STEAMSHIPS TRADING COMPANY LIMITED

ANNUAL REPORT 2009

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STEAMSHIPS TRADING COMPANY LIMITED

COMPANY DIRECTORY

Chairman

W. L. Rothery §
Chairman

Executive Directors

D. H. Cox, OL §
Managing Director

E. H. Ruha
Finance Director

Non-Executive Directors

G. Aopi, CBE
Sir Michael Bromley, KBE §+
C. R. Kendall
G. J. Dunlop +
Lady W. T. Kamit, CBE +

+ Member of the Audit Committee
§ Member of the Remuneration Committee

Secretary

E. H. Ruha

Registered Office

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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
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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

	2009 K'000	2008 K'000	Change
Revenue	499,415	465,750	7.23%
Operating Profit	129,872	96,939	33.97%
Profit attributed to shareholders	96,560	90,226	7.02%
Cash generated from operations	120,711	142,503	(15.29%)
Net cash outflow before financing	(82,750)	(30,150)	174.46%
Shareholders' funds	378,083	326,795	15.69%
External borrowings	277,218	111,671	148.25%

Note	2009 Toea	2008 Toea	
1. Earnings per share	311	291	6.87%
Dividends per share	146	146	0.00%
Shareholders' funds per share	1,219	1,054	15.65%

Note	2009	2008
2. Gearing ratio - percentage	75%	34%
3. Interest cover - times	10.6	20.8
4. Dividend cover - times	2.1	2.0

Notes

1. Earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of shares on issue during each year.
2. Gearing represents the ratio of net borrowings to shareholders' funds.
3. Interest cover is calculated by dividing operating profit by net finance changes.
4. Dividend cover is calculated by dividing profit attributable to shareholders by the total dividends paid during the year.

STEAMSHIPS TRADING COMPANY LIMITED

CHAIRMAN'S REPORT

The year 2009 saw Steamships continue to build capacity in all divisions during one of the strongest periods of economic growth in Papua New Guinea's history.

The record profit of 96.6 million kina after tax and minority interests is an increase of 7.0% over the 90.2 million recorded in 2008 and is a reflection of the continuing expansion of the PNG economy driven by the Oil and Gas sector. Sales of 496 million kina increased by 7.1% against 2008 sales of 463 million kina due to strong increases in the Hotels and Property divisions. Depreciation in 2009 was 47.9 million kina against 39.3 million in 2008, with interest on borrowings of 12.2 million kina against 4.7 million in the previous year. Capital expenditure was 195.4 million kina, a further substantial increase from 133.6 million in 2008 and is reflected in the increase in borrowings at year end.

The government's economic policies have promoted the stability of the Kina exchange rate and interest rate, with the resultant business confidence allowing the Company to continue to implement its extensive investment plans. Substantial future capital expenditure will continue across all divisions for the next three years, which will improve their ability to meet the growing needs of their customers while achieving a substantial increase in the shareholders' investment in the company.

In addition to the investment in its core divisions in 2009 the Company has increased its investment in the major coastal shipping operator, Consort Express Lines Limited, from 33% to 51%, and increased its shareholding in computer company Datec (PNG) Limited from 50% to 100%, while 50% owned New Britain Shipping Limited has acquired the stevedoring business in Kimbe. An additional indirect investment has been made in BeMobile Limited which is building an extensive mobile phone network across PNG and the Solomon Islands.

Much of the increase in the economy in 2009 was generated by activity associated with PNG LNG, an ExxonMobil led project, which is undertaking the commercialisation of extensive gas reserves from the Southern Highlands of PNG. The US$17 billion project received initial financial and project sanction in late 2009. Upon completion, the project will export in excess of 6.3 million tonnes of liquefied natural gas per annum, placing PNG in an elite group of global LNG suppliers. A project of this scale requires considerable resources, infrastructure and support services. Steamships anticipates there will be significant new business opportunities for all of the Company's divisions from both the project development phase and from the increase in government income once production has commenced. The centre of activity is Port Moresby but Lae and the Highlands will benefit from the movement of freight along the Highlands Highway.

The country's resource projects under construction are extensive and in addition to the PNG LNG Project, the China Metallurgical Corporation's Ramu Nickel project, is nearing completion near Madang. Morobe Mining Joint Venture's Hidden Valley project which, produced its first gold during the year, Lihir Gold, Ok Tedi Mining and the Porgera Joint Venture, continue to provide significant contributions to the PNG economy. Extensive exploration and feasibility studies for mineral, gas and oil projects will continue throughout 2010 in the Gulf provinces, at Frieda River, Yandera and Wafi Golpu.

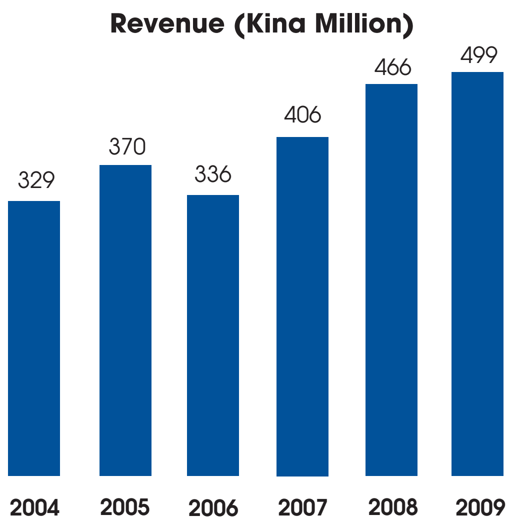
After considering the Company's expansion plans and the constraints within the PNG banking sector to finance these substantial projects by additional kina borrowings, the Directors have decided that it is prudent to hold the final dividend, to be paid after the Annual General Meeting on 25 May, to 86 toea per share, which will give a total dividend of K1.46, the same as for the prior year.

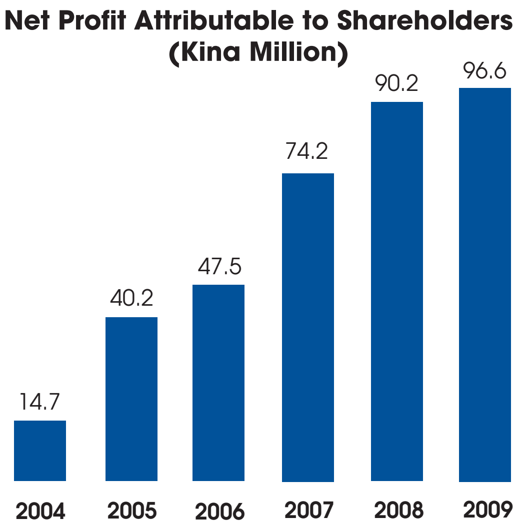
In view of the substantial capital expenditure program being undertaken over the next 3 years, the Directors wish to indicate to shareholders that future dividends will be held to an annual level of approximately K1.00 per share.

Environmental consciousness, be it global warming, climate change or sustainability, is a component of the Company's day to day practices. Because of its biodiversity, topography and the surviving rainforest, Papua New Guinea has been identified as one of the three most important regions in the world requiring preservation. Steamships and its parent company, John Swire & Sons Ltd, are actively supporting the Bintang Research Institute, based in Madang, in its efforts to coordinate research to contribute to the long-term sustainability of this environment.

On behalf of the Directors and shareholders, I would like to extend our appreciation to all of our employees for their efforts during 2009.

W.L. Rothery
Chairman





DIRECTORS' REVIEW

SHIPPING

Steamships Shipping performed below budget expectation in 2009. This was largely as a result of low river levels impeding coastal shipping operations to Kiunga and other inland ports and a decline in non-project related cargo volumes, which impacted the company's operations at major ports. However, the outlook for 2010 remains positive, particularly for project cargo.

During 2009, the division transferred its coastal operations to a new facility in Port Moresby, offering upgraded wharf and berth facilities, slipway, warehousing, storage areas and offices. This facility, together with New Britain Shipping obtaining the rights to Stevedore ships in Kimbe, the purchase of additional ships for the coastal fleet, and the increase in the shareholding in Consort Express Lines, are all indicative of the division's continued growth. The division's drive to recruit more cadets and to develop its existing Officers by certification sponsorship through the Madang Nautical College remains a priority.

Coastal and international shipping operations are still being hampered by the deterioration in wharf infrastructure. It is hoped that plans to develop and extend port facilities at the country's biggest ports will be given priority and so alleviate congestion and continuing disruption of shipping services.

TRANSPORT

East West Transport (EWT) failed to meet budget expectations in 2009, largely due to the frequent closure of the Highlands Highway, which caused increased equipment hire costs to deliver key contracts. The substantial increase in traffic associated with the PNG LNG project will place additional stress on the highway and unless there is a substantial increase in maintenance, particularly on the section between Goroka and Mt Hagen, these delays will worsen in 2010.

EWT's capacity to handle 'out of scope' cargo to the Ramu Nickel and Hidden Valley projects during the year was significantly improved by the purchase of additional handling equipment. A newly introduced proactive fleet maintenance program in addition to stringent Health Safety Security & Environment compliance processes assisted EWT to retain the fuel distribution contracts it had held since 2004, as well as obtain long term contracts for major town transport business. Though additional fleet was required to deliver these contracts, this has provided the division with additional revenue streams to complement the existing highway activity.

HOTELS

The Coral Sea Hotel division had a record year in 2009, with high demand recorded for both short and medium term accommodation across the country. A more efficient yield-based room rate structure has assisted in maximising income per available room, while restaurant upgrades in major centres helped to improve food and beverage revenue streams. During the year, eight serviced apartments were completed at the Huon Gulf Motel in Lae.

The division commenced major project developments at the Gateway and Ela Beach Hotels in Port Moresby, which will see 100 additional rooms and additional conference facilities operating by the end of 2010. Work has commenced on 20 new rooms, new restaurants and an upgraded lobby at the Highlander Hotel in Mount Hagen. Construction continues on schedule at the 166 room Grand Papua Hotel in the centre of Port Moresby, which is expected to be open in the third quarter of 2011. These projects together with the division's innovative employee training and development programme will position the business for growth over the next three years.

PROPERTY

Steamship's commercial and residential locations recorded high occupancy levels throughout 2009, leading to the achievement of its financial objectives. All of the commercial and residential projects completed in Port Moresby and Lae during 2009 have been leased at higher than budgeted rates. Ongoing and proposed projects include a large commercial office block, a residential tower complex and industrial warehousing, primarily in Port Moresby and Lae.

The demand for commercial and residential property remains high and is likely to be sustained over the longer term, despite the number of properties earmarked for completion in the next two years. Steamships Property continues to add to its land bank with purchases of industrial land for future development in both Lae and Port Moresby.

DATEC

The Company's computer business has performed well against budget expectations. Though its retail business remains a core focus with the opening of its mega-store in Waigani, Datec has sought to strengthen its position as a provider of high value communication technology solutions through the launching of products and services designed to support their clients' businesses. The cooperation of key overseas suppliers in partnership programmes serves to assure Datec's reputation as an innovative, leading edge ICT company. During 2009, Steamships increased its shareholding in Datec from 50% to 100%.

MANUFACTURING

2009 was a challenging year with Laga Industries failing to meet budget expectations, primarily due to the impact of declining commodity prices and disruptions to operations caused by upgrades to facilities. The value of vegetable oil sales declined with a lowering of the product price to consumers, to match the reduction in world commodity prices.

The relocation of the Trade Winds bottling lines to Lae, additional refrigeration and power upgrades at the Lae facility and the opening of the new freezer complex in Port Moresby were all completed by the end of 2009. The Trade Winds distribution agreement was reviewed and more robust measures were implemented to drive sales across all Trade Winds products. In 2010, a strengthened marketing and sales team of more than 20 will, for the first time, ensure customers in all major centres are monitored on a weekly basis. This increased coverage, combined with the recent facility improvements and new product lines, has positioned the company for substantial growth in 2010.

ASSOCIATES

COLGATE (50% owned)

The business had a satisfactory year in 2009 with sales tonnage down on the previous year but sales value up, despite a disappointing performance from the Islands Region. Port Moresby, which is a strong market for Colgate branded products, recorded a good increase in sales in 2009.

CONSORT (Previously 33% owned now 51% owned)

The business had a very difficult trading year with cargo volumes reduced by 15% year on year, partially due to depressed palm oil and copra prices. Volumes did improve through the 4th quarter with the increase in commodity prices. International cargo volumes have remained strong primarily from project related cargo. Port congestion has again been a significant factor in disrupting coastal operations and services with congestion at Lae and Kimbe remaining a major impediment to schedule integrity. The Lae tidal basin project, upon completion, will improve conditions at the port and enable it to capitalise on import and export growth - however, there will need to be a significant dredging and construction period before this additional capacity can be properly employed.

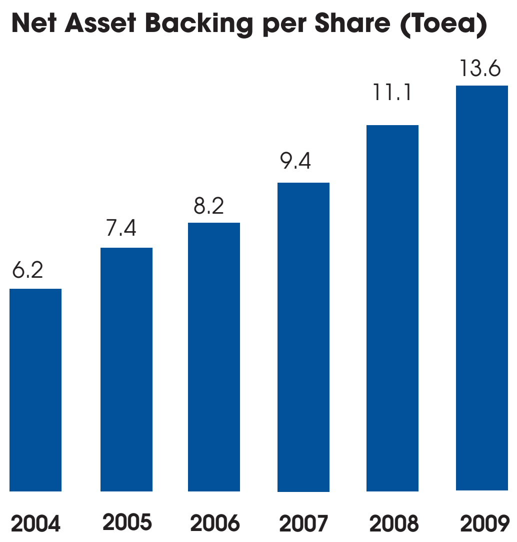
On the 16th of November Steamships increased its shareholding in Consort from 33% to 51%.

PACIFIC TOWING (50% owned)

The business had a challenging year in 2009, driven by the appreciation of the kina against the USD, which serves to depress earnings from harbour activity. Towage, outside charter, salvage and diving operations were marginally higher than in 2008 with income from the successful refloat of a purse seiner in the Solomon Islands and the delivery of two dredge barges from Port Moresby to Bige at the head of the OK Tedi River. Investment in diver training continues, with two divers attaining Australian Commercial Class 2 certification for dive operations involving surface supply.

HEALTH, SAFETY & 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 the number of incidents relating to health and safety. Systems are in place to monitor all incidents involving members of staff, and lost time injury (LTI) statistics are compiled and monitored.

An active, Group-wide Health, Safety, Security and Environment (HSS&E) committee, chaired and attended by division HSS&E representatives, meets monthly to consider occupational health and safety matters. These issues are raised through the management representatives, with appropriate action taken in a timely manner. A monthly report of all HSS&E incidents, plus cumulative statistic graphs, is sent to all company Directors, and a full report is discussed at the quarterly Board meetings.

A variety of initiatives have been taken at the divisional level, including self inspections and regular "tool-box" meetings to discuss HSS&E. Frequent training sessions, promotion of safe work practices and critical risk audits all help to assert the dangers of failing to adhere to set procedures regarding safe working and the failure to pay attention to warnings given. An external consultant from Australia conducts risk assessments of the Group's businesses. Plans are in place to employ external consultants with appropriate industry experience at the divisional level.

ENVIRONMENT

Steamships is committed to meeting environmental best practice in addition to all legal and regulatory requirements. As a major, diversified business group, the Company is very conscious of the potential impact that its activities have on the environment. In line with the commitment and requirements of our major shareholder, John Swire & Sons Ltd, Steamships has implemented formal systems to monitor the impact its businesses have on the environment. This data is being used to improve processes and policies that help to increase sustainability and reduce adverse effects on the environment across the Company's operations. In particular all construction projects are designed with sustainable operations so as to minimise energy waste.

COMMUNITY ENGAGEMENT

Steamships is aware of its pre-eminent position in the community, and seeks to play a 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 these initiatives.

During the year, cash, goods, services and other benefits in kind were given to various charitable causes across Papua New Guinea. The value, in excess of K1 million, demonstrates the Company's commitment to the communities within which it operates. Our initiatives are targeted across three main areas: Education, Health and Social Welfare.

Steamships has continued as Platinum Sponsor of the PNG Business Coalition Against HIV/AIDS (BAHA), which is part of a major world-wide initiative by the business community to promote awareness of and proper responses to the threat of HIV and AIDS through the workplace, and is represented on the BAHA Board. Company staff continue to receive training from BAHA and the Company have developed a policy on responsible workplace behaviour in respect of HIV and AIDS. Steamships is a major sponsor of child literacy development, through the Buk Bilong Pikinini library scheme, which supports libraries in Port Moresby and Lae, and continues as a major sponsor of Susu Mamas, the Salvation Army, and the Mt Hagen General Hospital.

STAFF DEVELOPMENT

With 2,592 employees nationwide, of whom 97.2% are PNG citizens, Steamships is one of the largest private-sector employers in the country and it takes the development and training of its workforce very seriously. Each division has detailed training programmes, covering both management and technical skills, which are monitored to ensure that the most appropriate training is provided. The need to develop qualified sea farers, heavy goods vehicle drivers, mechanics, and IT system engineers, to name a few, is of paramount importance and represents a significant investment. Suitably qualified employees, who demonstrate outstanding career potential, will have the opportunity for nomination toward the Company's Leadership Development Programme, which serves to grow the necessary skills and experiences required to take on strategic positions within the company. The Swire Group conducts finance and advanced management curriculums at the INSEAD campuses in Singapore and France, to which Steamships nominate attendees. Through this system of training and investment in people, Steamships aims to foster an environment of growth and development, for the benefit of both the Company and the employees.

CORPORATE GOVERNANCE STATEMENT

Steamships and its Board are committed to achieving and demonstrating 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 that 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, and others with whom the Company has contact; and
- Promoting sustainable business practice.

A description of the Group's main corporate governance practices is set out below. Steamships comply with the August 2007 *ASX Principles of Good Corporate Governance and Best Practice Recommendations* except where noted below.

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 Steamships Board currently comprises two executive Directors, two independent non executive Directors, Lady Winifred Kamit (chairperson of the Audit Committee) and Mr Gerea Aopi, and four non executive Directors, of whom three are also Directors of other John Swire & Sons subsidiary companies.

The Australian Stock Exchange (ASX) recommends that the Chairperson and a majority of the Board, and all of the members of the Audit Committee, should be independent Directors.

The Company currently has 98% of its shares held by three major shareholders, one of which holds 72% of the shares. 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 importance of the ASX's recommendations, the Board feels that, in the particular circumstances of Steamships, the recommendations are not practicable, and would not serve the interest of the Company or its shareholders.

Other than the Managing Director and the Finance Director, who are appointed by the Board, all Directors retire on a rotational basis at least every three years. Retiring Directors are eligible for re-election.

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.

Executive Management

Steamships focuses on the long-term development and growth of business 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, human resources management and people development services.

Steamships has adopted a structured approach to strategic business planning across all divisions. The Company has implemented a key performance indicator monitoring system to ensure that the business remains focused on the strategies and the action plans outlined to achieve them. Progress against the strategies and indicators are measured on a quarterly basis.

The Company is committed to the development of its employees by ensuring its succession programmes are appropriate and monitored. Although the expertise and skills of expatriate staff are still required, an active programme of training and skills transfer seeks to enable the Company to promote citizen staff and to build a strong, long-term workforce for the future.

Audit Committee and Internal Control

While the Board maintains overall responsibility for the systems of internal control and monitors their effectiveness, the Board is assisted in discharging its responsibilities by the Audit Committee, which is composed of an Independent non-executive Chairman and two Directors who are representatives of major shareholders.

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 risk. 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 has a formal charter.

Different divisions within the Company have a number of internal audit and monitoring functions, dependent on need. 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 risk.

Remuneration Committee

A Committee comprising the Chairman, the Managing Director and a 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 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.

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

		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:
31 March 2010

W. L. Rothery
Chairman

D.H. Cox OL
Managing Director

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					
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 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 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 Member Audit Committee Director, 1986 to 1996 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 Managing Director 2004 Director since 2003	Director: BeMobile PNG Ltd, Capital Way PNG Ltd and GEMS PNG Ltd.	Nil
G.J. Dunlop Managing Director 2000 to 2003 Company Secretary 1987 to 2003 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 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 Chairperson of the Audit Committee 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 Finance Director & 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

TABLE OF COMPARISONS

Steamships Trading Company Limited and Subsidiary Companies

	2009	2008	2007	2006	2005	2004	2003	2002
	K'000	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	24,200
Reserves	**353,883**	302,595	254,230	218,833	196,161	162,157	153,037	147,676
Shareholders' funds	**378,083**	326,795	278,430	243,033	220,361	186,357	177,237	171,876
Minority shareholders' interest	**43,854**	18,336	13,684	11,094	10,056	6,431	4,607	4,100
	421,937	345,131	292,114	254,127	230,417	192,788	181,844	175,976
Fixed assets	**664,196**	353,261	263,276	227,773	193,639	173,858	160,913	169,652
Investments	**17,939**	33,337	22,225	16,839	10,572	11,181	8,680	11,143
Future deferred tax asset	**7,305**	4,150	5,358	12,944	24,207	9,885	11,708	11,268
Goodwill	**17,183**	7,578	3,568	3,568	3,068	-	-	-
Current assets	**203,480**	154,508	137,623	98,006	98,588	95,308	128,169	129,627
Total assets of the Group	**910,103**	552,834	432,050	359,130	330,074	290,232	309,470	321,690
Current liabilities	**236,847**	122,562	134,941	98,517	90,867	90,786	90,018	102,039
Non-current liabilities	**251,319**	85,141	4,995	6,486	8,790	6,658	37,608	43,675
Total liabilities of the Group	**488,166**	207,703	139,936	105,003	99,657	97,444	127,626	145,714
Net assets	**421,937**	345,131	292,114	254,127	230,417	192,788	181,844	175,976
Income Statement								
Revenue	**499,415**	465,750	406,757	336,302	370,037	328,880	356,426	378,228
Operating profit before income tax and abnormals	**120,602**	111,615	91,208	53,502	45,434	13,590	6,017	(3,026)
Share of associates' profit	**23,677**	16,837	15,029	15,115	13,389	11,118	6,726	8,279
Income tax expense	**(41,582)**	(32,808)	(27,869)	(18,357)	(16,589)	(6,969)	(3,433)	(1,108)
Minority interests	**(6,137)**	(5,418)	(4,211)	(2,781)	(2,026)	(3,036)	(2,398)	321
Net profit attributable to shareholders	**96,560**	90,226	74,157	47,479	40,208	14,703	6,912	4,466
Depreciation transfer	**-**	159	1,467	1,467	1,467	1,467	1,467	1,467
Dividends paid or provided	**(45,272)**	(45,272)	(38,760)	(31,008)	(20,157)	(5,583)	(3,102)	(1,551)
Earnings retained this year	**51,288**	45,113	36,864	17,938	21,518	10,587	5,277	4,382
Ratios								
Current assets to current liabilities	**0.86**	1.26	1.02	0.99	1.09	1.05	1.42	1.27
Borrowings to shareholders' funds	**73.32**	34.17	13.28	10.13	12.97	15.39	32.85	46.03
Net asset backing per share (toea)	**13.05**	11.13	9.42	8.20	7.43	6.22	5.86	5.68
Net profit to revenue %	**19.33**	19.37	18.23	14.12	10.87	4.47	1.94	1.18
Net profit to shareholders' funds %	**25.54**	27.61	26.63	19.54	18.25	7.89	3.90	2.60
Net profit per share (toea)	**311.40**	290.98	239.15	153.12	129.67	47.42	22.29	14.40
Dividends paid & provided (toea)	**146.00**	146.00	125.00	100.00	65.00	18.00	10.00	5.00
Earnings Per Share	**311t**	291t	239t	153t	130t	47t	22t	14t
Earnings retained in relation to total earnings %	**53.11**	53.78	49.71	37.78	53.52	72.01	76.35	98.12

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 2010, there were 371 shareholders.

261	Holding	1	-	1,000 units
86	Holding	1,001	-	5,000 units
15	Holding	5,001	-	10,000 units
11	Holding	10,001	-	and over

6 shareholders held less than a marketable parcel.

The 20 largest shareholders were:

		%
John Swire & Sons (PNG) Limited	22,362,651	72.12
Bell Potter Nominees Ltd	6,198,000	19.99
National Superannuation Fund Ltd	1,842,869	5.94
John E Gill Operations Pty Ltd	54,727	0.18
Kelvinside Pty Ltd	25,000	0.08
PCSM Pension Fund	23,580	0.08
Mr Ramesh Mahtani	21,700	0.07
Malcolm Burns Reid	21,326	0.07
Hylec Investments Pty Ltd	20,494	0.07
Engoordina Pty Ltd	11,078	0.04
Derrick Charles Whitaker	10,348	0.03
Jennifer May Forbes	10,000	0.03
Miss Shirin Moayyad	10,000	0.03
BSP Capital Ltd	8,785	0.03
Mary Patricia Haughton	8,161	0.03
Mrs Judith Scottholland	8,161	0.03
Makana Holdings Pty Ltd	7,850	0.03
Mr Michael Pairidis	7,700	0.02
Mrs Robyn Anne Gostelow	7,393	0.02
Mervyn James Wilson	6,800	0.02
	30,666,623	98.90

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.