

Appendix 4D

Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN

055836952

Half year ended ('current period')

30 June 2017

Results for announcement to the market–

				K'000
Revenues from ordinary operations	Up/Down	7%	T	340,007
Profit (loss) from ordinary operations after tax	Up/Down	7%	T	47,929
Profit (loss) attributable to members	Up/Down	4%	T	45,360
Dividends (distributions)		Amount per security	Franked amount per security	
Final Dividend – 2016		35t	0t	
Interim Dividend – 2017		70t	0t	

Record date for determining entitlements to the dividend,

08 September 2017

Refer Pages 3 and 4 for commentary

This report is to be read in conjunction with the most recent annual financial report

Directors Report

The directors present their report together with the condensed consolidated financial statements for the half-year ended 30 June 2017.

Directors:

The directors of the company during or since the end of the half-year are:

G.L. Cundle Chairman	Chairman since 2015
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P Aitsi	Director since 2014
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G Aopi, CBE	Director since 1997
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Sir M.R. Bromley, KBE	Director since 2000
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D.H. Cox OL	Director since 2004
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G.J. Dunlop	Director since 1995
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Lady W.T. Kamit, CBE	Director since 2005
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P.W. Langslow Managing Director	Director since 2015
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M.R. Scantlebury Finance Director	Director since 2016
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B.N. Swire	Director since 2015
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J.H. Woodrow	Director since 2015
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Commentary

Half Year Report to the Stock Exchange

The Directors of Steamships Trading Company Limited (Steamships) announce an unaudited profit after tax and minority interests of K45.4 million for the 6 months to June 2017, an increase of K1.8 million or 4.2% over the same period in 2016. Adjusting for significant items the underlying profit attributable to shareholders decreased K10.1 million or 24% over the same period in 2016.

	2017 K000's	2016 K000's	Change
Net Profit attributable to shareholders	45,360	43,544	4.2%
Add back / (less) impact of significant items (post tax & minority interest)			
Gain on Disposal of Property	-	(4,891)	
Hotel Development Cost Write Off	-	845	
Impairment of Buildings	-	1,618	
Reversal of Impairment of Convertible Notes	(12,540)	-	
Loss on Disposal of Vessels	1,338	-	
Salvage Profit	(3,113)	-	
Total impact of significant items	(14,315)	(2,428)	
Underlying profit attributable to shareholders	31,045	41,116	-24.5%

The economic environment in PNG remains challenging with excess capacity and foreign currency constraints continuing from 2016. Steamships' results have been impacted by this environment and sales have declined 7% to K340.0 million compared to last year's K365.2 million.

The charge for depreciation for the year to date of K51.3 million is broadly consistent with the same period in 2016 (excluding impairments). Capital investment was lower with expenditure for the six months being K33.0 million against K36.6 million in 2016, reflecting a continuation of Steamships' deliberate slowdown in project activity given the economic climate. The group's net operating cash flow generation decreased to K76.9 million against K88.9 million in 2016.

The reversal of impairment of convertible notes relates to proceeds received from the sale of the company's investment in BMobile, with the investment having been fully impaired in 2013.

An interim dividend of 70 toea per share has been declared and will be paid on 6th October 2017, subject to Steamships' ability to secure foreign exchange for non PNG shareholders.

Logistics

Joint Venture Port Services saw a slight increase in tonnages from the corresponding period in 2016 and produced a similar bottom line performance. JV Port Services operations in Port Moresby and Lae do however face continued uncertainty in respect of the International Terminal Operator concession tender. East West Transport reported similar revenue to the prior year, but did so at the expense of margin, resulting in a reduced profit. The performance of this business is expected to improve throughout the year as start-up costs for new contracts taper off and higher margin activity commences.

Having earlier deployed larger vessels, Consort Express Lines reduced its fleet size by retiring three vessels in the first half of the year, resulting in a smaller but more efficient fleet. Demand for coastal shipping remained weak and this continued to be a challenging sector in which to operate.

Pacific Towing reported an increase in harbour towage jobs compared to 2016 as well as successful settlement of two salvages performed in 2015. Higher operating costs in the division would have impacted profitability, were it not for this additional exceptional salvage revenue.

Property & Hotels

Pacific Palms Property reported reduced revenue to June due to higher vacancies in all categories of property. As vacancies in the market increase so too did rental rates come under pressure. Pacific Palms Property continued to develop and diversify its portfolio; the Hagen Central mixed use development and the Viva 31 development in Madang are due to complete in the second half of the year and Harbourside South in Port Moresby continued in its planning and design phase.

After a year of increased capacity and reduced occupancy, Coral Sea Hotels experienced a more stable six months with consistent occupancy and room rates. The rugby league world cup in Port Moresby in the second half of 2017 and APEC in 2018 should support occupancies in the Port Moresby hotels. Room refurbishments are ongoing in various properties with the Highlander hotel in Mt. Hagen undergoing an expansion and upgrade to rooms and facilities. The demolished Melanesian hotel in Lae is expected to be rebuilt as a larger premium property in due course.

Commercial

Laga Industries reported a strong increase in sales revenue for the year to date with all categories enjoying high levels of demand. Lower margins and higher operating costs have however dampened profit growth. Both ice cream and cooking oil sales enjoyed continuing sales momentum and new product launches improved the performance of the specialty lines business. The company successfully divested the Tradewinds alcoholic beverage business on deferred payment terms, which includes a short period of contract manufacturing. Due to continued management involvement the sale has not been accounted for in this period.

Colgate Palmolive, a PNG joint venture, reported improved trade volumes and revenue across most product ranges.

Trading outlook

The mid-year economic outlook for PNG indicates only a mild improvement in commodity prices and marginal growth through 2017. Tepid economic growth will make management of the fiscal deficit an ongoing challenge for the newly returned government. Consequently trading conditions for business will remain challenging. Uncertainty over the level and availability of foreign exchange remains a downside risk for input costs. The company will remain cautious in respect of capital investment projects.

The outlook for 2018 and beyond is more attractive as APEC related activity and investments in announced LNG and mineral production projects are expected to stimulate the economy, absorb current excess capacity and provide opportunities for Steamships businesses.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	6 months ended 30 June 2017 K'000	6 months ended 30 June 2016 K'000
Revenue		
Revenue from Operations	340,007	365,170
Operating expenses		
Raw materials and consumables used	(53,291)	(46,954)
Staff costs	(77,043)	(83,890)
Depreciation & amortisation	(51,290)	(54,166)
Finance costs	(6,822)	(10,847)
Charter, port services & stevedoring	(13,278)	(14,665)
Fuel	(18,682)	(16,613)
Other operating expenses	(83,910)	(80,767)
Other gains	18,251	4,891
Share of net profit of associates and joint ventures	4,459	1,938
Profit from operations before income tax	58,401	64,097
Income tax expense	(10,472)	(19,120)
Profit for the six-month period	47,929	44,977
Profit attributable to Continuing Operations	47,929	44,977
Profit/total comprehensive income is attributable to:		
Owners of Steamships Trading Company Limited	45,360	43,544
Minority Interest	2,569	1,433
	47,929	44,977
Earnings per security (EPS)		
Basic & Diluted EPS	146.3t	140.4

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Contributed Equity K'000	Retained Earnings K'000	Other Reserves K'000	Total K'000	Minority Interest K'000	Total Equity K'000
Balance at 31 January 2016	24,200	773,881	(8,994)	789,087	47,515	836,602
Profit for the period	-	43,544	-	43,544	1,433	44,977
Dividends provided for or paid	-	(10,853)	-	(10,853)	(1,134)	(11,987)
Balance at 30 June 2016	24,200	806,572	(8,994)	821,778	47,814	869,592
Profit for the period	-	40,666	-	40,666	3,231	43,897
Dividends provided for or paid	-	(29,438)	-	(29,438)	(2,214)	(31,652)
Balance at 31 December 2016	24,200	817,800	(8,994)	833,006	48,831	881,837
Profit for the period	-	45,360	-	45,360	2,569	47,929
Dividends provided for or paid	-	(10,853)	-	(10,853)	(4,922)	(15,775)
Balance at 30 June 2017	24,200	852,307	(8,994)	867,513	46,478	913,991

**CONDENSED CONSOLIDATED
BALANCE SHEET**

	As at 30 June 2017 K'000	As at 31 Dec 2016 K'000	As at 30 June 2016 K'000
Current Assets			
Inventories	50,560	41,128	38,622
Receivables & prepayments	133,574	134,822	150,055
Loans to related companies	72,513	70,850	166,980
Cash, bank and short term deposits	33,734	36,685	8,081
Income tax receivable	931	716	-
Total Current Assets	291,312	284,201	363,738
Non-Current Assets			
Investments	70,077	66,445	46,178
Goodwill	80,491	80,491	80,491
Property, plant and equipment	658,731	682,917	723,471
Investment properties	379,350	385,974	336,769
Loans to related companies	-	-	43,750
Deferred tax asset	43,234	36,680	36,914
Total Non-Current Assets	1,231,883	1,252,507	1,267,573
Total Assets	1,523,195	1,536,708	1,631,311
Current Liabilities			
Trade & other payables	109,295	98,639	85,351
Provisions	6,335	11,510	10,926
Loans from related companies	36,730	35,452	36,498
Loans from minority shareholder	23,503	32,259	22,933
Borrowings	11,211	6,786	195,349
Income tax payable	-	-	7,798
Total Current Liabilities	187,074	184,646	358,855
Non-Current Liabilities			
Deferred tax liability	33,749	30,982	33,227
Borrowings	376,525	428,000	358,000
Long service leave	11,856	11,243	11,637
Total Non-Current Liabilities	422,130	470,225	402,864
Total Liabilities	609,204	654,871	761,719
Net Assets	913,991	881,837	869,592
Share Capital and Reserves			
Issued capital	24,200	24,200	24,200
Reserves	843,313	808,806	797,578
Capital and reserves attributable to the company's shareholders	867,513	833,006	821,778
Minority shareholders' interest	46,478	48,831	47,814
Total Capital and Reserves	913,991	881,837	869,592

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	6 months ended 30 June 2017 K'000	6 months ended 30 June 2016 K'000
Cash flows related to operating activities		
Receipts from customers	358,535	378,636
Payments to suppliers and employees	(260,826)	(266,503)
Interest and other items of similar nature received	2,365	7,166
Interest and other costs of finance paid	(9,187)	(17,212)
Income taxes paid	(13,955)	(13,207)
Net operating cash flows	76,932	88,880
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(33,068)	(36,588)
Proceeds from sale of property, plant and equipment	8,609	6,535
Investments in associates and subsidiaries	-	(7,803)
Dividends received from associates	4,000	-
Net investing cash flows	(20,459)	(37,856)
Cash flows related to financing activities		
Loans extended from / (repaid to) other entities	6,575	(818)
Proceeds from borrowings	-	18,000
Repayment of borrowings	(51,475)	(51,903)
Dividends paid	(18,949)	(11,968)
Net financing cash flows	(63,849)	(46,689)
Net (decrease) / increase in cash held	(7,376)	4,335
Cash at beginning of period	29,899	(6,603)
Cash at end of period <i>(see reconciliation of cash)</i>	22,523	(2,268)

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	33,734	8,081
Bank overdraft	(11,211)	(10,349)
Total cash at end of period	22,523	(2,268)

OTHER NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Ratios	Current period	Previous corresponding Period
Profit before tax / revenue		
Consolidated profit from ordinary activities before tax as a percentage of revenue	17.2%	17.6%
Profit after tax / equity interests		
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	5.2%	5.3%
Earnings per security (EPS)		
Calculation of the following in accordance with <i>LAS33: Earnings per Share</i>		
(a) Basic EPS	146.3t	140.4t
(b) Diluted EPS	146.3t	140.4t
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	31,008,237	31,008,237
NTA backing		
Net tangible asset backing per ordinary security	K26.88	K25.45

2. Material interests in entities which are not controlled entities

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period - K'000	Previous corresponding period- K'000
Equity accounted associates and joint venture entities				
Colgate Palmolive Ltd	50	50	2,087	1,306
United Stevedoring Ltd	16.9	16.9	2	3
Riback Stevedores Ltd	34.4	34.4	1,131	1,233
Makerio Stevedoring Ltd	31.7	31.7	(22)	97
Nikana Stevedoring Ltd	31.7	31.7	55	41
Harbourside Development Ltd	50	50	(560)	(1,233)
Pacific Rumana	50	50	727	514
Viva No 31 Ltd	50	50	(7)	(23)
Wonye Ltd	50	50	(9)	-
Morobe Terminals Ltd	42.9	42.9	1,055	-
Total			4,459	1,938

3. Details of entities over which control has been gained or lost during the period

Current Period

There were no changes in control of ownership on entities during the year.

4. Basis of Accounting

This condensed interim financial report has been prepared in accordance with IAS34 Interim Financial Reporting.

There were no changes in significant accounting policies and these were consistently applied in the current half year.

For more details on the accounting policies, please refer to the annual report of Steamships Trading Company Limited for the year ended 31 December 2016.

5. Income Tax Expense

The effective rate of tax charged differs from the statutory rate of 30% as follows;

	Current period K'000	Previous corresponding period K'000
Net profit before income tax	58,401	64,097
Prima facie tax on profit before income tax	17,520	19,229
Gain on convertible notes	(4,715)	-
Share of profit of associates and joint ventures	(1,338)	(581)
Other adjustments	(995)	472
	<u>10,472</u>	<u>19,120</u>

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

No losses are anticipated in respect of these guarantees.

7. Capital Commitments

As at the 30 June 2017 the group had contracts outstanding for capital expenditure of K20.1 million in respect of property developments and all due within 12 months (prior year capital commitments of K34.3 million all due within 12 months).

8. Divisional Segments

The group operates in the following commercial areas:

	Hotels & Property	Commercial Division	Logistics	Finance & Investment (and Elimination)	Total
	K'000	K'000	K'000	K'000	K'000
2017					
External Revenue	115,202	66,521	155,258	3,026	340,007
Inter-Company Revenue	9,956	159	2,915	-	13,030
Interest Revenue	-	-	584	1,781	2,365
Interest Expense	(9,177)	-	(6,224)	6,214	(9,187)
Segment Results	33,213	4,253	6,372	10,104	53,942
Add: Share of Associate & Joint Venture Profit	152	2,086	2,221	-	4,459
Total Segment Result	33,365	6,339	8,593	10,104	58,401
Income Tax Expense	(9,432)	(1,274)	2,315	(2,081)	(10,472)
Group Profit	23,933	5,065	10,908	8,023	47,929
Segment Assets	720,229	101,424	457,352	244,190	1,523,195
Segment Liabilities	301,868	72,658	242,048	(7,370)	609,204
Net Assets	418,361	28,766	215,304	251,560	913,991
Capital Expenditure	13,655	1,455	17,054	904	33,068
Depreciation	21,449	2,609	25,342	1,890	51,290

	Hotels& Property	Commercial Division	Logistics	Finance& Investment (and Elimination)	Total
	K'000	K'000	K'000	K'000	K'000
2016					
External Revenue	128,003	54,653	178,670	3,844	365,170
Inter-Company Revenue	9,761	295	1,593	-	11,649
Interest Revenue	-	-	12	7,154	7,166
Interest Expense	(9,718)	(2,270)	(5,761)	(264)	(18,013)
Segment Results	46,875	2,346	12,726	212	62,159
Add: Share of Associate & Joint Venture Profit	(743)	1,306	1,375	-	1,938
Total Segment Result	46,132	3,652	14,101	212	64,097
Income Tax Expense	(13,667)	(704)	(2,723)	(2,026)	(19,120)
Group Profit	32,465	2,948	11,378	(1,814)	44,977
Segment Assets	749,061	94,737	489,152	298,361	1,631,311
Segment Liabilities	356,432	71,723	213,874	119,691	761,719
Net Assets	392,629	23,014	275,278	178,670	869,592
Capital Expenditure	23,526	1,891	8,692	2,479	36,588
Depreciation	23,645	2,458	26,740	1,323	54,166

9. Comparatives

Comparative figures have been adjusted to conform to changes in presentation in the current period.



Report on review of interim financial information to the Directors of Steamships Trading Company Limited

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Steamships Trading Company Limited (the Company) and its subsidiaries (the Group) as at 30 June 2017 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flow for the half-year then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting'.

Restriction on distribution or use

This report is made solely to the Directors of the Company, as a body. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in our review report and for no other purpose. We do not accept or assume responsibility to anyone other than the Directors of the Company, as a body, for our review work, for this report or for the conclusions we have formed.

A stylized signature in blue ink, likely representing the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A stylized signature in blue ink, likely representing Christopher Hansor.

Christopher Hansor

Partner

Registered under the Accountants Act 1996

Port Moresby
29 August 2017

PricewaterhouseCoopers

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