

Pan Ocean Co., Ltd.
Separate Financial Statements
December 31, 2020 and 2019

Pan Ocean Co., Ltd.

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December 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors and Shareholders of
Pan Ocean Co., LTD.

Opinion

We have audited the accompanying separate financial statements of Pan Ocean Co., LTD. (the "Company"), which comprise the separate statements of financial position as at December 31, 2020 and 2019, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2020 and 2019, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2020, based on Conceptual Framework for Designing and Operating Internal Control over Financial Reporting, and our report dated March 11, 2021, expressed an unqualified opinion.

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the separate financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

The voyage operating revenue and revenue from time charter

Reasons why the matter was determined to be a key audit matter

As described in Note 2.20 to the financial statements, the Company recognizes revenue as performance obligation is satisfied, and the underlying information for the revenue amount exist in the complex sales system. As revenue is a key performance indicator of the Company and executives, it is the matter in which intentional adjustment may arise to achieve target and has high inherent risk. Considering the above reasons, we have decided the voyage operating revenue and revenue from time charter as a key audit matter.

Key audit matters addressed in the audit

For the accounting treatment on the voyage operating revenue and revenue from time charter of the Company, we conducted audit procedures including the following:

- We obtained an understanding of and evaluated accounting policy for the voyage operating revenue and revenue from time charter
- We tested design and effectiveness of operation of the controls related to the the voyage operating revenue and revenue from time charter
- We tested the appropriateness of information technology general control on system of revenue recognition
- We performed interface test between sales system and accounting system
- We tested the existence of transaction, cut off and the accuracy of the amount by inspecting contracts with customers and supporting documents for the selected samples of individual transaction units.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 separate 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 Company to cease to continue as a going concern.

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

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 to 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 separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.

The engagement partner on the audit resulting in this independent auditor's report is Seung-Hee Lee, Certified Public Accountant.

Seoul, Korea
March 11, 2021

This report is effective as of March 11, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Pan Ocean Co., Ltd.
Separate Statements of Financial Position
December 31, 2020 and 2019

(in thousands of US dollars)

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	4,6,8	\$ 150,792	\$ 171,028
Trade receivables	4,6,7,9	118,317	104,610
Contract assets	36	50,790	55,684
Other receivables	4,6,7,10	17,485	21,010
Derivative financial assets	4,5,6,11	1,286	420
Other financial assets	4,6,12	22,856	24,709
Inventories	13	52,592	56,415
Other assets	14,22	88,650	83,293
		<u>502,768</u>	<u>517,169</u>
Non-current assets			
Other receivables	4,6,7,10	20,098	9,523
Other financial assets	4,5,6,12	8,963	10,022
Investments in subsidiaries	15	93,737	39,261
Investments in associates	15	1,252	1,252
Vessels, property and equipment	16	3,541,819	3,211,552
Intangible assets	17	4,541	4,343
Other assets	14	2,131	2,756
		<u>3,672,541</u>	<u>3,278,709</u>
Total assets		<u>\$ 4,175,309</u>	<u>\$ 3,795,878</u>
Liabilities			
Current liabilities			
Trade payables	4,6	\$ 106,698	\$ 92,113
Borrowings	4,6,18	218,328	371,010
Derivative financial liabilities	4,5,6,11	284	61
Other payables	4,6,19	52,364	41,790
Provisions	20	4,193	3,170
Other liabilities	21	11,437	9,492
Contract liabilities	36	107,381	62,068
Lease liabilities	35	13,605	11,684
		<u>514,290</u>	<u>591,388</u>
Non-current liabilities			
Borrowings	4,6,18	1,062,066	684,076
Derivative financial liabilities	4,5,6,11	1,077	19
Provisions	20	20,560	22,110
Retirement benefit obligations	22	-	2,070
Lease liabilities	35	24,724	19,632
		<u>1,108,427</u>	<u>727,907</u>
Total liabilities		<u>1,622,717</u>	<u>1,319,295</u>
Equity			
Share capital	1,24	480,756	480,755
Capital surplus	24	651,483	651,483
Other reserves	25	1,067,309	1,068,368
Retained earning	26	353,044	275,977
Total equity		<u>2,552,592</u>	<u>2,476,583</u>
Total liabilities and equity		<u>\$ 4,175,309</u>	<u>\$ 3,795,878</u>

The above separate statements of financial position should be read in conjunction with the accompanying notes.

Pan Ocean Co., Ltd.
Separate Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019

(in thousands of US dollars, except per share data)

	Notes	2020	2019
Sales	34	\$ 1,781,420	\$ 1,849,849
Cost of sales	27	(1,549,506)	(1,625,729)
Gross profit		<u>231,914</u>	<u>224,120</u>
Selling and administrative expenses	27	(44,433)	(45,244)
Operating profit	34	<u>187,481</u>	<u>178,876</u>
Finance income	28	16,255	18,951
Finance costs	28	(52,705)	(56,311)
Other non-operating expenses, net	29	(73,921)	(9,683)
Profit before income tax		<u>77,110</u>	<u>131,833</u>
Income tax expense(income)	23	82	(56)
Profit for the year		<u>\$ 77,028</u>	<u>\$ 131,889</u>
Other comprehensive income			
Items that will be subsequently reclassified to profit or loss:			
Changes in the fair value of derivative financial assets and liabilities, net of tax		(1,059)	(18)
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability		<u>39</u>	<u>(821)</u>
		<u>(1,020)</u>	<u>(839)</u>
Total comprehensive income		<u>\$ 76,008</u>	<u>\$ 131,050</u>
Earnings per share			
Basic earnings per share	30	\$ 0.14	\$ 0.25
Diluted earnings per share	30	0.14	0.25

The above separate statements of financial position should be read in conjunction with the accompanying notes.

Pan Ocean Co., Ltd.
Separate Statements of Changes in Equity
Years Ended December 31, 2020 and 2019

<i>(in thousands of US dollars)</i>	Share capital	Capital surplus	Other reserves	Retained Earning	Total Equity
Balance at January 1, 2019	\$ 480,755	\$ 651,483	\$ 1,068,386	\$ 144,909	\$ 2,345,533
Total comprehensive income for the year					
Profit for the year	-	-	-	131,889	131,889
<i>Items that will be subsequently reclassified to profit or loss:</i>					
Change in the fair value of derivative financial assets and liabilities	-	-	(18)	-	(18)
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurements of defined benefit liability	-	-	-	(821)	(821)
Balance at December 31, 2019	<u>\$ 480,755</u>	<u>\$ 651,483</u>	<u>\$ 1,068,368</u>	<u>\$ 275,977</u>	<u>\$ 2,476,583</u>
Balance at January 1, 2020	\$ 480,755	\$ 651,483	\$ 1,068,368	\$ 275,977	\$ 2,476,583
Total comprehensive income for the year					
Profit for the year	-	-	-	77,028	77,028
<i>Items that will be subsequently reclassified to profit or loss:</i>					
Change in the fair value of derivative financial assets and liabilities	-	-	(1,059)	-	(1,059)
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurements of defined benefit liability	-	-	-	39	39
Transactions with owners					
Changes in equity due to debt-to-equity swap	1	-	-	-	1
Balance at December 31, 2020	<u>\$ 480,756</u>	<u>\$ 651,483</u>	<u>\$ 1,067,309</u>	<u>\$ 353,044</u>	<u>\$ 2,552,592</u>

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.

Pan Ocean Co., Ltd.
Separate Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(in thousands of US dollars)

	Notes	2020	2019
Cash flows from operating activities			
Cash generated from operating activities	32	\$ 426,681	\$ 395,329
Interest paid		(38,913)	(56,087)
Income tax refund		(360)	90
Net cash inflow from operating activities		<u>387,408</u>	<u>339,332</u>
Cash flows from investing activities			
Acquisition of vessels, property and equipment		(244,905)	(185,863)
Proceeds from sale of vessels, property and equipment		15,773	234
Acquisition of intangible assets		(683)	(124)
Proceeds from sale of intangible assets		317	1,284
Acquisition of other financial assets		(22,295)	(28,421)
Proceeds from sale of other financial assets		25,749	19,502
Acquisition of investments in subsidiaries share		(56,428)	-
Capital reduction of subsidiaries		1,146	-
Proceeds from government grants		5,599	-
Dividends received		4,312	5,978
Increase in other receivables		(191)	(290)
Decrease in other receivables		1,008	1,379
Interest received		1,519	3,068
Net cash outflow from investing activities		<u>(269,079)</u>	<u>(183,253)</u>
Cash flows from financing activities			
Proceeds from borrowings		232,564	601,401
Repayments of borrowings		(354,104)	(716,643)
Repayments of lease liabilities		(14,129)	(13,856)
Payment of financial prepayments		(4,141)	-
Net cash outflow from financing activities		<u>(139,810)</u>	<u>(129,098)</u>
Effect of exchange rate changes on cash and cash equivalents		1,245	424
Net increase(decrease) in cash and cash equivalents		<u>(20,236)</u>	<u>27,405</u>
Cash and cash equivalents at the beginning of the year		<u>171,028</u>	<u>143,623</u>
Cash and cash equivalents at the end of the year		<u>\$ 150,792</u>	<u>\$ 171,028</u>

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2020 and 2019

1. General Information

Pan Ocean Co., Ltd. (the “Company”) operates marine transportation (mainly bulk carrying) and other related services. The Company was established in the Republic of Korea in May 1966. The Company listed its ordinary shares on the Singapore Exchange Securities Trading Limited (“SGX”) in July 2005 and on the Korea Exchange (“KRX”) in September 2007.

The address of its registered office is Tower 8, 7, Jong-ro 5-gil, Jongno-gu, Seoul, Korea.

The paid-in capital amount as at December 31, 2020 is US\$ 480,756 thousand and the number of shares issued is 534,569,512. As at December 31, 2020, the detail of the shareholders structure is as follows:

	<u>Number of shares</u>	<u>Percentage of ownership (%)</u>
Harim Holdings Co., Ltd. (formerly, Jeil Holdings Co., Ltd.)	292,400,000	54.70%
Other shareholders	<u>242,169,512</u>	<u>45.30%</u>
	<u>534,569,512</u>	<u>100.00%</u>

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The separate financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of financial statements requires the use of critical accounting estimates. Management also need to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020.

- Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments do not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 Business Combination – Definition of a Business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments do not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement and Korean IFRS 1107 Financial Instruments: Disclosure – Interest Rate Benchmark Reform

The amendments allow to apply the exceptions in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the company assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The applying the exceptions will be ended when the uncertainties regarding the timing and amount of cash flows on the basis of interest benchmark reform are no longer exist or the risk hedging relationship ceases. The significant interest benchmark is the LIBOR and the item affected by the amendments is the interest rate swap of Note 11.

(b) New standards and interpretations not yet adopted by the Company

- Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Exemption, Concessions, Suspension

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The Company does not expect that these amendments have a significant

impact on the financial statements.

- Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

- Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The Company does not expect that these amendments have a significant impact on the financial statements.

2.3 Subsidiaries and Shares in Investees accounted for using Equity Method

These separate financial statements are prepared and presented in accordance in accordance with Korean IFRS 1027 *Separate Financial Statements*. The Company applied the cost method to investments in subsidiaries and associates in accordance with Korean IFRS 1027. Dividends from a subsidiaries or associates are recognized in profit or loss when the right to receive the dividend is established.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which each entity operates (the 'functional currency'). The separate financial statements are presented in US dollar, which is the functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'other income or other expenses'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

(c) Translation to the presentation currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency by applying the below exchange rates. The translation differences are recognized as other comprehensive income (loss):

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.
- income and expenses for each statement of comprehensive income are translated at average exchange rates for the reporting period.
- equity is translated at the historical exchange rate.

2.5 Financial Assets

(a) Classification

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

- those to be measured subsequently through profit or loss
- those to be measured subsequently at fair value through other comprehensive income
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of comprehensive income within 'finance income or costs' in the year in which it arises.

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income or costs' in the statement of comprehensive income as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Company assesses expected credit losses on debt instruments carried at amortized cost and fair value through other comprehensive income based on forward-looking information. The impairment methodology applied depends on whether there has been a significant increase in credit risk. However, for trade receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classified the financial liability as 'borrowings and other liabilities' in the statement of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the separate statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability

simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of comprehensive income within 'other non-operating income (expenses)' or 'finance income (costs)' based on the nature of transactions.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has hedge relationships and designates certain derivatives as:

- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 5. Movements in the cash flow hedge reserve are shown in Note 11.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. A non-derivative financial asset and a non-derivative financial liability is classified as a current or non-current based on its expected maturity and its settlement, respectively.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the future expected cash flows of the hedged item) from the inception of the hedge. The ineffective portion is recognized in 'other non-operating income (expenses)'.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognized in profit or loss within 'finance cost' at the same time as the interest expense on the hedged borrowings.

2.7 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

2.8 Inventories

Inventories mainly comprise fuel and spare parts. The cost of inventories is based on the gross average cost formula, and includes expenditures for acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

The book amount of inventories is recognized as cost of goods sold when profits are recognized with the consumption of inventories. Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as cost of sales in the period in which the reversal occurs.

2.9 Non-current Assets (or Disposal Group) Held-for-sale

Non-current assets (or disposal group) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are measured at the lower amount between their book amount and the fair value less costs to sell.

2.10 Vessels, Property and Equipment

Vessels, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation of all vessels, property and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	<u>Useful lives(Years)</u>
Buildings and structures	50
Vessels	17 ~ 25
Vehicles	5
Others	2.5 ~ 10

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.11 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.12 Intangible Assets

Intangible assets are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Software development costs that are directly attributable to internally generated by the Company are recognized when the criteria; such as, technically feasible, generate probable future economic benefits and other, are met. Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Company amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	<u>Useful lives(Years)</u>
Development costs	5
Other intangible assets	5

2.13 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.14 Impairment of Non-financial Assets

Goodwill or intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Financial Liabilities

(a) Classification and measurement

The Company's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'trade payables', 'borrowings', and 'other financial liabilities' in the separate statement of financial position.

Preferred shares that require mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares calculated using the effective interest method are recognized in the separate statement of comprehensive income as 'finance costs', together with interest expenses recognized on other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.16 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period.

2.17 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

2.18 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Company recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Company recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis

2.19 Employee Benefits

Most of employees and directors are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their periods of service and salary levels at the time of termination. The Company operates defined benefit plans for employees who works at sea and operates defined contribution plans for employees work at ground. In addition, the Company contributes a certain portion of severance benefits to the National Pension Service according to the National Pension Law.

(a) Short-term employee benefits

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at undiscounted amount.

(b) Post-employment benefits

The Company operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Company pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Company has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

2.20 Revenue Recognition

(a) Identify performance obligation

With the implementation of Korean IFRS 1115, the Company identifies performance obligations from contract with a customer. The timing of revenue recognition depends on a performance obligation is satisfied at a point in time or over time.

(b) A performance obligation is satisfied over time

With the implementation of Korean IFRS 1115, the Company recognizes revenue as performance obligation is satisfied and the recognized revenue amount is allocated transaction price for the satisfied performance obligation. For performance obligations satisfied over time, the Company recognizes revenue over time by selecting an appropriate method for measuring the Company's progress towards complete satisfaction of that performance obligation.

(c) Variable consideration

In addition to the freight charge from contracts with customers, there may be a discount charge (dispatch money) to be paid to the shippers for early loading / unloading of cargoes or late fee (demurrage) to be paid to the shipping companies for delay of loading / unloading of cargoes. Accordingly, consideration from customers can be vary. With implementation of Korean IFRS 1115, the Company estimates an amount of variable consideration by using the expected value which the

Company expects to better predict the amount of consideration. The Company recognize revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed.

(d) Incremental costs of obtaining a contract

With implementation of Korean IFRS 1115, the Company recognizes as an asset the incremental costs of obtaining a contract with a customer of the Company and costs that are recognized as assets are amortized over the period that the related goods or services transfer to the customer.

2.21 Leases

(a) Lessor

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Lessee

The Company leases various vessels, offices, equipment and cars. Lease contracts are typically made for fixed periods, but may have extension options as described in below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is lessee, the Company applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The Company determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Company should consider a termination penalty in determining the period for which the contract is enforceable.

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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 payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Company uses that rate as a starting point to determine the incremental borrowing rate.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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.

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

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. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company elected not to apply the revaluation model to the right-of-use assets held by the Company.

Payments associated with short-term leases and leases of low-value assets are recognized 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 without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

(c) Extension and termination options

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

2.22 Debt-to-equity Swap and Debt Restructuring

When the Company issues equity securities to creditors to repay the debts (debt-to-equity swap), the difference between the book amount of debts and the fair value of the securities is recorded as gain or loss from debt restructuring. In case the Company agreed with creditors to be converted into capital, but not implemented immediately, the Company accounted for the restructured debts as other capital.

2.23 Operating Segments

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 34). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Company has four operating segments consist of bulk carrier service, container service, tanker service and other shipping services as described in note 34. Each operating segment is a strategic business unit. The strategic business units offer different shipping services, and are managed separately because they require different technology and marketing strategies.

Operating segments reported to the Company's chief operating decision maker include items direct attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets primarily the Company's headquarters, head office expenses, and income tax assets and liabilities.

2.24 Approval of Issuance of the Financial Statements

The financial statements 2020 of the Company were approved for issue by the Board of Directors on February 10, 2021 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

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. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

(a) Impairment of assets

The Company periodically determines whether there is any indication that the Company's major assets may be impaired and assesses whether there is any impairment incurred if there is any indication that an assets may be impaired. The Company determines by applying both external sources of information and internal sources of information at the end of each reporting period for assessment of indication that an asset may be impaired and calculation the amounts of impairment (Note 16).

(b) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 22).

4. Financial Risk Management

4.1 Financial Risk Factors

4.1.1 Market risk

(1) Foreign exchange risk

The Company's revenue and expenses are denominated primarily in U.S. dollars, the functional currency. The Company's foreign exchange risks mainly comprise:

- transaction risks which arise from day-to-day requirements to pay and/or receive currencies other than U.S. dollars
- foreign exchange exposures arising from repayment obligations or borrowings which are denominated in currencies other than U.S. dollars.

A vast majority of the Company's sales and operating expenses are denominated in U.S. dollars. The Company's vessels are principally chartered in or purchased in U.S. dollars, including those vessels acquired under the terms of lease financing agreements or other similar agreements. Moreover, since the market value of the vessels is denominated in U.S. dollars, the dollar exposure related to the financing of vessels is considered an effective hedge.

The Company does not actively use foreign exchange derivative instruments as a means of hedging transaction risks. The risk is reduced through matching, as far as possible, receipts and payments in each individual currency. The Company holds bank deposits, beneficiary certificates and borrowings denominated in Korean won that are short-term in nature, therefore, foreign exchange risk of these assets and liabilities may not be material.

Gain and loss on foreign currency translations and transactions as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Gains (losses) on foreign currency translations	\$ (8,541)	\$ 1,194
Gains (losses) on foreign currency transactions	2,135	(2,260)

The Company is primarily exposed to exchange risk in relation to currencies other than USD.

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Exposures to exchange risk in relation to currencies other than USD as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 27,009	\$ 35,821
Trade receivables	9,048	8,072
Other receivables	1,760	1,869
Trade payables	(23,717)	(14,579)
Other non-trade payables	(7,401)	(7,617)
Long-term borrowings	(61,121)	(66,074)
Bonds	(91,912)	(103,645)
Vessel borrowings	(18,314)	(16,169)
Other	29,311	34,152
	<u>\$ (135,337)</u>	<u>\$ (128,170)</u>

The effect of a 10% increase or decrease in exchange rates on profit before tax as at December 31, 2020 and 2019, is as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
KRW / US dollars		
10% increase	\$ 12,303	\$ 11,607
10% decrease	(15,038)	(14,286)

(2) Price risk

The Company is exposed to charter contract price risk arising from various market conditions. The Company enters into forward freight agreements (FFAs) to hedge, in whole and in part, the exposure to changes in fair values and cash flows of long-term chartered-in vessels as a result of market fluctuations with respect to freight spot contract rates derived in utilizing these vessels. The Company matches forward freight agreements and long-term charter contracts to effectively hedge risks. Generally, the Company enters into charter contract according to BDI (Baltic Dry Index) or other similar index.

The Company is exposed to fuel oil purchase price risk arising from various market conditions. The Company enters into commodity swap/options contracts to hedge, in whole and in part, the exposure to changes in fair values and cash flows of relevant fuel oil contracts as a result of market fluctuations. In order to retain hedge effectiveness, the Company matches commodity swap contracts with the fuel oil contracts. Generally, the underlying agreement pursuant to which the Company charters vessels will be based on WTI or a similar index.

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The Company will then attempt to match FFAs and commodity swap contracts that the Company has entered into with a third party, which is usually another shipping company, a shipper or a financial institution, with such charter-in agreement in terms of the duration and index in order to hedge against any market fluctuations in freight spot contract rates and fuel oil purchase prices, and “lock in” a profit margin. In order to reduce counterparty risk, all the relevant agreements require periodic cash settlement, depending on the movement of the relevant index. The Company limits the counterparties for such transactions to long-time market participants. Most of forward freight agreements have terms of between three to twelve months.

(3) Interest risk

Interest rate risk is defined as the risk that the interest expenses arising from borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises on floating rate borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty in interest rates fluctuations and interest expense.

Book amounts of interest-bearing financial liabilities held by the Company for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Financial liabilities with fixed interest rate	\$ 155,400	\$ 166,231
Financial liabilities with floating interest rate	<u>1,124,994</u>	<u>888,855</u>
	<u>\$ 1,280,394</u>	<u>\$ 1,055,086</u>

The Company does not recognize financial instruments with fixed interest rate as financial instruments at fair value through profit or loss, and does not designate derivatives such as interest rate swap as hedge instrument of fair value hedge accounting. Therefore, changes in interest rates do not affect profit or loss.

The effect of a 0.5%P increase (decrease) in interest rates would have resulted in a decrease (increase) in profit before tax as at December 31, 2020 and 2019, as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Interest rate 0.5%P increase	\$ (4,557)	\$ (3,082)
0.5%P decrease	4,557	3,082

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4.1.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Outstanding balances of financial assets which represent maximum exposures of credit risk as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Non-current		
Other receivables	\$ 20,098	\$ 9,523
Other financial assets	<u>5,352</u>	<u>6,411</u>
	<u>25,450</u>	<u>15,934</u>
Current		
Cash and cash equivalent ¹	148,284	168,881
Trade receivables	118,317	104,610
Other receivables	10,912	18,285
Derivative financial assets	1,286	420
Other financial assets	<u>22,856</u>	<u>24,709</u>
	<u>301,655</u>	<u>316,905</u>
	<u>\$ 327,105</u>	<u>\$ 332,839</u>

¹ Excludes 'cash on hand'.

The Company requests for collaterals or additional credit based on the credit of the counterparty.

4.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's treasury department aims to maintain flexibility in funding by keeping committed credit lines available.

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The table below analyses the Company's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances as the impact of discounting is not significant.

(in thousands of US dollars)

	2020				
	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Borrowings ¹	\$ 243,377	\$ 312,232	\$ 327,695	\$ 497,470	\$ 1,380,774
Derivative financial liabilities	284	668	285	124	1,361
Trade payables	106,698	-	-	-	106,698
Other payables	51,297	-	-	-	51,297
Financial guarantee contracts	125,000	-	-	-	125,000
Lease liabilities ²	14,971	10,583	13,211	2,541	41,306
	<u>\$ 541,627</u>	<u>\$ 323,483</u>	<u>\$ 341,191</u>	<u>\$ 500,135</u>	<u>\$ 1,706,436</u>

(in thousands of US dollars)

	2019				
	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Borrowings ¹	\$ 404,344	\$ 169,476	\$ 337,062	\$ 238,650	\$ 1,149,532
Derivative financial liabilities	61	19	-	-	80
Trade payables	92,113	-	-	-	92,113
Other payables	40,921	-	-	-	40,921
Financial guarantee contracts	31,218	-	-	-	31,218
Lease liabilities	12,949	6,575	11,906	3,131	34,561
	<u>\$ 581,606</u>	<u>\$ 176,070</u>	<u>\$ 348,968</u>	<u>\$ 241,781</u>	<u>\$ 1,348,425</u>

¹ Borrowings includes \$ 100,381 thousand and \$ 94,446 thousand of finance costs as at December 31, 2020 and 2019, respectively.

² Lease liabilities include \$ 2,977 thousand of finance costs as at December 31, 2020.

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The nominal cash flow and present value related to vessel borrowings are as follows:

(in thousands of US dollars)

	2020				
	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Total payment	\$ 174,940	\$ 193,442	\$ 305,689	\$ 494,362	\$ 1,168,433
Interest expenses	20,869	17,078	24,068	31,778	93,793
Present value	154,071	176,364	281,621	462,584	1,074,640

(in thousands of US dollars)

	2019				
	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Total payment	\$ 332,918	\$ 121,499	\$ 234,374	\$ 238,651	\$ 927,442
Interest expenses	28,226	17,587	23,068	15,817	84,698
Present value	304,692	103,912	211,306	222,834	842,744

4.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company 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 total borrowings (including 'short and long-term borrowings' as shown in the separate statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the separate statement of financial position plus net debt.

The gearing ratios as at December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020	2019
Total borrowings	\$ 1,280,394	\$ 1,055,086
Less: cash and cash equivalents	(150,792)	(171,028)
Net debt (A)	1,129,602	884,058
Total equity (B)	2,552,592	2,476,583
Total capital (C = A + B)	\$ 3,682,194	\$ 3,360,641
Gearing ratio (A / C)	31%	26%

5. Fair Value of Financial Assets and Liabilities

5.1 Fair value of Financial Instruments by Category

There are no significant changes in the business and economic environment that affect the fair value of the Company's financial assets and liabilities in 2020. Financial instruments whose carrying amount is a reasonable approximation of fair value are excluded from fair value disclosures.

Carrying amount and the fair value of financial assets as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Current				
Derivative financial assets	\$ 1,286	\$ 1,286	\$ 420	\$ 420
Financial assets at fair value through profit or loss	26	26	807	807
	<u>\$ 1,312</u>	<u>\$ 1,312</u>	<u>\$ 1,227</u>	<u>\$ 1,227</u>

Carrying amount and the fair value of financial liabilities as at December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of US dollars)</i>	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current				
Derivatives financial liabilities	\$ 1,077	\$ 1,077	\$ 19	\$ 19
Current				
Derivatives financial liabilities	284	284	61	61
	<u>\$ 1,361</u>	<u>\$ 1,361</u>	<u>\$ 80</u>	<u>\$ 80</u>

¹ Financial liabilities whose carrying amount is a reasonable approximation of fair value are excluded from fair value disclosures.

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5.2 Fair value Hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

- Quoted prices in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Current				
Financial assets at fair value through profit or loss	-	26	-	26
Derivatives financial assets	-	1,286	-	1,286
	\$	\$	\$	\$
	-	1,312	-	1,312
Financial liabilities				
Non-current				
Derivatives financial liabilities	\$ -	\$ 1,077	\$ -	\$ 1,077
Current				
Derivatives financial liabilities	-	284	-	284
	\$	\$	\$	\$
	-	1,361	-	1,361
<i>(in thousands of US dollars)</i>	2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Current				
Financial assets at fair value through profit or loss	-	807	-	807
Derivatives financial assets	-	420	-	420
	\$	\$	\$	\$
	-	1,247	-	1,247
Financial liabilities				
Non-current				
Derivatives financial liabilities	\$ -	\$ 19	\$ -	\$ 19
Current				
Derivatives financial liabilities	-	61	-	61
	\$	\$	\$	\$
	-	80	-	80

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5.3 Valuation Technique and the Inputs

Valuation techniques and inputs used in the fair value of assets and liabilities categorized within Level 2 of the fair value hierarchy as at December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	Fair value		Valuation techniques	Inputs
	2020	2019		
Assets				
Financial assets at fair value through profit or loss (current)	\$ 26	\$ 807	Market comparison technique (Carbon Fund)	Adjusted market price of underlying asset
Derivatives financial assets (current)	1,286	420	Market comparison technique (FFA / Bunker Swap)	Adjusted market price of underlying asset
Liabilities				
Derivatives financial liabilities (current)	284	61	Market comparison technique (FFA / Bunker Swap)	Adjusted market price of underlying asset
Derivatives financial liabilities (non-current)	1,077	19	Market comparison technique (Interest-rate Swap)	Interest rate of 3 month USD Libor

6. Financial Instrument by Category

(1) Categorizations of financial assets as at December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
Non-current				
Other receivables	\$ -	\$ -	\$ 20,098	\$ 20,098
Other financial assets	-	3,611	5,352	8,963
	-	3,611	25,450	29,061
Current				
Cash and cash equivalents	-	-	150,792	150,792
Trade receivables	-	-	118,317	118,317
Other receivables	-	-	10,912	10,912
Derivatives financial assets	1,286	-	-	1,286
Other financial assets	26	-	22,830	22,856

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(in thousands of US dollars)

2020			
Financial assets at fair value			
Financial assets at fair value through profit or loss	Financial assets through other comprehensive income	Financial assets at amortized cost	Total
1,312	-	302,851	304,163
\$ 1,312	\$ 3,611	\$ 328,301	\$ 333,224

(in thousands of US dollars)

2019			
Financial assets at fair value			
Financial assets at fair value through profit or loss	Financial assets through other comprehensive income	Financial assets at amortized cost	Total
Non-current			
Other receivables	-	9,523	9,523
Other financial assets	3,611	6,411	10,022
-	3,611	15,934	19,545
Current			
Cash and cash equivalents	-	171,028	171,028
Trade receivables	-	104,610	104,610
Other receivables	-	18,285	18,285
Derivatives financial assets	420	-	420
Other financial assets	807	23,902	24,709
1,227	-	317,825	319,052
\$ 1,227	\$ 3,611	\$ 333,759	\$ 338,597

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Categorizations of financial liabilities as at December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities ¹	Total
Non-current				
Borrowings	\$ -	\$ 1,062,066	\$ -	\$ 1,062,066
Derivatives financial liabilities	-	-	1,077	1,077
	-	1,062,066	1,077	1,063,143
Current				
Borrowings	-	218,328	-	218,328
Derivatives financial liabilities	284	-	-	284
Trade payables	-	106,698	-	106,698
Other payables	-	51,297	-	51,297
	284	376,323	-	376,607
	\$ 284	\$ 1,438,389	\$ 1,077	\$ 1,439,750

¹ It includes derivatives financial liabilities in hedging instruments with not applying categorizations of financial liabilities.

(in thousands of US dollars)

	2019			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities	Total
Non-current				
Borrowings	\$ -	\$ 684,076	\$ -	\$ 684,076
Derivatives financial liabilities	-	-	19	19
	-	684,076	19	684,095
Current				
Borrowings	-	371,010	-	371,010
Derivatives financial liabilities	61	-	-	61
Trade payables	-	92,113	-	92,113
Other payables	-	40,921	-	40,921
	61	504,044	-	504,105
	\$ 61	\$ 1,188,120	\$ 19	\$ 1,188,120

¹ It includes derivatives financial liabilities in hedging instruments with not applying categorizations of financial liabilities.

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7. Credit Quality of Financial Assets

(1) Trade receivables and other receivables

The aging analysis of trade and other receivables, and the provision for impaired receivable as at December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020		2019	
	Gross amount	Provision for impairment	Gross amount	Provision for impairment
Trade receivables:				
Not past due	\$ 113,134	\$ (22)	\$ 97,242	\$ (363)
Up to 3 months	4,042	(4)	4,827	(145)
3 to 6 months	145	(1)	1,438	(3)
Over 6 months	23,023	(22,000)	27,120	(25,506)
	\$ 140,344	\$ (22,027)	\$ 130,627	\$ (26,017)
Other receivables and others				
Not past due	\$ 67,934	\$ (16,383)	\$ 72,446	\$ (18,426)
Up to 3 months	1,036	(193)	944	(42)
3 to 6 months	329	(19)	589	(28)
Over 6 months	23,136	(22,135)	22,710	(21,863)
	92,434	(38,730)	96,689	(40,359)
	\$ 232,778	\$ (60,757)	\$ 227,316	\$ (66,376)

Movements in provision for impairment of trade and other receivables for the periods ended December 31, 2020 and 2019 are as follows:

(in thousands of US dollars)

	2020	2019
Trade receivables		
Beginning balance	\$ 26,017	\$ 23,387
Provision for impaired receivables during the year	268	2,630
Write-offs and others	(4,258)	-
Ending balance	\$ 22,027	\$ 26,017
Other receivables and others		
Beginning balance	\$ 40,358	\$ 40,250
Provision for impaired receivables during the year (reversal)	(1,629)	108
Ending balance	\$ 38,730	\$ 40,358

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Trade and other receivables neither past due nor impaired relate to a number of independent customers who have no recent history of default. The aging analysis of receivables past due but not impaired as at December 31, 2020 and 2019, is as follows:

<i>(in thousands of US dollars)</i>	2020					Total
	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 2 years	More than 2 years	
Trade receivables	\$ 4,038	\$ 145	\$ 774	\$ 184	\$ 65	\$ 5,206
Other receivables and others	843	310	442	145	414	2,154
	<u>\$ 4,881</u>	<u>\$ 455</u>	<u>\$ 1,216</u>	<u>\$ 329</u>	<u>\$ 479</u>	<u>\$ 7,360</u>

<i>(in thousands of US dollars)</i>	2019					Total
	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 2 years	More than 2 years	
Trade receivables	\$ 4,682	\$ 1,435	\$ 561	\$ 438	\$ 615	\$ 7,731
Other receivables and others	903	561	292	211	343	2,310
	<u>\$ 5,585</u>	<u>\$ 1,996</u>	<u>\$ 853</u>	<u>\$ 649</u>	<u>\$ 958</u>	<u>\$ 10,041</u>

(2) Other financial assets

The Company limits its exposure to credit risk by operating funds only in short-term deposit and only with counterparties that have high credit ratings such as Korea Development Bank.

8. Cash and Cash Equivalents

Details of cash and cash equivalents as at December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of US dollars)</i>	2020	2019
Cash on hand	\$ 2,508	\$ 2,147
Deposits and others	148,284	168,881
	<u>\$ 150,792</u>	<u>\$ 171,028</u>

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9. Trade Receivables

Trade receivables as at December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Current :		
Trade receivables	\$ 140,344	\$ 130,627
Less: provision for impairment	<u>(22,027)</u>	<u>(26,017)</u>
	<u>\$ 118,317</u>	<u>\$ 104,610</u>

10. Other Receivables

Details of other receivables as at December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Non-current :		
Loan	\$ 25,493	\$ 404
Less: provision for impairment	(16,342)	-
Other receivable	758	971
Deposit provided	<u>10,189</u>	<u>8,148</u>
	<u>20,098</u>	<u>9,523</u>
Current :		
Loan	28	22,020
Less: provision for impairment	-	(16,578)
Prepayment	17,696	14,952
Less: provision for impairment	(2,215)	(1,751)
Other receivable	5,011	5,415
Less: provision for impairment	<u>(3,035)</u>	<u>(3,048)</u>
	<u>17,485</u>	<u>21,010</u>
	<u>\$ 37,583</u>	<u>\$ 30,533</u>

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11. Derivative Financial Assets and Liabilities

(1) Derivative financial assets and liabilities as at December 31, 2020 and 2019, are summarized as follows:

(in thousands of US dollars)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Interest rate swap	\$ -	\$ 1,077	\$ -	\$ 19
	-	1,077	-	19
Current				
Forward freight agreement	25	52	244	37
Bunker swap/option	1,261	232	176	24
	1,286	284	420	61
	\$ 1,286	\$ 1,361	\$ 420	\$ 80

(2) Gains and losses on valuation and transaction of derivative financial assets and liabilities for the years ended December 31, 2020 and 2019, are summarized as follows:

(in thousands of US dollars)

	2020		2019	
	Gains (losses) on transaction	Gains (losses) on valuation	Gains (losses) on transaction	Gains (losses) on valuation
Forward freight agreement	\$ (441)	\$ (27)	\$ (377)	\$ 207
Interest rate swap	-	(1,059)	-	(18)
Bunker swap/option	(1,240)	1,029	2,520	152
	\$ (1,681)	\$ (56)	\$ 2,143	\$ 341
Other non-operating income(expenses)	\$ (1,681)	\$ 1,002	\$ 2,143	\$ 359
Other comprehensive income	-	(1,059)	-	(18)

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12. Other Financial Assets

(1) Details of other financial assets by categories as at December 31, 2020 and 2019, are follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Financial assets at amortized cost:		
Deposit and others ¹	\$ 28,183	\$ 30,313
Financial assets at fair value through profit or loss:		
Beneficiary certificates	26	807
Financial assets at fair value through other comprehensive income :		
Unlisted shares	3,610	3,611
Total :	<u>\$ 31,819</u>	<u>\$ 34,731</u>
Non-current	\$ 8,963	\$ 10,022
Current	22,856	24,709

¹ As at December 31, 2020, financial assets amounting to \$ 9,702 thousand (2019: \$ 8,374 thousand) are restricted in use due to an escrow for cash reimbursement according to the amended reorganization plan (Note 31).

(2) Changes in unlisted stocks and beneficiary certificates, etc. for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 4,418	\$ 9,425
Disposal	(785)	(5,007)
Losses on valuation, net	3	-
Ending balance	<u>\$ 3,636</u>	<u>\$ 4,418</u>

13. Inventories

Inventories as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Fuel	\$ 37,815	\$ 43,742
Spare parts and others	14,777	12,673
	<u>\$ 52,592</u>	<u>\$ 56,415</u>

The cost of inventories included in cost of sales as expenses during the year is \$ 436,329 thousand (2019: \$ 482,563 thousand).

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14. Other Assets

Details of other assets as at December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Non-current :		
Retirement benefit assets	\$ 971	\$ -
Reimbursement receivables	1,160	2,756
	<u>2,131</u>	<u>2,756</u>
Current :		
Prepayments	33,261	44,778
Less: provision for impairment	(17,138)	(18,981)
Prepaid expenses	71,795	56,853
Prepaid income tax	660	362
Accrued income	72	281
	<u>88,650</u>	<u>83,293</u>
	<u>\$ 90,781</u>	<u>\$ 86,049</u>

15. Investments in Subsidiaries, Associates

(1) Details of subsidiaries, associates as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>		<u>2020</u>				
	<u>Name of entity</u>	<u>Country</u>	<u>Interest held</u>	<u>Date of financial statements</u>	<u>Main business</u>	<u>Book amount</u>
Subsidiaries	Pan Ocean (America) Inc ¹	USA	100%	December 31, 2020	Grain Trading	\$ 62,776
	Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	100%	December 31, 2020	Shipping	5,092
	Pan Ocean(China) Co., Ltd.	China	100%	December 31, 2020	Shipping	15,000
	Pan Ocean Japan Corporation	Japan	100%	December 31, 2020	Shipping	6,954
	Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	100%	December 31, 2020	Shipping	547
	POS SM Co., Ltd.	Korea	100%	December 31, 2020	Ship Management	3,368
	Associates	Korea LNG Trading Co., Ltd. ¹	Korea	18%	December 31, 2020	Shipping
Busan Cross Dock, Ltd.		Korea	20%	December 31, 2020	Warehousing	791
						<u>\$ 94,989</u>

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¹ Although the Company holds less than 20% interest, the Company has significant influence as the Company's management participates as a member of the investee's Board of Directors.

(in thousands of US dollars)

		2019				
	Name of entity	Country	Interest held	Date of financial statements	Main business	Book amount
Subsidiaries	Pan Ocean (America) Inc. ¹	USA	34%	December 31, 2019	Grain Trading	\$ 6,347
	Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	100%	December 31, 2019	Shipping	5,092
	Pan Ocean(China) Co., Ltd.	China	100%	December 31, 2019	Shipping	15,000
	STX Pan Ocean(U.K.) Co., Ltd.	U.K.	100%	December 31, 2019	Shipping	-
	Pan Ocean Japan Corporation	Japan	100%	December 31, 2019	Shipping	6,954
	Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	100%	December 31, 2019	Shipping	2,500
	POS SM Co., Ltd.	Korea	100%	December 31, 2019	Ship Management	3,368
Associates	Korea LNG Trading Co., Ltd. ²	Korea	18%	December 31, 2019	Shipping	461
	Busan Cross Dock, Ltd.	Korea	20%	December 31, 2019	Warehousing	791
						<u>\$ 40,513</u>

¹ Although the Company owns less than half of the entity's share and voting power, management has determined that the Company controls the entity by virtue of an agreement with its other shareholders.

² Although the Company holds less than 20% interest, the Company has significant influence as the Company's management participates as a member of the investee's Board of Directors.

(2) Changes in investments subsidiaries and associates for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020		
	Subsidiaries	Associates	Total
Beginning balance	\$ 39,261	\$ 1,252	\$ 40,513
Additions	56,428	-	56,428
Capital reduction	(1,952)	-	(1,952)
Ending balance	<u>\$ 93,737</u>	<u>\$ 1,252</u>	<u>\$ 94,989</u>

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<i>(in thousands of US dollars)</i>	2019		
	Subsidiaries	Associates	Total
Beginning balance	\$ 41,158	\$ 1,252	\$ 42,410
Impairment	(1,897)	-	(1,897)
Ending balance	<u>\$ 39,261</u>	<u>\$ 1,252</u>	<u>\$ 40,513</u>

16. Vessels, Property and Equipment

(1) Changes in vessels, property and equipment for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	2020						
	Vessels	Land	Buildings	Vehicles	Tools, furniture & fixture	Construction in progress	Total
Opening net book amount	\$ 2,954,107	\$ 9	\$ 6,531	\$ 47	\$ 4,127	\$ 216,821	\$ 3,181,642
Additions	49,818	-	-	-	179	534,762	584,759
Disposal	(21,959)	-	-	-	-	-	(21,959)
Depreciation	(174,058)	-	(165)	(14)	(975)	-	(175,212)
Government grants	98	-	-	-	-	-	98
Account change	606,119	-	-	-	-	(606,119)	-
Impairment loss on vessels, property and equipment ¹	(64,818)	-	-	-	-	-	(64,818)
Closing net book amount	<u>\$ 3,349,307</u>	<u>\$ 9</u>	<u>\$ 6,366</u>	<u>\$ 33</u>	<u>\$ 3,331</u>	<u>\$ 145,464</u>	<u>\$ 3,504,510</u>

<i>(in thousands of US dollars)</i>	2020				
	Lease vessels	Lease container van	Lease buildings	Lease vehicles	Total
Opening net book amount	\$ 19,633	\$ 8,715	\$ 1,368	\$ 193	\$ 29,909
Additions	10,408	1,352	9,615	209	21,584
Disposal	-	-	-	(39)	(39)
Depreciation	(10,305)	(2,315)	(1,368)	(157)	(14,145)
Closing net book amount	<u>\$ 19,736</u>	<u>\$ 7,752</u>	<u>\$ 9,615</u>	<u>\$ 206</u>	<u>\$ 37,309</u>

¹ Due to the decrease in shipping industry market trends, the Company has performed the impairment test for 12 vessels in bulker segment, of which 10 vessels recognized the impairment loss of \$ 58,957 thousand. The recoverable amount of the vessels is calculated on a basis of the value in use and impairment losses are recognized as other non-operating expenses. Discount rate for calculation of value in use is 7.75%. The impairment loss from changes in discount rate is as follows.

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(in thousands of US dollars)

Category	Change	Discount rate	Amount
Impairment losses	10% increase	8.53%	\$ 73,088
	10% decrease	6.98%	44,003

Additionally, 1 vessel held for sale recognized impairment loss amounting to \$5,861 thousands on the basis of net fair value and the vessel was sold during the period ended December 31, 2020.

(in thousands of US dollars)

2019

	2019						
	Vessels	Land	Buildings	Vehicles	Tools, furniture & fixture	Construction in progress	Total
Opening net book amount	\$ 2,824,155	\$ 6	\$ 6,253	\$ 62	\$ 10,195	\$ 152,623	\$ 2,993,294
Additions	20,394	3	435	-	85	336,597	357,514
Disposal	(902)	-	-	-	-	-	(902)
Depreciation	(154,930)	-	(157)	(15)	(1,014)	-	(156,116)
Government grants ¹	(2,424)	-	-	-	-	-	(2,424)
Account change	272,059	-	-	-	(5,138)	(272,059)	(5,138)
Impairment loss on vessels, property and equipment	(4,244)	-	-	-	-	-	(4,244)
Others	-	-	-	-	-	(341)	(341)
Closing net book amount	<u>\$ 2,954,108</u>	<u>\$ 9</u>	<u>\$ 6,531</u>	<u>\$ 47</u>	<u>\$ 4,128</u>	<u>\$ 216,820</u>	<u>\$ 3,181,643</u>

¹ In 2018, the Company received 2.76 billion won in state subsidies from the Korea Ocean Business Corporation as a candidate to support the conversion of eco-friendly ships, and the Company recognized the subsidies as a deduction for the carrying amount of the acquired vessels during 2019.

(in thousands of US dollars)

2019

	2019				Total
	Lease vessels	Lease container van	Lease buildings	Lease vehicles	
Opening net book amount	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	30,526	5,809	2,737	353	39,425
Disposal	-	-	-	-	-
Depreciation	(10,893)	(2,233)	(1,368)	(160)	(14,654)
Account change	-	5,138	-	-	5,138
Closing net book amount	<u>\$ 19,633</u>	<u>\$ 8,714</u>	<u>\$ 1,369</u>	<u>\$ 193</u>	<u>\$ 29,909</u>

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(2) The acquisition costs, accumulated depreciation and accumulated impairment losses for each item of vessels, property and equipment as at December 31, 2020 and 2019, are as follows:

2020				
<i>(in thousands of US dollars)</i>	Cost	Accumulated depreciation	Accumulated impairment losses	Government grants
Vessels	\$ 5,072,942	\$ (1,295,336)	\$ (425,971)	\$ (2,327)
Land	9	-	-	-
Buildings	13,518	(2,540)	(4,612)	-
Vehicles	96	(63)	-	-
Tools, furniture & fixture	33,089	(29,758)	-	-
Construction-in-progress	145,464	-	-	-
Lease vessels	35,564	(15,828)	-	-
Lease container van	12,636	(4,885)	-	-
Lease buildings	12,351	(2,737)	-	-
Lease vehicles	362	(156)	-	-
	<u>\$ 5,326,032</u>	<u>\$ (1,351,302)</u>	<u>\$ (430,583)</u>	<u>\$ (2,327)</u>
2019				
<i>(in thousands of US dollars)</i>	Cost	Accumulated depreciation	Accumulated impairment losses	Government grants
Vessels	\$ 4,507,363	\$ (1,171,698)	\$ (379,133)	\$ (2,424)
Land	9	-	-	-
Buildings	13,518	(2,375)	(4,612)	-
Vehicles	96	(49)	-	-
Tools, furniture & fixture	34,117	(29,989)	-	-
Construction-in-progress	216,820	-	-	-
Lease vessels	30,526	(10,893)	-	-
Lease container van	11,284	(2,570)	-	-
Lease buildings	2,737	(1,368)	-	-
Lease vehicles	353	(160)	-	-
	<u>\$ 4,816,823</u>	<u>\$ (1,219,102)</u>	<u>\$ (383,745)</u>	<u>\$ (2,424)</u>

(3) Amount of borrowing costs capitalized for the years ended December 31, 2020 and 2019, were \$ 4,098 thousand and \$ 7,558 thousand, respectively, and the capitalization rates used to determine the amount of borrowing costs eligible for capitalization for the years ended December 31, 2020 and 2019, were 2.26% and 3.80%, respectively.

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17. Intangible Assets

(1) Intangible assets as at December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of US dollars)</i>	2020	2019
Development costs	\$ 425	\$ 535
Club membership	4,053	3,808
Other intangible assets	63	-
	\$ 4,541	\$ 4,343

(2) Changes in intangible assets for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	2020			
	Development costs	Club membership	Other intangible assets	Total
Beginning balance	\$ 535	\$ 3,808	\$ -	\$ 4,343
Additions	30	587	66	683
Disposals	-	(342)	-	(342)
Amortization	(140)	-	(3)	(143)
Ending Balance	\$ 425	\$ 4,053	\$ 63	\$ 4,541

<i>(in thousands of US dollars)</i>	2019		
	Development costs	Club membership	Total
Beginning balance	\$ 223	\$ 4,110	\$ 4,333
Additions	464	-	464
Disposals	-	(1,340)	(1,340)
Amortization	(152)	-	(152)
Reversal of impairment	-	1,038	1,038
Ending Balance	\$ 535	\$ 3,808	\$ 4,343

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(3) The details of intangible assets as at December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020			
	Development costs	Club membership	Other intangible assets	Total
Acquisition cost	\$ 1,388	\$ 5,561	\$ 66	\$ 7,015
Accumulated amortization	(963)	-	(3)	(966)
Accumulated impairment loss	-	(1,508)	-	(1,508)
Net book amount	<u>\$ 425</u>	<u>\$ 4,053</u>	<u>\$ 63</u>	<u>\$ 4,541</u>

(in thousands of US dollars)

	2019		
	Development costs	Club membership	Total
Acquisition cost	\$ 1,358	\$ 6,532	\$ 7,890
Accumulated amortization	(823)	-	(823)
Accumulated impairment loss	-	(2,724)	(2,724)
Net book amount	<u>\$ 535</u>	<u>\$ 3,808</u>	<u>\$ 4,343</u>

18. Borrowings

(1) Details of borrowings as at December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020	2019
Non-current :		
Bond	\$ 106,912	\$ 96,371
Long-term borrowings	34,585	49,653
Vessel borrowings	920,570	538,052
	<u>1,062,067</u>	<u>684,076</u>
Current :		
Current portion of bond	10,000	27,274
Current portion of long-term borrowings	54,257	39,044
Current portion of vessel borrowings	154,070	304,692
	<u>218,327</u>	<u>371,010</u>
	<u>\$ 1,280,394</u>	<u>\$ 1,055,086</u>

Certain Vessels, property and equipment are pledged as collaterals for the above borrowings (Note 31).

(2) Bond issued as at December 31, 2020 and 2019, is summarized as follows:

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<i>(in thousands of US dollars)</i>	<u>Currency</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Annual interest rate</u>	<u>2020</u>	<u>2019</u>
Unsecured private placed bond 19 th	KRW	2018-06-22	2020-06-22	3.8%	\$ -	\$ 17,274
Unsecured private placed bond 20 th	KRW	2019-06-28	2022-06-28	2.3%	91,912	86,371
Sinhan bank FRN 1.5 years (A)	USD	2018-10-12	2020-04-12	Libor+0.85%	-	5,000
Sinhan bank FRN 2.0 years (B)	USD	2018-10-12	2020-10-12	Libor+0.9%	-	5,000
Sinhan bank FRN 2.5 years (C)	USD	2018-10-12	2021-04-12	Libor+0.95%	5,000	5,000
Sinhan bank FRN 3.0 years (D)	USD	2018-10-12	2021-10-12	Libor+1%	5,000	5,000
Sinhan bank FRN 2.0 years (A)	USD	2020-12-04	2022-12-04	Libor+1%	5,000	-
Sinhan bank FRN 2.5 years (B)	USD	2020-12-04	2023-06-04	Libor+1.05%	5,000	-
Sinhan bank FRN 3.0 years (C)	USD	2020-12-04	2023-12-04	Libor+1.1%	5,000	-
					116,912	123,645
Less: current portion of bond					(10,000)	(27,274)
					\$ 106,912	\$ 96,371

(3) Long-term borrowings as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>Currency</u>	<u>2020</u>		<u>2019</u>	
		<u>Annual interest rate</u>	<u>Carrying amount</u>	<u>Annual interest rate</u>	<u>Carrying amount</u>
Woori Bank	KRW	AAA+1.78%	\$ 8,272	AAA+1.78%	\$ 7,773
Industrial and Commercial Bank of China	KRW	2.65%	13,787	CD+1.35%	12,956
Daegu Bank	KRW	MOR+1.55%	9,191	MOR+1.55%	8,637
China Construction Bank	KRW	2.3%	13,787	2.3%	12,956
Korea Development Bank	USD	Libor+1.39%	5,220	Libor+1.39%	6,960
ICBC	USD	Libor+2.03%	-	Libor+2.03%	15,663
KEB Hana Bank ¹	KRW	CD+1.5%	16,085	CD+1.5%	23,752
Korea Development Bank	USD	Libor+1.65%	19,000	-	-
Kookmin Bank	USD	Libor+1.79%	3,500	-	-
			88,842		88,697
Less: current portion of long-term borrowings			(54,257)		(39,044)
			\$ 34,585		\$ 49,653

¹ Asset-backed loan set as a deposit-refund security for long-term transport contract of POSCO and Hyundai Glovis¹

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(4) Vessel borrowings as at December 31, 2020 and 2019, are as follows

(in thousands of US dollars)

	Currency	2020		2019	
		Annual interest rate	Carrying amount	Annual interest rate	Carrying amount
Mizuho Corporate Bank	USD	Libor +0.65%	\$ -	Libor+0.65%	\$ 753
Korea Development Bank	USD	Libor +1.7%	21,875	Libor+1.70%	25,375
	USD	2%	-	2%	13,662
Korea Development Bank SeoCho Branch	USD	L+1.45%~2%	189,137	Libor +1.45%	98,851
	KRW	0%~0.39%	18,314	0%~0.39%	16,170
Credit Agricole Corporate and Investment Bank	USD	Libor +0.55%	2,554	Libor+0.55%	7,662
	USD	Libor +1.8%	22,896	Libor+1.8%	23,280
BNP Paribas	USD	Libor +0.325%	-	Libor+0.325%	419
Sumitomo Mitsui Banking Corporation	USD	Libor +0.9%	-	Libor+0.9%	2,577
Korea Export and Import Bank	USD	Libor +1.5%~3%	85,527	Libor+1.9%~3%	36,121
China Construction Bank	USD	Libor +2.65%	-	Libor+2.65%	9,779
ABN AMRO Bank N.V.	USD	Libor +1.75%~2.5%	127,042	Libor+1.75%~2.5%	255,228
Norddeutsche Landesbank	USD	Libor +2.8%	-	Libor+2.8%	24,817
National Foundation of Fisheries Cooperatives	USD	Libor +3.5%	-	Libor+3.5%	21,500
ING Bank N.V.	USD	Libor +1.95%~2.95%	82,173	Libor+1.95%~2.95%	18,288
Korea Asset Management Corporation	USD	3.65%	17,600	3.65%	19,800
Societe Generale Bank	USD	Libor +1.68%	23,950	Libor+1.68%	34,150
BANK OF AMERICA, N.A.	USD	Libor +1.45%	232,500	Libor +1.45%	74,400
Woori Bank	USD	Libor +1.75%	31,350	Libor+1.75%	32,010
Standard Chartered Bank	USD	Libor +1.7%	30,703	Libor+1.7%	35,203
ING Bank	USD	Libor +1.3%	72,100	Libor +1.3%	92,699
STANDARD CHARTERED BANK (HONG KONG) LIMITED	USD	Libor +1.7%	74,170		-
Industrial Bank of Korea	USD	Libor +1.7%	42,750		-
			1,074,640		842,744
Less: Current portion of finance lease liabilities			(154,070)		(304,692)
			<u>\$ 920,570</u>		<u>\$ 538,052</u>

19. Other Payables

Details of other liabilities as at December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020	2019
Non-trade payable	\$ 8,819	\$ 10,373
Withholdings ¹	43,545	31,417
	<u>\$ 52,364</u>	<u>\$ 41,790</u>

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¹The Company received government grants related to eco-ship conversion project during the period ended December 31, 2020.

20. Provisions

(1) Changes in provisions for the years ended December 31, 2020 and 2019, are as follows:

*(in thousands
of US dollars)*

	2020				
	Opening net book amount	Effect of accounting changes	Recognized (reversal of) provision	Paid or transferred amount	Closing net book amount
Non-current	\$ 22,110	\$ -	\$ 4,922	\$ (6,472)	\$ 20,560
Current	3,170	-	737	286	4,193

*(in thousands
of US dollars)*

	2019				
	Opening net book amount	Effect of accounting changes	Recognized (reversal of) provision	Paid or transferred amount	Closing net book amount
Non-current	\$ 24,575	\$ -	\$ 3,914	\$ (6,379)	\$ 22,110
Current	2,257	-	913	-	3,170

(2) Non-current provisions

Details of non-current provisions as at December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020	2019
Litigation for finalization of reorganization claim or security ¹	\$ 16,403	\$ 15,847
Compensation for claims ²	4,157	6,263
	<u>\$ 20,560</u>	<u>\$ 22,110</u>

¹ As at December 31, 2020, 10 lawsuits (amounting to \$ 51,054 thousand) including litigation for finalization of reorganization claim are in progress.

² The amounts are provisions for cargo claims and vessel damages brought against the Company by customers and vessel owners. The amount accrued during the period is recorded as other operating expenses, and recognized non-current provisions for estimated payments of legal provisions.

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21. Other Liabilities

Details of other liabilities as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Advance received	\$ 378	\$ 16
Accrued expense	11,059	9,496
Current tax liabilities	-	(20)
	<u>\$ 11,437</u>	<u>\$ 9,492</u>

22. Retirement Benefit Obligations

(1) Details of the retirement benefit obligations related to defined benefit obligations recognized in the statement of financial position as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Present value of defined benefit obligation	\$ 11,086	\$ 10,378
Fair value of plan assets	(12,057)	(8,308)
	<u>\$ (971)</u>	<u>\$ 2,070</u>

(2) The changes in the defined benefit obligation and the plan assets for the years ended December 31, 2020 and 2019, are as follows:

① The changes in the defined benefit obligations

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Beginning	\$ 10,378	\$ 10,157
Current service cost	2,343	1,895
Interest cost	259	244
Benefits paid	(2,444)	(2,309)
Remeasurements	(116)	739
Other ¹	666	(348)
Ending	<u>\$ 11,086</u>	<u>\$ 10,378</u>

¹ Other changes include the effect of currency translation difference.

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② The changes in the plan assets for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Beginning	\$ 8,308	\$ 6,504
Employer contribution	4,788	3,290
Expected return on plan assets	211	164
Remeasurements of defined benefit liability	(77)	(83)
Benefits paid	(1,706)	(1,358)
Other ¹	533	(209)
Ending	\$ 12,057	\$ 8,308

¹ Other changes include the effect of currency translation difference.

(3) The amounts of retirement benefits recognized in the separate statement of comprehensive income are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Current service cost	\$ 2,343	\$ 1,895
Interest cost	259	244
Expected return on plan assets	(211)	(164)
Remeasurements of defined benefit liability	(39)	822
	<u>\$ 2,352</u>	<u>\$ 2,797</u>
Cost of sales	\$ 2,391	\$ 1,975
Other comprehensive income	(39)	822

(4) The principal actuarial assumptions used were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	2.50%	2.50%
Salary growth rate	4.00%	4.00%

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(5) As at December 31, 2020 and 2019, the Company has the following component as plan assets.

<i>(in thousands of US dollars)</i>	2020		2019	
	Amount	Ratio	Amount	Ratio
Deposits, etc.	\$ 12,057	100%	\$ 8,308	100%

Actual revenues generated from plan assets recognized for the years ended December 31, 2020 and 2019 are US\$ 134 thousand and US\$ 82 thousand respectively.

(6) Remeasurements of defined benefit liability recognized as other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	2020	2019
Defined benefit obligation:		
- Changes in financial assumptions	\$ -	\$ 212
- Experience adjustment	(116)	405
- Changes in demographic assumptions	-	122
	(116)	739
Plan assets	77	83
	\$ (39)	\$ 822

(7) The sensitivity of the defined benefit obligation to changes in the principal assumptions as at December 31, 2020, is as follows:

① Discount rate

<i>(in thousands of US dollars)</i>	Changes in discount rate	Discount rate	Book amount	Amount of change
Defined benefit obligation	0.25% increase	2.75%	\$ 10,864	\$ (222)
	-	2.50%	11,086	-
	0.25% decrease	2.25%	11,318	232

② Salary growth rate

<i>(in thousands of US dollars)</i>	Changes in salary growth rate	Salary growth rate	Book amount	Amount of change
Defined benefit obligation	0.25% increase	4.25%	\$ 11,327	\$ 241
	-	4.00%	11,086	-
	0.25% decrease	3.75%	10,854	(231)

(8) Impact of defined benefit plans on future cash flows

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The expected maturity analysis of undiscounted pension benefits as at December 31, 2020, is as follows:

<i>(in thousands of US dollars)</i>	Less than 1 year	Between 1 year and 2 years	Between 2 year and 5 years	Over 5 years	Total
Pension benefits	\$ 1,621	\$ 1,928	\$ 5,057	\$ 6,992	\$ 15,598

The weighted average duration of the defined benefit obligations is 8.4 years.

23. Income Tax Expense

(1) Income tax expense for the periods ended December 31, 2020 and 2019, is as follows:

<i>(in thousands of US dollars)</i>	2020	2019
Current tax expense	\$ 82	\$ -
Adjustments in respect of prior years	-	(604)
Total income tax expense	<u>\$ (82)</u>	<u>\$ (604)</u>

(2) Reconciliation of effective tax rate:

<i>(in thousands of US dollars)</i>	2020	2019
Profit before income tax	<u>\$ 77,110</u>	<u>\$ 131,832</u>
Income tax expense at the domestic rates applicable to profit in the country concerned	18,661	31,903
Adjustment:		
- Non-taxable income	(49)	205
- Temporary differences incurred during the year, but not recognized as deferred tax	(18,955)	(32,737)
- Other	425	573
Income tax expense	<u>\$ (82)</u>	<u>\$ (56)</u>

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(3) Changes in deferred tax assets (liabilities) for the periods ended December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Vessel	\$ 79,969	\$ 9,491	\$ -	\$ 89,460
Land	36	1	-	37
Gain(loss) on valuation of finance assets	156	4	-	160
Present value of defined benefit obligation	501	(206)	-	295
Derivatives	(82)	(156)	256	18
Provisions	4,684	80	-	4,764
Other	20,942	456	-	21,398
Total	106,206	9,670	256	116,132
Tax loss carryforwards	361,117	(28,881)	-	332,236
Total	467,323	(19,211)	256	448,368
Unrecognized deferred tax assets	(467,323)	19,211	(256)	(448,368)
	\$ -	\$ -	\$ -	\$ -

(in thousands of US dollars)

	2019			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Vessel	\$ 77,616	\$ 2,353	\$ -	\$ 79,969
Land	37	(1)	-	36
Gain(loss) on valuation of finance assets	140	(17)	33	156
Present value of defined benefit obligation	885	(384)	-	501
Derivatives	358	(444)	4	(82)
Provisions	4,871	(187)	-	4,684
Other	19,428	1,717	(203)	20,942
Total	103,335	3,037	(166)	106,206
Tax loss carryforwards	396,727	(35,610)	-	361,117
Total	500,062	(32,573)	(166)	467,323
Unrecognized deferred tax assets	(500,062)	32,573	166	(467,323)
	\$ -	\$ -	\$ -	\$ -

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(4) The possibility of realization of deferred tax assets depends on the estimated timing of the utilization of the temporary differences and the future taxable income during the carry forward periods of the deficit. The Company did not recognize the deferred tax assets exceeding the deferred tax liabilities because the Company predicted that the utilization of the deductible temporary differences and deficit carried forward is not considered probable. The unused amounts and their expiration dates for the amounts that the income tax effect has not been recognized because they are not considered probable to be realized are as follows:

<i>(in thousands of US dollars)</i>	<u>Amount</u>	<u>Expiration date</u>
Temporary differences	\$ 479,884	
Tax loss carryforwards	94,516	2023
	<u>1,278,360</u>	2024
Total	<u>1,852,760</u>	

(5) Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis.

(6) The Company had applied tonnage tax from 2005 to 2008, in accordance with tax incentive limitation law, but has applied the general corporate income tax since 2009. The Company considers re-adoption of tonnage tax. Under tonnage tax system, temporary difference and tax loss carry forward may not be deductible from income of shipping business.

24. Paid-in Capital

(1) Details of ordinary shares as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars except share data and par value)</i>	<u>2020</u>	<u>2019</u>
Number of authorized shares	3,000 million	3,000 million
Par value	KRW 1,000	KRW 1,000
Number of shares issued	534,569,512	534,569,207
Share capital	\$ 480,756	\$ 480,755

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(2) Changes of number of shares issued for the years ended December 31, 2020 and 2019, are as follows:

<i>(in shares)</i>	2020		2019	
	Number of shares issued	Outstanding share	Number of shares issued	Outstanding share
Beginning number of shares	534,569,207	534,569,207	534,569,207	534,569,207
Debt-to-equity swap, etc.	305	305	-	-
Ending number of shares	<u>534,569,512</u>	<u>534,569,512</u>	<u>534,569,207</u>	<u>534,569,207</u>

(3) Details of capital surplus as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	2020	2019
Share premium	\$ 651,483	\$ 651,483

25. Other Reserves

The changes of the other reserves for the years ended December 31, 2020 and 2019, are presented in the separate statements of changes in equity. Details of other reserves as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	2020	2019
Loss on valuation of derivative instruments	\$ (1,077)	\$ (19)
Gain on disposal of treasury share	996	996
Surplus from reduction of capital	1,062,677	1,062,678
Debt to be swapped to equity	4,713	4,713
	<u>\$ 1,067,309</u>	<u>\$ 1,068,368</u>

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26. Retained Earnings

(1) Details of retained earnings as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Legal reserve ¹	\$ 36,165	\$ 36,165
Unappropriated retained earnings (undisposed accumulated deficit)	316,879	239,812
	<u>\$ 353,044</u>	<u>\$ 275,977</u>

¹ In accordance with the Commercial Act in the Republic of Korea, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve cannot be used as a source for cash dividends and may only be used to offset an accumulated deficit or credited to paid-in capital according to the resolution in the shareholders' meeting.

(2) The appropriation of retained earnings for the year ended December 31, 2020, is expected to be appropriated at the shareholders' meeting on March 30, 2021. The appropriation date for the year ended December 31, 2019, was March 30, 2020.

The appropriation of retained earnings for the periods ended December 31, 2020 and 2019, is as follows:

<i>(in millions of KRW)</i>	<u>2020</u>		<u>2019</u>	
I. Unappropriated retained earnings (undisposed accumulated deficit)				
Unappropriated retained earnings (undisposed accumulated deficit) carried over from prior year	KRW	184,611	KRW	31,851
Re-measurements of defined benefit liability		43		(951)
Profit for the year		90,928		153,711
II. Transfer from voluntary reserves		-		-
III. Appropriated retained earnings				
Legal reserve	KRW	2,673	KRW	-
Dividend		26,728		-
IV. Unappropriated retained earnings (disposed accumulated deficit) to be carried forward				
	<u>KRW</u>	<u>246,181</u>	<u>KRW</u>	<u>184,611</u>

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27. Breakdown of Expenses by Nature

Details of expenses by nature for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Charterage	\$ 321,483	\$ 394,927
Port charges	195,576	180,202
Cargo expenses	112,850	109,673
Bunker fuel costs	405,890	464,434
Voyage relet costs	108,537	104,124
Depreciation and amortization	189,118	170,530
Vessel maintenance expense	41,087	35,937
Salaries and wages	107,587	101,447
Post-employment retirement benefit	6,329	6,084
Other employee benefits	31,800	29,122
Lubricant oil costs	8,499	7,579
Other cost of sales	54,354	54,969
Office rental	1,560	1,522
Impairment loss on receivables	718	2,738
IT expense	1,267	1,279
Taxes and dues	5,076	4,041
Other administrative expenses	2,208	2,365
Total cost of sales, selling and general administrative expenses	<u>\$ 1,593,939</u>	<u>\$ 1,670,973</u>

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28. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020						
	Financial assets and liabilities through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Derivative financial assets and liabilities	Borrowings	Subsidiaries and associates	Total
Finance income and costs							
Gains on transaction	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4
Losses on transaction	(21)	-	-	-	-	-	(21)
Gains(losses) on derivative transactions	-	-	-	(1,681)	-	-	(1,681)
Gains(losses) on valuation of derivatives	-	-	-	1,002	-	-	1,002
Interest income	-	1,080	230	-	-	-	1,310
Interest expense	-	-	-	-	(34,527)	-	(34,527)
Guarantee fee	-	-	-	-	(172)	-	(172)
Gains on currency translation	-	10,375	-	-	253	-	10,628
Losses on currency translation	-	(4)	-	-	(17,980)	-	(17,984)
Dividend income	-	-	76	-	-	4,236	4,312
	<u>(17)</u>	<u>11,451</u>	<u>306</u>	<u>(679)</u>	<u>(52,426)</u>	<u>4,236</u>	<u>(37,129)</u>
Finance income	4	11,455	306	-	254	4,236	16,255
Finance cost	(21)	(4)	-	-	(52,680)	-	(52,705)
Other Non-operating Income (Expenses)	-	-	-	(679)	-	-	(679)
Other comprehensive income							
Losses on valuation	-	-	-	(1,059)	-	-	(1,059)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,059)</u>	<u>-</u>	<u>-</u>	<u>(1,059)</u>
	<u>\$ (17)</u>	<u>\$ 11,451</u>	<u>\$ 306</u>	<u>\$ (1,738)</u>	<u>\$ (52,426)</u>	<u>\$ 4,236</u>	<u>\$ (38,188)</u>

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(in thousands of US dollars)

	2019						
	Financial assets and liabilities through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Derivative financial assets and liabilities	Borrowings	Subsidiaries and associates	Total
Finance income and costs							
Gains on transaction	\$ 168	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168
Gains(losses) on derivative transactions	-	-	-	2,143	-	-	2,143
Gains(losses) on valuation of derivatives	-	-	-	359	-	-	359
Interest income	-	2,398	737	-	-	-	3,135
Interest expense	-	-	-	-	(47,240)	-	(47,240)
Guarantee fee	-	-	-	-	(109)	-	(109)
Gains on currency translation	-	1,662	-	-	8,008	-	9,670
Losses on currency translation	-	(5,397)	-	-	(3,565)	-	(8,962)
Dividend income	-	-	299	-	-	5,679	5,978
Other Non-operating Income (Expenses)	168	(1,337)	1,036	2,502	(42,906)	5,679	(34,858)
Finance income	168	4,060	1,036	-	8,008	5,679	18,951
Finance cost	-	(5,397)	-	-	(50,914)	-	(56,311)
Other Non-operating Income (Expenses)	-	-	-	2,502	-	-	2,502
Other comprehensive income							
Losses on valuation	-	-	-	(18)	-	-	(18)
	-	-	-	(18)	-	-	(18)
	\$ 168	\$ (1,337)	\$ 1,036	\$ 2,484	\$ (42,906)	\$ 5,679	\$ (37,876)

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29. Other Non-operating Income (Expenses)

Other non-operating Income (expenses) presented in the separate statements of comprehensive income for the years ended December 31, 2020 and 2019, are summarized as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Gains on sale of vessels, property and equipment	\$ 3	\$ 234
Losses on sale of vessels, property and equipment	(6,186)	(902)
Losses on sale of intangible asset	(25)	(56)
Reversal of impairment loss on intangible asset	-	1,038
Gains on valuation of derivatives	1,002	359
Gains(losses) on derivative transactions, net	(1,681)	2,143
Gains(losses) on foreign currency translation, net	1,917	(811)
Losses on foreign currency transaction, net	(967)	(963)
Reversal of provision for claim compensation	(4,922)	-
Provision for claim compensation	-	(3,913)
Impairment loss on investments in subsidiaries	(806)	(1,897)
Impairment loss on vessels, property and equipment	(64,818)	(4,244)
Gains on exemption of liabilities	3	-
Other	2,559	(671)
	<u>\$ (73,921)</u>	<u>\$ (9,683)</u>

30. Earnings per Share

(1) Basic earnings per share

Basic earnings per share for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Profit for the year	\$ 77,028	\$ 131,889
Weighted average number of ordinary shares ¹	<u>534,569,260</u>	<u>534,569,207</u>
Basic earnings per share (expressed in \$ per share)	<u>\$ 0.14</u>	<u>\$ 0.25</u>

¹ Details of weighted average number of ordinary shares are as follows:

<i>(in shares)</i>	<u>2020</u>	<u>2019</u>
Beginning number of shares	534,569,207	534,569,207
Debt-to-equity swap, etc.	<u>53</u>	<u>-</u>
Ending number of shares	<u>534,569,260</u>	<u>534,569,207</u>

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(2) Diluted earnings per share

As at December 31, 2020, the Company has no convertible notes or warrants. Therefore, basic earnings per share is identical to diluted earnings per share.

31. Contingencies, Collaterals and Commitments

(1) Litigation case

As at December 31, 2020, the Company has pending lawsuits for cargo and hull damages as a defendant with litigation costs of \$ 8,336 thousand, and also has pending non-contentious cases with claim costs of \$ 5,974 thousand. The Company recognized provisions for a certain portion of the lawsuits and claims as described in Note 20 if requirements for provision recognition were met.

(2) Assets provided as collaterals for the Company's debts as at December 31, 2020, are as follows:

(in thousands of US dollars)

Assets pledged as collaterals	Carrying amounts	Related account	Borrowings	Description
Vessel ¹	2,751,593			
Other financial asset	4,360	Borrowings	\$ 1,061,261	Collateral on borrowings

¹ There is an arrangement (minimum commitment) to provide additional collateral or to repay some of the borrowings to meet the percentage in case that the amount of collateral is less than a certain percentage (110%~145%) of the carrying amount of the borrowing related to the ship financing. In addition, there is a put option agreement for certain ship financing, which is classified as current borrowings regardless of its exercise, if exercise date is within one year at the end of the reporting period.

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(3) Payment guarantees and performance guarantees provided by others as at December 31, 2020, are summarized as follows:

(in thousands of US dollars / in millions of KRW)

Guarantee provider	Guarantee amount	Guaranteed customer
Shinhan Bank Bank	\$ 25,000	Korea South-east Power Co., Korea
Standard Chartered Bank	1,500	Southern Power Co., Ltd., Korea East-west
KEB Hana Bank	4,800	Power Co., Ltd., Korea Western Power Co.,
Seoul Guarantee Insurance	KRW 12,582	Ltd., Korea Midland Power Co., Ltd. and etc.
Korea Ocean Business Corporation	18,930	

(4) Ship Investment Agreement

As at the end of the current year, the Company has signed a contract to construct and purchase 11 vessels (total purchase price: \$ 843,954 thousand) to replace the old ship and to expand the fleet. These vessels will be delivered between 2021 and 2024. According to the vessel construction contract, as at December 31, 2020, the estimated future expenditure is \$ 709,809 thousand.

After reporting period, the Company has signed a contract 1 vessel (total purchase price: US\$ 180,000 thousand) relating to LNG long-term time-charter out contract. This vessels will be delivered in 2023.

(5) The Company provides a single check (KRW 100 million) and a note (KRW 50 million) for the implementation of the obligations adopted by the joint committee of the Korea Offshore Transportation Association and the Yellow Sea Periodical Shipping Association.

(6) The Company has entered into a credit agreement with Standard Chartered Bank and KEB Hana Bank, etc. for \$ 170,000 thousand and KRW 6,000 million. There is no borrowing balance for the credit agreement. Of these credit agreements, the limit of USD 40,000 thousand with the Standard Chartered Bank is a comprehensive agreement that can be used for borrowing or performance guarantees. The remaining balance of the agreements is USD 12,763 thousand. In addition, the Company has the secured loan of credit sales limit amounting to KRW 6,000 million with KEB Hana Bank and the Company has not used the limit yet.

(7) Litigation for Finalization of Reorganization Claim or Security

The Company decided to apply for a reorganization plan to the Seoul District Court in 2013, due to a maritime recession and liquidity crisis.

In addition, after the signing of a large-scale investment contract with the Harim Group-JKL Consortium in February 2015, the Company received approval for a plan to amend the plan to

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include early redemption after a partial exemption of residual debt, etc. in June 2015. In July 2015, the Company received a decision to terminate the reorganization process through the early redemption of revolving debts according to the revised reorganization plan (lump-sum repayment to approximately 83% of the confirmed receivables).

According to the revised reorganization plan, if confirmed, approximately 67% of the confirmed amounts change to equity and 33% of that should be paid by cash.

Meanwhile, the Company recognized provisions for the contingencies relating to unsettled receivables of reorganization as described in Note 20, and deposited \$ 5,349 thousand in escrow accounts for cash redemption according to the amended reorganization plan.

(8) The bond management contract for unguaranteed public bonds issued by the Company stipulates the Company's obligations, such as maintaining a debt ratio of less than 1,500% based on separate financial statements, banning the company from exceeding 800% of equity capital for the total amount of debts to which payment guarantees or collateral rights are set, prohibiting the disposal of assets more than three times the equity capital in a single fiscal year, and prohibiting the change of the largest shareholder. Therefore, the Company may lose its due profit if it violates the above regulations.

(9) The Group has entered into long-term freight contracts with overseas shippers including Vale, the world's largest producer of iron ore, and Fibria, a Brazilian pulp and paper company, as well as POSCO, Hyundai Steel, Korea Midland Power Co., Ltd., Korea Southern Power Co., Ltd. and Korea South-east Power Co., Ltd. In October 2005, the Company was appointed as a shipper for the Korea Gas Corporation's long-term LNG transportation. Since the first half of 2009, the Company has transported LNG contracted with Korea Gas Corporation and the contract period for transportation is 20 years.

(10) The Company has entered into three LNG ship long-term time-charter out contracts with Shell tankers, etc. and has completed ship order in 2020 and 2021. (Related ship construction contracts are included in (4) Ship Investment Agreement.)

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32. Cash Generated from Operations

(1) Details of cash generated from operations of the Company using the indirect method for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Profit for the year	\$ 77,028	\$ 131,889
Adjustment for:		
Income tax expense	82	(56)
Depreciation	188,974	170,378
Post-employment benefit	6,329	6,084
Amortization	143	152
Provisions	5,658	4,827
Provision for impaired receivables	718	2,738
Reversal of provision for other impaired receivables	(2,078)	-
Gains on sale of vessels, property and equipment	(3)	(234)
Losses on sale of vessels, property and equipment	6,186	902
Losses on sale of intangible assets	25	56
Valuation gains (losses) on derivatives, net	(1,002)	(359)
Gains (losses) on sale of financial assets	20	42
Interest income	(1,311)	(3,135)
Interest expense	33,131	47,240
Dividend income	(4,312)	(5,978)
Losses on impairment of vessels, property and equipment	64,818	4,244
Reversal of impairment losses on intangible assets	-	(1,038)
Foreign currency translation losses (gains), net	8,541	(1,194)
Losses on sale of investment in subsidiary	806	-
Impairment losses on investment in subsidiaries	-	1,898
Gains on exemption of liabilities	(3)	-
Gains(losses) on valuation of financial assets	(3)	(330)
Increase in non-current provisions	(4,585)	(6,121)
Increase in inventories	3,822	(1,818)
Increase in trade receivables	(13,877)	(10)
Decrease(increase) in other receivables	9,770	33,301
Decrease(increase) in other assets	(10,319)	46,534
Increase(decrease) in trade payables	13,752	(13,268)
Increase(decrease) in other payables	7,287	(11,317)

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<i>(in thousands of US dollars)</i>	2020	2019
Increase (decrease) in other liabilities	43,967	(2,290)
Decrease in retirement benefits obligation	(7,242)	(6,330)
Change in derivative financial assets and liabilities	359	(1,478)
Cash generated from operating activities	<u>\$ 426,681</u>	<u>\$ 395,329</u>

(2) Details on significant non-cash transactions for investing and financing activities for the years ended in 2020 and 2019, are as follows:

<i>(in thousands of US dollars)</i>	2020	2019
Acquisition of ships through government grants	\$ -	\$ 2,441
Acquisition of ships through vessel borrowings	335,758	164,136
Reclassification to current portion of long-term borrowings	136,422	553,791
Reclassification of lease assets	21,185	44,158
Reclassification to current portion of lease liabilities	1,921	11,135

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(3) Adjustments for liabilities arising from financial activities, are as follows:

<i>(in thousands of US dollars)</i>	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Bond	Vessel borrowings
Opening net book amount of 2019	\$ 25,000	\$ 315,699	\$ 97,094	\$ 37,887	\$ 532,304
Acquisition of ships through vessel borrowings	-	-	-	-	164,136
Gains (losses) on foreign currency translations	-	-	(1,267)	(688)	163
Proceeds from borrowings	193,163	-	21,280	86,445	300,513
Repayments of borrowings	(218,163)	(494,480)	-	-	-
Reclassification to current portion	-	553,791	(67,454)	(27,273)	(459,064)
Closing net book amount of 2019	\$ -	\$ 371,010	\$ 49,653	\$ 96,371	\$ 538,052
Opening net book amount of 2020	\$ -	\$ 371,010	\$ 49,653	\$ 96,371	\$ 538,052
Acquisition of ships through vessel borrowings	-	-	-	-	335,758
Gains (losses) on foreign currency translations	-	-	4,323	5,541	1,226
Proceeds from borrowings	65,000	-	35,865	15,000	116,699
Repayments of borrowings	(65,000)	(289,104)	-	-	-
Reclassification to current portion	-	136,422	(55,257)	(10,000)	(71,165)
Closing net book amount of 2020	\$ -	\$ 218,328	\$ 34,584	\$ 106,912	\$ 920,570

<i>(in thousands of US dollars)</i>	Current portion of lease liabilities	Lease liabilities
Opening net book amount of 2019	\$ 549	\$ 4,577
Acquisition of lease assets	-	40,046
Repayments of lease liabilities	-	(13,856)
Reclassification to current portion	11,135	(11,135)
Others	-	-
Closing net book amount of 2019	\$ 11,684	\$ 19,632
Opening net book amount of 2020	\$ 11,684	\$ 19,632
Acquisition of lease assets	-	21,185
Derecognition of lease liability	-	(43)
Repayments of lease liabilities	-	(14,129)
Reclassification to current portion	1,921	(1,921)
Others	-	-
Closing net book amount of 2020	\$ 13,605	\$ 24,724

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33. Related Party Transactions

(1) Related parties as at December 31, 2020 and 2019, are as follows:

Related party	2020	2019
Parent and ultimate controlling party	Harim Holdings Co., Ltd. (Former Jeil Holdings)	Harim Holdings Co., Ltd. (Former Jeil Holdings)
Subsidiaries	Pan Ocean(America) Inc. Pan Ocean Singapore Bulk Carrier Pte. Ltd. Pan Ocean(China) Co., Ltd. STX Pan Ocean(U.K.) Co., Ltd. Pan Ocean Japan Corporation Pan Ocean Brasil Apoio Maritimo Ltda. POS SM Co., Ltd	Pan Ocean(America) Inc. Pan Ocean Singapore Bulk Carrier Pte. Ltd. Pan Ocean(China) Co., Ltd. STX Pan Ocean(U.K.) Co., Ltd. Pan Ocean Japan Corporation Pan Ocean Brasil Apoio Maritimo Ltda. POS SM Co., Ltd
Associates	Korea LNG Trading Co.,Ltd. Busan Cross Dock, Ltd.	Korea LNG Trading Co.,Ltd. Busan Cross Dock, Ltd.
Other related parties	Subsidiaries, Associates and other related parties of Harim Holdings Co., Ltd.	Subsidiaries, Associates and other related parties of Harim Holdings Co., Ltd.

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(2) Sales and purchases with related parties for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020				
	Sales and others		Purchase and others		
	Sales	Others	Purchase	Acquisition of equity securities ¹	Others
Parent and ultimate controlling party					
Harim Holdings Co., Ltd.	\$ -	\$ -	\$ -	\$ -	\$ 1,702
Subsidiaries					
Pan Ocean (China) Co., Ltd.	-	-	2,419	-	2
Pan Ocean Japan Corporation	640	-	2,407	-	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	2,011	-	1,428	-	-
Pan Ocean(America), Inc.	34,596	183	428	-	-
PAN OCEAN BRASIL APOIO MARITIMO LTDA.	-	-	377	-	-
POS SM Co., Ltd.	173	4,458	162,221	-	-
Associates					
Korea LNG Trading Co., Ltd.	12,266	-	-	-	-
Busan Cross Dock, Ltd.	-	-	-	-	-
Other related parties					
Jeil Feed Company Co., Ltd.	-	-	-	3,809	25
Joowon Pekin Duck Co., Ltd.	-	-	-	-	14
Sunjin Farm Co., Ltd.	-	-	-	-	16
Sunjin Co., Ltd.	-	-	-	3,809	-
NS Shopping Co.,Ltd.	-	-	-	-	44
Farmsco Co.,Ltd.	-	-	-	3,809	96
Cham trading Co., ltd	-	-	-	-	8
Sunurihanu	-	-	-	-	53
Harim Co., Ltd.	-	-	-	-	56
	<u>\$ 49,686</u>	<u>\$ 4,641</u>	<u>\$ 169,280</u>	<u>11,427</u>	<u>2,016</u>

¹ The Company acquired shares of Pan Ocean(America), Inc. from other related parties during the current period.

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<i>(in thousands of US dollars)</i>	2019			
	Sales	Others	Purchases	Others
Parent and ultimate controlling party				
Harim Holdings Co., Ltd.	\$ -	\$ -	\$ -	\$ 1,522
Subsidiaries				
Pan Ocean (China) Co., Ltd.	-	2,679	2,726	-
Pan Ocean Japan Corporation	765	3,000	2,452	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	1,969	-	1,570	-
Pan Ocean(America), Inc.	26,299	99	233	-
PAN OCEAN BRASIL APOIO MARITIMO LTDA.	-	-	411	-
POS SM Co., Ltd.	154	-	111,210	-
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	17,977	-	-	-
Busan Cross Dock, Ltd.	-	10	-	-
Other related parties				
Jeil Feed Company Co., Ltd.	-	-	-	26
Joowon Pekin Duck Co., Ltd.	-	-	-	14
Sunjin Farm Co., Ltd.	-	-	-	28
Farmsco Co.,Ltd.	-	-	-	82
Cham trading Co., ltd	1	-	-	7
Sunurihanu	-	-	-	50
Harim Co., Ltd.	-	-	-	55
	<u>\$ 47,165</u>	<u>\$ 5,788</u>	<u>\$ 118,602</u>	<u>\$ 1,784</u>

(3) Financial transaction with related parties for the year ended December 31, 2020 are as follows:

<i>(in thousands of US dollars)</i>	Cash contribution	Capital reduction of subsidiaries
	Subsidiaries	
Pan Ocean(America), Inc.	\$ 45,000	-
Pan Ocean Brasil Apoio Maritimo Ltda.	\$ -	1,146

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(4) Outstanding balances arising from sales/purchases of goods and services as at December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020			
	Receivables		Payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Parent and ultimate controlling party				
Harim Holdings Co., Ltd.	\$ -	\$ -	\$ -	\$ 626
Subsidiaries				
Pan Ocean Japan Corporation	-	-	164	4
Pan Ocean(China) Co., Ltd.	-	-	51	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	-	-	83	406
Pan Ocean(America), Inc.	218	128	378	-
STX Pan Ocean(U.K.) Co. Ltd. ¹	12,334	21,724	-	-
POS SM Co., Ltd.	-	426	9,086	-
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	-	-	-	-
Other related parties				
Jeil Feed Company Co., Ltd.	-	363	-	3
	<u>\$ 12,552</u>	<u>\$ 22,641</u>	<u>\$ 9,762</u>	<u>\$ 1,039</u>

¹ As at December 31, 2020, the Company has recognized the allowance for impairment for the entire receivable.

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(in thousands of US dollars)

	2019			
	Receivables		Payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Parent and ultimate controlling party				
Harim Holdings Co., Ltd.	\$ -	\$ -	\$ -	\$ 1,537
Subsidiaries				
Pan Ocean Japan Corporation	-	-	162	4
Pan Ocean(China) Co., Ltd.	-	-	10	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	-	-	204	-
Pan Ocean(America), Inc.	178	-	19	-
STX Pan Ocean(U.K.) Co. Ltd. ¹	12,334	21,724	-	-
POS SM Co., Ltd.	-	159	4,370	224
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	-	-	-	-
Other related parties				
Jeil Feed Company Co., Ltd.	-	331	-	-
	<u>\$ 12,512</u>	<u>\$ 22,214</u>	<u>\$ 4,765</u>	<u>\$ 1,765</u>

¹ As at December 31, 2019, the Company has recognized the allowance for impairment for the entire receivable.

(5) Key management compensation for the years ended December 31, 2020 and 2019, is as follows:

(in thousands of US dollars)

	2020	2019
Salaries and other short-term benefits	\$ 1,078	\$ 1,144
Post-employment benefits	112	109
	<u>\$ 1,190</u>	<u>\$ 1,253</u>

(6) Details of payment guarantees provided by the Company to the related parties as at December 31, 2020, are as follows:

(in thousands of US dollars, in millions of Korean won)

Guarantee recipient	Guaranteed amount	Lender
Pan Ocean(America), Inc	\$ 125,000	Standard Chartered Bank New York Branch, Export-Import Bank of Korea
Employee share ownership association	KRW 10	Heung Kook Mutual Savings bank

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(7) Details of performance guarantees provided by the Company to the related parties as at December 31, 2020, are as follows:

(in thousands of US dollars)

Beneficiary	Guaranteed amount	Gurantor
Pan Ocean(America), Inc	\$ 17,312	Korea Feed Association, Nonghyup Feed, Inc

(8) As at December 31, 2020, the Company is provided with a performance guarantee from the Parent Company related to the long-term transportation contract with VALE international SA.

34. Operating Segment Information

(1) Information about reportable segments

The Company has four reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different shipping services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Company's CEO reviews internal management reports on a quarterly basis.

The management performance result and significant financial information by each operating segment for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)

	2020							
	Bulker	Container	Tanker	Other¹	Reportable segment total	Grain business	Non-shipping^{2/} Unallocated	Total
Sales	\$ 1,483,582	\$ 164,354	\$ 120,860	\$ 12,451	\$ 1,781,247	\$ -	\$ 173	\$ 1,781,420
Operating profit	157,311	15,434	12,729	1,833	187,307	-	173	187,480
Assets	3,431,903	95,443	364,942	1,019	3,893,307	-	282,002	4,175,309
Liabilities	1,407,385	91,529	76,378	5,033	1,580,325	-	42,392	1,622,717
Acquisition of vessels, property and equipment	524,778	25,267	46,296	-	596,341	-	10,002	606,343
Depreciation	158,070	6,879	24,025	-	188,974	-	-	188,974
Amortization	119	14	10	-	143	-	-	143
Provision for impairment	(632)	1,010	340	-	718	-	(2,078)	(1,360)
Impairment loss	64,818	-	-	-	64,818	-	-	64,818

¹ Other segment includes other shipping services such as LNG and special shipping services.

² Non-shipping segment includes rental and ship management services.

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(in thousands of US dollars)

	2019							
	Bulker	Container	Tanker	Other ¹	Reportable segment total	Grain business	Non-shipping ^{2/} Unallocated	Total
Sales	\$ 1,572,051	\$ 144,791	\$ 112,649	\$ 20,204	\$ 1,849,695	\$ -	\$ 154	\$ 1,849,849
Operating profit	165,067	6,806	5,575	1,274	178,722	-	154	178,876
Assets	3,177,928	71,552	295,758	1,901	3,487,139	-	308,739	3,795,878
Liabilities	1,190,565	77,670	25,976	5,134	1,299,345	-	19,950	1,319,295
Acquisition of vessels, property and equipment	347,993	37,246	8,088	-	393,326	-	3,613	396,939
Depreciation	143,025	4,524	22,829	-	170,378	-	-	170,378
Amortization	131	12	9	-	152	-	-	152
Provision for impairment	2,710	4	24	-	2,738	-	-	2,738
Impairment loss	4,244	-	-	-	4,244	-	-	4,244

¹ Other segment includes other shipping services such as LNG and special shipping services.

² Non-shipping segment includes rental and ship management services.

Assets by each segment consist of vessels, inventories and trade receivable, and cash, deferred income tax and other financial assets are not allocated. Liabilities by each segment consist of trade payables, other liabilities and borrowings. Acquisition of vessels, property and equipment primarily consist of vessel investments.

(2) Geographical segments

The Company's four reportable segments excluding other segment are operating in six geographical areas and managed multi-nationally. The main operating segment is located in Korea and segment information is allocated based on the location of loading port.

Details of revenue by geographical area for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of US dollars)	2020	2019
Asia	\$ 746,482	\$ 761,366
Oceania	382,731	366,594
Europe	6,699	18,871
North America	204,718	242,733
South America	394,319	414,453
Africa	46,471	45,832
	<u>\$ 1,781,420</u>	<u>\$ 1,849,849</u>

The vessels are used all over the world, and the remaining property and equipment are primarily located in Korea; therefore, assets and capital expenditure information by geographical area are not disclosed as the disclosure of the information is immaterial.

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(3) The Company derives the following types of revenue:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Revenue from voyage operation	\$ 1,591,986	\$ 1,632,163
Other	-	4,199
Revenue from time charter	<u>189,434</u>	<u>213,487</u>
	<u>\$ 1,781,420</u>	<u>\$ 1,849,849</u>

The future revenue from time charter expected to be received by time charterer as at December 31, 2020 are as follows:

<i>(in thousands of US dollar)</i>	<u>2020</u>
Within one year	\$ 38,015
Between 1 and 2 years	4,946
Between 2 and 3 years	5,132
Between 3 and 4 years	<u>1,026</u>
	<u>\$ 49,119</u>

(4) Revenue from external customers:

Revenues of approximately \$ 242,229 thousand (2019: \$ 238,583 thousand), over 10% of the Company's revenue, are derived from a single external customer relating to the voyage operating revenue.

35. Leases

Set out below is information for leases when the Company is a lessee.

(1) Amounts recognized in the separate statement of financial position

The separate statement of financial position shows the following amounts relating to leases:

<i>(in thousands of US dollar)</i>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Right-of-use assets ¹		
Vessels	\$ 19,735	\$ 19,634
Container vans	7,752	8,715
Buildings	9,615	1,368
Vehicles	<u>206</u>	<u>193</u>
	<u>\$ 37,308</u>	<u>\$ 29,910</u>

¹ Additions to the right-of-use assets during the 2020 financial year were US\$ 21,582 thousand (2019 : US\$ 20,159 thousand).

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<i>(in thousands of US dollar)</i>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Lease liabilities		
Current	\$ 13,605	\$ 11,238
Non-current	24,724	14,140
	<u>\$ 38,329</u>	<u>\$ 25,378</u>

(2) Amounts recognized in the separate statements of comprehensive income

The separate statements of comprehensive income show the following amounts relating to leases:

<i>(in thousands of US dollar)</i>	<u>2020</u>	<u>2019</u>
Depreciation of right-of-use assets		
Vessels	\$ 10,305	\$ 10,893
Container vans	2,315	2,233
Buildings	1,368	1,368
Vehicles	157	160
	<u>\$ 14,145</u>	<u>\$ 14,654</u>
Interest expense relating to lease liabilities (included in finance cost)	1,396	1,704
Expense relating to short-term leases (included in cost of sales and administrative expenses)	322,445	395,793
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)	80	54

The total cash outflow for leases in 2020 was US\$ 338,050 thousand (2019 : US\$ 411,510 thousand).

36. Contract Assets and Liabilities

(1) The contract assets and liabilities recognized by the Company are as follows:

<i>(in thousands of US dollars)</i>	<u>2020</u>	<u>2019</u>
Contract assets for carriage contracts	\$ 50,790	\$ 55,684
Contract liabilities for carriage contracts	107,381	62,068

The contract assets and liabilities are included in 'contract assets' and 'contract liabilities' in statements of financial position, respectively.

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(2) The revenue from the contract liabilities

Revenue recognized in the current reporting period related to the carried-forward contract liabilities balance:

<i>(in thousands of US dollars)</i>	2020		2019
Revenue recognized that was included in the contract liability balance at the beginning of the period	62,068	\$	68,107
	\$		

(3) Assets recognized from costs to fulfil a contract

In addition to the contract balances disclosed above, the Company has also recognized an asset in relation to costs to fulfil a transportation contract. This is presented within 'other current asset' in the statements of financial position:

<i>(in thousands of US dollars)</i>	2020		2019
Assets recognized from costs to fulfil a contract at the end of the reporting period	68,256	\$	53,477
	\$		

The costs incurred to fulfil transportation contracts have been recognized as assets. The asset is amortized over the term of the specific contract, which does not exceed one to two months due to the nature of the transportation service. Accordingly, the Company has not recognized impairment loss on assets as at the year end.

**Report on Independent Auditor's
Audit of Internal Control over Financial Reporting**

To the Board of Directors and Shareholders of Pan Ocean Co., Ltd.

Opinion on Internal Control over Financial Reporting

We have audited Pan Ocean Co., Ltd.'s (the Company) Internal Control over Financial Reporting as at December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2020, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2020, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 11, 2021 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report on the Assessment of operations of the ICFR for 2020.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our responsibility is to express opinion on the Company's internal control over financial reporting based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Seung-Hee Lee, Certified Public Accountant.

Seoul, Korea
March 11, 2021

<p>This report is effective as at March 11, 2021 the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>

Report on the Assessment of operations of the ICFR for 2020

To the Shareholders, Board of Directors and Audit Committee of Pan Ocean

We, as the Chief Executive Officer and the Internal Accounting Manager of Pan Ocean ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting("ICFR") for the year ending December 31, 2020.

Design and operation of ICFR is the responsibility of the Company's management, including the Chief Executive Officer and the Internal Accounting Manager.

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

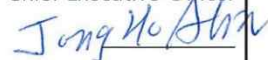
We used the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' established by the Operating Committee of Internal Control over Financial Reporting in Korea (the "ICFR Committee") as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the 'Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting' established by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2020, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

February 10, 2021

Joong-Ho Ahn, Chief Executive Officer



Tae-Hyung Kim, Internal Accounting Manager

