**Steamships Trading Company Limited**

## STATEMENTS OF COMPREHENSIVE INCOME

Steamships Trading Company Limited and Subsidiary Companies

| | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | Note | **K'000** | K'000 | **K'000** | K'000 |
| Revenue from Continuing Operations | 3(a) | **499,415** | 465,750 | **55,494** | 20,472 |
| Operating expenses | 3(b) | **(369,543)** | (368,811) | **(4,651)** | (4,790) |
| OPERATING PROFIT | | **129,872** | 96,939 | **50,843** | 15,682 |
| Finance costs - net | 3(d) | **(12,182)** | (4,534) | **-** | - |
| Share of profit of associates and joint ventures | 9(b) | **23,677** | 16,837 | **-** | - |
| PROFIT BEFORE INCOME TAX | | **141,367** | 109,242 | **50,843** | 15,682 |
| Income tax expense | 4(a) | **(41,582)** | (31,485) | **(29)** | (2) |
| GROUP PROFIT CONTINUING OPERATIONS | | **99,785** | 77,757 | **50,814** | 15,680 |
| Profit on discontinued operations | 20 | **2,912** | 17,887 | - | - |
| NET PROFIT FOR THE YEAR | | **102,697** | 95,644 | **50,814** | 15,680 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | **102,697** | 95,644 | **50,814** | 15,680 |
| Minority interests | | **(6,137)** | (5,418) | **-** | - |
| NET PROFIT/TOTAL COMPREHENSIVE INCOME | | | | | |
| ATTRIBUTABLE TO SHAREHOLDERS | | **96,560** | 90,226 | **50,814** | 15,680 |
| Basic and Diluted Earnings per share continuing (toea) | 3(f) | **302t** | 233t | | |
| Basic and Diluted Earnings per share discontinuing (toea) | 3(f) | **9t** | 58t | | |

These statements of comprehensive income are to be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

Steamships Trading Company Limited and Subsidiary Companies

| | Share Capital | Revaluation Reserves | Proposed Dividend | Retained Earnings | Total Reserves | Minority Interests | Total Equity |
|---|---|---|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| BALANCE AT 1 JANUARY 2008 | 24,200 | 159 | 23,256 | 230,815 | 278,430 | 13,684 | 292,114 |
| Total Comprehensive Income for the period | - | - | - | 90,226 | 90,226 | 5,418 | 95,644 |
| Depreciation transfer | - | (159) | - | 159 | - | - | - |
| Dividends paid 2008 | - | - | (41,861) | - | (41,861) | (766) | (42,627) |
| Dividends proposed 2008 | - | - | 45,272 | (45,272) | - | - | - |
| BALANCE AT 31 DECEMBER 2008 | 24,200 | - | 26,667 | 275,928 | 326,795 | 18,336 | 345,131 |
| Total Comprehensive Income for the period | - | - | - | 96,560 | 96,560 | 6,137 | 102,697 |
| Dividends paid 2009 | - | - | (45,272) | - | (45,272) | (1,558) | (46,830) |
| Dividends proposed 2009 | - | - | 45,272 | (45,272) | - | - | - |
| Minority Interest on Acquisition of Subsidiary | - | - | - | - | - | 20,939 | 20,939 |
| BALANCE AT 31 DECEMBER 2009 | 24,200 | - | 26,667 | 327,216 | 378,083 | 43,854 | 421,937 |

This statement of changes in equity 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 Income Statement.

# STEAMSHIPS TRADING COMPANY LIMITED

## STATEMENTS OF FINANCIAL POSITION

Steamships Trading Company Limited and Subsidiary Companies

| | Note | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | Note | **K'000** | K'000 | **K'000** | K'000 |
| EQUITY | | | | | |
| Issued capital | 7 | **24,200** | 24,200 | **24,200** | 24,200 |
| Retained earnings | | **327,216** | 275,928 | **(24,729)** | (30,270) |
| Proposed final dividend | 22 | **26,667** | 26,667 | **26,667** | 26,667 |
| Capital and reserves attributable to the Company's shareholders | | **378,083** | 326,795 | **26,138** | 20,597 |
| Minority shareholders interests | | **43,854** | 18,336 | **-** | - |
| TOTAL EQUITY | | **421,937** | 345,131 | **26,138** | 20,597 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 8 | **664,196** | 353,261 | **42,983** | 44,712 |
| Investment in subsidiaries, associates, and joint ventures | 9(a) | **17,939** | 33,337 | **42,142** | 42,142 |
| Goodwill | 10 | **17,183** | 7,578 | **-** | - |
| Deferred tax asset | 4(c) | **7,305** | 4,150 | **1,238** | 1,405 |
| | | **706,623** | 398,326 | **86,363** | 88,259 |
| **Current assets** | | | | | |
| Inventories | 11 | **34,251** | 24,951 | **-** | - |
| Trade and other receivables | 12(a) | **117,528** | 76,557 | **1,327** | 163 |
| Loans to associates and incorporated joint ventures | | **189** | 11,626 | **17,854** | - |
| Other financial assets | 12(b) | **48,822** | 40,614 | **-** | - |
| Cash and cash equivalents | | **2,690** | 760 | **-** | - |
| | | **203,480** | 154,508 | **19,181** | 163 |
| TOTAL ASSETS | | **910,103** | 552,834 | **105,544** | 88,422 |
| **Current liabilities** | | | | | |
| Trade payables | | **33,298** | 16,187 | **-** | - |
| Other payables and accruals | | **61,493** | 41,360 | **-** | - |
| Provisions for other liabilities and charges | 13 | **17,447** | 8,063 | **-** | - |
| Loans from associates and incorporated joint ventures | | **607** | 1,991 | **79,266** | 67,525 |
| Loan from Shareholder | 14 | **58,990** | 73 | **-** | - |
| Borrowings | 14 | **34,050** | 31,598 | **-** | - |
| Income tax payable | | **30,962** | 23,290 | **140** | 300 |
| | | **236,847** | 122,562 | **79,406** | 67,825 |
| **Non-current liabilities** | | | | | |
| Deferred tax liability | 4(d) | **323** | 647 | **-** | - |
| Borrowings | 14 | **243,168** | 80,000 | **-** | - |
| Provisions for other liabilities and charges | 13 | **7,828** | 4,494 | **-** | - |
| | | **251,319** | 85,141 | **-** | - |
| TOTAL LIABILITIES | | **488,166** | 207,703 | **79,406** | 67,825 |
| NET ASSETS | | **421,937** | 345,131 | **26,138** | 20,597 |

These statements of financial position are to be read in conjunction with the accompanying notes.

For and on behalf of the Board: W. L. Rothery, Chairman; D.H. Cox OL, Managing Director

31 March 2010

## STATEMENTS OF CASH FLOWS

Steamships Trading Company Limited and Subsidiary Companies

| | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | Note | **K'000** | K'000 | **K'000** | K'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | | **490,027** | 479,740 | **4,288** | 4,269 |
| Payments to suppliers and employees | | **(327,936)** | (323,317) | **(362)** | (222) |
| Interest received | | **72** | 120 | **-** | - |
| Interest and other finance costs paid | | **(12,183)** | (4,654) | **-** | - |
| Income tax paid | | **(29,269)** | (9,386) | **(22)** | (710) |
| Net cash provided by operating activities | 16 | **120,711** | 142,503 | **3,904** | 3,337 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of property, plant & equipment | | **(195,397)** | (133,657) | **(2,559)** | (6,391) |
| Proceeds from sales of property, plant & equipment | | **7,549** | 9,569 | **2,570** | 1,695 |
| Payment for purchase of other financial asset | | **(8,208)** | (40,614) | **-** | - |
| Loans made (to)/repaid by associated companies | | **1,711** | (8,597) | **(10,577)** | 27,385 |
| Dividends received | | **14,859** | 646 | **50,747** | 15,525 |
| Payment for acquisition of subsidiaries (net of cash acquired) | | **(23,975)** | - | **-** | - |
| Net cash used in investing activities | | **(203,461)** | (172,653) | **40,181** | 38,214 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from borrowings | | **127,500** | 80,000 | **-** | - |
| Repayments of borrowings | | **-** | (15,000) | **-** | - |
| Dividends paid | | **(45,272)** | (43,891) | **(44,085)** | (41,551) |
| Net cash provided by financing activities | | **82,228** | 21,109 | **(44,085)** | (41,551) |
| NET INCREASE/(DECREASE) IN CASH HELD | | **(522)** | (9,041) | **-** | - |
| CASH AT BEGINNING OF THE YEAR | | **(30,838)** | (21,797) | **-** | - |
| CASH AT END OF THE YEAR | | **(31,360)** | (30,838) | **-** | - |
| CASH COMPRISES: | | | | | |
| Cash and cash equivalents | | **2,690** | 760 | **-** | - |
| Bank overdrafts | 14 | **(34,050)** | (31,598) | **-** | - |
| | | **(31,360)** | (30,838) | **-** | - |

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

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

### 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 31 March 2010.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

**Changes in accounting policy and disclosures**

*New and amended standards adopted by the Group*

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

IFRS 7 'Financial instruments - Disclosures' (amendment) - effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IAS 1 (revised). 'Presentation of financial statements' - effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'nonowner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of IAS 23, 'Borrowing costs' (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.

*Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.*

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

IAS 27 (revised), 'Consolidated and separate financial statements', - effective from 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group and company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or company's financial statements.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or company's financial statements.

During the second half of 2009 Steamships Trading Company have changed their accounting policy in relation to the carrying value of ships. Ships were previously held under the revaluation model and are now to be held at cost. Previous revaluations were fully amortised during 2008 therefore the change in accounting policy has no impact on the 2008 or 2009 financial statements.

### (a) Basis of preparation

The accounts have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

### (b) Principles of consolidation

The consolidated accounts incorporate the assets and liabilities of all companies controlled by the Group as at the balance sheet date and the results of all controlled companies for the year then ended. All inter-group transactions and balances have been eliminated. Outside interests in controlled companies are shown separately in the consolidated balance sheet and income statement account respectively. Interests in joint ventures, and associated companies other than controlled companies, in which the Group holds 20% or more of the issued share capital, are accounted for under the equity method.

### (c) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. Costs is measured as the fair value of the assets given, equity instruments is their published market price as at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published marked price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognized directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note (i)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

### (d) Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

| | |
|---|---|
| Properties | 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.

### (e) Inventories

Inventories are valued at the lower of cost or 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.

### (f) Income tax

The income tax expense or revenue 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, using the liability method, 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 the future taxable profit will be available, against which the temporary differences can be utilised.

### (g) 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 long-term charter agreement to 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.

### (h) 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.

### (i) 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 that it might be impaired and is carried at cost less impairment losses.

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.

## \NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

**(j) Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash includes deposits at call and Treasury bills with a maturity less than 90 days, net of outstanding bank overdrafts.

**(k) Revenue recognition**

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of GST and discounts, and after eliminating sales within the Group. Other revenues earned by the Group are recognised on the following bases:

**Royalty income** - on an accrual basis in accordance with the substance of the relevant agreement.

**Interest income** - as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

**Dividend income** - when the shareholder's right to receive payment is established.

**(l) Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for any uncollectable debts. A provision for doubtful receivables 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.

**(m) 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 balance sheet date.

**(n) Changes in accounting policies and comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation and accounting policies in the current year.

**(o) 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 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 flow (cash generating units).

**(p) Borrowing cost**

Borrowing cost incurred for the construction of any qualifying asset 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 8.2% (2008 - 6.4%).

**(q) 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 Managing Director.

**(r) Dividends**

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date. The Group creates a separate category within equity to recognise amounts set aside for payment of dividends that are declared post-year end but before the issue of the Annual Report.

**(s) Earnings per share**

Basic earning 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 earning per share is equal to the basic earnings per share.

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

**(t) Critical judgments in applying the entity's accounting policies**

Judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(u) Critical accounting estimates and assumptions**

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.

**Provision for Dry Docking**

For vessels on long term charter contracts, the cost of future dry docking is provided. The cost of dry docking is not accurately known until the vessels are surveyed and assessed at the commencement of docking. Management have made estimates based on the dry docking interval (ie Special or Interim), repairs identified at balance, its age, and docking history. Docking intervals are assumed to be 30 month periods.

Docking costs are often incurred in either AUD, USD or SGD currencies. The costings are updated monthly for the foreign exchange rate.

**(v) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(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) Financial assets**

**Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The 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 categorized 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

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

arise. Dividend income from financial assets at fair value through profit or loss is recognized 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(l).

## 2. Financial risk management

The Group's activities expose it to a variety of financial risks including market risk (including currency, and cash flow 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 at a fixed rate of interest. It is not the Group's policy to hedge cash flow and interest rate risk.

At 31 December 2009, if interest rates on PNG kina-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been 34 thousand kina (2008: 0) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2009, if interest rates on PNG kina-denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been 168 thousand kina (2008: 0) 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. No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by counterparties.

### (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.

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

Undrawn finance facilities as of 31 December 2009 is as follows:

| | **2009 K'000** | 2008 K'000 |
|---|---|---|
| Undrawn Facilities | **163,871** | 91,316 |

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 1year | Between 1 & 2 years | Between 2 & 5 years | Over 5years |
|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 |
| **At 31 December 2009** | | | | |
| Borrowings | (34,050) | - | (243,168) | - |
| Trade & other payables | (94,792) | - | - | - |
| At 31 December 2008 | | | | |
| Borrowings | (31,598) | - | (80,000) | - |
| Trade & other payables | (57,547) | - | - | - |

The Group does not hold derivative financial instruments.

**(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 less cash and cash equivalents net of bank overdrafts. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

The gearing ratios at each balance date were as follows:

| | **2009 K'000** | 2008 K'000 |
|---|---|---|
| Total external borrowing | **277,218** | 111,671 |
| Less: cash & cash equivalents | **2,690** | 760 |
| Net debt | **274,528** | 110,911 |
| Total equity | **378,083** | 326,795 |
| Total capital | **24,200** | 24,200 |
| Gearing ratio | **73%** | 34% |

The higher gearing ratio in 2009 resulted primarily from additional debt to fund the capital works being undertaken.

**(e) Fair value estimation**

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this 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).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

| | **Level 1 K'000** | **Level 2 K'000** | **Level 3 K'000** |
|---|---|---|---|
| **Assets** | | | |
| Financial Assets at fair value through profit & loss: | | | |
| - Other Financial Asset: | - | - | 48,822 |
| Total Assets: | - | - | 48,822 |

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

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | **K'000** | K'000 | **K'000** | K'000 |
| **3. Operating results** | | | | |
| **(a) Revenue comprises:** | | | | |
| Revenue from sale of goods | **135,763** | 179,044 | **-** | - |
| Revenue from provision of service | **360,213** | 283,928 | **-** | - |
| Other income | **3,439** | 2,778 | **55,494** | 20,472 |
| Total Revenue | **499,415** | 465,750 | **55,494** | 20,472 |
| **(b) Operating expenses comprise:** | | | | |
| Cost of Goods Sold | **116,588** | 134,950 | **-** | - |
| Staff costs | **93,681** | 91,139 | **-** | - |
| Depreciation and amortization | **47,889** | 39,316 | **4,288** | 4,492 |
| Electricity and fuel | **24,766** | 10,015 | **-** | - |
| Insurance | **11,855** | 14,515 | **-** | - |
| Motor Vehicle expenses | **12,811** | 26,918 | **-** | - |
| Shipping and Survey costs | **3,304** | 2,283 | **-** | - |
| Repairs & Maintenance | **17,039** | 16,039 | **-** | - |
| Other operating expenses | **41,610** | 33,636 | **363** | 298 |
| Total operating expenses | **369,543** | 368,811 | **4,651** | 4,790 |
| **(c) The operating profit before income tax is arrived at after charging and crediting the following specific items:** | | | | |
| Charges: | | | | |
| Audit fees | **659** | 698 | **9** | 10 |
| Other fees to the Auditors | **624** | 349 | **-** | - |
| Bad and doubtful debts | **(50)** | 2,355 | **-** | - |
| Donations | **1,104** | 450 | **-** | - |
| Credits: | | | | |
| Subsidiary companies' dividends | **-** | - | **50,747** | 15,525 |
| Rental property income | **36,374** | 26,548 | **-** | - |
| Net foreign exchange transaction gains | **394** | 671 | **-** | - |
| Profit (loss) on sale of properties | **1,714** | 5,213 | **-** | - |
| **(d) Finance costs - net** | | | | |
| Interest expense | **12,254** | 4,654 | **-** | - |
| Interest income | **(72)** | (120) | **-** | - |
| Net finance costs | **12,182** | 4,534 | **-** | - |
| **(e) Staff costs:** | | | | |
| Wages and salaries | **60,377** | 62,420 | **-** | - |
| Retirement benefit contributions | **5,229** | 7,206 | **-** | - |
| Accommodation and other benefits | **28,075** | 21,513 | **-** | - |
| | **93,681** | 91,139 | **-** | - |
| Number of staff employed by the Group at year end. | | | | |
| Full time | **2,592** | 2,268 | **-** | - |

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | **K'000** | K'000 | **K'000** | K'000 |

### (f) Earnings per share

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

| | | | | |
|---|---|---|---|---|
| Net profit attributable to shareholders | **96,560** | 90,226 | **-** | - |
| Weighted average number of ordinary shares on issue (thousands) | **31,008** | 31,008 | **-** | - |
| Basic earnings per share | **311t** | 291t | **-** | - |
| Split between: | | | | |
| Continuing operations | **302t** | 233t | **-** | - |
| Discontinued operations | **9t** | 58t | **-** | - |

## 4. Income tax

(a)

| | | | | |
|---|---|---|---|---|
| Current tax | **34,934** | 26,895 | **29** | 2 |
| Deferred tax | **(297)** | (489) | **-** | - |
| Share of associates' tax | **6,945** | 5,079 | **-** | - |
| | **41,582** | 31,485 | **29** | 2 |

(b) The income tax in the Income Statement 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.

| | | | | |
|---|---|---|---|---|
| Prima facie income tax payable on operating profit | **42,410** | 32,773 | **15,253** | 4,705 |
| Tax effect of rebateable dividends | **-** | - | **(15,224)** | (4,658) |
| Exempt income | **(2,920)** | (1,741) | **-** | (45) |
| Permanent differences | **1,638** | 1,257 | **-** | - |
| Prior year over/under provisions | **454** | (804) | **-** | - |
| | **41,582** | 31,485 | **29** | 2 |

(c) The deferred tax asset comprises:

| | | | | |
|---|---|---|---|---|
| Provisions | **7,099** | 6,672 | **-** | 67 |
| Prepayments | **(2,038)** | (1,089) | **104** | - |
| Tax depreciable assets | **2,090** | (1,554) | **1,134** | 1,338 |
| Tax losses | **154** | 121 | **-** | - |
| | **7,305** | 4,150 | **1,238** | 1,405 |

Unused tax losses for which no deferred tax asset has been recognised total K 1,598,502 (2008: K1,598,502) in a subsidiary company.

(d) The deferred tax liability comprises:

| | | | | |
|---|---|---|---|---|
| Revaluation of ships | **323** | 647 | **-** | - |

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

## 5. Segmental reporting

(a) Divisional segments

Management has determined the operating segments based on the reports reviewed by the Managing Director that are used to make strategic decisions.

The segment information provided to the Managing Director for the reportable segments for the year ended 31 December 2009 is as follows:

| | Retail & IT Services | Hotels | Manufacturing | Shipping & Transport | Property & Investment | Total |
|---|---|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| **2009** | | | | | | |
| External Revenue | 55,898 | 86,446 | 103,042 | 209,280 | 41,310 | 495,976 |
| Segment Results | 8,005 | 35,620 | 8,156 | 42,293 | 26,528 | 120,602 |
| Share of Associate Profit | 1,257 | - | 2,843 | 19,590 | (12) | 23,677 |
| Income Tax Expense | (2,660) | (10,686) | (2,986) | (18,522) | (6,729) | (41,582) |
| Group Profit | 6,602 | 24,934 | 8,013 | 43,360 | 19,787 | 102,697 |
| Segment assets | 39,765 | 95,837 | 67,795 | 336,826 | 369,880 | 910,103 |
| Segment liabilities | 21,719 | 9,648 | 14,283 | 155,201 | 287,315 | 488,166 |
| Net Assets | 18,046 | 86,189 | 53,512 | 181,625 | 82,565 | 421,937 |
| Capital expenditure | 8,710 | 28,153 | 6,971 | 40,952 | 110,611 | 195,397 |
| Depreciation | 3,621 | 5,682 | 3,721 | 23,277 | 11,588 | 47,889 |
| **2008** | | | | | | |
| External revenue | 64,152 | 74,998 | 114,892 | 182,382 | 26,548 | 462,972 |
| Segment Results | 4,410 | 28,069 | 13,375 | 38,730 | 27,031 | 111,615 |
| Share of Associate Profit | 4,392 | - | 2,661 | 9,973 | (188) | 16,837 |
| Income Tax Expense | (2,603) | (8,420) | (4,811) | (14,621) | (2,353) | (32,808) |
| Group Profit | 6,199 | 19,649 | 11,225 | 34,082 | 24,489 | 95,644 |
| Segment assets | - | 72,187 | 68,077 | 142,529 | 269,878 | 552,671 |
| Segment liabilities | - | 8,247 | 12,024 | 25,429 | 161,840 | 207,540 |
| Net Assets | - | 63,940 | 56,053 | 117,100 | 108,038 | 345,131 |
| Capital expenditure | 334 | 22,447 | 7,462 | 26,299 | 77,115 | 133,657 |
| Depreciation | 526 | 4,994 | 3,208 | 21,061 | 9,527 | 39,316 |

These figures include minorities' share of operating profit and assets.

(b) Geography

The Group operates wholly in Papua New Guinea. It is not practical to provide a segment analysis by geographical region within Papua New Guinea.

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

## 6. Related party disclosures

The Group is controlled by John Swire & Sons (PNG) Limited, which owns 72.12% of the Company's shares. Related parties comprise other companies within the John Swire & Sons (PNG) Group, including Collins & Leahy Holdings Limited, together with associate and joint venture entities.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | **K'000** | K'000 | **K'000** | K'000 |
| (a) **Material transactions:** | | | | |
| Sales of goods and services | | | | |
| Associates & Joint Venture | **19,509** | 7,850 | **-** | - |
| Collins & Leahy Group | **-** | 591 | **-** | - |
| Other Shareholders | **14** | 1,228 | **-** | - |
| Shareholders of Assoc Coys | **79** | 2,269 | **-** | - |
| Lease and rental income | **-** | 349 | **-** | - |
| Dividends received | **18,841** | 3,548 | **50,747** | 15,525 |
| Management fees received | **38** | 418 | **-** | - |
| Royalty/License Income | **1,051** | - | **-** | - |
| Purchase of goods and services | | | | |
| Associates & Joint Venture | **(12,282)** | (16,229) | **-** | - |
| Collins & Leahy Group | **(121)** | (648) | **-** | - |
| Other Shareholders | **(50)** | (472) | **-** | - |
| Shareholders of Assoc Coys | **(88)** | (255) | **-** | - |
| Purchase of assets | | | | |
| Associates and Joint Venture | **-** | (63) | **-** | - |
| Management fees paid | **(695)** | - | **-** | - |
| Intercompany Loan | | | | |
| Equity instrument in associate | **(8,208)** | (40,614) | **-** | - |
| Associates & Joint Venture | **(1,454)** | (8,192) | **-** | - |
| Other Shareholders | **52,500** | - | **-** | - |
| Shareholders of Assoc Coys | **6,490** | - | **-** | - |

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

(b) **Directors:** G.J. Dunlop and W.L. Rothery are Directors of John Swire & Sons (PNG) Limited and Collins & Leahy Holdings Limited. C.R. Kendall is a Director of John Swire & Sons (PNG) Limited.

Dividends were received by those Directors holding an interest in the company as set out in the Directors' report.

(c) **Remuneration:** Income received or due and receivable both by Directors and senior managers in connection with the management of the Group companies is shown in the report of the Directors.

The Group paid K7,449,142 (2008: K9,235,218) to SCL Nominees Limited for management services.

(d) **Holding company:** The ultimate holding company is John Swire & Sons Limited, incorporated in England.

## 7. Capital

| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
|---|---|---|---|---|
| | **K'000** | K'000 | **K'000** | K'000 |
| (a) Issued and fully paid: 31,008,237 shares | **24,200** | 24,200 | **24,200** | 24,200 |

In accordance with the Papua New Guinea Companies Act 1997 the Group has no authorised share capital and shares have no par value.

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

| | | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | Note | **K'000** | K'000 | **K'000** | K'000 |

### 8. Property, Plant & Equipment

| | Note | Consolidated Dec 09 K'000 | Consolidated Dec 08 K'000 | Parent Entity Dec 09 K'000 | Parent Entity Dec 08 K'000 |
|---|---|---|---|---|---|
| **Property** | | | | | |
| Opening net book amount | | **209,464** | 121,235 | **42,179** | 42,459 |
| Building under construction | | **96,064** | 85,757 | **-** | - |
| Additions | | **39,781** | 13,476 | **3,084** | 4,552 |
| Business Combinations | 21 | **15,422** | - | **-** | - |
| Disposals Cost | | **(2,374)** | (3,422) | **(1,451)** | (1,156) |
| Disposals Accumulated Depreciation | | **1,752** | 553 | **183** | 39 |
| Depreciation charge | | **(10,108)** | (8,135) | **(3,517)** | (3,715) |
| Closing net book amount | | **350,001** | 209,464 | **40,478** | 42,179 |
| | | | | | |
| Cost or valuation | | **443,693** | 294,800 | **77,753** | 76,120 |
| Accumulated depreciation | | **(93,692)** | (85,336) | **(37,275)** | (33,941) |
| Net book amount | | **350,001** | 209,464 | **40,478** | 42,179 |
| | | | | | |
| **Ships** | | | | | |
| Opening net book amount | | **46,219** | 52,883 | **-** | - |
| Additions | | **17,592** | 2,123 | **-** | - |
| Business Combinations | 21 | **131,995** | - | **-** | - |
| Disposals Cost | | **-** | (2,775) | **-** | - |
| Disposals Accumulated Depreciation | | **-** | 2,775 | **-** | - |
| Depreciation charge | | **(8,758)** | (8,787) | **-** | - |
| Closing net book amount | | **187,048** | 46,219 | **-** | - |
| | | | | | |
| Cost or valuation | | **275,370** | 125,783 | **6,474** | 6,474 |
| Accumulated depreciation | | **(88,322)** | (79,564) | **(6,474)** | (6,474) |
| Net book amount | | **187,048** | 46,219 | **-** | - |
| | | | | | |
| **Plant & vehicles** | | | | | |
| Opening net book amount | | **97,578** | 89,158 | **2,533** | 2,048 |
| Additions | | **41,961** | 32,301 | **823** | 1,839 |
| Business Combinations | 21 | **21,423** | - | **-** | - |
| Disposals Cost | | **(7,987)** | (4,055) | **(183)** | (1,539) |
| Disposals Accumulated Depreciation | | **3,195** | 2,568 | **103** | 961 |
| Depreciation charge | | **(29,023)** | (22,394) | **(771)** | (776) |
| Closing net book amount | | **127,147** | 97,578 | **2,505** | 2,533 |
| | | | | | |
| Cost or valuation | | **256,057** | 200,660 | **4,781** | 4,141 |
| Accumulated depreciation | | **(128,910)** | (103,082) | **(2,276)** | (1,608) |
| Net book amount | | **127,147** | 97,578 | **2,505** | 2,533 |
| | | | | | |
| Total property, plant and equipment | | **664,196** | 353,261 | **42,983** | 44,712 |

Included in the 'Property' classification at 31 December 2009 are buildings under construction of K96.1M (2008: K85.7M). The cost of additions in 2009 includes capitalised borrowing costs of K4.3M (2008: K1.1) in relation to qualifying assets.

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

### 8. Property, Plant & Equipment (continued)

Properties include commercial properties occupied by Group businesses together with commercial and residential investment property which is 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 2007 for a selected sample of representative properties.

| Included in Properties are the following: | NBV K'000 | Valuation Lower K'000 | Range Higher K'000 |
|---|---|---|---|
| Commercial Internal | 34,348 | 74,388 | 92,985 |
| Commercial External | 289,009 | 766,522 | 951,528 |
| Residential | 26,644 | 184,328 | 216,703 |
| Total | 350,001 | 1,025,238 | 1,261,216 |

### 9. Investments in subsidiaries, associates and joint ventures

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | **K'000** | K'000 | **K'000** | K'000 |
| **(a) Investments are accounted for in accordance with the policy set out in Note 1(b) and relate to:** | | | | |
| Investments in subsidiary companies | **-** | - | **42,003** | 42,003 |
| Investments in associates and joint ventures | **17,939** | 33,337 | **139** | 139 |
| | **17,939** | 33,337 | **42,142** | 42,142 |
| **(b) Movement in carrying amounts** | | | | |
| Carrying amount at the beginning of the year | **33,337** | 22,225 | **-** | - |
| Share of Profits | **23,677** | 16,837 | **-** | - |
| Income Tax Expense | **(6,945)** | (5,079) | | |
| Dividends Received/receivable | **(14,859)** | (644) | **-** | - |
| Transfers/Sales | **(17,271)** | - | **-** | - |
| Carrying amount at the end of the year | **17,939** | 33,337 | **-** | - |

**(c) Summarised financial information of associates**

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

| | **Ownership Interest %** | **Assets K'000** | **Liabilities K'000** | **Carrying Value K'000** | **Revenues K'000** | **Profit K'000** |
|---|---|---|---|---|---|---|
| **2009** | | | | | | |
| Consort Express Lines * | 33.33 | - | - | - | 37,095 | 1,791 |
| Datec PNG * | 50.00 | - | - | - | 14,407 | 999 |
| Pacific Towing | 50.00 | 23,663 | 16,798 | 6,866 | 30,057 | 10,702 |
| New Britain Shipping | 50.00 | 2,277 | 936 | 1,342 | 2,041 | 1,220 |
| Kiunga Stevedores | 24.50 | 361 | 118 | 243 | 476 | 42 |
| Colgate | 50.00 | 9,324 | 3,473 | 5,851 | 21,493 | 1,990 |
| Pacific Rumana | 50.00 | - | - | - | - | (12) |
| Others (held in Consort - carrying value only) | | 3,638 | - | 3,638 | - | - |
| | | 39,263 | 21,324 | 17,939 | 105,568 | 16,732 |

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

## 9. Investments in subsidiaries, associates and joint ventures (continued)

**(c) Summarised financial information of associates (continued)**

| | Ownership Interest % | Assests K'000 | Liabilities K'000 | Carrying Value K'000 | Revenues K'000 | Profit K'000 |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| Consort Express Lines | 33.33 | 59,658 | 47,325 | 12,333 | 54,372 | 4,332 |
| Datec PNG | 50.00 | 15,786 | 9,231 | 6,555 | 47,230 | 3,112 |
| Pacific Towing | 50.00 | 13,694 | 5,535 | 8,159 | 9,834 | 2,348 |
| New Britain Shipping | 50.00 | 472 | 10 | 462 | 593 | 239 |
| Kiunga Stevedores | 24.50 | 342 | 140 | 202 | 431 | 79 |
| Colgate | 50.00 | 8,782 | 3,391 | 5,392 | 21,295 | 1,862 |
| Pacific Rumana | 50.00 | 25,176 | 24,941 | 235 | 1,148 | (214) |
| | | 123,909 | 90,572 | 33,337 | 134,902 | 11,758 |

* Consort Express Lines and Datec PNG were transferred from Associates to Subsidiaries during the year. The percentage ownerships above relates to the period prior to transfer.

**(d)** Shares in subsidiary companies have been stated at cost or valuation less dividends received from pre-acquisition profits. Subsidiary companies are shown in note 20.

## 10. Goodwill

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Opening net book amount | **7,578** | 3,568 | **-** | - |
| Additions | **9,605** | 4,010 | **-** | - |
| Impairment | **-** | - | **-** | - |
| Closing net book amount | **17,183** | 7,578 | **-** | - |

**Impairment tests for goodwill**

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. The goodwill balance of K17.2M (2008: K7.5M) is attributable to Datec (K9.115m), Consort (K0.489k) and the Manufacturing division (K 7.5m). 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 five-year period. Growth beyond year five for the purpose of the impairment testing is set at 0%. The discount rates used are pre-tax and reflect specific risks relating to the operating segment. No goodwill is considered to be impaired as at 31 December 2009.

## 11. Inventories

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Raw materials | **8,709** | 2,759 | **-** | - |
| Work in progress | **239** | 572 | **-** | - |
| Finished goods | **28,956** | 22,355 | **-** | - |
| Provision for obsolescence | **(3,653)** | (735) | **-** | - |
| | **34,251** | 24,951 | **-** | |

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

### 12. (a) Trade and other receivables

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Trade receivables | **72,336** | 48,293 | **-** | - |
| Provision for impairment | **(2,861)** | (3,048) | **-** | - |
| | **69,475** | 45,245 | **-** | - |
| Other receivables & prepayments | **48,363** | 29,467 | **1,327** | 163 |
| External loans | **1,844** | 1,845 | **-** | - |
| | **117,528** | 76,557 | **1,327** | 163 |

As at 31 December 2009, trade receivables of K2.9 million (2008: K3.0 million) relating to trade debtors were considered impaired and were provided for by management. The ageing of these receivables is as follows:

| | | | | |
|---|---|---|---|---|
| 3 to 6 months | **1,121** | 1,904 | **-** | - |
| Over 6 months | **1,740** | 1,144 | **-** | - |
| Total | **2,861** | 3,048 | **-** | - |

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

| | | | | |
|---|---|---|---|---|
| Opening balance | **3,048** | 2,153 | **-** | - |
| Provision for receivables impaired | **(187)** | 895 | **-** | - |
| Total | **2,861** | 3,048 | **-** | - |

The creating and releasing of provision for impaired receivables is included in administration costs in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

### 12. (b) Other financial asset

| | | | | |
|---|---|---|---|---|
| Opening balance | **40,614** | - | **-** | - |
| Additional investment | **8,208** | 40,614 | **-** | - |
| Closing Balance | **48,822** | 40,614 | **-** | - |

The financial asset is an equity investment in Pacific Rumana Limited.

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

### 13. Provisions for other liabilities and charges

| | Employee | Dry Dock | Other | **2009 Total** | 2008 Total |
|---|---|---|---|---|---|
| | K'000 | K'000 | K'000 | **K'000** | K'000 |
| At 31 December 2008 | 9,188 | 2,997 | 372 | **12,557** | 15,570 |
| Transfer in on acquisition (Note 21(c)) | 5,080 | 11,897 | 416 | **17,393** | - |
| Charged to profit & loss | 3,068 | 3,366 | 159 | **6,593** | 2,432 |
| Utilised during the year | (2,977) | (7,970) | (320) | **(11,267)** | (5,445) |
| | 14,359 | 10,289 | 627 | **25,275** | 12,557 |
| Short-term provisions at 31 December 2009 | 6,531 | 10,289 | 627 | **17,447** | 8,063 |
| Long-term provisions at 31 December 2009 | 7,828 | - | - | **7,828** | 4,494 |
| | 14,359 | 10,289 | 627 | **25,275** | 12,557 |

Other provisions comprise benefits under the home ownership scheme, and provisions for cargo claims.

### 14. Borrowings

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Current: | | | | |
| Bank overdrafts (secured) | **34,050** | 31,598 | **-** | - |
| Bank loans (secured) | **-** | - | **-** | - |
| Other loans (unsecured) | **58,990** | 73 | **-** | - |
| | **93,040** | 31,671 | **-** | - |
| Non-current: | | | | |
| Bank loans (secured) | **243,168** | 80,000 | **-** | - |
| Total borrowings | **336,208** | 111,671 | **-** | - |

Mortgages over certain of the Group's properties and a registered equitable mortgage 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 variable commercial rates at a discount to ILR. The effective interest rate on bank facilities at the balance sheet date was 8.75% (2008: 6.45%). Bank overdrafts are interest-only with no agreed repayment schedule. Bank loans are secured loans payable in five years time.

### 15. Capital expenditure commitments

| | | | | |
|---|---|---|---|---|
| Contracts outstanding for capital expenditure: | | | | |
| - less than 12 months | **136,882** | 135,845 | **-** | - |
| - 1 - 5 years | **34,048** | 39,500 | **-** | - |
| | **170,930** | 175,345 | **-** | - |

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

## 16. Reconciliation of profit after income tax to net cash inflow from operating activities

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Profit for the year | **96,560** | 90,226 | **50,814** | 15,680 |
| Depreciation | **47,889** | 39,316 | **4,288** | 4,492 |
| Dividend and Interest income | **(14,931)** | (766) | **(50,747)** | (15,525) |
| Net gain on sale of non-current asset | **(2,136)** | (4,356) | **(1,348)** | (1,695) |
| Share of profit of associates | **(23,677)** | (16,837) | **-** | - |
| **Change in operating assets and liabilities, net of effects from purchase of controlled entity** | | | | |
| Decrease in trade debtors | **699** | 20,976 | **(1,164)** | 4,043 |
| Decrease in inventory | **3,367** | 13,011 | **-** | - |
| Decrease in deferred tax asset | **625** | 1,208 | **167** | (349) |
| Decrease in trade creditors | **(3,775)** | (3,092) | **2,054** | (2,542) |
| Increase in other operating liabilities | **8,742** | (14,318) | **-** | (153) |
| Increase in provision for income tax payable | **7,672** | 17,135 | **(160)** | (614) |
| Decrease in deferred tax liability | **(324)** | - | **-** | - |
| Net cash inflow from operating activities | **120,711** | 142,503 | **3,904** | 3,337 |

## 17. Retirement benefit plans

The total cost of retirement benefits of the Group in 2009 was K5,229,000 (2008: K7,206,000). 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 senior management. The defined contribution superannuation plan was established in 2002.

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

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

## 18. Contingent assets and liabilities

**Contingent Liabilities**

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

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

(b) Minor guarantees given in the ordinary course of business.

(c) The Holding Company 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.

## 19. Subsidiary companies

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

| Name of entity | Country of Incorporation | Class of Shares | Equity Holding * 2009 % | Equity Holding * 2008 % |
|---|---|---|---|---|
| Consort Express Lines Limited | Papua New Guinea | Ordinary | 51 | 33 |
| Datec (PNG) Limited | Papua New Guinea | Ordinary | 100 | 50 |
| Kavieng Port Services Limited | Papua New Guinea | Ordinary | 60 | 60 |
| Lae Port Services Limited | Papua New Guinea | Ordinary | 51 | 51 |
| Laga Industries Ltd | Papua New Guinea | Ordinary | 68 | 68 |
| Laurabada Shipping Services Limited | Papua New Guinea | Ordinary | 100 | 100 |
| Laurabada Property Limited | Papua New Guinea | Ordinary | 100 | 100 |
| Madang Port Services Limited | Papua New Guinea | Ordinary | 60 | 60 |
| Pacific Rumana Limited | Papua New Guinea | Ordinary | 50 | 50 |
| Pacific Rumana Investments Limited | Papua New Guinea | Ordinary | 100 | 0 |
| Port Services PNG Limited | Papua New Guinea | Ordinary | 54 | 54 |
| Progressive Traders Limited | Papua New Guinea | Ordinary | 100 | 100 |
| Steamships Limited | Papua New Guinea | Ordinary | 100 | 100 |
| Tanubada Food Processors Limited | Papua New Guinea | Ordinary | 88 | 88 |
| Windward Apartments Limited | Papua New Guinea | Ordinary | 100 | 100 |

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

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

## 20. Discontinued operations

On 16th November 2008, the Group sold its Hardware operations to Harware Haus Ltd. The sale included stock, fixtures, fittings and goodwill.

| | Dec 09 K'000 | Dec 08 K'000 |
|---|---|---|
| **Operating Results** | | |
| Revenue | - | 64,852 |
| Operating costs | (2,912) | 60,442 |
| Profit from operations | 2,912 | 4,410 |
| | | |
| Earnings per Share | 9t | 14t |
| | | |
| Goodwill on disposal | - | 14,800 |
| Net Profit (loss) | - | 19,210 |
| Tax | - | (1,323) |
| Profit (loss) after tax | - | 17,887 |
| | | |
| **Cash Flows** | | |
| Operating cash flows | 2,912 | 4,407 |
| Investing cash flows | - | 1,387 |
| Total cash flows | 2,912 | 5,794 |
| | | |
| **Net Assets** | | |
| Total assets | - | 3,487 |
| Total liabilities | - | (5,569) |
| Net assets | - | (2,082) |

The total disposal consideration for the sale of the Hardware operation was K37,000,000. The carrying amounts of assets and liabilities sold was K22,200,000.

Profit from operations in 2009 represents a recovery of accounts receivable fully provided for in prior years.

## 21. Business Combinations

**(a) Summary of acquisitions**

On 27th April 2009, the Group concluded a share purchase transaction that saw the Company attain 100% control of the share capital of Datec (PNG) Limited (previously 50%). On the 16th of November 2009, the Group increased its shareholding in Consort Express Lines Limited to 51% (previously 33%). The total purchase price of K24,928,000 was settled in cash on acquisition.

Datec contributed revenues of K54,873,292 and net profit of K6,288,440 to the Group for the period 1 May 2009 to 31 December 2009. Consort attributed revenues of K3,324,678 and profit of K234,354 to the Group for the period 1 December 2009 to 31 December 2009. If both acquisitions had occurred on 1 January 2009, consolidated revenue and profit would have been K86,445,661 and K8,005,118 for Datec and K63,556,251 and K9,469,066 for Consort before minority interests respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

| | Datec K'000 | Consort K'000 | Total K'000 |
|---|---|---|---|
| Purchase consideration (refer to (b) below): | | | |
| Cash paid | 16,928 | 8,000 | 24,928 |
| Direct costs relating to acquisition | 313 | 80 | 393 |
| Total Purchase Consideration | 17,241 | 8,080 | 25,321 |
| | | | |
| Fair value of net identifiable assets acquired (refer (c) below) | 8,125 | 7,591 | 15,716 |
| Goodwill | 9,116 | 489 | 9,605 |

## NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

## 21. Business Combinations (continued)

**(b) Purchase consideration**

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **Dec 09** | Dec 08 | **Dec 09** | Dec 08 |
| | **K'000** | K'000 | **K'000** | K'000 |
| Outflow of cash to acquire subsidiary, net of cash acquired | | | | |
| Cash consideration | **25,321** | - | **-** | - |
| less: Balances acquired | | | | |
| Cash | **1,032** | - | **-** | - |
| Bank Overdraft | **(15,804)** | - | **-** | - |
| | **(14,772)** | - | **-** | - |
| Outflow of cash | **40,093** | - | **-** | - |

**(c) Assets and liabilities acquired**

| | Datec | Consort | Total |
|---|---|---|---|
| | K'000 | K'000 | K'000 |
| Preliminary fair value of assets acquired | | | |
| Cash | 39 | 993 | 1,032 |
| Trade Receivables | 15,244 | 26,426 | 41,670 |
| Inventories | 10,370 | 2,297 | 12,667 |
| Plant & Equipment | 7,653 | 152,493 | 160,146 |
| Investments | - | 4,163 | 4,163 |
| Deferred Tax Asset | 2,833 | 947 | 3,780 |
| Trade Payables | (8,416) | (23,717) | (32,133) |
| Bank Overdraft | (5,247) | (10,557) | (15,804) |
| Provision for employee benefits | (2,986) | (2,094) | (5,080) |
| Borrowings | - | (94,088) | (94,088) |
| Other creditors/provisions | (4,752) | (14,277) | (19,029) |
| Net Assets | 14,738 | 42,586 | 57,324 |
| Minority Interests | - | (20,939) | (20,939) |
| Net identifiable assets | 14,738 | 21,647 | 36,385 |
| Transfer from Associates | (6,613) | (14,056) | (20,669) |
| Net identifiable assets acquired | 8,125 | 7,591 | 15,716 |

The goodwill of Datec is attributable to the customer base and business presence the company maintains in its market as well as the service agreements the company fulfills on an ongoing basis.

The goodwill of Consort is attributable to the customer base, the asset base and the strategic complement to the Steamships shipping and transport business in Papua New Guinea.

The fair value of the assets and liabilities acquired are based on the carrying values at the time of acquisition.

## 22. Subsequent events

On 25 February 2010 the Directors declared a final dividend of 86 toea per share to be payable immediately after the Annual General Meeting on 25 May 2010. The gross dividend of K26.6M has been recognised as a separate component of equity at 31 December 2009.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STEAMSHIPS TRADING COMPANY LIMITED

Steamships Trading Company Limited and Subsidiary Companies

**Report on the financial statements**

We have audited the accompanying financial statements of Steamships Trading Company Limited (the company), which comprise the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accounting policies, and other explanatory notes for both Steamships Trading Company Limited and the Steamships Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

**Directors' responsibility for the financial statements**

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Standards in Papua New Guinea and the Companies Act 1997. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

**Auditor's opinion**

In our opinion the financial statements of Steamships Trading Company Limited is in accordance with the Companies Act 1997, including giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and complying with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea.

**Report on other legal and regulatory requirements**

The Papua New Guinea Companies Act 1997 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

a) in our opinion proper accounting records have been kept by the company, so far as appears from our examination of those records;

b) we have obtained all the information and explanations we have required; and

c) in conducting our audit we followed applicable independence requirements of Certified Practising Accountants Papua New Guinea.

**Other Matters**

This report, including the opinion, has been prepared for and only for the company's shareholders as a body in accordance with the PNG Companies Act 1997 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

**PricewaterhouseCoopers**

By: Brett Entwistle
Partner
Registered under the Accountants Act 1996
Port Moresby 31 March 2010

## DIRECTORS' REPORT

Steamships Trading Company Limited and Subsidiary Companies

The Directors submit their Annual Report for the year ended 31 December 2009 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 6. The Group continues to operate in the fields of Hotels, Manufacturing, IT Services, Property, Shipping and Transport.

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

**Changes in Accounting Policies**

During the second half of 2009 Steamships Trading Company have changed their accounting policy in relation to the carrying value of ships. Ships were previously held under the revaluation model and are now to be held at cost. Previous revaluations were fully amortised during 2008 therefore the change in accounting policy has no impact on the 2008 or 2009 financial statements.

**Result**

The Group operating profit for the year attributable to shareholders was K96,560,000 (2008: K90,226,000).

**Dividend**

The Directors advise that a final dividend of 86 toea per share will be paid immediately after the Annual General Meeting on 25th May 2010. The exchange rate Kina to Australian Dollar applying on 11th May 2010 will be used to calculate the dividends to shareholders resident outside Papua New Guinea.

**Rounding Off**

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

## DIRECTORS' REPORT

Steamships Trading Company Limited and Subsidiary Companies

### Interests Register

Directors have disclosed the following 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:

| Particulars of Directors | Relevant Interests | Beneficial Shares Held |
|---|---|---|
| W.L. Rothery<br>Director since 1997<br>Chairman since 2006 | Executive and Director, John Swire & Sons Pty Ltd and group companies, Director, John Swire & Sons (PNG) Ltd and group companies. | Nil |
| G. Aopi, CBE<br>Director since 1997 | Chairman; Telikom (PNG) Ltd, Chairman IPBC Ltd, Director: Oil Search Ltd; Bank of South Pacific; Marsh Ltd, Kumul Hotels Ltd; PomSoX Ltd, F.M. Morobe Ltd; Hirad Ltd; CDI Foundation and various other private companies. | Nil |
| Sir Michael Bromley, KBE<br>Member Audit Committee<br>Director, 1986 to 1996<br>Director since 2000 | Chairman Heli Niugini Ltd; Chairman New Guinea Energy Ltd; Director, Chemica Ltd; Maps Tuna Ltd; Sonway Ltd and various other private companies. | Nil |
| David H. Cox OL<br>Managing Director 2004<br>Director since 2003 | Director: BeMobile PNG Ltd, Capital Way PNG Ltd and GEMS PNG Ltd. | Nil |
| G.J. Dunlop<br>Managing Director 2000 to 2003<br>Company Secretary 1987 to 2003<br>Director since 1995 | Director, John Swire & Sons (PNG) Ltd and group companies. Director John Swire & Sons Pty Ltd; City Pharmacy Group Ltd; Hardware Haus Pty Ltd; Credit Corporation (PNG) Limited. Member Audit Committee | Nil |
| C.R. Kendall<br>Director since 2007 | Director: The China Navigation Company Ltd; John Swire & Sons (PNG) Ltd and various other companies in the Swire Group | Nil |
| Lady W.T. Kamit, CBE<br>Chairperson of the Audit Committee<br>Director since 2005 | Director & Secretary; Bunowen Services Ltd, Gadens Administration Services Ltd, Senior Partner Gadens Lawyers, Director; New Britain Palm Oil Ltd, South Pacific Post Ltd, Post Courier Ltd, Allied Press Ltd, Nautilus Minerals Niugini Limited, Lihir Gold Limited | Nil |
| E. H. Ruha<br>Finance Director &<br>Company Secretary since Aug 2008 | Director: Capital Way PNG Ltd and GEMS PNG Ltd. | Nil |

## DIRECTORS' REPORT

Steamships Trading Company Limited and Subsidiary Companies

### Remuneration of Directors

Directors' remuneration, including the value of other benefits, received or receivable from the Company during the year, is as follows:

| | **2009** | 2008 |
|---|---|---|
| | **K'000** | K'000 |
| W.L. Rothery | **58** | 25 |
| G.J. Dunlop | **48** | 41 |
| G. Aopi, CBE | **30** | 25 |
| Sir Michael Bromley, KBE | **54** | 41 |
| D.H. Cox OL | **664** | 628 |
| W.A. Lawrence, OBE (resigned 19th May 2008) | **-** | 65 |
| Lady W. T. Kamit, CBE | **48** | 31 |
| C.W. Raper (resigned 20th August 2008) | **-** | 187 |
| C.R. Kendall | **30** | 25 |
| E. H. Ruha (appointed 20th August 2008) | **335** | 105 |

### Remuneration of Employees

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

| | **Dec 09** | Dec 08 | | **Dec 09** | Dec 08 |
|---|---|---|---|---|---|
| K100,000 - K109,999 | **3** | 3 | K410,000 - K419,999 | **2** | 2 |
| K110,000 - K119,999 | **3** | - | K420,000 - K429,999 | **1** | 2 |
| K120,000 - K129,999 | **1** | 2 | K430,000 - K439,999 | **1** | - |
| K130,000 - K139,999 | **1** | 1 | K440,000 - K449,999 | **3** | 2 |
| K140,000 - K149,999 | **6** | - | K450,000 - K459,999 | **-** | 1 |
| K150,000 - K159,999 | **4** | - | K460,000 - K469,999 | **1** | 1 |
| K160,000 - K169,999 | **3** | 3 | K470,000 - K479,999 | **1** | 1 |
| K180,000 - K189,999 | **1** | 1 | K480,000 - K489,999 | **1** | 2 |
| K190,000 - K199,999 | **3** | - | K500,000 - K509,999 | **2** | 1 |
| K200,000 - K209,999 | **4** | - | K510,000 - K519,999 | **-** | 1 |
| K210,000 - K219,999 | **1** | 4 | K530,000 - K539,999 | **1** | - |
| K220,000 - K229,999 | **-** | 1 | K550,000 - K559,999 | **1** | - |
| K230,000 - K239,999 | **-** | 1 | K560,000 - K569,999 | **2** | - |
| K240,000 - K249,999 | **-** | 1 | K570,000 - K579,999 | **-** | 3 |
| K260,000 - K269,999 | **1** | 2 | K580,000 - K589,999 | **1** | - |
| K270,000 - K279,999 | **-** | 1 | K590,000 - K599,999 | **2** | - |
| K280,000 - K289,999 | **3** | 1 | K600,000 - K609,999 | **1** | - |
| K290,000 - K299,999 | **1** | - | K630,000 - K639,999 | **-** | 2 |
| K310,000 - K319,999 | **-** | 1 | K610,000 - K619,999 | **1** | - |
| K320,000 - K329,999 | **3** | 1 | K640,000 - K649,999 | **1** | - |
| K330,000 - K339,999 | **1** | 2 | K650,000 - K669,999 | **1** | 2 |
| K340,000 - K349,999 | **1** | 2 | K670,000 - K679,999 | **-** | 1 |
| K350,000 - K359,999 | **1** | 2 | K680,000 - K689,999 | **1** | 1 |
| K360,000 - K369,999 | **-** | 1 | K690,000 - K699,999 | **3** | - |
| K370,000 - K379,999 | **2** | 1 | K700,000 - K749,999 | **-** | 1 |
| K390,000 - K399,999 | **3** | 1 | K750,000 - K829,999 | **1** | 1 |
| K400,000 - K409,999 | **3** | 1 | K830,000 - K839,999 | **-** | 1 |

In addition, an amount of K7,449,142 (2008: K9,235,218) was paid to SCL Nominees Limited for management services. Details of auditors' remuneration and donations are shown in Note 3 to the accounts.

For and on behalf of the Board:

Port Moresby
31st March 2010

W. L Rothery
Chairman

D.H. Cox OL
Managing Director