Rules 4.1, 4.3

Appendix 4E

Preliminary final report

Name of entity

Steamships Trading Company Limited

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
055836952		√	31st December 2017

For announcement to the market

Extracts from this report for announcement to the market. K'000

Revenues from continuing operations	~~Up~~/-down	-3.7%	to	705,687
Profit from continuing operations after tax attributable to members	~~Up~~/-down	-51%	to	41,516
Profit for the period attributable to members	~~Up~~/-down	-51%	to	41,516

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend Interim dividend	40t 70t	0t
Previous corresponding period	35t 95t	0t

Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	30th April 2018

Preliminary Final Report to the Stock Exchange

The result reflects a continuation of the protracted weakness in economic conditions that began in 2015. Modest recent increases in some commodity prices, which significantly impact the national economy, have not yet filtered through the economy. Demand is also constrained by the ongoing shortage of foreign currency in PNG. The property and hotel markets also saw an increase in capacity and consequently competition which compounded this weak demand environment. As a consequence 2017 has seen pressure across the economy and Steamships' sales revenue has declined 3.7% to K705.7 million against last year's K732.7 million, on a continuing basis.

	2017 K000's	2016 K000's	Change
Net Profit attributable to shareholders	**41,516**	**84,210**	**-50.7%**
Add back / (less) impact of significant items (post tax & minority interest)			
Reversal of Impairment of Convertible Notes	(12,541)	-	
Impairment of Fixed Assets, Goodwill (incl Vessels)	8,306	2,276	
Impairment of Inventory	1,012	433	
Disputed IRC Assessment	10,640	-	
Tax Loss Write Off	11,108	-	
Hotel & Property Development Cost Write Off	5,965	5,574	
Gain on Sale of Trade Winds	(1,586)	-	
Loss on Disposal of Vessels	814	-	
Gain on Sale of Properties	-	(19,207)	
Salvage Profit	(3,459)	(1,565)	
Total impact of significant items	**20,258**	**(12,489)**	
Underlying profit attributable to shareholders	**61,775**	**71,721**	**-13.9%**

Depreciation in 2017 was K99.8 million (excluding impairments) against K106.7 million in 2016, and interest on borrowings (excluding capitalised interest) was K13.5 million against K22.0 million in 2016. Capital expenditure for the 12 months was K59.3 million (with capitalised interest of K1.4 million) against K109.7 million (with capitalised interest of K1.7 million) in 2016 reflecting a planned reduction in project activity given the economic climate. The group's net operating cash flow generation declined 43% to K108.1 million against K191.1 million in 2016 as a result of reduced profits as noted above and a higher amount retained in working capital.

A final dividend of 40 toea per share has been proposed and will be paid following approval at the company's annual general meeting on the 8th of June 2018, subject to Steamships' ability to secure foreign exchange for non PNG shareholders. This brings the total dividend for the year to 110 toea per share (2016 = 130 toea per share). The dividend is unfranked and there is no conduit foreign income.

Significant items

As disclosed at the half year the reversal of impairment of convertible notes arising from the sale of the company's investment in BMobile, impaired in 2013, gave rise to a net gain of K12.5m.

Included in the impairment figure above are two items. Firstly, the award of the exclusive international terminal concession to ICTSI in late 2017 will result in the cessation of operations of the joint venture companies in Port Moresby and Lae. A gross impairment provision of K4.1m has

been made on possible loss on sale of fixed assets and inventory and employee redundancy costs. Secondly, the soft international market for coastal vessels and oversupply of such vessels in PNG, has resulted in an impairment of some of the vessels in the Consort Express Lines fleet and a gross impairment of K10m has been recognised.

Consort Express Lines has recorded a tax loss for the past few years and such cumulative losses are available to offset future taxable profits in computation of the company's tax liability and hence is recorded as a deferred tax asset. The value of this asset at the end of 2016 was K30.5m. Management have considered the recoverability of tax losses beyond this amount to be increasingly remote in light of current trading conditions and it is prudent that the tax loss in 2017 is not carried forward as a deferred tax asset.

The Company received a salaries and wages tax default assessment, including penalties and interest, from the Inland Revenue Commission of PNG ("IRC") for the periods from 2006 to 2016. The Company has paid the assessment and lodged the appropriate objections as required by the IRC. Although management are confident of a successful outcome, the application of IAS37 requires such recovery to be considered as a contingent asset and not carried in the balance sheet. The payment is therefore expensed in the current year.

Logistics

The Joint Venture Port Services businesses had a solid underlying business in 2017. However the above-mentioned award by the PNG Government of the International Terminal Operator concession to a new foreign enterprise in Port Moresby and Lae will result in the cessation of operations in early 2018 of three joint venture companies presently engaged in stevedoring and handling in these ports. JVPS continues to enjoy strong business in ports outside these centres and is optimistic of continuing to provide high quality services to its customers in regional locations. East West transport continues to grow profitably countrywide due to a strong customer and fleet reliability focus.

Consort Express Lines suffered in the depressed environment for coastal liner and projects shipping. An effort to improve on fleet reliability and schedule integrity has retained customers and won new business. Consort sold three vessels in 2017 and returned one, on expiry of the long term charter, to reduce excess capacity and related costs in line with the current and foreseeable demand and is better positioned going into 2018. The project & charters business remains weak as investment in the resource industry is low. This environment is expected to remain quiet in the short term.

Pacific Towing experienced another solid year in its principal harbour towage work, but non-harbour towage, diving and life raft activity all exceeded expectations. The company was engaged in a number of successful salvage operations in 2017 and posted a satisfactory result.

Property & Hotels

Pacific Palms Property's activity in all categories was under pressure throughout the year as the general decline in demand and an increase in supply of new developments, particularly in the residential market, affected revenue. PPP is undertaking a selective disposal of certain non-core residential properties. Recent focus has centered on commercial and mixed retail projects of quality and scale, notably completion of the new joint-ventured Hagen Central development, rebuild of the Waigani Central supermarket and renovation of the Port Moresby Downtown plaza. The

Harbourside Development approached full occupancy and a complimentary residential, commercial and retail development, Harbourside South, is under design development.

PPP remains the preeminent player in the industrial property category. General market rates have remained steady and the occupancy rate for 2017 was at 80%. The development of warehouses in the Baruni area is seeing improved interest as various developments in and around the area continue and the roads upgrade is completed.

Coral Sea Hotels performed well in the difficult economic environment. There is increased competition, particularly in Port Moresby, and a depressed economy with fewer business arrivals. CSH strives to continually improve service, product and operational efficiencies. Investment in room and facility upgrades in many of the hotels were completed or are in progress (notably the Highlander). The new hotel in Kiunga, Western Province, known as The Cassowary is near completion and is expected to open in March 2018. CSH in Port Moresby will benefit from the influx of visitors in 2018 for the APEC related events.

Commercial

Laga Industries enjoyed exceptionally strong sales growth in 2017 despite the challenging economic conditions. This growth was achieved across all segments, including the core ice cream business as well as cooking oil, specialty lines and non-alcoholic beverages. Margins in all businesses remained tight although operational efficiency gains and revenue growth delivered a strong lift in operating profit. Overhead costs also remained well-controlled. The divestment of the Trade Winds alcoholic beverages business was completed at the end of 2017. This transaction will facilitate improved focus by Laga on its core Consumer Foods segments with strong growth expected in all, apart from cooking oil, where a significant increase in duty on imported bottled oil is expected to have a near term impact. The outlook for Laga is for continued profit growth despite ongoing restrained market conditions during 2018.

Colgate Palmolive, a PNG joint venture, saw improved volumes and sales revenue in oral and personal care categories. Margins remained relatively constant but managing costs will continue to be a challenge.

Trading Outlook

2018 is expected to be another difficult year for the PNG economy as the Government attempts to manage its growing fiscal deficit and the foreign currency shortage. The resource extraction sector upon which much of the economy depends is expected to remain quiet although on-going feasibility studies and recent announcements have been encouraging for the medium term.

Port Moresby will host the APEC leaders meeting in November 2018 and there are numerous senior meetings ahead of this which should provide a modest economic stimulus.

Steamships celebrates 100 years of business in PNG in 2018 and this provides an opportunity to restate our commitment to the future development of the country and people of PNG.

Statement of comprehensive income

	Current period - K'000	Previous corresponding period - K'000
Continuing Operations		
Revenues	705,687	732,701
Operating Expenses		
Cost of goods & services	(165,616)	(143,240)
Staff Cost	(142,266)	(148,611)
Depreciation & amortisation	(99,817)	(106,715)
Impairment of fixed assets, goodwill	(13,516)	(2,276)
Impairment of inventory	(1,445)	-
Hotel & Property Development Cost Write Off	(6,742)	(5,574)
Finance- net	(13,469)	(21,987)
Other operating expenses	(215,373)	(205,378)
Other gains	15,244	19,766
Share of net profits of associates and joint venture entities accounted for using the equity method	7,525	5,865
Profit before Income Tax	70,212	124,551
Income tax expense	(32,622)	(35,677)
Profit for the Year from Continuing Operations	37,590	88,874
Other comprehensive income	-	-
Total Comprehensive Income for the Year	37,590	88,874
Profit attributable to Continuing Operations	37,590	88,874
Total Comprehensive Income is attributable to:		
Owners of Steamships Trading Company Limited	41,516	84,210
Minority Interests	(3,926)	4,664
	37,590	88,874

Earnings per security (EPS)	Current period	Previous corresponding period
Basic EPS	133.9	271.6
Diluted EPS	133.9	271.6

Comparison of half year profits	Current year - K'000	Previous corresponding period - K'000
Consolidated profit from continuing operations after tax attributable to members reported for the *1st* half year	45,360	43,544
Consolidated profit from continuing operations after tax attributable to members for the *2nd* half year	(3,844)	40,666

Statement of financial position - consolidated	As at 31 Dec 2017 K'000	As at 31 Dec 2016 K'000
Current assets		
Cash and cash equivalents	6,904	36,685
Trade and other receivables	161,666	134,821
Income tax receivable	-	716
Inventories	47,333	41,128
Total current assets	**215,903**	**213,350**
Non-current assets		
Investments	67,196	66,445
Property, plant and equipment	997,126	1,068,892
Intangibles	80,002	80,491
Loans to related parties	78,909	70,850
Deferred tax asset	30,250	36,680
Total non-current assets	**1,253,483**	**1,323,358**
Total assets	**1,469,386**	**1,536,708**
Current liabilities		
Trade and other payables	108,185	98,639
Provisions	6,250	11,510
Loans from related parties	74,014	67,711
Borrowings	23,378	6,786
Income tax payable	1,407	-
Total current liabilities	**213,234**	**184,646**
Non-current liabilities		
Deferred tax liability	22,332	30,982
Borrowings	343,627	428,000
Provision for other liabilities & charges	12,040	11,243
Total non-current liabilities	**377,999**	**470,225**
Total liabilities	**591,233**	**654,871**
Net assets	**878,153**	**881,837**
Share capital and reserves		
Issued capital	24,200	24,200
Retained earnings	817,763	808,806
Shareholders' funds	**841,963**	**833,006**
Minority shareholders' interests	36,190	48,831
Total capital and reserves	**878,153**	**881,837**

Notes to the statement of financial position – consolidated

Statement of changes in equity	Contributed Equity K'000	Retained Earnings K'000	Total K'000	Minority Interests K'000	Total Equity K'000
Balance At 1st January 2016	**24,200**	**764,887**	**789,087**	**47,515**	**836,602**
Total Comprehensive income for the year	-	84,210	84,210	4,664	88,874
Dividends paid 2016	-	(40,291)	(40,291)	(3,348)	(43,639)
Balance at 31 December 2016	**24,200**	**808,806**	**833,006**	**48,831**	**881,837**
Total Comprehensive income for the year	-	41,516	41,516	(3,926)	37,590
Dividends paid 2017	-	(32,559)	(32,559)	(8,715)	(41,274)
Balance at 31 December 2017	**24,200**	**817,763**	**841,963**	**36,190**	**878,153**

Consolidated statement of cash flows

	Current period K'000	Previous corresponding period K'000
Cash flows related to operating activities		
Net Receipts less Supplier Payments	154,418	252,424
Interest received	4,640	12,248
Interest and other costs of finance paid	(18,109)	(34,235)
Income taxes paid	(32,825)	(39,376)
Net operating cash flows	**108,124**	**191,061**
Cash flows related to investing activities		
Purchases of property, plant and equipment	(59,370)	(109,478)
Proceeds from sale of property, plant and equipment	26,324	24,241
Dividends received from associates	5,952	20
Loans repaid by associates	(1,756)	147,343
Investment in associates	-	(24,143)
Net investing cash flows	**(28,850)**	**37,983**
Cash flows related to financing activities		
Proceeds from borrowings	-	38,000
Repayment of borrowings	(84,373)	(186,903)
Dividends paid	(41,275)	(43,639)
Net financing cash flows	**(125,648)**	**(192,542)**
Net increase/(decrease) in cash held	**(46,373)**	**36,685**
Cash at beginning of period *(see Reconciliation of cash)*	29,899	(6,786)
Cash at end of period *(see Reconciliation of cash)*	(16,474)	29,899

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.

Not applicable

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period K'000	Previous corresponding period - K'000
Cash on hand and at bank	6,904	36,685
Bank overdraft	(23,378)	(6,786)
Total cash at end of period	**(16,474)**	**29,899**

Other notes to the consolidated financial statements

Ratios	Current period	Previous corresponding Period
Profit before tax / revenue Consolidated profit from continuing operations before tax as a percentage of revenue	9.95%	17.00%
Profit after tax / equity interests Consolidated net profit from continuing operations after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	4.93%	10.11%

Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

133.9t

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	**K25.74**	**K25.84**

Loss of control of entities having material effect

Name of entity (or group of entities)	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	
Date to which the profit (loss) in item 14.2 has been calculated	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period (K'000)	
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control (K'000)	

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable	6th July 2018
Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved)	30th April 2018
If it is a final dividend, has it been declared?	No

Amount per security

			Amount per security	Franked amount per security at 42% tax (see note 4)	Amount per security of foreign source dividend
	Final dividend:	Current year	40t	NIL	40t
		Previous year	35t	NIL	35t
	Interim dividend:	Current year	70t	NIL	70t
		Previous year	95t	NIL	95t

Total dividend (distribution) per security (interim *plus* final)

	Current year	Previous year
Ordinary securities	110t	130t
Preference securities	NIL	NIL

Preliminary final report - final dividend (distribution) on all securities

	Current period K'000	Previous corresponding period - K'000
Ordinary securities	12,403	10,872
Preference securities	Nil	Nil
Other equity instruments	Nil	Nil
Total	**12,403**	**10,872**

The dividend or distribution plans shown below are in operation.

Not applicable

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions).

None

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period K'000	Previous corresponding period - K'000
Profit (loss) from ordinary activities before tax	10,750	8,379
Income tax on ordinary activities	(3,225)	(2,514)
Profit (loss) from ordinary activities after tax	**7,525**	**5,865**
Extraordinary items net of tax	-	-
Net profit (loss)	**7,525**	**5,865**
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	**7,525**	**5,865**

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (*item 1.10*)	
Equity accounted associates and joint venture entities	Current period	Previous corresponding period	Current period K'000	Previous corresponding period - K'000
a) Colgate Palmolive	50.0	50.0	3,324	2,605
b) Pacific Rumana	50.0	50.0	1,283	1,047
c) United Stevedoring	16.9	16.9	3	7
d) Riback Stevedoring	34.4	34.4	2,738	3,346
e) Makerio Stevedoring	31.7	31.7	50	235
f) Nikana Stevedoring	31.7	31.7	181	200
g) Harbourside Development	50.0	50.0	(232)	(1,651)
h) Viva No 31	50.0	50.0	(104)	(22)
i) Wonye	50.0	50.0	(42)	-
j) Morobe Terminals	42.9	42.9	324	98
Total			7,525	5,865
Other material interests			-	-
Total			**7,525**	**5,865**

Issued and quoted securities at end of current period

Category of securities	Total number	Number quoted	Issue price per security (toea)	Amount paid up per security (toea)
Preference securities*(description)*				
Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				
Ordinary securities	31,008,237	31,008,237	N/A	N/A
Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks				
Convertible debt securities (*description and conversion factor)*				
Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
Options*(description and conversion factor)*			*Exercise price*	*Expiry date (if any)*
Issued during current period				
Exercised during current period				
Expired during current period				
Debentures *(description)*				
Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				

Unsecured notes *(description)*		
Changes during current period		
(a) Increases through issues		
(b) Decreases through securities matured, converted		

Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's accounts should be reported separately and attached to this report.)
Refer attachment page 18.

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by *AASB 1029: Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of financial report preparation

Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Nil

A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

Nil

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Nil

Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

Nil

Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year.

Nil

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last annual report.

Nil

Additional disclosure for trusts

Number of units held by the management company or responsible entity or their related parties.	N/A
A statement of the fees and commissions payable to the management company or responsible entity. Identify: • initial service charges • management fees • other fees	N/A

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	Steamships Trading Company Limited, Level 5, Harbourside West, Stanley Esplanade Port Moresby
Date	8th June, 2018
Time	12.00 noon
Approximate date the annual report will be available	12th April, 2018

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used	International Financial Reporting Standards

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2).

4 This report is based on accounts to which one of the following applies.

	The accounts have been audited.		The accounts have been subject to review.
√	The accounts are in the process of being audited or subject to review.		The accounts have *not* yet been audited or reviewed.

5 The preliminary final report is based on accounts that are unaudited.

6 The entity has a formally constituted audit committee.

Sign here: Date: 28th February 2018

(Director & Company Secretary)

Print name: Michael Scantlebury

Segmental Reporting

Divisional Segments

The group operates in the following commercial areas:

	Commercial Division	Hotels & Property	Logistics	Finance, Investment &Eliminations	Total
	K'000	K'000	K'000	K'000	K'000
2017					
Total Revenue	147,650	227,408	324,548	6,081	705,687
Segment Results	10,124	59,478	(5,757)	(1,159)	62,687
Add: Share of Associate Profit	3,324	906	3,295	-	7,525
Total Segment result	13,448	60,384	(2,462)	(1,159)	70,212
Income tax expense	(2,888)	(20,688)	(13,724)	4,679	(32,622)
Group Profit	10,560	39,696	(16,186)	3,520	37,590
Segment assets	110,127	733,408	410,348	215,503	1,469,386
Segment liabilities	(77,990)	(300,991)	(226,180)	13,928	(591,233)
Net Assets	32,137	432,417	184,168	229,431	878,153
Capital expenditure	5,081	25,775	27,356	1,158	59,370
Depreciation	5,202	43,048	47,772	3,796	99,817

	Commercial Division	Hotels & Property	Logistics	Finance, Investment &Eliminations	Total
	K'000	K'000	K'000	K'000	K'000
2016					
Total Revenue	115,823	253,170	355,992	7,716	732,701
Segment Results	8,758	88,109	24,210	(2,391)	118,686
Add: Share of Associate Profit	2,605	(626)	3,886	-	5,865
Total Segment result	11,363	87,483	28,096	(2,391)	124,551
Income tax expense	(3,018)	(27,923)	(11,984)	7,248	(35,677)
Group Profit	8,345	59,560	16,112	4,857	88,874
Segment assets	92,139	768,919	464,084	211,566	1,536,708
Segment liabilities	(65,026)	(365,418)	(251,586)	27,159	(654,871)
Net Assets	27,113	403,501	212,498	238,725	881,837
Capital expenditure	5,798	53,517	43,249	6,914	109,478
Depreciation	4,936	45,076	53,979	2,724	106,715