ANNUAL REPORT 2013

STEAMSHIPS TRADING COMPANY LIMITED

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PIONEERING SUSTAINABLE PROGRESS

Steamships Trading Company has a 95-year tradition of investing in Papua New Guinea's growth, development and progress. Its transition from pioneer coastal trader to a diversified leader in shipping, transport, property, manufacturing, hotels and information technology has been integral to, and part of, Papua New Guinea's development into a modern and formative leader within the Asia Pacific region.

That tradition continues today.

Committed to our people, the sustainability of our operations, and the future of Papua New Guinea, Steamships Trading Company is *pioneering sustainable progress* in PNG into the twenty-first century.

BRIEF PROFILE OF STEAMSHIPS TRADING COMPANY LTD

Steamships Trading Company (Steamships) has a long history in Papua New Guinea and is one of the country's leading businesses. Today Steamships is a well-established business conglomerate with diverse commercial interests and listings on both the Australian and Port Moresby Stock Exchanges.

Steamships has a vision to build a valuable and profitable business that is widely respected as being the best company to work for and with which to do business.

Integral to this vision are the following business strategies:

- The long-term development of a diversified range of businesses in which shareholder value can be created;
- Employment of staff who we believe will further our strategic objectives and will be committed to the Group for the long term and providing them with rewarding careers;
- Operational excellence in the way we conduct our business;
- Doing business in a sustainable manner; and
- Commitment to the highest standards of corporate governance.

The Group employs close to 4,000 PNG citizens and non-citizens in seven diverse Divisions grouped under the three operating categories of Logistics, Property and Hotels, and Commercial.

Steamships has redefined its values to include the following:

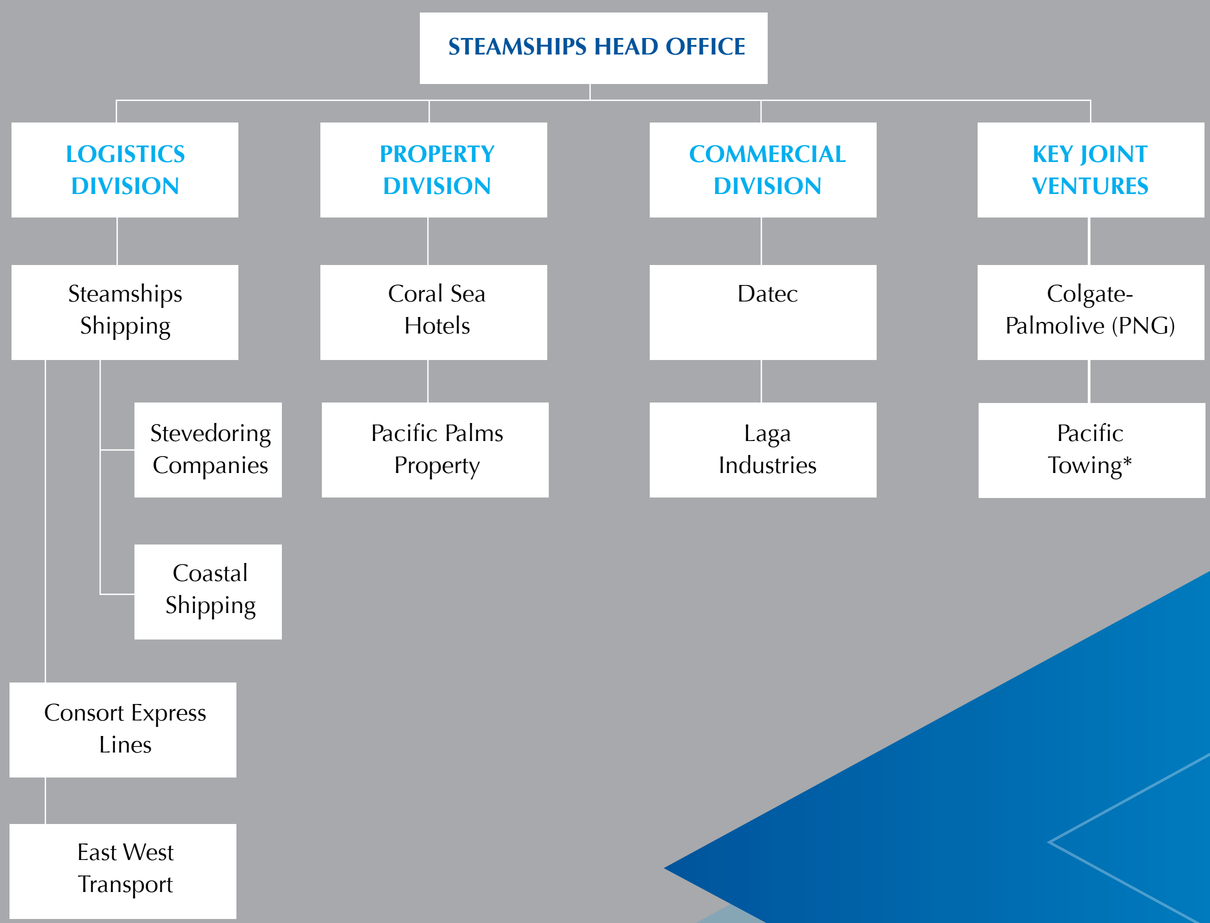
- Integrity – Taking the more ethical and honest path; honouring our commitments and delivering on our promises; creating a bond of trust that sustains relationships with our staff, customers, shareholders, business partners and the communities in which we do business.
- Excellence – Our customers and colleagues expect us to deliver high quality goods and services. If something is to be done, we believe it should be done in the best possible way.
- Humility – We believe in the need to respect and to learn from others. To do this we must be aware of our own limitations and to seek to understand other perspectives. Humility guides our approach to colleagues, customers and partners. This does not mean that we lack self-confidence but that we act with humble pride.
- Continuity – We take a long term view. We grow our business sustainably and create enduring value that earns the respect of our customers, our staff, our communities and our shareholders.
- Customer Focus – Our customers are the final judges of our success or failure. We understand and respond to the needs of our customers.
- Safety – We prioritise safety awareness and compliance to ensure our business operations are conducted safely.
- People Development – We value a working environment that fosters innovation and encourages personal development and learning.

Steamships is aware of its pre-eminent position in the community and its responsibility to serve that community. The Group continues to be one of PNG's largest private sector employers and one of the largest supporters of community initiatives in education, health, environment and social welfare. Steamships ensures that core sustainability concepts are embedded in its business models and systems. The Group is wholly aware that its business goals cannot be achieved unless this is the case.

Steamships cannot succeed without the engagement and support of the people it employs, the loyalty of and satisfaction of its customers, the local communities and the environment in which it operates.

With ninety-five years of service to the PNG community, Steamships is still showing it has the resources and capacity, vision and capability to meet the dynamic needs of a growing country.

STEAMSHIPS' ORGANISATIONAL STRUCTURE

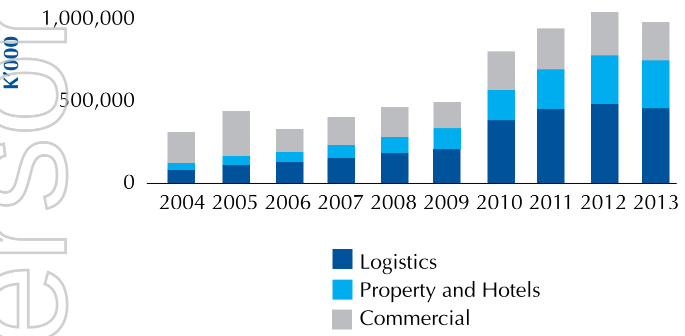


* The remaining interest in Pacific Towing was acquired by Steamships on the 21st November 2013.

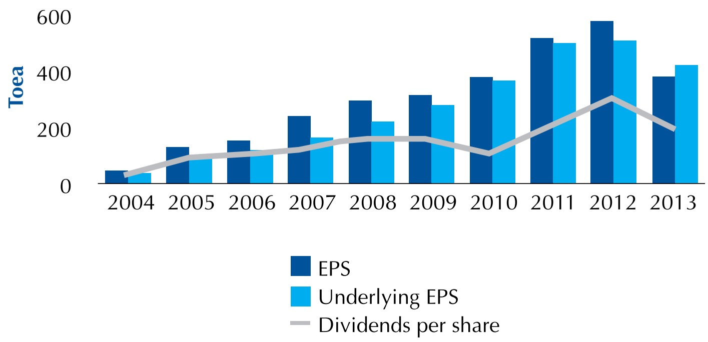
FINANCIAL HIGHLIGHTS

2013 FINANCIAL HIGHLIGHTS	2013 K'000	2012 K'000	Change %
Revenue	969,652	1,038,195	-7%
Operating profit	114,868	296,509	-61%
Profit attributable to shareholders	117,050	177,700	-34%
Cash generated from operations	236,608	266,866	-11%
Net cash inflow/(outflow) before financing	(73,984)	28,452	-360%
Shareholders' funds	717,016	677,178	6%
External Borrowings	640,284	491,700	30%
Earnings per share	377	573	-34%
Dividends per share	185	285	-35%
Shareholders' funds per share	2,312	2,184	6%
Underlying profit attributable to shareholders (see page 12)	128,367	156,213	-18%
Underlying earnings per share	414	504	-18%
Gearing ratio	46.4%	39.2%	18%
Interest cover	7.5	14.2	-47%
Dividend cover	2.0	2.0	0%

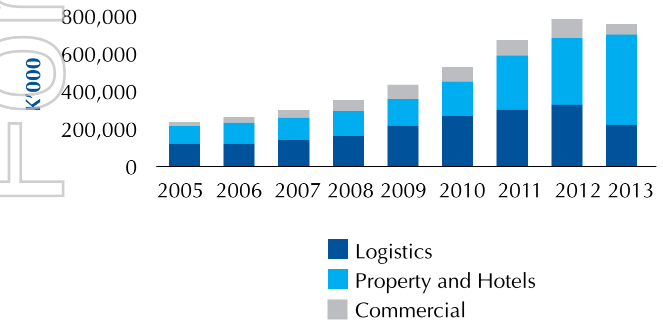
Turnover



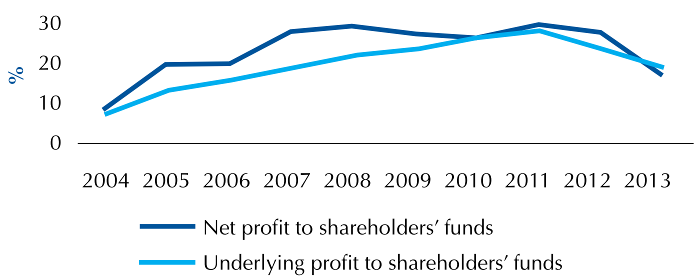
Earnings and Dividends



Return to Shareholders



Net Assets Employed



SUMMARY OF PAST PEFORMANCE

	2004 K'000	2005 K'000	2006 K'000	2007 K'000	2008 K'000	2009 K'000	2010 K'000	2011 K'000	2012 K'000	2013 K'000
INCOME STATEMENT										
Revenue	328,880	370,037	336,302	406,757	465,750	499,415	800,333	934,717	1,038,195	969,652
Operating profit before tax	13,590	45,434	53,502	91,208	111,615	120,602	180,834	233,967	265,574	80,674
Share of associates profit	11,118	13,389	15,115	15,029	16,837	16,732	11,416	13,859	14,188	9,697
Income tax expense	(6,969)	(16,589)	(18,357)	(27,869)	(32,808)	(34,637)	(53,935)	(67,727)	(81,414)	(11,930)
Minority interests	(3,036)	(2,026)	(2,781)	(4,211)	(5,418)	(6,137)	(21,870)	(21,838)	(20,648)	38,609
Net profit attributable to shareholders	**14,703**	**40,208**	**47,479**	**74,157**	**90,226**	**96,560**	**116,445**	**158,261**	**177,700**	**117,050**
Depreciation transfer	1,467	1,467	1,467	1,467	159	0	0	(1,061)	0	0
Equity adjustment	0	0	0	0	0	0	0	0	0	(8,994)
Dividends paid or provided	(5,583)	(20,157)	(31,008)	(38,760)	(45,272)	(45,272)	(31,008)	(58,916)	(88,373)	(57,365)
Earnings retained this year	**10,587**	**21,518**	**17,938**	**36,864**	**45,113**	**51,288**	**85,437**	**98,284**	**89,327**	**50,691**
Underlying profit attributable to shareholders (adjusted for significant items)	**13,848**	**28,696**	**35,067**	**49,926**	**67,770**	**85,120**	**113,597**	**153,566**	**156,213**	**128,367**
BALANCE SHEET										
SHARE CAPITAL & RESERVES										
Issued Capital	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200	24,200
Retained Earnings	162,157	196,161	218,833	254,230	302,595	353,883	428,157	554,349	652,978	692,816
Shareholders' funds	**186,357**	**220,361**	**243,033**	**278,430**	**326,795**	**378,083**	**452,357**	**578,549**	**677,178**	**717,016**
Minority Shareholder's Interest	6,431	10,056	11,094	13,684	18,336	43,854	62,851	75,365	84,322	22,907
EQUITY	**192,788**	**230,417**	**254,127**	**292,114**	**345,131**	**421,937**	**515,208**	**653,914**	**761,500**	**739,923**
Fixed Assets	173,858	193,639	227,773	263,276	353,261	664,196	786,510	938,709	1,023,861	1,066,393
Investments in Associated Companies	11,181	10,572	16,839	22,225	33,337	17,939	15,416	28,445	38,687	31,471
Future Income Tax Benefit	9,885	24,207	12,944	5,358	4,150	7,305	9,282	0	0	0
Goodwill	0	3,068	3,568	3,568	7,578	17,183	17,183	17,183	17,183	93,514
Current assets	95,308	98,588	98,006	137,623	154,508	203,480	294,203	299,634	411,920	353,916
TOTAL ASSETS	**290,232**	**330,074**	**359,130**	**432,050**	**552,834**	**910,103**	**1,122,595**	**1,283,971**	**1,491,651**	**1,545,294**
Current Liabilities	90,786	90,867	98,517	134,941	122,562	236,847	273,055	283,445	370,396	230,727
Non-Current Liabilities	6,658	8,790	6,486	4,995	85,141	251,319	334,331	346,612	359,755	574,644
TOTAL LIABILITIES	**97,444**	**99,657**	**105,003**	**139,936**	**207,703**	**488,166**	**607,386**	**630,057**	**730,151**	**805,371**
NET ASSETS	**192,788**	**230,417**	**254,127**	**292,114**	**345,131**	**421,937**	**515,208**	**653,914**	**761,500**	**739,923**
RATIOS										
Current assets to current liabilities	1.05	1.08	0.99	1.02	1.26	0.86	1.08	1.06	1.11	1.53
Borrowings to shareholders funds	15.5%	13.7%	10.6%	13.6%	34.8%	89.1%	89.7%	70.1%	72.6%	89.3%
Gearing	13.0%	11.6%	9.2%	11.5%	24.8%	44.4%	44.0%	38.3%	39.2%	46.4%
Tangible net asset backing per share (toea)	6.22	7.33	8.08	9.31	10.89	13.05	16.06	20.53	24.00	20.85
Net profit to revenue %	4.5%	10.9%	14.1%	18.2%	19.4%	19.3%	14.5%	16.9%	17.1%	12.1%
Net profit to shareholders' funds %	7.9%	18.2%	19.5%	26.6%	27.6%	25.5%	25.7%	27.4%	26.2%	16.3%
Underlying profit to shareholders' funds %	7.4%	13.0%	14.4%	17.9%	20.7%	22.5%	25.1%	26.5%	23.1%	17.9%
Dividends per share (toea)	18	65	100	125	146	146	100	190	285	185
Earnings per share (toea)	47	130	153	239	291	311	376	510	573	377
Underlying earnings per share (toea)	45	93	113	161	219	275	366	495	504	414
Earnings retained %	72.0%	53.5%	37.8%	49.7%	50.0%	53.1%	73.4%	62.1%	50.3%	43.3%

Notes

Earnings per share = profit attributable to shareholders / average shares in issue

Gearing = debt / debt plus equity

Interest cover = earnings before interest and tax / net finance charge

Dividend cover = profit attributable to shareholders / total dividend paid and provided

2013 was a challenging year for PNG. The wind down in the construction phase of the PNG LNG project and slowing investment in the country's mining sector, a weakening Kina, declining exports, lower commodity prices and falling domestic consumption all led to a weaker-than-expected year for Steamships. However, the return to political stability following the 2012 election has sustained business confidence in PNG. Similarly, improving budget management and increases in government spending offset to a limited extent other negative impacts. Steamships remain committed to investment in PNG having spent K435 million in capital expenditure in 2012 and 2013, with a further K222 million expected for 2014.

Steamships' trading revenue (excluding other income) for the year declined by 5.6 per cent to K931 million, with profit after tax attributed to shareholders declining by 34.1 per cent to K117 million. Excluding the impact of significant items profit after tax attributed to shareholders declined by 17.8 per cent.

The performance of Steamships' logistics businesses was weaker in 2013 as PNG's economy slowed, domestic consumption flagged and the resource and commodity sectors slowed. Unscheduled out-of-service periods for vessels and lower than anticipated growth in the Highlands and Islands also had adverse effects. In November 2013 Steamships acquired its joint venture partner's interest in Pacific Towing. The Division continued to invest in fleet capacity with the notable addition of the Kiwai Chief, a 70 meter double skinned landing craft, with another on order, and 90 trucks and 61 trailers (inclusive of the acquisition of the fleet of Kimbe Shipping & Transport). During the year the Steamships Board approved an impairment of Consort Express Lines vessels with a net non-cash negative impact to shareholders of K32 million.

The Property and Hotels Division had a mixed year. Pacific Palms Property recorded solid year on year revenue growth and successfully navigated a downturn in the rental property market to maintain an average occupancy rate of 98 per cent across existing properties.

Significant property developments continued with eight 'Captain Fitch' town houses commissioned in Port Moresby early in the year, twelve 'Blaikie Apartments' commissioned in Lae in November and forty 'Windward East' apartments commissioned in Port Moresby in December. There are a number of other industrial, retail and commercial developments nearing completion. Coral Sea Hotels fared less well; slowing economic activity coupled with an increase in hotel room supply saw the Hotel group's room occupancy and rates fall below expectation for the year.

Steamships' manufacturing business, Laga Industries, transformed its business model to focus on ice cream and vegetable oil production and distribution. In September 2013 Steamships acquired the remaining minority interest in the business. Revenues for the IT Division remained largely static however margin was lower as increased competition and exchange rate movements reduced margins.

Steamships' broader performance was built upon a Group-wide focus on operational efficiencies, improved cost management and strategies for new business development. Improved customer service, and a sharper focus on training, health, safety and community relations across the year all contributed to the maintenance of a strong company culture.

The PNG economy expanded again in 2013, but this fact belies the significant challenges it faces. Growth was slower, as the construction phase of the PNG LNG project wound down, prices for PNG commodity exports declined and investment in the country's mining sector slowed. PNG is entering a transition period in which its main source of growth will shift from construction and related activities to resource export earnings from LNG. However, with LNG production not set to start until late 2014, the Government faces a challenge to encourage economic vibrancy.

The O'Neill Government's commitment to fund national infrastructure projects and other development enablers such as education and health initiatives in the 2013 and 2014 budgets targets sustained growth. This will be a challenge. Responsibility will fall on PNG's national and provincial Governments to prudently manage public revenues and invest appropriately to generate long term, broad-based economic growth. The challenges this environment presents for companies operating in PNG are examined in the economic analysis elsewhere in this annual report.

Steamships strongly supports Government measures in priority development sectors - infrastructure, education, health and law and order. In 2013 the Group again supported staff and community initiatives on health, safety and security, training and development, environmental education and sustainability reporting. We remain committed to working with Government and non-governmental organisations to improve the skills and living conditions of our employees and local communities and to conducting business in a manner which minimises any adverse impacts on the environment.

The 2013 Annual Report demonstrates an important commitment by Steamships to operate its businesses in PNG sustainably. This year the Group will report to shareholders and stakeholders its performance against selected sustainability indicators for the first time.

In 2011, Steamships trialled a framework to demonstrate performance against some representative indicators developed by the Global Reporting Initiative (GRI), the world's leading sustainability benchmark. Baseline data was collected in 2012 against eleven indicators relating to our economic contribution to society, environmental stewardship and the development of our employees. In 2013, data collection was expanded, bringing the total number of chosen indicators to twelve.

The presentation of this aggregated data this year enables Steamships to demonstrate its commitment to providing accurate and relevant data from across the Group. Our systems for doing this will improve and mature over time.

On behalf of the Board I would like to acknowledge the efforts and commitment in 2013 of the 4,000 employees in Steamships' many divisions and diverse locations. Their contribution ensured the Group is well placed to meet the challenges that lie ahead.

WL Rothery
Chairman

February 2014

DIRECTORS' ECONOMIC ANALYSIS

Papua New Guinea's economy expanded for the 11th consecutive year in 2013; a product of several years of political stability, improved economic management and growth in the Asia Pacific region. The projected GDP growth rate of 5.2 per cent though reveals the economy has slowed from the stellar 8 per cent growth recorded in 2012.

The winding down of the PNG LNG Project construction, retreating prices for PNG commodity exports and shrinking foreign direct investment in the mineral sector all adversely impacted on PNG's economic activity during 2013[1].

World Bank representatives in PNG estimate that the level of construction activity value added in PNG tripled between 2009 and 2013. The PNG LNG project was the key driver. Now that it is 90 per cent complete the PNG Department of Treasury estimates PNG's non-extractive GDP growth will halve from 2012 levels, falling to 4.7 per cent.

The nearing completion of the PNG LNG facility marks the beginning of an important transition period for the PNG economy; one in which the underlying driver of PNG's economic growth will shift from construction of the project to resource export earnings from its LNG. Sustaining economic activity and domestic demand throughout this period, while maintaining fiscal discipline, looms as a key challenge.

LNG exports are on track to begin in the second half of 2014 and are expected to raise the level of GDP by one-third or more by 2015. However, in the near

[1] Source material related to the content of this report is available upon request from Steamships' Public Relations unit.

term the impact on gross national income, the current account and government revenues is expected to be far more modest due to the need to service international debts, which funded 75 per cent of the project's construction costs. One short term challenge presented by slow economic activity is finding employment for the large skilled workforce to be discharged from the PNG LNG Project.

The PNG Government's 2013 and 2014 budgets seek to address these challenges through greater public spending on development projects. The aim is to boost domestic activity in non-mining sectors, especially the construction sector, and provide alternative employment streams for former PNG LNG workers. The Bank of PNG estimates that fiscal stimulus may add as much as 2 per cent to real output growth in 2013 if these projects can be effectively implemented.

Beyond PNG, the worst of the global economic crisis appears to be over although global growth remains slow. Subdued demand has impacted on the Pacific region, largely through lower commodity prices which have reduced agriculture, mineral and forestry export earnings in some Pacific economies.

In PNG the depreciation of the Kina, which dropped 25 per cent in nominal terms against the US Dollar over 2013, cushioned the economy from weaker export prices to some extent by supporting incomes for farmers and exporters and improving PNG's competiveness. This depreciation reflected a general strengthening of the US Dollar and was in line with the weakening of other currencies. Inflation remained subdued with the headline rate expected to average 5.5 per cent in 2013.

Trade

Steamships' performance directly reflects fluctuations in PNG trade and business as dictated by developments in the macroeconomic environment. Its considerable interests in shipping, transport, logistics, retail and manufacturing are directly affected.

In 2013, lower international commodity prices lowered export earnings for PNG. A fall in export values of 9.1 per cent through the first six months of the year was reported in the Bank of PNG's June Economic Bulletin. In the same period, despite easing economic growth, robust domestic demand saw import prices climb some 13.4 per cent.

As a result, PNG's trade surplus narrowed to K382 million in 2013 from K1,621 million in 2012. This led the Bank of PNG to dramatically revise its current account forecast for 2013 from a deficit of K2.7 billion (7.7% of GDP) to K6.9 billion (19.9 % of GDP) in September.

International prices for PNG's mineral commodity exports retreated considerably in 2013. The Asian Development Bank estimates the international price of gold fell 20 per cent, while copper and oil fell by 12 and 6 per cent respectively. International agricultural commodity prices were also flat or weaker with benchmark coffee prices falling by 25 per cent, and palm oil and rubber prices by 15 per cent, while copra and cocoa prices remained flat.

Weaker prices, poor extension services, aging coffee, copra and cocoa trees, poor harvests and high logistical and processing costs have translated into lower returns for PNG farmers. They have responded by cutting back production, further reducing export receipts and income flows to rural communities.

Annual export volumes of coffee to the June quarter 2013 were down 50 per cent on the previous year; cocoa exports were 30 per cent lower. Export receipts for coffee and cocoa were the lowest since 2007 and 2002 respectively. Palm oil export volumes have weakened since 2011, but are still 10 per cent above long term averages.

In 2013, this impacted strongly on Steamships' logistics businesses. Transport services between Lae and the Highlands region were reduced because of low coffee volumes for a second consecutive year; tonnages across the Group's coastal shipping operations were down again on 2012 figures.

Lower international prices and slower economic growth in PNG's major trading partner, Australia, contributed to a 14.4 per cent drop in the value of PNG's exports (mainly gold, petroleum, silver and platinum and coffee) in 2013. This was in line with a general fall in Pacific region exports to Australia during the year.

With import prices remaining high on the back of mineral fuels, PNG's terms of trade continue to decline. The ANZ Bank warns that the current account deficit is likely to persist into 2014, placing pressure on the Kina, until export receipts improve as LNG shipments begin late in the year.

PROSPECTS AND CHALLENGES FOR 2014

While LNG production is expected to boost economic growth after 2015, the country's economic outlook for 2014 remains soft.

To stimulate growth in 2014, the Government plans fiscal stimulus.
45 per cent of the 2014 budget is allocated to spending on infrastructure, education, health and law and order. Most expenditure will focus on major projects to enhance road, civil aviation, shipping and port infrastructure networks. When implemented, these will increase domestic demand.

The IMF has forecast economic growth of 6.3 per cent in 2014. Year on year GDP growth is forecast to surge to 21.5 per cent of GDP in 2015 as LNG production peaks, before slowing to around 3.5 per cent over the medium term to converge with growth in the non-mineral sector and as output growth in mature mines continues to slow.

Despite the large increase in GDP, World Bank officials in PNG warn the impact of LNG exports on the broader PNG economy will be limited in the near term. They note that only a fraction of receipts will be retained in the domestic economy and the need to service international debts will adversely impact on gross national income. They also point to forecasts that employment on the PNG LNG project will be less than 10 per cent of the level during construction.

To generate longer term growth, the World Bank advises that PNG's national and provincial Governments will need to implement development projects and ensure public revenue streams are carefully managed and funds strategically reinvested across the economy.

Fiscal challenges

Fiscal challenges lie ahead for the PNG Government. Growth in Government expenditure of nearly 25 per cent combined with lower global commodity prices, a mixed Government revenue performance and a significant slowdown in non-mining growth will widen the fiscal deficit in the 2013 budget to a projected 7.2 per cent of GDP from 4.3 per cent in 2012.

The PNG Government has forecast increased revenue collections will reduce the budget deficit to 5.9 per cent of GDP in 2014. Total revenue collections are forecast to grow by a record 23 per cent in 2014 and to outpace planned expenditure in following years, allowing the Government to project a declining budget deficit of 2.5 per cent of GDP in 2015, 2.2 per cent of GDP in 2016 and below 2 per cent of GDP from 2017.

A return to modest fiscal deficits will assist the Government in managing its debt burden. Financing recent budget deficits has already seen central Government debt rise from 22 per cent of GDP in 2011, to 31 per cent in 2013 and an expected 35 per cent in 2014.

These liabilities are in line with PNG's medium term debt strategy. However there are significant risks that ratios could be exceeded unless fiscal management is prudent. In particular, expenditure plans will have to be carefully managed.

Improving quality of life

Despite strong growth in recent years average living standards for Papua New Guineans have changed very little between 1996 and 2010. Ensuring that economic growth translates into tangible benefits for the people of Papua New Guinea remains a great challenge.

According to recently released 2009-10 PNG Household Income Expenditure Survey (HIES) data, 40 per cent of Papua New Guineans consumed less than a minimum basket of food and other goods and services in 2010. Life expectancy at birth is 63 years, considerably below the Pacific Islands average of 70 years and the infant mortality rate is 48 per thousand compared to a regional average of 26.5. PNG's composite Human Development Index (HDI) was 0.462 in 2011, placing it 153 out of 187 countries.

PNG still lags behind many of its peers in the region in the provision of infrastructure and basic education and health services. Despite a significant growth in funding for these sectors, the capacity to implement projects remains a key challenge for public agencies. This is particularly so for national infrastructure projects, which the Asian Development Bank claims are often funded before feasibility and preparatory design studies are completed and often suffer from weak oversight.

The PNG Government has put in place a number of measures to improve the effectiveness of government spending in the 2014 Budget. These include an enhanced project screening and review process; continuation of the move toward a multiyear budgeting process; integration of the previously separate "recurrent" and "development budgets" into a single national budget; further rollout of the integrated financial management system; and some strengthened accountability measures for public servants.

Supporting growth in PNG's agriculture sector

Steamships commends Government plans to improve agricultural extension services and market access (both domestic and international) and provide education, training and logistics services such as distribution and storage.

Boosting non-resource economic activity, particularly in PNG's large agriculture sector, is a key objective of the O'Neill Government's 2014 Budget strategy. The 2014 Budget commits K313 million in 2014 and around K1.4 billion over four years to initiatives focused on developing the economic potential of the agriculture sector and better integrating it with the wider economy.

Agriculture is the key source of income for some 80 per cent of PNG's population. World Bank representatives in PNG estimate there are around 270,000 households in which the main activity is growing coffee, 140,000 growing cocoa and roughly 18,500 households mainly involved in smallholder production of oil palm. Income from tree crops typically comprises a significant share of total income for these households.

Further development of PNG's agricultural industries will bring many PNG farmers into the formal economy, provide productive employment and income to the rural majority, and help counteract "Dutch Disease" phenomena.

In September 2013, the Bank of PNG Governor Loi Bakani, called for greater effort to put structures in place which support the development of agriculture export industries in oil palm, cocoa, coffee, rubber, tea and coconut. Mr Bakani argued for the introduction of an incentive framework which encourages investment in the agriculture sector and noted the importance of the Government's tuition free education program as a means to improve technical skills and ensure the development of more sophisticated agricultural industries.

Promoting the private sector and inclusive growth

Steamships supports the Government's efforts to develop an environment conducive to private sector growth. A competitive and dynamic private sector promotes inclusive growth, delivering benefits to all Papua New Guineans in the form of more jobs and better goods and services.

The World Bank's 2013 Doing Business survey found that it was more difficult for entrepreneurs to set-up, invest, employ and operate in PNG than most other countries. PNG's overall ranking slipped five places compared with 2012, to 113 out of 189 countries surveyed.

Difficulty enforcing contracts was highlighted as a particular challenge, while businesses regularly cite law and order, corruption, internet access, telecommunications and electricity and transport infrastructure as key impediments to operating, investing and expanding employment in the country.

International experience shows that sustainable investment and development is only possible where the integrity of property rights and contractual obligations are strong and regulatory actions are consistent, transparent and predictable. Improving access to market entry and establishing a robust regulatory framework is also important.

The PNG Government has successfully addressed some impediments to investment in recent times through relatively low-cost adjustments in market conditions and regulatory reforms. Liberalisation of PNG's mobile phone market allowed the country's ICT sector to experience significant growth in the last decade, providing numerous social benefits to Papua New Guineans. Recent reforms to the wholesale broadband internet market have already led to price decreases and service improvements.

In late November 2013, PNG's Investment Promotion Authority launched an online business registry which allows users to register and maintain details of companies online. The registry has greatly sped up the processing of new business registrations and will help to attract new investment.

Recent efforts to reduce the costs of business and encourage greater competition should be commended. Further opportunity for reform exists in sectors including telecommunications, power generation, aviation and petroleum products.

DIRECTORS' REVIEW

2013 was not without its challenges as slowing economic activity and lower trade volumes across PNG affected the individual performances of Steamships' Divisions to varying degrees.

The following significant items have impacted the results in the year:

	2013 K'000s	2012 K'000s	Change
Net profit attributable to shareholders	117,050	177,700	-34.1%
Add back/(less) impact of significant items (post tax & minority interest)			
Property sales	0	(48,387)	
Inventory impairment (Laga)	3,500	0	
Asset impairments (Laga, East West Transport, Consort)	42,795	0	
Steamships Agency closure	0	2,100	
Pacific Towing equity gain on gaining control	(35,467)	0	
Bemobile investment write off	0	24,800	
Net other	490	0	
Total impact of significant items	**11,318**	**(21,487)**	
Underlying profit attributable to shareholders	**128,368**	**156,213**	**-17.8%**

Due to weaker trading conditions and a falling Kina, the Directors performed an impairment review of inventory and assets across all divisions which resulted in write downs in Laga Industries (K5.2m), East West Transport (K8.1m) and Consort Express Lines (K33m). In late November 2013 Steamships acquired the remaining interest in Pacific Towing for PGK 51.1 million. Fair value accounting on the business acquisition resulted in a gain on the previous equity accounted portion.

In the Logistics category, Steamships Shipping had a difficult year. Both project cargo and liner trade volumes were impacted by reduced activity in PNG's key commodity and resource industries. Charter activity was an exception, performing above expectations throughout the year. The Division did however expand activities, with the development of two new liner trades, and added a new vessel to its fleet. 2014 will see the addition of a third new 70 metre Landing Craft (LCT) sister and two new 45 metre LCT's.

Steamships' JV Stevedoring businesses were also affected by the general slowdown of the PNG economy in 2013. Throughput was lower across all operations, including those at the major ports of Port Moresby and Lae. Businesses at the smaller ports were strongly affected by the lower levels of activity. In addition to cost reductions, Steamships JV Stevedoring will explore expansion opportunities in 2014 in an effort to counter slower economic activity, beginning with the establishment of new operations in Alotau, Milne Bay Province.

Despite the best efforts of management and staff the Division's ship repair facility, Steamships Marine Engineering Services (MES), was an unfortunate casualty of the economic slowdown with Steamships' Board of Directors deciding it would cease operations on 1 November 2013.

Consort Express Lines also experienced another challenging year. The tighter management of costs and strong


GRAND
HOTEL

performances from Riback Stevedoring as well as Consort's depot services made solid contributions to Consort's 2013 result. There are plans to introduce two replacement vessels in 2014 as part of a fleet replacement program to lower operational costs and improve reliability.

East West Transport (EWT) performed below expectations for the financial year. Downward pressure on rates from increased competition, the loss of a key haulage and materials handling contract in Lae and a lack of anticipated business growth in the Highlands region contributed significantly to this result. A medium term economic rebound is anticipated when LNG royalties begin to flow and as the agricultural sector recovers. EWT is well positioned with facilities, equipment and knowledge to accommodate this renewed growth. The development of the Highlands Highway business will be a key focus. During the year EWT acquired the trade and assets of Kimbe Shipping & Transport for K18.0 million.

Pacific Towing suffered from a downturn in job numbers at the main ports in 2013 as project traffic supporting mineral, oil and gas projects eased. However, this was offset to a degree by the arrival of larger vessels, both tanker and dry cargo types, providing uplift to towage revenues on a per movement basis.

The Property & Hotels category had a mixed performance in 2013. Pacific Palms Property recorded solid year on year revenue growth in 2013 due to increased residential and warehousing rental capacity. However, falling demand and increased supply put pressure on occupancy and rates.

2013 was a challenging year for Coral Sea Hotels (CSH). The general slump in corporate activity resulted in falling demand for hotel rooms and food and beverage services. This, coupled with an increase in hotel room supply, especially in Port Moresby and Lae, put significant pressure on CSH to maintain market share. Hotel room occupancy and rates fell below expectation for the year. The apartments portfolio however exceeded expectations.

In the Commercial category, 2013 was a year of transformation for Laga Industries with the Division implementing a series of strategic changes it expects will set a platform for positive growth and development in the coming years. Laga Industries changed its business model during the year to focus primarily on increased ice cream and vegetable oil production and distribution. The strategic shift towards ice cream production is designed to capitalise on latent demand in PNG. On the 30 September 2013, Steamships acquired the remaining shareholding in Laga.

Datec performed satisfactorily in 2013 with revenues for the year matching those from 2012. However contribution was lower as increased competition and a fluctuating exchange rate put pressure on product margins. Datec was pleased to report the corporate sales division recorded double digit revenue growth in 2013.

Steamships' remaining major joint venture Colgate-Palmolive (PNG), a manufacturer of personal and home care products, saw revenue and margin figures fall below expectations in 2013, with the slowing economic conditions weighing heavily on demand for consumer goods in PNG for much of the year.

Review of Operations

LOGISTICS

STEAMSHIPS SHIPPING

Steamships has been a leader in coastal shipping in PNG since 1919. Through its Steamships Shipping Division, the Group today operates a fleet of 16 coastal vessels focused on the Papuan coast. Designed for shallow water and river passage, their safety and technical specifications are maintained to international standards. The fleet includes landing craft, bulk carriers, tankers, tugs and barges. While the Division specialises in river shipping, it also has vessels fully certified for international trading, which regularly operate charters to Australia.

Steamships Shipping provides short and long term vessel charters, as well as reliable scheduled cargo liner services to the shores and rivers of the Gulf of Papua. It also develops, implements and supports intermodal logistics solutions linked to land based services such as road transport, cargo handling, storage, customs clearance, lay down areas and warehousing.

In addition to owning vessels, Steamships JV Stevedoring businesses offer a full range of stevedoring and handling facilities. They operate in the ports of Port Moresby, Lae, Oro, Madang, Kimbe, Kavieng and Kiunga. With a fleet of specialist equipment the businesses handle all types of containers, as well as project cargo, break-bulk, RO-RO, LO-LO and grains. Local trucking businesses are also operated at several locations. The stevedoring companies are joint ventures between Steamships Shipping and local landowner groups at the respective ports. Each joint venture employs a local workforce and is structured in a manner so that earnings are able to filter back into the community.

Performance in 2013

Steamships Shipping had a challenging year. Both project cargo and liner trade volumes were impacted by reduced activity in PNG's key commodity and resource industries. Charter activity was an exception, performing above expectations throughout the year.

The liner trade to Kiunga was affected by the continuous silting of the town wharf, which blocked vessels from docking until river levels had increased. This was identified as a priority issue and by the end of November a 200 ton crawler crane was in place to dredge the wharf and assist loading and discharging of cargo. Steamships Shipping expects improved turnaround times throughout 2014.

Steamships Shipping expanded activities during 2013 with the development of two new liner trades: one to Balimo in Western Province and another, operated via a joint arrangement by Consort Express Lines, on the North coast between Lae and Manus.

The Kiwai Chief, Steamships' newest vessel, joined the fleet in October 2013. The vessel is a fully double-skinned landing craft identical to the Kopi Chief, which was delivered at a similar time last year. Both vessels comply with the highest safety, accommodation and environmental standards.

Steamships Marine Engineering Services (MES), the Division's ship repair facility has been an important business unit for many years. Unfortunately in recent times and despite the best efforts of management and staff, MES has been making losses. The current economic slowdown in PNG has added to these losses and it is with great sadness that the Board of Directors of Steamships Trading Company decided to close MES on the 1 November 2013.

Steamships' JV Stevedoring businesses experienced a particularly challenging year in 2013 due in large part to the general slowdown of the PNG economy. Throughput was lower across all operations, including those at the major ports of Port Moresby and Lae. Businesses at the smaller ports were strongly affected by the lower levels of activity.

A robust training program and the ongoing implementation of strategies to improve the management of Steamships JV Stevedoring businesses have led to significant advances in productivity. The adoption of IT software "CargoPro" has improved accuracy, efficiency and debtor settlement.

A new stevedoring award was signed with the PNG Maritime Union in October 2013. This represents a significant development for waterfront activities. Amongst other changes, the stevedoring award reduces the number of hours per shift increases the maternity allowance, and includes a new category of permanent worker.

Health and Safety were again a major focus for Steamships Shipping throughout 2013. All business units observed major improvements in staff awareness, attitude and the reporting of safety matters. Steamships Shipping is proud of these efforts and is aware that continuous training is required to ensure high health, safety, security and environmental (HSSE) standards are maintained.

Future Aims

Growth

Steamships Shipping has in place a fleet renewal and replacement program which will see a number of new vessels added to the coastal shipping operations in 2014. A new Tug boat, the OK Tarim, will be delivered in February and the Kerema Chief, a sister vessel to the Kopi Chief and Kiwai Chief, will be delivered in October.

Two new 45 metre Landing Craft (LCTs) will be delivered at the end of 2014. These vessels have been designed for use on oil and gas projects (especially for initial exploratory work), but can also be used to establish new liner trades.

With these continuing investments Steamships Shipping is well positioned to capitalise on both renewed resource activity as a logistics supplier of choice, and general liner growth in PNG expanding upon the Division's strong service offerings in coastal shipping and stevedoring.

Steamships JV Stevedoring will establish new operations in Alotau, Milne Bay Province in early January 2014. The new business, Palm Stevedores, is a joint venture between Steamships Shipping, Consort Express Lines and local landowners. Steamships JV Stevedoring will continue to explore new expansion opportunities in 2014.

Process Improvements

Steamships Shipping aims to be at the forefront of industry progress in PNG over the coming years. To achieve this, the Division must ensure it has processes in place which enable it to operate efficiently and effectively and which prepare it for future growth.

A major review of all systems and processes will be conducted in 2014 with a view to streamlining operations. New technological solutions will be explored and adopted.

Health and Safety Initiatives

A number of health and safety initiatives launched in 2013 will continue in 2014, including "Monthly Safety Themes" and "Safety Awareness Days". These activities allow all office based staff to take part in tasks which improve their awareness of the environment at the waterfront and in vessels, and provide them with the tools to assess and evaluate all types of potential risks.

Steamships Shipping actively participates in the Coastal Ship Owner's Association and at the National Maritime Safety Authority, seeking to lead by example.

CONSORT EXPRESS LINES LTD

As a complementary business to Steamships Shipping, Consort Express Lines Limited (Consort), established in 1978, provides the most comprehensive network of scheduled liner shipping services in PNG focused on the New Guinea coast. Operating from its hub in Lae, Consort connects 15 ports in PNG and provides an international service to Townsville, Australia.

The Division has scheduled services to the North Coast (Madang, Basamuk, Wewak, Vanimo), South Coast (Port Moresby, Oro Bay, Alotau), New Guinea Islands (Kimbe, Rabaul, Kavieng), Bougainville (Buka, Kieta), Australia (Townsville) and Western Province (Daru, Kiunga). Consort proudly serves the people of PNG by providing the sole supply link to many of the communities on its routes.

Consort owns nine geared, multi-purpose vessels (PNG flagged and manned) with all safety and technical specifications maintained according to international standards. The Division can carry a range of cargoes including containerised, break-bulk, reefer, LCL and project cargo. Consort transports cargo for a diverse customer base from domestic manufacturers and wholesalers to international liner carriers transhipping cargoes to outports.

In addition to owning and operating ships, Consort provides complementary depot services to customers at its Lae hub (including bond yard, container storage and wash bay facilities) and is a shareholder and manager of stevedoring operations at five PNG ports (Riback Stevedoring, Lae; United Stevedoring Limited, Lae; United Stevedoring Limited, Port Moresby; Makerio Stevedoring, Buka; Nikana Stevedoring,

Kieta). These stevedoring companies are partnerships between Consort and local landowner companies and provide significant employment opportunities for the nearby communities.

Performance in 2013

Consort's shipping services experienced another difficult year in 2013.

Two vessels endured unscheduled out of service periods linked to their dry-docking in 2012, which required the charter of a third party vessel for an additional two months this year. The planned disposal of one of the smaller vessels in the fleet, Morobe Coast, following the purchase of Nakanai Coast, was delayed by twelve months. The vessel was eventually disposed of in October 2013 reducing the fleet to eight.

Tonnage volumes were negatively affected by agricultural commodity prices, which remained depressed throughout the year, reducing disposable income and suppressing demand for consumer goods in the New Guinea Islands and Bougainville. However volumes improved in the second half of 2013 due to increased Kina returns as a consequence of the currency's depreciation against the US dollar.

The impact of a reduction in the Gold price was also felt, as mining operations in PNG reduced staffing levels and initiated severe cost cutting. Meanwhile, the Townsville Service was particularly hard hit by floods in Queensland in the early months of 2013 and ran reduced services throughout the year in an effort to support schedule integrity on the coast.

Despite these challenges, the tighter management of costs resulted in a 2013 contribution that was similar to that of the 2012 result.

Consort's depot services and JV Stevedoring Associates performed well and made a solid contribution to Consort's final 2013 result. Riback Stevedoring continued to benefit from favourable cargo volumes to Lae associated with the PNG LNG project.

Consort offered nine scholarships for the Consort Express Lines PNG Officer Cadetship Program in 2013. These scholarships offer high performing PNG nationals a structured, four-year training and development program.

Twenty-seven Consort officers and crew attended programs at the Madang Centre of Excellence during the year.

Future Aims

Improving Efficiencies

Given the current economic climate, Consort will dedicate significant time and effort to improving efficiencies and reducing the cost of operations in 2014.

Consort expects to achieve improved fleet efficiencies by continuing to prioritise services on competitive trades. The Division will reduce port calls on the North Coast through the introduction of a larger vessel to this service, while it anticipates the renovation of the Kimbe Coastal Wharf in West New Britain will aid turnaround times.

Consort's land transport service in Port Moresby will be fully operational in 2014, while the planned upgrade of the Division's Lae depot will provide better efficiencies and new opportunities for growth.

Business Development

Business development plans for 2014 include commencement of Landing Craft Operations from Lae and the launch of a joint venture to operate terminal facilities in Lae and Madang.

Consort also plans to strengthen its joint venture agency and stevedoring operations at the ports of Buka and Kieta in Bougainville and will expand agency services to two additional ports, Kimbe and Alotau, during the year.

Consort will continue to pursue strategic partnerships with resource companies in an effort to sustain the Australia service. Depot operations will be expanded and upgraded as necessary throughout the year.

Capital Investment

Capital investment will be in line with approved fleet renewal plans for 2013-2015. These aim to reduce structural and operating costs, provide additional capacity and ensure the reliability of services to customers.

Consort will continue with the expansion and upgrade of the container fleet in 2014 through the purchase of 1,000 new 20ft dry containers, 100 new 20ft reefer containers and 240 units of $9m^3$ and $4m^3$ containers.

Consort also plans to replace its heavy container handling equipment for ongoing stevedoring operations and will make new purchases for joint venture operations as necessary.

EAST WEST TRANSPORT

East West Transport (EWT) is one of Papua New Guinea's largest multifaceted transport and logistics companies. Based in Lae, it also has a significant presence in Port Moresby, Kimbe, Mt Hagen, Goroka, Rabaul, Madang, Wewak and Kavieng. With 720 employees, the Division has a growing fleet of 150 prime movers, 46 heavy trucks, 10 light trucks and 53 forklifts and reachstackers ranging from 2.5 to 45 tons in capacity. All equipment is supported by localised workshop facilities, safety and emergency vehicles and in house training programs.

EWT operates across a wide spectrum of transport-related activities including bulk fuel, containerised cargoes, bulk grain, sawdust and coffee along with break-bulk cargoes and depot services such as equipment hire, warehousing and yard storage. EWT also offers a licensed customs cargo clearance service in Lae and Port Moresby and operates a large export coffee processing facility in Lae. The Division capitalises on its close relationships with sister companies in shipping and stevedoring by offering specialised project solutions for the mining, oil and gas sectors.

Performance in 2013

EWT performed below expectations for the financial year. The slowing of the PNG economy, lower commodity prices, downward pressure on rates from increased competition and the loss of a key haulage and materials handling contract in Lae contributed significantly to this result. Contribution was also affected by a lack of anticipated business growth in the Highlands region.

Haulage of reagents to the Hidden Valley mine site continued in steady volumes for the majority of the year. However the significant reduction in the gold price impacted heavily on activity levels in the fourth quarter of 2013.

Additionally, the 2013 coffee harvest was the smallest in many years. This along with a return to traditional price levels saw a large reduction in eastbound freight from the Highlands and a reduction in coffee bulking at the Lae facility.

The general transport business in Port Moresby and Lae has been impacted by increased competition and lower import volumes. Low hard and soft commodity prices, together with an expected weakening in the exchange rate, will continue to influence imports and place additional pressure on rates.

The new Port Moresby warehouse facility at Baruni has attracted encouraging initial interest and is strategically positioned for future growth, close to the expected new port location at Motukea.

The empty container depot in Port Moresby experienced lower throughput in the earlier part of the year, but showed signs of recovery as 2013 closed. Space is available at the facility to accommodate third parties and a range of services can be tailored to customer's requirements.

Fuel delivery volumes remained strong in Port Moresby but were lower in Lae and most outer ports. The InterOil Momase contract, covering operations in Lae, Madang and Wewak, was renewed for a period of two years. Exxon Mobil fuel haulage continued successfully in Port Moresby, Lae and Madang.

A new joint venture partnership in West New Britain, branded EWT Kimbe, commenced in March under parent company New Britain Shipping Ltd, offering integrated logistics solutions.

The EWT fleet grew with the arrival of additional equipment, predominantly from China. The Shacman brand of highway trucks has been a successful addition to the fleet, servicing all highway destinations including Bulolo and the Hidden Valley mine site.

Carrier audits for dangerous goods handling and haulage in Port Moresby and Lae were conducted in the fourth quarter of 2013 for which positive results were attained. The process contributes to the Division's strategic objective of achieving full ISO compliance in the coming years.

Future Aims

Growth on the Highlands Highway

EWT anticipates a number of challenges in 2014. Rates will continue to be squeezed as surplus truck capacity, decommissioned from construction of the LNG plant, enters the open market. This will primarily impact the highway sector of the business, but local cartage services are also expected to be affected.

Additionally, low investment in coffee replanting coupled with the damage resulting from an abnormally wet 2013 season suggests another poor crop could be anticipated for 2014.

Road conditions remain very poor. Landslides and security incidents are regular occurrences. Government plans have been announced to upgrade the Highlands Highway, but competing priorities for government funding and capacity limitations for delivery may hinder progress in the short to medium term.

However, a medium term economic rebound is anticipated when LNG royalties begin to flow and as the agricultural sector recovers. Infrastructure spending should also improve road conditions over the longer term, reducing costs and allowing more frequent use of B Double combination trailers.

Despite the current challenging environment, EWT is well positioned with facilities, equipment and experience to accommodate growth and any change in demand in the major commercial centres. The development of the Highlands Highway business will be a key focus next year and beyond.

Improving Efficiencies

Improving the efficiency of operations will again be a priority in 2014 with an emphasis on innovative thinking and the adoption of emerging sustainable technologies.

EWT will continue to develop an end to end supply chain service which is fully supported by management systems, providing visibility and tracking capabilities for all products and services.

Driver simulator technology will be operational in Lae in early 2014. This technology will support the in house training program and allow EWT to test and train drivers in a range of equipment and a variety of environmental conditions.

Business Development

Bulk fuel haulage will continue to be a very important specialised service within the Division. Growth in this area will be supported by the innovative development of new equipment and the turnover of existing equipment. This has commenced and will continue in 2014.

The waste management business will be grown in Port Moresby and Lae in 2014 along with the commencement of passenger bus services for corporate clients in those cities.

EWT will continue to add value to its key service offerings, particularly for high volume clients and project related activities. Continuing focus remains on cargo traceability, on time performance and loss or damage mitigation as EWT presents value added premium door to door (including customs) and complex handling (dangerous goods) services.

These efforts will be supported by improved technology and communications, in-house staff training and development, the use of external security services and equipment tracking as required.

Review of Operations

PROPERTY AND HOTELS

PACIFIC PALMS PROPERTY

Pacific Palms Property is one of the largest and most dynamic property developers in PNG. The Division provides residential, commercial, retail and industrial property throughout the country.

Pacific Palms Property has two separate streams of business activity. The development team manages land acquisition, investment assessment and construction management, while the lettings team manages marketing, tenant placements, rental collections and property maintenance.

Building and land assets are located in Port Moresby, Lae, Madang, Wewak, Goroka, Mt Hagen, Popondetta and Rabaul. The Division currently holds a total lettable space of 13,745m^2 of commercial property, 180,479m^2 of industrial property, 21,942m^2 of retail property and 160 residential townhouses and apartments.

Performance in 2013

Pacific Palms Property recorded solid year on year growth in 2013, capping off another successful year.

2013 was not without its difficulties however as a down turn in the rental property market increased the pressure to maintain occupancy. This was especially the case in the residential portfolio where the market experienced weaker demand as contractors were decommissioned from construction of the PNG LNG project. Through vigorous marketing efforts Pacific Palms Property was able to successfully maintain an average occupancy rate of 98 per cent across existing properties.

Pacific Palms Property had a range of developments ongoing during 2013.

In the Residential category, construction of the prestigious Windward Apartments East was completed in December 2013. Construction also finished on the 12-unit Blaikie Apartment complex located in Lae at the end of October with occupancy commencing in November.

In the Retail category, construction of the 5,300m^2 SVS supermarket and commercial complex in Lae and the 9,300m^2 Waigani Central Development incorporating the new Stop n Shop supermarket and Paradise Cinema complex in Port Moresby both neared completion at the end of 2013.

In the Commercial category, construction continued on the 18,864m^2 Harbourside Office Complex, which is to be the first Green Star rated building of its kind in Papua New Guinea. Pre-leasing of the high quality waterfront property will commence in 2014 with construction due for completion in January 2015.

In the Industrial category, development work continues at Baruni stage 3, a 3.3 hectare subdivision, while construction of a new estate in Madang, incorporating 12 mixed-use tenancies, is expected to be completed in March 2014. Elsewhere, the construction of eight warehouses at Six Mile in Port Moresby is expected to be completed in March 2014.

Future Aims

New Developments

2014 will see the completion of many ongoing projects, while the property development team will review various future development options including support for Coral Sea Hotels' expansion. At this stage no new projects have been formally endorsed by the Steamships Board.

Customer Service & Risk Management

Pacific Palms Property has committed to a shift from re-active to pro-active customer service in order to be a rental provider of choice in a compressed market. Various initiatives are underway to lift performance. The Division has budgeted for an investment in external audits to ensure a continuing and enhanced focus on property risk management.

Land Acquisition

Historically-high property prices coupled with capacity constraints brought on by PNG's land tenure system continue to restrict the Division's ability to acquire strategic properties to add to its significant land banks.

Pacific Palms Property is however committed to further land acquisition for property development and, to this end, has employed an officer to liaise with statutory bodies that deal with land matters to improve relations, participate in town planning lobbying and enhance opportunities for strategic land and property acquisitions.

CORAL SEA HOTELS

Coral Sea Hotels (CSH) operates nine properties offering full hotel facilities and serviced apartments as well as extensive meeting, conference and banqueting facilities.

CSH remains the largest hotel group in PNG, offering 646 hotel rooms and 136 apartments. The Group comprises the Grand Papua Hotel, the Gateway Hotel and Apartments, the Ela Beach Hotel and Whittaker Apartments in Port Moresby; the Huon Gulf Hotel and Apartments and Melanesian Hotel and Apartments in Lae; the Highlander Hotel and Apartments in Mount Hagen; the Bird of Paradise Hotel and Apartments in Goroka, and the Coastwatchers Hotel in Madang.

Performance in 2013

2013 was a challenging but satisfactory year for CSH. The completion of construction activities at the PNG LNG project, tighter controls on Government spending and a general decline in corporate activity resulted in falling demand for hotel rooms, apartments, conferences and food and beverage services. This, coupled with an increase in hotel room supply, especially in Port Moresby and Lae, put significant pressure on CSH to maintain market share. Both hotel room occupancy and rates fell below budget for the year. The apartments portfolio however exceeded budget expectations.

CSH put in place a number of initiatives during the year to maintain market share and drive margin. All expenditure (including capital expenditure) and existing contracts were reviewed to reduce costs. Rates in all properties were reduced in response to increased competitive pressure. The sales team was expanded and electronic marketing and social media efforts were improved.

A new corporate website was launched with an updated online booking system allowing for real time direct bookings at all CSH hotels. The reservation department was centralised for Port Moresby hotels to improve efficiencies in yield management and allow cross selling.

CSH became a member of the Qantas Frequent Flyer program during the year and remains the only hotel partner for the Air Niugini Destinations rewards program.

Opened in 2012, the Grand Papua Hotel further established itself as PNG's Premier "Five Star Hotel" in 2013 and continues to improve service standards and product offerings to maintain its position as a market leader.

Future Aims

Maintaining market share

CSH expects 2014 to be another challenging year. To meet these challenges, the Division is committed to ongoing internal and external reviews aimed at improving operational standards and ensuring that product offerings capitalise on CSH's considerable "points of difference" in the market. Brand standards are being reviewed and a phased rollout of these will begin in January 2014 together with the commencement of a three year program, "Project Cambridge," to upgrade and standardise all hotel rooms across the Group.

Maintaining business levels in an increasingly competitive market will be a difficult task. Flexible rate structures, new sales and marketing initiatives, improvements in product and service offerings and the continued training and development of all staff will continue to position CSH as a quality, preferred supplier of all accommodation needs.

Growth opportunities

New opportunities for business growth will be pursued in 2014. Plans include the development of new bar and gaming facilities for the Gateway Hotel in Port Moresby.

Training and development

CSH expects that pressure to retain experienced staff will increase in 2014 due to the increased supply of hotel rooms in the market. To uphold its reputation as an employer of choice, CSH will launch a number of staff initiatives to improve benefits.

Training and career development will continue to be a high priority. An arrangement has been entered into with The Australian Pacific Training College to train and provide Australian certification for Food Service Graduates. This will be expanded in 2014 to include cookery and apprenticeship development and the Division is exploring the establishment of a hospitality school in Mt Hagen.

CSH will employ a Group Training Chef to monitor the development of all kitchen staff; to introduce new innovative food and beverage options; and to ensure all proper food handling practices are being followed.

Review of Operations

COMMERCIAL

Headquartered in Lae, Laga Industries is PNG's premier consumer goods business and the country's leading manufacturer of ice creams, vegetable oils, drink powders, condiments and spirits. The Division is also a distributor for international consumer goods companies including Diageo and Constellation Wines.

Performance in 2013

Laga Industries experienced a tough year in 2013. The reduced PNG LNG activity, coupled with falling commodity prices, low agricultural output and a weakening Kina have led to falling disposable incomes and consequently suppressed retail demand generally for PNG. This has prompted a transformation with the Division implementing a series of strategic changes it expects will set a platform for positive growth and development in the coming years.

Laga Industries changed its business model during the year to focus primarily on increased ice cream and vegetable oil production and distribution.

The strategic focus on ice cream production is designed to capitalise on latent demand in PNG where the average annual consumption of ice cream is one litre per person compared to Fiji, where it is five litres per person. Laga Industries is confident the proposed strategic changes will be of significant benefit to the Division as a whole.

In September, Steamships purchased Laga Industries' remaining interests from a minority party. Just prior to this, a new General Manager was appointed to the Division.

In October, Laga Industries had its HACCP accreditation renewed, reinforcing the Division's high standards and commitment to food safety.

Future Aims

Business innovation

Targeting opportunities for rapid growth in PNG and developing the systems and infrastructure required to support this growth will be key aims for Laga Industries in 2014. Specific areas of focus will be product development, maintenance improvements and increased investment in ice cream sales, distribution and marketing.

Increased investment in sales and marketing

Laga Industries plans to expand its sales and marketing team to provide significantly increased coverage in the PNG market. Forty new sales staff will be recruited in 2014, representing a 45 per cent increase in numbers on previous years.

Expanding and upgrading ice cream production and freezer facilities

In early 2014 Laga Industries will install a new ice cream molding machine - a Rollo R 29 - which will significantly increase capacity and the quality of products. The Division will also expand its ice cream freezer facilities in Lae by 50 per cent and increase its production and mixing capacity by 60 per cent to support increased sales and distribution of ice cream.

Datec (PNG) Limited (Datec) has operated in PNG since 1985 and is the country's premier information and communications technology (ICT) solutions provider and internet service provider (ISP).

The Division provides a suite of ICT solutions to assist companies, from network consultancy and remote server management to application development and training. Datec NGN (Next Generation Network), which predominantly services the corporate sector, offers the fastest internet service of any ISP in PNG.

Datec operates a data centre in Port Moresby, the largest computer retail store in the country (the Datec Megastore) as well as corporate and degree-level training and education through Datec Learning Centres (an accredited academic certificate and diploma IT program).

Datec has established partnerships with international companies including IBM, HP, Apple, Microsoft, Oracle, Sony, Canon, Cisco, Lenovo and Eaton. In addition, the Division has developed a closed-circuit TV (CCTV) and cabling business that designs, installs and services CCTV and electronic surveillance systems, as well as full service project management capability.

Performance in 2013

Datec performed satisfactorily in 2013 with revenues for the year matching those from 2012, however, increased competition and a falling exchange rate brought margin compression.

Key objectives for 2013 were an increase in corporate market share and an expansion into regional Highland areas through new agency partnerships.

The corporate sales division recorded double digit revenue growth in 2013. However, regional expansion plans were less successful, due in large part to the challenging economic conditions.

Poor net results led Datec to focus in the second quarter of 2013 on consolidating operating costs to ensure business sustainability. As part of these changes Datec Learning Centre's academic training rooms were relocated to the education hub at the Jubilee University campus.

Datec NGN continued to establish itself as the leading ISP in PNG and led the market when wholesale prices changes were announced by Telikom during the year. Datec NGN also introduced fixed price internet service plans to customers and saw data usage increase by more than 100 per cent.

The Datec Megastore recorded lower revenues in 2013, affected, as many retailers were, by a downturn in consumer demand.

A number of key senior positions were localised during the year in line with Datec's strategic objectives for human resources.

Future Aims

Growth in Internet Services

The rollout of value-added data products and services for internet customers will be a major focus in 2014. Datec expects that downward pressure on the cost of data, driven by Vsat and O3B service offerings, will allow Datec NGN to deliver internet services at more competitive pricing than ever before.

Sales and Marketing

Datec will further embed sales and marketing resources for all products and services in 2014. Informed sales strategies and accurate target market analysis will drive revenue growth and ensure Datec's leading market position is retained.

Expansion of Datec Learning Centres

Datec Learning Centres will pioneer a new era of education services in PNG with the launch of its New Horizons Learning Centre franchise partnership. New Horizons are a leading global training solutions provider specialising in the development of IT technical, graphics, desktop applications and business skills.

Datec Learning Centres will also establish two provincial centres in 2014 in the Eastern Highlands and Southern Highlands.

Improved efficiencies

Datec's corporate sales and service division will focus on improving efficiencies through cost reduction, improved margins and the continued training and development of staff to ensure the effective delivery of ICT solutions.

Review of Operations

JOINT VENTURES

PACIFIC TOWING

Pacific Towing became a wholly owned Steamships subsidiary at the end of November 2013. The Division is the leading provider of harbour towage and mooring services in PNG and offers coastal and ocean towage services. It also retains a fast responder salvage capability complimented by a comprehensive range of commercial dive services.

Pacific Towing is headquartered in Port Moresby and operates 22 vessels, including tugs and line boats, in five ports across PNG (Port Moresby, Lae, Rabaul, Kimbe and Madang). Dedicated harbour towage services were extended to the Solomon Islands in 2013 through a newly formed subsidiary company operating in Honiara.

Performance in 2013

There was a downturn in job numbers at the main ports in 2013 as project traffic supporting mineral, oil and gas projects eased. This was offset to a degree by the arrival of larger vessels, both tanker and dry cargo types, providing uplift to towage revenues on a per movement basis.

Two new mooring boats were introduced at Lae in September to upgrade service levels, lower operating costs and increase reliability at the port. Accordingly revenues in harbour exceeded the prior year. Tug charter activity was significantly higher than forecast and provided strong cash flows.

Two major salvage operations were successfully completed in 2013. The stranded refrigerated carrier ASIAN LILY was safely refloated in January in association with SVITZER Salvage. In March extensive unconventional underwater repairs were carried out on the POAVOSA WISDOM VIII in association with Nippon Salvage.

Two 50tbp ASD tugs were purchased from Australia during the year in accordance with fleet renewal plans. They will increase service capacity and enable manning reductions to be introduced.

Training was a focus in 2013. Experienced overseas officers were engaged to mentor PNG counterparts at a senior level. This initiative is designed to ensure that command, technical and environmental awareness skills do not fall behind the operational requirements of a modernising fleet.

Future Aims

Improving crewing standards will continue to be a priority in 2014. The development of effective on-board leadership skills will be addressed through a comprehensive crewing strategy including the recruitment of high calibre cadet officers.

This is combined with a continued fleet renewal program which seeks to reduce the average age of tugs over five years.

Pacific Towing plans to upgrade services at the Port of Lae in 2014 to coincide with the completion of the Lae Basin project.

Steamships holds a 50 per cent beneficial interest in Colgate-Palmolive (PNG) Ltd (Colgate), a company that markets and distributes oral, personal, home, and fabric care products in PNG. Joint control is exercised by the board however day to day management is performed by Colgate-Palmolive Australia.

Performance in 2013

Colgate had a challenging year in 2013 with revenue and margin figures falling below the prior year. The slowing economic conditions weighed heavily on demand for consumer goods in PNG for much of the year.

Despite the challenging economic environment, progress was made on Colgate's key educational programs with increased participation during the year in the Oral care program, Colgate "Bright Smiles, Bright Futures," and the hand hygiene program, Protex "Clean Hands, Good Health."

Both programs were buoyed by the increased cooperation of Non-Government Organisations (NGOs). Colgate expects participation to expand further in 2014 and beyond.

A strategic focus on in-store execution in 2013 saw significant improvement in on-shelf and display presentations in key retail outlets.

Future Aims

Business simplification will be a key focus for Colgate in 2014. Plans and strategies to increase the efficiency and effectiveness of the PNG operation will be developed and implemented throughout the year.

Colgate will continue to leverage relationships with other emerging market operations, particularly in Fiji and other Pacific Island countries, to ensure best practice in all areas.

SUSTAINABILITY

SUSTAINABILITY: A Message from the Board of Directors

"Sustainability to Steamships represents a meaningful investment in our people's future, a fundamental commitment to the highest standards of health and safety at work, practical efforts to improve the lives of the communities in which we operate and genuine measures to ensure we minimise any negative environmental impacts from our diverse activities. Only by focusing on these areas will Steamships be able to ensure that our long term growth, along with the economic and social development of Papua New Guinea, is truly sustainable."

Steamships continues to strengthen and expand its commitment to sustainability through the implementation of strategic initiatives in three broad areas: Our People, Our Environment and Our Community.

The establishment of a strong corporate governance policy framework, to act as a foundation for the Group's sustainability efforts and initiatives, was a major strategic goal in 2013. In October, the Steamships Board adopted a formal Sustainable Development Policy. The policy outlines the Group's commitment to sustainable business practices and establishes the conduct expected of all Steamships employees, contractors and customers. A Sustainability Committee was established to provide strategic direction and governance on key sustainability issues and initiatives. The committee is comprised of Steamships Executive management and includes a representative from the John Swire and Sons Group of Australia.

There was progress on sustainability issues across the Group in 2013. Further adjustments were made to improve the reliability of the Group's sustainability data. Data sources were regularly audited and information capturing processes were improved at the Division level. The rollout of the Health, Safety, Security and Environment (HSSE) Portal in 2013 further improved HSSE management systems, which contribute to the sustainability reporting process. As a consequence of these improvements, Steamships will for the first time report sustainability data related to its chosen GRI indicators in 2013.

Staff continued to embrace a wide variety of awareness programs on issues including women's health, malaria, cancer, HIV/AIDS, domestic violence and general wellbeing. In a major development for staff health, Steamships launched a Group Medical Insurance Scheme for all permanent employees during the year. Staff training and development was again a major focus, with the Group investing over K5 million to deliver 138,336 hours of staff training in 2013. The launch of the Graduate Management Development Program and a highly successful Leadership Skills workshop initiative were highlights. In the community, Steamships contributed close to K2 million to initiatives and projects covering health and social welfare, education, the environment and sports.

Steamships commits considerable time, effort and resources to the development of its Sustainability Strategy and the strengthening of key initiatives. It does this because it understands that its long term business goals can only be achieved if its business operations are imbued with the principles of sustainable development.

Steamships Trading Company and The Global Reporting Initiative

Steamships utilises the Global Reporting Initiative's (GRI) G3.1 Guidelines as a framework for its sustainability monitoring and reporting. Steamships has based its reporting on a C level of application of the GRI indicators.

This year Steamships has presented sustainability data and disclosed the Group's performance on select GRI indicators to shareholders and stakeholders for the first time. The primary sustainability data disclosed for 2013 was collected by all Steamships Divisions and reported to the Steamships Board on a quarterly basis throughout the year. Year on year comparisons are made with baseline data collected in 2012.

The Group has adopted a multi-format approach to reporting this performance, which more effectively targets communication to the needs of different stakeholders. In addition to the sustainability information published in this Annual Report and on our website, Steamships publishes an annual Sustainable Development Statistics Report and a GRI Content Index to help stakeholders better understand our performance and compliance with the GRI 3.1 Guidelines.

This information is available at http://www.steamships.com.pg/sustainability/sustainability-reporting.

Steamships is committed to providing an accurate and relevant set of data from across the Group and improving this as its systems mature over time. The achievement of a C+ level of GRI reporting remains a strategic goal.

Selected Group Performance Highlights

	2013	2012	% Change
Total employees	4,000	4,166	-4%
Citizens in senior roles	47.0%	51.6%	-9%
Female employees as a proportion of total workforce %	24.1%	26.8%	-10%
Staff turnover %	37.1%	41.1%	-10%
Staff representation on health & safety committees	9.4%	9.8%	-4%
LTIIR (number of injuries per 100 full-time equivalent employees)	0.93	0.70	33%
LTISR (average number of days off per injury)	11.0	7.4	49%
Employee attendance at health programs	1,488	1,008	48%
Average hours of training per employee	34.6	23.9	45%
Direct Energy consumed (GJ)	1,052,091	915,116	15%
Indirect Energy consumed (GJ)	93,441	84,705	10%
Water withdrawl (KL)	576,028	475,095	21%
Energy consumed (CO_2 tons)	93,098	81,499	14%
Expenditure on community programs (k'000)	1,941	1,608	21%

Further details can be found in Steamships' annual Sustainable Development Statistics Report at http://www.steamships.com.pg/sustainability/sustainability-reporting

OUR PEOPLE

As one of the largest and most diverse private employers in PNG, Steamships recognises the importance of its people and the significant contribution they make to the success of the Group. 'People' are one of the three major pillars of the Group's Sustainability Strategy and a key focus of its corporate governance policies.

In 2013 Steamships formally adopted corporate governance policies which outline the Group's commitment to, and expectations of, its people. Steamships' Sustainable Development Policy commits the Group to being an employer of choice and to providing an environment in which all employees are treated fairly and encouraged to realise their full potential. Its Diversity Policy commits Steamships to fostering an inclusive culture, improving talent management, enhancing recruitment practices and aspiring to pay equity. The Group's Code of Conduct calls for its people to operate with the highest standards of business ethics and to conduct all business with integrity and fairness.

Steamships understands that an effective, engaged and diverse workforce will contribute to improved operating performance, the achievement of strategic objectives and the delivery of continued value to customers and shareholders.

Steamships' People Strategy

Steamships' 'People' strategy focuses heavily on implementing staff initiatives in occupational health and safety, security, diversity and training and development. Through these, it aims to create an environment that promotes an engaged, safe and diverse workforce, encourages ongoing skill development and facilitates an emerging generation of leaders. In doing so, the Group understands that it can help employees succeed while generating continued value to customers and shareholders. The provision of clear performance objectives and regular feedback are crucial components in the process.

In 2013 Steamships' main hub for human resources administration, the People and Culture (P&C) Portal, was fully implemented and rolled out to the wider Group. An administrative database accessible to all staff, the P&C Portal encourages transparency and accountability and houses the Human Resources (HR) and HSSE Portals. In 2014, Steamships will launch and implement its Performance Management System and use the P&C Portal as the administration tool for the compilation of personal objectives and performance appraisals.

Steamships successfully carried out its second consecutive "People Compass Survey". The survey is an essential tool in engaging staff. Two initiatives were implemented in 2013 as a direct result of feedback to the 2012 survey: a Group Staff Medical Insurance Scheme for all permanent employees was launched in July, while the Steamships minimum wage for entry level operational staff was also raised during the year taking it to 26% more than the governments legislated minimum wage level. Other initiatives including minor alterations to company policy and the implementation of additional training and development initiatives continue to be pursued as a result of staff feedback.

1,430 employees responded to the 2013 survey. It was encouraging to see that the company culture remains strong, with 94 per cent of employees claiming they were proud to work for Steamships. There was also a positive response to the 2013 implementation of the medical insurance scheme. Key focus areas identified include a competitive benefits review, further development of leadership skills and more variety of personal development training including safety. Corporate Human Resources has plans in place to address these areas in 2014.

OUR PEOPLE: Review of Activities and Objectives

Highlights	Future Aims
Introduced a number of corporate governance policies including a Steamships Corporate Code of Conduct, Sustainable Development Policy, Diversity Policy, Remuneration Policy and a Performance Evaluation process.	Review the HR function within Steamships Divisions and ensure appropriate resources are in place to deliver required outcomes. Standardise the HR function across the Group through the introduction of relevant new policies and Board and Management Committees.
Minimum wage for entry level operational staff increased and Medical Insurance Scheme for all permanent employees launched as a direct result of feedback from the 2012 Survey. 2013 ‘People Compass’ survey conducted.	Survey will be conducted for a third consecutive year. Results and feedback from the 2013 ‘People Compass’ Survey will be addressed and recommendations considered.
Launched inaugural Graduate Management Development Program (GMDP) in 2013 with the intake of two graduates, together with another three candidates for the ongoing Graduate Accountant Program. Launched the Steamships “Leadership Skills” program.	Continue to roll out the “Leadership Skills” program to supervisory and management staff, together with the re-launch of a GRID program for senior management.
Saw improved reporting for accidents/incidents, hazards and near misses and a heightened awareness of proactive safety measures.	HSSE audits will be conducted to ensure effectiveness of action tracking and reporting. Gaps in HSSE Management system documentation will be identified and addressed through the HSSE Portal.
Commenced job mapping and job evaluation as part of a total job grading exercise to be completed in 2014.	Continue with job mapping and job evaluation to complete a fully functional job grading model in 2014.
HSSE Portal rolled out, providing a centralised depository for all reporting data and documentation.	Fully engage the HSSE Portal for all HR administration work. Continue staff training on Portal use and review systems to optimise functionality.
Established a formal Occupational Health and Safety (OH&S) Committee with clear reporting lines to Sustainability Committee.	Implement plans and programs initiated through Sustainability & OH&S Committees. Implement Division management training and awareness programs.
Worked with external partners to provide health services to Steamships employees including dental services, eye care, reproductive health, first aid training and PAP smear tests.	Organise and provide more basic health checks for Staff in partnership with respective Government and non-Government organisations.
External provider completed a partial employee and business asset security review. Implemented recommendations as appropriate.	Continuation of external review and conduct focused audit of OH&S systems and activities. Ongoing implementation of key recommendations from external security audit.
Implemented Group-wide training and health awareness programs aimed at fostering a health and safety culture	Increase health awareness training programs in all business units (especially outside Port Moresby).

HEALTH

Steamships' approach to health focuses on the provision of general medical services for all staff and the implementation of education programs to improve staff awareness of health issues. These initiatives were extremely well supported in 2013. There was a marked increase in staff participation levels in awareness programs with attendance up 47 per cent on 2012 levels. The number of programs held also increased to meet growing interest. For instance, a new initiative to educate staff on the impacts of depression was successfully added to existing programs for HIV/AIDs, Malaria, Alcohol and Drug Abuse, TB and Cancer.

In October, Steamships held a week-long cancer awareness program for staff at Head Office and the Shipping and Hotel Divisions to coincide with international Cancer Awareness month. The initiative was a first of its kind for Steamships, featuring presentations from those living with cancer or affected by it.

Steamships staff were given the opportunity to undergo medical tests for various conditions during the year. A highlight for a number of Port Moresby-based staff was a visit to the 'floating surgery' of Steamships' community engagement partner, Youth with a Mission Medical Ships Australia (YWAM MSA), for dental and optical treatment. YWAM MSA was one of a number of individual and organisational health service providers engaged by Steamships in 2013.

SAFETY

Steamships' approach to safety focuses on the development of a "Wok Seif" culture and the adoption of a "Zero Harm" mandate at all levels of operation. The Group strives to be an incident-free organisation by implementing robust safety management systems and improving staff awareness of safety issues.

Steamships' safety management systems require that all safety incidents are recorded, reported and analysed. This allows for the identification and implementation of corrective actions and the reduction of repeat occurrences. Safety Committees at the Division and Group level regularly scrutinise workplace behavior and safety performance to ensure reporting is robust and accurate.

Steamships continued to update and refine these systems during 2013. The HSSE Portal will serve as a centralised depository for all reporting data and documentation. The portal is expected to be fully implemented in 2014. During 2013 an increased number of internal and external audits were

carried out along with risk assessments on all Group-owned buildings. Fire and electrical exposures were a key focus. The HSSE scorecard was revised to include new measurables, while a number of HSSE risk assessment tools, including job safety analysis tools, were identified and rolled out for implementation.

The establishment of a Group Occupational Health and Safety (OH&S) Committee was a particular highlight. The Committee supports Steamships management in pursuing major safety objectives and reports directly to the Sustainability Committee on health and safety performance across the Group. Members of the committee include the Managing Director, the General Manager for Corporate Affairs, the Group HSSE Manager, and two Divisional HSSE Managers.

Safety data collected for 2013 shows an increase in the number of reportable safety incidents, lost time injuries and lost days over 2012 levels. Steamships' Lost Time Injury Incidence Rate was down 7 per cent to 0.92 (number of LTI's per 100 employees) in 2013, while the Lost Time Injuries Severity rate was up 48.6 per cent to 11 days.

Statistical increases in 2013 can be attributed to two factors: (i) the successful implementation of new safety management and reporting systems has improved safety awareness across the Group and (ii) the unfortunate occurrence of several serious Lost Time Injuries in which employees were hospitalised for more than a month. The health and safety of staff is paramount and Steamships has ensured these incidents were investigated and that best practice back-to-work programs are implemented for all staff.

2014 will be Steamships' "Year of Safety". Various plans are in place to build on existing initiatives and ensure "best in class" safety behavior across the Group. These include:

- A safety poster competition for Steamships employees' children will be run every six months to build safety awareness.
- The new HSSE Portal will be fully implemented and is expected to drive an improvement in health and safety management systems.
- Steamships will partner with businesses in PNG to share OH&S best practices.
- Management will drive commitment across the Group to close audit action items.
- General safety awareness will be promoted through newsletters, staff meetings and community safety awareness programs.
- Greater emphasis on OH&S training across the Group. Competent trainers will be sought to deliver training and build capacity.
- Risk assessments at respective locations and worksites will be carried out to reduce and/or eliminate OH&S exposures.

SECURITY

Security is a fundamental area of concern for all businesses operating in PNG. Steamships has established policies and processes to ensure that risks to the security of the Group's people and assets are minimised. Staff training and education programs have increased awareness of security issues.

In 2013 Steamships implemented a comprehensive system for reporting, recording and monitoring security-related incidents across the Group's operations. The reporting system has successfully increased awareness of security incidents and allowed the Group to better address operational weaknesses. Steamships' data shows the number of incidents recorded each quarter remained relatively stable across 2013. The most prevalent security issues were theft and alcohol-related incidents.

Steamships commissioned an external security audit by a leading security firm during the year. This exposed several operational weaknesses requiring further attention. In response, Steamships implemented new staff security initiatives and consulted all external service providers to ensure appropriate levels of vigilance and protection are maintained. Security enhancements to Group property and vehicles were implemented inclusive of panic response systems.

The Employee Assistance Program (EAP), which assists employees affected by increased levels of theft, robbery and public violence, was successfully implemented in 2013. Steamships will review the EAP in 2014, including a proposal to extend pick up/drop off transport arrangements to a wider staff audience.

TRAINING AND DEVELOPMENT

Steamships is committed to implementing training and development programs which assist in the development of a strong pool of skilled and experienced Board and executive management candidates. In particular, Steamships aims to provide its PNG citizen employees with the necessary skills and experience to assume leadership positions across the Group.

Steamships continues to invest significant time and resources into staff educational initiatives. In 2013, the Group invested over K5 million to deliver 138,336 hours of staff training, roughly 35 hours of training per employee. This is an additional eight hours of training per employee than was provided in 2012 and an investment of an additional K1 million in training and development initiatives.

The Group launched its Graduate Management Development Program (GMDP) in 2013 with the intake of two graduates. The GMDP is a three year program during which graduates will rotate through Divisions every six months. The program is designed to give candidates operational training while developing skills in sales and marketing, human resource management, finance and ICT.

The Graduate Accountant Program continued in 2013. Graduates attended phase one of an external personal development course and received support to undertake professional accountancy certification courses through the chartered accountants body.

Steamships also piloted a Leadership Skills training program and workshop for Division supervisors and management staff. The program had 15 participants from two Divisions and the Head Office. The overwhelmingly positive response to this initiative by participants will see a more extensive rollout of the program in 2014.

Mandatory seafarer training, heavy equipment operations training and the cadetship program continued for employees in logistics Divisions. Steamships also invested in technical skills upgrading courses for support systems related to the Group's products and services.

Steamships is proud of the role it plays in assisting promising young Papua New Guineans to further their education. Steamships and Swire fund an annual Chevening Scholarship which provides candidates with the opportunity to undertake postgraduate study in the UK.

The 2013/2014 Chevening scholarship recipient is Karen Hiawalyer, an employee of the Department of Planning and Monitoring. She will be studying a Master's degree in Climate Change and Environmental Development at the University of East Anglia. 2012/2013 Scholarship recipient, Misika Rea, is studying for an MSc Applied Management and Sustainability at the Bradford School of Management and returns to PNG in early 2014.

Steamships remains committed to training and development initiatives and plans to implement the following programs in 2014:

- Graduate Accountant and Graduate Management Development Programs – Personal Development Courses
- Leaderships Skills Training
- GRID Senior Management Training
- Soft Skills Training
- HSSE Training
- Frontline Management Courses
- Customer Service and Business Etiquette Workshops
- Information Technology Applications Training
- Technical Upgrading Courses

DIVERSITY

Steamships is committed to fostering diversity at all levels of the organisation. The Group strives to create a work environment inclusive of all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference.

In 2013, the Steamships Board approved a Diversity Policy for the Group that commits it to being an employer of choice; complying with all applicable equal opportunity and anti-discrimination laws; facilitating equal employment opportunities; adopting and applying best practice human resource processes; building and maintaining a safe work environment; training and development; and continuous disclosure regarding gender diversity.

Steamships also formalised a Group Anti-Violence Policy during the year. The Group seeks to provide an environment that is free from violence or threats of violence against individuals or groups of employees or threats against Steamships property, including partner violence, which may occur on any of its properties. The policy requires that all individuals on Steamships' premises or while representing Steamships, conduct themselves in a professional manner consistent with good business practice and in conformity with non-violent principles and standards.

In a bid to further strengthen its ties with employees, Steamships began to establish Worker Welfare Committees in 2013. These committees provide a regular forum for employees, through nominated department representatives, to discuss with management issues affecting them in the work place. The committees represent a mature, open and transparent approach to recognising, discussing and acting on employee concerns. They are intended to build trust, eliminate status differentials and reinforce management's belief in the involvement of employees.

Committee members are elected from each Division department. One representative is elected to oversee issues of seasonal, casual and disadvantaged groups of employees. The committees are chaired by an employee representative. Agenda items typically include listening to grievances from all workers without bias or discrimination for improving employees' conditions of service.

Steamships' workforce continued to grow in 2013. There was a slight increase in PNG citizens in senior management roles from 116 in 2012 to 126 in 2013 despite the overall percentage declining from 52% to 47%. Steamships aims to continue to implement training and development programs to ensure positions are filled from within the Group.

The number of female employees at Steamships decreased in 2013, constituting 24 per cent of the total workforce. This was due to an increase in male hires at Laga Industries and EWT which corresponded to the operational requirements of those Divisions. The Group is committed to addressing this decrease in 2014 through diversity initiatives and specialised hiring strategies.

Employee turnover increased again in 2013. The impact of PNG LNG construction on the PNG workforce and Steamships' tighter controls and higher expectations of employee performance were key influences. Steamships will continue to analyse employment data to determine the reasons for employees leaving by age group and gender and customise retention programs accordingly.

CASE STUDY 1: PNG Passes Family Protection Legislation

In September 2013, PNG's Family Protection Bill was tabled and passed on the floor of Parliament having been endorsed by the National Executive Council some months earlier. The event was a landmark day for PNG as the Bill made domestic violence an offence under PNG law.

Steamships is proud to have played a part in this historic process through its relationship with the Coalition for Change PNG Inc. (CFC PNG), a community-based not for profit advocacy group launched in 2008 to address the issue of gender based violence, particularly in the home.

Chaired by Lady Winifred Kamit CBE, a non-executive director on the Steamships board, CFC PNG has been the lead advocate for legislative reform of PNG's pre independence Family legislation. The Group engaged international consultants to review measures against domestic violence and found there was widespread support for revised Family Protection legislation.

CFC PNG was responsible for commissioning the drafting of new legislation for the Protection of Families. It was supported in its work by PNG's Secretary to the Attorney General in a working group comprising private and public stakeholders.

Steamships is proud to continue to support CFC PNG through funding and staff participation in building awareness for White Ribbon Day, which promotes the elimination of violence against women and girls.

CASE STUDY 2: Graduate Management Development Trainees

Sebastian Negints:

"I am currently at Coral Sea Hotels having rotated from East West Transport. I have been going through the operations and administration departments, learning about the products and services offered and observing under senior management. I also took part in Steamships' organised sporting events and enjoyed bonding with work mates during training and the build up to the games. It made me feel truly part of the team. I knew the staff and management better and it made my learning experience more effective and enjoyable.

"It is a challenge to learn and understand everything about these Divisions' operations in very competitive industries, but from what I have learnt so far I anticipate the next few years in Steamships will be a highly rewarding experience."

Danmon Pangali:

"The Steamships Graduate Management Program provides a career development opportunity in management which very few companies can compare with in PNG. Having the opportunity to be exposed to the different commercial activities Steamships is involved in through its various Divisions is a privilege and continues to be one of the greatest draw cards for me.

"My first attachment with the Hotels Division under the mentorship of the General Manager, Mr Glen Murphy has been a positive experience. I found myself involved in a number of activities that required me to further develop skills in communication, team work, problem solving, and to be more self-directed. The close contact with senior management has been the highlight of the program for me. It has allowed great insight into the nature of the business and also exposed me to different styles of coordinating the efforts of people to accomplish goals and objectives using available resources.

"I am currently attached with East West Transport and I look forward to new experiences and continued growth in my career under the Steamships Graduate Management Development Program."

OUR ENVIRONMENT

Steamships appreciates Papua New Guinea's remarkably diverse environment and strives to be a good steward of the natural resources under its influence. Environmental sustainability is a pillar of Steamships' Sustainability Strategy and a high priority Key Performance Indicator at every operational level across the Group.

Steamships is committed to conducting business in a manner which fosters the sustainable use of the earth's resources and minimises any adverse impacts on the environment.

Approach to Environmental Sustainability

Steamships firmly believes that environmental education is one of the most effective ways to ensure the principles of environmental sustainability are understood and adopted. Steamships' 'Environment' strategy aims to increase environmental awareness within the Group and the community, through environmental education workshops and community engagement initiatives.

Steamships continues to develop comprehensive systems and procedures to ensure that all environmental impacts of operations are identified, monitored and appropriately managed. The consolidation of these systems and continued staff education were key sustainability goals in 2013.

Environmental Aspects and Impacts Registries (EAIR) were rolled out to a selection of Steamships' Divisions during the year. These registries support the identification of specific and potential environmental impacts from business operations and assist in the development of measures to eliminate or minimise these. All Divisions are expected to have EAIR's in place during 2014.

A comprehensive Waste Management Plan was developed in 2013. The plan aims to identify the different waste streams generated at Steamships facilities and potential environmental impacts and develop methods to avoid, reduce, capture and store waste where practical. The plan also builds staff awareness on the impacts of different waste types. Work will continue with Divisions in 2014 to ensure implementation across the Group.

Steamships engages extensively with the community in the area of environmental sustainability. The Group successfully celebrated the 2013 World Environment Day in the National Capital District (NCD) by supporting a series of competitions for school children from seventeen local schools. This was complemented by a 'mangrove planting' exercise in which Steamships staff and the community planted 500 seedlings at Pari Village outside Port Moresby. Steamships plans to introduce similar initiatives to additional schools and communities in 2014.

Steamships continued support for the Swire Papua New Guinea Rainforest Study (SPRS) in the Wanang Conservation Area during the year. Funding was provided for conservation activities and the Wanang elementary and primary school, which serves six local villages.

The inaugural recipient of the Swire Conservation Scholarship in Forest Science and Conservation took up post graduate studies in Forest Science at the University of Minnesota in the United States of America in 2013. The scholarship, funded by the Swire Educational Trust, aims to support individuals of exceptional promise in developing leadership roles in forest science and management in PNG.

OUR ENVIRONMENT: Review of Activities and Objectives

Highlights	Future Aims
Implemented an initial rollout of Environmental Aspects and Impacts Registries (EAIR) to some Divisions.	EAIR's to be rolled out to remaining Divisions and reporting systems to be implemented. Steamships will conduct reviews and focused audits on individual Divisional EAIR's throughout the year.
HSSE Portal was rolled out, providing a centralised depository for all reporting data and documentation.	Ensure HSSE Portal is used as a one stop shop for environmental data and continue to train portal users as and when required.
Sponsored a post graduate scholarship for a student to study forest science in the United States of America.	A further scholarship will be offered in 2014 to assist citizens wishing to pursue a Master course.
Environmental Awareness training and education programs held internally and in local communities.	Continue support for staff and community level environmental awareness education programs.
Supported World Environment Day activities in Port Moresby by sponsoring Schools competition and mangrove planting initiative. Providing funding of K50,000.	Expand World Environment Day school contest to schools in Morobe Province. Increase budget for support to K100,000. Continue mangrove planting project.
Waste Management Plan developed and implementation begun. Initiated training to increase awareness of different waste streams.	Implement Waste Management plan across the Group. Review Division plans and continue awareness training for Division staff.
Consolidated system for collection of data for energy consumption, CO_2 emissions and water use.	Ongoing consolidation of reporting systems. Pronto to be used to extract all energy consumption and water use data.
Continued support for the Swire PNG Rainforest Study (SPRS) including funds for conservation activities and the educational facilities in local communities.	Continue to provide funding and support for the SPRS.

Energy Use, Water Use and Environmental Emissions

Steamships is strongly committed to reducing energy use, water use and environmental emissions at every operational level. Environmental training and education programs held in 2013 focused on the planning and implementation of sustainable workplace practices and the adoption of processes aimed at reducing energy and water use and lowering emissions. Continued staff education on Steamships' systems for monitoring and reporting usage and emissions data was also carried out throughout the year with the aim of improving data quality.

Steamships has been collecting and internally reporting data on direct and indirect energy consumption by primary source, greenhouse gas emissions and water usage since 2012. Reporting efforts and data quality improved significantly in 2013.

Diesel and electricity consumption were the primary sources of CO_2 emissions during 2013. Overall emissions rose by around 14 per cent over 2012 levels. Data shows that water usage rose 21 per cent on 2012 levels. At this stage the increases are primarily attributed to better data capture discipline in 2013 as overall activity levels in the group were static if not slightly down.

Steamships continues to prioritise efforts to improve the accuracy of data and efficiency of reporting across the Group. The continued rollout of Division EAIR's provides significant support to this process by helping Steamships staff to identify, monitor and address action items to lower resource usage and emissions. Steamships believes this comprehensive system of reporting and monitoring will manage and improve long term environmental impacts from operations.

The Group will regularly review EAIR's and reporting systems to ensure accurate data is consistently reported and housed on Steamships' HSSE Portal. In 2014 the Group will also explore opportunities to expand the use of the Pronto IT management system to collect data on energy and water usage and associated costs. Steamships anticipates this will improve reporting efficiencies by reducing the time and effort required by Divisions to collect data.

CASE STUDY 3: Improving the Understanding of PNG's Tropical Forests

Steamships has a long standing commitment to support scientific research on PNG's tropical forests, the third-largest tract of rainforest in the world.

Since 2008 Steamships' majority shareholder, John Swire & Sons Limited, has committed USD6000,000 (USD100,000 in 2013) to the Swire PNG Rainforest Study (SPRS). In 2010 the Swire Research Centre at Wanang in Madang Province was officially launched.

The project has made good progress since its launch and a number of important community and research activities took place in 2013. These included:

- Continuing work on 50-ha forest survey: tagging of approximately 300,000 trees completed, identification and data basing of some 400 species nearing completion.
- Conducting research of forest canopy using a hot air balloon. Funded with a EUR40,000 grant from the Belgium Lottery Fund.
- Developing a seed project, butterfly monitoring, and bird study. A PhD student was supported to work in Wanang Conservation Area with five well trained assistants. Funded by the Czech Science Foundation.
- MSc student project on soil chemistry and an Honours project on ethnobiology were carried out in Wanang, along with part of an MSc project on ant ecology from the University of PNG.
- Seacology primary school classroom built and opened.
- Continued construction of the EUR 50,000 project for solar equipment at Swire Station, funded by the Prince of Monaco Foundation (who visited in December 2012). This project will also supply lights to Wanang School.
- Established the Darwin Initiative project to estimate carbon stock in Wanang Conservation Area. A UK expert, Dr Mika Peck, started training at the site in late 2013. The project aims to gain Verified Carbon Standards and Carbon Community Biodiversity Standards accreditation.
- Swire funds continued to support the Wanang elementary and primary school, which serves six villages.
- An International Course of Ecology was held at Swire Station for three weeks in July. Participants included ten European and twenty PNG students (including Wanang community members and BRC staff, as well as students and researchers from several PNG universities, NARI, FRI, NAQUIA).
- PNG Department of Environment and Conservation visited and continued work on establishing the Wanang Conservation Area.

OUR COMMUNITY

Community is the third and final pillar of Steamships' Sustainability Strategy. The Group has a considerable footprint in PNG and considers it essential to have a positive impact on the various communities in which it operates.

Steamships' Sustainable Development Policy commits the Group to playing an active role as a responsible corporate citizen; to being involved in community engagement programs; and to encouraging staff to participate in these initiatives. These commitments guide the Group's approach to community engagement and development activities.

Approach to Community Development

Steamships adds value to the communities in which the Group operates, over and above the economic benefits derived from employment, taxes and levies and associated businesses.

The Group's community program prioritises four key areas: health and social welfare, education, sports and culture. Funding to these areas was over K1.94 million in 2013, an increase of some 20 per cent on 2012. The Group expects to increase funding for community development activities by an additional 15 per cent in 2014.

Steamships' community strategy focuses financial support on a select group of larger, high impact activities to ensure funds are most effectively utilised. Steamships Divisions continue to provide additional support to local initiatives related directly to the communities in which they operate.

Highlights	Future Aims
Assisted the Coalition for Change PNG Inc. (CFC PNG) to create awareness about violence against women and children. Worked with the CFC PNG and government agencies to promote the Family Protection Act.	Continue to promote efforts to reduce gender based inequality and violence by supporting groups such as the CFC PNG and the newly constituted Business Coalition for Women (BCW). Increase support to K50, 000.
Provided support to Youth with a Mission (YWAM), which contributed to YWAM receiving Government funding for a new vessel.	Continue to assist YWAM to expand operations to Milne Bay, Morobe and Central Province.
Staff visited both the Port Moresby Children's Hospital and the Tembari Child Care Orphanage to present gifts.	Increase staff involvement in community-based projects and activities and complement with funding where appropriate.
Donated prime land to the 2015 Pacific Games Commission for the construction of facilities for the Games.	Assist in the purchase of vital equipment for Cancer Facility at the Port Moresby General Hospital
Appointed a General Manager Corporate Affairs.	Establish a committee to manage community investment program and identify communities and charities to assist.
Invested K1.94 million in community initiatives, an increase of 20% from 2012.	Increase funding for community initiatives by 15% to K2.25 million.

AREA	2013 Spending (Kina)	2014 Budget (Kina)
Health & Social Welfare	1,210,153	1,270,480
Education & Environment	497,190	462,919
Sports & Culture	234,000	130,000
TOTAL	1,941,343	1,863,399

Major Recipients of Steamships Community Engagement Funds in 2013:

YWAM Medical Ship

Purpose

Delivers medical services into the remote rural areas of the Gulf and Western provinces.

Steamships 2013 contribution:

K400,000

BAHA

Purpose

Assists the private & public sector to develop workplace policies on HIV/AIDS and provides training & awareness on the disease.

Steamships 2013 contribution:

K50,000

Salvation Army

Purpose

Helps people in rural areas and urban settlement areas improve living conditions, raise skill levels, increase productivity and instill self-confidence.

Steamships 2013 contribution:

K220,000

Buk Bilong Pikinini

Purpose

Provides young children access to books and reading materials to develop their basic literacy and numeracy skills before entering the school system.

Steamships 2013 contribution:

K196,000

World Environment Day

Purpose

Encourages school children to understand the importance of taking care of the environment.

Steamships 2013 contribution:

K50,000

Susu Mama Inc

Purpose

Helps to reduce maternal and infant morbidity and mortality in PNG.

Steamships 2013 contribution:

K120,000

Steamships also supported the following charitable organisations in 2013:

- **Coalition for Change PNG:** Creates awareness about violence against women and children.
- **PNG Paralympics:** Gives people with disability the opportunity to achieve their dreams and aspirations.
- **Operation Open Heart:** Flies in doctors from Australia to carry out open heart surgery on patients where procedures are not possible due to a lack of necessary technical or financial means.
- **Cheshire Disability Services:** The only organisation in PNG that takes care of, and trains, people living with disabilities.
- **Halfway House and Tembari Children Care:** Gives women and children who are victims of violence and abuse a place to take shelter.
- **Steamships Make a Child Smile Project:** Steamships' staff visit hospitals and other institutions over Christmas Season to donate gifts to children.
- **Kone Kanu Klub:** A rowing club based in Port Moresby which represents the country and participates in competitions in Australia.
- **Crocodile Prize/Literary Sponsorship:** PNG's only National Literature Contest. Steamships sponsor the Short Story Prize.
- **International Course of Ecology** was held at Swire Station for three weeks in July. Participants included ten European and twenty PNG students (including Wanang community members and BRC staff, as well as students and researchers from several PNG universities, NARI, FRI, NAQUIA).
- **PNG Department of Environment and Conservation** visited and continued work on establishing the Wanang Conservation Area.

CASE STUDY 4: Supporting the Development of Literacy and Numeracy Skills

Steamships is proud to support Buk Bilong Pikinini (BBP), an independent not-for-profit organisation which aims to establish children's libraries and encourage reading and learning in PNG.

There are few functioning libraries outside the school system in PNG and most children do not have access to books. Only half of school age children go to school and in many places the literacy rate is well under the official rate of 50 per cent; in some it is as low as five per cent.

BBP libraries give young children access to books and reading materials to develop basic literacy and numeracy skills, before entering the school system. These libraries are a very important resource, deliberately built in community-based localities such as settlements, clinics and market places.

Steamships is a platinum founder and sponsor of BBP and currently supports three BBP libraries. Steamships will be providing financial support to the Lawes Road (Port Moresby), Lae and Goroka Libraries until at least 2017.

In addition to financial support for BBP, Steamships provides rent-free space at its Bird of Paradise Hotel to house BBP's Goroka library, along with providing toilet facilities for children and staff.

CASE STUDY 5: Steamships Expands Support for World Environment Day

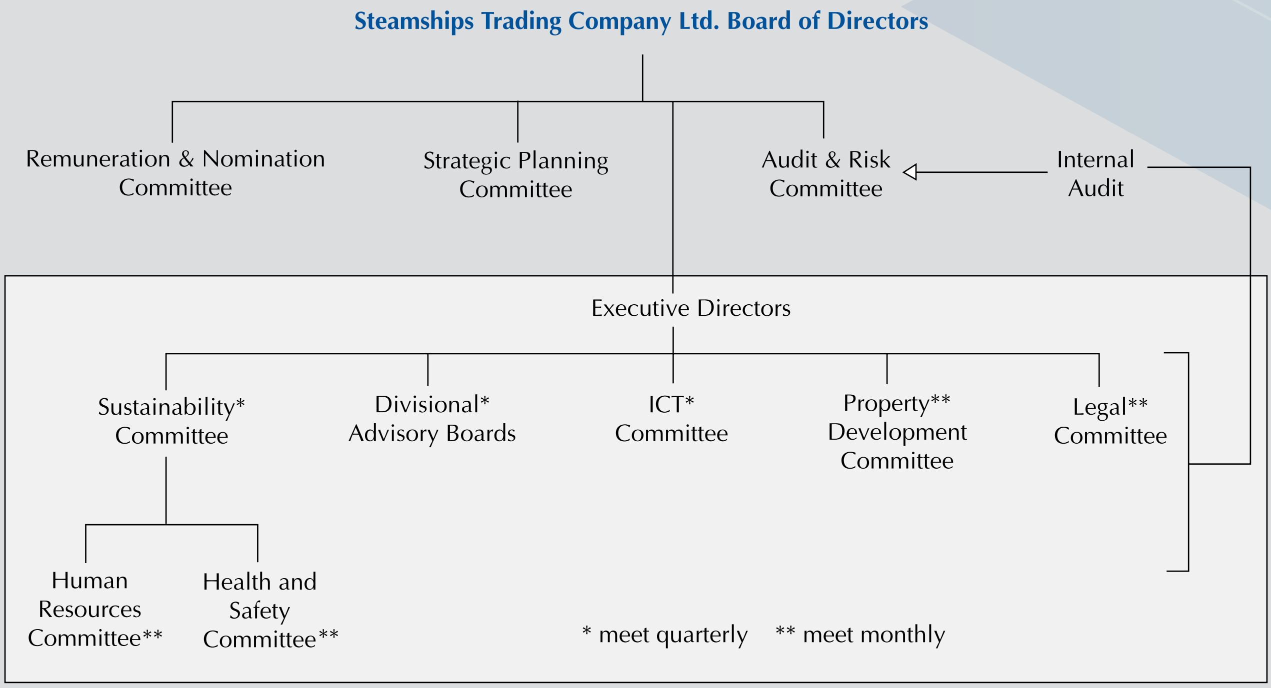
Steamships is a major sponsor of PNG's activities to celebrate 'World Environment Day' on the 5 June each year.

In 2013 the Group was the sole private sector sponsor of the World Environment Day School contest, in partnership with the Department of Environment and Conservation (DEC). Three activities were organised - the Clean School contest (Best Environmentally Friendly School Award), an Essay competition and a Debate contest – and all were based on the 2013 theme "Think, Eat, Save".

The day was regarded as a great success with a total of seventeen schools participating in organised activities. Steamships' involvement was the first time a company had partnered with the DEC to organise and host a program on World Environment Day.

Complementing the schools initiative was a 'mangrove planting' exercise involving Steamships staff and the community from Pari Village outside Port Moresby. Staff and their families planted a total of 500 seedlings along the shoreline to stop erosion. Steamships is considering proposals to expand these activities for the 2014 World Environment Day.

CORPORATE GOVERNANCE STRUCTURE



Steamships formalised the above governance structure in 2013. During the year an independent Internal Audit department was established to report to the Audit & Risk Committee, together with the following executive committees to support the Executive Directors in their duties: Sustainability, ICT, Property Development and Legal. The formation of these additional committees adds further integrity to the Group's risk management processes.

Director's attendance at the relevant Board and Board Committee meetings is outlined below.

Board and Committee Attendance

	Board Meeting	Audit and Risk Committee	Remuneration and Nomination Committee	Strategic Planning Committee
W.L. Rothery	3/4		2/2	1/1
G. Aopi, CBE	4/4			
T. Blackburn	4/4			
Sir M. Bromley, KBE	4/4	4/4	2/2	1/1
D. Cox, OL	4/4			
G. Cundle	4/4		2/2	1/1
G.J. Dunlop	4/4	4/4		1/1
J. Hughes Hallett, CMG	2/4			
Lady W. Kamit, CBE	4/4	4/4		
S. Pelling	4/4			1/1

A commitment to good governance

Steamships and its Board are committed to achieving and demonstrating the highest standards of corporate governance and ethical behaviour, and they expect these standards from all employees. The Group believes that the maximisation of long term returns to shareholders is best achieved by acting in a socially responsible manner that recognises the interests of community stakeholders.

Steamships is committed to:

- Providing high-quality products and services to meet customers' needs;
- Maintaining high standards of business ethics and corporate governance;
- Ensuring the safety and wellbeing of employees and others with whom the Group has contact; and
- Promoting sustainable business practice.

Steamships believes it complied with the 2010 Australian Stock Exchange Corporate Governance Principles and Recommendations with 2010 amendments during the twelve months ended 31 December 2013, except where noted in the following pages.

Steamships reports against the Australian Stock Exchange (ASX) recommendations by addressing each key principle in the order it is listed in the ASX guidelines. Each section addressing a key principle includes references to relevant information that appears elsewhere in the 2013 Annual Report or on Steamships' website.

Lay solid foundations for management and oversight

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 Group combines the efforts of dedicated management teams in the individual Divisions, supported by a small Corporate Office management team, to provide services such as strategic direction, investment and performance review, treasury, legal support, health & safety development, human resources management and people development services.

Steamships' Board of Directors, together with Divisional advisory boards, has the responsibility to set the strategic direction of the Group; 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. Steamships has formalised and defined the functions reserved for the Board and those delegated to management in a formal Board Charter. This Charter defines Board duties to facilitate accountability to the Group and its shareholders.

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

The Board has formed a Strategic Planning Committee that meets annually and provides a detailed review of the annual budget and the three-year planning process in discussion with the Division General Managers. This review in no way diminishes the responsibility of the full Board to review and approve the Group's strategy at a more macro level.

Core strategies are implemented by means of programs, budgets and procedures. Implementation involves the organisation of the Group's resources and motivation of the staff to achieve objectives.

The Managing Director reviews the performance of senior Executives regularly and at least annually. These reviews address individual and corporate key performance indicators and compliance with the Group code of conduct and ethics. A written report on the annual reviews is prepared and sent to the Remuneration and Nomination Committee which provides feedback to the Board and Managing Director on senior management succession plans.

The Board assesses the performance of the Managing Director, and other Executive Directors, according to the formal performance evaluation process. Performance evaluations for all senior Executives were carried out during 2013 in accordance with this process.

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

Copies of the Board Charter, Board Committee Charters and Terms of Reference and the formal process for Senior Management Performance Evaluation can be found on Steamships' website in the corporate governance section.

Structure the Board to add value

The Steamships Board currently comprises two Executive Directors, two independent Non-Executive Directors (Lady Winifred Kamit and Mr Gerea Aopi), and six Non-Executive Directors, of whom three are also Directors of other John Swire & Sons' subsidiary companies. The roles of Chairman and Managing Director are performed by separate individuals.

Steamships notes the ASX recommendations and comments concerning Director independence and advises that the Group departs from these recommendations due to the nature of its shareholdings and its location. Steamships currently has 98 per cent of its shares held by three major shareholders, one of which holds 72 per cent of the shares. The pool of available independent representatives in Papua New Guinea is small, and it would be very difficult to find an adequate number of truly independent Directors qualified to serve on the Board. To disqualify existing Directors on the grounds of lack of independence would deprive the Group of valuable experience in the management of its affairs. While recognising the importance of the ASX recommendations, the Board feels that, under current circumstances, the recommendations are not practicable, and would not serve the interest of the Group or its shareholders.

All Non-Executive Directors retire on a rotational basis at least every three years. Retiring Directors are eligible for re-election.

The Board has a Remuneration and Nomination Committee comprising three Directors. The members of the Remuneration and Nomination Committee and their attendance at meetings of the Committee during 2013 are detailed above and in the Directors' Report.

The responsibilities of the Remuneration and Nomination Committee include reviewing, monitoring and making recommendations to the Board regarding the composition of the Board, Board Committees and senior management team.

Steamships believes that its Board should consist of Directors with an appropriate mix of skills and experience to understand, critique and contribute to the Group's financial performance, strategic direction, risk management, operations, sustainability, values and culture. The skills, expertise, experience of each Director and term of office at the date of this report are detailed in the Directors' Report.

The Steamships Board has adopted a formal performance evaluation process which reviews the performance of the Board, Board Committees and individual Directors on an annual basis.

The process is conducted by the Chairman of the Board, who meets with each Non-Executive Director and specifically addresses key performance indicators and compliance with the Group Code of Conduct and ethics.

In reviewing the performance of Board Committees, the Chairman conducts meetings with the Chairperson of each Board Committee addressing key performance criteria and compliance with Committee charters and terms of reference.

Both formal review processes were completed in 2013.

A more detailed explanation of Steamships' formal performance evaluation processes for the Board, Board Committees and individual Directors is available on Steamships' website in the corporate governance section.

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

Steamships' Board Charter and the Remuneration and Nomination Committee Charter are available on Steamships' website in the corporate governance section.

Promote ethical and responsible decision making

Steamships promotes ethical and responsible decision-making in all its Divisions. This commitment falls within the Group's strong focus on ensuring the sustainability of its business operations, described separately in this Annual Report. The Group's evolving sustainability strategy promotes ethical and responsible behaviour in three key focus areas: People, Environment and Community.

In early 2013, Steamships adopted a formal Group Code of Conduct. The Code embodies previously informal practice and is supported by a training module and periodic monitoring of compliance. Among matters addressed, the Code of Conduct details Steamships' requirements regarding monetary payments and gifts offered by third parties to Steamships' personnel.

The following Board committees assist the Board in promoting ethical and responsible decision making:

- Strategic Planning Committee
- Audit and Risk Committee
- Remuneration and Nomination Committee

Steamship began to consider some key benchmarks from the global standard on sustainability reporting – the Global Reporting Initiative (GRI) - in its 2011 Annual Report for the first time. By establishing systems to collect relevant data and monitor progress against these benchmarks, Steamships continues to promote ethical and responsible decision making, improve operations and increase transparency.

Commentary on Group performance in health and safety, security, training and development, labour relations, diversity, in addition to environmental measures on energy, water, effluent and waste emissions and the Group's approach to community development can be found in the sustainability section of this Annual Report and on the Steamships website.

Diversity

ASX recommendations focus heavily on gender diversity. While Steamships is committed to fostering diversity at all levels, gender diversity has been and continues to be a priority for the Group. Its approach to gender diversity is based on fostering an inclusive culture, improving talent management, enhancing recruitment practices and ensuring pay equity.

Notwithstanding ASX recommendations, Steamships believes that for a Group operating entirely in Papua New Guinea, diversity must go further and incorporate culture. This country of just over seven million people is widely reported as having around 800 unique languages. The challenges of its mountainous and island terrain contribute to its highly traditional tribal and rural societies (less than 20 per cent of PNG citizens live in urban centres).

Steamships operates in 12 of PNG's 20 provinces, consistent with its broad range of business interests. Having operated successfully in PNG since 1919, Steamships recognises the social and commercial value of diversity and strives to create a work environment which is inclusive of all people regardless of gender, age, race disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference.

In 2013, the Board approved a Diversity Policy for the Group that reflects this commitment and includes the requirement for reviewing and providing recommendations to the Board on the Group's performance development initiatives aimed at promoting diversity. Commentary on adopted measures is included in the sustainability section of the 2013 Annual Report and on the Steamships' website.

Steamships' Code of Conduct and Diversity Policy are available on the Steamships website in the corporate governance section.

Safeguard integrity in financial reporting

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

The Audit and Risk Committee recommends the appointment and remuneration of the external auditors, reviews the Group'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 quarterly, at which time it receives and discusses reports from senior management and from external auditors. The Audit and Risk Committee has formal terms of reference which detail its role and responsibilities, composition, structure and membership requirements.

The members of the Audit and Risk Committee, their qualifications and their attendance at meetings of the Committee held during 2013 are shown above and in the Directors' Report.

Divisions within the Group have established their own internal audit and monitoring functions. Regular reviews of monthly accounts and balance sheets conducted by senior management seek to ensure that internal control is properly managed throughout the Group. In the opinion of the Board, this has been the most efficient and cost-effective means of managing internal control, given the diversity of the business and the nature of the risk. However, to enhance the internal system of control and business risk, the Board approved the establishment of a standardised corporate office internal audit process in 2013.

The Audit and Risk Committee Terms of Reference is available on Steamships' website in the corporate governance section.

Make timely and balanced disclosure

Steamships promotes timely and balanced disclosure of all material matters concerning the Group. The Board seeks to inform shareholders of issues affecting the Group through comprehensive Annual Reports, the Steamships website and the release of reports to the Port Moresby Exchange, the Australian Securities Exchange and appropriate media. These detail the Group's financial and operating performance.

Steamships has written policies designed to ensure compliance with the continuous public disclosure and external communications requirements of the Port Moresby Stock Exchange and Australian Securities Exchange, and the Board will ensure these are met at all times.

Steamships has explored methods to more effectively inform shareholders. While many local smallholders still rely solely on the postal system, an increasing number have access to the internet. By relaunching its corporate website in early 2013, Steamships has further developed the mechanisms designed to ensure compliance with the ASX listing rule requirements, such that:

- All investors have equal and timely access to material information concerning the Group, including its financial position, performance, ownership and governance.
- Group announcements are factual and presented in a clear and balanced way, including disclosure of both positive and negative information.

Respect the rights of shareholders

As mentioned earlier, some 98 per cent of Steamships shares are held by three major shareholders, two of which are represented on the Board. Steamships is nonetheless very aware that it has smaller shareholders and seeks to ensure they are fully empowered.

The Steamships website is regularly updated to give all shareholders ready access to balanced and easy to understand information about the Group and its business activities.

Steamships is incorporated in Papua New Guinea and accordingly holds its Annual General Meeting in Port Moresby, with shareholders encouraged to attend and participate.

Steamships' Public Disclosure and External Communications Policy is available on Steamships' website in the corporate governance section. Steamships' website details how investors may contact the Group's investor relations team. In addition, the website contains contact details for the Group's external share registry, including a general enquiry line, fax number and email details.

Recognise and manage risk

Steamships has identified its material business risks and actively manages those risks. The Group is committed to the management of risks throughout its operations to protect its employees, the environment, Group assets, earnings and reputation.

Certain risks occur in the normal course of Steamships' business and include foreign exchange and interest rate risks. Steamships has policies and standards in place covering the oversight and management of these inherent material business risks.

The Group has adopted an Enterprise Risk Management process that enables it to identify, assess and manage factors that threaten the Group's ability to achieve its long term strategic objectives.

Under this system all material business risks that arise in the course of the Group's activities have clearly defined management ownership and accountability for reporting to the Board.

The Board requires management to continually and at least annually assess, prioritise, mitigate and manage its existing risks and the emerging risks it faces. The General Manager of each Division draws up and manages each organisation's corporate risk register and mitigation plans and is required to present these to the Board on an annual basis.

During 2013, management reported to the Board on the effectiveness of its risk management systems and performance in managing material business risks. Steamships' Strategic Planning Committee formally reviews Divisional risks as part of its annual strategic review.

Steamships' Risk Management program utilises a risk management tool and database to assist in monitoring and enforcement of compliance with the Group's risk management procedures and policies. The Group also uses other risk management techniques, including insurance, to reduce the financial impact of any uncontrollable or catastrophic losses.

The Board is responsible for reviewing the Group's policies on risk oversight and management. In doing so, the Board satisfies itself that management has developed and implemented a sound system of risk management and internal control.

Steamships has an Audit and Risk Committee responsible for monitoring and reviewing the risk management system. While the Audit and Risk Committee assists the Board to fulfil its risk oversight obligations, ultimate responsibility for risk oversight and risk management rests with the full Board.

Minutes of all Board committee meetings are made available to all Directors. The members of the Audit and Risk Committee, their qualifications and attendance at meetings of the Committee during 2013 are detailed above and in the Directors report.

Steamships is incorporated in Papua New Guinea and is not generally subject to the Australian Corporations Act, hence the Board does not require the Managing Director and the Finance Director to provide a declaration that is consistent with section 295A of the Australian Corporations Act 2001.

A summary of Steamships' policies on risk oversight and management is available on Steamships' website in the corporate governance section.

Remunerate fairly and responsibly

Steamships' policy is to ensure that the level and composition of remuneration for all employees is competitive and reasonable and that the relationship between remuneration and performance is clearly defined.

Steamships' Board has established a Remuneration and Nomination Committee comprising the Steamships Chairman, the Managing Director and a Non-Executive Director. Steamships acknowledges the ASX recommendations that suggest this committee be chaired by an independent Director, however the Board considers this committee structure appropriate given Steamships' shareholder structure.

The Remuneration and Nomination Committee meets annually to review, monitor and make recommendations

to the Board regarding the remuneration and incentive framework for non-executive Directors, the Managing Director and other executive Directors, and senior executives at the General Manager level.

Steamships' remuneration policy is designed to attract and retain the talent necessary to create value for shareholders; to motivate senior executives to pursue long term growth and success for the Group; to reward key management personnel and other employees fairly and responsibly; and to comply with all relevant legal and regulatory provisions.

Steamships' executive remuneration policy, which applies to the Managing Director, other executive Directors, and senior executives at the general manager level, comprises three components: Fixed remuneration, incentives and salary packaging and other benefits. Incentive-based remuneration is aligned with individual and corporate objectives with performance against these evaluated annually.

Non-executive Directors are remunerated by way of fees and do not receive options, bonus payments or retirement benefits.

Further details of Steamships' approach to remuneration can be found in the Groups' Remuneration Policy, which is available on Steamships' website in the corporate governance section.

The members of the Remuneration and Nomination Committee, their qualifications and attendance at meetings of the Committee during 2013 are detailed above and in the Director's Report. The Remuneration and Nomination Committee's charter is available on Steamships' website in the corporate governance section.

Steamships is incorporated in Papua New Guinea and is not generally subject to the Australian Corporations Act, hence section 300A the Australian Corporations Act 2001 concerning remuneration disclosure does not apply. Steamships reports company remuneration details in accordance with the Papua New Guinea Companies Act 1997.

Steamships Annual Report

FINANCIAL CONTENTS

STATEMENTS OF COMPREHENSIVE INCOME

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

		Consolidated		Parent Entity	
	Note	2013	2012	2013	2012
Continuing Operations					
Revenue	3(a)	930,934	986,310	56,971	78,346
Other income	3(a)	38,718	51,885	6,103	7,441
Operating expenses	3(b)	(871,288)	(751,111)	(6,001)	(5,581)
OPERATING PROFIT		98,364	287,084	57,073	80,206
Finance costs – net	3(e)	(17,690)	(21,510)	72	72
Share of profit of associates and joint ventures	4(b)	9,697	14,188	-	-
PROFIT BEFORE INCOME TAX		90,371	279,762	57,145	80,278
Income tax expense	5(a)	(11,930)	(81,414)	(572)	(59)
PROFIT FROM CONTINUING OPERATIONS		78,441	198,348	56,573	80,219
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		78,441	198,348	56,573	80,219
Attributable to:					
Non-controlling interests		(38,609)	20,648	-	-
Shareholders		117,050	177,700	56,573	80,219
		78,441	198,348	56,573	80,219
Basic and Diluted Earnings per share continuing (toea)	3(f)	377t	573t	-	-

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

STATEMENT OF CHANGES IN EQUITY

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

	Share Capital	Retained Earnings	Other Reserves	Total Capital & Reserves	Non-Controlling Interest	Total Equity
BALANCE AT 1 JANUARY 2012	24,200	554,349	-	578,549	75,365	653,914
Profit from continuing operations	-	177,700	-	177,700	20,648	198,348
Other comprehensive income	-	-	-	-	-	-
Dividends paid 2012	-	(79,071)	-	(79,071)	(11,691)	(90,762)
BALANCE AT 31 DECEMBER 2012	24,200	652,978	-	677,178	84,322	761,500
Profit from continuing operations	-	117,050	-	117,050	(38,609)	78,441
Other comprehensive income	-	-	-	-	-	-
Dividends paid 2013	-	(68,218)	-	(68,218)	(5,702)	(73,920)
Change in ownership interests not resulting in a change in control (note 22b)	-	-	(8,994)	(8,994)	(17,104)	(26,098)
BALANCE AT 31 DECEMBER 2013	24,200	701,810	(8,994)	717,016	22,907	739,923

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

No statement of changes in equity is presented for the Parent Entity as the only movement in equity is represented by the retained earnings as shown in the statement of comprehensive income and dividend movements as reflected above for the Group.

BALANCE SHEETS

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

		Consolidated		Parent Entity	
	Note	2013	2012	2013	2012
Current assets					
Cash and cash equivalents	6	11,640	21,508	643	3,225
Trade and other receivables	7(a)	178,996	242,553	1,056	4,680
Inventories	8	59,878	68,381	-	-
Non-current assets classified as held for sale	9	-	8,426	-	-
Financial assets at fair value through profit and loss	10	-	20,307	-	-
Loans to related companies	11	337	2,455	-	-
		250,851	363,630	1,699	7,905
Non-current assets					
Property, plant and equipment	12	722,735	755, 349	28,944	32,478
Investment properties	13	343,658	268,512	-	-
Investments in related companies	4(a)	31,471	38,687	146,395	68,676
Loans to related companies	11	103,065	48,290	5,712	5,715
Intangible assets	14	93,514	17,183	-	-
Deferred tax asset	5(c)	21,081	-	771	905
		1,315,524	1,128,021	181,822	107,774
TOTAL ASSETS		1,566,375	1,491,651	183,521	115,679
Current liabilities					
Trade and other payables	15	130,662	149,007	213	150
Provisions for other liabilities and charges	16	10,176	12,658	-	-
Loans from related company	11	16,335	14,314	155,234	76,248
Loan from shareholder	17	15,160	16,133	-	-
Borrowings	17	50,681	144,381	-	-
Income tax payable		7,713	33,903	(604)	(1,042)
		230,727	370,396	154,843	75,356
Non-current liabilities					
Deferred tax liability	5(c)	25,598	32,898	-	-
Provisions for other liabilities and charges	16	12,019	9,985	-	-
Borrowings	17	558,108	316,872	-	-
		595,725	359,755	-	-
TOTAL LIABILITIES		826,452	730,151	154,843	75,356
NET ASSETS		739,923	761,500	28,678	40,323
EQUITY					
Issued capital	18	24,200	24,200	24,200	24,200
Retained earnings		692,816	652,978	4,478	16,123
Capital and reserves attributable to the Company's shareholders		717,016	677,178	28,678	40,323
Non-controlling interests		22,907	84,322	-	-
TOTAL EQUITY		739,923	761,500	28,678	40,323

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

For and on behalf of the Board:

W. L. Rothery
Chairman

G.L. Cundle
Managing Director

28 March 2014

STATEMENTS OF CASH FLOWS

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

		Consolidated		Parent Entity	
	Note	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		962,288	990,355	1,206	1,885
Payments to suppliers and employees		(643,060)	(626,171)	(1,177)	(1,435)
Interest received		106	135	72	72
Interest and other finance costs paid		(17,796)	(21,645)	-	-
Income tax paid		(64,930)	(75,808)	-	(219)
Net cash provided by operating activities	20	236,608	266,866	101	303
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(224,734)	(202,646)	(497)	(510)
Proceeds from sales of property, plant & equipment		52,463	4,917	-	-
Loans made (to)/repaid by associated companies		(51,609)	(44,620)	86,780	4,157
Dividends received		5,921	3,935	56,971	78,346
Acquisition of subsidiaries and non-controlling interests(net of cash acquired)		(92,633)	-	(77,719)	-
Net cash (used in)/provided by investing activities		(310,592)	(238,414)	65,535	81,993
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		220,000	145,000	-	-
Repayments of borrowings		(86,401)	(51,319)	-	-
Dividends paid		(73,920)	(90,762)	(68,218)	(79,071)
Net cash provided by/(used in) financing activities		59,679	2,919	(68,218)	(79,071)
NET INCREASE/(DECREASE) IN CASH HELD		(14,305)	31,371	(2,582)	3,225
CASH AT BEGINNING OF THE YEAR		(15,673)	(47,044)	3,225	-
CASH AT END OF THE YEAR		(29,978)	(15,673)	643	3,225
CASH COMPRISES:					
Cash and cash equivalents	6	11,640	21,508	643	3,225
Bank overdrafts	17	(41,618)	(37,181)	-	-
		(29,978)	(15,673)	643	3,225

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

1. Summary of significant accounting policies

The Company is a company limited by shares and is incorporated and domiciled in Papua New Guinea.

These group consolidated financial statements were authorised for issue by the Board of Directors on 28 March 2014.

The Board of Directors has the power to amend the financial statements after their issue.

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

Changes in accounting policy and disclosures

i. *Standards, amendment and interpretations effective in the year ended 31 December 2013*

The following new standards and amendments were applicable for the first time during the accounting period beginning 1 January 2013:

- Amendment to IAS 1, 'Financial statement presentation' (effective 1 July 2012) regarding other comprehensive income requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This does not effect the measurement of any items recognised in the balance sheet or profit and loss in the current period.
- Amendments to IAS 19, 'Employee benefits' (effective 1 January 2013) require the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. The entity does not have a defined benefit pension scheme.
- IFRS 10, 'Consolidated Financial Statements' (effective 1 January 2013) replaces all of the guidance on control and consolidation in IFRS 27 Consolidated and Separate Financial Statements, and SIC 12 Consolidation – Special Purpose Entities. The standard introduces a single definition of control that focuses on the need to have both power and rights or exposure to variable returns before control is present. The Group early adopted the standard in 2011 resulting in two entities being consolidated.
- IFRS 11, 'Joint arrangements' (effective 1 January 2013) introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. This has resulted in the reclassification of certain interests from associates to joint ventures.
- IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013) includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Group adopted the standard in 2012 but did not require any significant additional disclosures.
- IFRS 13, 'Fair value measurement' (effective 1 January 2013) aims to improve the consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The entity does not use fair value measurement extensively apart from certain investments and its impairment reviews. Additional disclosure requirements come with the standard which have been adopted by the Group.
- IAS 27 (revised 2011) 'Separate financial statements' (effective 1 January 2013) is now a standard dealing solely with separate financial statements. Application of this standard has not affected any of the amounts recognised in the consolidated or parent entity financial statements.
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The standard does not have any impact on the existing group.
- Amendment to IFRS 7, 'Financial instruments: Disclosures' on offsetting financial assets and financial liabilities (effective 1 January 2013) enhance current offsetting disclosures. This does not affect the accounting for any of the Group's current offsetting arrangements.

ii. Standards, amendment and interpretations issued but not yet effective for the year ended 31 December 2013 or adopted early

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2014 or later periods, but the entity has not early adopted them:

- IFRS 9, 'Financial Instruments' (effective date is open) is the first phase of replacing IAS 39, 'Financial Instrument" with a standard that is less complex and principles based. The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not expected to change the entity's existing accounting policy for its financial assets and liabilities. IASB has also amended IFRS 9 to allow entities to early adopt the requirement to recognise in OCI the changes in fair value attributable to changes in an entity's own credit risk (from financial liabilities that are designated under the fair value option). This can be applied without having to adopt the remainder of IFRS 9.

- Amendments to IAS 36 "Impairment of assets" (effective 1 January 2014) address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group has early adopted these requirements.

- Amendments to IAS 32, "Financial Instrument: Presentation" (effective 1 January 2014). These amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- IFRIC 21 "Levies" . This is an interpretation to IAS 37, "provisions, contingent liabilities and contingent assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have present obligation as a result of past event (known as obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IFRS 9 "Hedge Accounting" (no effective date – the standard is available for immediate application"). IFRS 9 relaxes the requirements for hedge effectiveness and, consequently to apply hedge accounting. IFRS 9 replaces the 80%-125% hedge effectiveness test with a requirement for an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that the entity actually uses for risk management purposes. Hedge ineffectiveness will continue to be reported in profit or loss (P&L). The new requirements change what qualifies as a hedged item. The standard provides an accounting policy choice for an entity to continue to apply hedge accounting (and hedge accounting only) under IAS 39 instead of IFRS 9 until the IASB completes its separate macro hedging project.

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations. The consolidated financial statements have been prepared under the historical cost convention as modified by financial assets and liabilities at fair value through profit and loss.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1(y).

(b) Foreign currency

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

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Steamships Trading Company Limited as at 31 December 2013 and the results of all subsidiaries for the year then ended. Steamships Trading Company Limited and its subsidiaries together are referred to as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has control, that is when the Group is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1d).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill identified on acquisition (refer to note 14).

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures

Joint venture entities

The interest in a joint venture is accounted for using the equity method after initially being recognised at cost as for associates.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to shareholders.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in determining profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(e) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Sale of goods - Revenue from the sale of goods is recognised when the entity sells a product to the customer and all significant risks and rewards have been transferred.

Services - Service revenue is recognised when the service has been rendered.

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

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

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

(f) Income tax

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

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and Treasury Bills with a maturity less than 90 days. Bank overdrafts are shown in current liabilities in the statement of financial position.

(h) Receivables

Trade receivables are amounts due from customers for merchandise sold or services provided in the ordinary course of business. There are classified as current assets if collection is expected within one year. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on the weighted average basis and, where appropriate, includes a proportion of variable overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

(j) Non-current assets held for resale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(k) Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The Group does not hold any held to maturity investments or available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in note 1(h).

(l) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets until the assets are ready for their intended use. Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values using the below rates which is reflective of their estimated useful life as follows:

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.

(m) Investment properties

Investment properties include land held for long-term capital appreciation and buldings leased out under operating leases. Properties that comprise a portion held to earn rentals and a portion for own use or occupation will only be classified as investment property if an insignificant portion is held for own use of occupation. Investment properties are recognised when it is probable that future economic benefits associated with the property will flow to the Group and the cost of the investment property can be reliably measured. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Transaction costs are included on initial measurement. Borrowing costs directly attributable to the acquisition or construction of qualifying assets are added to the cost of those assets until the assets are ready for their intended use. The fair values of investment properties are disclosed in Note 13. These are assessed using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. Like property, plant and equipment, investment properties are normally depreciated using the straight-line method over similar useful lives

(n) Goodwill

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

Goodwill is capitalised and assessed for impairment annually or more frequently if events or changes in circumstances indicate a potential for impairment and is carried at cost less impairment losses. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

(o) Trade and other payables

These amounts represent obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions

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

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

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

(q) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of period in which the employees render the related service is recognised in the provision for the employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departments and periods of service. Expected future payments are discounted using the market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(r) Borrowings

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

(s) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to 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).

(t) Borrowing costs

Borrowing costs incurred for the construction of qualifying assets which are assets that take a substantial period of time to get ready for their intended use or sale, are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 6.8% (2012 – 8.2%).

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Strategic Steering Committee.

(v) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, by the weighted average number of ordinary shares outstanding during the financial year. There are no potential ordinary shares on issue and hence the diluted earnings per share is equal to the basic earnings per share.

(w) Goods and services tax (GST)

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

(x) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand Kina.

(y) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

(ii) Estimated fair values of investments

The Group carries an indirect investment in an unlisted entity with changes in fair value being recognised in profit or loss. At the end of each reporting period, a future maintainable earnings calculation is performed, or if available, non observable market information is used to determine the appropriate fair value of the investment.

(iii) Provision for dry docking

For vessels on long term bare boat charter agreement from a third party and where the Group has a contractual obligation for dry docking costs, 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. Estimates are based on the dry docking interval (ie Special or Interim), repairs considered necessary identified at balance date, its age, and docking history.

Docking intervals are assumed to be 5 years.

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

(iv) Estimated impairment of ships and other plant and equipment

Impairment losses have been recognised in relation to ships and plant and vehicles. The impairment of these ships arose from changes in expectations of future freight volumes and pricing and changes in ship replacement strategy. A change in the vehicle replacement policy and review of vehicle conditions has given rise to an impairment charge for vehicles, while a change in manufacturing strategy has resulted in an impairment charge for plant. Recoverable amounts have been determined using the higher of fair value less cost to sell and its value in use. Fair value has been determined using market based information while value in use has been determined using a post-tax discount rate of 15.9%

During the year the directors performed an impairment review on all key assets of the Group given the economic slowdown. As a result of this assessment the depreciation charge on ships includes an additional K92.4M(2012:4.0M) due to impairment. The effect to shareholders post tax and minority interest is K47.1M. The depreciation charge on plant and vehicles includes an additional K11.5M impairment on Vehicles and K2.4M on plant.

(z) 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.
In an effort to simplify its legal structure, the Company has been working through a process of amalgamating non-core and dormant entities into Steamships Trading Company. As a result of these amalgamations, some of which were legally approved in 2012, the 2012 parent numbers have been amended to reflect the changes to the legal

structure. The impact on the previously reported 2012 parent numbers is as follows:

Increase in revenue of K1.5M
Increase in net profit after tax of K1.5M
Increase in total assets of K8.5M
Increase in total liabilities of K11.8M
Decrease in equity of K3.3M

2. Financial risk management

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

(a) Market risk

(i) Foreign exchange risk

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

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

(ii) Price risk

The Group is not significantly exposed to equity securities or commodities price risk.

(iii) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow and fair value interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Long term borrowings are at a fixed rate of interest. It is not the Group's policy to hedge cash flow and interest rate risk.

At 31 December 2013, if interest rates on PNGKina-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been K1,350,000 (2012: K1,311,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group has no significant concentration of credit risk and it is not the Group's policy to hedge credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and has policies that limit the amount of credit exposure to any one customer. 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.

Undrawn finance facilities as of 31 December 2013 were as follows:

	2013 K'000	2012 K'000
Undrawn Facilities	26	102,819

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 Year K'000	Between 1 & 2 Years K'000	Between 2 & 5 Years K'000	Over 5 Years K'000
At 31 December 2013				
Borrowings	(85,007)	(42,849)	(575,897)	-
Trade and other payables	(130,662)	-	-	-
Income tax payable	(7,713)	-	-	-
At 31 December 2012				
Borrowings	(171,288)	(25,365)	(262,117)	(89,212)
Trade and other payables	(149,007)	-	-	-
Income tax payable	(33,903)	-	-	-

The Group does not hold derivative financial instruments.

(d) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as external borrowings and unsecured loans less cash and cash equivalents. Total capital is calculated as capital and reserves attributable to the Company's shareholders plus net debt.

The gearing ratios at each balance date were as follows:

	2013 K'000	2012 K'000
Total external borrowing & unsecured loans	640,284	491,700
Less: Cash & Cash equivalents	11,640	21,508
Net debt	628,644	470,192
Total equity	739,923	761,500
Total capital	1,368,567	1,231,692
Gearing ratio	46%	38%

(e) Fair value estimation

IFRS 7 "Financial Instruments: Disclosures" requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 K'000	Level 2 K'000	Level 3 K'000
at 31 December 2013			
Assets			
Financial assets at fair value through profit & loss	-	-	-
Total Assets	-	-	-
at 31 December 2012			
Assets			
Financial assets at fair value through profit & loss	-	-	20,307
Total Assets	-	-	20,307

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

The following table presents the change in level 3 instruments for the year ended 31 December 2013.

Financial asset at fair value through profit and loss (consolidated).

	2013 K'000	2012 K'000
Opening balance	20,307	45,107
Additions	-	-
Losses recognised in profit and loss	(20,307)	(24,800)
Closing Balance	-	20,307
Total losses for the period included in other operating expenses that relate to assets held at the end of the reporting period	20,307	24,800
Minority Interest in share of loss	(20,307)	24,800
	-	24,800

The parent entity does not hold any financial assets.

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

3. Operating results

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
(a) Revenue and other income comprises:				
Revenue from sale of goods	196,990	224,685	-	-
Revenue from provision of service	733,944	761,625	-	-
Dividend income	-	-	56,971	78,346
Total Revenue	930,934	986,310	56,971	78,346
Other income *	38,718	51,885	6,103	7,441

* Other income principally represents a gain of K35.5M on re-measuring to fair value the existing interest in Pacific Towing Limited on acquiring a controlling interest (2012: includes the gain on sale of a property of K48.4M).

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
(b) Expenses comprise:				
Cost of sales	217,611	244,504	-	-
Staff costs (note 3c)	188,035	180,258	-	-
Depreciation and amortisation	106,653	94,379	3,995	4,100
Impairment of fixed assets (refer note 12b)	106,427	4,000	-	-
Electricity and fuel	72,728	67,223	-	-
Other operating expenses	179,834	160,747	2,006	1,481
Total Operating expense	871,288	751,111	6,001	5,581
(c) Staff costs:				
Wages and salaries	130,252	124,938	-	-
Retirement benefit contributions	7,835	8,853	-	-
Accommodation and other benefits	49,948	46,467	-	-
	188,035	180,258	-	-
Number of staff employed by the Group at year end:				
Full Time	4,000	4,166	-	-

3. Operating results (continued)

(d) The operating profit before income tax is arrived at after charging and crediting the following specific items:

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
After charging:				
Audit fees	1,033	948	28	10
Fees for non-audit services to Auditors	462	688	-	-
Bad and doubtful debts	2,420	1,962	-	-
Donations	1,887	2,201	-	-
Fair value impairment on financial assets *	20,307	24,800	-	-
Loss on sale of property plant and equipment	919	-	-	-
After crediting:				
Gain on acquiring a controlling interest (net) (refer note 25)	35,467	-	-	-
Net foreign exchange transaction gains	1,801	3,567	-	-
Profit on sale of property plant and equipment	-	48,937	-	-

* 2013 impairment is wholly attributable to Minority Interests (refer note 2e).

(e) Cost of financing – net:

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Expense	17,796	21,645	-	-
Income	(106)	(135)	(72)	(72)
Net finance costs	17,690	21,510	(72)	(72)

(f) Earnings per share

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

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Net profit attributable to shareholders	117,050	177,700	-	-
Average number of ordinary shares on issue (thousands)	31,008	31,008	-	-
Basic earnings per share (continuing operations)	377t	573t	-	-

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

4. Investments in subsidiaries, associates and joint ventures

	Consolidated		Parent Entity	
	2013	2012	2013	2012
(a) Investments are accounted for in accordance with the policy set out in Note 1(c) and relate to:				
Investments in subsidiary companies (note 22)	-	-	126,344	48,486
Investments in associates (note 23)	16,449	12,177	-	-
Investments in joint ventures (note 24)	15,022	26,510	20,051	20,190
	31,471	38,687	146,395	68,676
(b) Share of profit in associates and joint venture				
Share of profit in associates	4,354	5,468	-	-
Share of profit in joint ventures	5,343	8,720	-	-
	9,697	14,188	-	-

5. Income Tax

	Consolidated		Parent Entity	
	2013	2012	2013	2012
(a) Income tax expense				
Current tax	40,311	56,180	465	59
Deferred tax	(28,381)	25,234	107	-
	11,930	81,414	572	59

(b) The income tax in the Statement of Comprehensive Income is determined in accordance with the policy set out in note 1(f). The effective rate of tax charged differs from the statutory rate of 30% for the following reasons.

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Prima facie tax payable on operating profit	24,202	79,672	17,144	24,083
Tax effect of rebateable dividends	-	-	(17,091)	(23,504)
Expenses not deductible for tax	7,269	8,952	(26)	-
Deductible expenses not recognised for accounting purposes	(666)	(533)	-	-
Income not assessable for tax	(10,640)	(14,519)	-	(520)
Prior year (over)/under provisions	(8,235)	7,842	545	-
	11,930	81,414	572	59
(c) The deferred tax (liability)/ asset comprises:				
Provisions	16,264	9,112	65	149
Prepayments	(3,296)	(2,840)	-	-
Property, plant and equipment	(17,485)	(39,170)	706	756
	(4,517)	(32,898)	771	905
Comprising of				
Deferred tax asset	21,081	-	771	905
Deferred tax liability	(25,598)	(32,898)	-	-
	(4,517)	(32,898)	771	905

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

5. Income tax (continued)

(d) The gross movement on the deferred tax account is as follows:

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
At January 1	(32,898)	(7,664)	905	1,604
Tax effect of:				
Provisions	7,152	324	(84)	190
Prepayments	(456)	632	-	-
Tax depreciable assets	21,685	(26,190)	(50)	(889)
At December 31	(4,517)	(32,898)	771	905

(e) The ageing analysis of the deferred tax balance is as follows:

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Net deferred tax asset/(liability) expected to be recovered within 12 months	217	(549)	65	149
Net deferred tax asset/(liability) expected to be recovered after more than 12 months	(4,734)	(32,349)	706	756
	(4,517)	(32,898)	771	905

6. Cash and cash equivalents

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Cash and short term deposits	11,640	21,508	643	3,225
	11,640	21,508	643	3,225

The maximum exposure to credit risk at the reporting date is the fair value of cash and cash equivalents on the balance sheet. Cash and short term deposits are held with the Bank of South Pacific and Westpac PNG who have Standard and Poor's long term credit ratings of B+ and AA- respectively.

7. Trade and other receivables

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Trade and other receivables				
Trade receivables	114,132	107,528	-	-
Provision for impairment	(6,415)	(5,102)	-	-
	107,717	102,426	-	-
Other receivables & prepayments (see (iii) below)	71,279	140,127	1,056	4,680
	178,996	242,553	1,056	4,680

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

7. Trade and other receivables (continued)

	Consolidated		Parent Entity	
	2013	2012	2013	2012

(i) Impaired trade receivables

As at 31 December 2013, trade receivables of K6.4M (2012:K5.1M) relating to trade debtors were considered impaired and were provided for by management. The ageing of these receivables is as follows:

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
3 to 6 months	704	2,095	-	-
Over 6 months	5,711	3,007	-	-
	6,415	5,102	-	-

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

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Opening balance	5,102	4,186	-	-
Impairments recognised during the year	2,420	1,962	-	-
Provision utilised	(1,107)	(1,046)	-	-
Total	6,415	5,102	-	-

The creation and release of the provision for impaired receivables is included in operating expenses in the statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(ii) Past due but not impaired

As at 31 December 2013, trade receivables of K2.1M (2012: K7.3M) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
3 to 6 months	1,692	7,226	-	-
Over 6 months	416	91	-	-
	2,108	7,317	-	-

The other classes within trade and other receivables do not contain impaired assets and are not past due. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security in relation to these receivables.

(iii) Other receivables and prepayments

Other receivables generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

Prepayments relate to advance payments for expenses not yet incurred.

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

8. Inventories

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Raw materials	21,407	29,000	-	-
Work in progress	31	3	-	-
Finished goods	40,127	41,494	-	-
Provision for obsolescence	(1,687)	(2,116)	-	-
	59,878	68,381	-	-

Inventories recognised as an expense during the year ended 31 December 2013 and included in cost of sales and cost of providing services amounted to K76.9M (2012: K53.6M). A reduction in the provision for obsolescence of inventories to net realisable value resulted in a credit during the year ended 31 December 2013 of K0.4M (2012: K0.7M).

9. Non-current assets classified as held for sale

At 31 December 2012, two properties were presented as held for sale following the approval of the Group's management and directors in August 2012 to sell the properties. The transactions were expected to be completed within twelve months from balance sheet date. However, during 2013 both sales didn't eventuate and the properties were withdrawn from the market, and the assets have been reinstated to non-current property, plant and equipment.

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Property plant and equipment	-	22,383	-	-
Accumulated depreciation	-	(13,957)	-	-
Carrying value	-	8,426	-	-

10. Financial assets at fair value through profit and loss

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Opening balance	20,307	45,107	-	-
Additional investment	-	-	-	-
Fair value loss recorded in the profit and loss *	(20,307)	(24,800)	-	-
Closing balance	-	20,307	-	-

The financial asset represents an Investment in GEMS PNG Limited, which holds an interest in Bemobile Ltd.

*Refer to note 2e

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

11. Loans to/(from) related companies

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Loans to associates and joint ventures:				
Current				
Consort Express Lines Limited's associates	337	2,455	-	-
	337	2,455	-	-
Non-Current				
Harbourside Development Limited	101,775	47,000	-	-
Colgate Palmolive (PNG) Limited	500	500	500	500
Kelton Investments Limited	790	790	-	-
	103,065	48,290	500	500
Loans to subsidiaries	-	-	5,212	5,215
	103,065	48,290	5,712	5,715
Loans from associates and joint ventues:				
Consort Express Lines Limited's associates	(16,335)	(14,314)	-	-
	(16,335)	(14,314)	-	-
Loans from subsidiaries	-	-	(155,234)	(76,248)
	(16,335)	(14,314)	(155,234)	(76,248)

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

12. Property, plant & equipment

	Property	Ships	Plant and Vehicles	Total
Consolidated				
December 31, 2013				
Cost or valuation	471,550	394,758	478,197	1,344,505
Accumulated depreciation (including impairment losses)	(94,945)	(280,192)	(246,633)	(621,770)
Net book value	376,605	114,566	231,564	722,735
Opening value	358,444	178,015	218,890	755,349
Additions	29,323	41,038	70,333	140,694
Business combinations	124	15,683	11,197	27,004
Disposals	-	(121)	(4,431)	(4,552)
Transfer from asset held for sale	8,426	-	-	8,426
Transfer to investment property(note13)	(730)	-	-	(730)
Depreciation	(18,982)	(27,617)	(50,430)	(97,029)
Impairment losses	-	(92,432)	(13,995)	(106,427)
Closing value	376,605	114,566	231,564	722,735
December 31, 2012				
Cost or valuation	418,202	325,180	438,283	1,181,665
Accumulated depreciation	(59,758)	(147,165)	(219,393)	(426,316)
Net book value	358,444	178,015	218,890	755,349
Opening value	338,152	175,649	196,488	710,289
Additions	44,649	32,413	67,159	144,221
Disposals	-	(2,459)	(919)	(3,378)
Transfer to asset held for sale	(8,426)	-	-	(8,426)
Depreciation	(15,931)	(23,588)	(43,838)	(83,357)
Impairment losses	-	(4,000)	-	(4,000)
Closing value	358,444	178,015	218,890	755,349
Parent				
December 31, 2013				
Cost or valuation	75,540	6,474	5,822	87,836
Accumulated depreciation	(48,244)	(6,474)	(4,174)	(58,892)
Net book value	27,296	-	1,648	28,944
Opening value	30,646	-	1,832	32,478
Additions	105	-	392	497
Disposals	-	-	(35)	(35)
Depreciation	(3,455)	-	(541)	(3,996)
Closing value	27,296	-	1,648	28,944

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

12. Property, plant & equipment (continued)

	Property	Ships	Plant and Vehicles	Total
Parent				
December 31, 2012				
Cost or valuation	75,452	6,474	7,382	89,308
Accumulated depreciation	(44,806)	(6,474)	(5,550)	(56,830)
Net book value	30,646	-	1,832	32,478
Opening value	34,275	-	1,891	36,166
Additions	75	-	435	510
Disposals	(86)	-	(12)	(98)
Depreciation	(3,618)	-	(482)	(4,100)
Closing value	30,646	-	1,832	32,478

(a) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment and investment properties which is in the course of construction:

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Property (classified as investment properties, note 13)	243,348	156,406	-	-
Ships	15,954	4,730	-	-
Plant and vehicles	569	-	-	-
Total assets in the course of construction	259,871	161,136	-	-

The cost of additions in 2013 includes capitalised borrowing costs of K16.5M (2012: K9.4M) in relation to qualifying assets.

(b) Impairment losses

Impairment losses have been recognised in relation to ships and plant and vehicles. The impairment of these ships arose from changes in expectations of future freight volumes and pricing and changes in ship replacement strategy. A change in the vehicle replacement policy and review of vehicle conditions has given rise to an impairment charge for vehicles, while a change in manufacturing strategy has resulted in an impairment charge for plant. Recoverable amounts have been determined using the higher of fair value less cost to sell and its value in use. Fair value has been determined using market based information while value in use has been determined using a post-tax discount rate of 15.9%.

The directors performed an impairment review on all key assets of the group given the economic slowdown. As a result of this assessment the depreciation charge on ships includes an additional K92.4M(2012:4.0M) due to impairment. The effect to shareholders post tax and minority interests is K47.1M. The depreciation charge on plant and vehicles includes an additional K11.5M impairment on vehicles and K2.4M on plant.

There are no other conditions that indicate impairment of property, plant and equipment as at 31 December 2013.

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

13. Investment properties

Investment properties represent the group's residential and commercial properties that are available for external lease rather than internal use. Properties used by the group are shown as 'Property' within note 12.

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Non-current assets – at cost				
Cost	426,146	343,559	-	-
Accumulated depreciation	(82,488)	(75,047)	-	-
Net book value	343,658	268,512	-	-
Opening value	268,512	228,420	-	-
Additions	84,040	52,545	-	-
Disposals	-	(1,431)	-	-
Transfers from property (note 12)	730	-	-	-
Depreciation	(9,624)	(11,022)	-	-
Closing value	343,658	268,512	-	-

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

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Rental income	90,069	93,597	-	-
Repairs and maintenance attributable to rental properties under non-cancellable leases	(3,675)	(2,770)	-	-
Operating expenses directly attributable to rental properties under non-cancellable leases	(8,249)	(7,556)	-	-

(b) Valuation basis

Properties include commercial and residential properties occupied by Group businesses together with commercial and residential investment properties which are available for external lease. An analysis of the carrying amount and estimated range of fair values for each category of property is shown below. Fair values have been estimated internally, based on market evidence of property values, supported by independent professional valuations as at December 2013 for a selected sample of representative properties.

Included in properties are the following:

	NBV	Valuation Lower	Range Higher
Investment properties	343,658	865,497	1,041,218
Other properties (note 12)	376,605	851,001	1,044,768
Total	720,263	1,716,498	2,085,986

The independent valuer utilised certain historical facts and relevant market data available up to the date of valuation in reaching their opinion to the valuation of the properties.

(c) Non-current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the group.

(d) Contractual receivables

Minimum lease receivables under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	2013	2012	2013	2012
Within one year	76,989	92,066	-	-
Later than one year but not later than five years	141,079	245,279	-	-
Later than five years	145,059	-	-	-
	363,127	337,345	-	-

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

14. Intangible assets

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Goodwill opening value	17,183	17,183	-	-
Additions	76,331	-	-	-
Impairment	-	-	-	-
Closing value	93,514	17,183	-	-

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. The goodwill balance of K93.5M (2012: K17.2M) is attributable to Datec (K9.2M), Consort (K0.5M), Laga Industries (K7.5M), Pacific Towing (K67.3M) and New Britain Shipping (K9M). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Growth beyond year three for the purpose of the impairment testing is set at 0%. A post-tax discount rate of 15.92% (2012: 18.3%) has been used and reflects specific risks relating to the operating segment. No goodwill is considered to be impaired as at 31 December 2013.

15. Trade and other payables

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Trade Payables	50,177	74,098	-	-
Accruals	57,281	43,134	-	-
Other payables	23,204	31,775	213	150
	130,662	149,007	213	150

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

16. Provisions for other liabilities and charges

	Employee	Dry Dock	Other	2013 Total	2012 Total
Opening value	17,224	4,397	1,022	22,643	30,623
Charged to profit & loss	9,014	-	304	9,318	14,732
Transferred in on business combination	1,445	-	-	1,445	-
Utilised during year	(8,379)	(1,955)	(877)	(11,211)	(22,712)
Closing value	19,304	2,442	449	22,195	22,643
Current	7,285	2,442	449	10,176	12,658
Non-current	12,019	-	-	12,019	9,985
	19,304	2,442	449	22,195	22,643

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

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

17. Borrowings

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Current:				
Bank overdrafts (secured)	41,618	37,181	-	-
Bank loans (secured)	9,063	107,200	-	-
Other loans (unsecured)	15,160	16,133	-	-
	65,841	160,514	-	-
Non-current:				
Other loans (secured)	135,000	135,000	-	-
Bank loans (secured)	423,108	181,872	-	-
	558,108	316,872	-	-
Total Borrowings	623,949	477,386	-	-

Mortgages over certain of the Group's properties and a registered equitable charge over the remainder of the Group's assets, undertakings and uncalled capital are held by the Group's bankers as security for the bank overdrafts and secured loans.

Interest is paid on all loans at commercial rates at a discount to Indicator Lending Rates. The effective interest rate on bank facilities at the balance sheet date was 6.8% (2012: 8.2%). Bank overdrafts are interest-only with no agreed repayment schedule. Bank loans are secured loans with varying terms.

The fair value of borrowings approximates their carrying amounts. Borrowing terms, margins and credit risk factors approximate currently obtainable levels for similar facilities.

18. Issued capital

	Consolidated		Parent Entity	
	2013	2012	2013	2012
(a) Issued and paid up capital				
Ordinary shares	24,200	24,200	24,200	24,200
Balance brought forward	24,200	24,200	24,200	24,200
Share issue	-	-	-	-
Balance carried forward	24,200	24,200	24,200	24,200
(b) Issued and paid up capital				
Number of shares				
Ordinary shares	31,008	31,008	31,008	31,008
Balance brought forward	31,008	31,008	31,008	31,008
Share issue	-	-	-	-
Balance carried forward	31,008	31,008	31,008	31,008

In accordance with the Papua New Guinea Companies Act 1997 the shares have no par value.

The Company's securities consist of ordinary shares which have equal participation and voting rights.

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

19. Related party disclosures

(a) **Parent entity**

The Group is controlled by John Swire & Sons (PNG) Limited, which owns 72.12% of the Company's shares. The ultimate Holding Company is John Swire & Sons Limited, incorporated in England.

(b) **Interest in subsidiaries, associates and joint ventures:**

These are set out in notes 22, 23 and 24.

(c) **Directors:**

G.J. Dunlop, W.L.Rothery, T. Blackburn and S.C.Pelling are directors 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.

(d) **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 Directors' Report. The Group paid NIL (2012:K5.9M) to SCL Nominees Limited for management services.

Key management personnel disclosure

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Wages and salaries	9,386	11,718	-	-
Other short term benefits	1,126	1,444	-	-
Long-term benefits	313	391	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-

(e) **Material transactions:**

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Sales of goods and services				
Associates & joint ventures	951	4,818	-	-
Key Management	17	-	-	-
Shareholders of associated companies	11,662	29,507	-	-
Lease and rental income				
Associates & joint ventures	4,067	4,146	-	-
Shareholders of associated companies	4,536	-	-	-
Dividends received				
Subsidiaries, associates & Joint ventures	5,922	3,935	56,971	78,346
Management fees income				
Associates & joint ventures	868	843	-	-
Royalty/license income				
Associates & joint ventures	1,206	1,460	-	-
Purchase of goods and services				
Associates & joint ventures	(20,979)	(25,272)	-	-
Other shareholders	-	(1,200)	-	-
Shareholders of associated companies	(12,313)	(4,184)	-	-
Management fees paid				
Other shareholders	(99)	(259)	-	-
Container/charter hire fees				
Other shareholders	-	(8,340)	-	-

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

19. Related party disclosures (continued)

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Finance cost				
Associates & joint ventures	(504)	(367)	-	-
Other shareholders	-	(916)	-	-
Fellow subsidiary of ultimate shareholder	(1,169)	-	-	-
Dividends paid				
Other shareholders	(5,702)	(11,691)	-	-
Shareholders of associated companies	(49,198)	(57,025)	-	-
Loans to/(from) related companies				
Associates & joint ventures	(50,636)	(42,293)	-	-
Other shareholders	-	5,000	-	-
Shareholders of associated companies	973	(7,327)	-	-

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

Balances with related companies:				
Associates and joint ventures:				
Consort associates (note 11)	(15,998)	(11,859)	-	-
Consort shareholders (note 17)	(15,000)	(15,000)	-	-
Collins and Leahy (note 17)	-	(973)	-	-
Basilok Ltd (note 17)	(160)	(160)	-	-
Loans to related Companies:				
Colgate Pamolive Ltd (note 11)	500	500	500	500
Harbourside Development Limited (note 11)	101,775	47,000	-	-
Kelton Investments (note 11)	790	790	-	-
Subsidiary Companies (note 11)	-	-	5,212	5,215

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

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

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Profit for the year	78,441	198,348	56,573	80,219
Depreciation and impairment	213,080	98,379	3,995	4,100
Dividend and interest income	-	-	(56,971)	(78,346)
Net loss (gain) on sale of non-current asset	919	(48,937)	-	-
Fair value adjustment on acquisition	(35,467)	-	-	-
Fair value adjustment on financial assets	20,307	24,800	-	-
Share of profit after tax of associates	(9,697)	(14,188)	-	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
(Increase)/decrease in trade debtors	(1,053)	26,847	-	(4,841)
(Increase)/decrease in inventory	9,487	(18,047)	-	-
(Increase)/decrease in deferred tax asset	(19,509)	-	134	848
(Increase)/decrease in operating assets	36,029	(14,048)	-	-
Increase/(decrease) in trade creditors	(26,070)	16,278	62	(668)
(Decrease)/increase in other operating liabilities	3,631	(8,172)	(4,130)	-
(Decrease)/increase in provision for income tax payable	(26,190)	(19,628)	438	(1,009)
Increase/(decrease) in deferred tax liability	(7,300)	25,234	-	-
Net cash inflow from operating activities	236,608	266,866	101	303

21. Retirement benefit plans

The total cost of retirement benefits of the Group in 2013 was K11.1M (2012:11.1M). 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 parent entity does not employ staff directly; consequently there was no charge during the year.

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

22. Subsidiaries and transactions with non-controlling interests

(a) Significant investments in subsidiaries

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

Name of Entity	Country of Incorporation	Class of Shares	Equity Holdings* 2013	Equity Holdings* 2012
Consort Express Lines Limited	Papua New Guinea	Ordinary	51	51
Datec (PNG) Limited	Papua New Guinea	Ordinary	100	100
Kavieng Port Services Limited	Papua New Guinea	Ordinary	60	60
Kiunga Stevedoring Company Limited	Papua New Guinea	Ordinary	100	100
Lae Port Services Limited	Papua New Guinea	Ordinary	51	51
Laga Industries Limited	Papua New Guinea	Ordinary	100	68
Madang Port Services Limited	Papua New Guinea	Ordinary	60	60
Middle Fly Shipping Limited**	Papua New Guinea	Ordinary	50	50
New Britain Shipping Limited**	Papua New Guinea	Ordinary	50	50
Oro Agencies Limited	Papua New Guinea	Ordinary	100	100
Pacific Rumana Limited**	Papua New Guinea	Ordinary	50	50
Pacific Rumana Mobile Investments Limited	Papua New Guinea	Ordinary	80	80
Pacific Towing (PNG) Limited	Papua New Guinea	Ordinary	100	50
Port Services PNG Limited	Papua New Guinea	Ordinary	54	54
Steamships Limited	Papua New Guinea	Ordinary	100	100
Windward Apartments Limited	Papua New Guinea	Ordinary	100	100

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

** Consolidated by virtue of control over the operating decisions and returns.

Shares in subsidiary companies have been stated at cost or fair value on acquisition less dividends received from pre-acquisition profits.

The major non-controlling interest is in Consort Express Lines Limited. The loss after tax attributable to non controlling interest in this entity was K26.1M (2012:K5.4M profit) and the accumulated non-controlling interest in the entity at 31 December 2013 was K16.8M (2012:K43.0M). Consort Express Lines Limited paid a total dividend during 2013 of K0.6M (2012:K0.6M).

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

22. Subsidiaries and transactions with non-controlling interests (continued)

(b) Transactions with non-controlling interests

On 1 October 2013, Steamships Trading Company Limited acquired the remaining 32% shares of Laga Industries Limited for a purchase consideration of K26.1M. The carrying amount of the non-controlling interest in Laga Industries on the date of acquisition was K17.1M. The group recognised a decrease in non-controlling interest of K17.1M. and a decrease in equity attributable to owners of the parent of K9.0M. The effect of changes in the ownership interest of Laga Industries on the equity attributable to owners of Steamships Trading Company Limited during the year is summarised as follows:

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Carrying amount of non-controlling interests acquired	17,104	-	-	-
Consideration paid to non-controlling interests	26,098	-	-	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	8,994	-	-	-

23. Investment in associates

(a) Movement in carrying amounts

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Opening value	12,177	6,905	-	-
Share of profits before tax	6,538	7,946	-	-
Income tax expense	(2,184)	(2,478)	-	-
Dividends received/receivable	(82)	(185)	-	-
Transfers/sales	-	(11)	-	-
Closing value	16,449	12,177	-	-

The equity method is used to account for all interests in associates on a consolidated basis.

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

23. Investment in associates (continued)

(b) Summarised financial information of equity accounted associates.

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

2013	Ownerships Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Makerio Stevedoring Limited	23	842	182	660	462	118
Nikana Stevedoring Limited	23	1,247	110	1,137	329	207
Riback Stevedoring Limited	25	17,499	2,881	14,618	10,997	4,014
United Stevedoring Limited	12	172	138	34	2,022	15
		19,760	3,311	16,449	13,810	4,354

2012	Ownerships Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Makerio Stevedoring Limited	23	937	330	607	580	287
Nikana Stevedoring Limited	23	1,090	158	932	442	175
Riback Stevedoring Limited	25	14,732	4,124	10,608	10,242	4,997
United Stevedoring Limited	12	403	373	30	2,551	9
		17,162	4,985	12,177	13,815	5,468

The Stevedoring Companies provide stevedoring services to various shipping entities in the Group.

All associated companies are incorporated and operate in Papua New Guinea.

There are no contingent liabilities relating to the Group's interest in the associates.

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

24. Investment in joint ventures

(a) Movement in carrying amounts

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Opening value	26,510	21,540	20,190	20,190
Share of profits before tax	7,634	12,480	-	-
Income tax expense	(2,291)	(3,760)	-	-
Dividends received/receivable	(5,840)	(3,750)	-	-
Transfers/sales (note 25)	(10,991)	-	(139)	-
Closing value	15,022	26,510	20,051	20,190

The interest in joint ventures are accounted for in the financial statements using the equity method of accounting.

(b) Information relating to the joint ventures are set out below.

2013	Ownerships Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Pacific Towing Limited (note 25)	100	-	-	-	-	4,637
Colgate Palmolive (PNG) Limited	50	16,844	9,681	7,163	32,766	706
Harbourside Development	50	61,067	53,208	7,859	-	-
		77,911	62,889	15,022	32,766	5,343

2012	Ownerships Interest %	Assets	Liabilities	Carrying Value	Revenue	Profit
Pacific Towing Limited	50	14,238	3,544	10,694	17,508	4,733
Colgate Palmolive (PNG) Limited	50	16,652	8,695	7,957	35,627	3,987
Harbourside Development	50	51,671	43,812	7,859	-	-
		82,561	56,051	26,510	53,135	8,720

Pacific Towing Limited became a wholly owned subsidiary during the year.

Colgate Palmolive (PNG) Limited is a long held investment providing investment returns to the Group.

Harbourside Development is a property development company that is currently developing a commercial investment property in Port Moresby. The Group's share of the capital commitments at 31 December 2013 is K43.5M (2012:K89.1M).

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

Joint ventures have been presented separately from associates consistent with IFRS 11 and 12 which became effective 1 January 2013.

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

25. Business combinations

2013

Acquisition of the remaining shares of Pacific Towing Limited

On 1 December 2013, the Group acquired a further 50% of the issued share capital, and obtained control, of Pacific Towing Limited. Together with the 50% of the issued share capital already held, this gave Steamships Trading Company Limited control of 100% of Pacific Towing Limited. Pacific Towing Limited is a company incorporated in Papua New Guinea whose business includes harbor tug boat operations, tug boat charter, diving and marine salvage activities.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Fair value
Cash	3,086
Trade & other receivables	20,250
Inventories	984
Property, ships and equipment	18,004
Deferred tax asset	1,572
Trade payables	(2,149)
Accruals and provisions	(10,997)
Net identifiable assets acquired	30,750
Goodwill arising	67,331
Total consideration	98,081

Satisfied by:	
Cash consideration	51,621
Existing interest at fair value	46,460
	98,081

Net cash outflow arising on acquisition:	
Cash consideration	51,621
Less: cash and cash equivalents acquired	3,086
Cash outflow per cash flow statement	48,535

The carrying value of the Group's 50% interest in Pacific Towing Limited before the acquisition was K11.0M. The Group recognised a gain of K35.5M as a result of remeasuring this interest, which is included in other income in the consolidated income statement.

The goodwill arising on the acquisition of Pacific Towing Limited amounting to K67.3M (which is not tax-deductible) consists of the benefit of port access and relationships with customers, none of which is subject to contractual arrangements.

Acquisition related costs (included in operating expenses) in the consolidated statement of comprehensive income for the year ended December 31, 2013 amounted to K0.7M.

The acquisition of the controlling interest in Pacific Towing Limited contributed K2.6M revenue and K0.5M profit before tax to the Group's results for the period between the date of acquisition and 31 December 2013.

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

25. Business combinations (continued)

Acquisition of Kimbe Shipping and Transport

On 1 March 2013, the Group acquired, through New Britain Shipping Ltd, the trade and fixed assets of Kimbe Shipping and Transport Limited, as road transport operator and container storage, equipment hire and workshop services provider. The acquisition complimented the Group's presence in Kimbe.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Fair value
Property and equipment	9,000
Net identifiable assets acquired	**9,000**
Goodwill arising	9,000
Total consideration	18,000
Satisfied by:	
Cash consideration	18,000
Contingent consideration	-
Total purchase consideration	18,000
Net cash outflow arising on acquisition:	
Cash consideration	18,000
Less: cash and cash equivalents acquired	-
Cash outflow per cash flow statement	18,000

The goodwill of K9.0M is attributable to the increased market access in New Britain. It is not tax-deductible.

The acquisition contributed K7.5M in revenue and K0.2M in profit before tax to the Groups results for the period between the date of acquisition and 31 December 2013.

Other

If the acquisition of the additional shares in Pacific Towing Limited and the acquisition of the Kimbe Shipping and Transport business had occurred at the beginning of the year, the consolidated revenue and profit before tax of the Group would have been higher by K31.7M and K6.7M respectively.

2012

There were no acquisitions in the year ending 31 December 2012.

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

26. Segmental reporting

(a) Description of segments

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

- Commercial – consists of the retail arm of the Group and is involved in the manufacture and distribution of food products and general IT retail sales and service.
- Hotels and property – consists of the hotels owned and operated by the Group and also its property leasing division. The assets are stated at historical cost net of accumulated depreciation and includes new assets in the course of construction.
- Logistics – consists of shipping and land based freight transport and related services divisions.
- Finance and investment – consists of the head office administration function.

(b) Segment information

The segment information provided to the Board for the reportable segments for the year ended 31 December 2013 is as follows:

	Commercial	Hotels & Property	Logistics	Finance & Investment	Total
2013					
External revenue	229,434	260,270	441,093	137	930,934
Intersegmental revenue	995	39,564	12,502	-	53,061
Interest revenue	-	-	34	72	106
Interest expense	(8)	(7)	(5,773)	(12,008)	(17,796)
Depreciation and amortisation	(7,023)	(40,808)	(57,364)	(1,458)	(106,653)
Impairment losses	(2,487)	-	(103,940)	-	(106,427)
Gain on sale of properties	-	-	-	-	-
Fair value loss on financial asset	-	-	-	(20,307)	(20,307)
Segment results	(16,456)	133,160	(57,707)	21,677	80,674
Share of joint ventures and associate's profit	706	-	8,991	-	9,697
Total tax expense	4,057	(35,807)	19,122	698	(11,930)
Profit from continuing operations	(11,693)	97,353	(29,594)	22,375	78,441
Segment assets	122,155	822,810	443,560	177,850	1,566,375
Segment liabilities	21,599	40,699	122,754	641,400	826,452
Net assets	100,556	782,111	320,806	(463,550)	739,923
Total assets includes investments in joint ventures and associates of	7,162	-	16,450	7,859	31,471
Capital expenditure	13,425	118,297	117,998	926	250,646

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

26. Segmental reporting (continued)

	Commercial	Hotels & Property	Logistics	Finance & Investment	Total
2012					
External revenue	259,003	261,546	465,761	-	986,310
Intersegmental revenue	2,748	36,878	18,995	-	58,621
Interest revenue	72	-	63	-	135
Interest expense	(30)	(718)	(5,593)	(15,304)	(21,645)
Depreciation and amortisation	(7,643)	(38,416)	(46,931)	(1,389)	(94,379)
Impairment Losses	-	-	(4,000)	-	(4,000)
Gain on sale of properties	97	48,465	211	164	48,937
Fair value loss on financial asset	-	-	-	(24,800)	(24,800)
Segment results	13,706	227,305	36,808	(12,245)	265,574
Share of joint ventures and associate's profit	3,988	-	10,200	-	14,188
Total tax expense	(4,112)	(68,191)	(11,042)	1,931	(81,414)
Profit from continuing operations	13,582	159,114	35,966	(10,314)	198,348
Segment assets	143,056	669,796	480,609	198,190	1,491,651
Segment liabilities	24,336	7,759	164,516	533,540	730,151
Net assets	118,720	662,037	316,093	(335,350)	761,500
Total assets includes investments in joint ventures and associates of	7,957	-	22,871	7,859	38,687
Capital expenditure	13,670	101,382	85,116	2,478	202,646

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

(c) Geography

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

Steamships Trading Company Limited Year ended 31 December 2013 (Amounts in Kina 000's)

27. Contingent liabilities

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

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

(b) The parent entity has given letters of continuing financial support in respect of certain subsidiaries, associates and joint ventures.

No losses are anticipated in respect of these guarantees.

28. Commitments

(a) Capital commitments

	Consolidated		Parent Entity	
	2013	2012	2013	2012
Contracts outstanding for capital expenditure:				
- less than 12 months	47,400	127,126	-	-
- 1-5 years	-	3,716	-	-
	47,400	130,842	-	-

(b) Lease commitments: group as lessee

The Group leases various properties under non-cancellable operating leases. The leases have varying terms and renewal rights. On renewal, the terms of the lease are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated 2013	Consolidated 2012	Parent Entity 2013	Parent Entity 2012
Within one year	5,075	6,390	-	-
Later than one year but not later than five years	449	24	-	-
Later than five years	-	-	-	-
	5,524	6,414	-	-

29. Subsequent events

On 1 January 2014 Palm Stevedoring and Transport Limited was established with operations in Alotau, of which Steamships Trading Company holds a 33% share, Consort Express Lines Limited a 33% share and an external party 33%.

In February 2014 the Directors declared a final dividend of 135 toea per share payable immediately after the Annual General Meeting on 19 May 2014.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Steamships Trading Company Limited

Report on the financial statements

We have audited the accompanying financial statements of Steamships Trading Company Limited (the Company), which comprise the balance sheets as at 31 December 2013, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2013 or from time to time during the financial year.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation of these financial statements such that they give a true and fair view in accordance with generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, 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:

1. comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and

2. give a true and fair view of the financial position of the Company and the Group as at 31 December 2013, and their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Steamships Trading Company Limited

Report on other legal and regulatory requirements

The Companies Act 1997 requires in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2013:

1. we have obtained all the information and explanations that we have required;

2. in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records; and

3. we have no relationship with, or interests in, the Company or any of its subsidiaries other than in our capacities as auditor, taxation advisor, and reviewer on specific human resources matter. These services have not impaired our independence as auditor of the Company and the Group.

Restriction on distribution or use

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Grant Burns
Partner

Port Moresby
28 March 2014

Stephen Beach
Partner
Registered under the Accountants Registration Act 1996

Steamships Trading Company Limited and Subsidiary Companies

The Directors submit their Annual Report for the year ended 31 December 2013 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 12. The Group continues to operate in the segments of Commercial, Hotels and Property and Logistics.

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

Changes in Accounting Policies

There are no changes in Accounting Policies in the year.

Result

The Group operating profit for the year attributable to shareholders was K117,050,000 (2012: K177,700,000).

Dividend

The Directors advise that a final dividend of 135 toea per share will be paid immediately after the Annual General Meeting on 19 May 2014. The exchange rate Kina to Australian Dollar applying on 1 May 2014 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.

Experience & Interests Register

Directors have disclosed the following experience and interests in shares in the Company and provided general disclosure of companies in which the Director is to be regarded as interested as set out below:

W.L. Rothery

Member of the Remuneration Committee

Member of the Strategic Planning Committee

Director since 1997

Chairman since 2006

Mr Rothery is Chief Executive and a Chairman of John Swire & Sons Pty Ltd, as well as a Director of several other Swire subsidiary companies. He has been with the Swire Group for 34 years and has been based in Asia, the Middle East and for 24 years in Australia.

G. Aopi CBE

Director since 1997

Mr Aopi is an Executive Director of Oil Search Ltd, where he is also Executive General Manager of External & Government Affairs and Sustainability. He has substantial public service and corporate experience in Papua New Guinea currently serving as the Chairman of the PNG Chamber of Mines and Petroleum. He is a Director of Port Moresby Stock Exchange Ltd, Marsh Ltd, Bank of South Pacific Limited, CDI Foundation, Wahinemo Ltd and various other private companies. He is a former Chairman of Telikom PNG Ltd and Independent Public Business Corporation.

T. Blackburn

Director since 2011

Mr Blackburn is Managing Director of The China Navigation Company Pte Ltd (a Swire Group company) and Chairman of Mandarin Shipping Ltd and a Director of Altus Logistics Pte Ltd. He was Director & General Manager (2009-2011) of Hong Kong Aero Engine Services, a Director of James Finlay Ltd (2005-2009) and from 1994 to 2005 worked for various subsidiaries and associates of John Swire & Sons Ltd, including Steamships Shipping & Transport.

Sir Michael Bromley KBE

Member of the Audit and Risk Committee

Member of the Remuneration Committee

Member of the Strategic Planning Committee

Director, 1986 to 1996

Director since 2000

Sir Michael Bromley has extensive international business experience from over 40 years of operating and advising companies in countries including Singapore, Indonesia, Australia, Russia, China and Papua New Guinea, principally in retail and logistics operations. He is Chairman of Heli Niugini Ltd and AAB Holdings Pty Ltd, and a Director of Pegasus Print Group Pty Ltd, Fasteners & More Pty Ltd, New Guinea Energy Limited, Sonway Asia Ltd, Chemica Ltd, Sig No.1 Ltd, Glock No. 1 Ltd, Broman Ltd, Maps Tuna Ltd, Sek No. 35 Ltd, Hoia Investment Ltd and Venture Ltd.

Beneficial Shares Held: 5%

D.H. Cox OL

Managing Director 2004 to 2012

Director since 2003

Mr Cox joined Steamships as a Manager in 1992, rising to become Managing Director from 2004-2012. He has extensive experience in the PNG business environment. He is also a Director of Telikom PNG Ltd.

G.L. Cundle

Managing Director from 2013

Director from 2013

Mr Cundle was appointed Steamships Managing Director on 1 January 2013. He joined the Swire Group in 1979 and has extensive corporate experience having worked with the Group in various divisions in Hong Kong, Australia, Korea, Japan and Papua New Guinea. He was a Non-Executive Director of Steamships in 2006-2007 and Steamships Shipping General Manager from 1989-1992. He is a director of various Steamships Trading Company subsidiaries, joint ventures and associated companies.

G.J. Dunlop

Member of the Audit and Risk Committee

Member of the Strategic Planning Committee

Managing Director 2000 to 2003

Director since 1995

Mr Dunlop is a chartered accountant with extensive experience in the Pacific region. He is a Director of John Swire & Sons (PNG) Ltd and Group companies, City Pharmacy Group Ltd, Credit Corporation (PNG) Ltd, Hardware Haus Pty Ltd and Mainland Holdings Ltd.

J.W.J. Hughes-Hallett CMG, SBS

Director since 2010

Mr Hughes-Hallet originally joined the Swire Group in 1976 and has extensive corporate experience through working with the Group in Hong Kong, Taiwan, Japan, Australia and London. He is Chairman of John Swire & Sons Ltd and a Director of Swire Pacific Ltd, Cathay Pacific Ltd, Swire Properties Ltd and HSBC Holdings Ltd.

Lady Winifred Kamit CBE

Chairperson of the Audit and Risk Committee

Director since 2005

Lady Winifred Kamit is a former Senior Partner, and currently a consultant at Gadens Lawyers in Port Moresby. She is a Councillor of the Papua New Guinea Institute of National Affairs and Chairperson of Coalition for Change PNG. She is a Director & Secretary of Bunowen Services Ltd and Gadens Administration Services Ltd, and a Director of Newcrest Mining Ltd, Nautilus Minerals Niugini Ltd, Kamchild Ltd and ANZ Banking Group (PNG) Ltd.

S.C. Pelling

Finance Director & Company Secretary

Mr Pelling is a chartered accountant who was previously Finance Director for agricultural operations in Africa with James Finlay Ltd, a wholly-owned subsidiary of John Swire & Sons Ltd. He is a Director of John Swire & Sons (PNG) Ltd and various Steamships Trading Company subsidiaries, joint ventures and associated companies.

Remuneration of Directors

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

	2013 K'000	2012 K'000
W.L. Rothery	211	211
D.H. Cox OL	84	-
G. Aopi, CBE	84	84
T Blackburn	84	84
Sir Michael Bromley, KBE	211	211
G.L Cundle *	-	-
G.J. Dunlop	169	169
J.W.J Hughes- Hallett CMG, SBS	84	84
Lady Winifred T. Kamit, CBE	148	148
S. C. Pelling *	-	-

* Managing Director and Finance Director receive no fees for their service as Directors during the year.

Remuneration of Employees

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

Remuneration K'000	2013 No.	2012 No.	Remuneration K'000	2013 No.	2012 No.	Remuneration K'000	2013 No.	2012 No.
110-120	-	1	360-370	1	3	610-620	1	-
120-130	12	1	370-380	3	1	630-640	1	-
130-140	12	5	380-390	4	2	650-660	1	1
140-150	9	3	390-400	-	4	660-670	2	-
150-160	9	9	400-410	3	5	670-680	-	1
160-170	6	4	410-420	2	2	680-690	2	2
170-180	3	5	420-430	2	1	690-700	-	1
180-190	5	6	430-440	1	5	740-750	1	-
190-200	8	3	440-450	-	2	750-760	3	-
200-210	5	4	450-460	1	3	770-780	1	1
210-220	1	2	460-470	1	2	790-800	-	1
220-230	6	4	470-480	3	-	830-840	1	-
230-240	3	5	480-490	-	3	840-850	1	-
240-250	8	6	490-500	-	2	880-890	1	-
250-260	4	2	510-520	3	1	890-900	-	1
260-270	5	-	520-530	2	1	920-930	-	1
270-280	3	3	530-540	-	3	940-950	1	-
280-290	2	2	540-550	1	-	1,020-1,030	-	1
290-300	2	5	550-560	3	-	1,050-1,060	1	-
300-310	1	1	560-570	-	1	1,120-1,130	-	1
310-320	1	-	570-580	2	-	1,660-1670	1	-
330-340	5	1	590-600	-	2			
350-360	3	1	600-610	-	4			

In addition, an amount of NIL (2012:5.9M) 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
28 March 2014

W. L Rothery
Chairman

G.L. Cundle
Managing Director

STOCK EXCHANGE INFORMATION

Steamships Trading Company Limited Year ended 31 December 2013

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

Shareholdings

At 15 February 2014, there were 422 shareholders.

315	Holding	1	-	1,000 units
80	Holding	1,001	-	5,000 units
14	Holding	5,001	-	10,000 units
13	Holding	10,001	-	and over

6 shareholders held less than a marketable parcel.

The 20 largest shareholders were:	Number of shares	%
John Swire & Sons (PNG) Limited	22,362,651	72.12
Bell Potter Nominees Ltd	6,201,000	20.00
National Superannuation Fund Ltd	1,859,446	6.00
John E Gill Operations Pty Ltd	54,727	0.18
Kelvinside Pty Ltd	25,000	0.08
Malcolm Burns Reid	22,867	0.07
Mr Ramesh Mahtani	21,700	0.07
Hylec Investments Pty Ltd	20,494	0.07
Intercontinental Assets Pty Ltd	15,000	0.05
Capital Nominees Limited	12,767	0.04
Bryce Family Super Fund	12,243	0.04
Engoordina Pty Ltd	11,078	0.04
Derrick Charles Whitaker	10,348	0.03
Jennifer May Forbes	10,000	0.03
Miss Shirin Moayyad	10,000	0.03
Custodial Services Limited	8,768	0.03
Mary Patricia Haughton	8,161	0.03
Mrs Judith Scottholland	8,161	0.03
Citicorp Nominees Pty Limited	8,112	0.03
Mrs Robyn A Gostelow	7,393	0.02
	30,689,916	98.97

Applicable Legislation

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

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

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

COMPANY DIRECTORY

CHAIRMAN
W. L. Rothery §&

EXECUTIVE DIRECTORS

MANAGING DIRECTOR
G. L. Cundle, §

FINANCE DIRECTOR
S. C. Pelling

NON-EXECUTIVE DIRECTORS
G. Aopi, CBE
T. Blackburn
Sir Michael Bromley, KBE §+&
G. J. Dunlop +&
J.W.J Hughes- Hallett CMG, SBS
Lady W. T. Kamit, CBE +
D. Cox OL (Managing director to 31/12/12)

+ Member of the Audit and Risk Committee
§ Member of the Remuneration Committee
& Member of the Strategic Planning Committee

SECRETARY
S. C. Pelling

REGISTERED OFFICE
Champion Parade
Telephone: +675 322 0222
P.O. Box 1
Port Moresby
Papua New Guinea

AUDITORS
PricewaterhouseCoopers
P.O. Box 484
Port Moresby
Papua New Guinea

SHARE REGISTRARS
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
AUSTRALIA
Telephone: (Aus) 1300 85 05 05
(Overseas) +61 (0)3 9415 4000
Fax: +61 3 9473 2500

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

A. R. B. N.
055 836 952