ANNUAL REPORT 2018

STEAMSHIPS

100 YEARS IN PNG

CONTENTS

BRIEF PROFILE OF THE STEAMSHIPS GROUP

Steamships Trading Company (Steamships) is a committed investor in Papua New Guinea and celebrated its 100 year anniversary 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 2,600 PNG citizens and non-citizens in diverse divisions grouped under the operating categories of Logistics, Property and Commercial & Investments.

Steamships core values include the following:

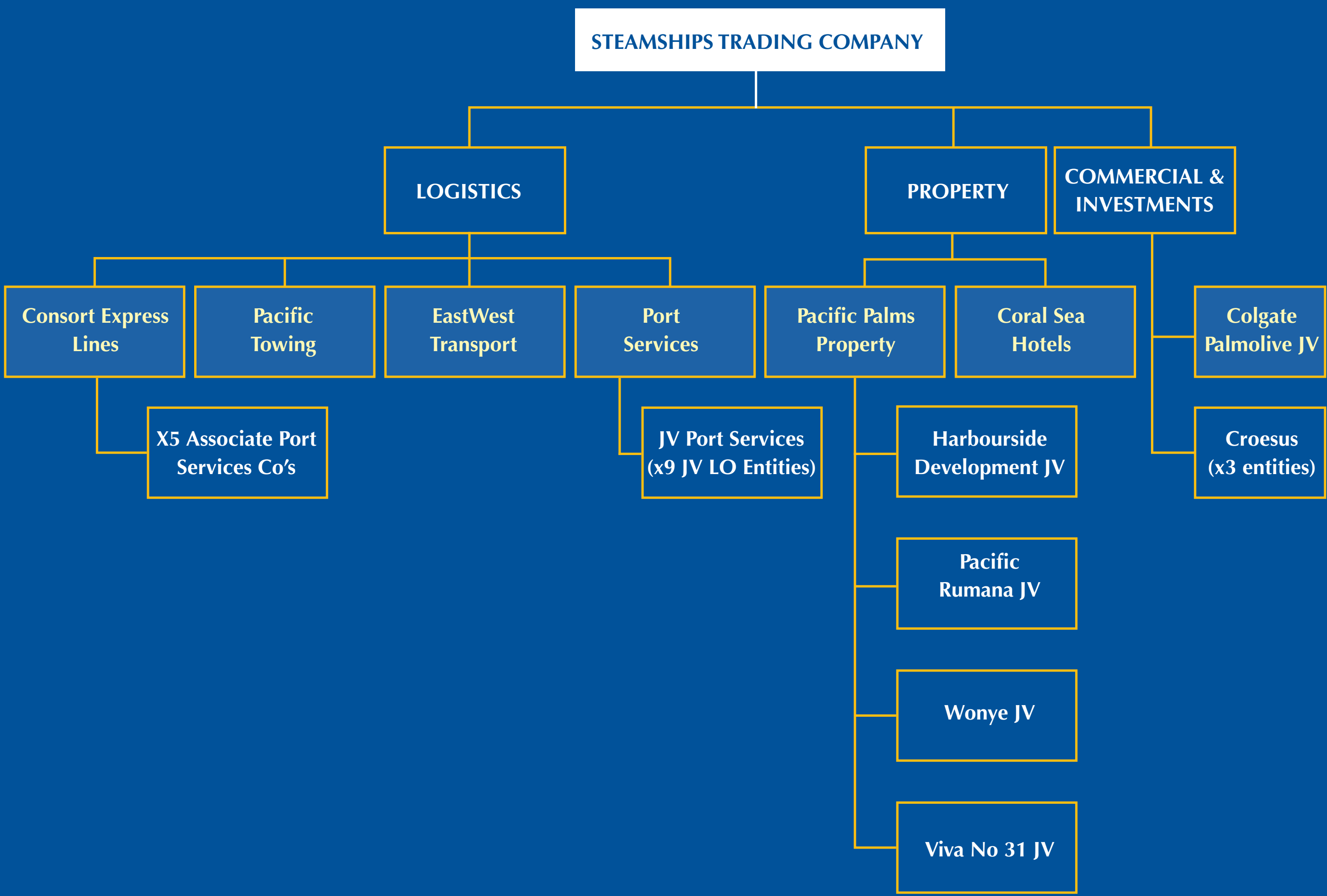
- Safety – We prioritise safety awareness and compliance to ensure our business operations are conducted safely.
- Integrity – Taking the more ethical and honest path; honouring our commitments and delivering on our promises; creating a bond of trust that sustains relationships with our staff, customers,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

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

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

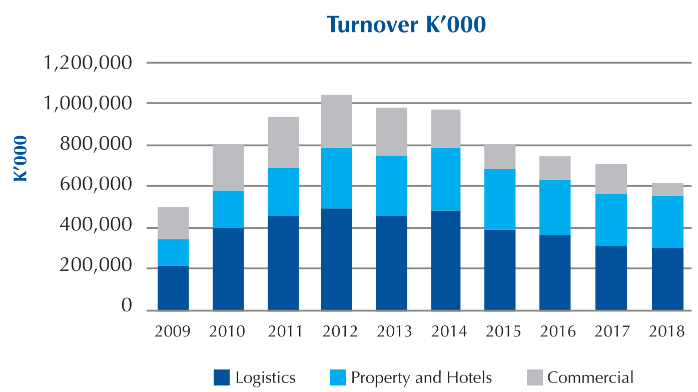
BRIEF PROFILE OF STEAMSHIPS GROUP

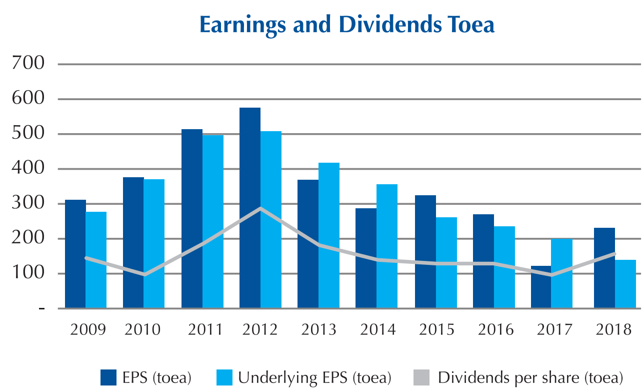
STEAMSHIPS' ORGANISATIONAL STRUCTURE

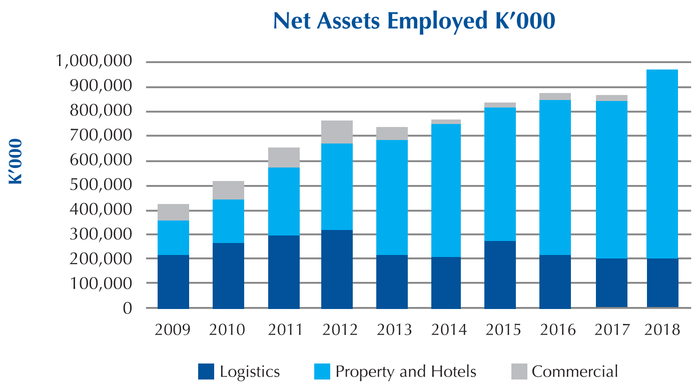


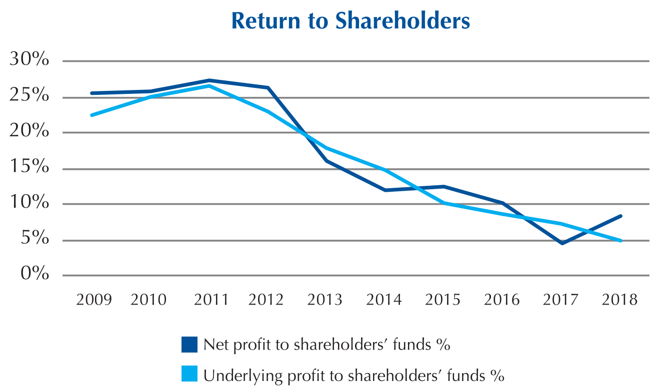
FINANCIAL HIGHLIGHTS

2018 FINANCIAL HIGHLIGHTS (including discontinued operations)	2018 K'000	2017 K'000	Change %
Revenue	627,108	705,687	-11%
Profit attributable to shareholders	69,529	41,516	67%
Cash generated from operations	116,682	102,029	14%
Net cash inflow/(outflow) before financing	278,817	84,390	230%
Shareholders' funds	920,305	841,964	9%
External Borrowings	373,579	441,020	-14%
Earnings per share (toea)	224	134	67%
Dividends per share (toea)	165	110	50%
Shareholders' funds per share (kina)	29.68	27.15	9%
Underlying profit attributable to shareholders	43,304	61,775	-30%
Underlying earnings per share (toea)	140	199	-30%
Gearing ratio	16%	33.1%	-14%
Interest cover	9.0	5.5	65%
Dividend cover	2.6	1.3	107%









FINANCIAL HIGHLIGHTS

SUMMARY OF PAST PEFORMANCE

	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	2018 K'000
INCOME STATEMENT (including discontinued operations)										
Revenue	495,976	789,918	920,357	986,310	930,934	941,708	773,535	732,701	705,687	627,108
Profit before tax	120,602	180,834	233,967	265,574	79,747	134,789	136,042	118,686	62,686	112,493
Share of associates profit	16,732	11,416	13,859	14,188	9,697	3,843	3,062	5,865	7,525	5,628
Income tax expense	(34,637)	(53,935)	(67,727)	(81,414)	(14,042)	(38,487)	(37,710)	(35,677)	(32,621)	(54,420)
Minority interests	(6,137)	(21,870)	(21,838)	(20,648)	38,609	(11,490)	(2,415)	(4,664)	3,926	5,828
Net profit attributable to shareholders	**96,560**	**116,445**	**158,261**	**177,700**	**114,011**	**88,655**	**98,979**	**84,210**	**41,516**	**69,529**
Depreciation transfer	-	-	(1,061)	-	-	-	-	-	-	-
Equity adjustment	-	-	-	-	(8,994)	-	2,206	-	-	-
Dividends paid or provided for the year	(45,272)	(31,008)	(58,916)	(88,373)	(57,365)	(43,411)	(48,062)	(40,291)	(32,558)	(26,357)
Earnings retained this year	**51,288**	**85,437**	**98,284**	**89,327**	**47,652**	**45,244**	**53,123**	**43,919**	**8,958**	**43,172**
Underlying profit attributable to shareholders (adjusted for significant items)	**85,120**	**113,597**	**153,566**	**156,213**	**128,367**	**108,808**	**80,651**	**71,721**	**61,775**	**43,304**
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	353,883	428,157	554,349	652,978	689,777	711,764	764,887	808,806	817,764	896,105
Shareholders' funds	**378,083**	**452,357**	**578,549**	**677,178**	**713,977**	**735,964**	**789,087**	**833,006**	**841,964**	**920,305**
Non-Controlling Interests	43,854	62,851	75,365	84,322	22,907	30,773	47,515	48,831	36,190	19,723
EQUITY	**421,937**	**515,208**	**653,914**	**761,500**	**736,884**	**766,737**	**836,602**	**881,837**	**878,154**	**940,028**
Fixed Assets / Investment Properties	664,196	786,510	938,709	1,023,861	1,066,393	1,115,123	1,072,955	1,068,892	997,125	890,576
Investments in Associated Companies	17,939	15,416	28,445	38,687	31,471	33,193	36,458	66,445	67,196	65,276
Future Income Tax Benefit	7,305	9,282	-	-	21,081	33,521	36,914	36,680	30,250	1,683
Goodwill	17,183	17,183	17,183	17,183	93,617	80,491	80,491	80,491	80,002	76,433
Other assets	203,480	294,203	299,634	411,920	352,549	366,479	400,480	284,200	294,800	470,810
TOTAL ASSETS	**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**	**1,504,778**
Current Liabilities	236,847	273,055	283,445	370,396	230,390	190,621	541,292	184,646	221,560	352,541
Non-Current Liabilities	251,319	334,331	346,612	359,755	597,837	671,449	249,404	470,225	369,659	212,209
TOTAL LIABILITIES	**488,166**	**607,386**	**630,057**	**730,151**	**828,227**	**862,070**	**790,696**	**654,871**	**591,219**	**564,750**
NET ASSETS	**421,937**	**515,208**	**653,914**	**761,500**	**736,884**	**766,737**	**836,602**	**881,837**	**878,154**	**940,028**
RATIOS										
Current assets to current liabilities	0.86	1.08	1.06	1.11	1.53	1.92	0.74	1.16	1.00	1.15
Borrowings to shareholders funds	89.1%	89.7%	70.1%	72.6%	89.7%	95.2%	81.7%	57.0%	50.2%	39.7%
Gearing	44.4%	44.0%	38.3%	39.2%	46.5%	47.8%	43.1%	34.6%	33.1%	16%
Tangible net asset backing per share (kina)	13.05	16.06	20.53	24.00	20.75	22.13	24.38	25.84	25.74	27.85
Net profit to revenue %	19.5%	14.7%	17.2%	18.0%	12.2%	9.4%	12.8%	11.5%	5.9%	11.1%
Net profit to shareholders' funds %	25.5%	25.7%	27.4%	26.2%	16.0%	12.0%	12.5%	10.1%	4.9%	7.6%
Underlying profit to shareholders' funds %	22.5%	25.1%	26.5%	23.1%	18.0%	14.8%	10.2%	8.6%	7.3%	4.7%
Dividends per share (toea)	146	100	190	285	185	140	155	130	110	165
EPS (toea)	311	376	510	573	368	286	319	272	134	224
Underlying EPS (toea)	275	366	495	504	414	351	260	231	199	140
Earnings retained %	53.1%	73.4%	62.1%	50.3%	41.8%	51.0%	53.7%	52.2%	21.6%	62.1%

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

Steamships celebrated 100 years in PNG since our incorporation in 1918. There was much to be proud of in 2018 as Port Moresby successfully hosted the APEC Leader's Summit, as well as numerous related events leading up to the summit itself, and issued its first USD 500million sovereign bond which was well oversubscribed. However, 2018 was another challenging year for the economy and few business sectors, outside of resource extraction, were unaffected by the continuing weakness in demand. The country, economy and resource sector were also rocked by an earthquake affecting the Highlands and Western Province early in the year, but all have since recovered well.

The lack of foreign currency continued to limit business activity and the Kina softened against the US Dollar as a result. Fortunately, foreign currency flows into PNG have improved recently and the backlog for currency orders have reduced. Government expenditure remained constrained by the ongoing national budget deficit and focus on APEC related expenditure. The recent report from the World Bank (January 2019) and the ratings upgrade to B2 stable from Moody's in February 2019 point to a more promising future. However, much of the renewed optimism relies on the launch of the long awaited resource extraction projects at Wafi Golpu, Papua LNG and related extension to the existing PNG LNG infrastructure which will bring a much needed boost to the economy.

Other infrastructure investments, particularly road, port and airport facilities, much of which is supported by the Asian Development Bank are also most welcome as this infrastructure is much needed if the Governments' drive to promote agriculture and tourism is to succeed. Steamships looks forward to being at the forefront of opportunities that these investments will bring.

Notwithstanding the pro-business and foreign investment rhetoric of Government the private sector is alarmed at the breadth and extent of restrictions contained in the draft Foreign Investment Review Authority Bill recently introduced. It is hoped that sensible dialogue will result in appropriate revision and that the final legislation will attract and promote foreign and private sector investment whilst providing a framework to allow local small enterprises to be created and thrive.

The on-going national budget deficit creates short term pressure for the economy, which, combined with uncertainty arising from the proposed legislation on foreign businesses and the current lacklustre investment, will likely see another difficult year for business in 2019, although there is broad cautious optimism for an improved economic environment later in the year.

The most significant event of the year was the sale of Laga Industries in July to Paradise Foods, Laga being the core business in the Group's commercial division, as a result of a decision to focus on the property and logistics activities of the Group. Although a successful transaction, it was sad to bid farewell to our friends and colleagues at Laga but we know that the strong culture and ambition of Paradise will take the company to greater heights. The commercial division continues with our joint venture with Colgate Palmolive that continues to benefit from the growing demand for high quality consumer household and personal care products in the range.

Also significant but less satisfactory, the Groups' joint venture port services businesses suffered the loss of the international ports concessions in Port Moresby and Lae early in the year when PNG Ports Corporation awarded a 25 year concession to a new operator. Despite costs associated with a large number of redundancies and impairment on sale of equipment, the division has recovered well and is operating in six regional ports, delivering returns to our partners in those ports and with exciting growth plans.

Coastal shipping suffered from the continuing economic weakness, 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 the business 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 enjoyed a fruitful year of salvage and emergency tows to supplement its core harbour towage work. The ancillary diving and life raft servicing activities also made a good contribution

CHAIRMAN'S REPORT

East West Transport performed satisfactorily. The Company remains committed to the logistics sector and its customers.

Pacific Palms Property's performance improved year on year reflecting a focus on tenant management and higher occupancies. PPP continues to maintain high quality investments in strategic locations. There remains an oversupply in all sectors as demand remains soft, with both rents and occupancy levels under pressure. Market conditions have led to a cautious approach to new development in recent years but many exciting prospects are now in the design phase.

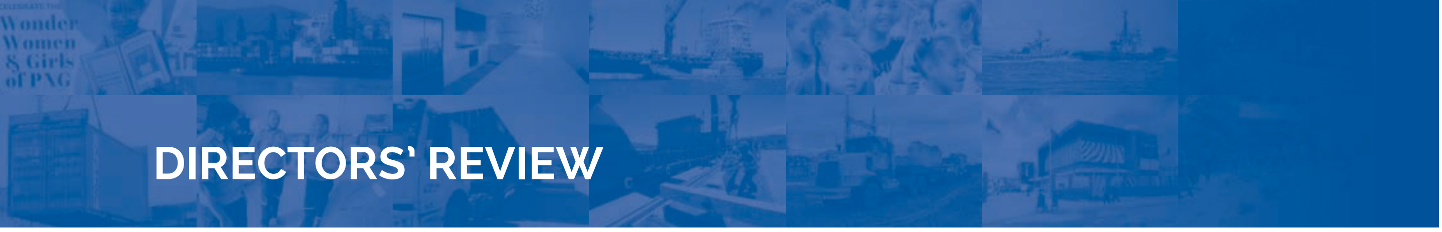
Coral Sea Hotels' performance stabilised in 2018 and the Company played a major role in the APEC Leaders summit but failed to benefit as hoped from the other APEC events throughout the year. The relatively low number of visitor arrivals and new capacity in the Port Moresby market poses a challenge to the division in 2019. Investment is being maintained in upgrading product and service standards to better attract and retain customers in the increasingly competitive market.

Steamships is confident in the medium term prospects for the PNG economy, whilst remaining cautious and disciplined in facing the short term challenges. Beyond our centenary celebrations, Steamships aspires 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 2019



DIRECTORS' REVIEW

2018 was a year of exceptional events. The country was rocked by a devastating earthquake early in the year, but successfully hosted world leaders at APEC 2018 and launched its first sovereign bond during the second half. The company saw the unfortunate closure of its international Port Services business after award of terminal concessions to a foreign operator, but successfully divested Laga Industries. The performance of the group reflects these exceptional events, revenues in the first half were negatively impacted by the earthquake, but were boosted in the second half of the year due to APEC related activity. As a result of the business sales and closures full year underlying profit was reduced and large exceptionals were recorded in the accounts.

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 K561 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.

Depreciation in 2018 was K83 million (excluding impairments) against K94.6 million in 2017, and net 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.

	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 and minority interests)			
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%**

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. 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 and Investments

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.

During the year the Company acquired the Croesus group of companies. This group has been providing insurance services to Steamships for over a decade. Although the Croesus group is no longer the provider of primary insurance cover since 2016, the acquisition allows Steamships to better manage the run-off of historic remaining claims.

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.

REVIEW OF OPERATIONS - LOGISTICS

CONSORT EXPRESS LINES

Consort operates a fleet of 13 coastal vessels (4 geared, multi-purpose deep-water vessels and 9 shallow water landing craft and bulk carriers). All are PNG flagged and manned and all safety and technical specifications are maintained in accordance with Lloyds Registry international standards.

LINER SERVICES

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

The Company carries a range of cargoes including containerised, break-bulk, reefer, LCL and project cargo. Consort transports cargo for a diverse customer base from domestic manufacturers and wholesalers to international liner carriers transhipping cargos 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 managers of a number of stevedoring operations around PNG. 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 specialising in shallow water river shipping, and develops, implements and supports intermodal logistics solutions linked to land based services such as road transport, cargo handling, storage, agency, customs clearance, lay down areas and warehousing.

Consort experienced a highly competitive coastal liner and projects shipping market in 2018. Due to an absence of resource projects and a lack of foreign exchange, the general economy remained subdued causing cargo volumes to remain static year-on-year. Liner operations performed below expectations, with the projects fleet enjoying a better year due to unbudgeted charters in the Gulf as exploration companies scaled down operations and required support demobilising equipment. This short-term boost was welcome, but the reduction of activity does not auger well for the project fleet, which is expected to be underutilised in 2019 as a result.

To match current demand and reposition for the expected upswing in future, Consort continued to streamline operations and the fleet throughout the year. In April, Consort delivered the landing craft 'Kerema Chief' to Australian buyers and in November delivered the tug 'Ok Ma' to domestic buyers.

During the third quarter, Consort experienced a number of technical failures, the most significant being a main engine failure on the 'Niugini Coast'. These technical failures led to disappointing schedule integrity and frustrated important customers. The unfortunate coincidence of lower reliability and the introduction of new systems compounded the impact on customers, and Consort lost considerable customer goodwill. However, the new systems and expertise introduced in 2018 positions Consort for an improved performance in 2019. The new manifest system, Cargowise, introduces greater visibility over cargo flows and for the first time allows customers to interact with the booking system via a web portal.

The planned periodic dockings of the larger vessels commenced in September with the first vessel, Bougainville Coast, going to a dockyard in Southern China. It returned in early December whereupon the Gazelle Coast took its place in the same dockyard. A third-party vessel was chartered

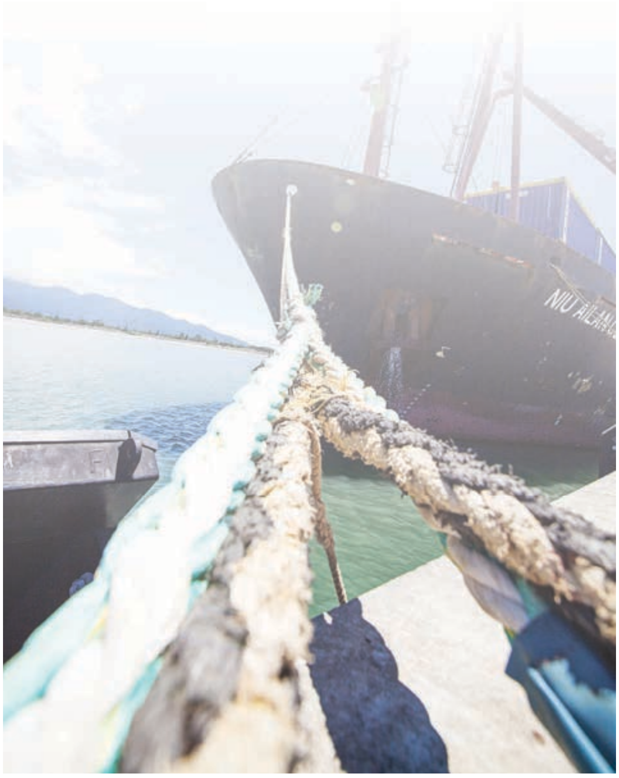
CONSORT EXPRESS LINES

from the market and entered service in October in order to maintain the service levels while these dockings were completed.

The ongoing weakness in the oil and gas market, the subdued domestic manufacturing sector and increasing concerns about a global trade war affected vessel values throughout the world, particularly those of the smaller sized coastal vessels. The softer vessel values were reflected in the annual external valuation of the fleet, with the carrying values of Consort vessels negatively impacted. Accordingly, Consort recorded a gross impairment of approximately K7.5m.

Because of the tough trading conditions, Consort has recorded tax losses for the past few years and such cumulative losses are available to offset future taxable profits in computation of Consort's tax liability. Management have re-assessed 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. Therefore Consort recorded an impairment of K30.6m though the value of these tax losses remain available.

The outlook for 2019 is marginally more positive than 2018. The hard work of reshaping the fleet and introducing modern systems, combined with a slow resurgence of the domestic liner market is expected to deliver a stronger performance. Delivery of consistent, cost-effective and reliable services to customers remains the management's goal.



REVIEW OF OPERATIONS - LOGISTICS

PACIFIC TOWING

Pacific Towing is the leading provider of harbour towage and mooring services in PNG and offers coastal and ocean towage services. It enjoys a reputation for excellence and reliability in marine services throughout PNG and the broader Pacific Region. A full member of the International Salvage Union, Pacific Towing retains a fast responder salvage capability complemented by a comprehensive range of ancillary marine services. These include life raft sales, rental and servicing, commercial diving, subsea pipeline inspections, PLEM hook up and release services, and pollution prevention and oil spill response services.

Pacific Towing is headquartered in Port Moresby and operates 13 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.

Photo courtesy of Australia Awards

Pacific Towing experienced a steady year in harbour towing jobs undertaken in 2018 compared to 2017, though revenue from routine non-harbour related jobs rose primarily due to an increase in external towage operations. These included support services for APEC and a number of ocean tows. The annual performance of the company was enhanced by performance of three salvage operations during 2018. Payment for all three was received within the year, along with payment for two operations that occurred the previous year (2017).

The focus on localisation and people development continues successfully, with expatriate numbers continuing to decrease. The work experience programme with Hong Kong Salvage & Towage continues, and the company has expanded its relationship with Swire Pacific Offshore to include sending seven Pacific Towing cadets for international seatime on their (SPO) oil & gas standard anchor handlers and supply vessels. A partnership with Australia Awards and China Navigation Company saw the successful introduction of a female cadet programme compromising of five deck & five engine cadets being selected to undergo training at the Madang Maritime College followed by seatime on China Navigation Company & Pacific Towing vessels. Pacific Towing divers continue attending the Professional Diving Academy in Sydney and life raft technicians undergo regular & ongoing training in Australia, China & Singapore.

The purchase of a pre-owned, fixed nozzle, 50tbp shallow water tug at the end of 2018, to be renamed Tuluman, has increased Pacific Towing's capacity to provide coastal towage solutions. At the end of 2018, the company relocated to its purpose built towage and salvage base at Motukea.

Operating to international standards, and well positioned with additional tonnage and a new operating base, Pacific Towing expect a solid underlying performance in 2019.

JOINT VENTURE PORT SERVICES

The group's six Joint Venture Port Services (JVPS) businesses offer a full range of stevedoring and handling facilities in the ports of Alotau, Oro, Madang, Kimbe, Kaviang and Kiunga. In addition, JVPS manages a seventh stevedoring company on behalf of Consort Express Lines in Port Moresby. 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 returned to the community in which the joint-venture operates.

In 2018, JVPS experienced the cessation of both Port Moresby and Lae terminal operations due the award of a long-term concession for both ports to a foreign company, resulting in several hundred redundancies. The three majority PNG owned companies, Lae Port Services, Port Moresby Ports Services and Morobe Terminals Ltd ceased trading and will be liquidated in early 2019.

The remaining JVPS operations around PNG responded to the changed landscape by becoming the first group of stevedoring and handling companies in PNG to be ISO accredited for both Safety and Environment. This safety and governance focus, coupled with high levels of productivity and professionalism, provides a point of difference between JVPS and its competitors. Ever dependent for volumes on the PNG macroeconomic environment, the remaining businesses performed to expectation; though Kiunga Port Services suffered towards the end of the year from lower water levels in the Fly River. The APEC Summit in November provided additional revenue from support activities including VIP baggage handling, stevedoring and customs clearance.

In 2019, JVPS set up a machinery and equipment rental company having purchased residual assets from the former LPS, MTL and PSL. It is anticipated that this business line will build slowly over 2019, and if successful, will look to acquire additional rental assets.

JVPS seeks now to form part of a seamless logistics solution for customers in PNG drawing on the combined strengths of Consort and East West Transport.

The stevedoring businesses expect 2019 to start slowly, and anticipate slow growth towards the end of the year as activity increases in line with the anticipated ramp up associated with the resource projects.

REVIEW OF OPERATIONS - LOGISTICS

EAST WEST TRANSPORT

East West Transport (EWT) is one of the country's largest multifaceted transport and logistics companies, with ISO accreditation of 14001, Environmental Management, & 18001, Occupational Health & Safety. Based in Port Moresby with a presence in Lae, Kimbe, Rabaul, Madang, Wewak, Alotau and Kavieng. The company has a sizable fleet of prime movers, heavy and light trucks, forklifts and reach stackers ranging from 2.5 to 80 tons in capacity. All equipment is supported by localised workshop facilities, safety teams and emergency vehicles.

EWT operates across a wide spectrum of transport related activities including bulk fuel, containerised cargo, sawdust and break-bulk cargo, and provides depot services such as equipment hire, warehousing and yard storage. EWT also offers a licensed customs cargo clearance service in Lae and Port Moresby with the ability to clear cargo in any location where EWT has a presence. The division capitalises on its close relationships with sister companies in shipping and stevedoring by offering specialised end-to-end project solutions for the mining, oil and gas sectors and now commercial sectors.

Although competition remains intense in the transport sector, EWT continues to grow market share and revenue through a continued focus on customer service and fleet reliability. Significant new contracts for both haulage and storage were secured from blue chip customers in Port Moresby and Lae. There were no major contract losses in 2018.

EWT team of 380 are more than 99% Papua New Guinean, and the company is proud of the investment in training and development that it makes in its workforce. As the business continues to grow, the financial and commercial functions will be strengthened.

With the anticipated increases in activity flowing through the economy from the major resource projects, 2019 is expected to be another year of consistent growth. Additional prime movers and rolling stock will be added consistent with conservative growth predictions.

CORAL SEA HOTELS

Coral Sea Hotels (CSH) operates nine hotel, residence and apartment properties offering full-serviced hotel rooms and apartments as well as extensive food & beverage outlets, recreation and meeting, conference and banqueting facilities. The two additions in 2018 were the 138 unit Air Niugini Residence in Port Moresby (April 2018) which is operated for Air Niugini under a management agreement, and the 43 rooms Cassowary Hotel in Kiunga (July 2018) which has been developed in partnership with local landowners representative CMCA.

CSH is the largest hotel group in PNG, offering 592 hotel rooms, 127 apartments and 138 residences. The group comprises the Grand Papua Hotel, the Gateway Hotel and Apartments, the Ela Beach Hotel and Apartments, Whittaker Apartments and the Air Niugini Residence in Port Moresby; the Huon Gulf Hotel in Lae; the Highlander Hotel and Apartments in Mount Hagen; the Bird of Paradise Hotel in Goroka and the Cassowary Hotel in Kiunga.

CSH did not experience the anticipated boost from APEC related events held through 2018 although it performed well during the APEC Leader's meeting. Underlying performance was slightly above 2017, which was respectable given the additional inventory that came onto the market in 2018.

Compared to 2017, revenue increased 5% and underlying profitability by a slightly lower 4% reflecting pressure on revenue per available room. Room and apartment occupancy in the major hotels improved marginally on the prior year and the food and beverage outlets performed satisfactorily. The slow ramp up of the Cassowary hotel and the distraction of APEC pulled down group wide occupancy as the regional hotels experienced lower occupancy. Rates improved marginally year-on-year thanks to the impact of peak rates during APEC.

As with all hotels, CSH expected an increase in international arrivals due to the year-round APEC events, and the high profile APEC Economies Leadership Week in November. However, the actual number of delegates was significantly down on expectations. The location of the earlier meetings in Waigani benefited CSH' competitors, but the Grand Papua Hotel successfully hosted the prime ministers of Singapore, Australia and New Zealand during the Leaders Week. Additional catering and facilities management at both the International Convention Centre and APEC Haus provided a welcome boost to revenue, partially offsetting lower room occupancy.

The significant investment in training and development for management, supervisors and rank & file levels that commenced in 2017 continues. Additional front-of-house and customer service training was conducted during 2018 and the focus on food safety led CSH to be certified as compliant to Australian Food Safety Standards. The Grand Papua Hotel was again the recipient of the World Luxury Hotel Award in the Australasia and Oceania category.

With the anticipated increase in resource based activity, the upgrades and extensions to both the Gateway and Highlander Hotel are timely. The Highlander's bar & restaurant, Poinsettias and Orchid Wing rooms were completed in 2018, and the new conference facilities will be completed in the first half of 2019. The Gateway is continuing its room upgrade programme and is refurbishing the Wild Orchid Restaurant and Departure Bar.

CSH expects market demand to remain soft in the first quarter of 2019. The continuing impact of a slower economy on business travel, lower government departmental expenditure and stagnant consumer discretionary spend coupled with increased supply with a newly opened Hilton Hotel & Conference Centre in Waigani, continue to make the hospitality industry in Papua New Guinea a challenging sector in which to operate.

REVIEW OF OPERATIONS - PROPERTY

PACIFIC PALMS PROPERTY

Pacific Palms Property (PPP) is one of the largest and most dynamic property developers and managers in PNG. The division continues to develop and hold property in the Residential, Commercial, Retail and Industrial sectors with building and land assets located in Port Moresby, Lae, Madang, Wewak, Goroka, Mt. Hagen, 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 continues in Port Moresby within a contracted economy nationwide.

The larger Port Moresby market in which PPP operates remains competitive, but stable, with product offering and importantly service offering driving loyalty of tenants across all categories. The market for resale was slow in 2019, and this saw PPP withdraw from several planned disposals, particularly in Port Moresby, preferring to hold and upgrade at this juncture.

The performance of the Commercial portfolio in Port Moresby saw steady year-on-year gains, ending the year with solid occupancy levels. Rental reversion in Port Moresby was stable. Outer regions of the country performed less well, with a reduction in revenue due to lower rental reversion and a number of large tenants moving out in Madang and Lae.

There was a similar story with the Industrial portfolio which remained steady in Port Moresby but saw some contraction in outer regions reflective of a generally weak performance of the non-extractive economy.

Residential remains strong across all locations. However, the continuing growth of supply in Port Moresby has put pressure on rates. This is something that PPP continues to manage with a robust service offering and a particular focus on effective and efficient repairs and maintenance. Improving the tenant experience is a central part of management's 2019 business plan.

Hagen Central, the PPP managed joint venture precinct, pictured below is expected to be full by mid-year with a wide range of tenants completing fit out in the latter part of 2018 and first quarter 2019. The precinct has proven to be a

PACIFIC PALMS PROPERTY

significant and exciting change for Mt Hagen, providing as it does the first safe, one-stop, shopping experience. PPP's other joint venture projects are preforming to expectation.

PPP's flagship development Harbourside East and West precinct in Port Moresby remains at 100% occupancy with the construction of the mixed use Harbourside South project due to commence in the first half of 2019. This will culminate in a fully integrated precinct offering a wide range of commercial, retail and residential services along with a vibrant food and beverage waterfront location with harbour access.

The focus in 2019 for PPP will be to continue to meet customer service expectations, maintain high maintenance standards and manage its portfolio of leases to maximise occupancy. Fire risk compliance is an increasing area of focus for PPP with a dedicated team formed in 2018 to manage all aspect of this ongoing initiative.

The outlook for 2019 remains stable, however, with the continued increase of supply in Port Moresby in particular, rates will come under pressure if the anticipated economic improvement does not materialise. PPP is well positioned to benefit from the next resources cycle with high quality properties across all categories and is confident of its future prospects.

SUSTAINABILITY

The principles of Sustainable Development continue to underpin how Steamships conducts its business, and are key to delivering long term value to its customers and shareholders. Steamships' understands that a clear commitment to the three Sustainability pillars of People, Community, and the Environment, will ensure it is always well placed to make a valuable and lasting economic and social contribution to Papua New Guinea.

At Steamships the focus is to ensure that employees are afforded every opportunity to build strong, rewarding and successful careers in an environment of safety, trust, fairness and respect. In 2018, Coral Sea Hotels commenced a specialist Hospitality Management training programme, and our Port Services Division continued work on developing in-house training capabilities for Group wide application. This has complemented the streamlining of the leadership skills training modules conducted through Head Office by a third party specialist.

Environmental Sustainability continues to be a priority area for Steamships. Responsible and sustainable energy consumption is done through the regular monitoring and reporting of energy use, water use and environmental emissions at operational level. Company staff again participated in World Environment Day, delivering awareness lectures to selected school children, and coordinating a number of educational activities to highlight the importance of environmental sustainability.

Steamships has a considerable presence in PNG and it is considered essential to have a positive impact on the various communities in which it operates. Engagement with the community is facilitated through an involvement in social programs that prioritize four key areas; health, social welfare, education, sports and culture. The aim is to identify projects and partnerships that bring measurable, meaningful, and positive impact to those in most need. The company committed over K2.0 million to various community based initiatives in 2018.

Steamships continues to grow future leaders through its successful Graduate Development Programme. Each year high potential graduates enter the programme and spend 4 years being trained, coached and mentored before joining Steamships wider management pool.

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 2018 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 2018, except where noted in the Corporate Governance Report.

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

Photo courtesy of KTF

STATEMENTS OF COMPREHENSIVE INCOME

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's)

		Consolidated		Parent Entity	
	Note	2018	2017 (Restated)	2018	2017
Continuing Operations					
Revenue	3(a)	560,817	558,037	59,634	13,051
Other income	3(a)	-	15,244	37,609	2,828
Operating expenses	3(b)	(488,395)	(507,250)	(2,364)	(2,031)
OPERATING PROFIT		72,422	66,031	94,879	13,848
Finance (costs)/income - net	3(e)	(10,293)	(13,469)	72	72
Share of profit of associates and joint ventures	4(b)	5,628	7,525	-	-
PROFIT BEFORE INCOME TAX		67,757	60,087	94,951	13,920
Income tax expense	5(a)	(53,886)	(29,733)	(83)	(205)
PROFIT FROM CONTINUING OPERATIONS		13,871	30,354	94,868	13,715
Profit after tax from discontinued operations		49,830	7,236	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		63,701	37,590	94,868	13,715
Attributable to:					
Non-controlling interests		(5,828)	(3,926)	-	-
Shareholders		69,529	41,516	94,868	13,715
		63,701	37,590	94,868	13,715
Basic and Diluted Earnings per share					
Continuing & discontinued (toea)	3(f)	224t	134t		
Continuing (toea)	3(f)	64t	111t		

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 2018 (Amounts in Kina 000's)

	Share Capital	Retained Earnings	Total Capital & Reserves	Non-Controlling Interest	Total Equity
BALANCE AT 1 JANUARY 2017	24,200	808,806	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	817,764	841,964	36,190	878,154
Adjustments to opening retained earnings on adoption of IFRS 15 (Note 1)	-	1,740	1,740	-	1,740
Profit for the year	-	69,529	69,529	(5,828)	63,701
Equity adjustment on acquisition of new entity (Note 23)	-	33,429	33,429	-	33,429
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

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 2018 (Amounts in Kina 000's)

	Note	Consolidated 2018	Consolidated 2017	Parent Entity 2018	Parent Entity 2017
Current assets					
Cash and cash equivalents	6	193,521	12,021	-	-
Trade and other receivables	7	191,778	161,655	446	435
Inventories	8	16,063	47,333	-	-
Income tax receivable	5(e)	355	-	45	85
Assets held for sale	10	3,363	-	-	-
		405,080	221,009	491	520
Non-current assets					
Property, plant and equipment	10	492,402	628,127	24,554	24,545
Investment properties	11	398,173	368,998	-	-
Investments in related companies	4(a)	65,276	67,196	164,037	208,163
Loans to related companies	9	65,731	73,791	5,712	5,712
Intangible assets	12	76,433	80,002	-	-
Deferred tax assets	5(c)	1,683	30,250	436	268
		1,099,698	1,248,364	194,739	238,688
TOTAL ASSETS		1,504,778	1,469,373	195,230	239,208
Current liabilities					
Trade and other payables	13	104,277	108,170	10	-
Provisions for other liabilities and charges	14	56,685	6,250	-	-
Loans from related companies	9	47,394	54,512	105,775	218,274
Loan from minority shareholder	15	19,503	19,503	-	-
Borrowings	15	124,682	31,718	-	-
Income tax payable	5(e)	-	1,407	-	-
		352,541	221,560	105,785	218,274
Non-current liabilities					
Deferred tax liabilities	5(c)	18,729	22,332	-	-
Provisions for other liabilities and charges	14	11,480	12,040	-	-
Borrowings	15	182,000	335,287	-	-
		212,209	369,659	-	-
TOTAL LIABILITIES		564,750	591,219	105,785	218,274
NET ASSETS		940,028	878,154	89,445	20,934
EQUITY					
Issued capital	16	24,200	24,200	24,200	24,200
Reserves		896,105	817,764	65,245	(3,266)
Capital and reserves attributable to the Company's shareholders		920,305	841,964	89,445	20,934
Non-controlling interests		19,723	36,190	-	-
TOTAL EQUITY		940,028	878,154	89,445	20,934

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

For and on behalf of the Board:

29 March 2019

G.L. Cundle
Chairman

M.R. Scantlebury
Managing Director

STATEMENTS OF CASH FLOWS

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's)

		Consolidated		Parent Entity	
	Note	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		566,983	721,778	5,019	5,029
Payments to suppliers and employees		(409,788)	(573,454)	(2,290)	(3,551)
Interest received		5,199	4,639	72	72
Interest and other finance costs paid		(15,492)	(18,109)	-	-
Income tax paid		(30,220)	(32,825)	(211)	(317)
Net cash provided by operating activities	18	116,682	102,029	2,590	1,233
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(56,114)	(54,098)	(2,139)	-
Proceeds from sales of property, plant & equipment		14,662	10,608	-	-
Proceeds on sale of investment		147,464	15,716	78,770	-
Loans repaid by associated companies		944	3,361	(112,499)	17,870
Cash balance received in acquiring Croesus entities	23	47,632	-	-	-
Dividends received		7,548	6,774	59,634	13,051
Net cash (used in)/provided by investing activities		162,136	(17,639)	23,766	30,921
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of borrowings		(41,627)	(84,373)	-	-
Dividends paid		(36,995)	(41,273)	(26,356)	(32,558)
Net cash used in by financing activities		(78,622)	(125,646)	(26,356)	(32,558)
NET (DECREASE)/INCREASE IN CASH HELD		200,196	(41,256)	-	(404)
NET CASH AT BEGINNING OF THE YEAR		(11,357)	29,899	-	404
NET CASH AT END OF THE YEAR		188,839	(11,357)	-	-
CASH COMPRISES:					
Cash and cash equivalents	6	193,521	12,021	-	-
Bank overdrafts	15	(4,682)	(23,378)	-	-
		188,839	(11,357)	-	-

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 2019.

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 2018

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2018.

- IFRS 9, 'Financial Instruments' replaced 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. IFRS 9's new impairment model is a move away from IAS 39's incurred credit loss approach to an expected credit loss model.

  Refer to notes 1 (iii) and 1 (k) for further details of the impact of IFRS 9 on the Group's accounting policies and 2018 financial statements.

- IFRS 15 'Revenue from contracts with customers' 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.

  The entity now adopts 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.

  Refer to notes 1 (iii) and 1 (e) for further details of the impact of IFRS 15 on the Group's accounting policies and 2018 financial statements.

- Amendments to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions. 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.

- Amendments to IFRS 4, 'Insurance contracts' regarding implementation of IFRS 9. These amendments introduce two 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' 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 on first-time adoption of IFRS and IAS 28 regarding measuring an associate or joint venture at fair value.

- IFRIC 22, 'Foreign currency transactions and advance consideration' 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.

(ii) *Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2018 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 2019 or later periods, but the entity has not early adopted them:

- 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 entity expects that certain leases of property and equipment that are currently accounted for as operating leases will, from January 2019, be required to be recognised as right-of-use assets and depreciated, with a corresponding lease liability. Management is in the process of assessing impact of IFRS 16 on the Group. The Group has not adopted the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

- Amendment to IFRS 9 on prepayment features with negative compensation (effective 1 January 2019). This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

- 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 (effective 1 January 2019). These amendments include minor changes to:

  - IFRS 3 'Business combination' – a company remeasures its previously held interest in a joint operation when it obtains control of the business.

  - IFRS 11 'Joint arrangements' – a company does not remeasure its previously held interest in a joint operation when it obtains control of the business.

  - IAS 12 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

  - IAS 23 "Borrowing costs' – a company treats as part of general borrowings any borrowings originally made to develop an asset when the asset is ready for its intended use or sale.

- Amendments to IAS 28 'Investments in associates' on long term interests in associates and joint ventures (effective 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture to which the equity method is not applied should be accounted for using IFRS 9. This includes the impairment requirements in IFRS 9.

- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement (effective 1 January 2019). These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement, and

  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

- Amendments to IFRS 3 – definition of a business (effective 1 January 2020). This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- Amendments to IAS 1 and IAS 8 on the definition of 'material' (effective 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
  - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in IAS 1 about immaterial information.
- 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.

The Group does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the Group.

(iii) Changes in accounting policies

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. This note explains the impact of the adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial instruments' on the Group's financial statements.

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 adoption of IFRS 15 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below (Note 1 e)). The Group has adopted IFRS 15 using the modified restrospective method. Comparative figures have not been restated and the cumulative adjustments arising on adoption have been adjusted against the opening balance of retained earnings as at 1 January 2018.

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.

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, refer to Note 1 k. The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies in the financial statements. The new accounting policies are set out below. The Group has adopted IFRS 9 using the modified restrospective method.

In terms of classification and measurement of financial instruments, IFRS 9 did not impact the amounts reported in the Group's financial statements, as there were no changes under IFRS 9 in the measurement category of financial assets and liabilities measured at amortized cost (cash and cash equivalents, trade and other receivables, and loans to related companies).

The primary change for the Group on adoption of IFRS 9 from 1 January 2018 has been the assessment of impairment of financial assets at amortised cost using an expected credit loss model. Previously impairment of financial assets was assessed using an incurred credit loss model. From 1 January 2018 the Group has to assess on a forward-looking basis the expected credit losses associated with its financial assets instruments carried at amortised cost. For financial assets carried at amortised cost, the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables, other receivables and loans to related companies. The change in impairment methodology did not have a material impact on the Group's financial statements.

(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 2018 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.

Predecessor accounting is applied for business combinations among entities under common control, including acquisitions of entities. Assets and liabilities of the acquired entity are stated at predecessor carrying values. Fair value measurement is not required and no new goodwill arises in predecessor accounting. Any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings.

(e) Revenue recognition

Accounting policies applied from 1 January 2018

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with the customer when or as the Group transfers the control of the goods or services promised in a contract to the customer. Depending on the substance of the respective contract with the customer, the control of the promised goods or services may transfer over time or at a point in time. A contract with a customer exists when the contract has commercial substance, the Group and its customer have approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services. At the inception of each contract with a customer, the Group assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with the customer is recognised. A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices. A good or service is distinct if:

- the customer can either benefit from the good or service on its own or together with other readily available resources; and
- the good or service is separately identifiable from other promises in the contract (e.g. the good or service is not integrated with, or highly interrelated with, other goods or services promised in the contract)

If a good or service is not distinct, the Group combines it with other promised goods or services until the Group identifies a distinct performance obligation consisting of a distinct bundle of goods or services.

As disclosed in Note 25, revenue from external customers comes from the logistics business, hotels & property business, and commercial business.

Revenue from the logistics business includes revenue from providing the following services: freight and shipping activities, land transport activities, towage and salvage activities, and sale of goods.

Revenue from freight and shipping services, land transport services and towage services is recognised over time as the performance obligation (in this case transport or towage activity) is performed. In case of sale of goods (such as containers), revenue is recognized at a point of time.

Salvage revenue is recognised over time as the performance obligation (in this case salvaging activity) is performed or at a point of time (upon completion of the salvage job), depending on the nature of the salvage activity and the contractual terms. The Group typically has a right to payment based on work performed until the reporting date. Where salvage work is completed but proceeds are not finalized and received, revenue is determined on the basis of expected proceeds taking into account estimation uncertainty.

Revenue from the hotels business from provision of services is recognised over time, while revenue from sale of goods is recognized at a point in time. Revenue from the property business is recognized on a straight line basis over the term of the lease.

Revenue from the commercial business relates to sale of goods and is recognized at a point of time in the period in which the customer accepts the delivery of the goods.

The following other income is recognized across the Group as follows:

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

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

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

Accounting policy applied until 31 December 2017

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

Accounting policies applied from 1 January 2018

From 1 January 2018, the Group classifies all of its financial assets in the measurement category 'Financial assets at amortised cost' (previously classified as loans and receivables).

The Group classifies its financial assets at amortised cost when the asset is held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest ("SPPI"). Financial assets of the Group that fall under this category are trade and other receivables, bank balances, deposits and cash, and loans to related companies.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains and losses together with foreign exchange gains and losses.

As of 31 December 2018, the Group had no financial instruments classified as financial assets at fair value through other comprehensive income ("FVOCI") - Equity instruments (previously classified as available-for-sale financial assets) or financial assets at fair value through profit or loss ("FVTPL").

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified as current assets for those having maturity dates of not more than 12 months after the end of the reporting period, and the balance is classified as non-current.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments and financial guarantee contracts issued. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For financial guarantee contracts, the ECL is the difference between expected payments to reimburse the holder of the guarantee debt instruments less any amounts the company expects to recover from the other party.

ECL is measured based on general 3-stage approach and simplified approach.

General 3-stage approach for loans to related parties and financial guarantee contracts issued.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Simplified approach for trade receivables and other receivables, including inter-company balances.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Collective assessment

To measure ECL, trade receivables and other receivables have been grouped based on shared credit risk characteristics, such as days past due.

Individual assessment

Trade receivables, other receivables and amounts due from related parties which are in default or credit-impaired are assessed individually.

Accounting policies applied until 31 December 2017

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 4.5% (2017 – 4.6%).

(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 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 2018, 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 K2,192,000 (2017: K2,569,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

The Group has the following types of financial assets that are subject to the expected credit loss model: trade receivables, other receivables (including inter-company receivables) and loans to related parties. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, impairment loss is immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, for all financial assets, other than loans to related parties. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has analyzed GDP and employment rate of PNG to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Management concluded that impairment provision for trade receivables is not materially affected by changes in GDP and employment rate.

(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:

	2018 K'000	2017 K'000
Undrawn Facilities	255,000	194,000

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 2018					
Borrowings	(124,682)	-	(182,000)	-	(306,682)
Borrowings from minority shareholders	(19,503)	-	-	-	(19,503)
Borrowings from related parties	(47,394)	-	-	-	(47,394)
Trade and other payables	(104,277)	-	-	-	(104,277)
	(295,856)	-	(182,000)	-	(477,856)
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)

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:

	2018 K'000	2017 K'000
Total external borrowing & unsecured loans	373,579	441,020
Less: Cash & Cash equivalents	193,521	12,021
Net debt	180,058	428,999
Total equity	940,028	878,154
Total capital	1,120,086	1,307,153
Gearing ratio	16%	33%

(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 2018 (Amounts in Kina 000's)

3. Operating results

	Consolidated		Parent Entity	
	2018	2017	2018	2017
(a) Revenue and other income comprises:				
Revenue from contracts with customers				
- Revenue from sale of goods	36,726	39,224	-	-
- Revenue from provision of services	415,907	408,292	-	-
Lease income	108,184	110,521		
Dividend income	-	-	59,634	13,051
Total Revenue	560,817	558,037	59,634	13,051
* Other income (net)	-	15,244	37,609	2,828

* Other income principally represents a nil gain in 2018 (2017: gain of K15.7M on sale of shares).

The Group's revenue from contracts with customers are recognized at a point in time and over time. Most of revenue from provision of services is recognized over time, while revenue from sale of goods is recognized at a point in time. Further disaggregation of revenue by segment is provided at Note 25.

	Consolidated		Parent Entity	
	2018	2017	2018	2017
(b) Expenses comprise:				
Cost of sales	81,225	71,452	-	-
Staff costs (note 3c)	122,217	131,820	-	-
Depreciation and amortisation	82,974	94,616	2,064	2,229
Impairment of fixed assets	11,710	12,261	-	-
Impairment of other assets	-	1,445	-	-
Hotel & property development cost write off	1,498	6,742	-	-
Electricity and fuel	48,772	45,976	-	-
Other operating expenses	139,999	142,938	300	(198)
Total operating expense	488,395	507,250	2,364	2,031
(c) Staff costs:				
Wages and salaries	101,116	112,562	-	-
Retirement benefit contributions	5,235	5,461	-	-
Accommodation and other benefits	15,866	13,797	-	-
	122,217	131,820	-	-
Number of staff employed by the Group at year end:				
Full Time	2,685	3,165	-	-

3. Operating results (continued)

	Consolidated		Parent Entity	
	2018	2017	2018	2017
(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	708	710	-	-
Bad and doubtful debts	943	2,964	-	-
Donations	2,206	2,343	-	-
Impairment of property, plant & equipment	11,710	12,261	-	-
Impairment of other assets	-	1,445	-	-
Loss on sale of fixed assets	390	851	-	-
After crediting:				
Gain on sale of property, plant and equipment	-	1,586	-	-
Net foreign exchange transaction gains	1,373	413	-	-
Bad debt recovery	2,550	-	-	-
(e) Cost of financing – net:				
Expense*	15,492	18,109	-	-
Income	(5,199)	(4,640)	(72)	(72)
Net finance costs	10,293	13,469	(72)	(72)

*The interest expense excludes capitalised interest of K1.7M (2017 - K1.4M).

(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.

	2018	2017
Net profit attributable to shareholders	69,529	41,516
Average number of ordinary shares on issue (thousands)	31,008	31,008
Basic earnings per share (continuing & discontinued)	224t	134t
Basic earnings per share (continuing)	64t	111t

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

4. Investments in subsidiaries, associates and joint ventures

	Consolidated		Parent Entity	
	2018	2017	2018	2017
(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)	-	-	127,454	171,537
Investments in associates (note 21)	34,359	38,287	-	-
Investments in joint ventures (note 22)	30,917	28,909	36,583	36,626
	65,276	67,196	164,037	208,163
(b) Share of after tax profit in associates and joint ventures				
Share of profit in associates	119	3,296	-	-
Share of profit in joint ventures	5,509	4,229	-	-
	5,628	7,525	-	-

5. Income Tax

	Consolidated		Parent Entity	
	2018	2017	2018	2017
(a) Income tax expense				
Current tax	31,703	37,137	270	298
Deferred Tax	24,964	(4,642)	(168)	(23)
Prior period (over)/under provided	(2,781)	(2,761)	(19)	(70)
	53,886	29,733	83	205

(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.

	2018	2017	2018	2017
Prima facie tax on profit before income tax	20,327	18,025	28,485	4,176
Tax effect of rebateable dividends	-	-	(17,890)	(3,915)
Expenses not deductible for tax	2,831	6,353	-	14
Tax loss not recognised	35,921	15,814	-	-
Income not assessable for tax	(2,412)	(7,698)	(10,493)	-
Prior year (over)/under provisions	(2,781)	(2,761)	(19)	(70)
	53,886	29,733	83	205

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

	2018	2017	2018	2017
Provisions	9,917	10,364	-	-
Tax losses	171	30,565	-	-
Prepayments & consumables	(3,851)	(9,750)	-	-
Property, plant and equipment	(23,283)	(23,261)	436	268
	(17,046)	7,918	436	268
Deferred tax asset	1,683	30,250	436	268
Deferred tax liability	(18,729)	(22,332)	-	-
	(17,046)	7,918	436	268

The group has not recognised deferred tax asset amounting to K51.7M related to carried forward tax losses.

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

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	10,364	(447)	9,917
Tax losses	30,565	(30,394)	171
Prepayments & consumables	(9,750)	5,899	(3,851)
Property, plant and equipment	(23,261)	(22)	(23,283)
Total	7,918	(24,964)	(17,046)
Parent Company			
Property, plant and equipment	268	168	436
Total	268	168	436

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

	Consolidated		Parent Entity	
	2018	2017	2018	2017
At 1 January	1,407	(716)	(85)	4
Income tax provision	31,703	37,602	270	298
Income tax over provided	(2,781)	(2,761)	(19)	(70)
Disposal of subsidiary	289	-	-	-
Others	(1,325)	107	-	-
Acquiring new subsidiary	572	-	-	-
Tax payments made	(30,220)	(32,825)	(211)	(317)
At 31 December	(355)	1,407	(45)	(85)

6. Cash and cash equivalents

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Cash and short term deposits	193,521	12,021	-	-
	193,521	12,021	-	-

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		Parent Entity	
	2018	2017	2018	2017
Trade receivables	89,849	102,209	-	-
Provision for impairment	(2,379)	(6,186)	-	-
	87,470	96,023	-	-
Other receivables & prepayments	104,308	65,632	445	435
	191,778	161,655	445	435

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

7. Trade and other receivables (continued)

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Movement in the provision for impairment of trade receivables is as follows:				
Opening balance	6,186	3,440	-	-
Impairments recognised during the year	2,279	2,964	-	-
Provision released	(6,086)	(218)	-	-
Total	2,379	6,186	-	-

The creation and release of the provision for receivables is included in operating expenses in the statement of comprehensive income.

The ageing of receivables overdue more than 3 months is as follows:

	Consolidated		Parent Entity	
	2018	2017	2018	2017
3 to 6 months	1,055	1,780	-	-
Over 6 months	4,076	10,432	-	-
	5,131	12,212	-	-

Individually impaired receivables are included in the above amounts and amount to K2M (2017: K6M).

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.

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 2018 (Amounts in Kina 000's unless otherwise stated)

8. Inventories

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Raw materials	-	17,175	-	-
Finished goods	16,180	32,980	-	-
Provision for obsolescence	(117)	(2,822)	-	-
	16,063	47,333	-	-

Inventories recognised as an expense during the year ended 31 December 2018 and included in cost of sales and cost of providing services amounted to K56M (2017: K115M). The provision for obsolescence of inventories during the year decreased by K2.7M (2017: by K0.6M increase).

9. Loans to/(from) related companies

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Non-Current				
Colgate Palmolive (PNG) Limited	500	500	500	500
Huhu Rural LLG	1,587	-	-	-
Pacific Rumana Limited	29,530	31,905	-	-
Harbourside Development Limited	34,114	33,679	-	-
Croesus Re PCC Limited	-	7,707	-	-
	65,731	73,791	500	500
Loans to subsidiaries	-	-	5,212	5,212
	65,731	73,791	5,712	5,712
Harbourside Development Limited	(7,968)	(3,083)	-	-
Morobe Terminals Limited	(9,543)	(9,192)	-	-
Consort Express Lines Limited's associates	(29,883)	(40,291)	-	-
Wonye Limited	-	(1,946)	-	-
	(47,394)	(54,512)	-	-
Loans from subsidiaries	-	-	(105,775)	(218,274)
	(47,394)	(54,512)	(105,775)	(218,274)

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 3-4%.

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

10. Property, plant & equipment

	Property	Ships	Plant and Vehicles	Total
Consolidated				
2018				
Cost	392,677	236,020	392,010	1,020,707
Accumulated depreciation (including impairment losses)	(97,952)	(135,831)	(294,522)	(528,305)
Net book value	294,725	100,189	97,488	492,402
Opening value	367,573	137,098	123,456	628,127
Additions	4,015	4,399	47,700	56,114
Disposals	(131)	(12,583)	(10,486)	(23,200)
Sale of subsidiary	(17,396)	-	(24,020)	(41,416)
Transfer to investment properties	(48,658)	-	-	(48,658)
Depreciation	(10,678)	(21,139)	(31,675)	(63,492)
Impairment	-	(7,586)	(4,124)	(11,710)
Assets held for sale	-	-	(3,363)	(3,363)
Closing value	294,725	100,189	97,488	492,402
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
Parent Entity				
2018				
Cost	75,810	-	5,703	81,512
Accumulated depreciation	(51,999)	-	(4,959)	(56,958)
Net book value	23,811	-	743	24,554
Opening value	23,428	-	1,117	24,545
Additions	2,061	-	78	2,139
Disposals	-	-	(65)	(65)
Depreciation	(1,678)	-	(387)	(2,064)
Closing value	23,811	-	743	24,554

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

10. Property, plant & equipment (continued)

	Property	Ships	Plant and Vehicles	Total
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

(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	
	2018	**2017**	**2018**	**2017**
Property (classified as investment properties in note 11)	34,015	53,270	-	-
Plant and vehicles	19,118	15,483	-	-
Total assets in the course of construction	53,133	68,753	-	-

The cost of additions in 2018 includes capitalised borrowing costs of K1.7M (2017: K1.4M) 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 K11.7M (2017: K12.3M) 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 2018.

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

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	
	2018	2017	2018	2017
Cost	596,542	516,759	-	-
Accumulated depreciation	(198,369)	(147,761)	-	-
Net book value	398,173	368,998	-	-
Opening value	368,998	385,974	-	-
Additions	-	4,599	-	-
Disposals	-	(789)	-	-
Transfers from property, plant & equipment	48,658	-	-	-
Depreciation	(19,483)	(20,786)	-	-
Closing value	398,173	368,998	-	-

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

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Rental income	104,985	120,145	-	-
Repairs and maintenance attributable to rental properties under non-cancellable leases	(5,068)	(4,438)	-	-
Operating expenses directly attributable to rental properties under non-cancellable leases	(13,203)	(12,076)	-	-

(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 2018 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:

		Valuation Range	
	NBV	Lower	Higher
Investment properties	398,173	1,065,552	1,331,939
Other properties (note 10)	294,725	737,187	921,485
Total	692,898	1,802,739	2,253,424

The management has utilised certain historical facts and available relevant market data 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	
	2018	2017	2018	2017
Within one year	63,428	120,308	-	-
Later than one year but not later than five years	150,673	114,045	-	-
Later than five years	154,574	127,799	-	-
	368,675	362,152	-	-

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

12. Intangible assets

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Opening balance	80,002	80,491	-	-
Disposal of Subsidiary	(3,569)	-	-	-
Goodwill impairment during the year	-	(489)	-	-
Closing balance	76,433	80,002	-	-

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. The goodwill balance of K76M (2017: K80M) is attributable to various business acquisitions in the logistics segments including Pacific Towing (K67.4M) and New Britain Shipping (K9M). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three year period. Growth beyond year three for the purpose of the impairment testing is set at 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	
	2018	2017	2018	2017
Trade Payables	24,938	38,589	-	-
Accruals	77,851	67,410	-	-
Other payables	1,488	2,171	10	-
	104,277	108,170	10	-

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

14. Provisions for other liabilities and charges

	Employee	Dry Dock	Insurance Claims	2018 Total	2017 Total
Opening value	18,290	-	-	18,290	22,753
Charged to profit & loss	6,466	615	-	7,081	6,821
Disposal of subsidiary	(963)	-	-	(963)	-
Acquisition of subsidiary	-	-	50,650	50,650	-
Utilised during year	(6,778)	(115)	-	(6,893)	(11,284)
Closing value	17,015	500	50,650	68,165	18,290
Current	5,535	500	50,650	56,685	6,250
Non-current	11,480	-	-	11,480	12,040
	17,015	500	50,650	68,165	18,290

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

15. Borrowings

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Current:				
Bank overdrafts (secured)	4,682	23,378	-	-
Bank loans	120,000	8,340	-	-
Other loans (unsecured)	19,503	19,503	-	-
	144,185	51,221	-	-
Non-current:				
Bank loans (secured)	182,000	335,287	-	-
	182,000	335,287	-	-
Total Borrowings	326,185	386,508	-	-

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 4.5% (2017: 4.6%). 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% (2017: 7.83%).

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	
	2018	2017	2018	2017
(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 120 toea per share will be paid immediately after the Annual General Meeting on 7 June 2019. This brings the total dividend declared for the year to 165 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 totaling 85 toea per share which includes the final dividend of 2017 and totaled K26,356,800.

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

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, M.R. Scantlebury and R.P.N Bray are directors of John Swire & Sons (PNG) Limited.

(d) Remuneration:

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

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Key management personnel disclosure				
Wages and salaries	13,584	13,347	-	-
Other short term benefits	1,340	1,375	-	-
(e) Material transactions:				
Sales of goods and services				
- Associates & joint ventures	451	1,622	-	-
- Key management	62	59	-	-
- Associated Groups	15,712	21,732	-	-
Lease and rental income				
- Associates & joint ventures	2,271	-	-	-
- Key management	-	585	-	-
- Associated Groups	-	4,080	-	-
Management fee received				
- Associates & joint venture	133	-	-	-
Container & charter hire				
- Associates & joint venture	1,001	-	-	-
- Shareholders & associate companies	1,590	-	-	-
Purchase of goods and services				
- Associates & joint ventures	(408)	(801)	-	-
- Associated groups	(9,937)	(21,986)	-	-
- Shareholders of associated companies	-	(47)	-	-
Purchase of assets				
- Associated groups	-	(1,064)	-	-
Lease rental expense				
- Other shareholders	(1,236)	(2,733)	-	-
Finance Cost			-	
- Associates & joint ventures	(891)	(1,100)	-	-
- Other shareholders	(1,516)	(1,795)	-	-
Dividends paid				
- Other shareholders (minority interest)	(10,639)	(8,715)		
- Controlling shareholder	(19,008)	(23,482)	(19,008)	(23,482)
- Significant shareholder	(7,349)	(9,077)	(7,349)	(9,077)
Loans to/(from) related companies				
- Other shareholders	(19,503)	(19,503)	-	-
Insurance premiums				
- Affiliated party	-	(9,809)	-	-
Insurance claims received				
- Affiliated party	-	12,717	-	-

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

17. Related party disclosures (continued)

	Consolidated		Parent Entity	
	2018	2017	2018	2017

All transactions with related parties are made on normal commercial terms and conditions.

Balances with related companies:				
Associates and joint ventures:				
Consort associates (note 9)	(29,883)	(40,291)	-	-
Harbourside Development Limited (note 9)	(7,968)	(3,083)	-	-
Morobe Terminals Limited (note 9)	(9,543)	(9,192)	-	-
Consort shareholders (note 15)	(19,343)	(19,343)	-	-
Basilok Limited (note 15)	(160)	(160)	-	-
Wonye Limited (note 9)	-	(1,946)	-	-
Loans to related companies:				
Colgate Palmolive Limited (note 9)	500	500	500	500
Harbourside Development Limited (note 9)	34,114	33,679	-	-
Subsidiary Companies (note 9)	-	-	5,212	5,212
Pacific Rumana Limited (note 9)	29,530	31,905	-	-
Huhu Rural LLG (note 9)	1,587	-	-	-
Croesus Re SPC Limited (note 9)	-	7,707	-	-

18. Reconciliation of cash flows

	Consolidated		Parent Entity	
	2018	2017	2018	2017
(a) Cash generated from operations				
Profit for the year after tax	63,701	37,590	94,868	13,715
Depreciation and impairment	82,973	112,078	2,064	2,229
Dividend and interest income	-	-	(59,634)	(13,051)
Net loss/(gain) on sale of fixed assets	390	(735)	-	-
Gain on sale of subsidiary	(48,583)	-	(34,644)	-
Share of profit of associates and joint ventures	(5,628)	(7,525)	-	-
Change in operating assets and liabilities				
(Increase)/decrease in trade debtors	(62,092)	(26,846)	-	(869)
(Increase)/decrease in inventory	(4,288)	(6,205)	-	-
(Increase)/decrease in deferred tax asset	27,588	6,431	(104)	71
Decrease in operating assets	(2,747)	(10,966)	(9)	-
(Decrease)/increase in trade creditors	18,278	12,430	-	(680)
Increase/(decrease) in other operating liabilities	52,099	(7,379)	9	-
(Decrease)/increase in income tax payable	(1,407)	(2,858)	40	(182)
(Decrease) in deferred tax liability	(3,602)	(3,986)	-	-
Net cash inflow from operating activities	116,682	102,029	2,590	1,233

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

18. Reconciliation of cash flows (continued)

(b) Net loan reconciliation

	Bank Loans	Other loans	Total
Net debt as at 31 December 2017	(343,627)	(74,015)	(417,642)
Borrowing from related parties	-	(5,236)	(5,236)
Repayments	41,627	12,354	53,981
Net debt as at 31 December 2018	(302,000)	(66,897)	(368,897)

19. Retirement benefit plans

The total cost of retirement benefits of the Group in 2018 was K6M (2017: K6M). 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 2018 (Amounts in Kina 000's unless otherwise stated)

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* 2018	Equity Holdings* 2017
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
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
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
Croesus Holdings Limited	Isle of Man	Ordinary	100	-
Croesus Limited	Papua New Guinea	Ordinary	100	-
Croesus Re PCC Limited	Isle of Man	Ordinary	100	-

*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 2018, Steamships Trading Company Limited still has control over this entity.

*** Laga Industries limited was sold on 3 July 2018.

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 in the event of any recovery under a charter performance guarantee to enforce a proportional equity capital buy back. At 31 December 2018, the performance guarantee obligations are being met.

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

21. Investment in associates

(a) Movement in carrying amounts

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Opening value	38,287	35,813	-	-
Share of profits before tax	170	4,709	-	-
Income tax expense	(51)	(1,413)	-	-
Dividends received	(4,047)	(822)	-	-
Closing value	34,359	38,287	-	-

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:

2018	Ownerships Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Makerio Stevedoring Limited	31.7	1,687	340	1,347	217	99
Nikana Stevedoring Limited	31.7	1,888	305	1,583	136	158
Riback Stevedoring Limited	34.4	26,860	5,582	21,278	7,971	649
United Stevedoring Limited	16.9	602	601	1	539	3
Morobe Terminal Limited	43.0	9,163	(987)	10,150	3,242	(790)
		40,200	5,841	34,359	12,105	119

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

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 2018 (Amounts in Kina 000's unless otherwise stated)

22. Investment in joint ventures

(a) Movement in carrying amounts

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Opening value	28,909	30,632	36,583	23,823
Share of profits before tax	7,870	6,041	-	-
Income tax expense	(2,362)	(1,812)	-	-
Dividends received	(3,500)	(5,952)	-	-
Acquisition of interest in joint ventures	-	-	-	12,760
Closing value	30,917	28,909	36,583	36,583

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.

2018	Ownership Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Colgate Palmolive (PNG) Limited	50	13,254	4,168	9,086	40,309	5,464
Harbourside Development Limited	50	89,287	86,675	2,612	9,974	26
Pacific Rumana Limited	50	4,112	751	3,361	2,871	566
Viva No. 31 Limited	50	10,026	6,679	3,346	574	(299)
Wonye Limited	50	28,424	15,913	12,512	1,440	(248)
		145,103	114,186	30,917	55,168	5,509

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

The Group's share of the capital commitments of joint ventures at 31 December 2018 is K4M (2017: K13.6M).

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

23. Business Combinations

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 unrealized gain to equity of the Group to extent of value equivalent to net assets of acquired entities. As the transactions 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.

The assets and liabilities recognised as a result of the acquisition are as follows:

Cash and term deposits	47,632
Receivables	63,956
Other assets	190
Insurance reserves	(64,467)
Other payables	(13,882)
Net assets acquired	33,429

24. Discontinuing Activities

On the 3rd of 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	2017
Revenue	66,291	147,650
Operating expenses	(64,510)	(137,526)
Profit before tax	1,781	10,124
Profit after tax	1,247	7,236

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

	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:**

	2018
Operating cash flows	(6,459)
Investing cash flows	(8,593)
Financing cash flows	16,487
Net cash flows	1,435
Opening balance	204
Cash disposed on sale of Laga Industries	1,639
Closing cash flow balance	-

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

24. Discontinuing Activities (continued)

The 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

	31st December 2017	Discontinued Operations	31st 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

25. Segmental reporting

(a) Description of segments

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

- 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.
- Commercial and investment – consists of the commercial, head office administration function and insurance activities.

(b) Segment information

The segment information provided to the Board for the reportable segments for the year ended 31 December 2018 is as follows:

	Hotel and Property	Logistics	Commercial & Investments (and eliminations)	Total
2018				
External revenue	230,935	323,640	6,242	560,817
Interest revenue	-	1,268	3,931	5,199
Interest expense	11,837	13,201	(9,564)	15,492
Segment results	65,509	2,630	(6,010)	62,129
Share of joint ventures and associates profit	45	119	5,464	5,628
Total tax expense	(18,431)	(38,289)	2,834	(53,886)
Profit from continuing operations	47,123	(35,540)	2,288	13,871
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
Total assets includes investment in joint ventures and associates	21,836	34,359	9,086	65,276
Capital expenditure	25,918	19,918	10,478	56,114
Depreciation	42,078	37,239	3,657	82,974

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

25. Segmental reporting (continued)

	Hotels & Property	Logistics	Commercial & Investments (and eliminations)	Total
2017				
External revenue	227,408	324,548	6,081	558,037
Interest revenue	-	1,383	3,257	4,640
Interest expense	(17,533)	(12,570)	11,995	(18,109)
Segment results	59,478	(5,757)	(1,159)	52,562
Share of joint ventures and associates profit	905	3,296	-	7,525
Total tax expense	(20,688)	(13,724)	3,324	(29,733)
Profit from continuing operations	39,696	(16,186)	6,844	30,354
Segment assets	733,408	410,348	215,490	1,469,373
Segment liabilities	(300,991)	(226,179)	13,942	(591,219)
Net assets	432,417	184,168	229,432	878,154
Total assets includes investment in joint ventures and associates	21,786	38,287	7,123	67,196
Capital expenditure	25,775	22,084	6,239	54,098
Depreciation	43,048	47,772	3,796	94,616

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

Revenue from hotels & property business mostly relates to provision of services and is recognized over time. Minor portion represents revenue from sale of goods and is recognized at a point in time. Similarly, revenue from logistics business mostly relates to provision of services and is recognised over time. Revenue from commercial segment relates to sale of goods and is recognized at a point in time.

(c) Geography

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

Steamships Trading Company Limited Year Ended 31 December 2018 (Amounts in Kina 000's unless otherwise stated)

26. 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.

27. Commitments

(a) Capital commitments

	Consolidated		Parent Entity	
	2018	2017	2018	2017
Contracts outstanding for capital expenditure:				
- less than 12 months	4,589	7,194	-	-
- 1-5 years	48,532	60,758	-	-
	53,121	67,952	-	-

(b) Lease commitments: Group as lessee

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

28. Subsequent events

In March 2019 the Directors declared a final dividend of 120 toea per share payable immediately after the Annual General Meeting on 7 June 2019 amounting to K37.2M.

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 2018, 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 2018 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 2018, and their financial performance and cash flows for the year then ended.

Basis for opinion

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

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

Independence

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

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

Our audit approach

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

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

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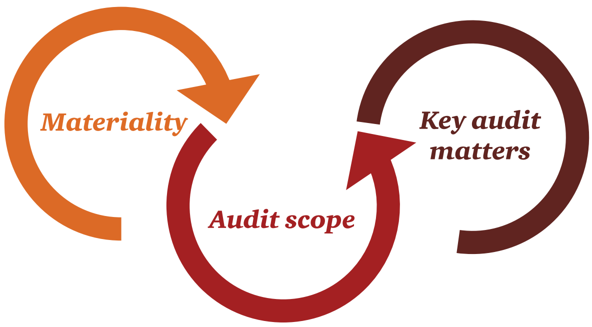
INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited



Materiality	*Audit scope*	*Key audit matters*

• For the purpose of our audit of the Group we used overall group materiality of K4.0 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 and two subsidiaries incorporated in The Isle of Man.
	• 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
		• 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 judgement, were of most significance in our audit of the financial statements for the current period. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the 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 K100.2 million as at 31 December 2018, after an impairment charge of K7.6 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 value 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 value 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 2018 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 K76.4 million at 31 December 2018. 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 2018. 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.

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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Steamships Trading Company Limited

pwc

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 2018:

- 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 2019

DIRECTORS' REPORT

Steamships Trading Company Limited Year ended 31 December 2018

Steamships Trading Company Limited and Subsidiary Companies

The Directors submit their Annual Report for the year ended 31 December 2018 for the Company and its subsidiaries.

Principal Activities and Review of Operations

Full details of the Group's activities are given in the Directors' Review on page 8. The Group continues to operate in the segments of Hotels and Property, Logistics and Commercial & Investments.

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

Changes in Accounting Policies

There are no changes in Accounting Policies in the year.

Result

The Group operating profit for the year attributable to shareholders was K69,529,000 (2017: K41,516,000).

Dividend

The Directors advise that a final dividend of 120 toea per share will be paid after the Annual General Meeting on 07th June 2019. This brings the total dividend declared for the year to 165 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.

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 28th February 2015

Managing Director from 1st January 2013 to 12th 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 General Manager of Steamships Shipping 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.

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 PNG Country Chairman 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 Marsh Limited and is involved in a number of other private sector and charitable organizations in Papua New Guinea.

R.P.N. Bray

Director since 27th August 2018

Appointed Chief Operating Officer on 27th August 2018, Mr Bray was previously Marine Services Director of Singapore based Swire Pacific Offshore Pte Ltd. He was responsible for Swire Pacific Off shore's 'subsea, renewables, logistics, seismic, salvage and oil spill divisions. He was formally Chief Operating Officer of Swire Oilfield Services and held various senior operational and commercial positions in Cathay Pacific Airways Ltd in his earlier career. He is a Director of John Swire & Sons (PNG) Ltd and various Steamships Trading Company subsidiaries, joint ventures and associated companies.

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 Baht Fung Limited, Allway Logistics Limited, 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 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, Mainland Holdings Ltd, and Croesus Re PCC Limited.

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 Director of Bunowen Services Ltd, Kamchild Limited, Dentons Administration Services Ltd, Post Courier Limited and its subsidiaries, and Chairman of ANZ Banking Group (PNG) Ltd. Lady Kamit also serves on a number of private sector and charitable organisations, including as member of Board of Trustees of the Institute of National Affairs, Anglicare PNG and Patron of Business Coalition for Women.

M.R. Scantlebury

Managing Director since 27th August 2018

Finance Director & Company Secretary since June 2016

Mr Scantlebury is a chartered accountant and was previously Director of the Office for Financial Planning at Swire Pacific Ltd in Hong Kong and he has held various senior finance and commercial positions in the Swire group in his career. He is a Director of John Swire & Sons (PNG) 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, Ltd., 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. Additionally, he was until the end of 2018 the non-Executive Chairman of the China Navigation Co. Ltd., and remains a non-Executive Director of Swire Pacific Offshore Holdings Ltd. and of John Swire & Sons (Green Investments) Ltd. Mr Swire has 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 Ltd in September 1990 and spent 15 years in the sea freight industries in Japan and Australia. He was also a Director of various companies across Asia including Air Hong Kong Ltd, Air China Cargo Ltd, Cathay Pacific China Cargo Holdings Ltd, Cathay Pacific Services Limited.

Remuneration of Directors

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

	2018 K'000	2017 K'000
P. Aitsi (retired)	106	124
G. Aopi	124	124
Sir M.R. Bromley	223	223
D.H Cox	223	223
G.L Cundle (Chairman)	223	223
G.J. Dunlop	247	247
Lady W.T. Kamit	135	135
B.N. Swire	124	124
J.H Woodrow	124	124
P.W. Langslow* (retired)	-	-
M.R. Scantlebury*	-	-
R.P.N Bray* (appointed)	-	-
	1,529	1,547

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	2018 No.	2017 No.	Remuneration K'000	2018 No.	2017 No.	Remuneration K'000	2018 No.	2017 No.
100-110	5	7	360-370	3	1	650-660	1	-
110-120	2	6	370-380	-	2	660-670	2	-
120-130	3	4	380-390	1	2	670-680	-	1
130-140	5	4	390-400	2	-	680-690	-	2
140-150	3	3	400-410	2	2	690-700	1	-
150-160	2	1	410-420	1	1	700-710	1	-
160-170	3	2	420-430	1	1	730-740	-	1
170-180	2	1	430-440	1	2	740-750	-	2
180-190	4	2	440-450	2	1	750-760	-	2
190-200	2	5	450-460	1	1	770-780	2	-
200-210	3	1	460-470	2	-	780-790	1	1
210-220	-	2	470-480	1	1	800-810	1	1
220-230	1	-	480-490	-	2	830-840	-	1
230-240	1	-	500-510	1	1	870-880	1	1
240-250	2	1	510-520	-	2	890-900	1	-
250-260	1	3	520-530	-	1	910-920	1	2
260-270	1	2	550-560	2	1	920-930	1	-
270-280	3	3	560-570	-	2	990-1000	-	2
280-290	-	2	570-580	1	1	1,000-1,010	1	1
290-300	-	1	580-590	-	1	1,010-1,020	-	2
300-310	-	2	600-610	1	1	1,050-1,060	-	1
310-320	2	2	610-620	-	1	1,800-1,900	1	-
330-340	2	2	620-630	2	1	2,100-2,300	-	1
340-350	-	3	630-640	1	3	2,500-2,600	-	1
350-360	1	4	640-650	1	-	2,600-2,700	1	-

For and on behalf of the Board:

Port Moresby
29 March 2019

G.L. Cundle
Chairman

M.R. Scantlebury
Managing Director

STOCK EXCHANGE INFORMATION

Steamships Trading Company Limited Year ended 31 December 2018

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

Shareholdings

At 28 February 2019, there were 365 shareholders.

265	Holding	1	-	1,000 units
71	Holding	1,001	-	5,000 units
15	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	32,500	0.10
Kelvinside Pty Ltd	25,000	0.09
Citicorp Nominees Pty Limited	23,263	0.09
Bond Street Custodian Limited	23,067	0.07
Mr Ramesh Mahtani	21,700	0.07
HSBC Custody Nominees (Australia) Limited	20,767	0.07
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
National Nominess Limited	8,688	0.03
Mrs Judith Scottholland	8,161	0.03
Mrs Mary Patricia Haughton	8,161	0.03
	30,719,819	99.07

Applicable Legislation

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

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

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

COMPANY DIRECTORY

CHAIRMAN
G. L. Cundle §&

MANAGING DIRECTOR & FINANCE DIRECTOR
M. R. Scantlebury

EXECUTIVE DIRECTOR
R.P.N. Bray

NON-EXECUTIVE DIRECTORS
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


GAZELLE COAST


CELEBRATE THE
Wonder
Women
& Girls
of PNG