

Rules 4.1, 4.3

Appendix 4E

Preliminary final report

Name of entity

Steamships Trading Company Limited

ABN or equivalent company
reference

055836952

Half yearly
(tick)

☐

Preliminary
final (tick)

☒

Financial year ended ('current period')

31st December 2016

For announcement to the market

Extracts from this report for announcement to the market.

K'000

Revenues from continuing operations	Up/-down	-5.3%	to	732,701
Profit from continuing operations after tax attributable to members	Up/-down	-14.9%	to	84,210
Profit for the period attributable to members	Up/-down	-14.9%	to	84,210
Dividends (distributions)				
	Amount per security		Franked amount per security	
Final dividend	35t		0t	
Interim dividend	95t		0t	
Previous corresponding period	35t		0t	
	95t		0t	
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	30 th April 2017			

Preliminary Final Report to the Stock Exchange

The result reflects the prolonged weakness in economic conditions that was evident throughout much of last year. Demand for goods and services has been adversely impacted in the second half of the year not only by the continuation of low commodity prices (which did see a late recovery that is encouraging for the future) but also by a shortage of foreign currency. The market also saw an increase in capacity and consequently competition which compounded this weak demand picture. As a consequence 2016 has seen notable pressure across the economy and Steamships' sales revenue has declined 5% to K732.7 million against last year's K773.5 million, on a continuing basis.

	2016 K000's	2015 K000's	Change
Net Profit attributable to shareholders	84,210	98,979	-15%
Add back/(less) impact of significant items (post tax & minority interest)			
Unrealised gain on change in control of Pacific Rumana	-	(18,867)	
Impairment of coastal slipway due to Paga Hill ring road	-	1,337	
Gain on sale of fleet & equipment (post highway closure impairment)	-	(729)	
Gain on sale of Properties	(19,207)	-	
Other exceptionals – Melanesian close down offset by salvage	(1,132)	-	
Laga impairments	-	(69)	
Impairment of fixed assets	2,276	-	
Hotel & Property development cost write off	5,574	-	
Total impact of significant items	(12,489)	(18,328)	
Underlying profit attributable to shareholders	71,721	80,651	-11.1%

Depreciation in 2016 was K106.7 million (excluding impairments) against K102.1 million in 2015, and interest on borrowings (excluding capitalised interest) was K22.0 million against K26.0 million in 2015. Capital expenditure for the 12 months was K109.7 million (with capitalised interest of K1.7 million) against K109.5 million (with capitalised interest of K1.5 million) in 2015 reflecting a deliberate slow down in project activity given the economic climate. The group's net operating cash flow generation declined 6% to 192.3 million against K204.4 million in 2015.

A final dividend of 35 toea per share has been proposed and will be paid following approval at the company's annual general meeting on the 19th of May 2017, subject to Steamships' ability to secure foreign exchange for non PNG shareholders. This brings the total dividend for the year to 130 toea per share (2015 = 130 toea per share). The dividend is unfranked and there is no conduit foreign income.

Logistics

The 2015 merger of the East West Transport business (which provides customs clearances, general cartage and fuel distribution) with the Joint Venture Port Services businesses, to form a new combined division called Transport and Port Services, showed the expected synergies and has been able to manage the downturn more effectively as a result. The division moves into 2017 with unrivalled experience, a strong, well trained employee base and a significant range of fit for purpose equipment; its operational and quality standards accord with industry best practice.

Nevertheless, the JV Port Services operations in Port Moresby and Lae face continued uncertainty in respect of the International Terminal Operator concession tender.

Consort Express Lines also began to show the benefit from its 2015 merger with Steamships Coastal Shipping. The environment for coastal and riverine shipping remains difficult and the company worked hard to overcome numerous challenges throughout the year. Consort is benefiting from its acquisition since 2014 of newer, larger & more efficient vessels, the third of which was delivered in 2016, and has accordingly been able to dispose of older higher cost tonnage. This has reduced unit costs and optimises capacity for when demand recovers. The project & charters business remains depressed as investment in the resource industry is still subdued, however with a modern fleet Consort is well positioned to capitalise on opportunities as they arise.

Pacific Towing experienced a slight decline in its principal harbour towage work, but non-harbour towage, salvage and life raft activity exceeded expectation and the division posted a respectable result.

Property & Hotels

Pacific Palms Property's activity in all categories remained relatively stable, despite a general decline in demand and a significant supply of new developments in the residential market. PPP is undertaking a selective disposal of certain non-core residential properties and its most recent developments have been focused on commercial and mixed retail projects of quality and scale. Residential rental rates remained stable at an overall occupancy of 89% reflecting the quality of the company's product. The commercial category saw an occupancy of 88% in a market showing signs of weakness. The Harbourside Development remains at almost 100% occupancy and a complimentary Harbourside South development project is under planning and design development.

The retail category remained steady with a strong occupancy of 95%. Steamships has partnered with Tininga Limited in the development of a mixed retail and commercial centre in Mt Hagen due for completion in mid 2017. The joint venture will see the construction of Mt Hagen's largest supermarket and modern commercial / retail facility. In Port Moresby, the rebuild of the burnt Waigani Central Supermarket has recently completed.

PPP remains the preeminent player in the industrial property category. General market rates have remained steady and the occupancy rate for 2016 was at 90%. The recent development of warehouses in the Baruni area continue to experience vacancies however PPP remains positive that demand will strengthen as various developments in and around the area continue and the roads upgradet is completed.

Coral Sea Hotels is operating in a difficult economic environment, with increased competition particularly in Port Moresby, and a depressed economy. Coral Sea Hotels strives to continually improve service, product and operational efficiencies. Revenue will be assisted by the opening of three new Food and Beverage outlets at the gateway Hotel and Apartments and the completion of a major rooms upgrade at the Ela Beach Hotel. Upgrading and expansion of the Highlands Hotel is commencing in 2017. The group sold the Coastwatchers Hotel in Madang and closed and demolished the Melanesian Hotel in Lae, pending the construction of a new larger hotel. The group remains in partnership with the OK Tedi Development Foundation in the construction of a

new 45 room Hotel (the Cassowary) in Kiunga in the Western Province. Moving forward into 2017 cost control will be key for the hotel division and a review underway of all operating practices will continue.

Commercial

Laga Industries continued to make operational improvements across all aspects of its business during 2016. Market conditions were difficult with consumer spending constrained, especially in the first half of the year. Despite difficult trading conditions, solid sales growth was achieved in the core ice cream and cooking oil segments while speciality lines remained relatively flat. Margins in all businesses were under pressure although operational efficiency gains enabled overall margins to hold steady. Cooking oil margins reduced during the year due to the impact of rising commodity prices and the declining Kina. The beverages business declined as focus shifted from alcoholic lines, under the Trade Winds banner, to non-alcoholic products. The divestment of the Trade Winds business was still not complete at end 2016, but it is expected that a transaction will be concluded in Q1 2017, which will facilitate a further focus on non-alcoholic beverage opportunities. The outlook for Laga continued improvement despite ongoing restrained market conditions and intensified competition.

Colgate Palmolive, a PNG joint venture, saw improved volumes and sales in all categories, the latter being driven by a record year in Laundry Bar sales. Margins improved but managing costs will continue to be a challenge.

Trading Outlook

2017 is expected to be another difficult year for the PNG economy. Spending associated with the mid year election may provide some stimulus but the political uncertainty will likely lead to a deferral of investment, particularly in the resource extraction sector. The Government is expected to continue to operate a fiscal budget deficit due to reduced revenues.

On a more positive note, there are numerous resource projects undergoing feasibility studies and recent announcements have been encouraging. The Ok Tedi copper mine continues to operate having reopened in March 2016.

Port Moresby will host the APEC leaders meeting in November 2018 and there are expected to be related events in 2017 that will create demand for goods and services.

Statement of comprehensive income

	Current period - K'000	Previous corresponding period - K'000
Continuing Operations		
Revenues	732,701	773,535
Other Income	19,766	46,711
Operating Expenses		
Cost of goods & services	(210,396)	(255,553)
Staff Cost	(169,157)	(172,288)
Depreciation & amortisation	(106,715)	(102,142)
Impairment of fixed assets	(2,276)	(2,854)
Hotel & Property Development Cost Write Off	(5,574)	-
Finance- net	(21,987)	(25,696)
Other expenses	(117,676)	(125,671)
Share of net profits of associates and joint venture entities accounted for using the equity method	5,865	3,062
Profit before Income Tax	124,551	139,104
Income tax expense	(35,677)	(37,710)
Profit for the Year from Continuing Operations	88,874	101,394
Other comprehensive income	-	-
Total Comprehensive Income for the Year	88,874	101,394
Profit attributable to Continuing Operations	88,874	101,394
Total Comprehensive Income is attributable to:		
Owners of Steamships Trading Company Limited	84,210	98,979
Minority Interests	4,664	2,415
	88,874	101,394

Earnings per security (EPS)	Current period	Previous corresponding period
Basic EPS	271.6	319.2
Diluted EPS	271.6	319.2

Comparison of half year profits

	Current year - K'000	Previous corresponding period - K'000
Consolidated profit from continuing operations after tax attributable to members reported for the <i>1st</i> half year	43,544	61,028*
Consolidated profit from continuing operations after tax attributable to members for the <i>2nd</i> half year	40,666	37,951

*Includes K18,467,000 unrealised gain on the change in control in Pacific Rumana

Statement of financial position - consolidated	As at 31 Dec 2016 K'000	As at 31 Dec 2015 K'000
Current assets		
Cash and cash equivalents	36,685	11,538
Trade and other receivables	134,821	147,830
Loans to associates & joint ventures	-	159,755
Income tax receivable	716	-
Inventories	41,128	41,008
Total current assets	213,350	360,131
Non-current assets		
Investments	66,445	36,458
Property, plant and equipment	1,068,892	1,072,956
Intangibles	80,491	80,491
Loans to associates & joint ventures	70,850	40,349
Deferred tax asset	36,680	36,914
Total non-current assets	1,323,358	1,267,168
Total assets	1,536,708	1,627,299
Current liabilities		
Trade and other payables	98,639	89,457
Provisions	11,510	9,970
Loans from related parties	67,711	49,623
Borrowings	6,786	390,836
Income tax payable	-	1,407
Total current liabilities	184,646	541,293
Non-current liabilities		
Deferred tax liability	30,982	33,426
Borrowings	428,000	204,208
Provision for other liabilities & charges	11,243	11,770
Total non-current liabilities	470,225	249,404
Total liabilities	654,871	790,697
Net assets	881,837	836,602
Share capital and reserves		
Issued capital	24,200	24,200
Retained earnings	808,806	764,887
Shareholders' funds	833,006	789,087
Minority shareholders' interests	48,831	47,515
Total capital and reserves	881,837	836,602

Notes to the statement of financial position – consolidated

Statement of changes in equity	Contributed Equity K'000	Retained Earnings K'000	Total K'000	Minority Interests K'000	Total Equity K'000
Balance At 1st January 2015	24,200	711,764	735,964	30,773	766,737
Total Comprehensive income for the year	-	98,979	98,979	2,415	101,394
Equity Adjustment on Pacific Rumana transferring from subsidiary to associate	-	2,206	2,206	17,122	19,328
Dividends paid 2015	-	(48,062)	(48,062)	(2,795)	(50,857)
Balance at 31 December 2015	24,200	764,887	789,087	47,515	836,602
Total Comprehensive income for the year	-	84,210	84,210	4,664	88,874
Dividends paid 2016	-	(40,291)	(40,291)	(3,348)	(43,639)
Balance at 31 December 2016	24,200	808,806	833,006	48,831	881,837

Consolidated statement of cash flows

	Current period K'000	Previous corresponding period K'000
Cash flows related to operating activities		
Net Receipts less Supplier Payments	253,659	273,731
Interest received	72	327
Interest and other costs of finance paid	(22,059)	(26,023)
Income taxes paid	(39,376)	(43,668)
Net operating cash flows	192,296	204,367
Cash flows related to investing activities		
Purchases of property, plant and equipment	(109,478)	(109,662)
Proceeds from sale of property, plant and equipment	24,241	8,608
Dividends received from associates	20	5,067
Loans repaid by associates	147,342	13,219
Investment in associates	(25,377)	-
Net investing cash flows	36,748	(82,768)
Cash flows related to financing activities		
Proceeds from borrowings	38,000	9,208
Repayment of borrowings	(186,903)	(75,612)
Dividends paid	(43,639)	(50,857)
Net financing cash flows	(192,542)	(117,261)
Net increase/(decrease) in cash held	36,502	4,338
Cash at beginning of period (see Reconciliation of cash)	(6,603)	(10,941)
Cash at end of period (see Reconciliation of cash)	29,899	(6,603)

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.

Not applicable

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period K'000	Previous corresponding period - K'000
Cash on hand and at bank	36,685	11,538
Bank overdraft	(6,786)	(18,141)
Total cash at end of period	29,899	(6,603)

Other notes to the consolidated financial statements

Ratios	Current period	Previous corresponding Period
Profit before tax / revenue Consolidated profit from continuing operations before tax as a percentage of revenue	17.00%	17.98%
Profit after tax / equity interests Consolidated net profit from continuing operations after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	10.11%	12.54%

Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings Per Share* are as follows.

276.3t

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	K25.84	K24.38

Loss of control of entities having material effect

Name of entity (or group of entities)	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	
Date to which the profit (loss) in item 14.2 has been calculated	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period (K'000)	
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control (K'000)	

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable	21st May 2017
Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)	30 th April 2017
If it is a final dividend, has it been declared?	No

Amount per security

		Amount per security	Franked amount per security at 42% tax (see note 4)	Amount per security of foreign source dividend
	Final dividend:			
	Current year	35t	NIL	35t
	Previous year	35t	NIL	35t
	Interim dividend:			
	Current year	95t	NIL	95t
	Previous year	95t	NIL	95t

Total dividend (distribution) per security (interim *plus* final)

	Current year	Previous year
Ordinary securities	130t	130t
Preference securities	NIL	NIL

Preliminary final report - final dividend (distribution) on all securities

	Current period K'000	Previous corresponding period - K'000
Ordinary securities	10,872	10,853
Preference securities	Nil	Nil
Other equity instruments	Nil	Nil
Total	10,872	10,853

The dividend or distribution plans shown below are in operation.

Not applicable

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions).

None

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period K'000	Previous corresponding period - K'000
Profit (loss) from ordinary activities before tax	8,379	4,374
Income tax on ordinary activities	(2,514)	(1,312)
Profit (loss) from ordinary activities after tax	5,865	3,062
Extraordinary items net of tax	-	-
Net profit (loss)	5,865	3,062
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	5,865	3,062

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.10)	
	Current period	Previous corresponding period	Current period K'000	Previous corresponding period - K'000
Equity accounted associates and joint venture entities				
a) Colgate Palmolive	50.0	50.0	2,605	2,495
b) Pacific Rumana	50.0	50.0	1,047	917
c) United Stevedoring	16.9	16.9	7	11
d) Riback Stevedoring	34.4	34.4	3,346	2,667
e) Makerio Stevedoring	31.7	31.7	235	194
f) Nikana Stevedoring	31.7	31.7	200	167
g) Harbourside Development	50.0	50.0	(1,651)	(3,389)
h) Viva No 31	50.0	50.0	(22)	-
i) Wonye	50.0	-	-	-
j) Morobe Terminals	42.9	-	98	-
Total			5,865	3,062
Other material interests			-	-
Total			5,865	3,062

Issued and quoted securities at end of current period

Category of securities	Total number	Number quoted	Issue price per security (toea)	Amount paid up per security (toea)
Preference securities (<i>description</i>)				
Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				
Ordinary securities	31,008,237	31,008,237	N/A	N/A
Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks				
Convertible debt securities (<i>description and conversion factor</i>)				
Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
Options (<i>description and conversion factor</i>)			<i>Exercise price</i>	<i>Expiry date (if any)</i>
	Issued during current period			
	Exercised during current period			
	Expired during current period			
Debentures (<i>description</i>)				
Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				

Unsecured notes <i>(description)</i> Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted		
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Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's accounts should be reported separately and attached to this report.)

Refer attachment page 18.

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by *AASB 1029: Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of financial report preparation

Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Nil

A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

Nil

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Nil

Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

Nil

Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year.

Nil

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last annual report.

Nil

Additional disclosure for trusts

Number of units held by the management company or responsible entity or their related parties.

N/A

A statement of the fees and commissions payable to the management company or responsible entity.

N/A

Identify:

- initial service charges
- management fees
- other fees

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

Steamships Trading Company Limited,
Level 5, Harbourside West, Stanley Esplanade
Port Moresby

Date

19th May, 2017

Time

12.00 noon

Approximate date the annual report will be available

12th April, 2017

Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

International Financial Reporting Standards

- 2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed (see note 2).
- 4 This report is based on accounts to which one of the following applies.

<input type="checkbox"/>
<input checked="" type="checkbox"/>

The accounts have been audited.

The accounts are in the process of being audited or subject to review.

<input type="checkbox"/>
<input type="checkbox"/>

The accounts have been subject to review.

The accounts have *not* yet been audited or reviewed.

- 5 The preliminary final report is based on accounts that are unaudited.
- 6 The entity has a formally constituted audit committee.



Sign here:

(Director & Company Secretary)

Date: 28th February 2017

Print name: Michael Scantlebury

Segmental Reporting

Divisional Segments

The group operates in the following commercial areas:

	Commercial Division	Hotels & Property	Logistics	Finance, Investment & Eliminations	Total
	K'000	K'000	K'000	K'000	K'000
2016					
Total Revenue	115,823	253,170	355,992	7,716	732,701
Segment Results	8,758	88,109	24,210	(2,391)	118,686
Add: Share of Associate Profit	2,605	(626)	3,886	-	5,865
Total Segment result	11,363	87,483	28,096	(2,391)	124,551
Income tax expense	(3,018)	(27,923)	(11,984)	7,248	(35,677)
Group Profit	8,345	59,560	16,112	4,857	88,874
Segment assets	92,139	768,919	464,084	211,566	1,536,708
Segment liabilities	65,026	365,418	251,586	(27,159)	654,871
Net Assets	27,113	403,501	212,498	238,725	881,837
Capital expenditure	5,798	53,517	43,249	6,914	109,478
Depreciation	4,936	45,076	53,979	2,724	106,715

	Commercial Division	Hotels & Property	Logistics	Finance, Investment & Eliminations	Total
	K'000	K'000	K'000	K'000	K'000
2015					
Total Revenue	114,754	273,024	382,747	3,010	773,535
Segment Results	3,086	107,838	6,594	18,524	136,042
Add: Share of Associate Profit	2,495	(2,472)	3,039	-	3,062
Total Segment result	5,581	105,366	9,633	18,524	139,104
Income tax expense	(2,015)	(33,864)	(20)	(1,811)	(37,710)
Group Profit	3,566	71,502	9,613	16,713	101,394
Segment assets	96,326	730,913	507,575	292,355	1,627,299
Segment liabilities	74,954	358,506	238,795	118,442	790,697
Net Assets	21,372	372,407	268,780	173,913	836,602
Capital expenditure	7,145	55,501	36,598	10,418	109,662
Depreciation	4,835	43,228	51,596	2,483	102,142