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COMPANY DIRECTORY

Steamships Trading Company Limited

Chairman

W. L. Rothery §

Executive Directors

D. H. Cox, OL § - Managing Director

C. W. Raper - Finance Director

Non-Executive Directors

G. Aopi, CBE +

Sir Michael Bromley, KBE §+

C.R. Kendall

G. J. Dunlop +

W. A. Lawrence, OBE +

Mrs W. T. Kamit, CBE

+ Served on the Audit Committee during the year

§ Member of the Remuneration Committee

Secretary

C. W. Raper

Registered Office

Champion Parade

P.O. Box 1

Port Moresby

Papua New Guinea

Telephone: +675 322 0222

Auditors

PricewaterhouseCoopers

P.O. Box 484

Port Moresby

Papua New Guinea

Share Registrars

Corporate Registry Services Pty Limited

Level 3

60 Carrington Street

Sydney, NSW 2000

Telephone (within Australia) 1300 855 080

Telephone from overseas +61 3 9615 5970

Fax +61 3 9611 5710

Stock Exchange

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

A. R. B. N.

055 836 952

FINANCIAL HIGHLIGHTS

	2007 K'000	2006 K'000	Change
Turnover	406,757	336,302	+20.95%
Operating Profit	92,897	54,903	+69.20%
Profit attributed to shareholders	74,157	47,479	+56.19%
Cash generated from operations	71,761	81,739	(12.21%)
Net cash inflow before financing	27,809	30,620	(9.18%)
Shareholders' funds and minority Interests	292,114	254,127	+14.95%
Consolidated net borrowings	36,995	24,624	+50.24%
Note	2007 Toea	2006 Toea	
1. Earnings per share	239	153	+56.21%
Dividends per share	125	100	+25.00%
Shareholder's funds per share	898	784	+14.50%
Note	2007	2006	
2. Gearing ratio - percentage	13%	10%	
3. Interest cover - times	55.0	39.2	
4. Dividend cover - times	1.9	1.9	
Notes			
1. Earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during each year.			
2. Gearing represents the ratio of net borrowings to shareholders' funds and minority interests.			
3. Interest cover is calculated by dividing operating profit by net finance charges.			
4. Dividend cover is calculated by dividing profit attributable to shareholders by the total dividends paid during the year.			

DIRECTORS' REVIEW

2007 has seen the Company go from strength to strength. Net profit after tax and minorities has increased from PGK47.5 million in 2006 to PGK74.2 million in 2007 - an increase of 56.2%. While the continuing buoyancy of the economy in Papua New Guinea clearly has provided an environment full of opportunities, this result is a testament to the Company's business plan, management team and hardworking staff.

Sales, at PGK407 million, increased by 20.9% against 2006 sales of PGK336 million. The main contributors to the increase were the Shipping, Hotels and Manufacturing divisions, as a result of increased trading. Depreciation in 2007 was PGK36 million against PGK32 million in 2006, and interest on borrowings was PGK1.761 million against K1.473 million in the previous year. Capital expenditure was PGK78 million against PGK70 million in 2006.

The excellent result for the year reflects the continuing success of the Company's core businesses, with all divisions, excepting Transport, turning in good results. Hardware has produced an excellent result, reflecting the continuing responsiveness to customer needs through its national distribution network. Brand reinforcement and a more innovative range of products is being developed in 2008. Hotels benefited from the current boom in the PNG economy, with average occupancy for the whole group during the year of 81%. The hotels and serviced apartments in Port Moresby itself had average occupancy in excess of 90% for the year, which is a remarkable achievement. An additional 122 rooms are being built in the Port Moresby and Lae markets. Manufacturing also continued to do well, with new products and product lines continually under evaluation. Laga opened its new warehouse in Lae and a new depot will be opened in Port Moresby in April 2008 and Trade Winds continued to build its market in all products. The sale of Trade Winds to Laga, completed early in 2008, will enable both companies to achieve significant operating and marketing efficiencies. Property also continued to build on its successes of recent years, with very high occupancy levels across the board. New projects have been let earlier than projected, and the Company's design of flexible warehouse/office/showroom space has proved increasingly popular, with additional commercial facilities currently under development at Badili and Waigani and residential townhouses in Port Moresby and Lae. The recent announcement of the project to build a 156-room, prestige hotel and apartment complex, with some office space, on the Company's Mary Street site represents a series of

landmarks for Papua New Guinea in terms of cost, design complexity and environmental awareness. This new complex is to be called the Papua Hotel and Apartments, thus bringing back to life an iconic name from the earliest days of Port Moresby. Shipping has also performed well, with high demand and increased efficiency. The Transport Division requires considerable work to improve its Lae-based operations. The Highlands Highway continues to present major operational difficulties to hauliers, and the East West Transport fleet is being reorganised and the operations re-engineered to face up to these difficulties in a more efficient and robust manner, and to allow the business to generate adequate returns for the shareholders' investment.

Datec has performed well in 2007 with solid results across most business streams. The company remains the market leader in ISP Services in PNG and, in 2007, launched a new wireless internet service marketed as 'SurfZone'. Also during 2007, Datec was awarded a PABX licence by the Papua New Guinea Telecommunications Authority, which will assist with the delivery of emerging technologies utilising IP or Internet Protocol. Consort performed above expectations, despite an operationally difficult year. The Asia Development Bank's support of the Tidal Basin Project in Lae is welcome news to the industry. The availability of qualified seamen is a recurring issue, and the company continues to examine ways to improve its manning position through qualification development at all levels at the Madang Nautical College. Pactow currently operates 11 tugs and 9 launches with a total staff complement at the year end of 136. Towage operations are located at Port Moresby, Lae, Kimbe, Rabaul and Madang. The company successfully opened an office in Alotau during September.

PNG's economic growth and political stability have been good for the country and Steamships has been well positioned to take advantage of the best trading conditions seen for many years. The continued high global demand for minerals, soft commodities and oil and gas means that the country will continue to benefit from its natural wealth. Inward investment is strong and the 2007 elections were notably the least contentious in recent history, and accompanied by less violence than has been the mark of earlier elections. The new system of preferential voting seems to have worked well, and to have been accepted by the electorate. Political maturity and stability are signs of considerable hope for the future prosperity of the nation. Low interest rates and stability in the PGK exchange rate continue to allow your Company to invest with confidence in

the future. Capital expenditure in 2007 was slightly above that for 2006, and future capital expenditure will continue to rise, with planned investment in all divisions. Your directors and senior management continue to look for new opportunities to invest - both in existing businesses, and in new directions, so that the Company may continue to expand profitably and maintain its position at the heart of PNG's economy.

A final dividend of 75 toea per share has been declared, and will be paid following approval at the Annual General Meeting on 19th May 2008. This will bring the total dividend paid for 2007 to PGK1.25 per share, which represents approximately 52% of the post-tax profit of the Company. Your directors consider this to be a sustainable level of dividend, providing a good return to investors while still leaving the Company sufficient resources to invest in the future.

In the 2008 New Years Honours, David Cox was awarded membership of the Order of Logohu.

Few people nowadays can be unaware of the debate about global warming, climate change and the need for sustainability. Papua New Guinea has been identified as one of the key places in the world where biodiversity, topography and the large amount of surviving rain-forest provide an unique environment which is deserving of particular care in its management. Steamships is actively looking at ways to contribute to the long-term sustainability of this environment - by being more environmentally friendly in its own activities, in promoting the health and well-being of its employees and its local communities, and in looking at other ways to support the efforts being made by academics, scientists, NGOs and other bodies to use the riches of PNG for the long-term and sustainable benefit of the people of PNG and, in a wider context, of the planet we all share. Some of these initiatives make good business sense in preventing waste and using resources more efficiently. Some make good sense in preserving the community on which we depend for our business. Some may provide business opportunities in the future. All of these come together in a commitment to the future, and this is a commitment that Steamships is proud to make.

HEALTH, SAFETY AND SECURITY

The Company recognises the overriding importance of providing a safe and secure workplace for all its staff, customers and contractors. Consequently, an ever-increasing focus is placed within the divisions and at Board level on monitoring the success of the Company in reducing to the number of incidents relating to health and safety. Systems are in place to monitor all incidents involving members of staff, and time lost through injury (LTI) statistics are compiled and monitored.

An active, group-wide Health, Security, Safety and Environment (HSSE) committee, chaired by the Finance Director and attended by all of the Divisional General Managers, meets monthly to consider Occupational Health and Safety matters and ensure that adequate training and supervision are conducted. A monthly report of all HSS&E incidents, plus cumulative statistic graphs, is sent to all directors, and a full report is discussed at the quarterly Board meetings. Health, security and safety plans are developed and the action items closely monitored.

A variety of initiatives are taken at the divisional level, including regular "tool-box" meetings to discuss HSS&E matters, frequent training sessions, promotion of safe work practices through posters in English and Pidgin, and a policy of "three strikes and you're out" to push home the dangers of failing to adhere to set procedures regarding safe working and use of protective equipment, and the failure to pay attention to warnings given.

On a regular basis, an external consultant from Australia visits our operations, without prior warning, to inspect our working environment and assess their compliance with safe practice.

ENVIRONMENT

Steamships is committed to conducting its business in a sustainable manner. As a major, diversified business group, the Company is very conscious of the potential impact of its activities on the environment. The Company is committed to ensuring its businesses meet or exceeds all legal and regulatory requirements for environmental best practice wherever it does business. As part of this, an environment conference was held for the Steamships Group in 2007, which has heightened awareness of environmental issues and has led to increased cooperation between the Group and some of the NGOs who are working to improve sustainability and environmental awareness in PNG.

In line with the commitment and requirements of the Swire Group, Steamships is implementing formal systems actively to monitor the impact its businesses have on the environment and calculate its carbon "footprint". Over time, as data are accumulated, this information will be used to implement plans and policies which will help to manage and reduce adverse effects on the environment and encourage sustainability across the Company's operations.

The various Group companies have already been active in working towards improvements in their impact on the environment. Some of this has been driven by external regulatory requirements, especially in respect of the Shipping and Transport Divisions. Much has come from an understanding that the proper management of environmental issues can increase efficiency and productivity and reduce wastage and therefore costs. As the world comes to a greater understanding of the environmental dangers that face us all, so Steamships' efforts continue to improve its sense of responsibility for the environment, and to reduce, as far as is practicable, its carbon footprint and environmental impact. One of the most high-profile projects that the Group has committed to - the development of its Papua Hotel and Apartments in Mary Street - has been specifically designed with environmental responsibility and sustainability in mind. Energy-hungry attributes, such as air-conditioning and lighting, will be controlled by computerised sensors, which will ensure that they are used in the most efficient way, minimising waste. This will be a first for Papua New Guinea, and a landmark testament to a sustainable way forward for buildings in the country.

SOCIAL RESPONSIBILITY

Steamships is aware of its pre-eminent position in the community, and seeks to play a full role as a responsible corporate citizen. The Company provides financial support to a diverse range of community programmes and encourages its employees to become involved in such programmes.

During the year, cash, goods, services and other benefits in kind (including the time of various senior executives) were given to various charitable causes across Papua New Guinea. The value of these is in excess of K500,000, and this commitment demonstrates the Company's recognition of the expectations placed on it by the community. In 2007, the Company has been more active in publicising its activities, so that the wider community appreciates what is done, and

understands better the Company's commitment to serving the community.

Our involvement is targeted across 5 main areas: Education, Health and Social Welfare, Environment; Community projects, and Business projects

Steamships has continued to be a Platinum Sponsor of the PNG Business Coalition on HIV/AIDS (BAHA), which is part of major world-wide initiative by the business community to promote awareness of and proper responses to the threat of HIV/AIDS through the workplace, and is represented on the BAHA Board. Company staff have received training, including "train the trainer" training from BAHA, and has developed a Company policy on responsible workplace behaviour in respect of HIV and AIDS. The Company also, in 2007, became a major sponsor of Susu Mama's, a voluntary organisation that seeks to promote health care for pregnant and neo-natal women. Infant mortality in PNG, at 6.84%, is high, and Susu Mamas seeks to improve this through proper training and health care, which is scarcely available elsewhere.

STAFF DEVELOPMENT

With 2,500 national employees, Steamships is one of the largest private-sector employers in the country, and it takes the well-being and training of its workforce very seriously. Each division has detailed training programmes which are monitored to ensure that the most appropriate training is provided both to promote the Company's operations and success and to develop its staff. In addition to the division-based training, suitably-qualified senior employees have the opportunity to attend training in the GRID programme, which provides a framework for team-building and responsible feed-back. The Swire Group also conducts a number of finance and managerial courses at the campuses of INSEAD business school in Singapore and France, and a small number of members of staff have the opportunity to attend these courses every year. Through this system of training and staff development, the Company aims to bring on its brightest and best employees to senior positions within the Company.

CORPORATE GOVERNANCE STATEMENT

Steamships and its Board are committed to observing the highest standards of Corporate Governance and ethical standards, and they expect these standards from all employees. The Company believes that the maximisation of long-term returns to shareholders is best achieved by acting in a socially-responsible manner which recognises the interests of other 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 well-being of employees, customers and others with whom the Company has contact; and
- protecting the environment from harm.

Board of Directors

The Board of Directors has the responsibility to set the strategic direction of the Company, to review the operational and financial performance of the Group's activities, to monitor the achievements of the Group against its objectives, to review the management of business risk and to report to the shareholders.

The Board currently comprises four non-executive directors, plus five directors who are executives of the Company or directors of other subsidiaries of the ultimate Holding Company, John Swire & Sons Limited. The Board seeks to maintain an appropriate blend of qualifications, skills and experience commensurate with the size and diverse activities of the Group.

The Board meets four times a year, and in 2007 the attendance rate was 94%. In addition to this, Board papers are circulated for approval, as required, at other times.

The Board appoints the executive directors - the Managing Director and Finance Director. All other directors, in accordance with the Company's constitution, retire on a rotational basis at least every three years. Retiring directors may be eligible for re-election by the shareholders at the Company's Annual General Meeting. The Chairman, in conjunction with all members of the Board, has the

responsibility for overseeing the nomination of all directors and for the review of the Board's membership.

The Australian Stock Exchange (ASX) recommends that the Chairman and a majority of the Board, and all of the members of the Audit Committee, should be independent directors. This is not the case with Steamships, where the Company currently has a minority (five out of nine) of independent directors and two out of three independent directors on the Audit Committee. The Chairman of the Board is a representative of the majority shareholder. The directors serving during the year, who have declared themselves to be independent, are: W. A. Lawrence (also Chairman of the Audit Committee), G. Aopi, Sir Michael Bromley and Mrs Winifred Kamit.

The Company currently has 97% of its shares held by three major shareholders, one of which holds 72% of the shares. Three of the directors are non-executive representatives of major shareholders. Other directors have been closely associated with the Company in recent years. The pool of available independent representatives in Papua New Guinea is small, and it would be very difficult to find an adequate number of truly independent directors qualified to serve on the Board. To disqualify existing directors on the grounds of lack of independence would deprive the Company of valuable experience in the management of its affairs. While recognising the force behind the ASX's recommendations, the Board therefore feels that, in the particular circumstances of Steamships, the recommendations are not practicable, and would not serve the interests of the Company or its shareholders.

Executive Management

Steamships focuses on the long-term development and growth of businesses where it can add value through its industry-specific expertise, its partnerships and its knowledge of Papua New Guinea, gained through its long history in the country. In order to achieve this, the Company combines the efforts of dedicated management teams in the individual business units, supported by a small Head Office team to provide services such as strategic direction, investment and performance review, treasury, personnel management and staff development.

The Company is committed to the development of its citizen staff, recognising that it is in their hands that the future of Papua New Guinea rests. Although the expertise and skills of expatriate staff is still required, an active programme of

training and development seeks to enable the Company to promote citizens from within and to build a strong, long-term workforce for the future.

Audit Committee and Internal Control

The Board has overall responsibility for the systems of internal control, and monitors their effectiveness. A sound system of internal control contributes to safeguarding the shareholders' investment and the Group's assets.

The Board is assisted in discharging its responsibility by the Audit Committee, which is composed of two independent, non-executive directors and a representative of the major shareholder. It is chaired by a non-executive director. The Audit Committee recommends the appointment and remuneration of the external auditors, reviews the Company's financial statements and the adequacy and effectiveness of existing internal and external audit arrangements. It also considers management of the Group's risks. The findings and recommendations of the Committee are reported to the Board. The Committee meets twice a year, at which time it receives and discusses reports from senior management and from the external auditors. The Audit Committee does not have a formal charter.

Different divisions within the Company have a number of internal audit and monitoring functions, dependent on need. These report at a divisional level. In addition to this, regular reviews of the monthly accounts and balance sheets, conducted by senior divisional and head office management, seek to ensure that internal control is properly managed throughout the Group. In the opinion of the directors, this is the most efficient and cost-effective means of managing internal control, given the diversity of the business and the nature of the risks.

Remuneration Committee

A Committee comprising the Chairman, the Managing Director and an independent, non-executive director meets annually to determine the compensation of the

Managing Director and the senior executive staff. The recommendations of this Committee are minuted.

Risk Management

The Company is committed to the management of risks throughout its operations to protect its employees, the environment, and group assets, earnings and reputation.

Certain risks occur in the normal course of the Company's business and include foreign exchange and interest rate risks. Exchange risks are minimised by borrowing in currencies other than Kina only when an equivalent cash flow is received.

A computer-based risk management database has been developed to assist the Company's Risk Management Department to monitor and enforce compliance with the risk management procedures and policies.

The Company also uses other risk management techniques, including insurance, to reduce the financial impact of any uncontrollable or catastrophic losses.

Independent External Advice

In exercising their duties as directors, the Board, and individual members of it, can seek independent professional advice at the Company's expense. Requests for the provision of such advice are directed to the Chairman.

Shareholder Information

The Board seeks to inform shareholders of major issues affecting the Company by sending comprehensive annual reports to the shareholders, and through the release of reports to the Port Moresby Stock Exchange, the Australian Stock Exchange and appropriate media. These detail the Company's financial and operating performance. At all times, the Board ensures that the continuous disclosure requirements of the Port Moresby and Australian Stock Exchanges are met.

INCOME STATEMENT

Steamships Trading Company Limited and Subsidiary Companies

	Note	Consolidated		Holding Company	
		Dec 07	Dec 06	Dec 07	Dec 06
		K'000	K'000	K'000	K'000
Revenue	3(a)	406,757	336,302	51,593	20,308
Operating expenses	3(b)	(313,860)	(281,399)	(3,370)	(2,844)
OPERATING PROFIT		92,897	54,903	48,223	17,464
Finance costs - net	3(d)	(1,689)	(1,401)	-	-
Share of profit of associates and joint ventures	16(d)	15,029	15,115	-	-
PROFIT BEFORE INCOME TAX		106,237	68,617	48,223	17,464
Income tax expense	4(a)	(27,869)	(18,357)	(194)	(254)
GROUP PROFIT		78,368	50,260	48,029	17,210
Minority interests		(4,211)	(2,781)	-	-
NET PROFIT					
ATTRIBUTABLE TO SHAREHOLDERS		74,157	47,479	48,029	17,210
Earning per share (toea)	3(f)	239t	153t		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Steamships Trading Company Limited and Subsidiary Companies

	Share Capital	Revaluation Reserves	Proposed Dividend	Retained Earnings	Total Capital Reserves	Minority Interests	Total Equity
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
BALANCE AT 1 JANUARY 2006	24,200	3,093	17,055	176,013	220,361	10,056	230,417
Depreciation transfer	-	(1,467)	-	1,467	-	-	-
Dividends paid 2006	-	-	(24,807)	-	(24,807)	(1,743)	(26,550)
Dividend proposed 2006	-	-	31,008	(31,008)	-	-	-
Net profit	-	-	-	47,479	47,479	2,781	50,260
BALANCE AT 31 DECEMBER 2006	24,200	1,626	23,256	193,951	243,033	11,094	254,127
Depreciation transfer	-	(1,467)	-	1,467	-	-	-
Dividends paid 2007	-	-	(38,760)	-	(38,760)	(1,621)	(40,381)
Dividends proposed 2007	-	-	38,760	(38,760)	-	-	-
Net profit	-	-	-	74,157	74,157	4,211	78,368
BALANCE AT 31 DECEMBER 2007	24,200	159	23,256	230,815	278,430	13,684	292,114

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

No Statement of Changes in Equity is presented for the Holding Company as the only movement in equity is represented by the retained earnings as shown in the Income Statement.

BALANCE SHEET

Steamships Trading Company Limited and Subsidiary Companies

	Note	Consolidated		Holding Company	
		Dec 07	Dec 06	Dec 07	Dec 06
		K'000	K'000	K'000	K'000
EQUITY					
Issued capital	7	24,200	24,200	24,200	24,200
Reserves		159	1,626	5,267	5,267
Retained earnings		230,815	193,951	(5,111)	(15,275)
Proposed final dividend		23,256	23,256	23,256	23,256
Capital and reserves attributable to the Company's shareholders		278,430	243,033	47,612	37,448
Minority shareholders interests		13,684	11,094	-	-
TOTAL EQUITY		292,114	254,127	47,612	37,488
Non-current assets					
Property, plant and equipment	8	263,276	227,773	44,507	29,789
Investments in subsidiaries, associates and joint ventures	9(a)	22,225	16,824	41,992	41,992
Goodwill	10	3,568	3,568	-	-
Deferred tax asset	4(c)	5,358	12,944	1,056	828
		294,427	261,109	87,555	72,609
Current assets					
Inventories	11	37,962	29,141	-	-
Trade and other receivables	12	97,533	63,853	4,206	466
Loans to associates and incorporated joint ventures		2,022	4,671	-	-
Cash and cash equivalents		106	356	-	-
		137,623	98,021	4,206	466
TOTAL ASSETS		432,050	359,130	91,761	73,075
Current liabilities					
Trade payables		26,926	22,214	-	-
Other payables and accruals		52,665	40,605	153	1,319
Provisions for other liabilities and charges	13	11,222	7,744	-	-
Loans from associates and incorporated joint ventures		978	1,027	43,082	33,517
Borrowings	14	36,995	24,624	-	-
Income tax payable		6,155	2,303	914	791
		134,941	98,517	44,149	35,627
Non-current liabilities					
Deferred tax liability	4(d)	647	1,136	-	-
Provisions for other liabilities and charges	13	4,348	5,350	-	-
		4,995	6,486	-	-
TOTAL LIABILITIES		139,936	105,003	44,149	35,627
NET ASSETS		292,114	254,127	47,612	37,448

These balance sheets are to be read in conjunction with the accompanying notes.

For and on behalf of the Board:
29 February 2008

W. L. Rothery
Chairman

D.H. Cox, OL
Managing Director

STATEMENTS OF CASH FLOWS

Steamships Trading Company Limited and Subsidiary Companies

	Consolidated		Holding Company	
	Dec 07	Dec 06	Dec 07	Dec 06
Note	K'000	K'000	K'000	K'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	377,150	334,573	-	-
Payments to suppliers and employees	(291,053)	(248,556)	-	-
Interest received	72	72	-	-
Interest and other finance costs paid	(1,761)	(1,473)	-	-
Income tax paid	(12,647)	(2,877)	(299)	(21)
Net cash provided by operating activities	71,761	81,739	(299)	(21)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant & equipment	(77,732)	(70,167)	(18,671)	(13,490)
Proceeds from sales of property, plant & equipment	27,636	13,458	9,092	5,771
Increase/(Decrease) in investments held to maturity	-	-	-	-
Loans made to/repaid by associated companies	2,188	1,640	5,003	20,876
Dividends received	3,956	3,950	43,635	11,671
New Acquisitions	-	-	-	-
Net cash used in investing activities	(43,952)	(51,119)	39,059	24,828
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceedings from borrowings	5,000	-	-	-
Repayments of borrowings	(654)	(6,000)	-	-
Dividends paid	(40,381)	(26,550)	(38,760)	(24,807)
Net cash used in financing activities	(36,035)	(32,550)	(38,760)	(24,807)
NET INCREASE/(DECREASE) IN CASH HELD	(8,226)	(1,930)	-	-
CASH AT BEGINNING OF THE YEAR	(13,571)	(11,641)	-	-
CASH AT END OF THE YEAR	(21,797)	(13,571)	-	-
CASH COMPRISES:				
Cash and cash equivalents	106	356	-	-
Bank overdrafts	(21,903)	(13,927)	-	-
	(21,797)	(13,571)	-	-

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NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (including International Financial Reporting Interpretations Committee ("IFRIC") interpretations).

(i) Standards effective in 2007 and adopted by the Group

IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1,

Presentation of financial Statements - Capital Disclosures, are mandatory for the Group's accounting periods beginning on or after 1 January 2007. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

(ii) Interpretations effective in 2007 but not relevant

The following interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations:

IFRIC 7, *Applying the Restatement Approach under IAS 39, Financial Reporting in Hyperinflationary Environments*

IFRIC 8, *Scope of IFRS 2*

IFRIC 9, *Reassessment of Embedded Derivatives Impairment*

(a) Basis of Preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of ships.

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) Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Ships are subsequently shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment, including investment property, is stated at historical cost less depreciation. Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in shareholders' equity. Each year the difference between depreciation, based on the revalued carrying amount of the asset (the depreciation charged to the income statement) and depreciation based on the asset's original cost, is transferred from the revaluation reserve to retained earnings. Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, 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. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) 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.

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Steamships Trading Company Limited and Subsidiary Companies

(e) 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.

(f) 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.

(g) 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 Income Statement when they arise.

(h) 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.

(i) 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.

(j) 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.

(k) Receivables

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

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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.

(l) 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.

(m) Changes in Accounting Policies and Comparatives

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

(n) 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).

(o) 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 5.1% (2006 - 6.4%)

(p) Segment Reporting

A business segment is a group of assets and operations

engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

The Group operates within a single geographic segment, being the country of Papua New Guinea.

(q) 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.

(r) Earnings per Share

Basic earning per share is calculated by dividing the profit attribute 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.

(s) Critical accounting estimates and judgements

Estimates and 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.

(t) 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.

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

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

(u) 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.

(v) 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.

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 has no significant price risk exposure as its investments are carried at cost.

(iii) Cash flow and interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's borrowings at 31 December 2007 are all short term and as such it is not exposed to a significant level of interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. It is not the Group's policy to hedge cash flow and interest rate risk.

(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 periods 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.

Forecasted liquidity reserve as of 31 December 2007 is as follows:

	2008 K'000	2009 K'000
Opening balance for the period	(37,867)	(78,800)
Operating proceeds	132,200	157,000
Capital expenditure	(196,600)	(119,600)
Operating cash outflow	(34,733)	(177,350)
Payments of debts and dividends	(41,800)	(46,000)
Commitment of new credit facilities	100,000	150,000
Closing balance for the period	(78,800)	(114,750)

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

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
At 31 December 2007				
Borrowings	(36,995)	-	-	-
Trade & other payables	(26,926)	-	-	-
Dividends	-	-	-	-
At 31 December 2006				
Borrowings	(24,624)	-	-	-
Trade & other payables	(22,214)	-	-	-
Dividends payable	-	-	-	-

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 total borrowings (including "borrowings" and "trade and other payables" as shown in the balance sheet) less cash and cash equivalents and 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:

	2007 K'000	2006 K'000
Total borrowings	36,995	24,624
Less: cash & cash equivalents	106	356
Net debt	36,889	24,268
Total equity	278,430	243,033
Total capital	24,200	24,200
Gearing ratio	13%	10%

The higher gearing ratio in 2007 resulted primarily from additional debt to fund the capital works being undertaken.

(e) Fair value estimation

The Group does not hold derivative financial instruments and as such no fair value estimation is required.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables and payables.

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

	Consolidated		Holding Company	
	Dec 07	Dec 06	Dec 07	Dec 06
	K'000	K'000	K'000	K'000
3. Operating results				
(a) Revenue comprises:				
Revenue from sale of goods	169,507	141,944	-	-
Revenue from provision of services	235,085	192,022	-	-
Other income	2,165	2,336	51,593	20,308
Total Revenue	406,757	336,302	51,593	20,308
(b) Operating expenses comprise:				
Changes in inventories of finished goods and work in progress	1,968	2,164	-	-
Raw materials and consumables used	126,751	123,962	-	-
Staff costs	80,385	67,732	-	-
Depreciation and amortisation	35,608	31,872	3,160	2,634
Motor Vehicle expenses	24,313	10,566	-	-
Shipping and Survey costs	2,231	6,992	-	-
Repairs & Maintenance	15,520	13,246	-	-
Other operating expenses	27,084	24,865	210	210
Total operating expenses	313,860	281,399	3,370	2,844
(c) The operating profit before income tax is arrived at after charging and crediting the following specific items:-				
Charges:				
Audit fees	550	602	10	10
Other fees to the Auditors	363	334	-	-
Bad and doubtful debts	1,126	281	-	-
Donations	645	160	-	-
Credits:				
Subsidiary companies' dividends	-	-	43,635	11,671
Rental property income	23,038	19,420	-	-
Net foreign exchange transaction gains	363	243	-	-
Profit (loss) on sale of properties	21,016	9,296	4,376	5,929
(d) Finance costs - net				
Interest expense	1,761	1,473	-	-
Interest income	(72)	(72)	-	-
Net finance costs	1,689	1,401	-	-
(e) Staff costs:				
Wages and salaries	55,187	48,195	-	-
Retirement benefit contributions	4,940	4,677	-	-
Accommodation and other benefits	20,258	14,860	-	-
	80,385	67,732	-	-
Number of staff employed by the Group at year end.				
Full time	2,504	2,303	-	-

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

	Consolidated		Holding Company	
	Dec 07	Dec 06	Dec 07	Dec 06
	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 in issue during the year. There is no difference between the basic and diluted earnings per share.

Net profit attributable to shareholders	74,157	47,479	-	-
Weighted average number of ordinary shares in issue (thousands)	31,008	31,008	-	-
Basic earnings per share	239t	153t	-	-

4. Income tax

(a) Current tax	24,085	14,668	199	250
Deferred tax	(489)	(489)	(5)	4
Share of associates' tax	4,273	4,178	-	-
	27,869	18,357	194	254

(b) The income tax in the Income Statement is determined in accordance with the policy set out in note 1(e).

The effective rate of tax charged differs from the statutory rate of 30% for the following reasons:

Prima facie tax payable on operating profit	31,871	20,585	14,467	5,267
Tax effect of rebateable dividends	-	-	(13,090)	(3,501)
Exempt income	(5,793)	(2,212)	(1,180)	(1,494)
Permanent differences	1,188	540	2	(18)
Prior year over/under provisions	603	(556)	(5)	-
	27,869	18,357	194	254

(c) The deferred tax asset comprises:

Provisions	7,135	2,101	68	702
Prepayments	(2,343)	(800)	-	-
Tax depreciable assets	206	1,260	988	126
Tax losses	360	10,383	-	-
	5,358	12,944	1,056	828

There is a K1,598,502 (2006: K1,648,623) deferred tax asset not recognised in a subsidiary company.

(d) The deferred tax liability comprises:

Revaluation of ships	647	1,136	-	-
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NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

5. Segmental reporting

(a) Divisional segments

The Group operates in the following commercial areas:

	Retail	Hotels	Manufacturing	Shipping & Transport	Property & Investment	Elimination Unallocated	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
2007							
External revenue	69,210	59,712	100,297	152,335	23,038	-	404,592
Intersegmental revenue	615	4,680	519	6,658	10,046	(22,518)	-
Total Revenue	69,825	64,392	100,816	158,993	33,084	(22,518)	404,592
Segment Results	6,163	16,009	11,765	30,491	26,780	-	91,208
Share of associate entities' profit	-	-	-	-	-	15,029	15,029
Income tax expense	(1,671)	(4,675)	(3,371)	(9,147)	(4,732)	(4,273)	(27,869)
Group Profit	4,492	11,334	8,394	21,344	22,048	10,756	78,368
Segment assets	23,059	55,531	53,039	134,746	162,084	-	428,459
Segment liabilities	(8,291)	(6,790)	(14,324)	(38,987)	(67,953)	-	(136,345)
Net Assets	14,768	48,741	38,715	95,759	94,131	-	292,114
Capital expenditure	1,603	6,700	5,895	32,549	30,985	-	77,732
Depreciation	687	4,592	2,756	19,102	8,471	-	35,608
2006							
External revenue	64,426	45,721	77,516	126,291	19,420	-	333,374
Intersegmental revenue	1,463	4,683	341	5,800	7,758	(20,045)	-
Total Revenue	65,889	50,404	77,857	132,091	27,178	(20,045)	333,374
Segment Results	5,589	9,290	7,729	15,170	15,724	-	53,502
Share of associate entities' profit	-	-	-	1,441	-	13,674	15,115
Income tax expense	(1,209)	(2,039)	(2,356)	(6,574)	(2,905)	(3,274)	(18,357)
Group Profit	4,380	7,251	5,373	10,037	12,819	10,400	50,260
Segment assets	12,195	53,581	63,236	121,081	109,037	-	359,130
Segment liabilities	(6,965)	(6,970)	(10,583)	(30,783)	(49,702)	-	(105,003)
Net Assets	5,230	46,611	52,653	90,298	59,335	-	254,127
Capital expenditure	419	10,715	2,626	20,255	36,152	-	70,167
Depreciation	792	3,593	2,594	17,599	7,294	-	31,872

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		Holding Company	
	Dec 07	Dec 06	Dec 07	Dec 06
	K'000	K'000	K'000	K'000
(a) Material transactions:				
Sales of goods and services				
Associates & Joint Venture	6,565	6,748	-	-
Collins & Leahy Group	1,018	844	-	-
Other Shareholders	46	1,905	-	-
Shareholders of Assoc Coys	1,845	4,852	-	-
Lease and rental income	323	481	-	-
Dividends received	-	-	43,635	11,671
Management fees received	96	1,232	-	-
Loans from Associates	894	813	-	-
Purchase of goods and services				
Associates & Joint Venture	(21,023)	(25,747)	-	-
Collins & Leahy Group	(555)	(760)	-	-
Other Shareholders	(649)	(28,997)	-	-
Shareholders of Assoc Coys	(413)	(392)	-	-
Purchase of assets				
Associates & Joint Venture	(2,177)	(2,524)	-	-
Loans to associates				
Associates & Joint Venture	(2,354)	(468)	-	-

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

(b) Directors:

G.J. Dunlop, W.L. Rothery and C.W.Raper are directors of John Swire & Sons (PNG) Limited and Collins & Leahy Holdings 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 K10,050,227 (2006: K11,129,773) to SCL Nominees Limited for management services.

(d) Holding company:

The ultimate holding company is John Swire & Sons Limited, incorporated in England.

7. Capital

- (a) Issued and fully paid: 31,008,237 shares in accordance with the Papua New Guinea Companies Act 1997 the group has no authorised share capital and shares have no par value.

- (b) Reserves comprise
- Revaluation of ships
 - Revaluation - other

	24,200	24,200	24,200	24,200
	159	1,626	-	-
			5,267	5,267

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		Holding Company	
	Dec 07	Dec 06	Dec 07	Dec 06
	K'000	K'000	K'000	K'000
8. Property				
Opening net book amount	108,356	83,457	27,741	17,628
Additions	31,630	42,510	18,671	12,420
Disposals Cost	(6,222)	(7,252)	(1,369)	(1,968)
Disposals - Accum Depreciation	2,729	3,640	1,186	1,653
Depreciation charge	(7,609)	(13,999)	(3,770)	(1,992)
Closing net book amount	128,884	108,356	42,459	27,741
Cost or valuation	206,637	181,229	72,724	55,422
Accumulated depreciation	(77,753)	(72,873)	(30,265)	(27,681)
Net book amount	128,884	108,356	42,459	27,741
Ships				
Opening net book Amount	44,124	50,991	-	-
Additions	16,116	1,112	-	-
Acquisitions	-	-	-	-
Disposals - Cost	(213)	(4,553)	-	-
Disposals - Accum Depreciation	213	4,412	-	-
Depreciation Charge	(8,224)	(7,838)	-	-
Closing net book Amount	52,016	44,124	-	-
Cost or valuation	125,568	109,665	6,474	6,474
Accumulated depreciation	(73,552)	(65,541)	(6,474)	(6,474)
Net book amount	52,016	44,124	-	-
Plant & vehicles				
Opening net book Amount	75,293	59,191	2,048	1,634
Additions	29,986	26,545	-	1,070
Acquisitions	-	-	-	-
Disposals - Cost	(9,393)	(7,406)	-	(47)
Disposals - Accum Depreciation	6,265	6,998	-	27
Depreciation Charge	(19,775)	(10,035)	-	(636)
Closing net book Amount	82,376	75,293	2,048	2,048
Cost or valuation	157,396	136,803	3,841	3,841
Accumulated depreciation	(75,020)	(61,510)	(1,793)	(1,793)
Net book amount	82,376	75,293	2,048	2,048

Ships are measured at revalued amounts, the last independent valuation was performed as at December 2003. The carrying value of the ships, had they been measured at original cost less accumulated depreciation, would be K35,345,000 (2006: K40,813,000).

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

8. Property (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	Valuation Range	
		Lower	Higher
Commercial Internal	46,754	208,057	235,370
Commercial External	67,048	174,790	197,025
Residential	15,082	92,655	103,860
Total	128,884	475,502	536,255

9. Investments in subsidiaries, associates and joint ventures

	Consolidated		Holding Company	
	Dec 07	Dec 06	Dec 07	Dec 06
	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	-	-	41,853	41,853
Investments in associates and joint ventures	22,225	16,824	139	139
	22,225	16,824	41,992	41,992

(b) Shares in subsidiary companies have been stated at cost or valuation less dividends received from pre-acquisition profits. Subsidiary companies are shown in note 19.

(c) Investments in associates and joint ventures have been accounted for according to the policy in note 1(b). Associates and joint ventures are shown in note 20.

10. Non-current assets - Goodwill

	Consolidated		Holding Company	
	Dec 07	Dec 06	Dec 07	Dec 06
	K'000	K'000	K'000	K'000
Year ended 31 December 2006				
Opening net book amount	3,568	3,068	-	-
Additions	-	500	-	-
Impairment	-	-	-	-
Closing net book amount	3,568	3,568	-	-

Value assigned to intangibles cannot be separately identified. However, the value of goodwill is based on past experience and is not considered to have been impaired as at 31 December 2007.

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

11. Inventories

	Consolidated		Holding Company	
	Dec 07	Dec 06	Dec 07	Dec 06
	K'000	K'000	K'000	K'000
Raw materials	1,342	1,040	-	-
Work in progress	337	318	-	-
Finished goods	38,309	30,429	-	-
Provision for obsolescence	(2,026)	(2,646)	-	-
	37,962	29,141	-	-

12. Trade and other receivables

	Consolidated		Holding Company	
	Dec 07	Dec 06	Dec 07	Dec 06
	K'000	K'000	K'000	K'000
Trade receivables	46,119	37,508	-	-
Provision for impairment	(2,153)	(591)	-	-
	43,966	36,917	-	-
Other receivables & prepayments	51,709	25,539	4,206	466
External loans	1,858	1,397	-	-
	97,533	63,853	4,206	466

As at 31 December 2007, trade receivable of K2.1 million (2006: K0.5million) relating to trade debtors were considered impaired and were provided by management. The ageing of these receivables is as follows:

3 to 6 months	-	-	-	-
Over 6 months	2,153	591	-	-
	2,153	591	-	-

Movement on the provision for impairment of trade receivables are as follows:

Opening balance	591	905	-	-
Provision for receivables impaired	1,562	(314)	-	-
Unused amount reversed	2,153	591	-	-

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.

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	Total	Dec 06
	K'000	K'000	K'000	K'000	K'000
At 31 December 2006	10,038	2,585	471	13,094	13,841
Charged to profit & loss	7,198	2,122	850	10,170	9,614
Utilised during year	(7,048)	(439)	(207)	(7,694)	(10,361)
	10,188	4,268	1,114	15,570	13,094
Short-term provisions at 31 December 2007	5,840	4,268	1,114	11,222	7,744
Long-term provisions at 31 December 2007	4,348	-	-	4,348	5,350
	10,188	4,268	1,114	15,570	13,094

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

14. Borrowings

	Consolidated		Holding Company	
	Dec 07	Dec 06	Dec 07	Dec 06
	K'000	K'000	K'000	K'000
Current:				
Bank overdrafts (secured)	21,903	13,927	-	-
Bank loans (secured)	15,000	10,000	-	-
Other loans (unsecured)	92	697	-	-
	36,995	24,624	-	-
Non-current:				
Other loans (secured)	-	-	-	-

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 (indicator lending rate). The effective interest rate on bank facilities at the balance sheet date was 6.75% (2006: 7.75%). Borrowings are currently interest-only with no agreed repayment schedule. Bank facilities are due for renewal in 2008 with extension at the option of the bank.

15. Capital expenditure commitments

Contracts outstanding for capital expenditure amounted to K23,032,346 (2006: 3,186,000).

16. Investments in associates and Joint ventures

(a) Carrying amounts:

	Consolidated		Holding Company	
	2007	2006	2007	2006
Total Associates & Joint Ventures	22,225	16,824	139	139

Each of the above associates is incorporated in Papua New Guinea and are listed in Note 20.

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

16. Investments in associates and Joint ventures (continued)

(b) Movements in carrying amounts

	Consolidated	
	2007	2006
	K'000	K'000
Carrying amount at the beginning of the financial year	16,824	10,572
Share of profits before income tax	15,029	15,115
Income tax expense	(4,273)	(4,178)
Dividends received/receivable	(4,555)	(3,950)
Transfers/Sales	(800)	(735)
Carrying amount at the end of the financial year	22,225	16,824

(c) Share of associates' and joint ventures profits or losses

	Consolidated	
	2007	2006
	K'000	K'000
Profits before income tax	15,029	15,115
Income tax expense	(4,273)	(4,178)
Profit after income tax	10,756	10,937

(d) Summarised financial information of associates and joint venture

	Consolidated	
	2007	2006
	K'000	K'000
Current assets	31,966	22,791
Non-current assets	53,893	52,014
	85,859	74,805
Current liabilities	39,179	31,752
Non-current liabilities	24,455	26,229
	63,634	57,981
Net assets	22,225	16,824
The Group's share of profits of the joint venture comprises:		
Revenue	122,863	104,165
Expenses	(107,834)	(89,050)
Profit before income tax	15,029	15,115

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

17. Retirement benefit plans

The total cost of retirement benefits of the Group in 2007 was K4,940,000 (2006: K4,677,000). 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.

18. Financial instruments

The Group's financial instruments include cash and cash equivalents, receivables, accounts payable, borrowings and forward exchange contracts. The Group monitors the financial risks arising from changes in market prices, interest rates and exchange rates and seeks to minimise the impact on the Group.

(a) Nature of activities and management policies with respect to financial instruments.

- (i) The Group undertakes transactions denominated in foreign currencies from time to time and, as a result, is exposed to movements in foreign currency. The Group does not actively hedge its foreign currency risks. Where steps are taken to manage these risks, these are restricted to forward exchange contracts. There were no outstanding forward exchange contracts at balance date.

The Group had no foreign currency borrowings at the balance sheet date (2006: NIL).

- (ii) Interest on all Group borrowings is at variable commercial rates and, accordingly, the Group's income and cash flows are exposed to changes in market rates.
- (iii) In the normal course of its business, the Group incurs credit risk from trade debtors. There are no significant concentrations of credit risk as the Group has a large number of debtors, geographically dispersed. The Group has a credit policy, which is used to manage this exposure to credit risk. As part of this policy, limits on exposures have been set, and are monitored on a regular basis.
- (iv) The Group aims to prudently manage liquidity risks by maintaining sufficient cash and other liquid assets and the availability of funding through uncommitted credit facilities.

(b) The face values, less any estimated credit adjustment for all financial assets and liabilities, approximate their fair value.

19. 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.

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

20. Subsidiary companies

	Beneficial Interest %		Beneficial Interest %
Coral Sea Hotels Limited	100	Papua New Guinea Shipping Corporation Limited	100
Kavieng Port Services Limited	60	PNG Mainport Liners Services Limited	100
Lae Port Services Limited	51.5	Port Services PNG Limited	51.5
Laga Industries Ltd	68.8	Progressive Traders Limited	100
Laurabada Shipping Services Limited	100	Steamships Limited	100
Laurabada Property Limited	100	Tanubada Food Processors Limited	88
Madang Port Services Limited	60	Trade Winds Liquor Limited	100
Melanesian Soap Products Limited	100	Windward Apartments Limited	100
Monier (PNG) Limited	100		
Monier Allied Products Limited	100		

21. Associates and joint ventures

	Beneficial Interest %	Activity
Colgate Palmolive (PNG) Limited	50	Manufacturer
Consort Express Lines Limited	33	Shipping
Datec (PNG) Limited	50	Computers
Kiunga Stevedoring Company Limited	25	Stevedores
Middle Fly Shipping Limited	50	Shipping
New Britain Shipping Limited	50	Shipping
Pacific Rumana Limited	50	Property
Pacific Towing (PNG) Limited	50	Tug Services

All companies are incorporated in Papua New Guinea.

22. Subsequent events

On the 1st of January 2008, the Group sold its interest in Trade Winds (100% owned) to Laga Industries (68% owned).

INDEPENDENT AUDIT REPORT TO THE MEMBERS

Steamships Trading Company Limited and Subsidiary Companies

Report on the financial statements and consolidated financial statements

We have audited the accompanying financial statements of Steamships Trading Company Limited (the 'Company') and the consolidated financial statements of the Company and its subsidiaries (the 'Group') which comprise the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements and consolidated financial statements in accordance with International Financial Reporting Standards, other generally accepted accounting practice in Papua New Guinea and with the requirements of the Papua New Guinea Companies Act 1997. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are 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 these financial statements and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements 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 judgment, 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 management and the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements of the Company and the consolidated financial statements of the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2007, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and with the requirements of the Papua New Guinea Companies Act 1997.

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:

- i) in our opinion proper accounting records have been kept by the Company and the Group, so far as appears from our examination of those records;
- ii) we have obtained all the information and explanations we have required; and
- iii) in conducting our audit we followed applicable independence requirements of Certified Practising Accountants Papua New Guinea.

PricewaterhouseCoopers

By: Brett Entwistle
Registered under the Accountants Act 1996
Port Moresby
29 February 2008

The directors submit their Annual Report for the year ended 31 December 2007 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 5. The Group continues to operate in the fields of Retailing, Hotels, Manufacturing, 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

Detail of changes in accounting policies are shown in Note 1(n) to the accounts.

Result

The Group operating profit for the year attributable to shareholders was K74,157,000 (2006: K47,479,000).

Dividend

The directors advise that a final dividend of 75 toea per share will be paid immediately after the Annual General Meeting on 19th May 2008. The exchange rate Kina to Australian Dollar applying on 5th May 2008 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' & Officers' Liability Insurance

The Company has paid a premium of K139,425 (K134,375 - 2006) for directors' and officers' liability insurance in respect of directors and executive officers of the Company and its controlled entities.

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 Director since 1997 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 Member Audit Committee Director since 1997	Chairman: Telikom PNG Ltd. Director: Oil Search Ltd; Bank of South Pacific Ltd; Marsh Ltd; Kumul Hotels Ltd; POMSoX Ltd; F.M. Morobe Ltd; Hiram Ltd; CDI Foundation and various other private companies.	Nil
Sir Michael Bromley, KBE Member Audit Committee Director, 1986 to 1996 Director since 2000	Director: Chemica Ltd; Maps Tuna Ltd; Sonway Ltd and various other private companies.	Nil
David H. Cox, OL Managing Director 2004 Director since 2003		Nil
G.J. Dunlop Managing Director 2000 to 2003 Company Secretary 1987 to 2003 Member Audit Committee Director since 1995	Director: John Swire & Sons (PNG) Ltd and group companies; John Swire & Sons Pty Ltd.	Nil
C.R. Kendall Director since 2006	Director: The China Navigation Company Ltd; John Swire & Sons (PNG) Ltd and various other companies in the Swire Group	Nil
W.T. Kamit, CBE 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 Ltd; Lihir Gold Ltd.	Nil
W.A. Lawrence, OBE Chairman, Audit Committee Director since 1983	Director: Westpac Bank-PNG-Ltd, Santos Niugini Exploration Ltd, Barracuda Ltd.	Nil
C. W. Raper Finance Director & Company Secretary since 2005	Director & Secretary: John Swire & Sons (PNG) Ltd and group companies.	Nil

Remuneration of Directors

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

	Dec 07	Dec 06
	K'000	K'000
W.L. Rothery	35.0	18.0
G.J. Dunlop	41.5	22.5
G. Aopi, CBE	31.0	22.5
Sir Michael Bromley, KBE	31.0	22.5
D.H. Cox, OL	524.0	441.0
G.L. Cundle (resigned 19th May 2007)	12.5	18.0
W.A Lawrence, OBE	31.0	22.5
W. Kamit, CBE	25.0	18.0
C.W. Raper	228.0	150.0
C.R.Kendall (appointed 19th May 2007)	12.5	-

Remuneration of Employees

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

	Dec 07	Dec 06		Dec 07	Dec 06
K100,000 - K109,999	2	1	K360,000 - K369,999	1	1
K110,000 - K119,999	-	1	K370,000 - K379,999	2	1
K120,000 - K129,999	-	-	K380,000 - K389,999	-	1
K130,000 - K139,999	1	-	K390,000 - K399,999	3	1
K140,000 - K149,999	-	-	K400,000 - K409,999	-	1
K150,000 - K159,999	1	-	K410,000 - K419,999	2	1
K160,000 - K169,999	-	-	K420,000 - K429,999	-	-
K170,000 - K179,999	-	1	K430,000 - K439,999	-	1
K180,000 - K189,999	1	2	K440,000 - K449,999	2	-
K190,000 - K199,999	1	1	K450,000 - K459,999	1	1
K200,000 - K209,999	1	1	K460,000 - K469,999	1	1
K210,000 - K219,999	4	-	K470,000 - K479,999	1	-
K220,000 - K229,999	1	1	K480,000 - K489,999	1	2
K230,000 - K239,999	1	2	K490,000 - K499,999	-	1
K240,000 - K249,999	2	-	K500,000 - K509,999	-	1
K250,000 - K259,999	1	1	K510,000 - K519,999	-	1
K260,000 - K269,999	1	-	K520,000 - K529,999	1	1
K270,000 - K279,999	-	-	K530,000 - K539,999	1	-
K280,000 - K289,999	1	4	K540,000 - K549,999	-	-
K290,000 - K299,999	1	-	K550,000 - K559,999	-	1
K300,000 - K309,999	2	1	K560,000 - K569,999	1	-
K310,000 - K319,999	2	-	K580,000 - K589,999	1	1
K320,000 - K329,999	2	3	K590,000 - K599,999	4	1
K330,000 - K339,999	1	1	K600,000 - K609,999	1	1
K340,000 - K349,999	3	3	K680,000 - K689,999	-	1
K350,000 - K359,999	2	2	K690,000 - K699,999	1	-

In addition, an amount of K10,050,227 (2006: K11,129,773) was paid to SCL Nominees Limited for management services.

Auditors' Remuneration and Donations. Details of auditors' remuneration and donations are shown in Note 3 of the accounts. For and on behalf of the Board:

Port Moresby
29 February 2008.

W. L Rothery
Chairman

D.H. Cox, OL
Managing Director

STOCK EXCHANGE INFORMATION

Steamships Trading Company Limited and Subsidiary Companies

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

SHAREHOLDINGS

At 31 January 2008, there were 380 shareholders.

253	holding	1	-	1,000 units
94	holding	1,001	-	5,000 units
20	holding	5,001	-	10,000 units
13	holding	10,001	-	and over

5 shareholders held less than a marketable parcel.

The 20 largest shareholders were:

		%
John Swire & Sons (PNG) Limited	22,362,651	72.12
Brislan Nominees Pty Ltd	6,178,285	19.92
National Superannuation Fund	1,664,581	5.37
John E Gill Operations Ltd	54,727	0.18
Kelvenside Pty Ltd	50,000	0.16
RSM Pension Fund AC RSM Pension Fund AC	36,513	0.12
Mrs M Elkington	34,755	0.11
Roger Wayne Harrison	31,000	0.10
PCSM Pension Fund	23,580	0.08
Mr R Mahtani	21,700	0.07
Malcolm Burns Reid	21,626	0.07
Hylec Investments Pty Ltd	20,494	0.07
Engoordina Pty Ltd	15,078	0.05
Dr Gordon Bradley Elkington	12,966	0.04
Derrick Charles Whitaker	10,348	0.03
Ms J Forbes	10,000	0.03
Miss Shirin Moayyad	10,000	0.03
Ms. Maureen Christie	9,240	0.03
BSP Capital Ltd	8,785	0.03
Mrs Mary Patricia Houghton	8,161	0.03
Mrs Judith Scottholand	8,161	0.03
Winpar Holdings Ltd	5,342	0.01
	30,597,993	98.68

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 take-overs). 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.

TABLE OF COMPARISONS

Steamships Trading Company Limited and Subsidiary Companies

	2007	2006	2005	2004	2003	2002	2001
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Balance Sheet							
Paid up capital	24,200	24,200	24,200	24,200	24,200	24,200	24,200
Reserves	254,230	218,833	196,161	162,157	153,037	147,676	144,761
Shareholders' funds	278,430	243,033	220,361	186,357	177,237	171,876	168,961
Minority shareholders' interest	13,684	11,094	10,056	6,431	4,607	4,100	6,004
	292,114	254,127	230,417	192,788	181,844	175,976	174,965
Fixed assets	263,276	227,773	193,639	173,858	160,913	169,652	172,052
Investments	22,225	16,839	10,572	11,181	8,680	11,143	18,236
Future deferred tax asset	5,358	12,944	24,207	9,885	11,708	11,268	7,566
Goodwill	3,568	3,568	3,068	-	-	-	-
Current assets	137,623	98,006	98,588	95,308	128,169	129,627	113,238
Total assets of the Group	432,050	359,130	330,074	290,232	309,470	321,690	311,092
Current liabilities	134,941	98,517	90,867	90,786	90,018	102,039	102,969
Non-current liabilities	4,995	6,486	8,790	6,658	37,608	43,675	33,158
Total liabilities of the Group	139,936	105,003	99,657	97,444	127,626	145,714	136,127
Net assets	292,114	254,127	230,417	192,788	181,844	175,976	174,965
Profit and Loss							
Revenue	406,757	336,302	370,037	328,880	356,426	378,228	325,527
Operating profit before income tax and abnormals	91,208	53,502	45,434	13,590	6,017	(3,026)	(4,443)
Abnormal items	15,029	15,115	13,389	11,118	6,726	8,279	6,562
Income tax expense	(27,869)	(18,357)	(16,589)	(6,969)	(3,433)	(1,108)	92
Minority interests	(4,211)	(2,781)	(2,026)	(3,036)	(2,398)	321	(1,716)
Net profit attributable to shareholders	74,157	47,479	40,208	14,703	6,912	4,466	495
Depreciation transfer	1,467	1,467	1,467	1,467	1,467	1,467	1,467
Dividends paid or provided	(38,760)	(31,008)	(20,157)	(5,583)	(3,102)	(1,551)	(1,551)
Earnings retained this year	36,864	17,938	21,518	10,587	5,277	4,382	411
Ratios							
Current assets to current liabilities	1.02	0.99	1.09	1.05	1.42	1.27	1.10
Borrowings to shareholders' funds %	13.28	10.13	12.97	15.39	32.85	46.03	44.88
Net asset backing per share (toea)	9.42	8.20	7.43	6.22	5.86	5.68	5.45
Net profit to revenue %	18.23	14.12	10.87	4.47	1.94	1.18	0.15
Net profit to shareholders' funds %	26.63	19.54	18.25	7.89	3.90	2.60	0.29
Net profit per share (toea)	239.15	153.12	129.67	47.42	22.29	14.40	1.60
Dividends paid & provided (toea)	125.00	100.00	65.00	18.00	10.00	5.00	5.00
Earnings retained in relation to total earnings %	49.71	37.78	53.52	72.01	76.35	98.12	83.03



STEAMSHIPS TRADING COMPANY LIMITED

INCORPORATED IN PAPUA NEW GUINEA ARBN 055 836 952

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Eighty-fourth Annual Meeting of Stockholders will be held at the Company's Registered Office, Corner Champion Parade and Hunter Street, Port Moresby, Papua New Guinea, on Monday 19th May 2008 at 11.00am to consider the following items of business.

1. To receive the Directors' report and accounts for the year ended 31st December 2007.
2. To elect Directors. C. R. Kendall, having been appointed during the year, requires election at the Meeting. G. Aopi, CBE and W.T. Kamit, CBE, retire as Directors in accordance with Clause 15.3 of the Constitution and, being eligible, offer themselves for re-election.
3. To re-appoint auditors and to fix their fees and expenses. PricewaterhouseCoopers, the retiring auditors, offer themselves for re-appointment.
4. To carry out any other business that may be brought before the meeting in conformity with the Constitution.

By order of the Board
C. W. Raper, Secretary

Port Moresby
24th April 2008

PROXY FORM

The Secretary
Steamships Trading Company Limited
PO Box 1, Port Moresby
Papua New Guinea

I/We,(full names)

of(address)

a member of Steamships Trading Company Limited appoint.....
or W. L. Rothery, Chairman of Directors and the nominee for casting votes, or failing him the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual Meeting of the company to be held at 11.00am on the 19th May 2008 and at any adjournment thereof.

Dated this.....day of.....2008

Signed.....

A member entitled to attend and vote is entitled to appoint a proxy who need not be a member of the Company.

Proxies must be received at the Registered Office of the Company at least 48 hours before the time of the meeting.

Should you desire to direct your proxy how to vote, please place a mark in the appropriate box.

- | | For | Against |
|--|--------------------------|--------------------------|
| 1. To receive the report and accounts | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To elect Directors | | |
| (i) C.R. Kendall, G. Aopi CBE and W.T. Kamit CBE | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-appoint PricewaterhouseCoopers as auditors and fix their fees and expenses. | <input type="checkbox"/> | <input type="checkbox"/> |