Rules 4.1, 4.3

Appendix 4E

Preliminary final report

Name of entity

Steamships Trading Company Limited

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
055836952		√	31st December 2018

For announcement to the market

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

Revenues from continuing operations	Up/ ~~down~~	0.5%	to	560,817
Profit from continuing operations after tax attributable to members	~~Up~~/ down	-42.5%	to	19,698
Profit for the period attributable to members	Up/ ~~down~~	67.5%	to	69,529

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend Interim dividend	120t 45t	0t
Previous corresponding period	40t 70t	0t

Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	30th April 2019

Preliminary Final Report to the Stock Exchange

In 2018, PNG took pride in successfully hosting the APEC summit and issuing its first USD denominated sovereign bond. Steamships also celebrated 100 years since its incorporation. The country & its economy were rocked by an earthquake affecting the resource production areas of the Highlands and Western Province early in the year, but has since recovered well.

The underlying profit shows the impact of a continuation of the difficult economic conditions experienced over the past few years. The moderate increases in some key commodity prices earlier in the year did not have a noticeable positive impact on the wider economy. Furthermore, the ongoing shortage of foreign currency in PNG has suppressed economic activity. The forex situation does appear to be alleviating, helped somewhat by the USD bond issue.

Although there was a modest boost to the Port Moresby economy from the APEC Leaders' summit, the growth in hotel and property capacity has increased competitive pressure in an otherwise weak demand environment. Steamships' sales revenue increased 0.5% to K560 million against last year's K558 million, on a continuing basis, after the sale of Laga Industries and the loss of the stevedoring businesses in Port Moresby and Lae.

	2018 K000's	2017 K000's	Change
Net Profit attributable to shareholders	**69,529**	**41,516**	**67.5%**
Add back / (less) impact of significant items (post tax & minority interest)			
Reversal of Impairment of Convertible Notes	-	(12,541)	
Impairment of Fixed Assets, Goodwill (incl Vessels)	7,854	8,306	
Impairment of Inventory	-	1,012	
Disputed IRC Assessment	-	10,640	
Tax Loss Write Off	21,469	11,108	
Hotel & Property Development Cost Write Off	1,498	5,965	
Gain on Sale of Laga Industries	(48,584)	(1,586)	
Loss on Disposal of Vessels	687	814	
Gain on Sale of Properties	(984)	-	
Salvage Profit	(8,165)	(3,459)	
Total impact of significant items	**(26,225)**	**20,258**	
Underlying profit attributable to shareholders	**43,304**	**61,775**	**-29.9%**

Depreciation in 2018 was K82.9 million (excluding impairments) against K94.6 million in 2017, and interest on borrowings (excluding capitalised interest) was K10.3 million against K13.5 million in 2017. Capital expenditure for the year was K56.1 million (with capitalised interest of K1.7 million) against K54.1 million (with capitalised interest of K1.4 million) in 2017 reflecting a continuation of the cautious investment programme in the current economic climate. The group's net operating cash flow generation improved 14.3% to K116.7 million against K102 million in 2017. The cash balance at year end is K193.5m.

A final dividend of 120 toea per share has been proposed and will be paid following approval at the company's annual general meeting on the 7th of June 2019, subject to Steamships' ability to secure foreign exchange for non PNG shareholders. This brings the total dividend for the year to 165 toea per share (2017 = 110 toea per share). The dividend is unfranked and there is no conduit foreign income.

Significant items
As disclosed at the half year, the company sold its 100% shareholding in Laga Industries Ltd in July 2018 and recognised a gain on the sale.

Also as initially disclosed at the half year, the cessation of operations of the joint venture stevedoring companies in Port Moresby and Lae has resulted in a further impairment of assets at year end as the residual fixed assets in these companies have now been sold. In addition, 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. An impairment of K7.9m (net) has been recognised for all the above.

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. A deferred tax asset of K30.6m was recognised at 31 December 2017 in respect of tax losses. Management have re-assesed the recoverability of tax losses at 31 December 2018 in light of current trading conditions and determined that it is prudent that the tax loss is no longer carried forward as a deferred tax asset, notwithstanding management's efforts to utilise value for these tax losses in the future.

Pacific Towing successfully completed numerous salvage operations in 2018. Such operations are unpredictable and as such they are accounted for as significant items as distinct from the on-going operations, the results of which are described below.

Logistics
The Joint Venture Port Services businesses had a steady performance in 2018, notwithstanding the loss of Port Moresby and Lae operations on the award by the PNG Government of the International Terminal Operator concession to a foreign enterprise early in the year. JVPS continues to enjoy strong business in ports outside these centres and is optimistic of continuing to provide high quality services to its customers in regional locations.

East West transport continues to grow profitably across the country due to a strong customer and fleet reliability focus.

Consort Express Lines experienced a highly competitive coastal liner and projects shipping market. Disappointingly, fleet reliability and schedule integrity fell short of expectations this year. Charter vessels were deployed from overseas to meet the needs of customers. New systems and expertise introduced in 2018 positions Consort for an improved performance in 2019. Whilst investment in the resource sector was relatively weak, the market is expected to recover in the medium term which bodes better for projects work.

Pacific Towing experienced a satisfactory year in its principal harbour towage work across ports in PNG. It has relocated its main base to the new Motukea port in Port Moresby. Other activities, being non-harbour towage, diving and life raft activity, were steady. The company was engaged in a number of successful salvage operations in 2018.

Property & Hotels

Pacific Palms Property experienced a reduction in yields in 2018 but an increase in occupancy delivered a profit in line with expectations. Numerous projects were completed in the year. The Harbourside Development in Port Moresby reached full occupancy and construction of the second phase residential, commercial and retail development will commence shortly.

Coral Sea Hotels did not experience the anticipated boost from the APEC related events held through 2018 although it performed well during the APEC Leaders' summit. The increase in competitive supply of hotel rooms in Port Moresby may prove challenging for the industry to absorb until growth returns for business and tourist arrivals. Nevertheless, CSH is committed to remain competitive through a sustained focus on investment in the training and development of its staff as well as the quality of its product.

Commercial

Laga Industries generated satisfactory sales growth in 2018 and was successfully divested in July 2018.

Colgate-Palmolive, (PNG) Limited a PNG incorporated joint venture, saw volume and sales revenue growth across both the Oral Care & Home Care categories, however Personal Care, whilst delivering sales revenue growth, suffered some volume decline as a result of increased tariffs pushing prices up. Overall margin for the business improved and costs were prudently managed to finish below prior year and budget.

Trading Outlook

2019 is expected to be another challenging year for the PNG economy. With APEC behind us, the Government will be focused on reducing the fiscal deficit and alleviating the foreign currency shortage. The recently introduced Foreign Investment Review Authority bill requires constructive dialogue between all stakeholders to achieve the aim of promoting local business development without inadvertently destabilising the economy and discouraging foreign investment.

The resource extraction sector is expected to expand in 2019. The recently signed MoU's for both the Papua LNG (natural gas) and Wafi Golpu (copper) projects should progress to binding agreements and subsequent significant investment.

We do not dwell in the past in recognising our centenary year in 2018, rather we remain firmly focused on the future and our commitment to the development of the country and people of PNG and the exciting opportunities that lie ahead.

Statement of comprehensive income

	Current period - K'000	Previous corresponding period - K'000
Continuing Operations		
Revenues	560,817	558,037
Operating Expenses		
Cost of goods & services	(81,225)	(71,453)
Staff Cost	(122,217)	(129,204)
Depreciation & amortisation	(82,974)	(94,615)
Impairment of fixed assets, goodwill	(11,710)	(13,516)
Impairment of inventory	-	(1,445)
Hotel & Property Development Cost Write Off	(1,498)	(6,742)
Finance- net	(10,293)	(13,469)
Other operating expenses	(188,382)	(190,275)
Other gains / (losses)	(390)	15,244
Share of net profits of associates and joint venture entities accounted for using the equity method	5,628	7,525
Profit before Income Tax	67,756	60,087
Income tax expense	(53,886)	(29,733)
Profit from Continuing Operations	13,870	30,354
Profit after tax from Discontinued Operations	49,831	7,236
Total Comprehensive Income for the Year	63,701	37,590
Attributable to:		
Shareholders	69,529	41,516
Non Controlling Interests	(5,828)	(3,926)
	63,701	37,590

Earnings per security (EPS)	Current period (toea)	Previous corresponding period (toea)
Basic & Diluted EPS (total profit)	224.2	133.9
Basic & Diluted EPS (continuing)	63.5	110.6

Comparison of half year profits	Current year - K'000	Previous corresponding period - K'000
Consolidated profit from continuing operations after tax attributable to members reported for the *1st* half year	16,919	45,360
Consolidated profit from continuing operations after tax attributable to members for the *2nd* half year	(3,049)	(3,844)

Statement of financial position - consolidated

	As at 31 Dec 2018 K'000	As at 31 Dec 2017 K'000
Current assets		
Cash and cash equivalents	193,521	12,021
Trade and other receivables	191,778	161,655
Assets held for sale	3,363	-
Income tax receivable	355	-
Inventories	16,063	47,333
Total current assets	**405,080**	**221,009**
Non-current assets		
Investments	65,276	67,196
Property, plant and equipment	890,576	997,125
Intangibles	76,433	80,002
Loans to related parties	65,731	73,791
Deferred tax asset	1,682	30,250
Total non-current assets	**1,099,698**	**1,248,364**
Total assets	**1,504,778**	**1,469,373**
Current liabilities		
Trade and other payables	104,277	108,170
Provisions	56,685	6,250
Loans from related parties	66,897	74,015
Borrowings	124,682	31,718
Income tax payable	-	1,407
Total current liabilities	**352,541**	**221,560**
Non-current liabilities		
Deferred tax liability	18,729	22,332
Borrowings	182,000	335,287
Provision for other liabilities & charges	11,480	12,040
Total non-current liabilities	**212,209**	**369,659**
Total liabilities	**564,750**	**591,219**
Net assets	**940,028**	**878,154**
Share capital and reserves		
Issued capital	24,200	24,200
Retained earnings	896,105	817,764
Shareholders' funds	**920,305**	**841,964**
Minority shareholders' interests	19,723	36,190
Total capital and reserves	**940,028**	**878,154**

Consolidated Statement of changes in equity	Contributed Equity K’000	Retained Earnings K’000	Total K’000	Minority Interests K’000	Total Equity K’000
Balance At 1st January 2017	**24,200**	**808,806**	**833,006**	**48,831**	**881,837**
Total Comprehensive income for the year	-	41,516	41,516	(3,926)	37,590
Dividends paid 2017	-	(32,558)	(32,558)	(8,715)	(41,273)
Balance at 31 December 2017	**24,200**	**817,764**	**841,964**	**36,190**	**878,154**
Total Comprehensive income for the year	-	69,529	69,529	(5,828)	63,701
Equity adjustment on acquisition of new entities (Note 1)	-	33,429	33,429	-	33,429
Adjustment to opening retained earnings on adoption of IFRS 15 (Note 3)		1,740	1,740	-	1,740
Dividends paid 2018	-	(26,357)	(26,357)	(10,639)	(36,996)
Balance at 31 December 2018	**24,200**	**896,105**	**920,305**	**19,723**	**940,028**

Consolidated statement of cash flows

	Current period K'000	Previous corresponding period K'000
Cash flows related to operating activities		
Net Receipts less Supplier Payments	157,424	148,324
Interest received	5,199	4,639
Interest and other costs of finance paid	(15,492)	(18,109)
Income taxes paid	(30,445)	(32,825)
Net operating cash flows	**116,686**	**102,029**
Cash flows related to investing activities		
Purchases of property, plant and equipment	(56,114)	(54,098)
Proceeds from sale of property, plant and equipment	14,662	10,608
Proceeds from sale of investments	147,464	15,716
Dividends received from associates	7,547	6,774
Loans repaid by associates	942	3,361
Cash balance received in acquiring Croesus entities	47,632	-
Net investing cash flows	**162,133**	**(17,639)**
Cash flows related to financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	(41,627)	(84,373)
Dividends paid	(36,996)	(41,273)
Net financing cash flows	**(78,623)**	**(125,646)**
Net increase/(decrease) in cash held	**200,196**	**(41,256)**
Cash at beginning of period *(see Reconciliation of cash)*	(11,357)	29,899
Cash at end of period *(see Reconciliation of cash)*	188,839	(11,357)

Non-cash financing and investing activities

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

During the year, Croesus Re PCC Limited was acquired. Refer Note 1.

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period K'000	Previous corresponding period - K'000
Cash on hand and at bank	193,521	12,021
Bank overdraft	(4,682)	(23,378)
Total cash at end of period	**188,839**	**(11,357)**

Other notes to the consolidated financial statements

Ratios	Current period	Previous corresponding Period
Profit before tax / revenue Consolidated profit from continuing operations before tax as a percentage of revenue	12.08%	10.77%
Profit after tax / equity interests Consolidated net profit from continuing operations after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	2.14%	4.07%

Earnings per security (EPS)

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

224.2 (total profit)
63.5t (continuing)

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	**K27.85**	**K25.74**

Loss of control of entities having material effect

Name of entity (or group of entities)	Laga Industries Limited
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	1,247
Date to which the profit (loss) in item 14.2 has been calculated	01/07/2018
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period (K'000)	7,236
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control (K'000)	48,584

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable	5th July 2019
Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved)	30th April 2019
If it is a final dividend, has it been declared?	No

Amount per security

			Amount per security	Franked amount per security at 42% tax (see note 4)	Amount per security of foreign source dividend
	Final dividend:	Current year	120t	NIL	120t
		Previous year	40t	NIL	40t
	Interim dividend:	Current year	45t	NIL	45t
		Previous year	70t	NIL	70t

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

	Current year	Previous year
Ordinary securities	165t	110t
Preference securities	NIL	NIL

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

	Current period K'000	Previous corresponding period - K'000
Ordinary securities	37,210	12,403
Preference securities	Nil	Nil
Other equity instruments	Nil	Nil
Total	**37,210**	**12,403**

The dividend or distribution plans shown below are in operation.

Not applicable

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

Any other disclosures in relation to dividends (distributions).

None

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

Group's share of associates' and joint venture entities':	Current period - K'000	Previous corresponding period - K'000
Profit (loss) from ordinary activities before tax	8,040	10,750
Income tax on ordinary activities	(2,412)	(3,225)
Profit (loss) from ordinary activities after tax	**5,628**	**7,525**
Extraordinary items net of tax	-	-
Net profit (loss)	**5,628**	**7,525**
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	**5,628**	**7,525**

Material interests in entities which are not controlled entities

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

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (*item 1.10*)	
Equity accounted associates and joint venture entities	Current period	Previous corresponding period	Current period K'000	Previous corresponding period - K'000
a) Colgate-Palmolive (PNG)	50.0	50.0	5,463	3,324
b) Pacific Rumana	50.0	50.0	567	1,283
c) United Stevedoring	16.9	16.9	3	3
d) Riback Stevedoring	34.4	34.4	649	2,738
e) Makerio Stevedoring	31.7	31.7	99	50
f) Nikana Stevedoring	31.7	31.7	158	181
g) Harbourside Development	50.0	50.0	26	(232)
h) Viva No 31	50.0	50.0	(299)	(104)
i) Wonye	50.0	50.0	(248)	(42)
j) Morobe Terminals	42.9	42.9	(790)	324
Total			5,628	7,525
Other material interests			-	-
Total			**5,628**	**7,525**

Issued and quoted securities at end of current period

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

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

Segment reporting

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

Comments by directors

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

Basis of financial report preparation

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

Nil

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

Nil

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

Nil

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

Refer to Note 3.

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

Nil

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

Nil

Additional disclosure for trusts

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

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	Steamships Trading Company Limited, Level 5, Harbourside West, Stanley Esplanade Port Moresby
Date	7th June, 2019
Time	12.00 noon
Approximate date the annual report will be available	12th April, 2019

Compliance statement

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

Identify other standards used	International Financial Reporting Standards

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

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

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

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

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

6 The entity has a formally constituted audit committee.

Sign here: (Director & Company Secretary) Date: 28th February 2019

Print name: Michael Scantlebury

Segmental Reporting

Divisional Segments

The group operates in the following commercial areas:

	Commercial Division	Hotels & Property	Logistics	Finance, Investment &Eliminations	Total
	K'000	K'000	K'000	K'000	K'000
2018					
Total Revenue	-	230,935	323,640	6,242	560,817
Segment Results		65,509	2,630	(6,011)	62,128
Add: Share of Associate Profit	-	45	119	5,464	5,628
Total Segment result	-	65,554	2,749	(547)	67,756
Income tax expense	-	(18,431)	(38,289)	2,834	(53,886)
Group Profit	-	47,123	(35,540)	2,287	13,870
Segment assets	-	703,784	394,852	406,142	1,504,778
Segment liabilities	-	(253,291)	(240,412)	(71,047)	(564,750)
Net Assets	-	450,493	154,440	335,095	940,028
Capital expenditure	10,087	25,918	19,718	391	56,114
Depreciation	-	42,078	37,239	3,657	82,974

	Commercial Division	Hotels & Property	Logistics	Finance, Investment &Eliminations	Total
	K'000	K'000	K'000	K'000	K'000
2017					
Total Revenue	-	227,408	324,548	6,081	558,037
Segment Results	-	59,478	(5,757)	(1,159)	52,562
Add: Share of Associate Profit	-	905	3,296	3,324	7,525
Total Segment result	-	60,383	(2,461)	2,165	60,087
Income tax expense	-	(20,688)	(13,724)	4,679	(29,733)
Group Profit	-	39,696	(16,186)	6,844	30,354
Segment assets	110,127	733,408	410,348	215,490	1,469,373
Segment liabilities	(77,990)	(300,991)	(226,180)	13,942	(591,219)
Net Assets	32,137	432,417	184,168	229,432	878,154
Capital expenditure	5,081	25,775	22,084	1,158	54,098
Depreciation	-	43,047	47,772	3,796	94,615

1. Details of entities over which control has been gained

On 10th July 2018, the Group bought all shares of Croesus Re PCC Limited from an entity under common control for no consideration which resulted in unrealised gain to equity of the Group to extent of value equivalent to net assets of acquired entities. As the transaction was between entities under common control, assets and liabilities have been recorded at existing book values at the date of acquisition, with a corresponding adjustment recorded in retained earnings.

2. Discontinuing Activities

On 3rd July 2018, the Group disposed of its 100% interest in Laga Industries Ltd. The 31st December 2018 results (K'000) from the discontinued activities are derived from:

a) Profit & loss for the period:

	2018
Revenue	66,291
Operating expenses	(64,510)
Profit before tax	1,781
Profit after tax	1,247

b) The Group has two subsidiaries pending liquidation and their assets and liabilities are disclosed as Assets & Liabilities held for Sale.

Balance sheet as at 31st December 2018:

	Lae Port Services Limited	Port Services Limited
Assets held for sale	636	2,727

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

Operating cash flows	(6,459)
Investing cash flows	(8,593)
Financing cash glows	16,487
Net cash flows	1,435
Opening balance	204
Cash disposed on sale of Laga Industries	(1,639)
Closing cash flow balance	Nil

The subsequent sale has resulted in an approximate gain of K48.6m profit for the group.

d) Restatement of previous year (2017) figures

The 2017 comparative results have been restated to present the results of Laga Industries Limited as discontinued operations.

Statement of comprehensive income – including discontinued operations

	31 December 2017	Discontinued Operations	31 December 2017 (Restated)
Revenue (after reclassifications)	705,687	147,650	558,037
Operating expenses	(635,476)	(137,526)	(497,950)
Income Tax	(32,621)	(2,888)	(29,733)
Net profit	37,592	7,236	30,354

3. Basis of Accounting

For more details on the accounting policies, please refer to the annual report of Steamships Trading Company Limited for the year ended 31 December 2017. These policies have been consistently applied to all periods presented, unless otherwise stated.

The Group has adopted the following standards from 1 January 2018: IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. The Group has changed its accounting policies following the adoption of IFRS 9 and IFRS 15.

IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts'. IFRS 15 shifts revenue recognition from a risk and rewards model to a control model, with revenue recognized as performance obligations are met. The primary impact of adoption of IFRS 15 has been a change in the timing of recognition of freight and salvage revenue within the Group's logistics segment to align revenue recognition with satisfaction of the performance obligations in the contractual arrangements.

IFRS 15 is adopted without restating comparative information. The total impact of adjustments made at the date of initial application (1 January 2018) is presented below.

K'000	31 December 2017	IFRS 15 adjustment	1 January 2018
Receivables and prepayments	161,655	2,485	164,140
Deferred tax liability	22,332	745	23,077
Retained earnings	817,764	1,740	819,504

IFRS 9 replaces the provisions of IAS 39 that relate to classification and measurement of financial instruments and impairment of financial instruments. The primary change for the Group on adoption of IFRS 9 from 1 January 2018 has been assessment of impairment of receivables using an expected credit loss model. Previously impairment of receivables was assessed using an incurred credit loss model. This change has not had a significant impact on the Group's financial statements.

4. Income Tax Expense

The effective rate of tax charged differs from the statutory rate of 30% as follows;

	Current period K'000	Previous corresponding period K'000
Net profit before income tax	67,756	60,087
Prima facie tax on profit before income tax	20,327	18,026
Tax loss not recognised (prior years)	30,565	-
Tax loss not recognised	5,355	15,814
Share of profit of associates and joint ventures	(2,411)	(3,225)
Other adjustments	50	(882)
	53,886	29,733

5. Contingent Liabilities

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

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

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

No losses are anticipated in respect of these guarantees.