Rules 4.2A

Appendix 4D

Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN	Half year ended ('current period')
055836952	30 June 2018

Results for announcement to the market–

				K'000
Revenues from ordinary operations	~~Up~~/Down	3%	T	269,921
Profit (loss) from ordinary operations after tax	~~Up~~/Down	76%	T	10,933
Profit (loss) attributable to members	~~Up~~/Down	60%	T	18,171

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend – 2017	40*t*	0*t*
Interim Dividend – 2018	45*t*	0*t*

Record date for determining entitlements to the dividend,	07 September 2018

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 2018.

Directors:

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

G.L. Cundle Chairman	Chairman since 2015
P Aitsi, MBE	Director since 2014
G Aopi, CBE	Director since 1997
R.P.N. Bray	Director from 27th August 2018
Sir M.R. Bromley, KBE	Director since 2000
D.H. Cox OL, OBE	Director since 2004
G.J. Dunlop	Director since 1995
Lady W.T. Kamit, CBE	Director since 2005
P.W. Langslow	Managing Director since 2015 (resigned from 27th August 2018)
M.R. Scantlebury	Finance Director since 2016 (appointed as Managing Director from 27th August 2018)
B.N. Swire	Director since 2015
J.H. Woodrow	Director since 2015

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 K18.2 million for the 6 months to June 2017, a decrease of 59.9% over the same period in 2017. Adjusting for significant items (which are considered non-recurring in nature) the underlying profit attributable to shareholders of K30.3m decreased 11.2% over the same period in 2017.

	2018 K000's	2017 K000's	Change
Net profit attributable to shareholders	**18,171**	**45,360**	**-59.9%**
Add back / (less) impact of significant items (post tax & minority interest)			
Tax Loss Write Off	8,146	-	
Impairment of Fixed Assets (incl Vessels)	3,383	-	
Gain on Sale of Fleet & Equipment	(143)	-	
Reversal of Impairment of Convertible Notes	-	(12,540)	
Loss on Disposal of Vessels	761	1,338	
Total impact of significant items	**12,146**	**(11,202)**	
Underlying profit attributable to shareholders	**30,317**	**34,158**	**-11.2%**

The soft economic environment experienced in PNG the past few years persists with low growth and demand, combined with the foreign currency constraints, continuing from 2017. Consequently Steamships' results have been adversely affected and sales revenue has declined 3% to K269.9 million compared to the same period last year of K277.9 million.

The charge for depreciation for the year to date of K43.1 million compares to K48.7 million in the same period in 2017 (excluding impairments). Capital investment continues to be lower compared to historic trend with expenditure for the six months being K34.9 million against K33.1 million in 2017, reflecting a continuation of Steamships' reduction in project and investment activity given the economic climate. The group's net operating cash flow generation decreased to K61.0 million against K76.9 million in 2017.

Consistent with the treatment at 2017 year end , the losses in subsidiary Consort Express Lines Ltd incurred during the period, although available to offset future taxable profits, prudently have not been carried forward as a deferred asset and have been written off (as a significant item above).

In addition, as disclosed as a significant item at year end 2017, and above, the cessation of operations of joint venture stevedore and cargo handling companies in Port Moresby and Lae, following the award of the international terminal concession to a third party, has resulted in further impairment of the remaining assets which are now held for sale.

An interim dividend of 45 toea per share has been declared and will be paid on 26th October 2018, subject to Steamships' ability to secure foreign exchange for non PNG shareholders.

Logistics

As mentioned above, the division closed three joint venture companies (with local landowner shareholdings) conducting stevedore and cargo handling companies in Port Moresby and Lae, following the award of the international terminal concession to a third party. There are six remaining companies performing similar services in PNG regional ports.

East West Transport reported an increase in revenue for the period having grown market share. A continued focus on operating cost management resulted in a satisfactory profit.

Consort Express Lines reduced its fleet size by retiring two vessels in the first half of the year, resulting in a fleet better scoped to meet market demand. Coastal liner cargo volumes remained depressed. Schedule integrity and fleet reliability have improved. The projects & charters business had a weak performance due to low activity in the resource sector. Prospects for an early recovery in coastal shipping activity are not encouraging and the focus will remain on improving cost productivity.

Pacific Towing reports a slight dip in revenue from its core towage activities (both within PNG harbours and externally). However, the period has included a number of salvages (which are reported above under significant items). This resulted in an improved profit for the period.

Property & Hotels

Pacific Palms Property reported slightly reduced revenue for the period to June on higher vacancies compared to last year. Rental rates are also under pressure. The high quality of the portfolio and focus on customer service has minimised the impact of this soft demand. Pacific Palms Property continued to develop and diversify its portfolio with the Hagen Central and Madang Commercial Centre developments both opening in the period. The development of Harbourside South in downtown Port Moresby is planned to commence in early 2019.

Coral Sea Hotels experienced a quiet start to the year and demand from the various APEC events in the period has been below expectation. Revenue was in line with last year but had been expected to improve. The focus remains on participating in the anticipated increase in APEC activity in the latter part of the year. The Cassowary hotel in Kiunga opened with encouraging early support. Renovation and upgrade of the Highlander hotel in Mt. Hagen continued. An in-house training college for 18 National managers was launched with the support of the Singapore Hotel and Tourism Education Centre.

Commercial

Laga Industries reported a strong increase in sales revenue for the period with all categories enjoying high levels of demand. Steamships sold its 100% interest in Laga Industries on 3rd July 2018

Colgate Palmolive, a PNG joint venture, reported higher volumes and revenue overall, despite recording lower volumes in some core sub-categories as a result of increased import tariffs.

Trading outlook

APEC related activity is expected to accelerate in the remainder of 2018 and this will benefit PNG and Steamships' businesses. It is expected that the well documented resource development projects will demonstrate tangible progress in 2019. In the meantime the mid-year economic outlook for PNG indicates a mild strengthening of commodity prices and marginal growth through 2018. The Government is actively managing both the fiscal deficit and the foreign currency shortage. Taking steps towards resolution of these issues will give much comfort to the private sector, Steamships included, in developing investment plans for the future.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

	6 months ended 30 June 2018 K'000	6 months ended 30 June 2017 K'000 Restated
Revenue		
Revenue from Operations	**269,921**	**277,933**
Operating expenses		
Raw materials and consumables used	**(14,216)**	**(12,791)**
Staff costs	**(69,163)**	**(70,992)**
Depreciation & amortisation	**(43,062)**	**(48,681)**
Impairment of fixed assets & vessels	**(3,682)**	**-**
Finance costs	**(5,355)**	**(6,822)**
Charter, port services & stevedoring	**(14,464)**	**(13,278)**
Fuel	**(19,978)**	**(17,900)**
Other operating expenses	**(71,861)**	**(71,583)**
Other gains/(losses)	**(1,342)**	**13,804**
Share of net profit of associates and joint ventures	**3,757**	**4,459**
Profit from operations before income tax	**30,555**	**54,149**
Income tax expense	**(19,622)**	**(9,198)**
Profit for the six-month period	**10,933**	**44,951**
Profit attributable to Continuing Operations	**10,933**	**44,951**
Profit attributable to Discontinuing Operations	**1,252**	**2,978**
	12,185	**47,929**
Profit/total comprehensive income is attributable to:		
Owners of Steamships Trading Company Limited	**18,171**	**45,360**
Minority Interest	**(5,986)**	**2,569**
	12,185	**47,929**
Earnings per security (EPS)		
Basic & Diluted EPS (total profit)	58.6t	146.3t
Basic & Diluted EPS (continuing)	54.6t	136.7t

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	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 1 January 2017	**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**
Profit for the period	-	(3,844)	-	(3,844)	(6,495)	(10,339)
Dividends provided for or paid	-	(21,705)	-	(21,705)	(3,793)	(25,498)
Balance at 31 December 2017	**24,200**	**826,758**	**(8,994)**	**841,964**	**36,190**	**878,154**
Adjustment to opening retained earnings on adoption of IFRS 15	-	1,740	-	1,740	-	1,740
Profit for the period	-	18,171	-	18,171	(5,986)	12,185
Dividends provided for or paid	-	(12,403)	-	(12,403)	(7,149)	(19,552)
Balance at 30 June 2018	**24,200**	**834,266**	**(8,994)**	**849,472**	**23,055**	**872,527**

CONDENSED CONSOLIDATED BALANCE SHEET	**As at 30 June 2018 K’000**	**As at 31 Dec 2017 K'000**	**As at 30 June 2017 K’000**
Current Assets			
Inventories	10,032	47,333	50,560
Receivables & prepayments	127,012	161,655	133,574
Cash, bank and short term deposits	36,635	12,021	33,734
Income tax receivable	478	-	931
Assets held for sale (Note 4)	120,460	-	-
Total Current Assets	**294,617**	**221,009**	**218,799**
Non-Current Assets			
Investments	67,382	67,196	70,077
Goodwill	80,002	80,002	80,491
Loans to related companies	74,774	73,791	72,513
Property, plant and equipment	542,923	628,127	658,731
Investment properties	365,540	368,998	379,350
Deferred tax asset	22,734	30,250	43,234
Total Non-Current Assets	**1,153,355**	**1,248,364**	**1,304,396**
Total Assets	**1,447,972**	**1,469,373**	**1,523,195**
Current Liabilities			
Trade & other payables	87,420	108,170	109,295
Provisions	5,136	6,250	6,335
Loans from related companies	53,215	54,512	36,730
Loans from minority shareholder	19,743	19,503	23,503
Borrowings	12,587	31,718	11,211
Income tax payable	-	1,407	-
Liabilities attributable to assets held on sale (Note 4)	14,371	-	-
Total Current Liabilities	**192,472**	**221,560**	**187,074**
Non-Current Liabilities			
Deferred tax liability	25,380	22,332	33,749
Borrowings	346,143	335,287	376,525
Long service leave	11,450	12,040	11,856
Total Non-Current Liabilities	**382,973**	**369,659**	**422,130**
Total Liabilities	**575,445**	**591,219**	**609,204**
Net Assets	**872,527**	**878,154**	**913,991**
Share Capital and Reserves			
Issued capital	24,200	24,200	24,200
Reserves	825,272	817,764	843,313
Capital and reserves attributable to the company’s shareholders	849,472	841,964	867,513
Minority shareholders’ interest	23,055	36,190	46,478
Total Capital and Reserves	**872,527**	**878,154**	**913,991**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	6 months ended 30 June 2018 K'000	6 months ended 30 June 2017 K'000
Cash flows related to operating activities		
Receipts from customers	290,518	358,535
Payments to suppliers and employees	(205,078)	(260,826)
Interest and other items of similar nature received	2,409	2,365
Interest and other costs of finance paid	(7,764)	(9,187)
Income taxes paid	(12,646)	(13,955)
Operating cash flow from discontinued operations	(6,459)	-
Net operating cash flows	**60,980**	**76,932**
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(26,342)	(33,068)
Proceeds from sale of property, plant and equipment	14,172	8,609
Dividends received from associates	3,500	4,000
Investing cash flow from discontinued operations	(8,593)	-
Net investing cash flows	**(17,263)**	**(20,459)**
Cash flows related to financing activities		
Loans extended from / (repaid to) other entities	(2,040)	6,575
Proceeds from borrowings	8,513	-
Repayment of borrowings	(14,144)	(51,475)
Dividends paid	(7,149)	(18,949)
Financing cash flow from discontinued operations	16,487	-
Net financing cash flows	**1,667**	**(63,849)**
Net (decrease) / increase in cash held	45,384	(7,376)
Cash at beginning of period	(11,357)	29,899
Cash at end of period *(see reconciliation of cash)*	**34,027**	**22,523**

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	36,635	33,734
Net cash for discontinuing operations	1,639	-
	38,274	33,734
Bank overdraft	(4,247)	(11,211)
Total cash at end of period	**34,027**	**22,523**

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	11.3%	19.5%
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	2.1%	5.2%

Earnings per security (EPS)

Calculation of the following in accordance with *IAS33: Earnings per Share*		
(a) Basic EPS – total earnings	58.6t	146.3t
Basic EPS – continuing	54.6t	136.7t
(b) Diluted EPS – total earnings	58.6t	146.3t
Diluted EPS - continuing	54.6t	136.7t
(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	K25.57	K26.88

2. Material interests in entities which are not controlled entities

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
Equity accounted associates and joint venture entities	Current period	Previous corresponding period	Current period - K'000	Previous corresponding period - K'000
Colgate Palmolive Ltd	50	50	2,806	2,087
United Stevedoring Ltd	16.9	16.9	2	2
Riback Stevedores Ltd	34.4	34.4	878	1,131
Makerio Stevedoring Ltd	31.7	31.7	40	(22)
Nikana Stevedoring Ltd	31.7	31.7	105	55
Harbourside Development Ltd	50	50	15	(560)
Pacific Rumana Ltd	50	50	211	727
Viva No 31 Ltd	50	50	(240)	(7)
Wonye Ltd	50	50	102	(9)
Morobe Terminals Ltd	42.9	42.9	(162)	1,055
Total			3,757	4,459

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. Discontinuing Activities

On 3rd July 2018, the Group disposed of its 100% interest in Laga Industries Ltd. The 30th June 2018 results (K'000) from the discontinuing activities are derived from:

a) Profit & loss for the period:

	June 2018
Revenue	K66,291
Operating expenses	(K62,269)
Profit before tax	K1,787
Profit after tax	K1,252

b) The Group has two subsidiaries pending liquidation and their assets and liabilities are disclosed as Assets & Liabilities held for Sale. Laga Industries Ltd is also included:

Balance sheet as at 30th June 2018:	Laga Industries Limited	Lae Port Services Limited	Port Services Limited
Assets held for sale	K114,337	K1,128	K4,995
Liabilities attributable to assets held for sale	K14,371	-	-

4. Discontinuing Activities (Continued)

c) An analysis of the cash flows of discontinued operations is as follows:

Operating cash flows	(K6,459)
Investing cash flows	(K8,593)
Financing cash glows	K16,487
Net cash flows	K1,435
Opening balance	K204
Closing cash flow balance	K1,639

The subsequent sale has resulted in an approximate gain of K43m profit for the group subject to completion of accounts, which will be recorded in the second half of 2018.

d) Restatement of previous year (2017) figures

The 2017 comparative results have been restated to exclude the results for the discontinued operations.

Statement of comprehensive income – including discontinued operations

	30 June 2017	Discontinued Operations	30 June 2017 (Restated)
Revenue (after reclassifications)	344, 454	66,521	277, 933
Operating expenses	(281,606)	(62,269)	(219,337)
Income Tax	(10,472)	(1,274)	(9,198)
Net profit	47,929	2,978	44,951

5. Basis of Accounting

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

For more details on the accounting policies, please refer to the annual report of Steamships Trading Company Limited for the year ended 31 December 2017. These policies have been consistently applied to all periods presented, unless otherwise stated.

The Group has adopted the following standards from 1 January 2018: IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. The Group has changed its accounting policies following the adoption of IFRS 9 and IFRS 15.

IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts'. IFRS 15 shifts revenue recognition from a risk and rewards model to a control model, with revenue recognized as performance obligations are met. The primary impact of adoption of IFRS 15 has been a change in the timing of recognition of freight and salvage revenue within the Group's logistics segment to align revenue recognition with satisfaction of the performance obligations in the contractual arrangements.

5 Basis of Accounting (continued)

IFRS 15 is adopted without restating comparative information. The total impact of adjustments made at the date of initial application (1 January 2018) is presented below.

K'000	31 December 2017	IFRS 15 adjustment	1 January 2018
Receivables and prepayments	161,655	2,485	164,140
Deferred tax liability	22,332	745	23,077
Retained earnings	826,758	1,740	828,498

IFRS 9 replaces the provisions of IAS 39 that relate to classification and measurement of financial instruments and impairment of financial instruments. The primary change for the Group on adoption of IFRS 9 from 1 January 2018 has been assessment of impairment of receivables using an expected credit loss model. Previously impairment of receivables was assessed using an incurred credit loss model. This change has not had a significant impact on the Group's financial statements.

6. 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	30,555	54,149
Prima facie tax on profit before income tax	9,166	16,246
Gain on convertible notes	-	(4,715)
Share of profit of associates and joint ventures	(1,127)	(1,338)
Tax loss not recognised	11,583	-
Other adjustments	-	(995)
	19,622	9,198

7. 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.

8. Capital Commitments

As at 30 June 2018 the group had contracts outstanding for capital expenditure of K16.2 million in respect of property developments and all due within 12 months (prior year capital commitments of K20.1 million all due within 12 months).

9. 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
2018					
External Revenue	111,837	-	155,122	2,962	**269,921**
Interest Revenue	-	-	693	6,491	**7,184**
Interest Expense	(8,125)	-	(6,528)	3,858	**(10,795)**
Segment Results	30,970	-	840	(5,012)	**26,798**
Add: Share of Associate & Joint Venture Profit	87	2,806	864	-	**3,757**
Total Segment Result	31,057	2,806	1,704	(5,012)	**30,555**
Income Tax Expense	(8,105)	-	(11,850)	333	**(19,622)**
Group Profit from continuing operations	22,952	2,806	(10,146)	(4,679)	**10,933**
Segment Assets	713,843	113,062	396,890	224,177	**1,447,972**
Segment Liabilities	258,562	86,435	238,079	(7,631)	**575,445**
Net Assets	455,281	26,627	158,811	231,088	**872,527**
Capital Expenditure	8,916	8,593	16,433	993	**34,935**
Depreciation	21,115	-	20,110	1,837	**43,062**

	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	-	159,705	3,026	**277,933**
Interest Revenue	-	-	584	1,781	**2,365**
Interest Expense	(9,177)	-	(6,224)	6,214	**(9,187)**
Segment Results	33,213	-	6,373	10,104	**49,690**
Add: Share of Associate & Joint Venture Profit	152	2,086	2,221	-	**4,459**
Total Segment Result	33,365	2,086	8,594	10,104	**54,149**
Income Tax Expense	(9,432)	-	2,315	(2,081)	**(9,198)**
Group Profit from continuing operations	23,933	2,086	10,909	8,023	**44,951**
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	-	25,342	1,890	**48,681**

10. 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 2018 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flow for the six month period 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.

PricewaterhouseCoopers

Christopher Hansor
Partner
Registered under the Accountants Act 1996

Port Moresby
30 August 2018