



ANNUAL REPORT | 2021



STEAMSHIPS
TRADING COMPANY LIMITED



PHOTO: OT POMGEN

CONSORT

WORLD SHIPPING



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BRIEF PROFILE OF STEAMSHIPS GROUP

With over 100 years of operations in Papua New Guinea, Steamships Trading Company Limited (Steamships) is a committed investor in Papua New Guinea. The Group is a well-established business conglomerate with diverse commercial interests and listings on both the Australian and PNG's National 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.

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 2,500 PNG citizens and non-citizens in diverse divisions grouped under the operating categories of Logistics, Property and Hospitality 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.

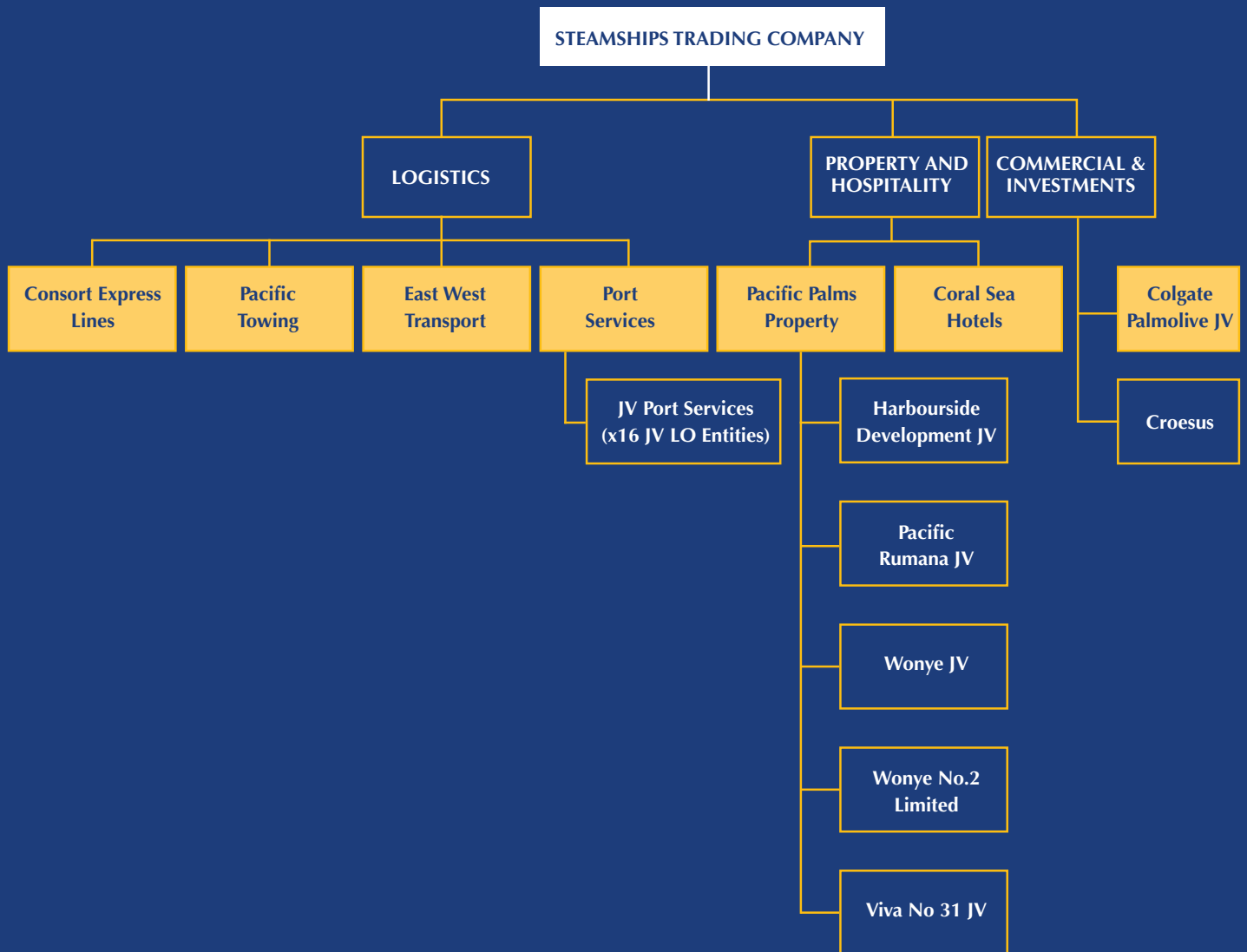
- Customer Focus – Our customers are the final judges of our success or failure. We understand and respond to the needs of our customers.
- People Development – We value a working environment that fosters innovation and encourages personal development and learning.
- Humility – We believe in the need 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

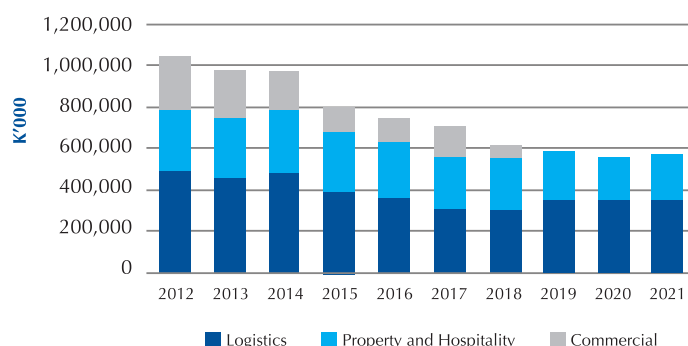
STEAMSHIPS' ORGANISATIONAL STRUCTURE



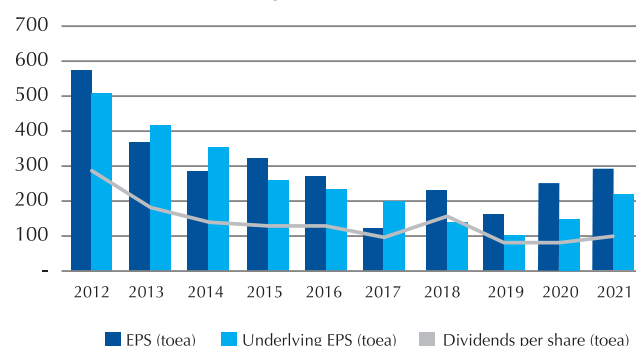
FINANCIAL HIGHLIGHTS

2021 FINANCIAL HIGHLIGHTS (including discontinued operations)	2021 K'000	2020 K'000	Change %
Revenue (including discontinued operations)	564,675	506,144	11%
Profit attributable to shareholders	90,550	78,855	15%
Cash generated from operations	187,261	149,477	25%
Net cash inflow before financing	9,386	75,347	(88%)
Shareholders' funds	1,004,684	946,843	6%
External Borrowings	266,065	309,530	(14%)
Earnings per share (toea)	292	254	15%
Dividends per share (toea)	100	80	25%
Shareholders' funds per share	32.40	30.54	6%
Underlying profit attributable to shareholders	62,158	36,927	68%
Underlying earnings per share	200	119	68%
Gearing ratio	16.5%	13.7%	20%
Interest cover	23	11.5	100%
Dividend cover	2.5	4.6	(45%)

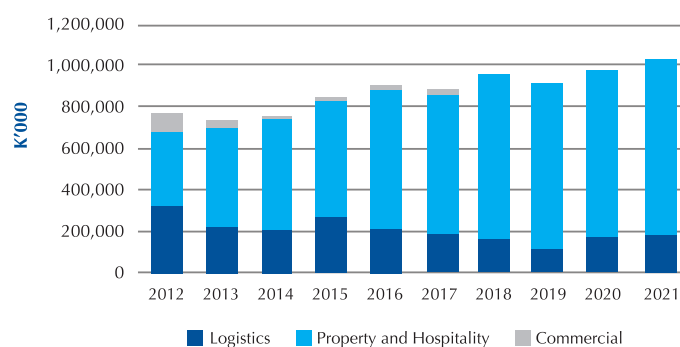
Turnover K'000



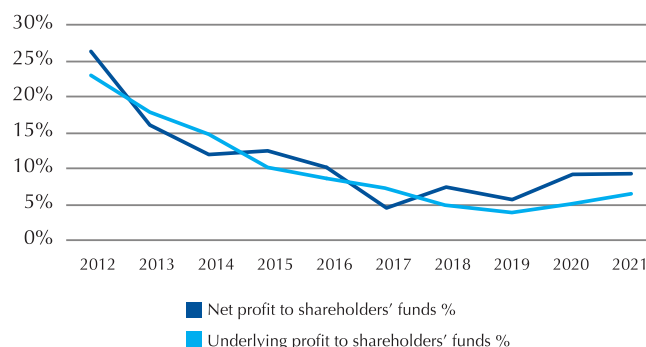
Earnings and Dividends Toea



Net Assets Employed K'000



Return to Shareholders



FINANCIAL HIGHLIGHTS

SUMMARY OF PAST PERFORMANCE

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
INCOME STATEMENT (including discontinued operations)										
Revenue	986,310	930,934	941,708	773,535	732,701	705,687	648,106	585,168	540,406	564,675
Profit before tax	265,574	79,747	134,789	136,042	118,686	62,686	112,493	61,284	63,813	88,248
Share of associates profit	14,188	9,697	3,843	3,062	5,865	7,525	5,628	5,010	4,026	5,062
Income tax expense	(81,414)	(14,042)	(38,487)	(37,710)	(35,677)	(32,621)	(54,420)	(18,928)	11,198	(1,694)
Minority interests	(20,648)	38,609	(11,490)	(2,415)	(4,664)	3,926	5,828	2,629	(182)	(1,066)
Net profit attributable to shareholders	177,700	114,011	88,655	98,979	84,210	41,516	69,529	49,995	78,855	90,550
Equity adjustment	-	(8,994)	-	2,206	-	-	-	-	-	2,950
Dividends paid or provided for the year	(88,373)	(57,365)	(43,411)	(48,062)	(40,291)	(32,559)	(26,357)	(44,962)	(17,055)	(35,659)
Earnings retained this year	89,327	47,652	45,244	53,123	43,919	8,957	43,172	5,033	61,800	57,841

Underlying profit attributable to shareholders

(adjusted for significant items)	156,213	128,367	108,808	80,651	71,721	61,775	43,304	31,505	36,927	62,158
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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	652,978	689,777	711,764	764,887	808,806	817,764	896,105	860,843	922,643	980,484
Shareholders' funds	677,178	713,977	735,964	789,087	833,006	841,964	920,305	885,043	946,843	1,004,684
Non-controlling interests	84,322	22,907	30,773	47,515	48,831	36,190	19,723	17,747	16,983	16,245
EQUITY	761,500	736,884	766,737	836,602	881,837	878,154	940,028	902,790	963,826	1,020,929

Fixed Assets / Investment Properties	1,023,861	1,066,393	1,115,123	1,072,955	1,068,892	997,125	890,576	970,928	945,075	933,983
Investments in Associated Companies	38,687	31,471	33,193	36,458	66,445	67,196	65,276	41,586	36,992	39,367
Future Income Tax Benefit	-	21,081	33,521	36,914	36,680	30,250	1,683	2,311	1,010	2,571
Goodwill	17,183	93,617	80,491	80,491	80,491	80,002	76,433	76,433	76,433	76,433
Other assets	411,920	352,549	366,479	400,480	284,200	294,800	470,810	360,385	428,703	464,635
TOTAL ASSETS	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	1,516,989

Current Liabilities	370,396	230,390	190,621	541,292	184,646	221,560	352,541	148,286	229,779	198,688
Non-Current Liabilities	359,755	597,837	671,449	249,404	470,225	369,659	212,209	400,567	294,608	297,372
TOTAL LIABILITIES	730,151	828,227	862,070	790,696	654,871	591,219	564,750	548,853	524,387	496,060

NET ASSETS	761,500	736,884	766,737	836,602	881,837	878,154	940,028	902,790	963,826	1,020,929
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RATIOS

Current assets to current liabilities	1.11	1.53	1.92	0.74	1.16	1.00	1.15	1.83	1.40	1.42
Borrowings to shareholders funds	72.6%	89.7%	95.2%	81.7%	57.0%	50.2%	39.7%	35.4%	32.1%	26.1%
Gearing	39.2%	46.5%	47.8%	43.1%	34.6%	33.1%	28.2%	19.5%	13.7%	16.5%
Tangible net asset backing per share (Kina)	24.00	20.75	22.13	24.38	25.84	25.74	27.85	26.65	28.62	30.46
Net profit to revenue %	18.0%	12.2%	9.4%	12.8%	11.5%	5.9%	11.1%	8.5%	14.6%	16.0%
Net profit to shareholders' funds %	26.2%	16.0%	12.0%	12.5%	10.1%	4.9%	7.6%	5.6%	8.3%	9.0%
Underlying profit to shareholders' funds %	23.1%	18.0%	14.8%	10.2%	8.6%	7.3%	4.7%	3.6%	3.9%	6.2%
Dividends per share (toea)	285	185	140	155	130	110	165	80	80	100
EPS (toea)	573	368	286	319	272	134	224	161	254	292
Underlying EPS (toea)	504	414	351	260	231	199	140	102	119	200
Earnings retained %	50.3%	41.8%	51.0%	53.7%	52.2%	21.6%	62.1%	10.1%	78.4%	63.8%

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 two years since the outbreak of the global COVID-19 pandemic and unfortunately the impact of the virus continues to be felt across all economies. Businesses have suffered from travel restrictions and a general reduction in demand for goods and services. Steamships has been no exception but has adapted well and I am pleased with the robust performance that has been achieved under difficult circumstances.

Steamships' hospitality group, Coral Sea Hotels, was deeply impacted by border closures and restrictions on domestic travel in 2020 but, after a slow start, benefited from the demand for quarantine rooms in 2021. Conversely, property occupancy and rental rates remained depressed throughout the year, and this will continue for several years as, without meaningful growth in the economy, there will remain an over-supply of units throughout much of Papua New Guinea. Our logistics businesses have adjusted effectively to the operational constraints caused by the pandemic and are responding to early signs of a recovery in activity. In summary, after a disappointing 2020, and notwithstanding the lingering negative impacts of COVID-19, 2021 saw an improvement in the group's performance.

Steamships continues to welcome the Government's attempts to broaden the base of the economy and rebalance the allocation of benefits from resource projects. This is an important long-term strategic goal that should promote broader and sustainable economic growth and employment. We are encouraged by the progress in new resource projects with PNG-LNG moving forward and P'nyang under

negotiation. Disappointingly, it appears that Wafi-Golpu and Pasca-A exhibit little immediate prospect for progress. Porgera mine in Enga remains closed. It is hoped that progress on all these projects, together with other initiatives, notably investment in improved infrastructure, will stimulate the economy in 2023 and beyond. Traditionally an election year boosts economic activity but in 2022 the increasing national budget deficit could constrain this stimulatory effect.

Against a backdrop of the twin challenges of a weak underlying local economy and the global implications of COVID-19, Steamships' businesses proved resilient in securing overall revenue growth of 11% in 2021. Coral Sea Hotels and Consort's improved performance combined with modest contributions from the other logistics businesses were sufficient to offset a weaker result from Pacific Palms Property. Underlying profit (before exceptional items) saw a 68.3% improvement over 2020. Profit attributable to shareholders increased 15% to PGK 90.6 million.

Coastal shipping continues to be a highly competitive market with growth in domestic volumes constrained by



CHAIRMAN'S REPORT

the lacklustre economy and small domestic manufacturing base. Liner volumes carried in 2021 recovered on the back of improved schedule reliability and enhanced customer service. Project and charter activity was subdued and prospects for improvement in 2022 hinge upon progress on the major resource projects.

Pacific Towing had a disappointing year with reduced harbour towage and the absence of salvage or emergency towage work. With closed borders, limited international deep-sea towage was another drag on results. East West Transport experienced reduced activity, particularly for its aviation fuel cartage and warehouse businesses. Steamships remains committed to the logistics sector and is seeking to improve its customer proposition through greater integration of its multi-modal capabilities.

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 reduced demand due to COVID-19. Construction of Harbourside South continued and is on schedule to complete in the fourth quarter of 2022. Opportunities for investment growth will continue to be actively explored.

Coral Sea Hotel's performance reflected the impact of COVID-19 restrictions on the travel sector for much of 2021. The company responded rapidly to the demand for quarantine accommodation, and whilst conference and associated food and beverage revenue were down, room revenue was considerably better than in 2020. Quarantine

restrictions were relaxed at the end of the third quarter, but a satisfactory performance was maintained through to the end of the year.

The Colgate Palmolive joint venture was adversely affected by distribution challenges caused by COVID-19. The company was able to improve overall revenue compared to 2020, with strong demand for cleaning and home care products offsetting weakness in sales of oral and personal care products.

Steamships remains confident in the medium-term prospects for the PNG economy and forecasts an improved result for 2022 subject to caveats on a potential resurgence of COVID-19 and a stable National Election process. Management will remain focused upon productivity as economic conditions remain uncertain, while remaining vigilant to identifying growth opportunities.

PNG is our home and principal place of business. Steamships will continue to actively contribute to PNG's economic and social development. Over 85% of Steamships' staff are vaccinated and we will continue to support our team as COVID-19 moves from the pandemic to endemic phase.

Steamships is well-positioned for growth and our team has worked well under difficult circumstances. I thank all our staff for their commitment and personal sacrifices during what has been a challenging two years of the pandemic. 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.



DIRECTORS' REVIEW

2021 was again a difficult year as the COVID-19 virus continued to impact the global economy. The PNG economy remained weak. Restrictions imposed to limit the spread of the virus created additional costs and uncertainty for businesses.

It was 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 much improved results in 2021 over the prior year.

Steamships' sales revenue on a continuing basis increased 11% to K563.9 million against last year's K506.1 million, with improved revenue for Coral Sea Hotels (resulting from the requirement for international arrivals to quarantine for up to 14 days) and Consort Express Lines, which offset declines for Pacific Palms Property, East West Transport and Pacific Towing.

Depreciation in 2021 was K93.8 million against K88.3 million in 2020. Interest on net borrowings (excluding capitalised interest) was K4.0 million against K8.9 million in 2020. Capital expenditure for the year was K89.7 million against K66.7 million in 2020.

The group's net operating cash flow generation increased 25% to K187.2 million against K149.5 million in 2020. The cash balance at year end is K61.3 million.

A final dividend of 65 toea per share has been proposed and will be paid after the Annual General Meeting on 17th June 2022, subject to Steamships' ability to secure foreign exchange for non-PNG shareholders. As there was an interim dividend paid during the year of 35 toea per share, the total dividend for the year is 100 toea per share (2020: 80 toea per share). The dividend is unfranked and there is no conduit foreign income.

	2021 K000's	2020 K000's	Change
Net Profit attributable to shareholders	90,550	78,855	14.8%
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, net of deferred tax movements	(22,869)	(25,197)	
Fixed Assets Write Off	100	613	
Refund of SWT Assessment	-	(8,467)	
(Gain)/Loss on Disposal of Vessels	-	(1,362)	
Gain on Sale of Properties	-	(7,333)	
Reversal of vessel impairment	(3,059)	-	
Salvage Profit	(2,564)	(1,101)	
Total impact of significant items	(28,392)	(41,928)	
Underlying profit attributable to shareholders	62,158	36,927	68.3%

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.

Coral Sea Hotels

Although Coral Sea Hotels (CSH) was impacted by COVID-19, as international and domestic travel restrictions significantly reduced demand for hotel rooms and dining, there was increased revenue from the Government imposed quarantine regulations, largely from the resource sector, throughout 2021, albeit at low margins. CSH expanded its food and beverage offering with the opening of new outlets and a restaurant at Ela Beach Hotel and will continue to explore opportunities to expand this sector.

Pacific Palms Property

Pacific Palms Property's (PPP) net financial performance was broadly in line with 2020, despite a slight fall in leasing revenue. The impact of COVID-19 continued to affect demand for premium residential units in Port Moresby. Similarly, demand for commercial premises fell short of expectation. However, demand for industrial and retail units in Port Moresby was resilient. Outside of Port Moresby, occupancy and yields were generally stable with both Lae and Mt Hagen showing some strength. Construction of Harbourside South continues to progress and is expected to complete at the end of 2022.

Logistics

The logistics businesses, comprising Consort Express Lines (Consort), East West Transport (EWT), Joint Venture Port Services (JVPS) and Pacific Towing, are becoming increasingly integrated to offer an improved service for customers. Demand for scheduled liner shipping capacity was strong throughout the year, despite COVID-19 restrictions late in Q1. A focus on maintenance and operational efficiencies continues to deliver improved fleet and schedule reliability. Additional capacity is planned to be introduced in 2022.

JVPS performed well largely due to stronger-than-expected activity with Consort and improved results from equipment hire.

EWT business remained soft. Fuel transport was down due to reduced air traffic, impacting demand for aviation fuel. Freight movements in general were also below expectations as was demand for depot and warehouse space. EWT has invested in new trucks and will continue to do so in 2022 to improve customer service and reliability.

Pacific Towing experienced a lower volume of harbour towage jobs in 2021 compared to 2020. Non-harbour towing operations also experienced reduced activity. It was another quiet year for salvage opportunities.

Commercial

Colgate-Palmolive (PNG) Limited a PNG incorporated joint venture, overcame distribution problems associated with COVID-19 restrictions. Despite the challenges, Home Care and Personal Care category sales revenue improved in 2021. However, for Oral Care both volume and sales revenue fell as customers changed their buying habits. Overall, sales revenue and margin had a marginal improvement on 2020.

Trading Outlook

The National Elections in Mid 2022 are expected to generate a modest increase in economic activity. There is also cause for some optimism that some of the long-delayed resource extraction projects will achieve meaningful progress. The investment and job creation from these projects is essential to the recovery and future development of PNG.

Nevertheless, 2022 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 12 ports around PNG to the main international gateway ports of Lae and Port Moresby. 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 transshipping 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 2021 was broadly in line with the expectations laid out at the start of the year with improved volumes over 2020.

Consort's project and charter business again performed in line with expectations and again significant new resource investments have not materialised as shipping volumes in 2021. The outlook for new resource investments and related shipping activities looks more positive in 2022-3.

COVID-19 has not materially impacted trading on a full year basis. There were periods of suppressed demand in certain provinces alongside lockdowns, but that was then correspondingly matched by increased demand once the lockdown period ended. Consort continues to further differentiate itself through improved systems and customer service and plans to invest in additional container and vessel assets in 2022.



REVIEW OF OPERATIONS - LOGISTICS

PACIFIC TOWING

Pacific Towing is PNG's 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 towing, mooring, salvage, commercial diving, and life rafts (sales and servicing). Although primarily operating in PNG waters, Pacific Towing services broader Oceania and South East Asia. 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 volume of harbour towage was steady in 2021. However, non-harbour operations had a quiet year and there was a lack of any salvage opportunities of note.

Pacific Towing celebrated a major milestone in its strategy of developing local talent with six cadets graduating from the Maritime Academy of Fiji. These deck and engine cadets are now at work on tugs aiming to eventually progress into masters and chief engineers. The Women in Maritime cadetship programme continues to produce a high quality of female cadets. Four new cadets will join the programme next year bringing the total number of cadets to over 30.

Pacific Towing has committed to a re-fleeting programme that will phase out older tugs over the next five years. The newer tugs offer greater power and manoeuvrability and, by the end of the five-year re-fleeting plan, all ports will be serviced by tugs with azimuth stern drive propulsion.

There are promising signs that improvements to the international shipping market are having a knock-on effect for harbour towage globally and there is some optimism that 2022 will be a better year than 2021.



REVIEW OF OPERATIONS - LOGISTICS

JOINT VENTURE PORT SERVICES

Joint Venture Port Services (JVPS) operate 16 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.

JVPS performed in line with expectation and continued to focus on offering a safe, reliable and cost-effective service to all customers. Security continues to be a strong focus and technology has been deployed as a solution where possible including biometric payroll, increased levels of surveillance, and improved cargo tracking.

Joint Venture Hire Company (JVHC), which hires out heavy machinery on wet and dry leases, continued to provide a reliable service to all ports and a small number of external customers. A new joint workshop, which is shared with Consort, was opened in Lae. This workshop will be critical to maintaining the growing fleet of heavy machinery.

In 2022, the focus will be on ensuring that JVPS provides an efficient and cost-effective service as part of Steamships Logistics. A key aspect of this will be to ensure CargoWise is effectively used to control and track cargo movements.



REVIEW OF OPERATIONS - LOGISTICS

EAST WEST TRANSPORT

East West Transport (EWT) is one of Papua New Guinea's largest trucking companies, providing a range of transport related activities. 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's activities include bulk fuel, containerised cargo, break-bulk cargo and 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.

Following trends in 2020, this was another challenging year for EWT. Fuel cartage regained some ground, but aviation fuel volumes continued to be negatively impacted by reduced flights and stabilised around 60% of pre-2019 volumes. The general freight market remains very price competitive, particularly in Lae as a result of the temporary closure of Porgera JV mine leading to an oversupply of trucks.

Within this context, EWT has continued to focus on cost savings and ways to improve customer service. There has been a particular focus on improving operations in Lae and more effectively integrating EWT's operations with Consort to provide 'door-to-door' delivery across the network. This will be partly enabled through systems integration using CargoWise, a transport platform that is currently in place at Consort and being rolled out at EWT.

Pressure on rates is expected to remain intense. EWT is focused on defending its market share and modest growth is expected by more effectively providing a 'door-to-door' service as part of Steamships Logistics.



REVIEW OF OPERATIONS - PROPERTY AND HOSPITALITY

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 several food and beverage (F&B) outlets including the fast-food brand Enzo's, Ela Beach Bakery and Bonjour Café in Deloitte Tower.

Quarantine business drove strong demand throughout 2021 and, as a result, the year was a significant improvement compared to 2020. Room occupancy was particularly strong in all three hotels in Port Moresby, though regional hotels also benefited from quarantine business, mainly from resource companies.

The Grand Papua Hotel was once again the recipient of the 'World Luxury Hotel Award' in the Australasia and Oceania category. The hotel will be undergoing significant re-investment over the next three years to renovate rooms, upgrade public spaces and deliver an improved food and beverage (F&B) experience. An affiliate franchise agreement has been signed with Radisson Hotel Group to become part of their upscale Individuals Collection and customers will benefit from access to Radisson's global loyalty programme and brand presence.

Targeted investment into food and beverage continues as part of CSH's F&B strategy. A new All Day Dining menu has been rolled out across all midscale hotels excluding Grand Papua and has been well received. The new precinct at Ela Beach Hotel, offering a bakery, Enzo's, SALT Restaurant and Beachside Bar has completed its first year of being open and performed well.

The easing of quarantine restrictions softened demand towards the end of 2021 and this is expected to remain the case for 2022. 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 CSH's food and beverage offering.



REVIEW OF OPERATIONS - PROPERTY AND HOSPITALITY

PACIFIC PALMS PROPERTY

With a portfolio of over 200 properties across Residential, Commercial, Retail, and Industrial asset classes in Port Moresby, Lae, Madang, Wewak, Goroka, Mount Hagen, and Rabaul, Pacific Palms Property (PPP) continues to be one of the premier 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 diversified real estate asset classes and quality in both established and upcoming locations results in stable revenues, profits, and cashflow.



In 2020, the global pandemic caused both occupancy and rents to drop particularly in Port Moresby residential and upmarket properties in general. By the end of 2021, occupancy had improved across all sectors.

PPP's joint-venture projects in Mount Hagen, Madang and Port Moresby are performing to expectation. PPP's flagship development, the Harbourside East and West precinct in Port Moresby, finished the year at full commercial occupancy, anchored by the tenancies of Oil Search and Westpac, and the mix of food and beverage offerings has been well received.

The construction of Harbourside South continues to progress despite challenges presented by COVID-19. Upon completion, the fully integrated Harbourside precinct will offer a range of premium commercial, retail and residential units for lease. The Harbourside Precinct has demonstrated the capabilities of PPP's Property Development team to offer end-to-end project management of large-scale projects from feasibility studies to handover and of PPP's Property Management team to operate market-leading properties.

Burns Haus on Stanley Esplanade has been renamed @345 and is under renovation to open in mid- 2022. The three-storey building will become the long-term home for Steamships (corporate head office and shared services), Coral Sea Hotels and PPP.

Both Harbourside South and @345 will be built to industry-leading green building standards and will be amongst the first buildings in PNG to be EDGE certified. EDGE ("Excellence in Design for Greater Efficiencies") is an IFC initiative to recognise energy efficiencies and quantify financial benefits delivered to tenants.

There is optimism that 2022 will start to see a pick-up in rates as COVID wanes globally and PNG's economy opens up. With its existing portfolio of ready for occupancy properties and its land bank of properties with clean titles, PPP is well positioned to benefit from an uptick in demand for real estate once resource projects ramp up.



SUSTAINABILITY

Steamships aspires to be a sustainable business that is purpose-led, that inspires our people and partners to deliver lasting financial performance, equitable impact and societal value that earns and retains the trust of all stakeholders. In 2021 Our People, Our Community and Our Environment were the pillars of our Sustainability strategy and we added a fourth pillar of Our Social Enterprise, which focuses on supporting SMEs to drive social change. As always Steamship's commitment to the principles of Sustainable Development has continued to underpin the way that we operate and is essential to delivering value and social impact to Papua New Guinea.

The health and socioeconomic challenges of recent times have elevated expectations about the role of business in solving problems both within and beyond organisations. Human connections are what makes a truly sustainable organisation. Our Workplace Culture Survey was completed this year, highlighting all the areas we excel in as well as areas for improvement. This year our staple programs, Team Leader Development and Graduate Development Program, ran in tandem. Digital information-sharing platforms have enabled our teams to stay connected and share information with greater ease and helped teams to feel more connected and engaged in spite of sustained restrictions on international travel.

In the area of health and safety, 2020 was the year of the mask, 2021 has been the year of the vaccine. Nationally vaccination uptake has been disappointing, thus, to ensure the health and safety of our team Steamships launched Creating COVID Safe Workplaces, an internal incentive campaign to encourage vaccination. The campaign included a sweepstakes which was open to all vaccinated employees and declared dependents. Our vaccination rate was 47% at the beginning of the campaign and we set ourselves a goal to hit 80% by January 1st, 2022. At the conclusion of our internal campaign, we reached 78%, 2% shy of our goal. The campaign included hosting three vaccination drives for staff hosted at Steamships sites in partnership with Motu Koita Assembly.

Steamships continues to prioritise community engagement, this year the Community Grant Program maintained its

steadfast support of Buk Bilong Pikinini, The Salvation Army House of Hope, Femli PNG and the Bel Isi Project. New projects included funding for the Motu Koita Assembly mobile vaccination clinic, CareerTrackers an organisation that identifies diamonds in the rough so to speak at tertiary level received sponsorship with a view to possibly being a feeder program for our existing Graduate Development Program. Steamships in partnership with Goodman Fielder supported Caritas Technical College nutrition program. Breakfast is the most important meal of the day, so the school provides a modest but healthy breakfast for students.

Responsible and sustainable energy consumption continues to be encouraged through the regular monitoring and reporting of energy use, water use and environmental emissions at an operational level.

In the area of social enterprise, Steamships partnered with Emstret to launch PNG's first start-up challenge which involved 16 promising start-ups pitching their ideas to a panel of judges. Steamships has offered subsidised freight to help SMEs connect to buyers across the country and has extended this offer to all SMEs using Shopsmart, the first e-commerce platform for SMEs in PNG.

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 2021 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 2021, except where noted in the Corporate Governance Report.

Steamships' Corporate Governance Report can be found at <https://www.steamships.com.pg/about-us/corporate-governance>



STATEMENTS OF COMPREHENSIVE INCOME

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's)

	Note	Consolidated		Parent Entity	
		2021	2020 (Restated)	2021	2020
Continuing Operations					
Revenue	3(a)	563,929	505,065	7,323	9,443
Other income	3(a)	-	-	38,305	2,925
Operating expenses	3(b)	(476,543)	(432,801)	(1,226)	(2,137)
OPERATING PROFIT		87,386	72,264	44,402	10,231
Finance income	3(e)	9,817	7,110	98	72
Finance costs	3(e)	(13,835)	(16,406)	-	-
Share of profit of associates and joint ventures	4(b)	5,062	4,026	-	-
PROFIT BEFORE INCOMETAX		88,430	66,994	44,500	10,303
Income tax credit / (expense)	5(a)	(1,694)	11,198	(276)	(187)
PROFIT FROM CONTINUING OPERATIONS		86,736	78,192	44,224	10,116
PROFIT FROM DISCONTINUED OPERATIONS	25	4,880	845	-	-
PROFIT FOR THE YEAR		91,616	79,037	44,224	10,116
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
attributable to:					
Non-controlling interests		1,066	182	-	-
Shareholders		90,550	78,855	44,224	10,116
		91,616	79,037	44,224	10,116
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
attributable to owners arises from:					
Continuing operations		85,670	78,040	44,224	10,116
Discontinued operations		4,880	845	-	-
		90,550	78,855	44,224	10,116
Basic and Diluted Earnings per share					
Continuing & discontinued (toea)	3(f)	292t	254t		
Continuing (toea)	3(f)	276t	251t		
Discontinued (toea)	3(f)	16t	3t		

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

Comparative period amounts have been restated to conform to presentation in the current year.

STATEMENTS OF CHANGES IN EQUITY

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's)

Consolidated	Share Capital	Retained Earnings	Other Reserves	Total Capital & Reserves	Non-Controlling Interest	Total Equity
BALANCE AT 1 JANUARY 2020	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
Profit for the year	-	90,550	-	90,550	1,066	91,616
Other	-	2,950	-	2,950	-	2,950
Dividends paid 2021	-	(35,659)	-	(35,659)	(1,804)	(37,463)
BALANCE AT 31 DECEMBER 2021	24,200	1,020,779	(40,295)	1,004,684	16,245	1,020,929

Parent Entity	Share Capital	Retained Earnings	Total Equity
BALANCE AT 1 JANUARY 2020	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
Profit for the year	-	44,224	44,224
Dividends paid 2021	-	(35,659)	(35,659)
BALANCE AT 31 DECEMBER 2021	24,200	70,825	95,025

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

There is no other comprehensive income.

STATEMENTS OF FINANCIAL POSITION

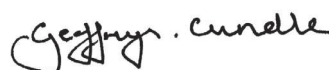
Steamships Trading Company Limited As At 31 December 2021 (Amounts in Kina 000's)

	Note	Consolidated		Parent Entity	
		2021	2020	2021	2020
Current assets					
Cash and cash equivalents	6	63,788	142,424	-	-
Term deposit		-	8,063	-	-
Trade and other receivables	7	178,295	125,568	39,514	2,473
Inventories	8	23,009	17,282	-	-
Income tax receivable	5(e)	10,000	23,923	64	325
Asset held for sale	10	8,234	4,987	-	-
		283,326	322,247	39,578	2,798
Non-current assets					
Property, plant and equipment	10	545,566	550,737	23,592	25,102
Investment properties	11	388,417	394,338	-	-
Investments in related companies	4(a)	39,367	36,992	51,752	101,838
Due from related companies	9	167,682	106,456	9,399	500
Income tax receivable	5(e)	13,627	-	-	-
Intangible assets	12	76,433	76,433	-	-
Deferred tax assets	5(c)	2,571	1,010	661	512
		1,233,663	1,165,966	85,404	127,952
TOTAL ASSETS		1,516,989	1,488,213	124,982	130,750
Current liabilities					
Trade and other payables	13	91,804	61,689	-	-
Lease liabilities	14	2,080	2,662	-	-
Provisions for other liabilities and charges	15	48,239	55,398	-	-
Due to related companies	9	2,787	4,864	29,957	44,290
Due to minority shareholder	16	160	160	-	-
Borrowings	16	53,618	105,006	-	-
		198,688	229,779	29,957	44,290
Non-current liabilities					
Lease liabilities	14	59,474	70,428	-	-
Deferred tax liabilities	5(c)	18,470	14,743	-	-
Provisions for other liabilities and charges	15	9,928	9,937	-	-
Borrowings	16	209,500	199,500	-	-
		297,372	294,608	-	-
TOTAL LIABILITIES		496,060	524,387	29,957	44,290
NET ASSETS		1,020,929	963,826	95,025	86,460
EQUITY					
Issued capital	17	24,200	24,200	24,200	24,200
Reserves		980,484	922,643	70,825	62,260
Capital and reserves attributable to the Company's shareholders		1,004,684	946,843	95,025	86,460
Non-controlling interests		16,245	16,983	-	-
TOTAL EQUITY		1,020,929	963,826	95,025	86,460

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

For and on behalf of the Board:

31 March 2022



G.L. Cundle
Chairman



R.P.N. Bray
Managing Director

STATEMENTS OF CASH FLOWS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's)

	Note	Consolidated		Parent Entity	
		2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		549,665	562,956	4,626	2,970
Payments to suppliers and employees		(357,467)	(405,047)	-	(1,815)
Interest received		9,817	7,416	98	72
Interest and other finance costs paid		(13,835)	(12,460)	-	-
Income tax paid		(919)	(3,388)	(164)	(427)
Net cash from / (used in) operating activities	19(a)	187,261	149,477	4,560	800
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment and investment properties		(89,743)	(66,716)	(578)	(3,925)
Proceeds from sales of property, plant and equipment		-	9,909	-	-
Proceeds from disposal of subsidiaries, net of disposed cash		(44,056)	-	-	-
Investment in term deposits		8,063	(8,063)	-	-
Loans issued to associated companies		(52,327)	(17,879)	-	-
Dividends received		188	8,619	4,823	9,443
Net cash (used in) / from investing activities		(177,875)	(74,130)	4,245	5,518
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of borrowings		(42,523)	-	-	-
Proceeds from borrowings		-	-	-	-
Loans received from subsidiaries		-	-	26,854	10,737
Loans repaid to associated companies		(2,077)	(10,798)	-	-
Purchase of additional shares in subsidiary		-	-	-	-
Lease repayments		(5,987)	(5,719)	-	-
Dividends paid		(37,463)	(18,001)	(35,659)	(17,055)
Net cash used in financing activities		(88,050)	(34,518)	(8,805)	(6,318)
NET (DECREASE) / INCREASE IN CASH HELD		(78,664)	40,829	-	-
NET CASH AT BEGINNING OF THE YEAR		139,918	99,089	-	-
NET CASH AT END OF THE YEAR		61,254	139,918	-	-
CASH COMPRISES:					
Cash and cash equivalents	6	63,788	142,424	-	-
Bank overdrafts	16	(2,534)	(2,506)	-	-
		61,254	139,918	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

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 2022.

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).

(i) Standards, amendments and interpretations effective in the year ended 31 December 2021

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 31 December 2021:

- Amendments to IFRS 4, IFRS 7 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.
- Amendment to IFRS 4, 'Insurance contracts' – Deferral of IFRS 9. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instruments until 1 January 2023.

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 2021 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 2022 or later periods, but the entity has not early adopted them:

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions (effective 1.4.21). On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022.
- 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).
 - o 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.
 - o Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - o Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities (effective 1.1.23). 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.
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (effective 1.1.23). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction (effective 1.1.23). These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- IFRS 17 ‘Insurance contracts’ (effective 1.1.23) replaces IFRS 4. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts 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.

(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 2021 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 balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

(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

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

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 in the exchange for 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 26, 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 the case of sale of goods (such as containers), revenue is recognised 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 consumes 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 are 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

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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 the hotels business is recognised at a point in time upon delivery of goods under typical credit terms of 30 days or in cash. Lease income from the property business is recognised on a straight-line basis over the term of the lease.

Revenue from the commercial business relates to sale of goods and is recognised 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 recognised across the Group as follows:

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

Dividend income - Dividends are recognised 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 recognised 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. They 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

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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 2021 and 31 December 2020, 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.

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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 or 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 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.

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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 4.13% (2020 – 5.85%).

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(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.

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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. 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 2021 and previous years of 4.5% approximates the incremental borrowing rate at the date of initial adoption of IFRS 16 and at 31 December 2021. 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 weighted average 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% higher/(lower), lease liabilities as of 31 December 2021 would be K5.0M lower and K9.4M higher, respectively (2020: K6.1M lower and K10.1M 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

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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 2021, 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 K3,648,000 (2020: K4,394,000) 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 2021 or 31 December 2020 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 instruments in Stage 1 have 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 the 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.

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All of the Group's loans to related parties as at 31 December 2021 and 31 December 2020 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 recognised;
- 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 2021 and 31 December 2020 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:

	2021 K'000	2020 K'000
Undrawn Facilities	273,000	243,000

The table below 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 K'000
At 31 December 2021						
Borrowings	(56,031)	(217,976)	-	-	(274,007)	(263,118)
Borrowings from minority shareholders	(160)	-	-	-	(160)	(160)
Borrowings from related parties	(2,843)	-	-	-	(2,843)	(2,787)
Trade and other payables	(91,804)	-	-	-	(91,804)	(91,804)
Lease liabilities	(4,809)	(4,809)	(13,258)	(117,891)	(140,767)	(61,554)
	(155,647)	(222,785)	(13,258)	(117,891)	(509,581)	(419,423)
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)

The Group does not hold derivative financial instruments.

All loan covenants associated with borrowing arrangements have been met.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

(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:

	2021 K'000	2020 K'000
Total external borrowing and unsecured loans	266,065	309,530
Less: Cash & Cash equivalents	63,788	142,424
Net debt	202,277	167,106
Total equity	1,020,929	963,826
Total capital	1,223,206	1,130,932
Gearing ratio	17%	15%

The Group are 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 2021 and 31 December 2020, 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.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

3. Operating results

	Consolidated		Parent Entity	
	2021	2020 (Restated)	2021	2020
(a) Revenue and other income comprises:				
Revenue from contracts with customers				
- Revenue from sale of goods	53,578	32,723	-	-
- Revenue from provision of services	404,464	363,918	-	-
Lease income	105,887	108,424	-	-
Dividend income	-	-	7,323	9,443
Total Revenue	563,929	505,065	7,323	9,443
Other income (net)*	-	-	38,305	2,925

* Other income includes royalties, management fees and one-off gain on sale of a subsidiary in 2021 of K36.5M.

Comparative period amounts have been restated to conform to presentation in the current year.

The Group's revenue from contracts with customers are recognised at a point in time and over time. Most of the revenue from the provision of services is recognised over time, while revenue from sale of goods is recognised at a point in time. Further disaggregation of revenue by segment is provided at Note 26.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of 31 December 2021 that relates mostly to towage work which commenced in late 2021 and will be finalised within January 2022 is Knil (2020: Knil).

(b) Expenses comprise:

Cost of sales	133,503	117,270	-	-
Staff costs (note 3c)	112,428	99,428	-	-
Depreciation and amortisation	93,774	88,328	2,088	2,048
(Impairment Reversal)/Impairment of vessels	(4,370)	919	-	-
Fixed Assets write off	100	613	-	-
Electricity and fuel	34,680	33,796	-	-
Insurance	6,639	6,198	-	-
Security cost	12,063	13,255	-	-
Motor vehicle expenses	18,536	24,047	-	-
Other operating expenses/(income) - net	69,190	48,947	(862)	89
Total operating expenses	476,543	432,801	1,226	2,137

Comparative period amounts have been restated to conform to presentation in the current year.

(c) Staff costs:

Wages and salaries	90,448	85,730	-	-
Retirement benefit contributions	5,062	3,877	-	-
Accommodation and other benefits	16,918	9,821	-	-
	112,428	99,428	-	-

Number of staff employed by the Group at year end:

Full Time	2,507	2,412	-	-
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NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

3. Operating results (continued)

	Consolidated		Parent Entity	
	2021	2020	2021	2020
(d) The operating profit before income tax is arrived at after charging and crediting the following specific items:				
After charging:				
Audit fees	1,046	1,044	-	-
Fees for non-audit services to Auditors	1,083	530	-	-
Bad and doubtful debts provided	5,379	5,610	-	-
Donations	1,103	1,258	-	-
After crediting:				
Gain on sale of property, plant and equipment	2,063	9,278	-	-
Bad and doubtful debts released	1,484	185	-	-
Net foreign exchange transaction gains	-	96	-	-
(e) Cost of financing – net:				
Interest expense*	13,835	16,406	-	-
Interest income	(9,817)	(7,110)	(98)	(72)
Net finance costs	4,018	9,296	(98)	(72)

*The interest expense excludes capitalised interest which is KNil in 2021 (2020: KNil).

(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.

Net profit attributable to shareholders	90,550	78,855
Average number of ordinary shares on issue (thousands)	31,008	31,008
Basic earnings per share (continuing and discontinued)	292 toea	254 toea
Basic earnings per share (continuing)	276 toea	251 toea
Basic earnings per share (discontinued)	16 toea	3 toea

4. Investments in subsidiaries, associates and joint ventures

	Consolidated		Parent Entity	
	2021	2020	2021	2020
(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)	-	-	51,752	101,838
Investments in associates (note 22)	5,541	5,529	-	-
Investments in joint ventures (note 23)	33,826	31,463	-	-
	39,367	36,992	51,752	101,838
(b) Share of after tax profit in associates and joint ventures				
Share of profit in associates	199	276	-	-
Share of profit in joint ventures	4,863	3,750	-	-
	5,062	4,026	-	-

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

5. Income tax

	Consolidated		Parent Entity	
	2021	2020	2021	2020
(a) Income tax expense				
Current tax	25,128	19,281	257	214
Deferred tax	178	(2,822)	(149)	(27)
Adjustments for current and deferred tax of prior periods	14,488	(2,460)	168	-
Utilisation of losses in prior year tax return, Note 5(b)	-	(10,518)	-	-
Tax losses utilised in current year– previously unrecognised	(25,600)	(14,679)	-	-
Recognition of deferred tax asset for previously unrecognised tax losses	(12,500)	-	-	-
	1,694	(11,198)	276	187

(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.

Prima facie tax on profit before income tax	26,529	20,098	13,350	3,091
Non-taxable income - dividends	-	-	(2,197)	(2,833)
Expenses not deductible for tax	146	460	-	-
Tax losses utilised in current year– previously unrecognised	(25,600)	(14,679)	-	-
Income not assessable for tax	(1,966)	(3,408)	(11,045)	(71)
Adjustments for current and deferred tax of prior periods	14,488	(2,460)	168	-
Utilisation of tax losses in prior year tax return	-	(10,518)	-	-
Recognition of deferred tax asset for previously unrecognised tax losses	(12,500)	-	-	-
Others	597	(691)	-	-
	1,694	(11,198)	276	187

During 2020 the Registrar of Companies approved the amalgamation of Consort Express Line Limited and its subsidiary Consort Investments Limited with Steamships Limited (Note 24). Upon amalgamation, the unrecognised tax losses of Consort Express Line Limited are able to be utilised by Steamships Limited.

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

Provisions	13,301	9,212	-	-
Tax losses	12,500	-	-	-
Lease liabilities	18,466	21,927	-	-
Prepayments and consumables	(8,147)	(3,429)	-	-
Property, plant and equipment	(34,582)	(19,516)	661	512
Right-of-use assets	(17,437)	(21,927)	-	-
	(15,899)	(13,733)	661	512
Deferred tax asset	2,571	1,010	661	512
Deferred tax liability	(18,470)	(14,743)	-	-
	(15,899)	(13,733)	661	512

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

5. Income tax (continued)

	Beginning Balance	Charge to profit	Ending Balance
(d) The gross movement on the deferred tax account is as follows:			
Consolidated			
Provisions & accruals	9,212	4,089	13,301
Tax losses	-	12,500	12,500
Lease liabilities	21,927	(3,461)	18,466
Prepayments & consumables	(3,429)	(4,718)	(8,147)
Property, plant and equipment	(19,516)	(15,066)	(34,582)
Right-of-use assets	(21,927)	4,490	(17,437)
Total	(13,733)	(2,166)	(15,899)
Parent Company			
Property, plant and equipment	512	149	661
Total	512	149	661

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

	Consolidated		Parent Entity	
	2021	2020	2021	2020
At 1 January	(23,923)	(9,507)	(325)	60
Income tax provision	25,128	19,281	257	214
Prior year (over) / under provisions	-	(2,460)	168	-
Utilisation of losses in prior year tax return, Note 5(b)	-	(10,518)	-	-
Tax losses utilised in current year	(25,600)	(14,679)	-	-
Utilisation of tax credits	-	(2,670)	-	-
Others	1,687	18	-	(172)
Tax payments made	(919)	(3,388)	(164)	(427)
	(23,627)	(23,923)	(64)	(325)
Classified as:				
- Current	(10,000)	(23,923)	(64)	(325)
- Non-current	(13,627)	-	-	-
	(23,627)	(23,923)	(64)	(325)

6. Cash and cash equivalents

	Consolidated		Parent Entity	
	2021	2020	2021	2020
Cash and short-term deposits	63,788	142,424	-	-
	63,788	142,424	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

7. Trade and other receivables

	Consolidated		Parent Entity	
	2021	2020	2021	2020
Trade receivables	83,522	66,216	-	-
Trade receivables related parties (Note 18)	36,494	4,039	36,494	-
Provision for impairment	(12,736)	(11,359)	-	-
	107,280	58,896	36,494	-
Other receivables	54,421	58,774	3,020	2,473
Prepayments	16,594	7,898	-	-
	178,295	125,568	39,514	2,473

(i) Credit losses

As at 31 December 2021 and 31 December 2020, loss allowance was determined as follows for trade receivables:

31 December 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected credit loss rate	0.1%-1%	1%-5%	5%-20%	20%-80%	10.6%
Gross carrying amount - trade receivables	84,718	13,925	5,675	15,698	120,016
Loss allowance	353	304	431	11,648	12,736

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

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

	Consolidated		Parent Entity	
	2021	2020	2021	2020
Opening balance	11,359	7,108	-	-
Impairments recognised during the year	5,379	5,610	-	-
Provision released	(1,484)	(185)	-	-
Write off	(2,518)	(1,174)	-	-
Total	12,736	11,359	-	-

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 2021 and 31 December 2020, 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.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

8. Inventories

	Consolidated		Parent Entity	
	2021	2020	2021	2020
Finished goods	23,153	18,778	-	-
Provision for obsolescence	(144)	(1,496)	-	-
	23,009	17,282	-	-

Inventories recognised as an expense during the year ended 31 December 2021 and included in cost of sales and cost of providing services amounted to K20.1 million (2020: K13.1M). The provision for obsolescence of inventories during the year decreased by K1.4 million (2020: by K0.1M increase).

9. Loans to/(from) related companies

	Consolidated		Parent Entity	
	2021	2020	2021	2020
Non-Current				
John Swire & Sons Limited	8,899	2,641	8,899	-
Colgate Palmolive (PNG) Limited	500	500	500	500
Huhu Rural LLG	955	1,054	-	-
Pacific Rumana Limited	28,930	28,930	-	-
Harbourside Development Limited	123,333	68,529	-	-
Viva No.31 Limited	2,000	2,000	-	-
Wonye Limited	2,851	2,802	-	-
Wakang Inc.	16	-	-	-
Croesus Re PCC Limited	198	-	-	-
	167,682	106,456	9,399	500
Loans to subsidiaries	-	-	-	-
	167,682	106,456	9,399	500
Loans from associates and joint ventures:				
Stevedoring associates	(2,787)	(4,864)	-	-
Loans from subsidiaries	-	-	(29,957)	(44,290)
	(2,787)	(4,864)	(29,957)	(44,290)

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%.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

10. Property, plant and equipment

	Property	Ships	Plant and Vehicles	Right-of-use Assets	Total
Consolidated					
2021					
Cost	572,929	252,730	375,355	41,733	1,242,747
Accumulated depreciation (including impairment losses)	(216,831)	(162,013)	(309,155)	(9,182)	(697,181)
Net book value	356,098	90,717	66,200	32,551	545,566
Opening value	329,927	103,856	72,515	44,439	550,737
IFRS 16 adjustment					
Additions	44,633	12,232	22,363	-	79,228
Lease agreements made during the year	-	-	-	530	530
Disposals	-	-	-	(8,820)	(8,820)
Writeback of impairment	-	4,370	-	-	4,370
Transfer to/from investment properties	-	-	-	-	-
Asset held for sale	-	(3,247)	-	-	(3,247)
Depreciation	(18,462)	(26,494)	(28,678)	(3,598)	(77,232)
Closing value	356,098	90,717	66,200	32,551	545,566
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

The Group is committed to its plan to sell cargo vessels within 12 months from the reporting date. As the sales are considered highly probable, the vessels are available for immediate sale and actions were taken to locate potential buyers (including active marketing of the vessel for sale) prior to 31 December 2021 and 2020 respectively, these vessels are classified within line 'Assets held for sale' as at 31 December 2021 and 2020. In 2020, K0.9m impairment was recognised to reflect asset held for sale at its fair value less cost to sell. Refer to Note 1(j).

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

10. Property, plant and equipment (continued)

	Property	Plant and Vehicles	Total
Parent Entity			
2021			
Cost	79,104	6,617	85,721
Accumulated depreciation (including impairment losses)	(56,864)	(5,265)	(62,129)
Net book value	22,240	1,352	23,592
Opening value	23,875	1,227	25,102
Additions	125	453	578
Disposals	-	-	-
Impairments	-	-	-
Depreciation	(1,760)	(328)	(2,088)
Closing value	22,240	1,352	23,592
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)
Impairments	-	-	-
Depreciation	(1,738)	(310)	(2,048)
Closing value	23,875	1,227	25,102

(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	
	2021	2020	2021	2020
Property (classified as investment properties in note 11)	13,240	7,851	-	-
Plant and vehicles	59,750	17,948	-	-
Total assets in the course of construction	72,990	25,799	-	-

The cost of additions in 2021 did not include any capitalised borrowing costs (2020:KNil) in relation to qualifying assets. The Group used a capitalisation rate of 4.13% 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, an impairment reversal of K4.4 million was recorded related to ships in the Consort business (2020: K0.9m impairment to reflect asset held for sale at its fair value less cost to sell).

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 2021 was carried out by two independent firms of valuers, Australian Independent Shipbrokers and GPA Maritime & Engineering Consultants Pty Ltd, who both hold a recognised 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 K114.7M (2020: 77.5M). If market price of ships had been 10% lower, recoverable amount would be K97.5M (2020: K69.8M) resulting in a reduced impairment reversal of K1.4M (2020: an additional impairment charge of K1.3M).

There are no other further conditions that indicate impairment of property, plant and equipment as at 31 December 2021 in other businesses of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

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 2021		
Opening net book amount	44,439	44,439
Lease agreements made during the year	530	530
Disposal	(8,820)	(8,820)
Depreciation	(3,598)	(3,598)
Closing net book amount	32,551	32,551
At cost	41,733	41,733
Accumulated depreciation	(9,182)	(9,182)
	32,551	32,551
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

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	
	2021	2020	2021	2020
Cost	561,809	593,181	-	-
Accumulated depreciation	(173,392)	(198,843)	-	-
Net book value	388,417	394,338	-	-
Opening value	394,338	360,282	-	-
Additions	10,515	16,078	-	-
Transfers (to) / from property, plant & equipment	-	34,144	-	-
Right of use of assets movement	106	85	-	-
Depreciation	(16,542)	(16,251)	-	-
Closing value	388,417	394,338	-	-

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

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 2021		
Opening net book amount	25,987	25,987
Lease agreements made during the year	107	107
Terminated	-	-
Depreciation	(431)	(431)
Closing net book amount	25,663	25,663
At cost	26,923	26,923
Accumulated depreciation	(1,260)	(1,260)
	25,663	25,663
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
	2021	2020

(b) Amounts recognised in profit/loss for investment properties

Rental income	105,887	108,424
Repairs and maintenance attributable to rental properties under non-cancellable leases	(2,970)	(3,897)
Operating expenses directly attributable to rental properties under non-cancellable leases	(10,431)	(11,475)

(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.

	NBV	Valuation Range	
		Lower	Higher
Investment properties	362,754	1,332,964	1,666,205
Other properties (note 10)	356,098	398,144	497,680
Total	718,852	1,731,108	2,163,885

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.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (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	
	2021	2020	2021	2020
Within one year	85,706	94,118	-	-
Later than one year but not later than five years	88,094	122,175	-	-
Later than five years	18,290	53,778	-	-
	192,090	270,071	-	-

12. Intangible assets

	Consolidated		Parent Entity	
	2021	2020	2021	2020
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 (2020: 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 3% for New Britain Shipping and 5% for Pacific Towing (2020: 5% for New Britain Shipping and 8% for Pacific Towing). A discount rate of 12.0% per annum (2020: 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 K23.1M (2020: K64.2M) and K12.1M (2020: K13.2M), respectively. Management believes that growth rate of revenue of 5% p.a. for Pacific Towing is appropriate, and 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 1% lower than management's estimates the Group would need to reduce the carrying value of goodwill of Pacific Towing by K6.9M and the carrying value goodwill of New Britain Shipping by KNil. The CGUs' carrying amount would exceed the value in use at a growth rate lower than 4.3% p.a. for Pacific Towing and negative growth rate of 0.7% p.a. for New Britain Shipping.

The discount rates used reflect specific risks relating to the relevant CGUs. If the revised estimated discount rate applied to the discounted cash flows of the Pacific Towing CGU and New Britain Shipping CGU had been 1% higher than management's estimates, the carrying value of goodwill of Pacific Towing and New Britain Shipping would exceed their carrying amounts by KNil and KNil. The CGUs' carrying amount would be equal to value in use at a discount rate of approximately 13.3% p.a. and 20.2% p.a. respectively.

13. Trade and other payables

	Consolidated		Parent Entity	
	2021	2020	2021	2020
Trade payables	23,503	18,697	-	-
Trade payables related parties (Note 18)	272	468	-	-
Accruals	51,330	40,772	-	-
Other payables	16,699	1,752	-	-
	91,804	61,689	-	-

All trade and other payables are due and payable within 12 months.

14. Lease Liabilities

As disclosed in Note 10 and 11, the right-of-use assets and related lease liabilities are recognised 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).

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

14. Lease Liabilities (continued)

	2021	2020
State land leases	26,464	26,553
Properties	35,090	46,537
Total lease liabilities	61,554	73,090
Total lease liabilities as of 31 December 2021 include current liabilities of K2.1M (1 January 2021: K2.7M) and non-current liabilities of K59.4M (1 January 2021: K70.4M).		
Minimum lease payments:		
Not later than 1 year	4,869	6,088
Later than 1 year and not later than 5 years	18,067	23,108
Later than 5 years	117,831	128,088
Total	140,767	157,284
Less: Unexpired finance charges	(79,213)	(84,194)
	61,554	73,090
Present value of lease liabilities:		
Not later than 1 year	2,080	2,662
Later than 1 year and not later than 5 years	13,127	21,022
Later than 5 years	46,347	49,406
Total	61,554	73,090

Interest on lease liabilities recognised in profit or loss by the Group amounts to PGK3.3M.

Movement in net lease liabilities as per below:

Opening	73,090	72,236
Lease agreements made during the year	655	2,627
Disposal during the year	(9,371)	-
Finance costs	3,167	3,946
Repayment	(5,987)	(5,719)
	61,554	73,090

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2020 and 31 December 2021 was 4.5% p.a. Management assessed that the weighted average interest rate on borrowings obtained from financial institutions during 2021 and previous years approximates the incremental borrowing rate at the date of initial adoption of IFRS 16 and at 31 December 2021. For related management judgments refer to Note 1(z).

The Group recognised expenses relating to short-term leases and expenses relating to leases of low-value assets that are not short-term leases of K7.5M and K9.8M for the year ended 31 December 2021 (K10.4M & K5.5M – 2020), 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	2021 Total	2020 Total
Opening value	16,020	49,315	65,335	62,779
Charged to profit and loss	8,443	-	8,443	10,690
Utilised during year	(9,306)	(6,305)	(15,611)	(8,134)
Closing value	15,157	43,010	58,167	65,335
Current	5,229	43,010	48,239	55,398
Non-current	9,928	-	9,928	9,937
	15,157	43,010	58,167	65,335

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

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

16. Borrowings

	Consolidated		Parent Entity	
	2021	2020	2021	2020
Current:				
Bank overdrafts (secured)	2,534	2,506	-	-
Bank loans	51,084	102,500	-	-
Other loans (unsecured)	160	160	-	-
	53,778	105,166	-	-
Non-current:				
Bank loans (secured)	209,500	199,500	-	-
	209,500	199,500	-	-
Total Borrowings	263,278	304,666	-	-

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 4.13% (2020: 3.9%). 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% (2020: 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	
	2021	2020	2021	2020
(a) Issued and paid up capital				
Ordinary shares	24,200	24,200	24,200	24,200
(b) Number of shares				
Number of shares (000's)				
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) Dividends

The Directors advise that a dividend of 65 toea per share will be paid immediately after the Annual General Meeting on 17th June 2022. 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 totalling 115 toea per share which relate to the final dividend of 2020 at 80t per share amounting to K24.8 million, and interim dividend for the 2021 financial year of K10.9 million at 35t per share.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

18. Related party disclosures

(a) Loss of control:

In September 2021 Steamships sold its wholly-owned subsidiary Croesus Holdings Ltd, and indirect wholly-owned subsidiary, Croesus Re PCC Ltd, both incorporated in the Isle of Man, to its ultimate parent company, John Swire & Sons Ltd. at the net book value of the two entities. The value of the transaction represents less than 5% of the equity interests of Steamships, as reported in the last set of accounts submitted to the ASX, being 30th June 2021 (total equity of PGK 969,934,000 equivalent to approximately USD276,000,000).

(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	
	2021	2020	2021	2020
Key management personnel disclosure				
Wages and salaries	13,112	12,567	-	-
Other short-term benefits	958	1,298	-	-
(d) Material transactions:				
Sales of goods and services				
- Associates and joint ventures	159	186	-	-
- Key management	10	154	-	-
- Associated groups	88	8,171	-	-
- Other shareholders	-	136	-	-
Lease and rental income				
- Associates and joint ventures	-	1	-	-
- Other shareholders	-	(1,384)	-	-
Management fee received				
- Associates and joint venture	2	-	-	-
- Associated groups	-	9,952	-	-
Container and charter hire				
- Associates and joint venture	-	-	-	-
- Shareholders and associated companies	-	-	-	-
Purchase of goods and services				
- Associates and joint ventures	59	-	-	-
- Associated groups	-	-	-	-
- Key Management	-	11	-	-
Purchase of assets				
- Associated groups	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

18. Related party disclosures (continued)

	Consolidated		Parent Entity	
	2021	2020	2021	2020
Lease rental expense				
- Associates & Joint ventures	330	344	-	-
- Associated groups	-	471	-	-
Finance Cost				
- Associates & joint ventures	-	-	-	-
Dividends paid				
- Other shareholders (minority interest)	(1,804)	(946)	-	-
- Controlling shareholder	(25,717)	(12,300)	(25,717)	(12,300)
- Significant shareholder	(9,942)	(4,755)	(9,811)	(4,755)
Loans to/(from) related companies				
- Other shareholders	-	(160)	-	-
All transactions with related parties are made on normal commercial terms and conditions.				
Balances with related companies:				
Associates and joint ventures:				
Stevedoring associates (note 9)	(2,787)	(4,864)	-	-
Basiloc Limited (note 16)	(160)	(160)	-	-
Due from related Companies:				
Colgate Palmolive Limited (note 9)	500	500	500	500
Harbourside Development Limited (note 9)	123,333	68,529	-	-
Subsidiary Companies (note 9)	-	-	-	-
Pacific Rumana Limited (note 9)	28,930	28,930	-	-
Huhu Rural LLG (note 9)	955	1,054	-	-
Viva No. 31 Limited (note 9)	2,000	2,000	-	-
Wonye Limited (note 9)	2,851	2,802	-	-
Wakang Inc. (note 9)	16	-	-	-
John Swire & Sons Limited (note 9)	8,899	2,641	8,899	-
Croesus Re PCC Limited (note 9)	198	-	-	-
Total trade receivables from related companies (note 9)	167,682	106,456	9,399	500
Balances receivable / (payable) from / to related companies:				
Receivables				
Pacific Rumana Limited (note 7)	-	514	-	-
Harbourside Development Limited (note 7)	-	938	-	-
Wonye Limited (note 7)	-	5	-	-
Makerio Stevedoring Limited (note 7)	-	14	-	-
Nikana Stevedoring Ltd (note 7)	-	18	-	-
Colgate Palmolive (PNG) Limited (note 7)	-	10	-	-
Swire Shipping (note 7)	-	2,540	-	-
John Swire & Sons Limited (note 7)	36,494	-	36,494	-
Total trade receivables from related companies (note 7)	36,494	4,039	36,494	-
Payables				
Makerio Stevedoring Limited (note 13)	-	(141)	-	-
Nikana Stevedoring Ltd (note 13)	-	(60)	-	-
Swire Shipping (note 13)	-	(267)	-	-
Croesus Limited (note 13)	(272)	-	-	-
Total trade payables to related companies (note 13)	(272)	(468)	-	-

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

19. Reconciliation of cash flows

	Consolidated		Parent Entity	
	2021	2020	2021	2020
(a) Cash generated from operations				
Profit for the year after tax	91,616	79,037	44,224	10,116
Depreciation and impairment	93,774	88,328	2,088	2,048
Dividend and interest income	-	-	(7,323)	(9,443)
Net gain on sale of fixed assets	(2,063)	(9,278)	-	-
Share of profit of associates and joint ventures	(5,062)	(4,026)	-	-
Refund of SWT assessment	-	(12,699)	-	-
Gain on disposal of a subsidiary	-	-	(36,494)	-
Change in operating assets and liabilities				
(Increase)/decrease in trade debtors and other receivables	(14,854)	22,550	-	-
(Increase)/decrease in inventory	(5,727)	(3,931)	-	-
(Increase)/decrease in deferred tax asset	(1,561)	1,301	(149)	-
(Increase)/decrease in other operating assets	-	(6,187)	1,953	(2,002)
(Increase)/decrease in trade creditors and other payables	30,115	(13,718)	-	-
Increase/(decrease) in other operating liabilities	(3,000)	1,442	-	(23)
Decrease in income tax receivable	296	10,781	261	104
Increase/(decrease) in deferred tax liability	3,727	(4,123)	-	-
Net cash inflow from operating activities	187,261	149,477	4,560	800

(b) Net loan reconciliation

	Lease liabilities	Bank Loans	Other Loans	Total
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)
Repayments	-	42,523	2,077	44,600
Lease agreements made during the year	(655)	-	-	(655)
Disposal during the year	9,371	-	-	9,371
Finance costs	(3,167)	(1,107)	-	(4,274)
Payment of lease liabilities	5,987	-	-	5,987
Net debt as at 31 December 2021	(61,554)	(260,584)	(2,947)	(325,085)

20. Retirement benefit plans

The total cost of retirement benefits of the Group in 2021 was K5.1M (2020: K3.9M). 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.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (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⁾	Equity Holdings ⁽¹⁾
			2021	2020
Consort Express Lines Limited ⁽⁶⁾	Papua New Guinea	Ordinary	-	-
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 ⁽⁷⁾	Papua New Guinea	Ordinary	-	-
Palm Stevedoring & Transport Limited	Papua New Guinea	Ordinary	66.7	66.7
Port Services PNG Limited ⁽⁵⁾	Papua New Guinea	Ordinary	54	54
Steamships Limited	Papua New Guinea	Ordinary	100	100
United Stevedoring Limited ⁽³⁾	Papua New Guinea	Ordinary	70	100
Windward Apartments Limited	Papua New Guinea	Ordinary	100	100
Croesus Holdings Limited ⁽⁸⁾	Isle of Man	Ordinary	-	100
Croesus Re PCC Limited ⁽⁸⁾	Isle of Man	Ordinary	-	100
Pacific Towing SI Limited	Solomon Islands	Ordinary	100	100
Sandaun Agency & Stevedoring Limited ⁽⁹⁾	Papua New Guinea	Ordinary	-	-
Gazelle Port Services Limited ⁽¹⁰⁾	Papua New Guinea	Ordinary	100	-
Wonye No. 2 Limited ⁽¹¹⁾	Papua New Guinea	Ordinary	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 2021, 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, The Investment Promotion Authority approved the application to amalgamate Consort Express Lines Limited into Steamships Limited. The amalgamation is effective as at 31 December 2020.

⁽⁷⁾ As disclosed in Note 24, the Registrar of Companies approved the amalgamation of Pacific Towing (PNG) Limited with Steamships Ltd on 7 April 2021. The effective date of amalgamation is 31 December 2020.

⁽⁸⁾ As disclosed in Note 18, Steamships sold its wholly-owned subsidiary Croesus Holdings Ltd, and indirect wholly-owned subsidiary, Croesus Re PCC Ltd, both incorporated in the Isle of Man, to its ultimate parent company, John Swire & Sons Ltd. in September 2021.

⁽⁹⁾ Incorporated since 9 March 2012 and is 100% owned by Steamships Limited. This Company is operating as an agency of Consort. JV Port Services will assume control of the management in 2022 with its 3-year Stevedoring license validity.

⁽¹⁰⁾ Incorporated on 21 July 2021 and is domiciled in Rabaul. The company is still under start-up phase.

⁽¹¹⁾ Incorporated on 8 October 2021

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

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

21. Subsidiaries and transactions with non-controlling interests (continued)

The summarized financial information of the Group's largest subsidiaries with non-controlling interest as at 31 December 2021 and 31 December 2020 is as follows:

2021	Ownership Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Madang Port Services Limited	60	5,439	(508)	4,931	4,764	274
New Britain Shipping Limited	50	19,456	(1,690)	17,766	12,017	1,602
Motukea United Limited	64.1	2,906	(1,050)	1,856	7,674	15
Kavieng Port Services Limited	60	3,989	(919)	3,070	4,787	338
United Stevedoring Limited	70	2,908	(2,398)	510	15,898	440
2020						
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
Kavieng Port Services Limited	60	4,368	(1,051)	3,317	3,925	433

22. Investment in associates

(a) Movement in carrying amounts

	Consolidated		Parent Entity	
	2021	2020	2021	2020
Opening value	5,529	11,373	-	-
Share of profits before tax	285	394	-	-
Income tax expense	(86)	(118)	-	-
Change in control of associate companies to subsidiaries	-	-	-	-
Dividends received	(187)	(6,120)	-	-
Closing value	5,541	5,529	-	-

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:

2021	Ownership Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Makerio Stevedoring Limited	45	1,499	161	1,338	840	183
Nikana Stevedoring Ltd	45	1,841	139	1,702	781	138
Riback Stevedores Ltd	49	2,501	-	2,501	-	(122)
		5,841	300	5,541	1,621	199
2020						
	Ownership Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit / (loss)
Makerio Stevedoring Limited	45	1,351	(17)	1,368	791	113
Nikana Stevedoring Ltd	45	1,723	63	1,660	597	185
Riback Stevedores Ltd	49	2,514	13	2,501	-	(22)
		5,588	59	5,529	1,388	276

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.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

23. Investment in joint ventures

(a) Movement in carrying amounts

	2021	2020
Opening value	31,463	30,213
Share of profits before tax	6,947	5,357
Income tax expense	(2,084)	(1,607)
Elimination of gain on sale of land to associate company	-	-
Dividends received	(2,500)	(2,500)
Closing value	<u>33,826</u>	<u>31,463</u>

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.

	Ownership Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit /Loss
2021						
Colgate Palmolive (PNG) Limited	50	24,133	10,177	13,956	36,236	4,351
Harbourside Development Limited	50	159,022	159,380	(358)	10,705	218
Pacific Rumana Limited	50	3,663	87	3,576	2,180	254
Viva No. 31 Limited	50	10,490	7,062	3,428	862	(187)
Wonye Limited	50	28,559	15,335	13,224	3,258	227
		<u>225,867</u>	<u>192,041</u>	<u>33,826</u>	<u>53,241</u>	<u>4,863</u>

	Ownership Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
2020						
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
		<u>178,713</u>	<u>147,250</u>	<u>31,463</u>	<u>59,447</u>	<u>3,750</u>

The Group's share of the capital commitments of joint ventures at 31 December 2021 is K79.3M (2020: K103.2M).

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

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

24. Business Combinations and Transactions with Non-Controlling Interests

On 18 March 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.

On 7 April 2021, the Registrar of Companies approved the amalgamation of Pacific Towing (PNG) Limited with Steamships Ltd. The effective date of amalgamation is 31 December 2020. Pacific Towing (PNG) Limited was amalgamated into the Company using the short-form amalgamation process under section 235 of the Companies Act 1997. The name of the amalgamated company is Steamships Ltd. Under the amalgamation, the Company took control of all the assets of Pacific Towing (PNG) Limited and assumed the responsibility for their liabilities.

The amalgamations were 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.

25. Discontinuing Activities

On 28th September 2021, the Group disposed of its 100% interest in Croesus Holdings Ltd, and its indirect wholly owned subsidiary, Croesus Re PCC Limited. The 31st December 2021 results (K'000) from the discontinued activities are derived from:

(a) Profit for the period:

	2021	2020
Revenue	746	1,079
Other operating income / (expenses) - net	4,134	(234)
Profit before tax	4,880	845
Profit after tax	4,880	845

(b) An analysis of the cash flows of discontinued operations is as follows:

	2021
Operating cash flows	(7,340)
Investing cash flows	5,406
Financing cash flows	-
Net cash flows	(1,934)
Opening balance	45,990
Cash disposed on sale of Croesus Re and Croesus Holdings Ltd	44,056
Closing cash flow balance	-

(c) Details of the sale of subsidiary are as follows:

	2021	2020
Total disposal consideration receivable (Note 18)	36,494	-
Carrying amount of net assets sold	36,494	-
Gain on sale before income tax	-	-
Gain on sale after income tax	-	-

The parent company has recognised gain of K36.5M on the sale of subsidiary in 2021 (Note 3).

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

25. Discontinuing Activities (continued)

(d) Assets and liabilities of disposed subsidiary on the transaction date are presented below:

	<u>2021</u>
Cash and cash equivalents	44,056
Prepayments and other receivables	<u>5,152</u>
Total assets	49,208
Accounts payable and accruals	189
Insurance reserves	3,395
Borrowings	<u>9,130</u>
Total liabilities	<u>12,714</u>
Net assets	<u>36,494</u>

(e) Restatement of previous year (2020) figures

The 2020 comparative results have been restated to present the results of Croesus Holdings Ltd and Croesus Re PCC Limited as discontinued operations.

Statement of comprehensive income – including discontinued operations:

	31st December 2020	Discontinued Operations	31st December 2020 (Restated)
Revenue (after reclassifications)	506,144	(1,079)	505,065
Operating expenses (after reclassifications)	(433,341)	540	(432,801)
Operating profit	72,803	(539)	72,264
Finance income	7,416	(306)	7,110
Finance costs	(16,406)	-	(16,406)
Share of profit of associates and joint ventures	4,026	-	4,026
Profit before income tax	67,839	(845)	66,994
Income tax expense	11,198	-	11,198
Profit from continuing operations	<u>79,037</u>	<u>(845)</u>	<u>78,192</u>

26. 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:

- Property and Hospitality – 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.

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

26. Segmental reporting (continued)

(b) Segment information

The segment information provided to the Board for the reportable segments for the year ended 31 December 2021 is as follows:

	Hotels and Property	Logistics	Commercial and Investments (and eliminations)	Total
2021				
External revenue				
- from continuing operations	240,286	321,168	2,475	563,929
- from discontinued operations	-	-	746	746
Interest revenue	494	371	8,952	9,817
Interest expense	(2,276)	(5,010)	(6,549)	(13,835)
Segment results	81,739	23,520	(21,891)	83,368
Share of joint ventures and associates profit	-	-	5,062	5,062
Total tax (expense) / benefit	(14,433)	(5,633)	18,372	(1,694)
Profit from continuing operations	67,306	17,887	1,543	86,736
Profit from discontinued operations	-	-	4,880	4,880
Segment assets	697,144	351,345	468,500	1,516,989
Segment liabilities	(101,584)	(173,189)	(221,287)	(496,060)
Net assets	595,560	178,156	247,213	1,020,929
Total assets include investment in joint ventures and associates	19,870	5,541	13,956	39,367
Capital expenditure	41,419	47,672	652	89,743
Depreciation	45,908	43,193	4,673	93,774
2020				
External revenue				
- from continuing operations	197,520	304,886	2,659	505,065
- from discontinued operations	-	-	1,079	1,079
Interest revenue	378	716	6,016	7,110
Interest expense	(8,636)	(2,718)	(5,052)	(16,406)
Segment results	53,697	14,750	(5,479)	62,968
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	31,355	78,192
Profit from discontinued operations	-	-	845	845
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 include 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

NOTES TO THE FINANCIAL STATEMENTS

Steamships Trading Company Limited Year Ended 31 December 2021 (Amounts in Kina 000's unless otherwise stated)

26. Segmental reporting (continued)

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

Revenue from the property and hospitality business mostly relates to the provision of services and is recognised over time. A minor portion represents revenue from the sale of goods and is recognised 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 recognised 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. The business operations in Isle of Man were disposed of during 2021.

27. 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 2020 financial year and which was recognised in the 2020 financial year 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.

28. Commitments

(a) Capital commitments

	Consolidated		Parent Entity	
	2021	2020	2021	2020
Contracts outstanding for capital expenditure:				
- less than 12 months	9,842	6,079	-	-
- 1-5 years	-	-	-	-
	9,842	6,079	-	-

29. Subsequent events

The Directors advised that a dividend of 65 toea per share will be paid immediately after the Annual General Meeting on 17th June 2022. 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 2021, 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 2021 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 2021, 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

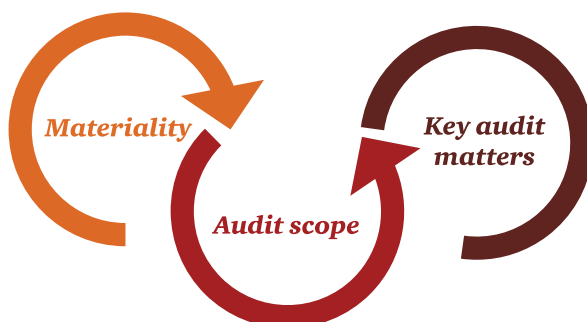
An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions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

to the Shareholders of Steamships Trading Company Limited



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> For the purpose of our audit of the Group we used overall group materiality of approximately 5% of the Group's profit before tax for the year ended 31 December 2021. 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. 	<ul style="list-style-type: none"> 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 at the year end are incorporated and operating in Papua New Guinea with the exception of one subsidiary which has operations in the Solomon Islands. 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. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matter to the Audit and Risk Committee: <ul style="list-style-type: none"> - Goodwill impairment assessment This matter is further described in the <i>Key audit matter</i> section of our report.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited



Key audit matter

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

<i>Key audit matter</i>	<i>How our audit addressed the key matter</i>
<p>Goodwill impairment assessment</p> <p><i>(Refer to note 12 of the financial statements)</i></p> <p>The Group has goodwill totalling K76.4 million at 31 December 2021. 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 2021.</p> <p>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.</p> <p>The Group has calculated the value of the respective cash generating units which the goodwill relates to 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.</p> <p>The value in use calculations incorporate judgements regarding the impact of COVID 19 on forward looking information.</p> <p>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 values of the cash generating units.</p>	<p>We have considered and tested the financial models used by the Group to determine the values 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. Together with our valuation expert we reviewed the financial model methodology used in determining the value of the respective cash generating units.</p> <p>We compared the forecast revenues and expenditures in the financial models to approved budgets and obtained an understanding of 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.</p> <p>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 in the financial models.</p> <p>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 inflation assumptions and discount rates and focused our testing on these assumptions.</p>

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited



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.

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.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited



Auditor's responsibilities for the audit of the financial statements (continued)

- 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.

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.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited



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 2021:

- 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

A handwritten signature in black ink, appearing to read 'J Grasso', written in a cursive style.

Jonathan Grasso
Partner

Registered under the Accountants Act 1996

Port Moresby
31 March 2022

DIRECTORS' REPORT

Steamships Trading Company Limited Year ended 31 December 2021

Steamships Trading Company Limited and Subsidiary Companies

The Directors submit their Annual Report for the year ended 31 December 2021 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 8. 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 K90,550,000 (2020: K78,855,000).

Dividend

The Directors advise that a dividend of 65 toea per share will be paid after the Annual General Meeting on 17th June 2022. 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.

DIRECTORS' REPORT

Steamships Trading Company Limited Year ended 31 December 2021

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 and Nomination 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 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.

P. J. Aitsi MBE

Director from 1st July 2021

Director 2014 to 2018

Peter was formerly Group CEO of Credit Corporation PNG Ltd; he has a long-standing involvement with anti-corruption organisation Transparency International PNG (TIPNG) and is the current chair. He is chair of media organisation PNGFM Ltd and has recently been appointed as a director with MiBank (PNG Micro-Bank), he currently serves as a member of a panel appointed by the PNG Treasury Department and Bank of PNG reviewing the Superannuation and Life Insurance Act. Peter and wife Teresa operate their family business Tricky Worx providing landscaping and property services to select clients.

His role with TIPNG is voluntary, as is his role on the Catholic Bishop Conference Finance Committee and the St Joseph's Parish Finance Committee.

R.P.N. Bray

Managing Director from 20th September 2020

Member of the Strategic Planning Committee

Member of the Remuneration and Nomination Committee

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 holds directorship of various Steamships Trading Company subsidiaries, joint ventures, and associated companies. He sits on a number of charitable advisory boards and a number of PNG business groupings, including the PNG Property Developers Association and the Business Council's Energy Working Group. 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 2021

L.M. Bromley

Chairperson of the Audit and Risk Committee since July 2021

Member of the Strategic Planning Committee since July 2021

Member of the Remuneration and Nomination Committee since July 2021

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 commercial 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 Aerolift (Singapore) Pte. Ltd. in Singapore and is responsible 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 and Australia.

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.

D.H. Cox OL, OBE

Managing Director 2004 to 2012

Member of the Audit and Risk 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 and holds an MBA in International Hospitality & BSc (Hons) in Accounting & Business Management.

Lady W.T. Kamit CBE

Member of the Audit and Risk Committee

Director since 2005

Lady Winifred Kamit is a senior partner at Dentons PNG. 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 is Patron of the Business Coalition for Women Inc.

DIRECTORS' REPORT

Steamships Trading Company Limited Year ended 31 December 2021

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 and Risk Committee of Swire Shipping 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 holds Directorship of various Steamships Trading Company subsidiaries, joint ventures, and associated companies.

J.H. Woodrow

Director since 2015

Mr Woodrow is Managing Director of Swire Shipping Pte Limited. 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 2021

Remuneration of Directors

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

	2021 K'000	2020 K'000
G.L Cundle (Chairman)	243	218
G. Aopi	70	121
Lady W.T. Kamit	189	169
Sir M.R. Bromley	125	217
D.H Cox	244	217
G.J. Dunlop	139	241
J.H Woodrow	133	121
J.B Rae Smith	133	185
L.M. Bromley	201	121
P.J Aitsi	40	-
	1,517	1,610

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.

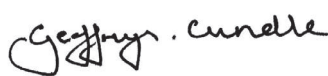
Remuneration of Employees

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

Remuneration K'000	2021 No.	2020 No.	Remuneration K'000	2021 No.	2020 No.	Remuneration K'000	2021 No.	2020 No.
100-110	5	4	290-300	1	2	570-580	-	-
110-120	10	7	300-310	2	-	600-610	7	-
120-130	5	7	330-340	1	2	620-630	-	1
130-140	7	14	350-360	1	1	650-660	-	3
140-150	7	6	360-370	1	-	660-670	-	1
150-160	4	5	370-380	2	-	710-720	4	1
160-170	4	4	380-390	1	-	720-730	-	1
170-180	3	1	390-400	-	2	770-780	-	1
180-190	5	2	410-420	1	-	810-820	3	2
190-200	4	1	420-430	1	-	820-830	-	1
200-210	4	3	430-440	2	-	840-850	1	1
210-220	3	1	440-450	1	-	850-860	1	1
220-230	2	-	460-470	-	1	910-1000	3	2
230-240	4	4	480-490	-	3	1,000-1,010	2	1
240-250	4	5	500-510	1	1	1,800-1,900	1	-
260-270	5	1	530-540	2	1	2,000-2,800	2	1
270-280	1	3	540-550	1	2	3,000-3,200	-	1
280-290	1	2	560-570	-	1			

For and on behalf of the Board:

Port Moresby
31 March 2022



Chairman



Managing Director

STOCK EXCHANGE INFORMATION

Steamships Trading Company Limited Year ended 31 December 2021

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

Shareholdings

At 28 February 2022, there were 361 shareholders.

277	Holding	1	-	1,000 units
73	Holding	1,001	-	5,000 units
17	Holding	5,001	-	10,000 units
10	Holding	10,001	-	100,000 units
4	Holding	100,000	-	over

The number of shareholders holding less than a marketable parcel was 42.

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
BOND STREET CUSTODIANS LIMITED	23,067	0.07
MR RAMESH MAHTANI	21,700	0.07
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,767	0.07
CITICORP NOMINEES PTY LIMITED	18,607	0.06
BUDLEAF PTY LIMITED	16,867	0.05
INTERCONTINENTAL ASSETS PTY LIMITED	15,000	0.05
BNP PARIBAS NOMINEES PTY LTD	16,363	0.05
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
	30,707,870	99.03

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

P. J. Aitsi MBE

L.M. Bromley +§&

D. Cox OL, OBE +&

Lady W.T. Kamit, CBE +

J.B. Rae Smith

J. H Woodrow

+ Member of the Audit and Risk Committee

§ Member of the Remuneration and Nomination Committee

& Member of the Strategic Planning Committee

SECRETARY

M.R. Scantlebury

REGISTERED OFFICE

Part of Allotment 31, Section 140,
Walter Bay Industrial Centre Building 1, Units 1-4, Matirogo
Port Moresby, NCD
Papua New Guinea

Telephone: +675 313 7400 / 79987000

P.O. Box 1

Port Moresby, NCD

Papua New Guinea

AUDITORS

PricewaterhouseCoopers

P.O. Box 484

Port Moresby, NCD

Papua New Guinea

SHARE REGISTRARS

Computershare Investor Services Pty Limited

GPO Box 2975

Melbourne VIC 3001

AUSTRALIA

Telephone: (Aus) 1300 85 05 05

(Overseas) +61 (0)3 9415 4000

Fax: +61 3 9473 2500

STOCK EXCHANGE

Shares are listed on both the PNGX Markets Limited
and the Australian Securities Exchange Limited.

A. R. B. N.

055 836 952



STEAMSHIPS
TRADING COMPANY LIMITED

Part of Allotment 31, Section 140, Walter Bay Industrial Centre Building 1
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