ANNUAL REPORT

2017

STEAMSHIPS
TRADING COMPANY LIMITED

CONTENTS

BRIEF PROFILE OF STEAMSHIPS GROUP

Steamships Trading Company (Steamships) is a committed investor in Papua New Guinea celebrating its 100 year history in 2018. The group is a well-established business conglomerate with diverse commercial interests and listings on both the Australian and Port Moresby Stock Exchanges.

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

Integral to this vision are the following business strategies:

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

The Group employs over 3,100 PNG citizens and non-citizens in 6 diverse divisions grouped under the 3 operating categories of Logistics, Property and Commercial.

Steamships core values include the following:

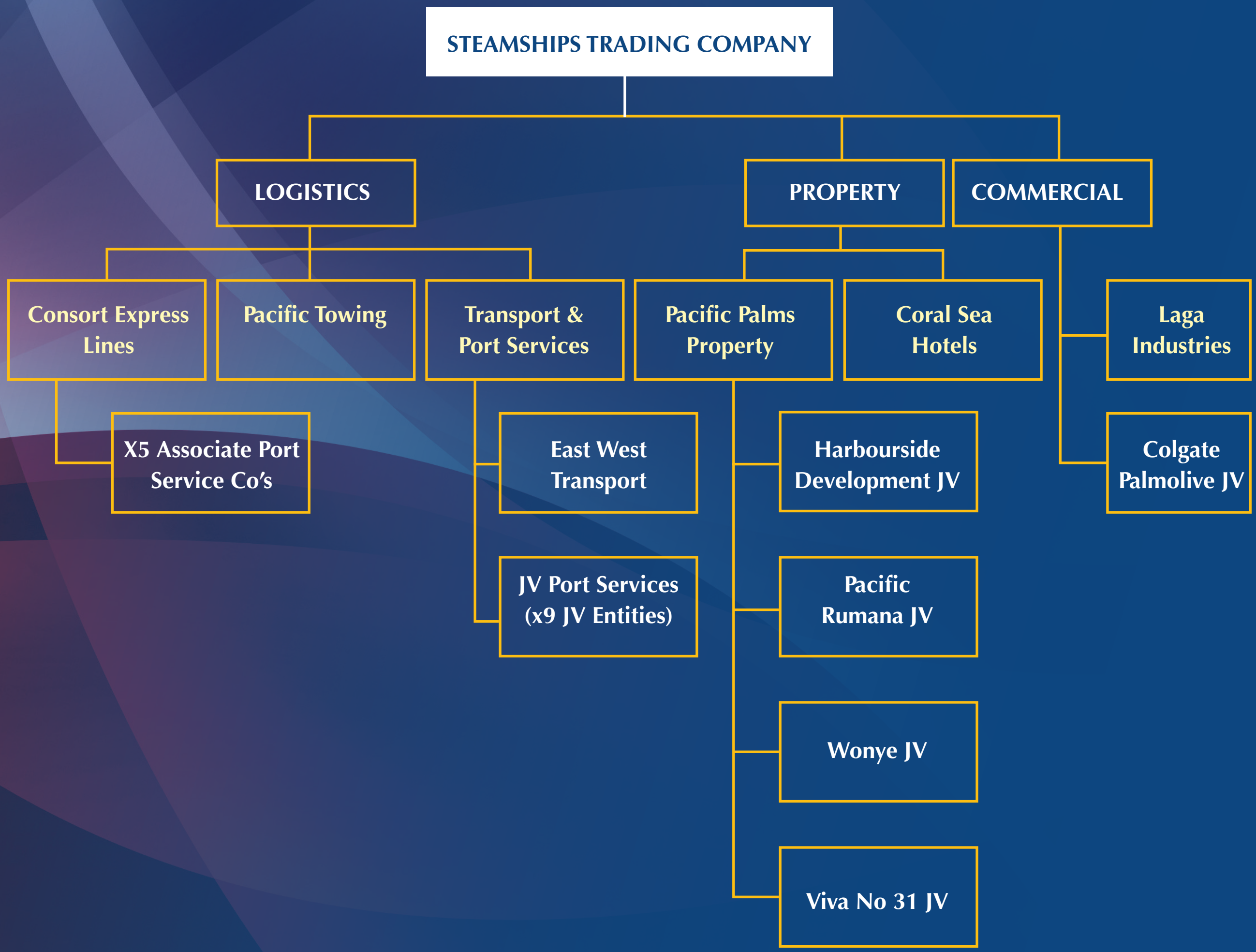
- Safety – We prioritise safety awareness and compliance to ensure our business operations are conducted safely.
- Integrity – Taking the more ethical and honest path; honouring our commitments and delivering on our promises; creating a bond of trust that sustains relationships with our staff, customers,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

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

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

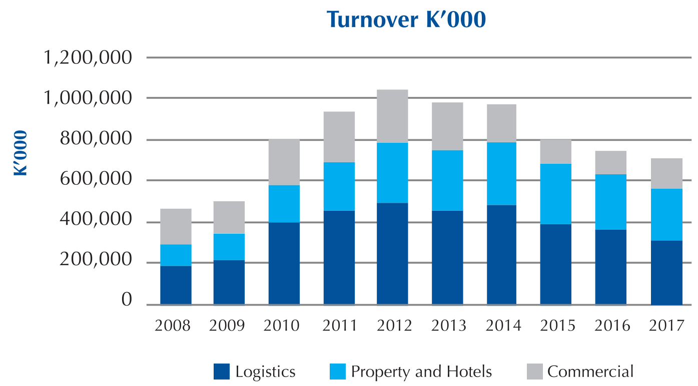
BRIEF PROFILE OF STEAMSHIPS GROUP

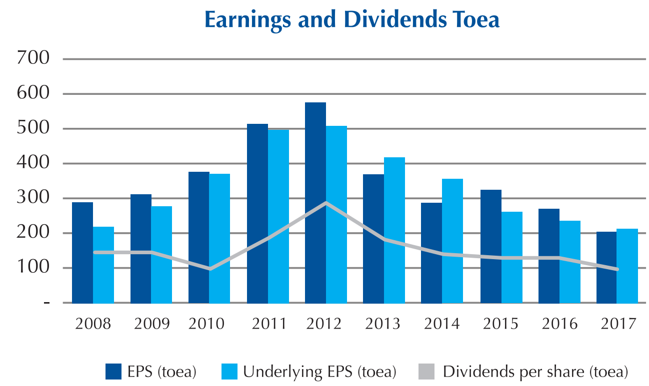
STEAMSHIPS' ORGANISATIONAL STRUCTURE

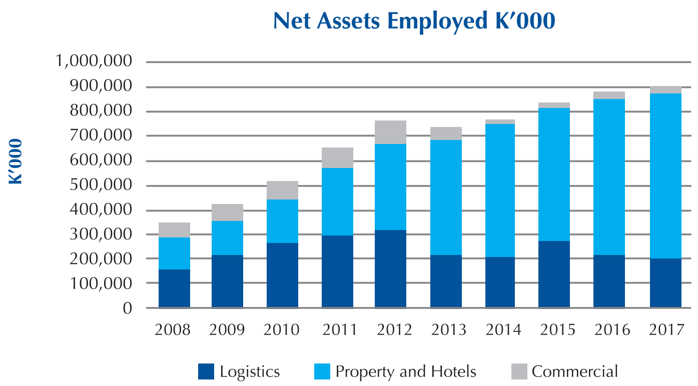


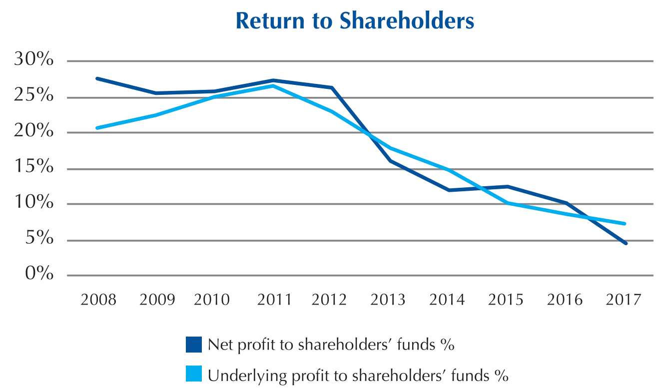
FINANCIAL HIGHLIGHTS

2017 FINANCIAL HIGHLIGHTS	2017 K'000	2016 K'000	Change %
Revenue	705,687	732,701	-4%
Profit attributable to shareholders	41,516	84,210	-51%
Cash generated from operations	102,029	191,061	-47%
Net cash inflow/(outflow) before financing	84,390	229,044	-63%
Shareholders' funds	841,964	833,006	1%
External Borrowings	441,020	502,497	-12%
Earnings per share (toea)	134	272	-51%
Dividends Declared per share (toea)	110	130	-15%
Shareholders' funds per share (kina)	27.15	26.86	1%
Underlying profit attributable to shareholders	61,775	71,721	-14%
Underlying earnings per share (toea)	199	231	-14%
Gearing ratio	33.1%	34.6%	-4%
Interest cover	6.2	6.7	-7%
Dividend cover	1.3	2.1	-39%









FINANCIAL HIGHLIGHTS

SUMMARY OF PAST PEFORMANCE

	2008 K'000	2009 K'000	2010 K'000	2011 K'000	2012 K'000	2013 K'000	2014 K'000	2015 K'000	2016 K'000	2017 K'000
INCOME STATEMENT (including discontinued operations)										
Revenue	462,972	495,976	789,918	920,357	986,310	930,934	941,708	773,535	732,701	705,687
Profit before tax	111,615	120,602	180,834	233,967	265,574	79,747	134,789	136,042	118,686	62,686
Share of associates profit	16,837	16,732	11,416	13,859	14,188	9,697	3,843	3,062	5,865	7,525
Income tax expense	(32,808)	(34,637)	(53,935)	(67,727)	(81,414)	(14,042)	(38,487)	(37,710)	(35,677)	(32,621)
Minority interests	(5,418)	(6,137)	(21,870)	(21,838)	(20,648)	38,609	(11,490)	(2,415)	(4,664)	3,926
Net profit attributable to shareholders	**90,226**	**96,560**	**116,445**	**158,261**	**177,700**	**114,011**	**88,655**	**98,979**	**84,210**	**41,516**
Depreciation transfer	159	-	-	(1,061)	-	-	-	-	-	-
Equity adjustment	-	-	-	-	-	(8,994)	-	2,206	-	-
Dividends paid or provided for the year	(45,272)	(45,272)	(31,008)	(58,916)	(88,373)	(57,365)	(43,411)	(48,062)	(40,291)	(32,558)
Earnings retained this year	**45,113**	**51,288**	**85,437**	**98,284**	**89,327**	**47,652**	**45,244**	**53,123**	**43,919**	**8,958**
Underlying profit attributable to shareholders (adjusted for significant items)	**67,770**	**85,120**	**113,597**	**153,566**	**156,213**	**128,367**	**108,808**	**80,651**	**71,721**	**61,775**
BALANCE SHEET										
SHARE CAPITAL & RESERVES										
Issued Capital	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200
Retained Earnings	302,595	353,883	428,157	554,349	652,978	689,777	711,764	764,887	808,806	817,764
Shareholders' funds	**326,795**	**378,083**	**452,357**	**578,549**	**677,178**	**713,977**	**735,964**	**789,087**	**833,006**	**841,964**
	18,336	43,854	62,851	75,365	84,322	22,907	30,773	47,515	48,831	36,190
EQUITY	**345,131**	**421,937**	**515,208**	**653,914**	**761,500**	**736,884**	**766,737**	**836,602**	**881,837**	**878,154**
Fixed Assets / Investment Properties	353,261	664,196	786,510	938,709	1,023,861	1,066,393	1,115,123	1,072,955	1,068,892	997,125
Investments in Associated Companies	33,337	17,939	15,416	28,445	38,687	31,471	33,193	36,458	66,445	67,196
Future Income Tax Benefit	4,150	7,305	9,282	-	-	21,081	33,521	36,914	36,680	30,250
Goodwill	7,578	17,183	17,183	17,183	17,183	93,617	80,491	80,491	80,491	80,002
Other assets	154,508	203,480	294,203	299,634	411,920	352,549	366,479	400,480	284,200	294,800
TOTAL ASSETS	**552,834**	**910,103**	**1,122,595**	**1,283,971**	**1,491,651**	**1,565,111**	**1,628,807**	**1,627,298**	**1,536,708**	**1,469,373**
Current Liabilities	122,562	236,847	273,055	283,445	370,396	230,390	190,621	541,292	184,646	221,560
Non-Current Liabilities	85,141	251,319	334,331	346,612	359,755	597,837	671,449	249,404	470,225	369,659
TOTAL LIABILITIES	**207,703**	**488,166**	**607,386**	**630,057**	**730,151**	**828,227**	**862,070**	**790,696**	**654,871**	**591,219**
NET ASSETS	**345,131**	**421,937**	**515,208**	**653,914**	**761,500**	**736,884**	**766,737**	**836,602**	**881,837**	**878,154**
RATIOS										
Current assets to current liabilities	1.26	0.86	1.08	1.06	1.11	1.53	1.92	0.74	1.16	1.00
Borrowings to shareholders funds	34.8%	89.1%	89.7%	70.1%	72.6%	89.7%	95.2%	81.7%	57.0%	50.2%
Gearing	24.8%	44.4%	44.0%	38.3%	39.2%	46.5%	47.8%	43.1%	34.6%	33.1%
Tangible net asset backing per share (kina)	10.89	13.05	16.06	20.53	24.00	20.75	22.13	24.38	25.84	25.74
Net profit to revenue %	19.5%	19.5%	14.7%	17.2%	18.0%	12.2%	9.4%	12.8%	11.5%	5.9%
Net profit to shareholders' funds %	27.6%	25.5%	25.7%	27.4%	26.2%	16.0%	12.0%	12.5%	10.1%	4.9%
Underlying profit to shareholders' funds %	20.7%	22.5%	25.1%	26.5%	23.1%	18.0%	14.8%	10.2%	8.6%	7.3%
Dividends per share (toea)	146	146	100	190	285	185	140	155	130	110
EPS (toea)	291	311	376	510	573	368	286	319	272	134
Underlying EPS (toea)	219	275	366	495	504	414	351	260	231	199
Earnings retained %	50.0%	53.1%	73.4%	62.1%	50.3%	41.8%	51.0%	53.7%	52.2%	21.6%

Notes

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

Gearing = debt / debt plus equity

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

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

CHAIRMAN'S REPORT

2017 was another challenging year for Papua New Guinea and few business sectors were unaffected by the weak economy. The lack of foreign currency continued to restrict business activity and the Kina remained under pressure. Government expenditure remained constrained by the national budget deficit although recent support from the multilateral development banks should reduce default risk.

Economic indicators show a stable but weak environment and although commodity prices, upon which the economy is heavily dependent, generally increased during the year, this did not result in any noticeable increase in economic activity. The continuing low oil and gas prices and delays to announcements on anticipated development projects have not helped the cautious sentiment, but the quality and extent of PNG resources are such that development should commence in the foreseeable future and bring a much needed boost to the economy.

The 2017 National Elections returned substantially the same Government and the stability is welcome. The new Government increased its dialogue with the private sector to address issues facing the country, which is encouraging. It is hoped that such dialogue will result in policy revision and new legislation which attracts and promotes foreign and private sector investment which has hitherto been discouraged by suggested reforms to the Land Act, Mining Act and SME policy.

The on-going national budget deficit creates short term pressure for the economic outlook, which, combined with lacklustre private sector investment, will likely see another difficult year for business in 2018.

More positively, Port Moresby will host the APEC economic leaders meeting in November 2018 and there are many related events throughout the year, which will generate business activity in some sectors. Construction of the conference centre and other infrastructure developments are well advanced and Steamships welcomes this landmark event that will promote PNG globally.

During 2017, PNG Ports Corporation announced its decision to award the International Terminal Concession in Port Moresby and Lae to a new operator. Steamships' Joint Venture Port Services business, one of the Group's logistics businesses including shipping, towing, stevedoring and transport, will be significantly affected in 2018 and three joint venture companies will cease operations as a result. Appropriate consideration has been made for possible loss on sale of assets and inventory. Shipping suffered from the continuing economic weakness, whilst Pacific Towing and East West Transport performed satisfactorily. The Company remains committed to the logistics sector and its customers.

Pacific Palms Property's performance was acceptable in light of the frail economy and continues to maintain high quality investments in strategic locations. There was over-supply in all sectors as demand fell further from 2016, with both rents and occupancy levels under pressure. Market conditions have led to a cautious approach to new development but some exciting prospects are in the design phase. The reconstruction of Waigani Central was completed after the 2015 fire, as well as the joint venture mixed commercial and retail developments in Mt. Hagen and Madang, which completed at the year end.

Coral Sea Hotels' performance stabilised in 2017 after declining the prior year due to the economic slowdown and new capacity entering the Port Moresby market. Investment was maintained in upgrading product and service standards in 2017 to better attract and retain customers in the increasingly competitive market.

Laga industries produced a good result, with strong revenue growth and a recovery in profit. This resulted from improved manufacturing, sales and distribution effectiveness, in both the ice cream and cooking oils sector and the division continues to invest in modern equipment to enhance product quality and consumer experience.

Capital investment was again constrained in 2017 in light of the continuing economic downturn. The balance sheet is strong and Steamships is well positioned to capitalise on opportunities as they arise. Steamships remains confident in the medium term prospects for the PNG economy, whilst remaining cautious and disciplined in facing the short term challenges. In 2018, Steamships will recognise 100 years of operation and we aspire to contribute and participate in PNG's economic and social development for many years to come.

Steamships has maintained its investment in the training and development of its employees despite the economic slowdown. We will be at the head of the recovery of economic growth and our team will continue to grow Steamships and its contribution to PNG. I thank all our staff for their commitment and hard work, which have been and will remain critical to the success of Steamships.

GL Cundle
Chairman

29 March 2018

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 and minority interests)			
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 K54.0 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 47% to K102.0 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, 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 not sufficiently probable 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 and will vigorously pursue the process of objection and recovery. 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.

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.

CONSORT EXPRESS LINES

Consort operates a fleet of 16 coastal vessels (5 geared, multi-purpose deep water vessels and 11 shallow water landing craft, bulk carriers, tugs and barges). All are PNG flagged and manned and all safety and technical specifications are maintained in accordance with Lloyds international standards.

LINER SERVICES

Consort connects 17 ports around PNG. The Division has scheduled services to the North Coast, South Coast, New Guinea Islands, Bougainville and Western Province. Consort proudly serves the people of PNG by providing the sole supply link to many of the communities on its routes.

The division can carry a range of cargoes including containerized, break-bulk, reefer, LCL and project cargo. Consort transports cargo for a diverse customer base from domestic manufacturers and wholesalers to international liner carriers transshipping cargoes to outports.

In addition to owning and operating ships, Consort provides complementary depot services to customers at its Lae hub and is a shareholder and manager of stevedoring operations at five PNG ports. These stevedoring companies are partnerships between Consort and local landowner companies and provide significant employment opportunities for the nearby communities.

PROJECT CHARTERS

Consort provides short and long term vessel charters specializing in shallow water river shipping, and together with the Transport & Port Services Division develops, implements and supports intermodal logistics solutions linked to land based services such as road transport, cargo handling, storage, agencies, customs clearance, lay down areas and warehousing.

The year, as expected, saw a continuation of the challenges faced in 2016. Volumes remained largely static as the lack of foreign currency exacerbated a weak demand environment. Much of the freight is consumer staple goods and needs to be competitively priced to win and retain customers.

As planned in 2016, Consort sold three vessels in 2017, being the Madang Coast, Nakanai Coast, Goada Chief. In addition, the Papuan Coast charter expired and the vessel was sold on behalf of its owner. This fleet reduction was partially a result of the decision in 2016 to withdraw from international services to Australia and partially in response to a need to better match capacity with demand and reduce the inherent cost of excess capacity.

As a consequence of the on-going weakness in the Oil & Gas market, the Projects Charters fleet was under-utilised with the long term charter of the Kiunga Chief to OK Tedi being the main activity. A portion of the Project Charters fleet was deployed with the liner trades, with surplus vessels remaining idle.

A significant loss of revenue was experienced in the first quarter of the year with the ‘Kiunga Chief’ off hire as a consequence of her grounding in 2016 and the need for major repairs. Over K4m in lost hire was a consequence.

The weak Oil & Gas market negatively impacted project vessel demand globally and resulted in a glut of project charter vessels internationally. This reduced demand was reflected in the annual external valuation of the fleet, with the carrying values of Consort project vessels negatively impacted. Accordingly, Consort has recorded an impairment of approximately K10m across the fleet.

It is the Company’s preference for vessels to visit Singapore for docking and, despite the time needed to get to and from the dock, this gives a noticeable improvement in both out-of-service time and docking expense. However, the lack of foreign currency will affect this strategy in 2018.

Despite the challenges of 2017, the underlying performance, particularly in the second half of the year, was encouraging. The economic environment going into 2018 is expected to be just as difficult as 2017, Consort is committed to the continuing transition of tonnage and a schedule that will allow management to concentrate on delivering a consistent and reliable service to customers, resulting in greater market support.

PACIFIC TOWING

Pacific Towing is the leading provider of harbour towage and mooring services in PNG and offers coastal and ocean towage services. A full member of the International Salvage Union, it also retains a fast responder salvage capability complemented by a comprehensive range of commercial dive services. As an ancillary service the company also provides life raft leasing and servicing and in 2017 commenced the provision of oil spill response services.

Pacific Towing is headquartered in Port Moresby and operates 11 tugs and 10 associated support vessels in five ports across PNG (Port Moresby, Lae, Rabaul, Kimbe and Madang). Dedicated harbour towage services extend to the Solomon Islands through a subsidiary company operating in Honiara.

Pacific Towing experienced a 16% increase in the number of harbour towing jobs undertaken in 2017 compared to 2016. However, revenue from routine non-harbour related jobs fell 9% this year. The combination of work gave rise to an overall increase in profits for the division enhanced by the settlement of receivables for non-routine salvage work.

In 2017 five salvages were responded to with three being settled during the year and one early in 2018. During 2017 income due on earlier salvages also settled.

In 2017 Pacific Towing, in conjunction with sister company Swire Pacific Offshore, developed an oil spill response capability which was deployed in Jacksons Harbour soon after introduction.

People development remains a focus and work experience for Pacific Towing seafarers continues with Hong Kong Salvage & Towage and, more recently, with the Singapore based China Navigation Company Ltd.

Pacific Towing is committed to localising key positions currently conducted by foreign crew. To this end, nine cadets are attending training at the Madang Maritime College with the intention of replacing all foreign crews starting in 2018. Training of the existing cadre of deck and engine officers continues with the college. Pacific Towing's divers likewise continue to attend the Professional Diving Academy in Sydney.

The purchase of a pre-owned 50tbp tug, renamed Langila was completed in early 2017. This allowed the company to manage a series of dry-dockings required on the existing fleet whilst maintaining its fleet availability to support customer needs throughout the country.

Pacific Towing is in a strong position entering 2018. A relocation of the main Port Moresby base to the new wharf at Motukea is being planned to better serve its customers.

TRANSPORT & PORT SERVICES

EAST WEST TRANSPORT (EWT)

EWT is one of the country's main multifaceted transport and logistics companies with a presence in Lae, Port Moresby, Kimbe, Rabaul, Madang, Wewak, Alotau and Kavieng. The division has a sizable fleet of prime movers, heavy trucks, light trucks, forklifts and reach stackers ranging from 2.5 to 45 tons in capacity. All equipment is supported by localised workshop facilities, safety and emergency vehicles and in house training programmes.

EWT operates across a wide spectrum of transport-related activities including bulk fuel, containerised cargoes, sawdust and coffee along with break-bulk cargoes and depot services such as equipment hire, warehousing and yard storage. EWT also offers a licensed customs cargo clearance service in Lae and Port Moresby. The Division capitalises on its close relationship with its sister shipping company by offering specialised project solutions for the mining, oil and gas sectors.

JV PORT SERVICES (JVPS)

The group's eight JVPS businesses offer a full range of stevedoring and handling facilities in the ports of Port Moresby, Lae, Alotau, Oro, Madang, Kimbe, Kavieng and Kiunga. With a fleet of specialist equipment the businesses handle all types of containers, as well as project cargo, break-bulk, RO-RO, LO-LO and grains. The stevedoring companies are joint ventures between Steamships and local landowner groups at the respective ports. Each joint venture employs a local workforce and is structured in a manner so that a share of earnings is able to filter back into the community.

The Transport and Port Services division showed resilience in the face of continuing soft operating conditions in 2017 to meet expected financial performance.

Although competition remains intense in the transport sector, EWT was able to grow market share and revenue through a continued focus on customers who value safe and reliable operations. New business was won in Port Moresby, Rabaul, Kimbe and Alotau. Material fuel contracts have also been renewed or extended in 2017.

Joint Venture Port Services (JVPS) regional operations produced a slightly improved consolidated result. Port Services Ltd in Port Moresby was negatively impacted by lines calling at the Motukea domestic wharf facilities, but Lae stevedoring operations remained stable.

The announcement in September that PNG Ports Corporation had awarded the concession to operate the international terminals in Port Moresby and Lae to a new overseas operator from early 2018 will result in the cessation of business for three joint venture companies and the exit of JVPS from these ports. Staff redundancies will result and assets will be disposed of. Appropriate provisions have been made at the year end. Whilst disappointed, the division will focus on its regional operations and remain dedicated to serving its customers.

The division moves into 2018 with a degree of confidence in the EWT transport business but some trepidation for the future prospects of JVPS. However, with a strong, well trained employee base and with a significant range of fit for purpose equipment, it remains highly compliant with industry best practice standards and is well placed to meet the challenges ahead.

CORAL SEA HOTELS

Coral Sea Hotels (CSH) operates seven hotel and apartment complexes offering full hotel facilities and serviced apartments as well as extensive meeting, conference and banqueting facilities.

CSH is the largest hotel group in PNG, offering 546 hotel rooms and 129 apartments. The Group comprises the Grand Papua Hotel, the Gateway Hotel and Apartments, the Ela Beach Hotel and Whittaker Apartments in Port Moresby; the Huon Gulf Hotel in Lae; the Highlander Hotel and Apartments in Mount Hagen and the Bird of Paradise Hotel in Goroka.

CSH recovered from a disappointing 2016 with a solid performance this year, despite the continuing economic weakness affecting demand. Prudent cost management on soft revenue contributed to a satisfactory profit.

Room and apartments occupancy and revenue fell year on year as rates remained under pressure and F&B revenues declined slightly on the prior year. The continuing impact of a slower economy on business travel, budget constraints on government department expenditure and reduced consumer discretionary spend all contributed to this challenging environment. Social unrest in Mt. Hagen during and after the national elections mid-year unfortunately impacted the Highlander Hotel.

Towards year end Port Moresby hotels benefited from pre APEC 2018 meetings as well as the Rugby League World Cup, held in November 2017. The opening of three new F&B outlets at the Gateway Hotel increased its profile and is providing a new destination for dining and entertainment near the airport.

Investment was maintained with the commencement of upgrading rooms at the Gateway and the Highlander. Bar & restaurant upgrades commenced at the Highlander and these will continue into 2018 and include new conference facilities. The upgrade of the Ela Beach Hotel was also completed.

Significant investment continues in training and staff development in order to maintain a high quality of service offering for customers and CSH is shortly expected to receive a certificate of compliance to ASNZ Food Standards Code (Australia & New Zealand) Australian Food Safety Standards. In addition, a number of World Luxury Hotel Awards in the Australasia and Oceania category were once again achieved in 2017.

Plans for 2018 include the opening of the 40-bed Cassowary Hotel in Kiunga and completion of the extensions for the Highlander Hotel in Mt. Hagen and, beyond 2018, includes redevelopment of the Melanesian Hotel in Lae. The market is expected to remain competitive in 2018 but Port Moresby is expected to benefit from the run up to APEC in November.

PACIFIC PALMS PROPERTY

Pacific Palms Property (PPP) is one of the largest and most dynamic property developers in PNG. The division currently holds property in the Residential, Commercial, Retail and Industrial sectors with building and land assets located in Port Moresby, Lae, Madang, Wewak, Goroka, Mt. Hagen, Popondetta and Rabaul.

PPP's strategy of making investments of scale and quality in good locations continues to support stable revenues even though a current over-supply of property is evident in Port Moresby. PPP will continue its selective disposal of less strategic properties in 2018.

The Port Moresby residential market has been affected by continuation of falling demand as the economy remains weak. There was also more over-supply delivered to the market. AS a retailer PPP rental rates however remained stable although overall occupancy declined slightly year on year in the older properties.

The commercial category has seen occupancy drop and rates have fallen due to weakness in the market. The Harbourside East & West Development however remains at 100% occupancy and this supported the decision to approve work to design the complementary mixed-use Harbourside South Development.

The retail category experienced a reduced occupancy from the prior year. The two joint venture mixed retail and commercial centre in Madang and Mt. Hagen both completed in 2017 and have been well received by prospective tenants. The rebuild of the fire damaged Waigani Central supermarket has recently been completed and is expected to reopen around Easter 2018. The Downtown Plaza in Port Moresby is undergoing renovation which has unfortunately resulted in increased vacancies but the finished product in early 2018 will be attractive.

PPP remains a strong player in the industrial category. As with other categories, general market rates and occupancies have weakened in 2017. PPP's development of warehouses in the Baruni area continues to show vacancies but the market will inevitably pick up as various developments around the new international port at Motukea continue and the road development is now completed.

The focus in 2018 for PPP will be to continue its efforts to meet customer service expectations, maintain high maintenance standards and manage its portfolio of leases to maximize revenue.

LAGA INDUSTRIES

Headquartered in Lae, Laga Industries is one of PNG's largest consumer goods businesses manufacturing and distributing ice cream, vegetable oils, condiments, powdered drinks, snack foods and beverages.

Brands include Gala Ice Cream, distributed from the "Gala Pala's" found in most leading retail supermarkets; Highland Meadows and Laga Cooking Oils; Kools powdered drinks, Star of India Curry Powder, 111 Baking Powder and Instant Yeast and various other branded Specialty lines. Laga Industries also manufactures the iconic LagaStik and bottles pure drinking water under the Tropical Oasis brand and various private labels.

Operationally, the Division has a fully integrated production facility in Lae, a freezer and dry goods distribution centre and sales office in Port Moresby and sales offices in Madang, Wewak, Goroka, Mt Hagen, Kimbe, Kavieng, Kokopo/Rabaul and Buka. The Lae production facility is a large industrial site featuring the largest capacity state of the art Ice Cream production plant in the Pacific.

Laga Industries built on its 2016 growth with sales improvements in all segments as well as operational improvements across all aspects of the business.

The Ice Cream plant continued to generate high product quality and pleasing production efficiencies, yielding solid margins. The new product range, Hamamas, performed strongly and the rationalisation of existing ice cream ranges combined with new product development will bolster performance in this sector. The business continued to invest in the iconic Gala brand, rolling out several new Gala Palas.

Cooking Oil volumes continued to be strong and margins increased during the year as Laga improved its procurement practices and took strategic price increases.

Specialty Lines sales were improved in 2017 and capital investment continues in this sector in order to drive improvements in production capacity and efficiency.

The alcoholic beverages business, Trade Winds, was divested at the end of the year and focus now shifts to LagaStik and bottled water. Manufacturing and sale of a new LagaStik pouch format commenced in the fourth quarter with the intent of improving production volumes and margins.

Operating profit improved in 2017, continuing the major turnaround since 2013. 2018 is expected to see further improvement as Laga continues to grow its ice cream, beverages and specialty lines and to make improvements to its manufacturing practices.

COLGATE PALMOLIVE

Steamships holds a 50 per cent beneficial interest in Colgate-Palmolive (PNG) Ltd (Colgate), a company that markets and distributes oral, personal, home and fabric care products in PNG. Joint control is exercised by the board however day to day management is performed by Colgate-Palmolive Australia.

Colgate Palmolive, a PNG joint venture, saw improved trade volumes and sales revenue in Oral and Personal Care categories this year, although Home Care volume sales have slipped behind last year as some customers faced operational challenges and imported soap chip costs increased. Various initiatives are underway to bring Home Care volume sales back up in 2018. Margins have held up well although input costs will continue to be a challenge.

Continued improvement in in-store execution and an enhanced distribution presence in second tier markets had a positive impact on sales. Marketing focus was maintained on consumer education programmes in all media to promote the health benefits of oral and personal hygiene. The “Bright Smiles, Bright Futures” campaign for Colgate toothpaste had a direct interaction between Colgate Palmolive’s oral health ambassadors and 400,000 consumers (the majority being school children) across PNG, up from 305,000 in 2016.

2018 is expected to see a continuing tight consumer market, however, based on excellent sales execution, modest growth in sales and profit is anticipated.

SUSTAINABILITY

Steamships remains committed to the principles of Sustainable Development. We will continue to conduct our activities in a manner that protects the environment, health, security and safety of our employees, contractors, and customers. We wish to excel as corporate citizens.

Staff remain the most valuable asset at Steamships. In 2017 Steamships HR and Training commenced a journey of revision, with a clear focus on fairness and consistency in people management across all divisions as well as a focus on heightening the professional development of employees at all levels with a "Growth from Within" vision. To support this vision, a Learning and Talent Development Manager was sourced and commenced at the later stage of 2017. Safety also remains as a priority and 2017 saw the introduction of an annual Steamships safety forum. Behavioural safety and its contribution to a strong safety culture was a focus.

Responsible and sustainable energy consumption remains an area of focus and work has commenced in 2017 to improve the monitoring and reporting of energy and water use, waste management, and environmental emissions at operational level. This work will result in a new and comprehensive reporting of environmental performance in 2018.

Steamships considers it essential to have a positive impact on the various communities in which it operates. This is done through an involvement in community engagement initiatives that prioritize four key areas: health, social welfare, education, sports and culture. These priority areas align with the development aspirations of Papua New Guinea with specific focus on; good health and wellbeing, quality education, reduced inequalities, and gender equality. The focus in 2017 was the newly launched Community Grant Programme.

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

CORPORATE GOVERNANCE

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

Steamships is committed to:

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

Steamships reports against the Australian Stock Exchange (ASX) recommendations by addressing each key principle in the order it is listed in the ASX guidelines. Each section addressing a key principle includes references to relevant information that appears elsewhere in the 2017 Annual Report or on the Steamships' website.

Steamships believes it complied with the Australian Stock Exchange Corporate Governance Principles (the third edition) during the twelve months ended 31 December 2017, except where noted in the Corporate Governance Report.

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

STATEMENTS OF COMPREHENSIVE INCOME

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

		Consolidated		Parent Entity	
	Note	2017	2016	2017	2016
Continuing Operations					
Revenue	3(a)	705,687	732,701	13,051	31,691
Other income	3(a)	15,244	19,766	2,828	2,726
Operating expenses	3(b)	(644,776)	(611,794)	(2,031)	(1,805)
OPERATING PROFIT		76,155	140,673	13,848	32,612
Finance (costs)/income - net	3(e)	(13,469)	(21,987)	72	72
Share of profit of associates and joint ventures	4(b)	7,525	5,865	-	-
PROFIT BEFORE INCOME TAX		70,211	124,551	13,920	32,684
Income tax expense	5(a)	(32,621)	(35,677)	(205)	(801)
PROFIT FROM CONTINUING OPERATIONS		37,590	88,874	13,715	31,883
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		37,590	88,874	13,715	31,883
Attributable to:					
Non-controlling interests		(3,926)	4,664	-	-
Shareholders		41,516	84,210	13,715	31,883
		37,590	88,874	13,715	31,883
Basic and Diluted Earnings per share continuing (toea)	3(f)	134t	272t		

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

STATEMENT OF CHANGES IN EQUITY

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

	Share Capital	Retained Earnings	Other Reserves	Total Capital & Reserves	Non-Controlling Interest	Total Equity
BALANCE AT 1 JANUARY 2016	24,200	773,881	(8,994)	789,087	47,515	836,602
Profit 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	817,800	(8,994)	833,006	48,831	881,837
Profit for the year	-	41,516	-	41,516	(3,926)	37,590
Dividends paid 2017	-	(32,558)	-	(32,558)	(8,715)	(41,273)
BALANCE AT 31 DECEMBER 2017	24,200	826,758	(8,994)	841,964	36,190	878,154

This Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

No Statement of Changes in Equity is presented for the Parent Entity as the only movement in equity is represented by the retained earnings as shown in the statement of comprehensive income and dividend movements as reflected above for the Group.

There is no other comprehensive income.

STATEMENTS OF FINANCIAL POSITION

Steamships Trading Company Limited As At 31 December 2017 (Amounts in Kina 000's)

	Note	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
Current assets					
Cash and cash equivalents	6	12,021	36,685	-	404
Trade and other receivables	7	161,655	134,822	435	407
Inventories	8	47,333	41,128	-	-
Income tax receivable	5(e)	-	716	85	-
		221,009	213,351	520	811
Non-current assets					
Property, plant and equipment	10	628,127	682,917	24,545	25,934
Investment properties	11	368,998	385,974	-	-
Investments in related companies	4(a)	67,196	66,445	208,163	208,163
Loans to related companies	9	73,791	70,850	5,712	5,712
Intangible assets	12	80,002	80,491	-	-
Deferred tax assets	5(c)	30,250	36,680	268	245
		1,248,364	1,323,357	238,688	240,054
TOTAL ASSETS		1,469,373	1,536,708	239,208	240,865
Current liabilities					
Trade and other payables	13	108,170	98,639	-	680
Provisions for other liabilities and charges	14	6,250	11,510	-	-
Loans from related companies	9	54,512	35,452	218,274	200,404
Loan from minority shareholder	15	19,503	32,259	-	-
Borrowings	15	31,718	6,786	-	-
Income tax payable	5(e)	1,407	-	-	4
		221,560	184,646	218,274	201,088
Non-current liabilities					
Deferred tax liabilities	5(c)	22,332	30,982	-	-
Provisions for other liabilities and charges	14	12,040	11,243	-	-
Borrowings	15	335,287	428,000	-	-
		369,659	470,225	-	-
TOTAL LIABILITIES		591,219	654,871	218,274	201,088
NET ASSETS		878,154	881,837	20,934	39,777
EQUITY					
Issued capital	16	24,200	24,200	24,200	24,200
Reserves		817,764	808,806	(3,266)	15,577
Capital and reserves attributable to the Company's shareholders		841,964	833,006	20,934	39,777
Non-controlling interests		36,190	48,831	-	-
TOTAL EQUITY		878,154	881,837	20,934	39,777

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

For and on behalf of the Board:

29 March 2018

G.L. Cundle
Chairman

P.W. Langslow
Managing Director

STATEMENTS OF CASH FLOWS

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

	Note	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		721,778	783,668	5,029	3,421
Payments to suppliers and employees		(573,454)	(531,244)	(3,551)	(590)
Interest received		4,639	12,248	72	72
Interest and other finance costs paid		(18,109)	(34,235)	-	-
Income tax paid	5(e)	(32,825)	(39,376)	(317)	(256)
Net cash provided by operating activities	18	102,029	191,061	1,233	2,647
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(54,098)	(109,478)	-	(311)
Proceeds from sales of property, plant & equipment		10,608	24,241	-	-
Proceeds on sale of investment		15,716	-	-	-
Loans repaid by associated companies		3,361	147,343	17,870	17,812
Investment in associates & joint ventures		-	(24,143)	-	(12,803)
Dividends received		6,774	20	13,051	31,691
Net cash (used in)/provided by investing activities		(17,639)	37,983	30,921	36,389
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	38,000	-	-
Repayments of borrowings		(84,373)	(186,903)	-	-
Dividends paid		(41,273)	(43,639)	(32,558)	(40,291)
Net cash used in financing activities		(125,646)	(192,542)	(32,558)	(40,291)
NET (DECREASE)/INCREASE IN CASH HELD		(41,256)	36,502	(404)	(1,256)
NET CASH AT BEGINNING OF THE YEAR		29,899	(6,603)	404	1,660
NET CASH AT END OF THE YEAR		(11,357)	29,899	-	404
CASH COMPRISES:					
Cash and cash equivalents	6	12,021	36,685	-	404
Bank overdrafts	15	(23,378)	(6,786)	-	-
		(11,357)	29,899	-	404

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

1. Summary of significant accounting policies

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

These Group consolidated financial statements were authorised for issue by the Board of Directors on 29 March 2018.

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

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention as modified by certain financial assets and liabilities at fair value through profit and loss, and assets held for sale measured at fair value less costs of disposal.

(i) Standards, amendment and interpretations effective in the year ended 31 December 2017

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2017.

- Amendments to IAS 7 'Statement of Cash Flows' on disclosure initiative. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS 12 'Income Taxes' on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- Annual improvements 2014 – 2016 - IFRS 12. This amendment clarifies that the disclosure requirements of IFRS 12 are applicable to interests in entities classified as held for sale except for summarised financial information.

(ii) Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2017 or adopted early

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2018 or later periods, but the entity has not early adopted them:

- Amendments to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- IFRS 9, 'Financial Instruments' (effective 1 January 2018) replaces the guidance in IAS 39 with a standard that is less complex and principles based. The new standard simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented within OCI; this change can be adopted early without adopting IFRS 9. IFRS 9's new impairment model is a move away from IAS 39's incurred credit loss approach to an expected credit loss model. Earlier recognition of impairment losses is likely to result and for entities with significant lending activities, an overhaul of related systems and processes will be needed. The Group does not expect IFRS 9 to have a significant impact on current financial instrument classification and measurement practice.
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2018) is a converged standard from the IASB and FASB on revenue recognition and replaces IAS 11 and IAS 18. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

  The entity will have to adopt a new 5-step process for the recognition of revenue:

  - identify contracts with customers
  - identify the separate performance obligations

- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

Areas expected to be impacted by the change in accounting standard include the Group's recognition of cargo shipments.

- Amendments to IFRS 15 (effective 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

- IFRS 16, 'Leases' (effective 1 January 2019) replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed. IFRS 16 now requires a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group does not expect IFRS 16 to have a significant impact.

- Amendments to IFRS 4, 'Insurance contracts' (effective 1 January 2018) regarding implementation of IFRS 9. These amendments introduce tw0 approaches: an overlay approach and a deferral approach. The amended standard will:

  - give all companies that issue insurance contracts the option to recognise in OCI, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and

  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021, in which case they will continue to apply IAS 39.

- Amendments to IAS 40, 'Investment property' (effective 1 January 2018) relating to transfers of investment property. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Annual improvements 2014 – 2016 makes minor changes to IFRS 1 and IAS 28 (effective 1 January 2018).

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018) addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made.

- IFRS 17 'Insurance contracts" (effective 1 January 2021) replaces IFRS 4. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contacts with discretionary participation features.

- IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019) clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax positions. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

- Annual improvements 2015 – 2017 makes minor changes to IFRS 3, IFRS 11, IAS 12 and IAS 23 (effective 1 January 2019).

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(b) Foreign currency

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

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Steamships Trading Company Limited as at 31 December 2017 and the results of all subsidiaries for the year then ended. Steamships Trading Company Limited and its subsidiaries together are referred to as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has control, that is when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill identified on acquisition (refer to note 12).

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

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

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

(iii) Joint ventures

Joint venture entities

The interest in a joint venture is accounted for using the equity method after initially being recognised at cost as for associates.

(iv) Changes in ownership interests

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

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

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

(d) Business combinations

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in determining profit or loss as a bargain purchase.

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

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

(e) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Sale of goods - Revenue from the sale of goods is recognised when the entity sells a product to the customer and all significant risks and rewards have been transferred.

Services - Service revenue is recognised when the service has been rendered.

Freight - Freight revenue is recognised as the service has been provided.

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

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

Rental income - Rental income is recognised on a straight line basis over the term of the lease.

(f) Income tax

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

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and Treasury Bills with a maturity less than 90 days. Bank overdrafts are shown in current liabilities in the statement of financial position.

(h) Receivables

Trade receivables are amounts due from customers for merchandise sold or services provided in the ordinary course of business. There are classified as current assets if collection is expected within one year. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(i) Inventories

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

(j) Non-current assets held for resale

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

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

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

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

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

(k) Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The Group does not hold any held to maturity investments or available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in note 1(h).

(l) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets until the assets are ready for their intended use. Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values using the below rates which is reflective of their estimated useful life as follows:

Land and buildings	0 - 10%
Ships	5 - 10%
Plant and fittings	10 - 33%
Motor vehicles	20 - 33%

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

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

(m) Investment properties

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

(n) Goodwill

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

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

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

(o) Trade and other payables

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

(p) Provisions

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

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

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

(q) Employee benefits

(i) Short term obligations

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

(ii) Other long-term employee benefit obligations

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

(iii) Termination benefits

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

(r) Borrowings

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

(s) Impairment of assets

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

(t) Borrowing costs

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 4.6% (2016 – 4.5%).

(u) Segment reporting

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

(v) Earnings per share

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

(w) Goods and services tax (GST)

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

(x) Leases

Leases under which the Group assumes substantially all the risks and rewards incidental to ownership have been classified as finance leases and are capitalised. The asset and corresponding liability are recorded at inception of the lease at the fair value of the leased asset, at amounts equivalent to the discounted present value of minimum lease payments including residual values.

The finance cost is charged to the 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.

Capitalised leased assets are depreciated over their expected lives in accordance with rates established for other similar assets.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the profit and loss account in the periods in which they are incurred.

(y) Rounding of amounts

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

(z) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

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

The Group tests periodically the recoverable amount of ships and other plant and equipment. Recoverable amounts have been determined using the higher of fair value less cost to sell and its value in use. Fair value has been determined using market based information while value in use has been determined using a post-tax discount rate of 12.5%.

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

The analysis of the recognition and recoverability of the deferred tax assets relating to carry forward tax losses is complex and judgmental and estimating future taxable income is based on assumptions that are affected by expected future market or economic conditions.

2. Financial risk management

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

(a) Market risk

(i) Foreign exchange risk

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

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

(ii) Price risk

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

(iii) Cash flow interest rate risk

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

At 31 December 2017, if interest rates on PNG Kina-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been K2,569,000 (2016: K3,044,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

(c) Liquidity risk

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

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

Undrawn finance facilities as of 31 December were as follows:

	2017 K'000	2016 K'000
Undrawn Facilities	194,000	126,000

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

	Less than 1 year K'000	Between 1 & 2 years K'000	Between 2 & 5 years K'000	Over 5 years K'000	Total K'000
At 31 December 2017					
Borrowings	(31,718)	(8,340)	(326,947)	-	(367,005)
Borrowings from minority shareholders	(19,503)	-	-	-	(19,503)
Borrowings from related parties	(54,512)	-	-	-	(54,512)
Trade and other payables	(108,170)	-	-	-	(108,170)
	(213,903)	(8,340)	(326,947)	-	(549,190)
At 31 December 2016					
Borrowings	(6,786)	-	(428,000)	-	(434,786)
Borrowings from minority shareholders	(32,259)	-	-	-	(32,259)
Borrowings from related parties	(35,452)	-	-	-	(35,452)
Trade and other payables	(98,639)	-	-	-	(98,639)
	(173,136)	-	(428,000)	-	(601,136)

The Group does not hold derivative financial instruments.
All loan covenants associated with borrowing arrangements have been met.

(d) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as external borrowings and unsecured loans less cash and cash equivalents. Total capital is calculated as capital and reserves attributable to the Company's shareholders plus net debt.

The gearing ratios at each balance date were as follows:

	2017 K'000	2016 K'000
Total external borrowing & unsecured loans	441,020	502,497
Less: Cash & Cash equivalents	12,021	36,685
Net debt	428,999	465,812
Total equity	878,154	881,837
Total capital	1,307,153	1,347,649
Gearing ratio	33%	35%

(e) Fair value estimation

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

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

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

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

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

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

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

3. Operating results

	Consolidated		Parent Entity	
	2017	2016	2017	2016
(a) Revenue and other income comprises:				
Revenue from sale of goods	161,378	135,448	-	-
Revenue from provision of services	544,309	597,253	-	-
Dividend income	-	-	13,051	31,691
Total Revenue	705,687	732,701	13,051	31,691
* Other income (net)	15,244	19,766	2,828	2,726

* Other income principally represents a gain of K15.7M on sale of shares (2016: gain on sale of Coastwatchers Hotel of K14M).

(b) Expenses comprise:

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
Cost of sales	165,616	143,240	-	-
Staff costs (note 3c)	142,266	148,611	-	-
Depreciation and amortisation	99,817	106,715	2,229	2,261
Impairment of fixed assets	12,261	2,276	-	-
Impairment of other assets	1,445	-	-	-
Hotel & property development cost write off	6,742	5,574	-	-
Electricity and fuel	50,546	50,787	-	-
Other operating expenses	166,083	154,591	(198)	(456)
Total operating expense	644,776	611,794	2,031	1,805

(c) Staff costs:

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
Wages and salaries	122,091	122,658	-	-
Retirement benefit contributions	6,028	6,380	-	-
Accommodation and other benefits	14,147	19,573	-	-
	142,266	148,611	-	-

Number of staff employed by the Group at year end:

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
Full Time	3,165	3,569	-	-

3. Operating results (continued)

	Consolidated		Parent Entity	
	2017	2016	2017	2016
(d) The operating profit before income tax is arrived at after charging and crediting the following specific items:				
After charging:				
Audit fees	1,050	1,050	10	10
Fees for non-audit services to Auditors	710	814	-	-
Bad and doubtful debts	2,964	1,645	-	-
Donations	2,343	1,278	-	-
Impairment of property, plant & equipment	12,261	2,276	-	-
Impairment of other assets	1,445	-	-	-
Loss on sale of fixed assets	851	-	-	-
After crediting:				
Gain on sale of property, plant and equipment	1,586	19,766	-	-
Net foreign exchange transaction gains	413	530	-	-

(e) Cost of financing – net:

	2017	2016	2017	2016
Expense*	18,109	34,235	-	-
Income	(4,640)	(12,248)	(72)	(72)
Net finance costs	13,469	21,987	(72)	(72)

*The interest expense excludes capitalised interest of K1.4M (2016 - K1.7M).

(f) Earnings per share

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

	2017	2016
Net profit attributable to shareholders	41,516	84,210
Average number of ordinary shares on issue (thousands)	31,008	31,008
Basic earnings per share (continuing operations)	134t	272t

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

4. Investments in subsidiaries, associates and joint ventures

	Consolidated		Parent Entity	
	2017	2016	2017	2016
(a) Investments are accounted for in accordance with the policy set out in Note 1(c) and relate to:				
Investments in subsidiary companies (note 20)	-	-	171,537	171,537
Investments in associates (note 21)	38,287	35,813	-	-
Investments in joint ventures (note 22)	28,909	30,632	36,626	36,626
	67,196	66,445	208,163	208,163
(b) Share of after tax profit in associates and joint ventures				
Share of profit in associates	3,296	3,886	-	-
Share of profit in joint ventures	4,229	1,979	-	-
	7,525	5,865	-	-

5. Income Tax

	Consolidated		Parent Entity	
	2017	2016	2017	2016
(a) Income tax expense				
Current tax	37,602	36,325	298	389
Deferred Tax	(2,220)	(2,210)	(23)	(64)
Prior period (over)/under provided	(2,761)	1,562	(70)	476
	32,621	35,677	205	801

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

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
Prima facie tax on profit before income tax	21,063	37,365	4,176	9,805
Tax effect of rebateable dividends	-	-	(3,915)	(9,507)
Expenses not deductible for tax	6,445	1,696	14	27
Deductible expenses not recognised for accounting purposes	-	(2,432)	-	-
Tax loss not recognised	15,814	-	-	-
Income not assessable for tax	(7,940)	(2,514)	-	-
Prior year (over)/under provisions	(2,761)	1,562	(70)	476
	32,621	35,677	205	801

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

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
Provisions	10,364	9,987	-	-
Tax losses	30,565	32,799	-	-
Prepayments & consumables	(9,750)	(16,837)	-	-
Property, plant and equipment	(23,261)	(20,251)	268	245
	7,918	5,698	268	245
Deferred tax asset	30,250	36,680	268	245
Deferred tax liability	(22,332)	(30,982)	-	-
	7,918	5,698	268	245

The group has not recognised deferred tax asset amounting to K15.8m related to carried forward tax losses.

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

5. Income tax (continued)

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

	Beginning Balance	Charge to profit	Ending Balance
Consolidated			
Provisions & accruals	9,987	377	10,364
Tax losses	32,799	(2,234)	30,565
Prepayments & consumables	(16,837)	7,087	(9,750)
Property, plant and equipment	(20,251)	(3,010)	(23,261)
Total	5,698	2,220	7,918
Parent Company			
Property, plant and equipment	245	23	268
Total	245	23	268

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

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
At 1 January	(716)	1,407	4	(604)
Income tax provision	37,602	36,325	298	389
Income tax (over)/under provided	(2,761)	1,562	(70)	476
Others	107	(634)	-	-
Tax payments made	(32,825)	(39,376)	(317)	(256)
At 31 December	1,407	(716)	(85)	4

6. Cash and cash equivalents

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
Cash and short term deposits	12,021	36,685	-	404
	12,021	36,685	-	404

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

7. Trade and other receivables

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
Trade and other receivables				
Trade receivables	102,209	96,927	-	-
Provision for impairment	(6,186)	(3,440)	-	-
	96,023	93,487	-	-
Other receivables & prepayments	65,632	41,335	435	407
	161,655	134,822	435	407

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

7. Trade and other receivables (continued)

	Consolidated		Parent Entity	
	2017	2016	2017	2016

(i) Impaired trade receivables

As at 31 December 2017, trade receivables of K6.1M (2016: K3.4M) relating to trade debtors were considered impaired and were provided for by management. The ageing of these receivables is as follows:

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
3 to 6 months	628	762	-	-
Over 6 months	5,558	2,678	-	-
	6,186	3,440	-	-

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

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
Opening balance	3,440	6,082	-	-
Impairments recognised during the year	2,964	1,645	-	-
Provision released	(218)	(4,287)	-	-
Total	6,186	3,440	-	-

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

(ii) Past due but not impaired

As at 31 December 2017, trade receivables of K6M (2016: K4.9M) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
3 to 6 months	1,152	928	-	-
Over 6 months	4,874	3,924	-	-
	6,026	4,852	-	-

The other classes within trade and other receivables do not contain impaired assets and are not past due. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security in relation to these receivables.

(iii) Other receivables and prepayments

Other receivables generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed three months. Collateral is not normally obtained.

Prepayments relate to advance payments for expenses not yet incurred.

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

8. Inventories

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Raw materials	17,175	10,024	-	-
Finished goods	32,980	33,326	-	-
Provision for obsolescence	(2,822)	(2,222)	-	-
	47,333	41,128	-	-

Inventories recognised as an expense during the year ended 31 December 2017 and included in cost of sales and cost of providing services amounted to K115M (2016: K90.6M). The provision for obsolescence of inventories during the year increased by K0.6M (2016: by K1.1M decrease).

9. Loans to/(from) related companies

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Non-Current				
Colgate Palmolive (PNG) Limited	500	500	500	500
Wonye Limited	-	275	-	-
Morobe Terminals Limited	-	60	-	-
Labu Holdings Limited	-	100	-	-
Pacific Rumana Limited	31,905	36,800	-	-
Harbourside Development Limited	33,679	33,115	-	-
Croesus Re SPC Limited	7,707	-	-	-
	73,791	70, 850	500	500
Loans to subsidiaries	-	-	5,212	5,212
	73,791	70,850	5,712	5,712
Loans from associates and joint ventures:				
Harbourside Development Limited	(3,083)	(1,111)	-	-
Morobe Terminals Limited	(9,192)	(3,150)	-	-
Consort Express Lines Limited's associates	(40,291)	(31,191)	-	-
Wonye Limited	(1,946)	-	-	-
	(54,512)	(35,452)	-	-
Loans from subsidiaries	-	-	(218,274)	(200,404)
	(54,512)	(35,452)	(218,274)	(200,404)

The loan to Harbourside Development Limited is secured and earns interest at 6.5%. The loan to Pacific Rumana Limited is unsecured and earns interest at 9%. The loan from Consort Express Lines Limited's associates are unsecured and incur interest at 4%.

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

10. Property, plant & equipment

	Property	Ships	Plant and Vehicles	Total
Consolidated				
2017				
Cost	524,216	250,352	441,026	1,215,594
Accumulated depreciation (including impairment losses)	(156,643)	(113,254)	(317,570)	(587,467)
Net book value	367,573	137,098	123,456	628,127
Opening value	370,391	164,387	148,139	682,917
Additions	10,694	16,093	22,713	49,500
Disposals	(3,176)	(6,486)	(3,336)	(12,998)
Depreciation	(10,336)	(26,829)	(41,866)	(79,031)
Impairment	-	(10,067)	(2,194)	(12,261)
Closing value	367,573	137,098	123,456	628,127
2016				
Cost	513,002	325,149	435,279	1,273,430
Accumulated depreciation (including impairment losses)	(142,611)	(160,762)	(287,140)	(590,513)
Net book value	370,391	164,387	148,139	682,917
Opening value	393,606	169,319	168,671	731,596
Additions	24,734	26,118	44,477	95,329
Disposals	-	(4,004)	(12,639)	(16,643)
Depreciation	(7,775)	(27,046)	(50,094)	(84,915)
Impairment	-	-	(2,276)	(2,276)
Transfers to investment properties	(40,174)	-	-	(40,174)
Closing value	370,391	164,387	148,139	682,917
Parent Entity				
2017				
Cost	73,755	-	5,689	79,444
Accumulated depreciation	(50,327)	-	(4,572)	(54,899)
Net book value	23,428	-	1,117	24,545
Opening value	24,550	-	1,384	25,934
Additions	583	-	338	921
Disposals	-	-	(81)	(81)
Depreciation	(1,705)	-	(524)	(2,229)
Closing value	23,428	-	1,117	24,545

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

10. Property, plant & equipment (continued)

	Property	Ships	Plant and Vehicles	Total
Parent Entity				
2016				
Cost	73,210	-	5,994	79,204
Accumulated depreciation	(48,660)	-	(4,610)	(53,270)
Net book value	24,550	-	1,384	25,934
Opening value	24,549	-	1,611	26,160
Additions	3	-	308	311
Transfers	1,724	-	-	1,724
Depreciation	(1,726)	-	(535)	(2,261)
Closing value	24,550	-	1,384	25,934

(a) Assets in the course of construction

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

	Consolidated		Parent Entity	
	2017	**2016**	**2017**	**2016**
Property (classified as investment properties in note 11)	53,270	45,502	-	-
Ships	-	1,239	-	-
Plant and vehicles	15,483	16,300	-	-
Total assets in the course of construction	68,753	63,041	-	-

The cost of additions in 2017 includes capitalised borrowing costs of K1.4M (2016: K1.7M) in relation to qualifying assets.

(b) Impairment losses

During the year the Directors performed an impairment review on all key assets of the Group. As a result of this assessment an impairment charge of K12.3M (2016: K2.3M) was recorded on ships and equipment, plant and vehicles.

There are no other further conditions that indicate impairment of property, plant and equipment as at 31 December 2017.

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

11. Investment properties

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

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Cost	516,759	521,381	-	-
Accumulated depreciation	(147,761)	(135,407)	-	-
Net book value	368,998	385,974	-	-
Opening value	385,974	341,359	-	-
Additions	4,599	27,693	-	-
Disposals	(789)	(1,453)	-	-
Transfers from property, plant & equipment	-	40,174	-	-
Depreciation	(20,786)	(21,799)	-	-
Closing value	368,998	385,974	-	-

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

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Rental income	120,145	130,562	-	-
Repairs and maintenance attributable to rental properties under non-cancellable leases	(4,438)	(4,654)	-	-
Operating expenses directly attributable to rental properties under non-cancellable leases	(12,076)	(11,483)	-	-

(b) Valuation basis

Properties include commercial and residential properties occupied by Group businesses together with commercial and residential investment properties which are available for external lease. An analysis of the carrying amount and estimated range of fair values for each category of property is shown below. Fair values have been estimated internally, based on market evidence of property values, supported by independent professional valuations as at December 2017 for a selected sample of representative properties and combination of independent professional valuation and discounted value in use assessments for some of the hotel properties.

Included in properties are the following:

	NBV	Valuation Lower	Range Higher
Investment properties	368,998	803,779	1,005,093
Other properties (note 10)	367,573	800,674	1,001,211
Total	736,571	1,604,453	2,006,304

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

(c) Non-current assets pledged as security

Refer to note 15 for information on non-current assets pledged as security by the Group.

(d) Contractual receivables

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

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Within one year	120,308	129,509	-	-
Later than one year but not later than five years	114,045	128,854	-	-
Later than five years	127,799	151,730	-	-
	362,152	410,093	-	-

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

12. Intangible assets

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Opening balance	80,491	80,491	-	-
Goodwill impairment during the year	(489)	-	-	-
Closing balance	80,002	80,491	-	-

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. The goodwill balance of K80M (2016: K80.5M) is attributable to various business acquisitions in the logistics and commercial segments including Laga Industries (K3.6M), Pacific Towing (K67.4M) and New Britain Shipping (K9M). Goodwill of K0.5M in Consort Express Lines Limited has been written off during the year. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three year period. Growth beyond year three for the purpose of the impairment testing is set at 5%-8%. A post-tax discount rate of 12.5% per annum has been used and reflects specific risks relating to the operating segment.

13. Trade and other payables

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Trade Payables	38,589	44,980	-	-
Accruals	67,410	53,447	-	-
Other payables	2,171	212	-	680
	108,170	98,639	-	680

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

14. Provisions for other liabilities and charges

	Employee	Dry Dock	2017 Total	2016 Total
Opening value	18,006	4,747	22,753	21,740
Charged to profit & loss	6,821	-	6,821	13,714
Utilised during year	(6,537)	(4,747)	(11,284)	(12,701)
Closing value	18,290	-	18,290	22,753
Current	6,250	-	6,250	11,510
Non-current	12,040	-	12,040	11,243
	18,290	-	18,290	22,753

A description of employee and dry dock provisions is disclosed in note 1p.

15. Borrowings

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Current:				
Bank overdrafts (secured)	23,378	6,786	-	-
Bank loans (secured)	8,340	-	-	-
Other loans (unsecured)	19,503	32,259	-	-
	51,221	39,045	-	-
Non-current:				
Bank loans (secured)	335,287	428,000	-	-
	335,287	428,000	-	-
Total Borrowings	386,508	467,045	-	-

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

Interest is paid on all loans at commercial rates at a discount to Indicator Lending Rates. The effective interest rate on bank facilities at the balance sheet date was 4.6% (2016: 4.5%). Bank overdrafts are interest-only with no agreed repayment schedule. Bank loans are secured loans with varying 2 to 4 year terms. The effective interest rate on other loans is 7.83% (2016: 7.74%).

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

16. Issued capital

	Consolidated		Parent Entity	
	2017	2016	2017	2016
(a) Issued and paid up capital				
Ordinary shares	24,200	24,200	24,200	24,200
(b) Number of shares				
Number of shares (000's)				
Ordinary shares	31,008	31,008	31,008	31,008

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

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

(c) Dividend

The Directors advise that a final dividend of 40 toea per share will be paid immediately after the Annual General Meeting on 8 June 2018. This brings the total dividend declared for the year to 110 toea per share. Dividends payable to shareholders resident outside of Papua New Guinea will be converted to Australian Dollars at the prevailing rate which the Company is able to secure.

During the year the Company paid dividends totalling 105 toea per share which includes the final dividend of 2016 and totalled K32,558,400.

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

17. Related party disclosures

(a) Parent entity

The Group is controlled by John Swire & Sons (PNG) Limited, which owns 72.12% of the Company's shares. The ultimate Holding Company is John Swire & Sons Limited, incorporated in England.

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

These are set out in notes 20, 21 and 22 respectively.

(c) Directors:

G.L. Cundle, P.W. Langslow and M.R. Scantlebury are directors of John Swire & Sons (PNG) Limited.

(d) Remuneration:

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

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Key management personnel disclosure				
Wages and salaries	13,347	12,488	-	-
Other short term benefits	1,375	1,293	-	-
Long-term benefits	-	27	-	-

(e) Material transactions:

	2017	2016	2017	2016
Sales of goods and services				
- Associates & joint ventures	1,622	1,007	-	-
- Key Management	59	355	-	-
- Associated Groups	21,732	16,645	-	-
Lease and rental income				
- Associates & joint ventures	-	50	-	-
- Key management	585	-	-	-
- Associated Groups	4,080	4,743	-	-
Dividends received				
- Subsidiaries, associates & joint ventures	6,774	20	13,051	31,691
Purchase of goods and services				
- Associates & joint ventures	(801)	(29)	-	-
- Associated groups	(21,986)	(23,477)	-	-
- Shareholders of associated companies	(47)	(9,370)	-	-
Purchase of assets				
- Associates & joint ventures	-	(794)	-	-
- Associated groups	(1,064)	(465)	-	-
Lease rental expense				
- Other shareholders	(2,733)	(2,462)	-	-
Finance Cost				
- Associates & joint ventures	(1,100)	(1,058)	-	-
- Other shareholders	(1,795)	(1,764)	-	-
Dividends paid				
- Other shareholders (minority interest)	(8,715)	(3,348)	-	-
- Controlling shareholder	(23,482)	(29,058)	(23,482)	(29,058)
- Significant shareholder	(9,077)	(11,233)	(9,077)	(11,233)
Loans to/(from) related companies				
- Other shareholders	(19,503)	(22,933)	-	-
Insurance premiums				
- Affiliated party	(9,809)	(12,002)	-	-
Insurance claims received				
- Affiliated party	12,717	4,995	-	-

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

17. Related party disclosures (continued)

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
All transactions with related parties are made on normal commercial terms and conditions.				
Balances with related companies:				
Consort associates (note 9)	(40,291)	(31,191)	-	-
Harbourside Development Limited (note 9)	(3,083)	(1,111)	-	-
Morobe Terminals Limited (note 9)	(9,192)	(3,150)	-	-
Consort shareholders (note 15)	(19,343)	(22,733)	-	-
Basilok Limited (note 15)	(160)	(160)	-	-
Croesus Re SPC Limited (note 15)	-	(9,326)	-	-
Wonye Limited (note 9)	(1,946)	-	-	-
Loans to related companies:				
Colgate Palmolive Limited (note 9)	500	500	500	500
Harbourside Development Limited (note 9)	33,679	33,115	-	-
Subsidiary Companies (note 9)	-	-	5,212	5,212
Pacific Rumana Limited (note 9)	31,905	36,800	-	-
Labu Holdings Limited (note 9)	-	100	-	-
Morobe Terminals Limited (note 9)	-	60	-	-
Wonye Limited (note 9)	-	275	-	-
Croesus Re SPC Limited (note 9)	7,707	-	-	-

18. Reconciliation of cash flows

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
(a) Cash generated from operations				
Profit for the year after tax	37,590	88,874	13,715	31,883
Depreciation and impairment	112,078	108,991	2,229	2,261
Dividend and interest income	-	-	(13,051)	(31,691)
Net loss/(gain) on sale of fixed assets	(735)	(19,766)	-	-
Share of profit of associates and joint ventures	(7,525)	(5,865)	-	-
Change in operating assets and liabilities				
(Increase)/decrease in trade debtors	(26,846)	21,079	(869)	(1,030)
(Increase)/decrease in inventory	(6,205)	(120)	-	-
(Increase)/decrease in deferred tax asset	6,431	234	71	(246)
(Increase)/decrease in operating assets	(10,966)	(7,961)	-	182
(Decrease)/increase in trade creditors	12,430	(22,494)	(680)	680
Increase in other operating liabilities	(7,379)	32,656	-	-
(Decrease)/increase in income tax payable	(2,858)	(2,123)	(182)	608
(Decrease)/increase in deferred tax liability	(3,986)	(2,444)	-	-
Net cash inflow from operating activities	102,029	191,061	1,233	2,647

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

18. Reconciliation of cash flows (continued)

(b) Net loan reconciliation

	Bank loans	Other loans	Total
Net loans as at 31 December 2016	(428,000)	(67,711)	(495,711)
Borrowing from related parties	-	(19,059)	(19,059)
Repayments	84,373	12,755	97,128
Net loans as at 31 December 2017	(343,627)	(74,015)	(417,642)

19. Retirement benefit plans

The total cost of retirement benefits of the Group in 2017 was K6M (2016: K6.4M). The Group participates in the National Superannuation Fund of Papua New Guinea, a multi-employer defined contribution fund, on behalf of all citizen employees with minimum employer and employee contribution rates established by legislation. The Group also contributes to a defined contribution superannuation plan on behalf of expatriates. The defined contribution superannuation plan was established in 2002.

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

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

20. Subsidiaries and transactions with non-controlling interests

Significant investments in subsidiaries

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

Name of Entity	Country of Incorporation	Class of Shares	Equity Holdings* 2017	Equity Holdings* 2016
Consort Express Lines Limited	Papua New Guinea	Ordinary	70.2	70.2
Kavieng Port Services Limited	Papua New Guinea	Ordinary	60	60
Kiunga Stevedoring Company Limited	Papua New Guinea	Ordinary	100	100
Lae Port Services Limited	Papua New Guinea	Ordinary	51	51
Laga Industries Limited	Papua New Guinea	Ordinary	100	100
Madang Port Services Limited	Papua New Guinea	Ordinary	60	60
New Britain Shipping Limited**	Papua New Guinea	Ordinary	50	50
Oro Port Services Limited	Papua New Guinea	Ordinary	100	100
Pacific Towing (PNG) Limited	Papua New Guinea	Ordinary	100	100
Pacific Rumana Mobile Investments Limited***	Papua New Guinea	Ordinary	-	79.8
Palm Stevedoring & Transport Limited	Papua New Guinea	Ordinary	56.7	56.7
Port Services PNG Limited	Papua New Guinea	Ordinary	54	54
Steamships Limited***	Papua New Guinea	Ordinary	100	100
Windward Apartments Limited	Papua New Guinea	Ordinary	100	100
Motukea United Limited	Papua New Guinea	Ordinary	50.9	50.9

*The portion of ownership is equal to the proportion of voting power held.

** Consolidated by virtue of control over the operating decisions and returns. As at 31 December 2017, Steamships Trading Company Limited still has control over this entity.

*** Pacific Rumana Mobile Investments Limited was amalgamated into Steamships Limited on 29 December 2017.

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

Steamships Trading Company Limited has granted a call option to a minority shareholder of Consort Express Lines Limited in the event of any recovery under a charter performance guarantee to enforce a proportional equity buy back. At 31 December 2017, the performance guarantee obligations are being met.

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

21. Investment in associates

(a) Movement in carrying amounts

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Opening value	35,813	20,607	-	-
Share of profits before tax	4,709	5,551	-	-
Income tax expense	(1,413)	(1,665)	-	-
Dividends received	(822)	(20)	-	-
Acquisition of interest in Morobe Terminal Ltd	-	11,340	-	-
Closing value	38,287	35,813	-	-

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

(b) Summarised financial information of equity accounted associates.

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

2017	Ownerships Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Makerio Stevedoring Limited	31.7	1,211	21	1,190	722	50
Nikana Stevedoring Limited	31.7	1,489	76	1,413	489	181
Riback Stevedoring Limited	34.4	28,287	3,608	24,679	10,924	2,738
United Stevedoring Limited	16.9	337	271	66	4,099	3
Morobe Terminal Limited	43.0	11,350	411	10,939	1,008	324
		42,674	4,387	38,287	17,242	3,296

2016	Ownerships Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Makerio Stevedoring Limited	31.7	1,620	480	1,140	722	235
Nikana Stevedoring Limited	31.7	1,440	208	1,232	489	199
Riback Stevedoring Limited	34.4	31,106	9,166	21,940	10,924	3,347
United Stevedoring Limited	16.9	367	304	63	4,099	7
Morobe Terminal Limited	43.0	13,892	2,454	11,438	1,008	98
		48,425	12,612	35,813	17,242	3,886

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

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

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

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

22. Investment in joint ventures

(a) Movement in carrying amounts

	Consolidated 2017	Consolidated 2016	Parent Entity 2017	Parent Entity 2016
Opening value	30,632	15,851	23,823	20,051
Share of profits before tax	6,041	2,827	-	-
Income tax expense	(1,812)	(848)	-	-
Dividends received	(5,952)	-	-	-
Acquisition of interest in joint ventures	-	12,802	12,760	3,772
Closing value	28,909	30,632	36,583	23,823

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

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

2017	Ownership Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Colgate Palmolive (PNG) Limited	50	15,715	8,592	7,123	38,982	3,324
Harbourside Development Limited	50	91,213	88,627	2,586	9,586	(232)
Pacific Rumana Limited	50	3,863	1,069	2,794	3,786	1,283
Viva No. 31 Limited	50	11,180	7,534	3,646	-	(104)
Wonye Limited	50	26,200	13,440	12,760	-	(42)
		148,171	119,262	28,909	52,354	4,229

2016	Ownership Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Colgate Palmolive (PNG) Limited	50	17,366	9,567	7,799	38,099	2,605
Harbourside Development Limited	50	94,682	91,864	2,818	9,025	(1,651)
Pacific Rumana Limited	50	3,761	299	3,462	3,836	1,047
Viva No. 31 Limited	50	10,810	7,060	3,750	-	(22)
Wonye Limited	50	15,262	2,460	12,803	-	-
		141,881	111,250	30,632	50,960	1,979

The Group's share of the capital commitments of joint ventures at 31 December 2017 is K4M (2016: K13.6M).

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

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

23. Segmental reporting

(a) Description of segments

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

- Commercial – consists of the manufacture and distribution of consumer products.
- Hotels and property – consists of the hotels owned and operated by the Group and also its property leasing division. The assets are stated at historical cost net of accumulated depreciation and includes new assets in the course of construction.
- Logistics – consists of shipping and land based freight transport and related services divisions.
- Finance and investment – consists of the head office administration function.

(b) Segment information

The segment information provided to the Board for the reportable segments for the year ended 31 December 2017 is as follows:

2017	Commercial	Hotels & Property	Logistics	Finance & Investment (and elimination)	Total
External revenue	147,650	227,408	324,548	6,081	705,687
Interest revenue	-	-	1,383	3,257	4,640
Interest expense	-	(17,533)	(12,570)	11,995	(18,109)
Depreciation and amortisation	5,201	43,047	47,772	3,796	99,817
Segment results	10,124	59,478	(5,757)	(1,159)	62,686
Share of joint ventures and associates profit	3,324	905	3,296	-	7,525
Total tax expense	(2,888)	(20,688)	(13,724)	4,679	(32,621)
Profit from continuing operations	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)	(226,179)	13,928	(591,233)
Net assets	32,137	432,417	184,168	229,431	878,153
Total assets includes investment in joint ventures and associates	7,123	21,786	38,287	-	67,196
Capital expenditure	5,081	25,775	22,084	1,158	54,090

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

23. Segmental reporting (continued)

	Commercial	Hotels & Property	Logistics	Finance & Investment (and elimination)	Total
2016					
External revenue	115,823	253,170	355,992	7,716	732,701
Interest revenue	-	-	-	12,248	12,248
Interest expense	-	-	-	(34,235)	(34,235)
Depreciation and amortisation	4,936	45,076	53,979	2,724	106,715
Segment results	8,758	88,109	24,210	(2,391)	118,686
Share of joint ventures and associates profit	2,605	(626)	3,886	-	5,865
Total tax expense	(3,018)	(27,923)	(11,984)	7,248	(35,677)
Profit from continuing operations	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
Total assets includes investment in joint ventures and associates	7,799	22,833	35,813	-	66,445
Capital expenditure	5,798	53,517	43,249	6,914	109,478

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

(c) Geography

The Group operates almost wholly in Papua New Guinea. It is not practical to provide a segment analysis by geographical region within Papua New Guinea. The Group has one insignificant business operation in the Solomon Islands.

Steamships Trading Company Limited Year Ended 31 December 2017 (Amounts in Kina 000's)

24. Contingent assets and liabilities

(a) Contingent Assets

The Company received a salaries and wages tax default assessment of K15.2M, including penalties and interest, from the Internal Revenue Commission of PNG ("IRC") for the periods from 2006 to 2016. The Company 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.

(a) Contingent Liabilities

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

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

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

No losses are anticipated in respect of these guarantees.

25. Commitments

(a) Capital commitments

	Consolidated		Parent Entity	
	2017	2016	2017	2016
Contracts outstanding for capital expenditure:				
- less than 12 months	7,194	18,621	-	-
- 1-5 years	60,758	31,303	-	-
	67,952	49,924	-	-

(b) Lease commitments: Group as lessee

The Group does not have any non-cancellable operating leases.

26. Subsequent events

In March 2018 the Directors declared a final dividend of 40 toea per share payable immediately after the Annual General Meeting on 8 June 2018 amounting to K12.4M.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited

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

Our opinion

We have audited the financial statements of Steamships Trading Company Limited (the Company), which comprise the statements of financial position as at 31 December 2017, and the statements of comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2017 or from time to time during the financial year.

In our opinion the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2017, and their financial performance and cash flows for the year then ended.

Basis for opinion

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

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

Independence

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

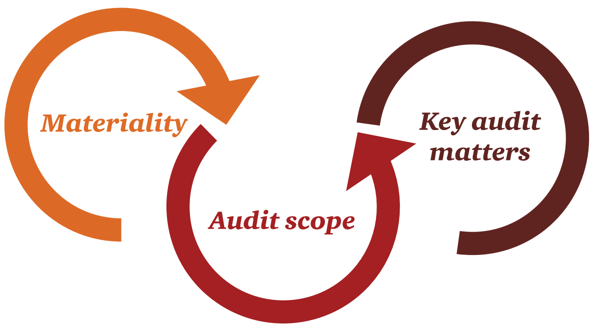
Our firm carries out other services for the Group in the areas of taxation and other non-audit services. The provision of these other services has not impaired our independence as auditor of the Company and the Group.

Our audit approach

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

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

PricewaterhouseCoopers
PwC Haus, Level 6, Harbour City, Konedobu. PO Box 484, PORT MORESBY, PAPUA NEW GUINEA
T: (675) 321 1500 / (675) 305 3100, F: (675) 321 1428, www.pwc.com.pg



Materiality	*Audit scope*	*Key audit matters*

• For the purpose of our audit of the Group we used overall group materiality of K4.5 million, which represents 5% of the Group's profit before tax after adding back certain non-recurring items.
 	
• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.
 	
• We chose Group profit before tax because in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark.
 	
• We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable related thresholds.
	• We (PwC Papua New Guinea) conducted audit work over all the subsidiaries which comprise the Group consolidation.
	
	• All subsidiaries of the Group are incorporated and operating in Papua New Guinea with the exception of one subsidiary which has operations in the Solomon Islands.
	
	• All significant associates of the Group are incorporated and operating in Papua New Guinea and audited by PwC Papua New Guinea.
	
	• Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
		• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
		
		  • Non-current asset impairment assessment
		
		  • Goodwill impairment assessment
		
		  • Recovery of deferred tax assets
		
		• These matters are further described in the *Key audit matters* section of our report.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key matters to be communicated in our report.

Further, commentary on the outcomes of the particular audit procedures is made in that context.

Key audit matter	*How our audit addressed the key matter*
Non-current asset impairment assessment *(Refer to note 10 of the financial statements)* Included within property, plant and equipment are ships with an aggregate net book value of K137.1 million as at 31 December 2017 after an impairment charge of K10.1 million recognised during the year. The Group's financial performance has been impacted by a prolonged weakness in economic conditions in Papua New Guinea. These conditions adversely impacted levels of shipping throughout the country. We considered this a key audit matter because economic conditions are a potential indicator of impairment in the value of the ships. The Group has assessed impairment by reference to estimated sales values of the ships. The impairment assessment is sensitive to changes in key assumptions about the estimated sales values of the ships. The sales values have been determined by reference to external valuations of the fleet which contain assumptions about the global supply and demand for specific ship types and dry docking schedules. In applying the external valuations, the directors have used their professional judgement to consider the impact of the specific dry docking schedule of the individual ships.	As there was an indicator of potential impairment we have considered and tested the Group's assessment of the estimated sale values of the ships. We evaluated the competency, qualifications and objectivity of the experts engaged by the Group to provide the valuations of the ships. We discussed the valuation methodologies and assumptions with the experts. This included understanding and evaluating the impact of the dry docking schedules on the determined values. We tested, on a sample basis, the accuracy and relevance of the input data provided by the Group to the experts. We compared the valuations of the individual ships with the valuations in the previous year. We also compared the selling prices of ships sold during 2017 and subsequent to the end of the year with the most recent valuations for each respective ship. We compared the Group's assertions and estimates regarding estimated useful lives and residual values with the previous year. We also considered whether the Group's assessment of the condition of the ships and their future operating plans were consistent with historical experience and our knowledge of the business.

Goodwill impairment assessment *(Refer to note 12 of the financial statements)* The Group has goodwill totalling K80.0 million at 31 December 2017 after an impairment charge of K0.5 million recognised during the year. In accordance with the accounting policy in note 1(n) of the financial statements, the Group has assessed the goodwill balance for impairment at 31 December 2017 and has recognised an impairment charge of K0.5 million during the year related to the Consort Express Lines cash generating unit. The prolonged weakness in economic conditions in a number of the markets in which the Group operates in Papua New Guinea has increased the risk that the carrying values of the components of goodwill may be impaired. The Group has calculated the value of the respective cash generating units containing goodwill balances based on financial models comprising cash flow projections. The cash flow projections use a number of forward looking assumptions, including revenue and cost growth, and the value calculation is sensitive to these. We considered this a key audit matter because of the significant judgements around future revenues and costs, and the discount rate to be applied in determining the value of the cash generating units.	We have considered and tested the financial models used by the Group to determine the value of the cash generating units. We compared the models with the previous year's models and found them to be consistently structured and consistent with the basis of preparation required by accounting standards. We compared the forecast revenues and expenditures to approved budgets and obtained an understanding and evaluated the Group's budgeting procedures, upon which forecasts are based. We also evaluated the reliability of estimates made by comparing forecasts made in prior years to actual outcomes. We benchmarked the assumptions used around revenue and cost inflation with external forecasts, and the discount rates with our expectation based on the overall Weighted Average Cost of Capital (WACC) of the Group. Together with our valuation expert we reviewed the methodology used in determining the discount rate applied. We performed sensitivity analysis on assumptions to ascertain the extent of change that would be required in key assumptions for the respective goodwill balances to be impaired. We determined that the calculations were more sensitive to inflation assumptions and discount rates and focused our testing on these assumptions.
Recovery of deferred tax assets *(Refer to note 5(c) of the financial statements)* Of total carried forward tax losses of K46.4 million at 31 December 2017 the Group has recognised a deferred tax asset relating to tax losses of K30.6 million. Accounting standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. We identified the recoverability of deferred tax assets as a key audit matter due to the judgement behind preparing forecasts to demonstrate the future utilisation of these losses in accordance with the requirements of accounting standards.	We assessed the factors that led to the tax losses in previous years. We examined the ability to carry forward the tax losses and the period over which the losses can be utilised against future taxable profits prior to expiry by reference to PNG taxation law. We compared the forecast taxable profits to approved budgets and obtained an understanding and evaluated the Group's budgeting procedures, upon which forecasts are based. We also evaluated the reliability of estimates made by comparing forecasts made in prior years to actual outcomes. We benchmarked the assumptions used around revenue and cost inflation with external forecasts.

Information other than the financial statements and auditor's report

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2017:

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

Who we report to

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

PricewaterhouseCoopers

Christopher Hansor
Partner

Registered under the Accountants Act 1996

Port Moresby
29 March 2018

DIRECTORS' REPORT

Steamships Trading Company Limited Year ended 31 December 2017

Steamships Trading Company Limited and Subsidiary Companies

The Directors submit their Annual Report for the year ended 31 December 2017 for the Company and its subsidiaries.

Principal Activities and Review of Operations

Full details of the Group's activities are given in the Directors' Review on page 7. The Group continues to operate in the segments of Commercial, Hotels and Property, and Logistics.

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

Changes in Accounting Policies

There are no changes in Accounting Policies in the year.

Result

The Group operating profit for the year attributable to shareholders was K41,516,000 (2016: K84,210,000).

Dividend

The Directors advise that a final dividend of 40 toea per share will be paid immediately after the Annual General Meeting on 08th June 2018. This brings the total dividend declared for the year to 110 toea per share. Dividends payable to shareholders resident outside of Papua New Guinea will be converted to Australian Dollars at the prevailing rate which the Company is able to secure.

Rounding Off

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

DIRECTORS' REPORT

Steamships Trading Company Limited Year ended 31 December 2017

Experience & Interests Register

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

G.L. Cundle

Chairman since 28 February 2015

Managing Director from 1 January 2013 to 12 January 2015

Member of the Remuneration Committee

Member of the Strategic Planning Committee

Director since 2013

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

P. Aitsi MBE

Director since 17 November 2014

Mr Aitsi is currently the PNG Country Manager for Newcrest Mining Limited and serves as a director for various Newcrest PNG entities including the position of Chairman of Lihir Gold Limited. He was formerly the country manager for GHD (an engineering firm), former chairman of Transparency International PNG (currently a board member) and the founder Chairman of Digicel Foundation. He also serves on the boards of PNGFM, City Pharmacy Group, Leadership PNG and Kumul Consolidated Holdings.

G. Aopi CBE

Director since 1997

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

Sir M.R. Bromley KBE

Member of the Audit Committee

Member of the Remuneration Committee

Member of the Strategic Planning Committee

Director, 1986 to 1996

Director since 2000

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

Relevant Interest in Steamships shares: 19.99%

D.H. Cox OL, OBE

Managing Director 2004 to 2012
Member of the Audit Committee
Member of the Strategic Planning Committee
Director since 2003

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

G.J. Dunlop

Chairman of the Audit Committee
Member of the Strategic Planning Committee
Managing Director 2000 to 2003
Director since 1995

Mr Dunlop is a chartered accountant with extensive experience in the Pacific region. He is a Director of City Pharmacy Group Ltd, Credit Corporation (PNG) Ltd, Croesus Re SPC Ltd and Mainland Holdings Ltd.

Lady W.T. Kamit CBE

Member of the Audit Committee
Director since 2005

Lady Winifred Kamit is a former Senior Partner, and currently a consultant at Dentons (formerly Gadens Lawyers) in Port Moresby. Lady Kamit is a member of the Board of Trustee of the Papua New Guinea Institute of National Affairs, and a director of Anglicare PNG. She is a Director & Secretary of Bunowen Services Ltd, Kamchild Limited and Gadens Administration Services Ltd, a Director of Newcrest Mining Ltd (retired 14.11.2017), South Pacific Post Ltd and Chairman of ANZ Banking Group (PNG) Ltd.

P.W. Langslow

Managing Director from 12 January 2015

Mr Langslow joined the Swire group in September 1984. Prior to his present appointment, he spent 29 years with Cathay Pacific Airways where he held a number of country and regional management roles in India, Italy, Canada and Taiwan, then various head office department head roles responsible for inflight services, worldwide airports and cargo services. He is a director of John Swire & Sons (PNG) Ltd and various Steamships Trading Company subsidiaries, joint ventures and associate companies. He is a member of the PNG Institute of National Affairs Council and sits on the Salvation Army's PNG advisory board.

M.R. Scantlebury

Finance Director & Company Secretary from 24 June 2016

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

B.N. Swire

Director from 1 January 2015

Mr. Swire joined John Swire & Sons in 1985 and has since worked at various times in Hong Kong, Papua New Guinea and Japan, concentrating on the Group's marine businesses. He returned to the London Head Office in 1994 and is now the Chairman of John Swire & Sons, Ltd., as well as the Non-Executive Chairman of the China Navigation Co., Ltd., and a Non-Executive Director of Swire Pacific Offshore Ltd and John Swire & Sons (Green Investments) Limited.

Direct and indirect beneficial interest 5.6%

J.H. Woodrow

Director from 7 September 2015

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

Remuneration of Directors

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

	2017 K'000	2016 K'000
P. Aitsi,	124	124
G. Aopi	124	124
M.R. Bromley	223	223
D.H Cox	223	213
G.L Cundle (Chairman)	223	223
G.J. Dunlop	247	247
W.T. Kamit	135	135
B.N. Swire	124	124
J.H Woodrow	124	124
P.W. Langslow*	-	-
M.R. Scantlebury*	-	-
	1,547	1,537

The directors fees vary in accordance with the required duties on various sub-committees of the board.

* Executive Directors receive no fees for their service as Directors during the year.

Remuneration of Employees

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

Remuneration K'000	2017 No.	2016 No.	Remuneration K'000	2017 No.	2016 No.	Remuneration K'000	2017 No.	2016 No.
100-110	7	10	360-370	1	2	640-650	-	2
110-120	6	4	370-380	2	3	650-660	-	1
120-130	4	10	380-390	2	-	670-680	1	-
130-140	4	2	400-410	2	1	680-690	2	1
140-150	3	4	410-420	1	4	730-740	1	-
150-160	1	1	420-430	1	-	740-750	2	2
160-170	2	5	430-440	2	-	750-760	2	2
170-180	1	-	440-450	1	1	780-790	1	-
180-190	2	-	450-460	1	1	790-800	-	1
190-200	5	-	460-470	-	1	800-810	1	2
200-210	1	5	470-480	1	-	830-840	1	-
210-220	2	2	480-490	2	-	870-880	1	-
220-230	-	2	500-510	1	1	890-900	-	2
230-240	-	1	510-520	2	1	910-920	2	-
240-250	1	4	520-530	1	1	920-930	-	1
250-260	3	2	540-550	-	3	970-980	-	1
260-270	2	1	550-560	1	2	990-1000	2	-
270-280	3	2	560-570	2	1	1,000-1,010	1	-
280-290	2	2	570-580	1	2	1,010-1,020	2	-
290-300	1	4	580-590	1	1	1,050-1,060	1	-
300-310	2	3	590-600	-	1	1,070-1,080	-	1
310-320	2	1	600-610	1	1	1,490-1,500	-	1
330-340	2	6	610-620	1	-	2,270-2,280	1	-
340-350	3	3	620-630	1	-	2,340-2,350	-	1
350-360	4	-	630-640	3	1	2,520-2,530	1	-

For and on behalf of the Board:

Port Moresby
29 March 2018

G.L. Cundle
Chairman

P.W. Langslow
Managing Director

STOCK EXCHANGE INFORMATION

Steamships Trading Company Limited Year ended 31 December 2017

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

Shareholdings

At 28 February 2018, there were 373 shareholders.

270	Holding	1	-	1,000 units
75	Holding	1,001	-	5,000 units
14	Holding	5,001	-	10,000 units
14	Holding	10,001	-	and over

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

The 20 largest shareholders were:	Number of shares	%
John Swire & Sons (PNG) Limited	22,362,651	72.12
Bell Potter Nominees Ltd	5,760,000	18.58
National Superannuation Fund Ltd	1,859,446	6.00
Berne No 132 Nominees Pty Ltd	446,494	1.44
John E Gill Operations Pty Ltd	54,727	0.18
Hylec Investments Pty Ltd	31,361	0.10
Citicorp Nominees Pty Limited	27,192	0.09
Kelvinside Pty Ltd	25,000	0.09
Mr Malcolm Burns Reid	23,067	0.07
Mr Ramesh Mahtani	21,700	0.07
HSBC Custody Nominees (Australia) Limited	17,238	0.06
Intercontinental Assets Pty Ltd	15,000	0.05
Engoordina Pty Ltd	11,078	0.04
Derrick Charles Whitaker	10,348	0.03
Jennifer May Forbes	10,000	0.03
Miss Shirin Moayyad	10,000	0.03
Custodial Services Limited	8,768	0.03
Mrs Mary Patricia Haughton	8,161	0.03
Mrs Judith Scottholland	8,161	0.03
Mrs Robin Anne Gostelow	7,393	0.02
	30,717,785	99.06

Applicable Legislation

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

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

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

COMPANY DIRECTORY

CHAIRMAN
G. L. Cundle §&

MANAGING DIRECTOR
P.W. Langslow

FINANCE DIRECTOR
M. R. Scantlebury

NON-EXECUTIVE DIRECTORS
P. Aitsi MBE
G. Aopi CBE
Sir M.R. Bromley KBE §+&
D. Cox OL, OBE +&
G.J. Dunlop +&
Lady W.T. Kamit, CBE +
B.N. Swire &
J. H Woodrow

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

SECRETARY
M.R. Scantlebury

REGISTERED OFFICE
Level 5, Harbourside West, Stanley Esplanade
Telephone: +675 313 7400
P.O. Box 1
Port Moresby, NCD
Papua New Guinea

AUDITORS
PricewaterhouseCoopers
P.O. Box 484
Port Moresby, NCD
Papua New Guinea

SHARE REGISTRARS
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
AUSTRALIA

Telephone: (Aus)	1300 85 05 05
(Overseas)	+61 (0)3 9415 4000
Fax:	+61 3 9473 2500

STOCK EXCHANGE
Shares are listed on both the Port Moresby Stock Exchange Limited and the Australian Securities Exchange Limited.

A. R. B. N.
055 836 952