



STEAMSHIPS TRADING COMPANY

90 Years

ANNUAL REPORT 2008



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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 +
Mrs 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) 1 300 855 080
Telephone from overseas +61 3 9615 5970
Fax +61 3 9611 5710

Stock Exchange

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

A. R. B. N.
055 836 952

STEAMSHIPS TRADING COMPANY LIMITED

FINANCIAL HIGHLIGHTS

	2008 K'000	2007 K'000	Change
Turnover	465,750	406,757	14.50%
Operating Profit	116,149	92,897	25.03%
Profit attributed to shareholders	90,226	74,157	21.67%
Cash generated from operations	142,503	71,761	98.58%
Net cash inflow before financing	(30,150)	27,809	(208.41%)
Shareholders' funds	326,795	278,430	17.37%
Consolidated net borrowings	111,671	36,995	201.85%

Note

2008
Toea

2007
Toea

1. Earnings per share	291	239	21.76%
Dividends per share	146	125	16.80%
Shareholder's funds per share	1,054	898	17.37%

Note

2008

2007

2. Gearing ratio - percentage	34%	13%
3. Interest cover - times	25.0	55.0
4. Dividend cover - times	1.99	1.90

Notes

- 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.
- Gearing represents the ratio of net borrowings to shareholders' funds.
- Interest cover is calculated by dividing operating profit by net finance charges.
- 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 2008 was one of continued investment, growth, and solid returns for the Company. Net profit after tax and minorities has increased from PGK74.2 million in 2007 to PGK90.2 million in 2008 – an increase of 21.6%. Whilst the Papua New Guinea economy continues to demonstrate a level of robustness that augers well for opportunity, the Company's results have been achieved through sound business planning and committed, hardworking staff.

Sales, at PGK466 million, increased by 14.5% against 2007 sales of PGK407 million. The main contributors through increased trading levels were the Shipping, Hotels and Manufacturing divisions. Depreciation in 2008 was PGK39 million against PGK36 million in 2007 and interest on borrowings was PGK4.654 million against PGK1.761 million in the previous year. Capital expenditure was PGK133.6 million against PGK77.7 million in 2007.

The year 2008 represented a significant milestone for Steamships, celebrating 90 years of operation in Papua New Guinea, and was marked with the publishing of the Steamships History by the noted author, James Sinclair.

PNG's economic growth and political stability have been good for the country and Steamships has been well positioned to take advantage of the best trading conditions seen for many years. Political maturity and stability are signs of considerable hope for the future prosperity of the nation, and are certainly promoting and assuring investor confidence. The strength in the PGK exchange rate continues to allow the Company to invest with confidence in the future. Fixed interest rates were good in 2008 but the economic climate is changing and rates are increasing, which may well stifle future investment projects. Capital expenditure in 2008 was considerably above that for 2007, and future capital expenditure will continue to rise, with planned investment across all divisions. However, with the increased global financial concerns, the Company is conscious of a need for heightened diligence, increased financial risk assessment and thorough performance monitoring. The Directors and senior management continue to look for new opportunities to invest, both in existing businesses and in new directions, whilst employing rigorous management disciplines to maintain a track record of commercially sound investments.

PNG has a number of energy and mineral resource projects entering design and construction phases. PNG LNG, an

ExxonMobil led project, proposes the commercialisation of extensive gas reserves from the Southern Highlands of PNG. 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. Mineral resource projects in construction include Morobe Mining Joint Venture's Hidden Valley project and China Metallurgical Corporation's Ramu Nickel project.

Lihir Gold's expansion to produce and export in excess of 1 million ounces per annum represents a major investment in its PNG facility. This project, together with Ok Tedi Mining Ltd's giant copper mine in the Western Province, Barrack's Gold mine at Porgera, and others, have provided a significant contribution to the country's GDP during the past 3 to 4 years of high commodity price levels. This commodity pricing, though declining of late, has encouraged extensive mineral exploration including Freida River, Yandera and Wafi Golpu.

Steamships has been proactive in its approach to project development in PNG. Working closely with our customers during project design allows sufficient time for capacity to meet the project requirements during construction and operation.

A final dividend of 86 toea per share has been declared, and will be paid following approval at the Annual General Meeting on 19 May 2008. This will bring the total dividend paid for 2008 to PGK1.46 per share, which represents approximately 50% of the post-tax profit of the Company. The Directors consider this to be a sustainable level of dividend, providing a good return to investors while still leaving the Company sufficient resources to invest in the future.

Environmental consciousness, be it global warming, climate change or sustainability, is a component of the Company's day to day practice. Papua New Guinea has been identified as containing one of three remaining world sites where biodiversity, topography and the surviving rain-forest represent a significant environment which needs preserving. Steamships is actively participating in ways to contribute to the long-term sustainability of this environment – by being more environmentally efficient in its own activities, in promoting the health and well-being of its employees and its local communities, and by supporting the efforts being made by academics, scientists, NGOs and other bodies. This is a commitment to the future and is a commitment that Steamships is proud to make.

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The Group's 2008 result was largely achieved through a strategic focus on business growth, revenue development, cost control, employee skills enhancement, and risk mitigation. It reflects the continuing success of the Company's core businesses.

On behalf of the Directors and shareholders I would like to extend our appreciation to all of our employees. The total number of employees is 2,268 of which 97.6% are PNG nationals. The company further acknowledges the service of William Lawrence who retired from the Board of Directors during the year. William has served as a Director since 1983.

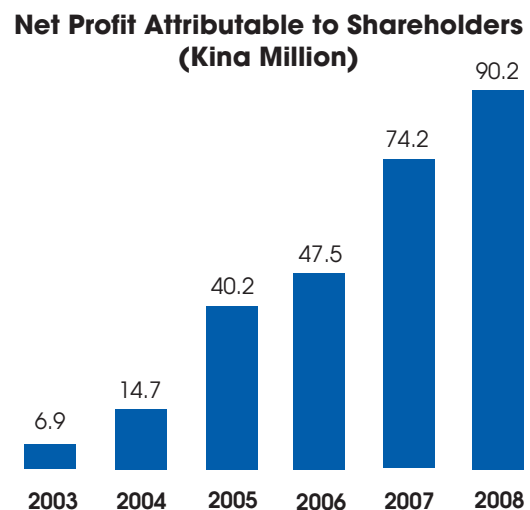
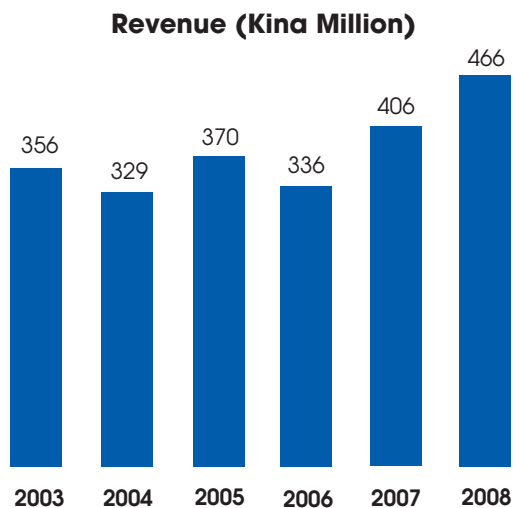
Vale: Sir Daniel Joseph Leahy Kt (1930 – 2009)

The untimely passing of Sir Daniel Leahy represents the end of a very significant era in the Company's history.

A Steamships company Director from 1986 to 2004, and Chairman from 1986 to 1997, Sir Dan will not only be remembered for his unwavering role in the development of Steamships, but also for his role in the economic and social development of Papua New Guinea, particularly in the Highlands.



W.L. Rothery
Chairman



STEAMSHIPS TRADING COMPANY LIMITED

DIRECTORS' REVIEW

SHIPPING

Steamships Shipping performed above expectation in 2008. The division's strategy for the next three years sees continued expansion through significant capital investment and nationwide growth.

The *MV Obo Chief* was returned to charter after undergoing conversion to a bulk fuel tanker in the Philippines. The division anticipates further fleet capacity growth with the addition of a geared landing craft type (LCT) vessel and a tug and barge, during 2009. 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.

Steamships continues to support the efforts of the National Maritime Safety Authority (NMSA) to improve operating standards that promote and ensure safety of life at sea and significant reductions to environmental impact. We encourage the PNG Government to approve, without delay, amendments to regulations under the PNG Merchant Shipping Act that will enable NMSA to properly perform its duties. Without these amendments NMSA risks damaging PNG's credibility as a maritime state and its position as a member of the International Maritime Organisation (IMO).

Shipping operations are still being hampered by the worsening condition of wharf infrastructure. It is hoped that plans to develop and extend port facilities in Lae will be prioritised to alleviate congestion at the country's largest and busiest port.

TRANSPORT

The Transport Division completed the year with encouraging results, despite some significant challenges through the year including operational restructuring, fuel price volatility and the frequent closure of the Highlands Highway.

The division has commenced a fleet development program and will add new vehicles from January. Together with enhanced HSSE and Training strategies, the division is confident of achieving budgeted growth, competencies and productivity.

PROPERTY

Steamships' Property commercial and residential locations recorded high occupancy levels through 2008. The division currently consists of 35,696m² of commercial property,

80,774m² of industrial property and 101 residential units. Ongoing and proposed projects include large commercial and office block developments, residential tower complexes and industrial warehousing. The most significant is the Papua Hotel on Mary Street, Port Moresby – a high rise development of 104 rooms, 54 suites and commercial space and will represent a series of landmarks in PNG in terms of cost, design, complexity and environmental awareness.

MANUFACTURING

Laga Industries is a household name in Papua New Guinea, synonymous with quality products including ice cream, cooking oils and a range of groceries and grooming products. It was a challenging year for manufacturing as business input costs were significantly impacted by the unprecedented global surge in commodity prices and shortages of critical ingredients. Despite these impediments, Manufacturing generated healthy returns and an increase in profits from previous periods. The new Port Moresby facilities will positively impact the division's ability to distribute products efficiently.

The merging of Laga Industries with Trade Winds in 2008 was a significant step to reduce costs and improve operating efficiencies. Trade Winds experienced strong growth in 2008 as consistent high quality and competitive pricing encouraged customer acceptance of our ready-to-drink (RTD) products and spirits. The Trade Winds building construction work in Lae will be commissioned in April 2009. The centralised production facility in Lae will complement strategies to improve efficiencies and reduce costs.

HOTELS

Revenues across the division have been strengthened by an increased demand for short and medium term accommodation and a more efficient yield-based rating structure. The year 2008 has seen additions to apartment inventory and an expansion of conference and banqueting facilities. Further expansion of the division will occur in 2009, underlining our confidence in the sustained demand for hotel accommodation and facilities. This will include a 42 room complex next to the Ela Beach Hotel as well as the construction of 35 premier rooms at the Gateway Hotel.

ASSOCIATES

DATEC

A poor performance through 2008 saw changes in executive management, key revenue streams and the cost

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structure. A review of Datec's product and service offering, together with additional training and customer service resources, will improve the Company's market share in 2009. A move to larger Port Moresby premises during 2009 will enhance the Company's retail position.

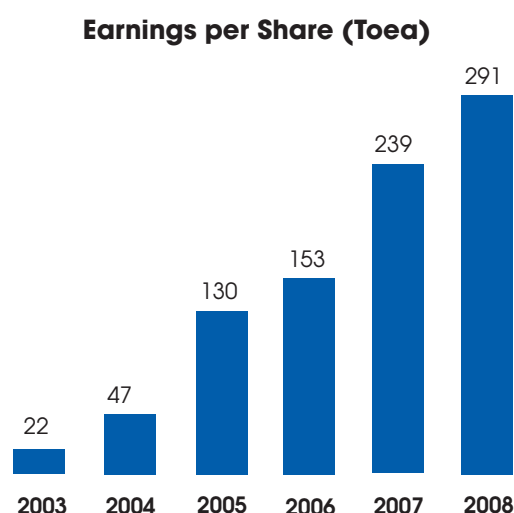
CONSORT

A good performance for 2008, despite an operationally challenging year. Volumes were above 2007 levels, however port congestion has again been significant. Congestion at Lae and Kimbe remains a major impediment to schedule integrity. The Lae tidal basin project will improve conditions at Lae and enable it to capitalise on import and export growth. We encourage the Government and its authorities to expedite this expansion without further delay.

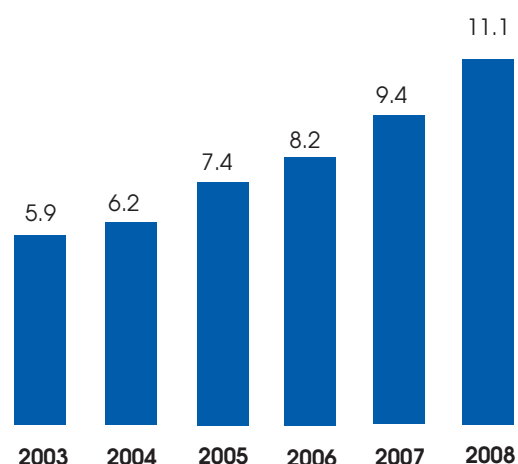
On a positive note, the highlight for the year was the purchase of the *MV Madang Coast*, delivered from the Caribbean with 100% PNG crew. The vessel entered service in August and has increased uplift capability and is helping to offset some of the berthing delays being experienced.

PACIFIC TOWING

Harbour towage, outside charter, salvage and diving operations performed solidly throughout 2008. The year's highlight was the successful refloating of a stranded container ship, which grounded whilst on passage from Rabaul to Oro Bay.



Net Asset Backing per Share (Toea)



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 time lost through injury (LTI) statistics are compiled and monitored.

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

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

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An external consultant from Australia visits our operations on a regular basis, without prior warning, to perform risk assessments of our business.

ENVIRONMENT

Steamships is committed to conducting its business in a sustainable manner. As a major diversified business group, the Company is very conscious of the potential impact of its activities on the environment. The Company is committed to ensuring it meets or exceeds all legal and regulatory requirements for environmental best practice wherever it does business. In line with this commitment and together with the requirements of the Swire Group, Steamships has implemented formal systems to monitor the impact its businesses have on the environment and to calculate its carbon footprint. Over time, as data is accumulated, this information will be used to implement plans and policies that will help to manage and reduce adverse effects on the environment and encourage increased sustainability across the Company's operations.

Steamships has already been active in working towards improvements in its impact on the environment. Some of this has been driven by external regulatory requirements, especially in respect of the Shipping and Transport Divisions. However, much has come from an understanding that the proper management of environmental issues can increase efficiency and productivity and reduce wastage and therefore costs. As the world comes to a greater understanding of the environmental dangers that face us all, so too Steamships' efforts continue to improve its sense of responsibility for the environment, and reduce, as far as is practicable, its carbon footprint and environmental impact. One of the most high profile projects that the Group has committed to – the development of its Papua Hotel and Apartments in May Street, which commenced construction during 2008 – has been specifically designed with environmental responsibility and sustainability in mind. Energy-hungry attributes, such as air-conditioning and lighting, will be controlled by computerised sensors, which will ensure that they are used in the most efficient way, thus minimising waste. This will be a first for Papua New Guinea, and an industry benchmark to a sustainable way forward for building developments in this country.

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 programs 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 PGK400,000, demonstrates the Company's commitment to the community within which it operates. Our initiatives are targeted across five main areas: Education, Health and Social Welfare, Environment, Community projects, and Business projects.

Steamships has continued as Platinum Sponsor of the PNG Business Coalition on 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 have received training, including "train the trainer" from BAHA, and have developed a Company policy on responsible workplace behaviour in respect of HIV and AIDS. The Company is also a major sponsor of Susu Mamas, a voluntary organisation that seeks to promote health care for pregnant and neo-natal women. Infant mortality in Papua New Guinea is high, at 6.84%, and Susu Mamas seeks to improve this through proper training and health care, which is scarcely available elsewhere. Organisations such as The Salvation Army and Rotary Against Malaria are also supported.

STAFF DEVELOPMENT

With 2,213 national employees, Steamships is one of the largest private-sector employers in the country and it takes the well-being and training of its workforce very seriously. Each division has detailed training programs which are monitored to ensure that the most appropriate training is provided. In addition to the division-based training, suitably qualified senior employees have the opportunity to attend training in the GRID program, which provides a framework for team-building and responsible feed-back. The Swire Group also conducts a number of finance and managerial courses at the campuses of INSEAD Business School in Singapore and France, and a small number of staff have the opportunity to attend these courses. 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 its employees.

CORPORATE GOVERNANCE STATEMENT

Steamships and its Board are committed to observing the highest standards of Corporate Governance and ethical standards, and they expect these standards from all employees. The Company believes that the maximisation of long term returns to shareholders is best achieved by acting in a socially-responsible manner 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.

Board of Directors

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

The Board currently comprises two executive directors, two independent directors and four directors who are associated with major shareholders. The Board seeks to maintain an appropriate blend of qualifications, skills and experience commensurate with the size and diverse activities of the Group.

The Board meets four times a year, and in 2008 the attendance rate was 91%. In addition to this, Board papers are circulated for approval.

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

The Australian Stock Exchange (ASX) recommends that the Chairman and a majority of the Board, and all of the members of the Audit Committee, be independent directors. This is not the case with Steamships, where the Company currently has a minority (two out of eight) of independent directors and one out of three independent directors on the Audit Committee. The Chairman of the Board is a representative of the majority shareholder. The directors serving during the year, who have declared themselves to be independent, are: Mrs. Winifred Kamit (Chairperson of the Audit Committee) and Mr. Gereia Aopi and the retired William Lawrence.

The Company currently has 97% of its shares held by three major shareholders, one of which holds 72% of the shares. Four of the directors are non-executive representatives of major shareholders. Other directors have been closely associated with the Company in recent years. The pool of available independent representatives in Papua New Guinea is small, and it would be very difficult to find an adequate number of truly independent directors qualified to serve on the Board. To disqualify existing directors on the grounds of lack of independence would deprive the Company of valuable experience in the management of its affairs. While recognising the force behind the ASX's recommendations, the Board however 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.

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, personnel management and staff development.

Steamships has adopted a structured approach to strategic business planning across the Group. The Company considers the key stakeholders and has an understanding of their fundamental requirements, and takes the strategic approach necessary to meet those requirements. The Company has implemented KPI monitoring tools to ensure that the business remains focused on the strategies and the

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action plans outlined to achieve them. These measures are assessed on a quarterly basis, while the strategic plans have a three year planning horizon.

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

Audit Committee and Internal Control

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

The Board is assisted in discharging its responsibilities by the Audit Committee, which is chaired by an independent director and two non-executive directors. 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 does not have 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 the 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.

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INCOME STATEMENTS

Steamships Trading Company Limited and Subsidiary Companies

		Consolidated		Holding Company	
		Dec 08	Dec 07	Dec 08	Dec 07
	Note	K'000	K'000	K'000	K'000
Revenue	3(a)	465,750	406,757	20,472	51,593
Operating expenses	3(b)	(368,811)	(320,023)	(4,790)	(3,370)
OPERATING PROFIT		96,939	86,734	15,682	48,223
Finance costs - net	3(d)	(4,534)	(1,689)	-	-
Share of profit of associates and joint ventures	16(d)	16,837	15,029	-	-
PROFIT BEFORE INCOME TAX		109,242	100,074	15,682	48,223
Income tax expense	4(a)	(31,485)	(26,198)	(2)	(194)
GROUP PROFIT CONTINUING OPERATIONS		77,757	73,876	15,680	48,029
Profit on discontinued operations	22	17,887	4,492	-	-
GROUP PROFIT		95,644	78,368	15,680	48,029
Minority interests		(5,418)	(4,211)	-	-
NET PROFIT					
ATTRIBUTABLE TO SHAREHOLDERS		90,226	74,157	15,680	48,029
Earning per share continuing (toea)	3(f)	233†	225†		
Earnings per share discontinuing (toea)	3(f)	58†	14†		

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

STEAMSHIPS TRADING COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Steamships Trading Company Limited and Subsidiary Companies

	Share Capital	Revaluation Reserves	Proposed Dividend	Retained Earnings	Total Capital Reserves	Minority Interests	Total Equity
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
BALANCE AT 1 JANUARY 2007	24,200	1,626	23,256	193,951	243,033	11,094	254,127
Depreciation transfer	-	(1,467)	-	1,467	-	-	-
Dividends paid 2007	-	-	(38,760)	-	(38,760)	(1,621)	(40,381)
Dividend proposed 2007	-	-	38,760	(38,760)	-	-	-
Net profit	-	-	-	74,157	74,157	4,211	78,368
BALANCE AT 31 DECEMBER 2007	24,200	159	23,256	230,815	278,430	13,684	292,114
Depreciation transfer	-	(159)	-	159	-	-	-
Dividends paid 2008	-	-	(41,861)	-	(41,861)	(766)	(42,627)
Dividends proposed 2008	-	-	45,272	(45,272)	-	-	-
Net profit	-	-	-	90,226	90,226	5,418	95,644
BALANCE AT 31 DECEMBER 2008	24,200	-	26,667	275,928	326,795	18,336	345,131

This statement is to be read in conjunction with the accompanying notes.

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

STEAMSHIPS TRADING COMPANY LIMITED

BALANCE SHEETS

Steamships Trading Company Limited and Subsidiary Companies

	Note	Consolidated		Holding Company	
		Dec 08	Dec 07	Dec 08	Dec 07
		K'000	K'000	K'000	K'000
EQUITY					
Issued capital	7	24,200	24,200	24,200	24,200
Reserves		-	159	-	-
Retained earnings		275,928	230,815	(30,270)	156
Proposed final dividend		26,667	23,256	26,667	23,256
Capital and reserves attributable to the Company's shareholders		326,795	278,430	20,597	47,612
Minority shareholders interests		18,336	13,684	-	-
TOTAL EQUITY		345,131	292,114	20,597	47,612
Non-current assets					
Property, plant and equipment	8	353,261	263,276	44,712	44,507
Investments in subsidiaries, associates and joint ventures	9(a)	33,337	22,225	42,142	41,992
Goodwill	10	7,578	3,568	-	-
Deferred tax asset	4(c)	4,150	5,358	1,405	1,056
		398,326	294,427	88,259	87,555
Current assets					
Inventories	11	24,951	37,962	-	-
Trade and other receivables	12(a)	76,557	97,533	163	4,206
Loans to associates and incorporated joint ventures		11,626	2,022	-	-
Other financial assets	12(b)	40,614	-	-	-
Cash and cash equivalents		760	106	-	-
		154,508	137,623	163	4,206
TOTAL ASSETS		552,834	432,050	88,422	91,761
Current liabilities					
Trade payables		16,187	26,926	-	-
Other payables and accruals		41,360	52,665	-	153
Provisions for other liabilities and charges	13	8,063	11,222	-	-
Loans from associates and incorporated joint ventures		1,991	978	67,525	43,082
Borrowings	14	31,671	36,995	-	-
Income tax payable		23,290	6,155	300	914
		122,562	134,941	67,825	44,149
Non-current liabilities					
Deferred tax liability	4(d)	647	647	-	-
Borrowings	14	80,000	-	-	-
Provisions for other liabilities and charges	13	4,494	4,348	-	-
		85,141	4,995	-	-
TOTAL LIABILITIES		207,703	139,936	67,825	44,149
NET ASSETS		345,131	292,114	20,597	47,612

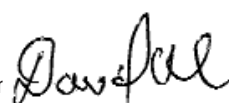
These balance sheets are to be read in conjunction with the accompanying notes.

For and on behalf of the Board:
31 March 2009

W. L. Rothery
Chairman



D.H. Cox OL
Managing Director



STEAMSHIPS TRADING COMPANY LIMITED

STATEMENTS OF CASH FLOWS

Steamships Trading Company Limited and Subsidiary Companies

Note	Consolidated		Holding Company	
	Dec 08	Dec 07	Dec 08	Dec 07
	K'000	K'000	K'000	K'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	479,740	377,150	4,269	-
Payments to suppliers and employees	(323,317)	(291,053)	(222)	-
Interest received	120	72	-	-
Interest and other finance costs paid	(4,654)	(1,761)	-	-
Income tax paid	(9,386)	(12,647)	(710)	(299)
Net cash provided by operating activities	142,503	71,761	3,337	(299)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant & equipment	(133,657)	(77,732)	(6,391)	(18,671)
Proceeds from sales of property, plant & equipment	9,569	27,636	1,695	9,092
Payment for purchase of equity investment	(40,614)	-	-	-
Loans made (to)/repaid by associated companies	(8,597)	2,188	27,385	5,003
Dividends received	646	3,956	15,525	43,635
Net cash used in investing activities	(172,653)	(43,952)	38,214	39,059
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceedings from borrowings	80,000	5,000	-	-
Repayments of borrowings	(15,000)	(654)	-	-
Dividends paid	(43,891)	(40,381)	(41,551)	(38,760)
Net cash provided by financing activities	21,109	(36,035)	(41,551)	(38,760)
NET INCREASE/(DECREASE) IN CASH HELD	(9,041)	(8,226)	-	-
CASH AT BEGINNING OF THE YEAR	(21,797)	(13,571)	-	-
CASH AT END OF THE YEAR	(30,838)	(21,797)	-	-
CASH COMPRISES:				
Cash and cash equivalents	760	106	-	-
Bank overdrafts	(31,598)	(21,903)	-	-
	(30,838)	(21,797)	-	-

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STEAMSHIPS TRADING COMPANY LIMITED

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 2009.

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

(i) Standards effective in 2008 but not relevant to the Group:

IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction';

IFRIC 11, 'IFRS 2 - Group and treasury share transactions';

IFRIC 12, 'Service concession arrangements'; and

IFRIC 13, 'Customer loyalty programmes'.

With the exception of IFRS 3 'Business Combinations', all recently issued or amended International Financial Reporting Standards not yet effective and not adopted for the year ended 31 December 2008 are not expected to result in significant accounting policy changes. IFRS 3 'Business Combinations' requires mandatory adoption of the economic entity model. Current practice under IFRS is overwhelmingly the parent company approach. This will represent a change in accounting policy. The consolidated entity will not adopt this standard early.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The accounts have been prepared under the historical

cost convention as modified by the revaluation of ships.

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

(b) Principles of consolidation

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

(c) Property, plant and equipment

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

Properties	0 - 10%
Ships	5 - 10%
Plant and fittings	10 - 33%
Motor vehicles	20 - 33%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Inventories

Inventories are valued at the lower of cost 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.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available, against which the temporary differences can be utilised.

(f) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

A liability for annual leave is recognised and measured at the amount of unpaid leave at amounts expected

to be paid to settle the present entitlements. A liability for long service leave is recognised taking into consideration expected future wage and salary levels, experience of employee departures and periods of service, discounted to present values.

A provision for estimated ship dry docking costs is only recognised where the Group has a contractual obligation under a long-term charter agreement to a third party. Dry docking costs relating to ships not under third party long term charter agreements are only recognised as incurred, and are capitalised to the extent that the previously assessed economic benefits associated with the asset are restored.

(g) Foreign currency

The Company's functional and presentation currency is the Papua New Guinea Kina. Transactions in foreign currencies have been translated into the functional currency at rates ruling at the date of the transaction. Amounts payable to and by the Group in foreign currencies have been translated to the functional currency at rates of exchange ruling at the year end. Gains and losses arising from movements in foreign exchange rates are recognised in the Income Statement when they arise.

(h) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition.

Goodwill is capitalised and assessed for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(i) Cash and cash equivalents

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

(j) Revenue recognition

Sales are recognised upon delivery of products and

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

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

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

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

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

(k) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for any uncollectable debts. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(l) Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Changes in accounting policies and comparatives

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

(n) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may

not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its fair value less costs to sell. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flow (cash generating units).

(o) Borrowing cost

Borrowing cost incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 6.4% (2007 - 5.1%).

(p) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

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

(q) Dividends

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

(r) Earnings per share

Basic earning per share is calculated by dividing the profit 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.

(s) Critical accounting estimates and judgements

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

(f) 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.

(u) Trade and other payables

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

(v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST. Receivables and payables are stated inclusive of GST. The amount of GST recoverable from, or payable to, the Taxation authority is included with other receivables or payables in the balance sheet.

(w) 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

Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized 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 cost.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is 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(k).

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

2. Financial risk management

The Group's activities expose it to a variety of financial risks including market risk (including currency, and cash flow interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group engages in international purchase transactions and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar. Foreign exchange risk arises from recognised assets and liabilities.

The Group's foreign currency purchases do not represent a significant proportion of the Group's costs and as such exposure to foreign currency risk is minimal. It is not the Group's policy to hedge foreign currency risk. As the foreign currency exposure is minimal no sensitivity analysis is provided.

(ii) Price risk

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

(iii) Cash flow interest rate risk

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

The Group's 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.

(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.

Forecasted liquidity reserve as of 31 December 2008 is as follows:

	2009 K'000	2010 K'000
Opening balance for the period	(110,911)	(96,780)
Operating proceeds	164,998	157,000
Capital Expenditure	(252,594)	(106,950)
Payments of debts and dividends	(48,273)	(48,000)
Commitment of new credit facilities	150,000	-
Closing balance for the period	(96,780)	(94,730)

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.

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
At 31 December 2008 K'000				
Borrowings	(31,671)	-	(80,000)	-
Trade & other payables	(16,187)	-	-	-
Dividends	(26,667)	-	-	-
At 31 December 2007				
Borrowings	(36,995)	-	-	-
Trade & other payables	(26,926)	-	-	-
Dividends payable	(23,256)	-	-	-

The Group does not hold derivative financial instruments.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total

capital. Net debt is calculated as total borrowings (including "borrowings" and "trade and other payables" as shown in the balance sheet) less cash and cash equivalents 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:

	2008 K'000	2007 K'000
Total borrowings	111,671	36,995
Less: cash & cash equivalents	760	106
Net debt	110,911	36,889
Total equity	326,795	278,430
Total capital	24,200	24,200
Gearing ratio	34%	13%

The higher gearing ratio in 2008 resulted primarily from additional debt to fund the capital works being undertaken.

(e) Fair value estimation

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

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

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

	Consolidated		Holding Company	
	Dec 08	Dec 07	Dec 08	Dec 07
	K'000	K'000	K'000	K'000
3. Operating results				
(a) Revenue comprises:				
Revenue from sale of goods	179,044	169,507	-	-
Revenue from provision of services	283,928	235,085	-	-
Other income	2,778	2,165	20,472	51,593
Total Revenue	465,750	406,757	20,472	51,593
(b) Operating expenses comprise:				
Changes in inventories of finished goods and work in progress	523	1,968	-	-
Raw materials and consumables used	134,427	120,588	-	-
Staff costs	91,139	80,385	-	-
Depreciation and amortisation	39,316	35,608	4,492	3,160
Electricity and fuel	15,015	13,281	-	-
Insurance	14,515	11,517	-	-
Motor Vehicle expenses	26,918	24,313	-	-
Shipping and Survey costs	2,283	2,231	-	-
Repairs & Maintenance	16,039	15,520	-	-
Other operating expenses	28,636	14,612	298	210
Total operating expenses	368,811	320,023	4,790	3,370
(c) The operating profit before income tax is arrived at after charging and crediting the following specific items:-				
Charges:				
Audit fees	698	550	10	10
Other fees to the Auditors	349	363	-	-
Bad and doubtful debts	2,355	1,126	-	-
Donations	450	645	-	-
Credits:				
Subsidiary companies' dividends	-	-	15,525	43,635
Rental property income	26,548	23,038	-	-
Net foreign exchange transaction gains	671	363	-	-
Profit (loss) on sale of properties	5,213	21,016	-	4,376
(d) Finance costs - net				
Interest expense	4,654	1,761	-	-
Interest income	(120)	(72)	-	-
Net finance costs	4,534	1,689	-	-
(e) Staff costs:				
Wages and salaries	62,420	55,187	-	-
Retirement benefit contributions	7,206	4,940	-	-
Accommodation and other benefits	21,513	20,258	-	-
	91,139	80,385	-	-
Number of staff employed by the Group at year end.				
Full time	2,268	2,504	-	-

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

Consolidated		Holding Company	
Dec 08	Dec 07	Dec 08	Dec 07
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	90,226	74,157	-	-
Weighted average number of ordinary shares on issue (thousands)	31,008	31,008	-	-
Basic earnings per share	291†	239†	-	-
Split between:				
Continuing operations	233†	225†	-	-
Discontinued operations	58†	14†	-	-

4. Income tax

(a) Current tax	26,895	22,414	2	199
Deferred tax	(489)	(489)	-	(5)
Share of associates' tax	5,079	4,273	-	-
	31,485	26,198	2	194

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

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

Prima facie tax payable on operating profit	32,773	30,022	4,705	14,467
Tax effect of rebateable dividends	-	-	(4,658)	(13,090)
Exempt income	(1,741)	(5,615)	(45)	(1,180)
Permanent differences	1,257	1,188	-	2
Prior year over/under provisions	(804)	603	-	(5)
	31,485	26,198	2	194

(c) The deferred tax asset comprises:

Provisions	6,672	7,135	67	68
Prepayments	(1,089)	(2,343)	-	-
Tax depreciable assets	(1,554)	206	1,338	988
Tax losses	121	360	-	-
	4,150	5,358	1,405	1,056

There is a K1,598,502 (2007: K1,598,502) deferred tax asset not recognised in a subsidiary company.

(d) The deferred tax liability comprises:

Revaluation of ships	647	647	-	-
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STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

5. Segmental reporting

(a) Divisional segments

The Group operates in the following commercial areas:

	Retail	Hotels	Manufacturing	Shipping & Transport	Property & Investment	Elimination Unallocated	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
2008							
External revenue	64,152	74,998	114,892	182,382	26,548	-	462,972
Intersegmental revenue	700	5,888	182	4,260	10,340	(21,370)	-
Total Revenue	64,852	80,886	115,074	186,642	36,888	(21,370)	462,972
Segment Results	4,410	28,069	13,375	38,730	27,031	-	111,615
Share of associate entities' profit	-	-	-	-	-	16,837	16,837
Income tax expense	(1,323)	(8,420)	(4,013)	(11,619)	(2,354)	(5,079)	(32,808)
Group Profit	3,087	19,649	9,362	27,111	24,677	11,758	95,644
Segment assets	-	72,187	68,077	142,529	270,041	-	552,834
Segment liabilities	-	(8,247)	(12,024)	(25,429)	(162,003)	-	(207,703)
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
2007							
External revenue	69,210	59,712	100,297	152,335	23,038	-	404,592
Intersegmental revenue	615	4,680	519	6,658	10,046	(22,518)	-
Total Revenue	69,825	64,392	100,816	158,993	33,084	(22,518)	404,592
Segment Results	6,163	16,009	11,765	30,491	26,780	-	91,208
Share of associate entities' profit	-	-	-	-	-	15,029	15,029
Income tax expense	(1,671)	(4,675)	(3,371)	(9,147)	(4,732)	(4,273)	(27,869)
Group Profit	4,492	11,334	8,394	21,344	22,048	10,756	78,368
Segment assets	23,059	55,531	53,039	134,746	165,675	-	432,050
Segment liabilities	(8,291)	(6,790)	(14,324)	(38,987)	(71,544)	-	(139,936)
Net Assets	14,768	48,741	38,715	95,759	94,131	-	292,114
Capital expenditure	1,603	6,700	5,895	32,549	30,985	-	77,732
Depreciation	687	4,592	2,756	19,102	8,471	-	35,608

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.

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

6. Related party disclosures

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

	Consolidated		Holding Company	
	Dec 08	Dec 07	Dec 08	Dec 07
	K'000	K'000	K'000	K'000
(a) Material transactions:				
Sales of goods and services				
Associates & Joint Venture	7,850	6,565	-	-
Collins & Leahy Group	591	1,018	-	-
Other Shareholders	1,228	46	-	-
Shareholders of Assoc Coys	2,269	1,845	-	-
Lease and rental income	349	323	-	-
Dividends received	3,548	3,635	15,525	43,635
Management fees received	418	96	-	-
Loans from Associates	-	894	-	-
Purchase of goods and services				
Associates & Joint Venture	(16,229)	(21,023)	-	-
Collins & Leahy Group	(648)	(555)	-	-
Other Shareholders	(472)	(549)	-	-
Shareholders of Assoc Coys	(255)	(413)	-	-
Purchase of assets				
Associates & Joint Venture	(63)	(2,177)	-	-
Loans to associates				
Equity instrument in associate	(40,614)	-	-	-
Associates & Joint Venture	(8,192)	(2,354)	-	-

On 1 Jan 2008 Steamships Ltd sold TradeWinds Ltd to Laga Industries for K20m.

On 31 December 2008 a selection of Companies were amalgamated per Note 23.

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

(b) **Directors:**

G.J. Dunlop, W.L. Rothery and E.H. Ruha 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 K9,235,218 (2007: K10,050,227) 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 08	Dec 07	Dec 08	Dec 07
	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
(b) Reserves comprise				
Revaluation of ships	-	159	-	-

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

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

	Consolidated		Holding Company	
	Dec 08	Dec 07	Dec 08	Dec 07
	K'000	K'000	K'000	K'000
8. Property, Plant & Equipment				
Property				
Opening net book amount	121,235	100,708	42,459	27,741
Building under construction	85,757	28,128	-	-
Additions	13,476	3,502	4,552	18,671
Disposals cost	(3,422)	(6,222)	(1,156)	(1,369)
Disposals accumulated depreciation	553	2,728	39	1,186
Depreciation charge	(8,135)	(7,609)	(3,715)	(3,770)
Closing net book amount	209,464	121,235	42,179	42,459
Cost or valuation	294,800	198,989	76,120	72,724
Accumulated depreciation	(85,336)	(77,754)	(33,941)	(30,265)
Net book amount	209,464	121,235	42,179	42,459
Ships				
Opening net book Amount	52,883	44,991	-	-
Additions	2,123	16,116	-	-
Disposals - cost	(2,775)	(213)	-	-
Disposals - accum depreciation	2,775	213	-	-
Depreciation charge	(8,787)	(8,224)	-	-
Closing net book amount	46,219	52,883	-	-
Cost or valuation	125,783	126,435	6,474	6,474
Accumulated depreciation	(79,564)	(73,552)	(6,474)	(6,474)
Net book amount	46,219	52,883	-	-
Plant & vehicles				
Opening net book amount	89,158	82,074	2,048	2,048
Additions	32,301	29,986	1,839	-
Disposals - cost	(4,055)	(9,392)	(1,539)	-
Disposals - accum depreciation	2,568	6,265	961	-
Depreciation charge	(22,394)	(19,775)	(776)	-
Closing net book amount	97,578	89,158	2,533	2,048
Cost or valuation	200,660	172,414	4,141	3,841
Accumulated depreciation	(103,082)	(83,256)	(1,608)	(1,793)
Net book amount	97,578	89,158	2,533	2,048

Included in the 'Property' classification at 31 December 2008 are buildings under construction of K85.7M (2007: K28.1M).

The cost of additions in 2008 includes capitalised borrowing costs of K1.1M (2007: KNil) in relation to qualifying assets.

STEAMSHIPS TRADING COMPANY LIMITED

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 Range Lower Higher K'000 K'000	
Commercial Internal	71,773	221,902	253,622
Commercial External	92,447	224,215	262,225
Residential	45,244	132,280	154,640
Total	209,464	578,397	670,487

9. Investments in subsidiaries, associates and joint ventures

	Consolidated		Holding Company	
	Dec 08	Dec 07	Dec 08	Dec 07
	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	41,853
Investments in associates and joint ventures	33,337	22,225	139	139
	33,337	22,225	42,142	41,992

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

(c) Investments in associates and joint ventures have been accounted for according to the policy in note 1(b). Associates and joint ventures are shown in note 21.

10. Goodwill

	Consolidated		Holding Company	
	Dec 08	Dec 07	Dec 08	Dec 07
	K'000	K'000	K'000	K'000
Opening net book amount	3,568	3,568	-	-
Additions	4,010	-	-	-
Impairment	-	-	-	-
Closing net book amount	7,578	3,568	-	-

Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to operating segment. The goodwill balance of K7.5M (2007: K3.5M) is attributable to the Manufacturing division. 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 2008.

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

11. Inventories

	Consolidated		Holding Company	
	Dec 08	Dec 07	Dec 08	Dec 07
	K'000	K'000	K'000	K'000
Raw materials	2,759	1,342	-	-
Work in progress	572	337	-	-
Finished goods	22,355	38,309	-	-
Provision for obsolescence	(735)	(2,026)	-	-
	24,951	37,962	-	-

12(a). Trade and other receivables

Trade receivables	48,293	46,119	-	-
Provision for impairment	(3,048)	(2,153)	-	-
	45,245	43,966	-	-
Other receivables & prepayments	29,467	51,709	163	4,206
External loans	1,845	1,858	-	-
	76,557	97,533	163	4,206

As at 31 December 2008, trade receivables of K3.0 million (2007: K2.1million) 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	-	-	-	-
Over 6 months	3,048	2,153	-	-
	3,048	2,153	-	-

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

Opening balance	2,153	591	-	-
Provision for receivables impaired	895	1,562	-	-
Total	3,048	2,153	-	-

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 assets

This is at fair value through the profit and loss.
It is an equity instrument in Pacific Rumana Limited.

	40,614	-	-	-
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STEAMSHIPS TRADING COMPANY 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	Total	
	K'000	K'000	K'000	K'000	K'000
At 31 December 2007	10,188	4,268	1,114	15,570	13,094
Charged to profit & loss	41	2,283	108	2,432	10,170
Utilised during year	(1,041)	(3,554)	(850)	(5,445)	(7,694)
	9,188	2,997	372	12,557	15,570
Short-term provisions at 31 December 2008	4,694	2,997	372	8,063	11,222
Long-term provisions at 31 December 2008	4,494	-	-	4,494	4,348
	9,188	2,997	372	12,557	15,570

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

14. Borrowings

	Consolidated		Holding Company	
	Dec 08	Dec 07	Dec 08	Dec 07
	K'000	K'000	K'000	K'000
Current:				
Bank overdrafts (secured)	31,598	21,903	-	-
Bank loans (secured)	-	15,000	-	-
Other loans (unsecured)	73	92	-	-
	31,671	36,995	-	-
Non-current:				
Bank loans (secured)	80,000	-	-	-

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 6.45% (2007: 6.75%). Bank overdrafts are interest-only with no agreed repayment schedule. Bank loans are secured loans payable in five years time.

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

15. Capital expenditure commitments

Contracts outstanding for capital expenditure amounted to K175,344,937 (2007: 23,032,346).

16. Investments in associates and joint ventures

	Consolidated		Holding Company	
	Dec 08	Dec 07	Dec 08	Dec 07
	K'000	K'000	K'000	K'000
(a) Carrying amounts:				
Total Associates & Joint Ventures	33,337	22,225	42,142	41,992

Each of the above associates is incorporated in Papua New Guinea and are listed in Note 21.

(b) Movements in carrying amounts

	Consolidated	
	Dec 08	Dec 07
	K'000	K'000
Carrying amount at the beginning of the financial year	22,225	16,824
Share of profit before income tax	16,837	15,029
Income tax expense	(5,079)	(4,273)
Dividends received/receivable	(646)	(4,555)
Transfers/Sales	-	(800)
Carrying amount at the end of the financial year	33,337	22,225

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

	Dec 08	Dec 07
	K'000	K'000
Profit before income tax	16,837	15,029
Income tax expense	(5,079)	(4,273)
Profit after income tax	11,758	10,756

(d) Summarised financial information of associates and joint ventures

	Dec 08	Dec 07
	K'000	K'000
Current assets	147,360	31,966
Non-current assets	35,469	53,893
	182,829	85,859
Current liabilities	64,384	39,179
Non-current liabilities	85,108	24,455
	149,492	63,634
Net assets	33,337	22,225
The Group's share of profits of the joint venture comprises:		
Revenue	134,902	122,863
Expenses	(118,065)	(107,834)
Profit before income tax	16,837	15,029

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

17. Retirement benefit plans

The total cost of retirement benefits of the Group in 2008 was K7,206,000 (2007: K4,960,000). The Group participates in the National Superannuation Fund of Papua New Guinea, a multi-employer defined contribution fund, on behalf of all citizen employees with minimum employer and employee contribution rates established by legislation.

The Group also contributes to a defined contribution superannuation plan on behalf of senior management. The defined contribution superannuation plan was established in 2002.

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

18. Financial instruments

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

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

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

The Group had no foreign currency borrowings at the balance sheet date (2007: NIL).

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

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

19. Contingent 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.

Contingent Assets

In late 2008 a property owned by the Group was destroyed by fire. The property was insured and it is expected that insurance proceeds in excess of the property's carrying value will be received. The insurance company's investigation into the fire is continuing and at this point no income has been recognised as the receipt of proceeds is dependent on the outcome of this report.

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

20. Subsidiary companies

	Beneficial Interest %		Beneficial Interest %
Kavieng Port Services Limited	60	Port Services PNG Limited	54
Lae Port Services Limited	51	Progressive Traders Limited	100
Laga Industries Ltd	68	Steamships Limited	100
Laurabada Shipping Services Limited	100	Tanubada Food Processors Limited	88
Laurabada Property Limited	100	Windward Apartments Limited	100
Madang Port Services Limited	60		

21. Associates and joint ventures

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

All companies are incorporated in Papua New Guinea.

STEAMSHIPS TRADING COMPANY LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

Steamships Trading Company Limited and Subsidiary Companies

22. Discontinued operations

On 16th November 2008, the Group, the Group sold its Hardware operations (not including land & buildings) to City Pharmacy Limited. The sale included stock, fixtures, fittings and goodwill.

The financial performance cash flow information and carrying amounts of assets and liabilities are until 16 November 2008 and the year ended 31 December 2007.

	Nov 08 K'000	Dec 07 K'000
Operating Results		
Revenue	64,852	69,825
Operating costs	60,442	63,662
Profit from operations	4,410	6,163
Earnings per Share	14t	20t
Goodwill on disposal	14,800	-
Net Profit (loss)	19,210	6,163
Tax	(1,323)	(1,671)
Profit (loss) after tax	17,887	4,492
Cash Flows		
Operating cash flows	4,407	(4,514)
Investing cash flows	1,387	5,271
Total cash flows	5,794	757
Net Assets		
Total assets	3,487	23,059
Total liabilities	(5,569)	(8,291)
Net assets	(2,082)	14,768

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

23. Amalgamated Companies

On 31st December 2008 the following amalgamations occurred.

- Monier Allied Products, Monier (PNG) Limited, Coral Sea Hotels Limited, Bird of Paradise Hotel Limited and Henganofi Hotel Limited were amalgamated into Steamships Limited.
- Papua New Guinea Shipping Corporation Limited, Melanesian Soap Products Limited, PNG Mainport Liner Services were amalgamated into Steamships Trading Company Limited.

24. Subsequent events

- On 24 February 2009 the Directors declared a final dividend of 86 toea per share to be payable immediately after the Annual General Meeting on 19 May 2009. The gross dividend of K26.6M has been recognized as a separate component of equity at 31 December 2008.

STEAMSHIPS TRADING COMPANY LIMITED

INDEPENDENT AUDIT REPORT TO THE MEMBERS

Steamships Trading Company Limited and Subsidiary Companies

Report on the financial statements and consolidated financial statements

We have audited the accompanying financial statements of Steamships Trading Company Limited (the 'Company') and the consolidated financial statements of the Company and its subsidiaries (the 'Group') which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements and consolidated financial statements in accordance with International Financial Reporting Standards, other generally accepted accounting practice in Papua New Guinea and with the requirements of the Papua New Guinea Companies Act 1997. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements of the Company and the consolidated financial statements of the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2008, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and with the requirements of the Papua New Guinea Companies Act 1997.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers

By: Brett Entwistle
Registered under the Accountants Act 1996

Port Moresby
31 March 2009

STEAMSHIPS TRADING COMPANY LIMITED

DIRECTORS' REPORT

Steamships Trading Company Limited and Subsidiary Companies

The directors submit their Annual Report for the year ended 31 December 2008 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, 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

There have been no changes in accounting policies.

Result

The Group operating profit for the year attributable to shareholders was K90,226,000 (2007: K74,157,000).

Dividend

The directors advise that a final dividend of 86 toea per share will be paid immediately after the Annual General Meeting on 19th May 2009. The exchange rate Kina to Australian Dollar applying on 5th May 2009 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.

STEAMSHIPS TRADING COMPANY LIMITED

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; Hiram 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	Nil	Nil
G.J. Dunlop Managing Director 2000 to 2003 Company Secretary 1987 to 2003 Member Audit Committee Director since 1995	Director, John Swire & Sons (PNG) Ltd and group companies. Director John Swire & Sons Pty Ltd; City Pharmacy Group Ltd; Hardware Haus Pty Ltd.	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
W.L. 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 & Secretary; John Swire & Sons (PNG) Ltd and group companies	Nil

STEAMSHIPS TRADING COMPANY LIMITED

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:

	2008	2007
	K'000	K'000
W.L. Rothery	25	35
G.J. Dunlop	41	41
G. Aopi, CBE	25	31
Sir Michael Bromley, KBE	41	31
D.H. Cox OL	628	524
W.A. Lawrence, OBE (resigned 19th May 2008)	65	31
W. Kamit, CBE	31	25
C.W. Raper (resigned 20th August 2008)	187	228
C.R. Kendall	25	12
E. H. Ruha (appointed 20th August 2008)	105	0

Remuneration of Employees

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

	2008	2007		2008	2007
K100,000 - K109,999	3	2	K400,000 - K409,999	1	-
K120,000 - K129,999	2	-	K410,000 - K419,999	2	2
K130,000 - K139,999	1	1	K420,000 - K429,999	2	-
K150,000 - K159,999	-	1	K440,000 - K449,999	2	2
K160,000 - K169,999	3	-	K450,000 - K459,999	1	1
K180,000 - K189,999	1	1	K460,000 - K469,999	-	1
K190,000 - K199,999	-	1	K470,000 - K479,999	1	1
K200,000 - K209,999	-	1	K480,000 - K489,999	2	1
K210,000 - K219,999	4	4	K500,000 - K509,999	1	-
K220,000 - K229,999	1	1	K510,000 - K519,999	1	-
K230,000 - K239,999	1	1	K520,000 - K529,999	-	1
K240,000 - K249,999	1	2	K530,000 - K539,999	-	1
K250,000 - K259,999	-	1	K560,000 - K569,999	-	1
K260,000 - K269,999	2	1	K570,000 - K579,999	3	1
K270,000 - K279,999	1	-	K580,000 - K589,999	-	1
K280,000 - K289,999	1	1	K590,000 - K599,999	-	4
K290,000 - K299,999	-	1	K600,000 - K609,999	-	1
K300,000 - K309,999	-	2	K630,000 - K639,999	2	-
K310,000 - K319,999	1	2	K650,000 - K659,999	2	-
K320,000 - K329,999	1	2	K672,000 - K672,999	1	-
K330,000 - K339,999	2	1	K680,000 - K689,999	-	-
K340,000 - K349,999	2	3	K690,000 - K699,999	-	1
K350,000 - K359,999	2	2	K726,000 - K726,999	1	-
K360,000 - K369,999	1	1	K760,000 - K769,999	1	-
K370,000 - K379,999	1	2	K830,000 - K839,999	1	-
K390,000 - K399,999	1	3			

In addition, an amount of K9,235,218 (2007: K10,050,227) was paid to SCL Nominees Limited for management services. Details of auditors' remuneration and donations are shown in Note 3 to the accounts.

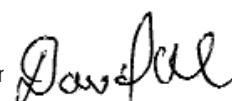
For and on behalf of the Board:

Port Moresby
31st March 2009.

W. L. Rothery
Chairman



D.H. Cox OL
Managing Director



STEAMSHIPS TRADING COMPANY LIMITED

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 2009, there were 371 shareholders.

248	holding	1	-	1,000 units
90	holding	1,001	-	5,000 units
19	holding	5,001	-	10,000 units
15	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
Brislan Nominees Pty Ltd	6,178,285	19.92
National Superannuation Fund	1,664,581	5.37
John E Gill Operations Ltd	54,727	0.18
Kelvenside Pty Ltd	50,000	0.16
RSM Pension Fund AC RSM Pension Fund AC	36,513	0.12
Mrs M Elkington	34,755	0.11
Roger Wayne Harrison	31,000	0.10
PCSM Pension Fund	23,580	0.08
Mr R Mahtani	21,700	0.07
Malcolm Burns Reid	21,626	0.07
Hylec Investments Pty Ltd	20,494	0.07
Engoordina Pty Ltd	15,078	0.05
Dr Gordon Bradley Elkington	12,966	0.04
Derrick Charles Whitaker	10,348	0.03
Ms J Forbes	10,000	0.03
Miss Shirin Moayyad	10,000	0.03
Ms. Maureen Christie	9,240	0.03
BSP Capital Ltd	8,785	0.03
Mrs Mary Patricia Haughton	8,161	0.03
	<hr/> 30,584,490	<hr/> 98.64

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.

STEAMSHIPS TRADING COMPANY LIMITED

TABLE OF COMPARISONS

Steamships Trading Company Limited and Subsidiary Companies

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

