580)	(304,506)
Borrowings from minority shareholders	(160)	-	-	-	(160)	(160)
Borrowings from related parties	(4,961)	-	-	-	(4,961)	(4,864)
Trade and other payables	(61,689)	-	-	-	(61,689)	(61,689)
Lease liabilities	(6,088)	(6,088)	(22,834)	(122,274)	(157,284)	(73,090)
	(181,641)	(60,588)	(191,171)	(122,274)	(555,674)	(444,309)
At 31 December 2019						
Borrowings	(1,873)	(294,014)	(23,510)	-	(319,397)	(303,743)
Borrowings from minority shareholders	(160)	-	-	-	(160)	(160)
Borrowings from related parties	(15,975)	-	-	-	(15,975)	(15,662)
Trade and other payables	(75,407)	-	-	-	(75,407)	(75,407)
Lease liabilities	(5,246)	(5,246)	(15,741)	(115,330)	(141,563)	(72,236)
	(98,661)	(299,260)	(39,251)	(115,330)	(552,502)	(467,208)

The Group does not hold derivative financial instruments.

All loan covenants associated with borrowing arrangements have been met.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as external borrowings and unsecured loans less cash and cash equivalents. Net debt for the purposes of the gearing ratio does not include lease liabilities, trade and other payables and provisions for other liabilities and charges. Total capital is calculated as capital and reserves attributable to the Company's shareholders plus net debt. The gearing ratios at each balance date were as follows:

	2020 K'000	2019 K'000
Total external borrowing and unsecured loans	309,530	319,565
Less: Cash & Cash equivalents	142,424	100,832
Net debt	167,106	218,733
Total equity	963,826	902,790
Total capital	1,130,932	1,121,523
Gearing ratio	15%	20%

The Group is subject to certain covenants related primarily to its external borrowings. Non-compliance with such covenants may result in negative consequences for the Group including declaration of default. The Group was in compliance with covenants as at 31 December 2020 and 31 December 2019, as well as during respective years.

(e) Fair value estimation

IFRS 7 "Financial Instruments: Disclosures" requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group does not hold any financial assets at fair value.

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's)

3. Operating results

	Consolidated		Parent Entity	
	2020	2019	2020	2019
(a) Revenue and other income comprises:				
Revenue from contracts with customers				
- Revenue from sale of goods	32,723	37,684	-	-
- Revenue from provision of services	399,259	440,609	-	-
Lease income	108,424	106,875	-	-
Dividend income	-	-	9,443	48,000
Total Revenue	540,406	585,168	9,443	48,000
* Other income (net)	-	-	2,925	3,021

* Other income includes royalties and management fees.

The Group's revenue from contracts with customers are recognized at a point in time and over time. Most of the revenue from the provision of services is recognized over time, while revenue from sale of goods is recognized at a point in time. Further disaggregation of revenue by segment is provided at Note 25.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of 31 December 2020 that relates mostly to towage work which commenced in late 2020 and will be finalised within January 2021 is nil (2019 – K0.3M).

	Consolidated 2020	Consolidated 2019	Parent Entity 2020	Parent Entity 2019
(b) Expenses comprise:				
Cost of sales	106,288	111,552	-	-
Staff costs (note 3(c))	99,428	119,712	-	-
Depreciation and amortisation	88,328	82,268	2,048	2,029
Impairment of vessels	919	-	-	-
Fixed Assets write off	613	-	-	-
Electricity and fuel	33,796	46,314	-	-
Other operating expenses	138,231	154,192	89	(159)
Total operating expense	467,603	514,038	2,137	1,870
(c) Staff costs:				
Wages and salaries	85,730	101,683	-	-
Retirement benefit contributions	3,877	5,516	-	-
Accommodation and other benefits	9,821	12,513	-	-
	99,428	119,712	-	-
Number of staff employed by the Group at year end:				
Full Time	2,412	2.637	-	-

3. Operating results (continued)

	Consolidated 2020	Consolidated 2019	Parent Entity 2020	Parent Entity 2019
(d) The operating profit before income tax is arrived at after charging and crediting the following specific items:				
After charging:				
Audit fees	1,044	1,045	-	10
Fees for non-audit services to Auditors	530	1,406	-	-
Bad and doubtful debts provided	5,425	4,880	-	-
Donations	1,258	1,817	-	-
Loss on sale of fixed assets	-	1,127	-	-
After crediting:				
Gain on sale of property, plant and equipment	9,278	16,910	-	-
Bad and doubtful debts released	1,174	150	-	-
Net foreign exchange transaction gains	96	640	-	-
(e) Cost of financing – net:				
Interest expense*	16,406	17,784	-	-
Interest income	(7,416)	(7,938)	(72)	(72)
Net finance costs	8,990	9,846	(72)	(72)

*The interest expense excludes capitalised interest which is nil in 2020 (2019 - K0.06m).

(f) Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the average number of ordinary shares on issue during the year. There is no difference between the basic and diluted earnings per share.

	2020	2019
Net profit attributable to shareholders	78,855	49,995
Average number of ordinary shares on issue (thousands)	31,008	31,008
Basic earnings per share (continuing and discontinued)	254 toea	161 toea
Basic earnings per share (continuing)	254 toea	161 toea

4. Investments in subsidiaries, associates and joint ventures

	Consolidated 2020	Consolidated 2019	Parent Entity 2020	Parent Entity 2019
(a) Investments are accounted for in accordance with the policy set out in Note 1(c) and relate to:				
Investments in subsidiary companies (note 21)	-	-	101,838	159,261
Investments in associates (note 22)	5,529	11,373	-	-
Investments in joint ventures (note 23)	31,463	30,213	-	36,626
	36,992	41,586	101,838	195,887
(b) Share of after tax profit in associates and joint ventures				
Share of profit in associates	276	393	-	-
Share of profit in joint ventures	3,750	4,617	-	-
	4,026	5,010	-	-

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

5. Income tax

	Consolidated		Parent Entity	
	2020	2019	2020	2019
(a) Income tax expense				
Current tax	4,602	20,657	214	355
Deferred Tax	(2,822)	(489)	(27)	(49)
Prior period (over)/under provided	(2,460)	(1,240)	-	1
Utilisation of losses in 2019 tax return, Note 5(b)	(10,518)	-	-	-
	(11,198)	18,928	187	307

(b) The income tax in the Statement of Comprehensive Income is determined in accordance with the policy set out in note 1(f). The effective rate of tax charged differs from the statutory rate of 30% for the following reasons.

	Consolidated 2020	Consolidated 2019	Parent Entity 2020	Parent Entity 2019
Prima facie tax on profit before income tax	20,352	19,888	3,091	14,767
Non-taxable income - dividends	-	-	(2,833)	(14,400)
Expenses not deductible for tax	460	579	-	-
Tax losses utilized in current year	(14,679)		-	-
Tax loss not recognised	-	6,659	-	-
Income not assessable for tax	(3,408)	(6,958)	(71)	(60)
Prior year (over)/under provisions	(2,460)	(1,240)		-
Utilisation of losses in 2019 tax return	(10,518)	-	-	-
Other	(945)	-	-	-
	(11,198)	18,928	187	307

During 2021 the Registrar of Companies approved the amalgamation of Consort Express Line Limited and its subsidiary Consort Investments Limited with Steamships Limited (Note 24). As the effective date of amalgamation is 31 December 2019, Steamships Limited utilised previously unrecognized tax losses of Consort Express Line Limited in the amount of K10.5M in its tax return for financial year ended 31 December 2019. In addition, the Group estimated that tax losses of Consort Express Line Limited of K14.7 million will be utilised in the tax return of Steamships Limited for financial year ended 31 December 2020.

(c) The deferred tax (liability)/ asset comprises:

	Consolidated 2020	Consolidated 2019	Parent Entity 2020	Parent Entity 2019
Provisions	9,212	7,419	-	-
Tax losses	-	182	-	-
Lease liabilities	21,927	21,671	-	-
Prepayments and consumables	(3,429)	(5,452)	-	-
Property, plant and equipment	(19,516)	(18,704)	512	485
Right-of-use assets	(21,927)	(21,671)		-
	(13,733)	(16,555)	512	485
Deferred tax asset	1,010	2,311	512	485
Deferred tax liability	(14,743)	(18,866)	-	-
	(13,733)	(16,555)	512	485

As at 31 December 2020, the group has not recognised a deferred tax asset amounting to K33.3M (2019 - K58.4M) related to carried forward tax losses.

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

5. Income tax (continued)

(d) The gross movement on the deferred tax account is as follows:

	Beginning Balance	Charge to profit	Ending Balance
Consolidated			
Provisions and accruals	7,419	1,793	9,212
Tax losses	182	(182)	-
Lease liabilities	21,671	256	21,927
Prepayments and consumables	(5,452)	2,023	(3,429)
Property, plant and equipment	(18,704)	(812)	(19,516)
Right-of-use assets	(21,671)	(256)	(21,927)
Total	(16,555)	2,822	(13,733)
Parent Company			
Property, plant and equipment	485	27	512
Total	485	27	512

(e) Income tax (receivable)/ payable is represented as by:

	Consolidated		Parent Entity	
	2020	2019	2020	2019
At 1 January	(9,507)	(355)	60	(45)
Income tax provision	4,602	20,657	214	355
Prior year (over) / under provisions	(2,460)	(1,240)		-
Utilisation of losses in 2019 tax return, Note 5(b)	(10,518)	-	-	-
Utilisation of tax credit	(2,670)	(2,632)	-	-
Others	18	(434)	(172)	-
Tax payments made	(3,388)	(25,503)	(427)	(250)
At 31 December	(23,923)	(9,507)	(325)	60

6. Cash and cash equivalents

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Cash and short term deposits	142,424	100,832	-	-
	142,424	100,832	-	-

The maximum exposure to credit risk at the reporting date is the fair value of cash and cash equivalents on the balance sheet. Cash and short-term deposits are held with the banks resident in Papua New Guinea who have appropriate long term credit ratings.

7. Trade and other receivables

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Trade receivables	66,216	75,737	-	-
Trade receivables related parties (Note 18)	4,039	8,635	-	-
Provision for impairment	(11,359)	(7,108)	-	-
	58,896	77,264	-	-
Other receivables	58,774	60,844	2,473	471
Prepayments	7,898	10,010	-	-
	125,568	148,118	2,473	471

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

7. Trade and other receivables (continued)

(i) Credit losses

As at 31 December 2020 and 31 December 2019, loss allowance was determined as follows for trade receivables:

31 December 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected credit loss rate	0.2%-3%	3%-8%	8%-24%	24%-60%	16.2%
Gross carrying amount - trade receivables	33,901	13,692	5,619	17,043	70,255
Loss allowance	709	767	568	9,315	11,359

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected credit loss rate	0.2%-2%	2%-5%	5%-8%	8% - 30%	8.4%
Gross carrying amount - trade receivables	33,619	22,327	8,235	20,191	84,372
Loss allowance	370	714	494	5,530	7,108

Movement in the provision for impairment of trade receivables is as follows:

Opening balance	7,108	2,378	-	-
Impairments recognised during the year	5,425	4,880	-	-
Provision released	(1,174)	(150)	-	-
Total	11,359	7,108	-	-

The creation and release of the provision for impaired receivables is included in operating expenses in the statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering the balance outstanding.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security in relation to these receivables.

(ii) Other receivables and prepayments

Other receivables generally arise from transactions outside the usual operating activities of the Group. These mostly include receivables for rental bonds, re-insurance receivables and other tax receivables (such as GST receivables) and other non-financial assets. These receivables are not interest bearing. Collateral is not normally obtained.

As at 31 December 2020 and 31 December 2019, most of the Group's other receivables are current and classified as Stage 1 for impairment provisioning purposes. The amount of other receivables overdue more than 30 days is not material, and the impairment provision based on expected loss model is immaterial.

Prepayments relate to advance payments for expenses not yet incurred.

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

8. Inventories

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Finished goods	18,778	14,781	-	-
Provision for obsolescence	(1,496)	(1,430)	-	-
	17,282	13,351	-	-

Inventories recognised as an expense during the year ended 31 December 2020 and included in cost of sales and cost of providing services amounted to K13.1M (2019: K11M). The provision for obsolescence of inventories during the year increased by K0.1M (2019: K1.3M increase).

9. Loans to/(from) related companies

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Non-Current				
John Swire & Sons Limited	2,641	-	-	-
Colgate Palmolive (PNG) Limited	500	500	500	500
Huhu Rural LLG	1,054	1,640	-	-
Pacific Rumana Limited	28,930	28,930	-	-
Harbourside Development Limited	68,529	55,330	-	-
Viva No.31 Limited	2,000	2,000	-	-
Wonye Limited	2,802	27	-	-
Nikana Stevedoring Limited	-	150	-	-
	106,456	88,577	500	500
Loans to subsidiaries	-	-	-	5,135
	106,456	88,577	500	5,635
Loans from associates and joint ventures:				
Stevedoring associates	(4,864)	(15,662)	-	-
Loans from subsidiaries	-	-	(44,290)	(132,415)
	(4,864)	(15,662)	(44,290)	(132,415)

The loan to Harbourside Development Limited is secured and earns interest at 6.5%. The loan to Pacific Rumana Limited is unsecured and earns interest at 9%. The loan from Stevedoring associates is unsecured and incurs interest at 2%.

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

10. Property, plant and equipment

	Property	Ships	Plant and Vehicles	Right-of-use Assets	Total
Consolidated					
2020					
Cost	637,910	246,719	449,013	50,023	1,383,665
Accumulated depreciation (including impairment losses)	(307,983)	(142,863)	(376,498)	(5,584)	(832,928)
Net book value	329,927	103,856	72,515	44,439	550,737
Opening value	364,841	112,661	87,828	45,316	610,646
IFRS 16 adjustment	-	-	-	(3,230)	(3,230)
Additions	15,815	21,030	13,793	-	50,638
Lease agreements made during the year	-	-	-	5,441	5,441
Disposals	(277)	(354)	-	-	(631)
Impairment	-	(919)	-	-	(919)
Transfer to investment properties	(34,144)	-	-	-	(34,144)
Asset held for sale	-	(4,987)	-	-	(4,987)
Depreciation	(16,308)	(23,575)	(29,106)	(3,088)	(72,077)
Closing value	329,927	103,856	72,515	44,439	550,737
2019					
Cost	656,517	231,030	435,220	47,812	1,370,579
Accumulated depreciation (including impairment losses)	(291,676)	(118,369)	(347,392)	(2,496)	(759,933)
Net book value	364,841	112,661	87,828	45,316	610,646
Opening value	294,725	100,189	97,488	-	492,402
Impact of IFRS 16 adoption on 1 January 2019	-	-	-	14,945	14,945
Additions	37,411	36,574	20,265	-	94,250
Lease agreements made during the year	-	-	-	32,867	32,867
Disposals	-	(4,506)	(837)	-	(5,343)
Transfer from investment properties	45,142	-	-	-	45,142
Depreciation	(12,437)	(19,596)	(29,088)	(2,496)	(63,617)
Closing value	364,841	112,661	87,828	45,316	610,646

The Group is committed to its plan to sell a cargo vessel within 12 months from the reporting date. As the sale is considered highly probable, the vessel is available for immediate sale and actions were taken to locate a buyer (including active marketing of the vessel for sale) prior to 31 December 2020, this vessel is classified within the line 'Assets held for sale' as at 31 December 2020. An impairment loss of K0.9M is recognised in 2020 for write down of this asset to its fair value less costs to sell. Refer to Note 1(j).

Properties of K34.1M, classified within line 'Property, plant and equipment' as at 31 December 2019, were transferred to investment properties during 2020 due to change in primary use of these properties.

Similarly, premises used by the Group of K45.1 million, classified as investment properties as at 31 December 2018, were transferred to properties within line 'Property, plant and equipment' during 2019 due to change in primary use of property. Refer to the Note 1(m).

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

10. Property, plant and equipment (continued)

	Property	Plant and Vehicles	Total
Parent Entity			
2020			
Cost	78,985	6,159	85,144
Accumulated depreciation (including impairment losses)	(55,110)	(4,932)	(60,042)
Net book value	23,875	1,227	25,102
Opening value	22,484	912	23,396
Additions	3,144	625	3,769
Disposals	(15)	-	(15)
Depreciation	(1,738)	(310)	(2,048)
Closing value	23,875	1,227	25,102
2019			
Cost	76,488	5,534	82,022
Accumulated depreciation (including impairment losses)	(54,004)	(4,622)	(58,626)
Net book value	22,484	912	23,396
Opening value	23,811	743	24,554
Additions	406	803	1,209
Disposals	-	(338)	(338)
Depreciation	(1,733)	(296)	(2,029)
Closing value	22,484	912	23,396

(a) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment and investment properties which are in the course of construction:

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Property (classified as investment properties in note 11)	7,851	12,243	-	-
Plant, vehicles and ships	17,948	22,377	-	-
Total assets in the course of construction	25,799	34,620	-	-

The cost of additions in 2020 did not include any capitalised borrowing costs (2019: K0.06M) in relation to qualifying assets. The Group used a capitalization rate of 5.85% p.a. to determine the amount of borrowing costs eligible for capitalisation.

(b) Impairment losses

During the year the Directors performed an impairment review on certain assets with impairment indicators. As a result of this assessment, impairment K0.9M was recorded related to ships in the Consort business (2019: Nil).

Recoverable amount of ships is based on market valuations. Ships have been assessed against market value on an annual basis using a valuation technique of market comparable prices. The valuation as at 31 December 2020 was carried out by two independent firms of valuers, Australian Independent Shipbrokers and GPA Maritime & Engineering Consultants Pty Ltd, who both hold a recognized and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The assessed average market value of ships is K77.5M (2019: K82.2M). If market price of ships had been 10% lower, recoverable amount would be K69.8M (2019: K75.3M) resulting in an additional impairment charge of K1.3M (2019: K3.7M).

There are no other further conditions that indicate impairment of property, plant and equipment as at 31 December 2020 in other businesses of the Group.

10. Property, plant and equipment (continued)

(c) Right-of-use assets

The recognised right-of-use assets relate to properties leased by the Group for its use (i.e. leased buildings). The movement of right-of-use assets classified under property, plant and equipment is provided below:

	Properties PGK'000	Total PGK'000
As at 31 December 2020		
Opening net book amount	45,316	45,316
IFRS 16 adjustment	(3,230)	(3,230)
Lease agreements made during the year	5,441	5,441
Depreciation	(3,088)	(3,088)
Closing net book amount	44,439	44,439
At cost	50,023	50,023
Accumulated depreciation	(5,584)	(5,584)
	44,439	44,439
As at 31 December 2019		
Opening net book amount	-	-
Effect on adoption of IFRS 16	14,945	14,945
Balance at 1 January 2019	14,945	14,945
Lease agreements made during the year	32,867	32,867
Depreciation	(2,496)	(2,496)
Closing net book amount	45,316	45,316
At cost	47,812	47,812
Accumulated depreciation	(2,496)	(2,496)
	45,316	45,316

11. Investment properties

Investment properties represent the Group's residential and commercial properties that are available for external lease rather than internal use. Properties used by the Group are shown in 'Property' within note 10.

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Cost	593,181	542,874	-	-
Accumulated depreciation	(198,843)	(182,592)	-	-
Net book value	394,338	360,282	-	-
Opening value	360,282	398,173	-	-
Additions	16,078	-	-	-
Transfers (to) / from property, plant & equipment	34,144	(45,142)	-	-
Right of use of assets movement	85	25,902	-	-
Depreciation	(16,251)	(18,651)	-	-
Closing value	394,338	360,282	-	-

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11. Investment properties (continued)

(a) Right-of-use assets

The recognised right-of-use assets relate to state land leases related to properties owned by the Group (including investment properties). The breakdown of right-of-use assets classified within investment properties is provided below:

	State Land Leases	Total
As at 31 December 2020		
Opening net book amount	25,902	25,902
IFRS 16 adjustment	(669)	(669)
Lease agreements made during the year	1,167	1,167
Terminated	(72)	(72)
Depreciation	(341)	(341)
Closing net book amount	25,987	25,987
At cost	26,816	26,816
Accumulated depreciation	(829)	(829)
	25,987	25,987
As at 31 December 2019		
Opening net book amount	-	-
Effect on adoption of IFRS 16	26,390	26,390
Balance at 1 January 2019	26,390	26,390
Depreciation	(488)	(488)
Closing net book amount	25,902	25,902
At cost	26,390	26,390
Accumulated depreciation	(488)	(488)
	25,902	25,902

	2020	2019
(b) Amounts recognised in profit/loss for investment properties		
Rental income	108,424	106,875
Repairs and maintenance attributable to rental properties under non-cancellable leases	(6,585)	(6,753)
Operating expenses directly attributable to rental properties under non-cancellable leases	(22,268)	(21,088)

(c) Valuation basis

Properties include commercial and residential properties occupied by Group businesses together with commercial and residential investment properties which are available for external lease. An analysis of the carrying amount and estimated range of fair values for each category of property is shown below. Fair values have been estimated internally, based on market evidence of property values, supported by independent professional valuations from previous years, adjusted by observable market trends related to PNG residential and commercial properties, as well as land values, on an annual basis.

		Valuation Range	
	NBV	Lower	Higher
Investment properties	394,338	1,293,592	1,616,990
Other properties (note 10)	329,927	448,112	560,141
Total	724,265	1,741,704	2,117,131

The management has utilised certain historical facts and available relevant market data in reaching their opinion as to the valuation of the properties up to the date of valuation, including use of comparable sales and capitalisation rates.

(d) Non-current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the Group.

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

11. Investment properties (continued)

(e) Contractual receivables

Minimum lease receivables under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Within one year	94,118	48,921	-	-
Later than one year but not later than five years	122,175	113,546	-	-
Later than five years	53,778	75,817	-	-
	270,071	238,284	-	-

12. Intangible assets

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Opening balance	76,433	76,433	-	-
Disposal of Subsidiary	-	-	-	-
Closing balance	76,433	76,433	-	-

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. The goodwill balance of K76.4M (2019: K76.4M) is attributable to various business acquisitions in the logistics segments including Pacific Towing (K67.4M) and New Britain Shipping (K9M). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Growth beyond year three for the purpose of the impairment testing is set at 5% for New Britain Shipping and 8% for Pacific Towing (2019: 5% for New Britain Shipping and 5% for Pacific Towing). A pre-tax discount rate of 12.5% per annum (2019: 12.5% per annum) has been used and reflects specific risks relating to the operating segment. The recoverable amount of the Pacific Towing CGU and New Britain Shipping CGU exceed their carrying amounts by K64.2M (2019: K1.3M) and K13.2M (2019: K10.9M), respectively. Management believes that growth rate of revenue of 8% p.a. for Pacific Towing is appropriate, as approved three-year financial budgets are based on conservative assumptions.

Management determined the budgeted gross margin based on past performance and its market expectations. If the revised growth rate beyond three years had been 3% lower than management's estimates the Group would need to reduce the carrying value of goodwill of Pacific Towing by K Nil and the carrying value goodwill of New Britain Shipping by K Nil. The CGUs' carrying amount would exceed the value in use at a growth rate lower than 4.9% p.a. for Pacific Towing and 0.3% p.a. for New Britain Shipping.

The discount rates used are pre-tax, and reflect specific risks relating to the relevant CGUs. If the revised estimated pre-tax discount rate applied to the discounted cash flows of the Pacific Towing CGU and New Britain Shipping CGU had been 2% higher than management's estimates, the carrying value of goodwill of Pacific Towing and New Britain Shipping would be reduced by K Nil and K Nil. The CGUs' carrying amount would be equal to value in use at a discount rate of approximately 16.1% p.a. and 22% p.a. respectively.

13. Trade and other payables

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Trade payables	18,697	32,069	-	-
Trade payables related parties (Note 18)	468	515	-	-
Accruals	40,772	36,384	-	-
Other payables	1,752	6,439	-	-
	61,689	75,407	-	-

All trade and other payables are due and payable within 12 months and are recorded at their fair value.

14. Lease Liabilities

As disclosed in Note 10 and 11, the right-of-use assets and related lease liabilities are recognized in relation to the following types of assets: state land leases related to properties owned by the Group (including its investment properties) and properties (i.e. buildings leased by the Group for its use).

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

14. Lease Liabilities (continued)

	2020	2019
State land leases	26,553	26,198
Properties	46,537	46,038
Total lease liabilities	73,090	72,236

Total lease liabilities as of 31 December 2020 include current liabilities of K2,662,000(1 January 2020: K3,772,000) and non-current liabilities of K70,428,000 (1 January 2020: K68,464,000).

	2020	2019
Minimum lease payments:		
Not later than 1 year	6,088	5,246
Later than 1 year and not later than 5 years	28,922	20,987
Later than 5 years	122,274	115,330
Total	157,284	141,563
Less: Unexpired finance charges	(84,194)	(69,327)
	73,090	72,236
Present value of lease liabilities:		
Not later than 1 year	2,662	3,772
Later than 1 year and not later than 5 years	21,022	17,895
Later than 5 years	49,406	50,569
Total	73,090	72,236

Interest on lease liabilities recognized in profit or loss by the Group amounts to PGK 3.9M.
Movement in net lease liabilities as per below:

	2020	2019
Opening	72,236	-
Effect on adoption of IFRS 16	-	41,335
Lease agreements made during the year, net	2,627	32,867
Finance costs	3,946	3,282
Repayment	(5,719)	(5,248)
	73,090	72,236

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2019 and 31 December 2020 was 4.5% p.a. Management assessed that weighted average interest rate on borrowings obtained from financial institutions during 2020 and previous years approximates the incremental borrowing rate at the date of initial adoption of IFRS 16 and at 31 December 2020. For related management's judgments refer to Note 1(z).

The Group recognized expenses relating to short-term leases and expenses relating to leases of low-value assets that are not short-term leases of K10.4M and K5.5M for the year ended 31 December 2020 (2019: K15.8M & K1.7M), respectively. These expenses are included in operating expenses.

The Group's leases have no variable payments.

15. Provisions for other liabilities and charges

	Employee	Insurance Claims	2020 Total	2019 Total
Opening value	16,522	46,257	62,779	68,165
Charged to profit and loss	7,632	3,058	10,690	7,909
Utilised during year	(8,134)	-	(8,134)	(13,295)
Closing value	16,020	49,315	65,335	62,779
Current	6,083	49,315	55,398	51,542
Non-current	9,937	-	9,937	11,237
	16,020	49,315	65,335	62,779

A description of employee provisions is disclosed in note 1(p). Provision for insurance claims mostly relates to provision for disputed insurance claim, as criteria for recognition of provision were met. Refer to Note 1(p).

16. Borrowings

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Current:				
Bank overdrafts (secured)	2,506	1,743	-	-
Bank loans	102,500	-	-	-
Other loans (unsecured)	160	160	-	-
	105,166	1,903	-	-
Non-current:				
Bank loans (secured)	199,500	302,000	-	-
	199,500	302,000	-	-
Total Borrowings	304,666	303,903	-	-

Mortgages over certain of the Group's properties and a registered equitable charge over the remainder of the Group's assets, undertakings and uncalled capital are held by the Group's bankers as security for the bank overdrafts and secured loans.

Interest is paid on all loans at commercial rates at a discount to Indicator Lending Rates. The effective interest rate on bank facilities at the balance sheet date was 3.9% (2019: 4.5%). Bank overdrafts are interest-only with no agreed repayment schedule. Bank loans are secured loans with varying 1 to 3 year terms. The effective interest rate on other loans is 2% (2019: 2%).

The fair value of borrowings approximates their carrying amounts. Borrowing terms, margins and credit risk factors approximate currently obtainable levels for similar facilities.

17. Issued capital

	Consolidated		Parent Entity	
	2020	2019	2020	2019
(a) Issued and paid up capital				
Ordinary shares	24,200	24,200	24,200	24,200

(b) Number of shares

	Consolidated		Parent Entity	
Number of shares (000's)	2020	2019	2020	2019
Ordinary shares	31,008	31,008	31,008	31,008

In accordance with the Papua New Guinea Companies Act 1997 the shares have no par value.

The Company's securities consist of ordinary shares which have equal participation and voting rights.

(c) Dividend

The Directors advise that a dividend of 80 toea per share will be paid immediately after the Annual General Meeting on 18th June 2021. Dividends payable to shareholders resident outside of Papua New Guinea will be converted to Australian Dollars at the prevailing rate which the Company is able to secure. During the year the Company paid dividends totaling 55 toea per share which is the final dividend of 2019 and totaled K 17.1M.

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

18. Related party disclosures

(a) Parent entity

Until 3 September 2019, the Group was controlled by John Swire & Sons (PNG) Limited, which owned 72.12% of the Company's shares. John Swire & Sons (PNG) Limited sold its shares in Steamships Trading Company Limited to JS & S (PNG) Ltd, incorporated in England, on 3 September 2019. The ultimate holding company as at 31 December 2019 is John Swire & Sons Ltd, incorporated in England.

(b) Interest in subsidiaries, associates and joint ventures:

These are set out in notes 21, 22 and 23 respectively.

(c) Remuneration:

Income received or due and receivable both by Directors and general managers in connection with the management of the Group companies is shown in the Directors' Report.

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Key management personnel disclosure				
Wages and salaries	12,567	12,118	-	-
Other short term benefits	1,298	1,249	-	-
(d) Material transactions:				
Sales of goods and services				
- Associates and joint ventures	186	454	-	-
- Key management	154	56	-	-
- Associated groups	8,171	14,037	-	-
- Other shareholders	136	-	-	-
Lease and rental income				
- Associates and joint ventures	1	1,717	-	-
- Others shareholders	(1,384)	-	-	-
Management fee received				
- Associates and joint venture	-	771	-	-
- Associated groups	9,952	-	-	-
Container and charter hire				
- Associates and joint venture	-	216	-	-
- Shareholders and associate companies	-	374	-	-
Purchase of goods and services				
- Associates and joint ventures	-	(46)	-	-
- Associated groups	-	(9,558)	-	-
- Key Management	11			
Purchase of assets				
- Associated groups	-	(140)	-	-

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

18. Related party disclosures (continued)

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Lease rental expense				
- Associates & Joint ventures	344	-	-	-
- Associated groups	471	-	-	-
Finance Cost				
- Associates & joint ventures	-	(482)	-	-
Dividends paid				
- Other shareholders (minority interest)	(946)	(10,085)	-	-
- Controlling shareholder	(12,300)	(32,427)	(12,300)	(32,427)
- Significant shareholder	(4,755)	(12,535)	(4,755)	(12,535)
Loans to/(from) related companies				
- Other shareholders	(160)	(160)	-	-

All transactions with related parties are made on normal commercial terms and conditions.

	Consolidated 2020	Consolidated 2019	Parent Entity 2020	Parent Entity 2019
Balances with related companies:				
Associates and joint ventures:				
Stevedoring associates (note 9)	(4,864)	(15,662)	-	-
Basilok Limited (note 16)	(160)	(160)	-	-
Loans to related companies:				
Colgate Palmolive (PNG) Limited (note 9)	500	500	500	500
Harbourside Development Limited (note 9)	68,529	55,330	-	-
Subsidiary Companies (note 9)	-	-	-	5,135
Pacific Rumana Limited (note 9)	28,930	28,930	-	-
Huhu Rural LLG (note 9)	1,054	1,640	-	-
Viva No. 31 Limited (note 9)	2,000	2,000	-	-
Wonye Limited (note 9)	2,802	27	-	-
Nikana Stevedoring Limited (note 9)	-	150	-	-
John Swire & Sons Limited (note 9)	2,641	-	-	
Balances receivable / (payable) from / to related companies:				
Receivables				
Pacific Rumana Limited	514	1,125	-	-
Harbourside Development Limited	938	1,876	-	-
Wonye Limited	5	180	-	-
Makerio Stevedoring Limited	14	96	-	-
Nikana Stevedoring Limited	18	445	-	-
Colgate Palmolive (PNG) Limited	10	-	-	-
Riback Stevedoring Limited	-	5	-	-
Swire Shipping	2,540	4,908	-	-
Total trade receivables from related companies (note 7)	4,039	8,635	-	-
Payables				
Habourside Development Limited	-	(110)	-	-
Woyne Limited	-	(2)	-	-
Makerio Stevedoring Limited	(141)	(104)	-	-
Nikana Stevedoring Limited	(60)	(30)	-	-
Swire Shipping	(267)	(269)	-	-
Total trade payables to related companies (note 13)	(468)	(515)	-	-

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

19. Reconciliation of cash flows

	Consolidated		Parent Entity	
	2020	2019	2020	2019
(a) Cash generated from operations				
Profit for the year after tax	79,037	47,366	10,116	48,916
Depreciation and impairment	88,328	82,268	2,048	2,029
Dividend and interest income	-	-	(9,443)	(48,000)
Net gain on sale of fixed assets	(9,278)	(15,783)	-	-
Share of profit of associates and joint ventures	(4,026)	(5,010)	-	-
Reduction in SWT Assessment	(12,699)	-	-	-
Change in operating assets and liabilities				
Decrease in trade debtors and other receivables	22,550	40,838	-	-
(Increase)/decrease in inventory	(3,931)	2,712	-	-
(Increase)/decrease in deferred tax asset	1,301	(628)	-	(49)
(Increase)/decrease in operating assets	(6,187)	3,363	(2,002)	(36)
Decrease in trade creditors and other payables	(13,718)	(28,870)	-	-
(Increase)/decrease in other operating liabilities	1,442	(5,386)	(23)	(127)
Increase in income tax receivable	10,781	(9,152)	104	144
(Increase)/decrease in deferred tax liability	(4,123)	137	-	-
Net cash inflow from operating activities	149,477	111,855	800	2,877

(b) Net loan reconciliation

	Lease liabilities	Bank Loans	Other Loans	Total
Net debt as at 31 December 2018	-	(302,000)	(66,897)	(368,897)
Adoption of IFRS 16	(41,335)	-	-	(41,335)
Borrowings	-	(10,000)	-	(10,000)
Repayments	-	10,000	31,732	41,732
Repayment of minority shareholder loan - purchase of additional shares in subsidiary (Note 24)	-	-	19,343	19,343
Lease liability-2019 agreement and finance costs	(36,149)	-	-	(36,149)
Payment of lease liabilities	5,248	-	-	5,248
Net debt as at 31 December 2019	(72,236)	(302,000)	(15,822)	(390,058)
Repayments	-	-	10,798	10,798
Lease agreements made during the year	(2,627)	-	-	(2,627)
Finance costs	(3,946)	-	-	(3,946)
Payment of lease liabilities	5,719	-	-	5,719
Net debt as at 31 December 2020	(73,090)	(302,000)	(5,024)	(380,114)

20. Retirement benefit plans

The total cost of retirement benefits of the Group in 2020 was K3.9M (2019: K5.5M). The Group participates in the National Superannuation Fund of Papua New Guinea, a multi-employer defined contribution fund, on behalf of all citizen employees with minimum employer and employee contribution rates established by legislation.

The parent entity does not employ staff directly; consequently, there was no charge during the year.

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

21. Subsidiaries and transactions with non-controlling interests

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1 (c):

Name of Entity	Country of Incorporation	Class of Shares	Equity Holdings(1) 2020	Equity Holdings(1) 2019
Consort Express Lines Limited(6)	Papua New Guinea	Ordinary	-	100
Croesus Limited	Papua New Guinea	Ordinary	100	100
Kavieng Port Services Limited	Papua New Guinea	Ordinary	60	60
Kiunga Stevedoring Company Limited	Papua New Guinea	Ordinary	100	100
Lae Port Services Limited(5)	Papua New Guinea	Ordinary	51	51
Madang Port Services Limited	Papua New Guinea	Ordinary	60	60
Morobe Terminals Limited(4)	Papua New Guinea	Ordinary	50.5	50.5
Motukea United Limited	Papua New Guinea	Ordinary	64.1	64.1
New Britain Shipping Limited(2)	Papua New Guinea	Ordinary	50	50
Oro Port Services Limited	Papua New Guinea	Ordinary	100	100
Pacific Towing (PNG) Limited	Papua New Guinea	Ordinary	100	100
Palm Stevedoring & Transport Limited	Papua New Guinea	Ordinary	66.7	66.7
Port Services PNG Limited(5)	Papua New Guinea	Ordinary	54	54
Sandaun Agency & Stevedoring Limited	Papua New Guinea	Ordinary	100	100
Steamships Limited	Papua New Guinea	Ordinary	100	100
United Stevedoring Limited(3)	Papua New Guinea	Ordinary	100	100
Windward Apartments Limited	Papua New Guinea	Ordinary	100	100
Croesus Holdings Limited	Isle of Man	Ordinary	100	100
Croesus Re PCC Limited	Isle of Man	Ordinary	100	100
Pacific Towing SI Limited	Solomon Islands	Ordinary	100	100

(1) The portion of ownership is equal to the proportion of voting power held.

(2) Consolidated by virtue of control over the operating decisions and returns. As at 31 December 2020, Steamships Trading Company Limited still has control over this entity.

(3) United Stevedoring Limited became subsidiary in May 2019.

(4) Morobe Terminals Limited became subsidiary in May 2019 and is in liquidation.

(5) Lae Port Services and Port Services Limited are in liquidation.

(6) As disclosed in Note 24, Steamships Trading Company Limited acquired the minority shareholding (29.76%) of Consort Express Lines Limited in May 2019 to increase its shareholding to a fully owned subsidiary. In March 2020, Investment Promotion Authority approved the application to amalgamate Consort Express Lines Limited into Steamships Limited. The amalgamation is effective as at 31 December 2019.

Shares in subsidiary companies have been stated at cost or fair value on acquisition less dividends received from pre-acquisition profits.

The summarized financial information of the Group's largest subsidiaries with non-controlling interest as at 31 December 2020 and 31 December 2019 is as follows:

2020	Ownerships Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Madang Port Services Limited	60	6,047	1,295	4,752	5,699	190
New Britain Shipping Limited	50	25,759	7,204	18,555	10,855	1,807
Motukea United Limited	64.1	3,576	1,192	2,384	7,566	146
2019						
Madang Port Services Limited	60	5,711	1,149	4,562	5,383	(28)
New Britain Shipping Limited	50	19,189	1,753	17,436	11,134	1,572
Motukea United Limited	64.1	3,452	1,160	2,292	6,824	214

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

22. Investment in associates

(a) Movement in carrying amounts

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Opening value	11,373	34,359	-	-
Share of profits before tax	394	561	-	-
Income tax expense	(118)	(168)	-	-
Change in control of associate companies to subsidiaries	-	(1,681)	-	-
Dividends received	(6,120)	(21,698)	-	-
Closing value	5,529	11,373	-	-

The equity method is used to account for all interests in associates on a consolidated basis.

(b) Summarised financial information of equity accounted associates.

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

2020	Ownerships Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Makerio Stevedoring Limited	45	1,351	(17)	1,368	791	113
Nikana Stevedoring Limited	45	1,723	63	1,660	597	185
Riback Stevedoring Limited	49	2,514	13	2,501	-	(22)
		5,588	59	5,529	1,388	276

2019	Ownerships Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Makerio Stevedoring Limited	45	1,317	(57)	1,374	540	28
Nikana Stevedoring Limited	45	1,356	(239)	1,595	414	11
Riback Stevedoring Limited	49	8,830	426	8,404	378	559
Morobe Terminals Limited	43	-	-	-	-	(205)
		11,503	130	11,373	1,332	393

The associates provide stevedoring services to various external and Group shipping entities.

All associated companies are incorporated and operate in Papua New Guinea.

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

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

23. Investment in joint ventures

(a) Movement in carrying amounts

	2020	2019
Opening value	30,213	30,917
Share of profits before tax	5,357	6,633
Income tax expense	(1,607)	(2,016)
Elimination of gain on sale of land to associate company	-	(2,821)
Dividends received	(2,500)	(2,500)
Closing value	31,463	30,213

The interest in joint ventures is accounted for in the financial statements using the equity method of accounting.

(b) Information relating to the joint ventures is set out below.

2020	Ownership Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Colgate Palmolive (PNG) Limited	50	22,725	10,687	12,038	44,363	3,867
Harbourside Development Limited	50	115,969	116,147	(178)	9,884	(178)
Pacific Rumana Limited	50	3,171	(174)	3,345	1,731	(15)
Viva No. 31 Limited	50	10,756	7,198	3,558	881	(171)
Wonye Limited	50	26,092	13,392	12,700	2,588	247
		178,713	147,250	31,463	59,447	3,750

2019	Ownership Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Colgate Palmolive (PNG) Limited	50	15,173	4,502	10,671	44,714	4,084
Harbourside Development Limited	50	105,204	105,204	-	9,838	210
Pacific Rumana Limited	50	3,588	228	3,360	1,921	(1)
Viva No. 31 Limited	50	13,122	9,390	3,732	1,744	385
Wonye Limited	50	27,279	14,829	12,450	2,422	(61)
		164,366	134,153	30,213	60,639	4,617

The Group's share of the capital commitments of joint ventures at 31 December 2020 is K103.2M (2019: K98.5M).

There are no contingent liabilities arising from the Group's interests in the joint ventures.

24. Business Combinations and Transactions with Non-Controlling Interests

In the 2019 financial year, Steamships Trading Company Limited acquired the minority shareholding (29.76%) of Consort Express Lines Limited in May 2019 to increase its shareholding to a fully owned subsidiary.

	2020	2019
	K'000	K'000
Purchase consideration paid for acquisition of minority shares in subsidiary	-	51,202
Repayment of minority shareholder loan	-	(19,343)
Add/(less): acquisition of minority interest	-	10,738
Equity adjustment on gain in control of subsidiaries	-	(2,302)
	-	40,295

During 2020, the Investment Promotion Authority approved the application to amalgamate Consort Express Lines Limited and Consort Investments Limited into Steamships Limited effective as at 31 December 2019 using the short-form amalgamation process under section 235 of the Companies Act 1997. The name of the amalgamated company is Steamships Limited. Under the amalgamation, Steamships Limited took control of all the assets of Consort Express Lines Limited and Consort Investments Limited and assumed the responsibility for their liabilities. The amalgamation was accounted for based on predecessor accounting with book value accounting used for the purposes of the transaction. Amalgamation had no impact on the Group's assets, liabilities, equity, and profit or loss account, as amalgamated entities have been fully controlled by the Group and consolidated prior to the amalgamation and after the amalgamation. Further, amalgamation had no impact on the Group's cash flows.

During 2020 the directors made the decision to amalgamate Pacific Towing (PNG) Limited into Steamships Limited.
As 31 December 2020 the application was subject to approval by the Investment Promotion Authority.

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25. Segmental reporting

(a) Description of segments

The Board monitors the business from a product perspective and has identified three reportable segments. A brief description of each segment is outlined below:

- Hotels and property – consist of the hotels owned and operated by the Group and also its property leasing division. The assets are stated at historical cost net of accumulated depreciation and include new assets in the course of construction.
- Logistics – consists of shipping and land-based freight transport and related services divisions.
- Commercial and investment – consists of commercial, head office administration function and insurance activities.

(b) Segment information

The segment information provided to the Board for the reportable segments for the year ended 31 December 2020 is as follows:

2020	Hotels and Property	Logistics	Commercial and Investments (and eliminations)	Total
External revenue	197,520	339,148	3,738	540,406
Interest revenue	378	716	6,322	7,416
Interest expense	(8,636)	(2,718)	(5,052)	(16,406)
Segment results	53,697	14,750	(4,634)	63,813
Share of joint ventures and associates profit	(116)	276	3,866	4,026
Total tax (expense) / benefit	(15,537)	(6,233)	32,968	11,198
Profit from continuing operations	38,044	8,793	32,200	79,037
Segment assets	740,382	324,848	422,983	1,488,213
Segment liabilities	(242,585)	(148,902)	(132,900)	(524,387)
Net assets	497,797	175,946	290,083	963,826
Total assets includes investment in joint ventures and associates	19,425	5,529	12,038	36,992
Capital expenditure	30,325	35,842	549	66,716
Depreciation	45,217	40,023	3,088	88,328

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25. Segmental reporting (continued)

	Hotels and Property	Logistics	Commercial and Investments (and eliminations)	Total
2019				
External revenue	222,621	358,507	4,040	585,168
Interest revenue	995	1,506	5,437	7,938
Interest expense	(14,422)	(3,644)	282	(17,784)
Segment results	68,701	5,592	(13,009)	61,284
Share of joint ventures and associates profit	532	393	4,085	5,010
Total tax (expense) / benefit	(18,310)	(2,994)	2,376	(18,928)
Profit from continuing operations	50,923	2,991	(6,548)	47,366
Segment assets	741,088	401,809	308,746	1,451,643
Segment liabilities	(259,406)	(282,185)	(7,262)	(548,853)
Net assets	481,682	119,624	301,484	902,790
Total assets includes investment in joint ventures and associates	19,542	11,373	10,671	41,586
Capital expenditure	25,190	66,220	1,637	93,047
Depreciation	44,756	34,552	2,960	82,268

These figures include non-controlling interests share of operating profits and assets.

Revenue from the hotels and property business mostly relates to the provision of services and is recognized over time. A minor portion represents revenue from the sale of goods and is recognized at a point in time. Similarly, revenue from the logistics business mostly relates to the provision of services and is recognised over time. Revenue from the commercial segment relates to sale of goods and is recognized at a point in time.

(c) Geography

The Group operates almost wholly in Papua New Guinea. It is not practical to provide a segment analysis by geographical region within Papua New Guinea. The Group has two insignificant business operations in the Solomon Islands and Isle of Man.

Steamships Trading Company Limited Year Ended 31 December 2020 (Amounts in Kina 000's unless otherwise stated)

26. Contingent assets and liabilities

(a) Contingent Assets

During 2017 the Company received a salaries and wages tax default assessment of K15.2M, including penalties and interest, from the Internal Revenue Commission of PNG ("IRC") for the periods from 2006 to 2016. The Company recognised related expenses in the 2017 financial statements. During 2017, the Company paid the assessment, and lodged the appropriate objections as required by the IRC. The company successfully pursued recovery of K12.6M during the year which is recognised in the statement of comprehensive income as a salaries and wages tax recoverable.

(b) Contingent Liabilities

There were contingent liabilities at the Balance Sheet date as follows:

(a) The parent entity has given a secured guarantee in respect of the bank overdrafts and loans of certain subsidiaries.

(b) The parent entity has given letters of continuing financial support in respect of certain subsidiaries, associates and joint ventures

No losses are anticipated in respect of these guarantees.

27. Commitments

(a) Capital commitments

	Consolidated		Parent Entity	
	2020	2019	2020	2019
Contracts outstanding for capital expenditure:				
- less than 12 months	6,079	8,883	-	-
- 1-5 years	-	-	-	-
	6,079	8,883	-	-

28. Subsequent events

The Directors advise that a dividend of 80 toea per share will be paid immediately after the Annual General Meeting on 18th June 2021. Dividends payable to shareholders resident outside of Papua New Guinea will be converted to Australian Dollars at the prevailing rate which the Company is able to secure.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited

Report on the audit of the financial statements of the Company and the Group

Our opinion

We have audited the financial statements of Steamships Trading Company Limited (the Company), which comprise the statements of financial position as at 31 December 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2020 or from time to time during the financial year.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and their financial performance and cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of taxation and other non-audit services. The provision of these other services has not impaired our independence as auditor of the Company and the Group.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Company and the Group, their accounting processes and controls and the industries in which they operate.

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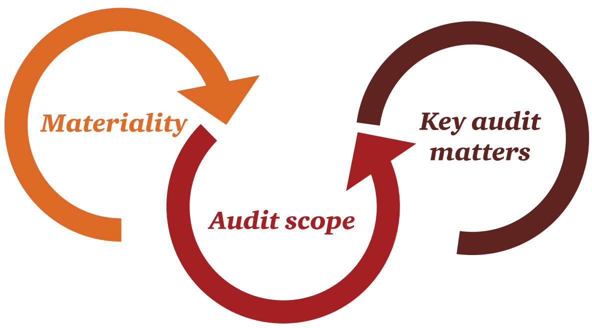
Port Moresby, Papua New Guinea
T: +675 321 1500 / +675 305 3100, www.pwc.com/pg

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited

pwc



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit of the Group we used overall group materiality of 5% of the Group's average annual profit before tax for the three year period ended 31 December after adding back certain non-recurring items. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole. • We chose Group profit before tax because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark. • We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable related thresholds.	• We (PwC Papua New Guinea) conducted audit work over the Group's significant operations including the significant subsidiaries included in the Group consolidation sufficient to express an opinion on the financial statements as a whole. • All subsidiaries of the Group are incorporated and operating in Papua New Guinea with the exception of one subsidiary which has operations in the Solomon Islands and two subsidiaries incorporated in the Isle of Man. • All significant associates of the Group are incorporated and operating in Papua New Guinea and audited by PwC Papua New Guinea. • Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: - Non-current asset impairment assessment - Goodwill impairment assessment • These matters are further described in the *Key audit matters* section of our report.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be key matters to be communicated in our report. Further, commentary on the outcomes of the particular audit procedures is made in that context.

Key audit matter	*How our audit addressed the key matter*
Non-current asset impairment assessment - Ships *(Refer to note 10 of the financial statements)* Included within property, plant and equipment are Ships with an aggregate net book value of K103.8 million as at 31 December 2020. The Group's financial performance has been impacted by a prolonged weakness in economic conditions in Papua New Guinea. These conditions adversely impacted levels of shipping throughout the country. We considered this a key audit matter because economic conditions are a potential indicator of impairment in the value of the ships. The Group has assessed impairment by reference to estimated sales values of the ships. The impairment assessment is sensitive to changes in key assumptions about the estimated sales values of the ships. The sales values have been determined by reference to external valuations by independent experts of the fleet which contain assumptions about the global supply and demand for specific ship types and dry docking schedules. In applying the external valuations, the directors have used their professional judgement to consider the impact of the specific dry docking schedule of the individual ships.	As there was an indicator of potential impairment we have considered and tested the Group's assessment of the estimated sales values of the ships. We evaluated the competency, qualifications and objectivity of the independent experts engaged by the Group to provide the valuations of the ships. We discussed the valuation methodologies and assumptions with the independent experts. This included understanding and evaluating the impact of the dry docking schedules on the determined values. We tested, on a sample basis, the accuracy, completeness and relevance of the input data provided by the Group to the experts. We compared the valuations of the individual ships with the valuations in the previous year. We also compared the selling prices of ships sold during 2020 with the most recent valuations for each respective ship. We compared the Group's assertions and estimates regarding estimated useful lives and residual values with the previous year. We also considered whether the Group's assessment of the condition of the ships and their future operating plans were consistent with historical experience and our knowledge of the business.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited

Goodwill impairment assessment	
(Refer to note 12 of the financial statements) The Group has goodwill totalling K76.4 million at 31 December 2020. In accordance with the accounting policy in note 1(n) of the financial statements, the Group has assessed the goodwill balance for impairment at 31 December 2020. The prolonged weakness in economic conditions in a number of the markets in which the Group operates in Papua New Guinea has increased the risk that the carrying values of the components of goodwill may be impaired. The Group has calculated the value of the respective cash generating units containing goodwill balances based on financial models comprising cash flow projections. The cash flow projections use a number of forward looking assumptions, including revenue and cost growth, and the value calculation is sensitive to these. The value in use calculations incorporates judgements regarding the impact of COVID 19 on forward looking information. We considered this a key audit matter because of the significant judgements around future revenues and costs, and the discount rate to be applied in determining the value of the cash generating units.	We have considered and tested the financial models used by the Group to determine the value of the cash generating units. We compared the models with the previous year's models and found them to be consistently structured and consistent with the basis of preparation required by accounting standards. We compared the forecast revenues and expenditures to approved budgets and obtained an understanding and evaluated the Group's budgeting procedures upon which forecasts are based. We also evaluated the reliability of estimates made by comparing forecasts made in prior years to actual outcomes. We benchmarked the assumptions used around revenue and cost inflation with external forecasts, and the discount rates with our expectation based on the overall Weighted Average Cost of Capital (WACC) of the Group. Together with our valuation expert we reviewed the methodology used in determining the discount rate applied. We performed sensitivity analysis on assumptions to ascertain the extent of change that would be required in key assumptions for the respective goodwill balances to be impaired. We determined that the calculations were more sensitive to growth and inflation assumptions and discount rates and focused our testing on these assumptions.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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 on the other information that we obtained prior to the date of this auditor's report, 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.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the company for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 the ISAs 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 the financial statements.

As part of an audit in accordance with International Standards on Auditing, 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 control.

- Obtain an understanding of internal control 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 control.

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

- Conclude on the appropriateness of the directors' 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 auditor's 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 auditor's 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 financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2020:

- We have obtained all the information and explanations that we have required;
- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Who we report to

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

PricewaterhouseCoopers

Jonathan Grasso
Partner

Registered under the Accountants Act 1996

Port Moresby
31 March 2021

DIRECTORS' REPORT

Steamships Trading Company Limited and Subsidiary Companies

The Directors submit their Annual Report for the year ended 31 December 2020 for the Company and its subsidiaries.

Principal Activities and Review of Operations

Full details of the Group's activities are given in the Directors' Review on page 10. The Group continues to operate in the segments of Hotels and Property, Logistics and Commercial & Investments.

The Directors believe that there will be no significant changes in the Group's activities for the foreseeable future.

Changes in Accounting Policies

There are no changes in Accounting Policies in the year.

Result

The Group operating profit for the year attributable to shareholders was K78,855,000 (2019: K49,995,000).

Dividend

The Directors advise that a dividend of 80 toea per share will be paid after the Annual General Meeting on 18th June 2021. Dividends payable to shareholders resident outside of Papua New Guinea will be converted to Australian Dollars at the prevailing rate which the Company is able to secure.

Rounding Off

Amounts in the Directors' Report and accounts have been rounded off to the nearest thousand Kina.

Experience & Interests Register

Directors serving at the date of this report have disclosed the following experience and interests in shares in the Company and provided general disclosure of companies in which the Director is to be regarded as interested as set out below:

G.L. Cundle

Chairman since 2015

Managing Director 2013 to 2015

Member of the Remuneration Committee

Member of the Strategic Planning Committee Director since 2013

Mr Cundle joined the Swire Group in 1979 and has extensive corporate experience having worked with the Group in various divisions in Hong Kong, Australia, Korea, Japan and Papua New Guinea. He was a Non-Executive Director of Steamships in 2006-2007 and General Manager of Steamships Shipping from 1989-1992. He is a Director of John Swire & Sons (PNG) Ltd. He was the Managing Director of Steamships Trading Company Limited from 1st January 2013 to 12th January 2015. He is Chairman and Chief Executive Officer of John Swire and Sons (Australia) Pty Limited.

G. Aopi CBE

Director since 1997

Mr Aopi has achieved several tertiary degrees in Papua New Guinea, and a Masters of Business Administration from the University of Queensland. Mr Aopi has substantial public service and business experience in PNG, including Secretary of Finance and Planning and Managing Director of Telikom PNG Limited. He recently held the position of PNG Country Chairman at Oil Search Limited and is currently President of Chamber of Mines and Petroleum. He was previously the Chairman of Telikom PNG Limited and Independent Public Business Corporation (IPBC). Mr Aopi is a Director of Marsh Limited and is involved in a number of other private sector and charitable organizations in Papua New Guinea.

R.P.N. Bray

Managing Director from 20th September 2020

Director since 2018

Appointed Chief Operating Officer on 27th August 2018, Mr Bray was previously Marine Services Director of Singapore based Swire Pacific Offshore Pte Ltd. He was responsible for Swire Pacific Offshore's subsea, renewables, logistics, seismic, salvage and oil spill divisions. He was formally Chief Operating Officer of Swire Oilfield Services and held various senior operational and commercial positions in Cathay Pacific Airways Ltd in his earlier career. He is a Director of John Swire & Sons (PNG) Ltd and various Steamships Trading Company subsidiaries, joint ventures and associated companies. He sits on a number of charitable advisory boards and chairs a number of PNG business groupings, including the PNG Property Developers Association. He graduated with a Bachelor of Science from Bristol University (UK) and holds a Master of Marine Sciences from Nanyang Technical University (Singapore).

DIRECTORS' REPORT

Steamships Trading Company Limited Year ended 31 December 2020

L.M. Bromley

Director since 2019

Ms Bromley has been a Senior Executive of the Bromley Group of Companies for over 12 years.

She is currently a Director of the Bromley Group's various commerical operating Companies some of which include Heli Niugini Ltd, Maps Tuna Ltd, Hoia Investments Ltd and Western Drilling Ltd in Papua New Guinea, PT Sayap Garuda Indah and PT Air Bali in Indonesia, Allway Logistics Limited and Merit Logistic Services Limited in Hong Kong and Aerolfit (Singapore) Pte Ltd in Singapore and is responsbile for the aviation operation, logistic support and group investment functions.

She is the Managing Director of Merit Finance Limited which serves as the Bromley Group's treasury arm. Louise also consults on the Bromley Group's property development and property management Companies through advisory roles in Papua New Guinea, Australia and Russia.

She is a Director of Viva No 31 Ltd, a Steamships Trading Company joint venture Company, and has previously held positions on the Divisional Boards of East West Transport and Steamships shipping.

She graduated from Bond University in Australia and holds a Bachelor of Commerce and a Bachelor of Laws.

Sir M.R. Bromley KBE

Member of the Audit Committee

Member of the Remuneration Committee

Member of the Strategic Planning Committee Director, 1986 to 1996 Director since 2000

Sir Michael Bromley has extensive international business experience from over 40 years of operating and advising companies in countries including Singapore, Indonesia, Australia, Russia, China and Papua New Guinea, principally in retail and logistics operations. He is Chairman of Heli Niugini Ltd and a Director of Baht Fung Limited, Allway Logistics Limited, Pegasus Print Group Pty Ltd, Fasteners & More Pty Ltd, Sonway Asia Ltd, Chemica Ltd, Sig No.1 Ltd, Glock No. 1 Ltd, Maps Tuna Ltd, Sek No. 35 Ltd, Hoia Investment Ltd, Venture Ltd and Viva No. 31 Limited. Relevant Interest in Steamships shares: 19.99%.

D.H. Cox OL, OBE

Managing Director 2004 to 2012

Member of the Audit Committee

Member of the Strategic Planning Committee

Director since 2003

Mr Cox joined Steamships as a Manager in 1992, rising to become Managing Director from 2004-2012. He has extensive experience in the Asia-Pacific business environment. He is also a Director of Charles Parsons (Holdings) Pty Ltd, and holds a MBA in International Hospitality and BSc (Hons) in Accounting & Business Management.

G.J. Dunlop

Chairman of the Audit Committee

Member of the Strategic Planning Committee

Managing Director 2000 to 2003

Director since 1995

Mr Dunlop is a chartered accountant with extensive experience in the Pacific region. He is a Director of City Pharmacy Group Ltd and Croesus Re PCC Limited.

Lady W.T. Kamit CBE

Member of the Audit Committee

Director since 2005

Lady Winifred Kamit is a former Senior Partner, and currently a consultant at Dentons (formerly Gadens Lawyers) in Port Moresby. Lady Kamit is a Director of Bunowen Services Ltd, Kamchild Limited, Dentons Administration Services Ltd, Post Courier Limited and its subsidiaries, Brian Bell Group and Chairman of ANZ Banking Group (PNG) Ltd.

Lady Kamit also serves on a number of non-government and charitable organisations, including Anglicare PNG Inc and as Patron of the Business Coalition for Women Inc.

J.B. Rae-Smith

Director since 2019

Mr Rae-Smith joined the Board of United States Cold Storage, Inc in June 2008 and has been its Chairman since January 2017.

He joined the Swire Group in 1985 and has worked with the Group in Australia, Papua New Guinea, Japan, Taiwan, Hong Kong, the United States, Singapore and the United Kingdom.

He was a Director of Swire Pacific Limited, a company listed in Hong Kong, from January 2013 to August 2016 and was the Executive Director of the Marine Services Division from 2005 to 2016, the Trading & Industrial Division between 2008 and 2016 and Chairman of the Swire Group Charitable Trust. He has led or has been involved with many Swire Group businesses over the years and was most recently the Chief Executive Officer of Swire Oilfield Services. He also a Director and Chairman of the Audit Committee of The China Navigation Co Ltd Pte and Swire Bulk Ltd Pte and a Director of Steamships Trading Co. Ltd. He is also a member of the Supervisory Board of the UK Chamber of Shipping.

In addition, he has also been a Director of the Standard P&I Club, Deputy Chairman of the Hong Kong Ship Owners Association, Chairman of the Lloyds Asian Ship Owners Committee, and a Director of the Singapore Environmental Council.

M.R. Scantlebury

Managing Director 2018 to 20th September 2020

Finance Director & Company Secretary since June 2016

Mr Scantlebury is a chartered accountant and was previously Director of the Office for Financial Planning at Swire Pacific Ltd in Hong Kong and he has held various senior finance and commercial positions in the Swire group in his career. He is a Director of John Swire & Sons (PNG) Ltd and various Steamships Trading Company subsidiaries, joint ventures and associated companies.

J.H. Woodrow

Director since 2015

Mr Woodrow is Managing Director of the China Navigation Company Pte Ltd (Swire Shipping). He was formerly Director Cargo for Cathay Pacific (2013-2015) and General Manager Cargo Sales & Marketing for Cathay Pacific (2010-2013). He joined John Swire and Sons Ltd in September 1990 and spent 15 years in the sea freight industries in Japan and Australia. He was also a Director of various companies across Asia including Air Hong Kong Ltd, Air China Cargo Ltd, Cathay Pacific China Cargo Holdings Ltd, Cathay Pacific Services Limited.

DIRECTORS' REPORT

Steamships Trading Company Limited Year ended 31 December 2020

Remuneration of Directors

Directors remuneration received or receivable from the Company as directors during the year, is as follows:

	2020 K'000	2019 K'000
G.L Cundle (Chairman)	218	218
G. Aopi	121	121
Lady W.T. Kamit	169	170
Sir M.R. Bromley	217	218
D.H Cox	217	218
G.J. Dunlop	241	243
J.H Woodrow	121	121
J.B Rae Smith	185	61
L.M. Bromley	121	61
	1,610	1,431

The directors fees vary in accordance with the required duties on various sub-committees of the board.
* Executive Directors receive no fees for their service as Directors during the year.

Remuneration of Employees

The number of employees whose remuneration and other benefits was within the specified bands are as follows:

Remuneration K'000	2020 No.	2019 No.	Remuneration K'000	2020 No.	2019 No.	Remuneration K'000	2020 No.	2019 No.
100-110	4	5	350-360	1	5	680-690	-	1
110-120	7	4	360-370	-	1	710-720	1	-
120-130	7	7	380-390	-	1	720-730	1	1
130-140	14	3	390-400	2	-	730-740	-	1
140-150	6	7	420-430	-	1	770-780	1	2
150-160	5	2	430-440	-	1	790-800	-	1
160-170	4	2	460-470	1	1	800-810	-	1
170-180	1	1	470-480	-	1	810-820	2	-
180-190	2	3	480-490	3	-	820-830	1	-
190-200	1	-	500-510	1	1	830-840	-	1
200-210	3	3	520-530	-	2	840-850	1	-
210-220	1	-	530-540	1	1	850-860	1	-
220-230	-	2	540-550	2	-	890-900	-	1
230-240	4	-	550-560	-	1	910-1000	2	1
240-250	5	1	560-570	1	-	1,000-1,010	1	1
260-270	1	-	570-580	-	1	1,300-1,400	-	1
270-280	3	3	620-630	1	1	1,800-1,900	-	1
280-290	2	1	630-640	-	1	2,000-2,800	1	1
290-300	2	2	640-650	-	1	3,000-3,200	1	1
300-310	-	1	650-660	3	1			
330-340	2	2	660-670	1	1			

For and on behalf of the Board: Geoffrey Cundle RPN Bray

Port Moresby
31 March 2021

G.L. Cundle
Chairman

R.P.N. Bray
Managing Director

STOCK EXCHANGE INFORMATION

Steamships Trading Company Limited Year ended 31 December 2020

Shares are listed on the Australian Securities Exchange and the Port Moresby Stock Exchange.
All shares carry equal voting rights.

Shareholdings

At 28 February 2021, there were 361 shareholders.

262	Holding	1	-	1,000 units
69	Holding	1,001	-	5,000 units
16	Holding	5,001	-	10,000 units
14	Holding	10,001	-	and over

The number of shareholders holding less than a marketable parcel was 20.

The 20 largest shareholders were:	Number of shares	%
JS&S (PNG) LIMITED	22,362,651	72.12
BERNE NO 132 NOMINEES PTY LTD	5,760,000	18.58
NATIONAL SUPERANNUATION FUND LIMITED	1,859,446	6.00
BERNE NO 132 NOMINEES PTY LTD	446,494	1.44
JOHN E GILL OPERATIONS PTY LIMITED	54,727	0.18
HYLEC INVESTMENTS PTY LIMITED	32,500	0.10
KELVINSIDE PROPRIETARY LIMITED	25,000	0.08
BOND STREET CUSTODIANS LIMITED	23,067	0.07
MR RAMESH MAHTANI	21,700	0.07
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,382	0.07
CITICORP NOMINEES PTY LIMITED	17,507	0.06
INTERCONTINENTAL ASSETS PTY LIMITED	15,000	0.05
BNP PARIBAS NOMINEES PTY LTD	10,970	0.04
MRS LUCY ANN KING	10,348	0.03
MS JENNIFER MAY FORBES	10,000	0.03
CUSTODIAL SERVICES LIMITED	8,768	0.03
MRS JUDITH SCOTTHOLLAND	8,161	0.03
MRS MARY PATRICIA HAUGHTON	8,161	0.03
MRS ROBYN ANNE GOSTELOW	7,393	0.02
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	6,850	0.02
	30,710,125	99.04

Applicable Legislation

The Company is incorporated in Papua New Guinea and is not generally subject to Australian Corporations Law including, in particular, Chapter 6 of the Australian Corporations Law dealing with the acquisition of shares (including substantial shareholdings and takeovers). The Company is subject to the requirements of the Papua New Guinea Companies Act 1997, Securities Act 1997 and the Takeovers Code. The Companies Act and the Securities Act regulate the issue and buy-back of shares and contain provisions as to the trading in securities, provisions as to financial benefits to related parties, substantial shareholders provisions, remedies in cases of oppression or injustice and actions by, and access to, records by shareholders.

The Takeovers Code regulates offers where a person already holds more than 20% of the voting rights in a company or where a person becomes the holder of more than 20% of the voting rights in a manner permitted by the Code.

A code offer, which can either be a full offer or a partial offer, must be extended to all holders of voting securities in the Company. The Code also contains compulsory purchase and sale provisions if more than 90% of the shares are acquired under an offer.

COMPANY DIRECTORY

CHAIRMAN
G. L. Cundle §&

MANAGING DIRECTOR
R.P.N. Bray

FINANCE DIRECTOR
M. R. Scantlebury

NON-EXECUTIVE DIRECTORS
G. Aopi CBE
L.M. Bromley
Sir M.R. Bromley KBE §+&
D. Cox OL, OBE +&
G.J. Dunlop +&
Lady W.T. Kamit, CBE +
J.B. Rae Smith
J. H Woodrow

\+ Member of the Audit and Risk Committee
§ Member of the Remuneration Committee
& Member of the Strategic Planning Committee

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