

Appendix 4D

Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN

055836952

Half year ended ('current period')

30 June 2020

Results for announcement to the market–

				K'000
Revenues from ordinary operations	Up/Down	8%	T	261,722
Profit (loss) from ordinary operations after tax	Up/ Down	109%	T	16,601
Profit (loss) attributable to members	Up/ Down	47%	T	16,079
Dividends (distributions)	Amount per security	Franked amount per security		
Final Dividend – 2019	55 <i>t</i>			0 <i>t</i>
Interim Dividend – 2020	0 <i>t</i>			0 <i>t</i>

Record date for determining entitlements to the dividend,	Not Applicable
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 2020.

Directors:

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

G.L. Cundle Chairman	Chairman since 2015
G Aopi, CBE	Director since 1997
R.P.N. Bray	Director since 2018
L.M. Bromley	Director since 2019
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
M.R. Scantlebury	Managing Director since 2018
J.B. Rae Smith	Director since 2019
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 K16.1 million for the 6 months to June 2020, an increase of 47% over the same period in 2019. However, adjusting for significant items (which are considered non-recurring in nature) the underlying profit attributable to shareholders is K16.4m, an increase of 12% over the same period in 2019.

	2020	2019	Change
	K000's	K000's	
Net profit attributable to shareholders	16,079	10,913	47.3%
Add back / (less) impact of significant items (post tax & minority interest)			
Tax Loss Write Off	-	4,727	
Fixed Assets Write Off	354	-	
Gain on Disposal of Property	-	(1,603)	
Loss on Disposal of Vessels	-	622	
Total impact of significant items	354	3,746	
Underlying profit attributable to shareholders	16,433	14,659	12.1%

The period's results are heavily impacted by the global Covid-19 pandemic and the initial 14 day State of Emergency in PNG in March 2020, with many restrictions continuing or reintroduced recently. Revenue from ordinary operations decreased 8% to K262m compared to the same period last year. Cost saving measures were implemented across all businesses resulting in a slight improvement in underlying profit. In addition, the underlying economy still remains weak from 2019. The disputed closure of the Porgera gold mine in April, and no indication of any progress on the other major new resource projects, is increasing concern that this economic malaise will persist and deepen with the impact of Covid-19 restrictions. Steamships' results have been relatively resilient as the businesses adapt to this tough new environment.

The charge for depreciation for the year to date of K43.7 million compares to K39.8 million in the same period in 2019 (excluding impairments). Capital investment however decreased for the six months, being K38 million against K59 million in 2019, as certain planned discretionary expenditure was either postponed or cancelled in light of the impact of Covid-19. The group's net operating cash flow generation increased to K67.3 million up from K28.3 million in 2019 and the group has K109.7 million cash and term deposits at 30th June 2020 (K100.4 million in 2019).

In light of the uncertainty over the extent of damage Covid-19 will cause to the PNG economy, and Steamships results in 2020, no interim dividend has been declared.

Logistics

The ten entities that comprise the joint venture stevedore companies (including four which have transferred management from the Consort group during 2019) reported a solid first half performance despite the difficult trading environment. The equipment hiring business is starting to gain more traction and customer recognition, with results on an upward trend.

East West Transport reported a decline in revenue for the period as volumes fell, particularly fuel haulage. New business has been won and the development of depot management services is encouraging. Costs are being well managed. The outlook remains positive for a satisfactory result by year end.

Consort Express Lines continues to build capability to deliver enhanced customer service across its business. Schedule and fleet reliability is higher and more stable than prior years. Coastal liner cargo volume fell sharply in April with the first Covid-19 lockdown in PNG but has largely recovered. The projects & charters business has been inconsistent with some large customers seeing their operations adversely impacted by Covid-19, but overall activity has been satisfactory.

Pacific Towing reports stable revenue from its core towage activities (both within PNG harbours and in blue water) but a lack of salvage work in the region has reduced the overall result compared to last year.

Property & Hotels

Pacific Palms Property reported slightly higher revenue for the period to June as overall occupancy improved despite a weaker rental market. Covid-19 has affected the demand for Port Moresby residential units but the breadth of high quality product across the portfolio has minimised this impact. Construction of the mixed use Harbourside South continues with a projected completion in mid-2022.

Coral Sea Hotels experienced a quiet start to the year and has suffered significantly since the outbreak of Covid-19 as both international and domestic travel were heavily restricted and conferences largely cancelled. Two hotels were closed temporarily. The Ela Beach Hotel will reopen with a renovated and improved Food & Beverage offering. Management have reduced costs significantly. Demand has returned in July but continuing uncertainty is likely to exist for the remainder of the year as the pandemic plays out.

Investments

Colgate Palmolive, a PNG joint venture, reported a reduction in volumes and revenue compared to the same period last year. The Oral and Home care categories demonstrated growth despite limitations on distribution due to provincial border closures. The outlook remains positive as underlying demand is evident.

Trading outlook

The underlying economic weakness of the PNG economy is being further undermined by the contentious closure of the Porgera gold mine following the expiry of the mining lease and the continuing uncertainty around progress of three major resource development projects; P'nyang, Papua LNG and Wafi Golpu. This combined with Covid-19, is likely to result in a negative GDP growth for the year and ongoing uncertainty for 2021. Steamships is adapting to meet the changing demands in the economy and positioning its businesses for a medium term economic recovery.

Subsequent to 30 June 2020 the Group has successfully negotiated the rollover of its existing financing arrangements with its Bankers.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	6 months ended 30 June 2020 K'000	6 months ended 30 June 2019 K'000
Revenue		
Revenue from Operations	261,722	284,622
 Operating expenses		
Raw materials and consumables used	(61,138)	(60,817)
Staff costs	(61,181)	(67,519)
Depreciation & amortisation	(43,666)	(39,829)
Finance costs	(4,308)	(3,895)
Charter, port services & stevedoring	(13,958)	(15,275)
Fuel	(15,481)	(19,932)
Other operating expenses	(44,422)	(69,193)
Other gains/(losses)	1,194	8,071
Share of net profit of associates and joint ventures	1,682	2,106
Profit from operations before income tax	20,444	18,339
Income tax expense	(3,843)	(10,388)
Profit for the six-month period	16,601	7,951
Profit attributable to Continuing Operations	16,601	7,951
 Profit/total comprehensive income is attributable to:		
Owners of Steamships Trading Company Limited	16,079	10,913
Minority Interest	522	(2,962)
	16,601	7,951
 Earnings per security (EPS)		
Basic & Diluted EPS (total profit)	51.9t	35.2t
Basic & Diluted EPS (continuing)	51.9t	35.2t

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	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 2019	24,200	896,105	-	920,305	19,723	940,028
Adjustment on acquisition of minority interest in subsidiary (Note 3)	-	-	(42,536)	(42,536)	10,738	(31,798)
Profit for the period	-	10,913	-	10,913	(2,962)	7,951
Dividends provided for or paid	-	(37,210)	-	(37,210)	(9,910)	(47,120)
Balance at 30 June 2019	24,200	869,808	(42,536)	851,472	17,589	869,061
Adjustment on acquisition of minority interest in subsidiary	-	-	2,241	2,241	-	2,241
Profit for the period	-	39,082	-	39,082	333	39,415
Dividends provided for or paid	-	(7,752)	-	(7,752)	(175)	(7,927)
Balance at 31 December 2019	24,200	901,138	(40,295)	885,043	17,747	902,790
Profit for the period	-	16,079	-	16,079	522	16,601
Dividends provided for or paid	-	(17,054)	-	(17,054)	(127)	(17,181)
Balance at 30 June 2020	24,200	900,163	(40,295)	884,068	18,142	902,210

**CONDENSED CONSOLIDATED
BALANCE SHEET**

	As at 30 June 2020 K'000	As at 31 Dec 2019 K'000	As at 30 June 2019 K'000
Current Assets			
Inventories	13,889	13,351	14,354
Receivables & prepayments	141,248	148,118	147,040
Cash, bank and short term deposits	109,680	100,832	100,409
Term Deposits	5,081	-	25,000
Income tax receivable	8,239	9,507	414
Total Current Assets	278,137	271,808	287,217
Non-Current Assets			
Investments	37,387	41,586	45,152
Goodwill	76,433	76,433	76,433
Loans to related companies	105,077	88,577	70,798
Property, plant and equipment	612,739	610,646	554,820
Investment properties	357,777	360,282	394,832
Deferred tax asset	2,383	2,311	1,948
Total Non-Current Assets	1,191,796	1,179,835	1,143,983
Total Assets	1,469,933	1,451,643	1,431,200
Current Liabilities			
Trade & other payables	94,008	75,407	143,334
Lease liabilities	3,795	3,772	2,832
Provisions	53,277	51,542	5,601
Loans from related companies	5,082	15,662	26,265
Loans from minority shareholder	160	160	160
Borrowings (Note 9)	194,777	1,743	137,191
Total Current Liabilities	351,099	148,286	315,383
Non-Current Liabilities			
Lease liabilities	66,869	68,464	38,017
Deferred tax liability	18,850	18,866	15,340
Borrowings	120,000	302,000	182,000
Long service leave	10,905	11,237	11,399
Total Non-Current Liabilities	216,624	400,567	246,756
Total Liabilities	567,723	548,853	562,139
Net Assets	902,210	902,790	869,061
Share Capital and Reserves			
Issued capital	24,200	24,200	24,200
Reserves	859,868	860,843	827,272
Capital and reserves attributable to the company's shareholders	884,068	885,043	851,472
Minority shareholders' interest	18,142	17,747	17,589
Total Capital and Reserves	902,210	902,790	869,061

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	6 months ended 30 June 2020 K'000	6 months ended 30 June 2019 K'000
Cash flows related to operating activities		
Receipts from customers	275,593	285,940
Payments to suppliers and employees	(203,747)	(243,481)
Interest and other items of similar nature received	3,579	4,399
Interest and other costs of finance paid	(6,308)	(7,364)
Income taxes paid	(1,737)	(11,138)
Net operating cash flows	67,380	28,356
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(37,988)	(58,585)
Proceeds from sale of property, plant and equipment	-	5,545
Dividends received from associates	5,880	20,548
Investment in subsidiaries	-	(21,036)
Investment in term deposits	(5,081)	(25,000)
Loan (issued to)/repaid by related companies	(16,500)	-
Net investing cash flows	(53,689)	(78,528)
Cash flows related to financing activities		
Loans extended from / (repaid to) other entities	(10,580)	(45,539)
Dividends paid	(5,297)	(9,910)
Net financing cash flows	(15,877)	(55,449)
Net (decrease) / increase in cash held	(2,186)	(105,621)
Cash at beginning of period	99,089	188,839
Cash at end of period <i>(see reconciliation of cash)</i>	96,903	83,218

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, term deposits	109,680	100,409
Bank overdraft	(12,777)	(17,191)
Total cash at end of period	96,903	83,218

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	7.8%	6.4%
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	1.8%	1.3%
Earnings per security (EPS)		
Calculation of the following in accordance with <i>IAS33: Earnings per Share</i>		
(a) Basic EPS – total earnings	51.9t	35.2t
Basic EPS – continuing	51.9t	35.2t
(b) Diluted EPS – total earnings	51.9t	35.2t
Diluted EPS - continuing	51.9t	35.2t
(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	K26.63	K25.56

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		Equity accounted for 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	1,788	2,139
Riback Stevedores Ltd	49	49	(22)	(2)
Makerio Stevedoring Ltd	45	45	(4)	(19)
Nikana Stevedoring Ltd	45	45	27	(1)
Harbourside Development Ltd	50	50	62	(157)
Pacific Rumana Ltd	50	50	(104)	315
Viva No 31 Ltd	50	50	(148)	(81)
Wonye Ltd	50	50	83	134
Morobe Terminals Ltd	50.5	43	-	(205)
United Stevedoring Ltd	100	16.9	-	(17)
Total			1,682	2,106

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

Current Period

There were no changes in ownership on non-controlled entities during the year.

Previous Period

Steamships Trading Company Limited acquired minority shareholding (29.76%) of Consort Express Limited in May 2019 to increase its shareholding to a fully owned subsidiary. As result of this acquisition, effective control in associate companies of Consort Express Limited have increased and controlling interest in Morobe Terminals Limited and United Stevedoring Limited have changed from associate to subsidiaries. The transaction resulted in an adjustment to other reserves.

	2019 K'000
Purchase consideration paid for acquisition of minority shares in subsidiary	51,202
Repayment of minority shareholder loan	(19,343)
Add/(less): acquisition of minority interest	10,738
Equity adjustment on gain in control of subsidiaries	(61)
	<u>42,536</u>

4. 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 2019. These policies have been consistently applied to all periods presented. There were no changes in significant accounting policies in the current half year period.

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	20,444	18,339
Prima facie tax on profit before income tax	6,133	5,502
Share of profit of associates and joint ventures	(719)	(632)
Tax loss not recognised	-	4,727
Prior year adjustment	(1,342)	-
Other adjustments	(229)	791
	<u>3,843</u>	<u>10,388</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 30 June 2020 the group had contracts outstanding for capital expenditure of K9.1m million in respect of property developments and all due within 12 months (prior year capital commitments of K5.8 million all due within 12 months).

8. Divisional Segments

The group operates in the following commercial areas:

	Hotels & Property	Logistics	Commercial & Investment (and Elimination)	Total
	K'000	K'000	K'000	K'000
2020				
External Revenue	93,105	166,746	1,871	261,722
Interest Revenue	9,994	1,732	600	12,326
Interest Expense	(8,989)	(805)	1,907	(7,887)
Segment Results	21,428	5,407	(8,073)	18,762
Add: Share of Associate & Joint Venture Profit	-	4	1,678	1,682
Total Segment Result	21,428	5,411	(6,395)	20,444
Income Tax Expense	(6,631)	(1,975)	4,763	(3,843)
Group Profit from continuing operations	14,797	3,436	(1,632)	16,601
Segment Assets	710,093	361,269	398,571	1,469,933
Segment Liabilities	234,674	238,259	94,790	567,723
Net Assets	475,419	123,010	303,781	902,210
Capital Expenditure	23,381	14,292	315	37,988
Depreciation	22,481	19,956	1,229	43,666

	Hotels & Property	Logistics	Commercial & Investment (and Elimination)	Total
	K'000	K'000	K'000	K'000
2019				
External Revenue	105,659	176,843	2,120	284,622
Interest Revenue	816	644	2,939	4,399
Interest Expense	(5,832)	(2,936)	1,404	(7,364)
Segment Results	25,925	(9,682)	(10)	16,233
Add: Share of Associate & Joint Venture Profit	211	(244)	2,139	2,106
Total Segment Result	26,136	(9,926)	2,129	18,339
Income Tax Expense	(7,971)	(3,105)	688	(10,388)
Group Profit from continuing operations	18,165	(13,031)	2,817	7,951
Segment Assets	736,552	387,188	307,460	1,431,200
Segment Liabilities	268,040	281,659	12,440	562,139
Net Assets	468,512	105,529	295,020	869,061
Capital Expenditure	19,910	38,144	531	58,585
Depreciation	21,199	16,893	1,737	39,829

9. Net Current Liability

Bank facilities with ANZ Bank, amounting to K182m, were scheduled to expire on 30th April 2021. Although we have re-negotiated the facilities on similar terms, the necessary documentation was not executed at period end. This has resulted in the amounts outstanding under these facilities being classified as current liabilities, being due within the next 12 months. We expect the new facilities to be documented and in place prior to 31 December 2020.

10. Comparatives

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

11. Subsequent events

The number of detected Covid-19 cases in PNG, particularly in the capital Port Moresby, escalated during July and August 2020, prompting the Government to introduce further measures that adversely affect businesses. At the date of this report, it is not possible to reliably estimate the financial impact of COVID-19 outbreak and related Government measures on the Group.

Management will continue to monitor the impact of COVID-19 on the financial performance of the businesses of the Group and further measures may need to be taken to manage costs should there be declines in the level of business. At the date of this report, the Board is of the opinion that the Group will be successful in managing the business and financial impacts of the COVID-19 pandemic and will continue to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Values of assets may fluctuate with the uncertainty surrounding COVID-19 and as it is not possible to reliably estimate the financial impact of COVID-19 there may be adjustments to asset values in the future. Management has considered asset values at 30 June 2020 using the information they have available and should asset values decline materially going forward the financial impacts will be recognised in those future periods.

The Group will continue to assess the impact of COVID-19 developments on an ongoing basis on its business activities, liquidity and the underlying values of its assets.



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

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Steamships Trading Company Limited (the Company) and its subsidiaries (the Group) as at 30 June 2020 and the related condensed consolidated interim 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 condensed consolidated interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim 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 condensed consolidated interim 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 conclusion we have formed.

PricewaterhouseCoopers

Jonathan Grasso
Engagement Leader

Port Moresby
28 August 2020

Alison Judd
Partner
Registered under the Accountants Act 1996

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