

# Appendix 4D

## Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN

055836952

Half year ended ('current period')

30 June 2022

### Results for announcement to the market–

				K'000
Revenues from ordinary operations	Up/ <del>Down</del>	14.6%	T	308,723
Profit (loss) from ordinary operations after tax	Up/ <del>Down</del>	20.5%	T	40,013
Profit (loss) attributable to members	Up/ <del>Down</del>	19.0%	T	39,379
<b>Dividends (distributions)</b>		Amount per security	Franked amount per security	
Final Dividend – 2021		65t	0t	
Interim Dividend – 2022*		50t	0t	

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.

\* *Proposed interim dividend, subject to Board approval.*

## Directors' Report

The directors present their report together with the condensed consolidated financial statements for the half-year ended 30 June 2022.

Directors:

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

G.L. Cundle Chairman	Chairman since 2015
P.J. Aitsi, MBE	Director from 1 <sup>st</sup> July 2021
R.P.N. Bray	Managing Director since 2020
L.M. Bromley	Director since 2019
D.H. Cox OL, OBE	Director since 2004
Lady W.T. Kamit, CBE	Director since 2005
M.R. Scantlebury	Finance Director since 2016
J.B. Rae Smith	Director since 2019
J.H. Woodrow	Director resigned on 17 <sup>th</sup> June 2022

## 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 K39.4 million for the six months to June 2022, an increase of 19% over the same period in 2021. Adjusting for significant items (which are considered non-recurring in nature) the underlying profit attributable to shareholders increased by 59% over the same period in 2021.

	2022 K000's	2021 K000's	Change K000's
<b>Net profit attributable to shareholders</b>	<b>39,379</b>	<b>33,086</b>	<b>19.0%</b>
<b>Add back / (less) impact of significant items (post tax &amp; minority interest)</b>			
Recognition of tax losses previously not recognised	-	(8,398)	
<b>Total impact of significant items</b>	<b>-</b>	<b>(8,398)</b>	
<b>Underlying profit attributable to shareholders</b>	<b>39,379</b>	<b>24,688</b>	<b>59.5%</b>

Revenue from ordinary operations increased 14.6% to K308.7 million compared to the same period last year. The recovery in demand in 2022, combined with cost saving measures implemented during the COVID-19 pandemic, have resulted in a significant improvement in underlying profit.

The charge for depreciation for the year to date of K46.4 million compared to K47.0 million in the same period in 2021 (excluding impairments). Recognising the recovery in the underlying economic fundamentals and positive outlook, capital investment increased for the six months, being K76.1 million against K28.4 million in 2021.

The group's net operating cash flow generation slightly increased to K100.1 million up from K97.3 million in 2021. The group had K85.5 million in cash and term deposits on 30<sup>th</sup> June 2022 (K132.0 million on 30<sup>th</sup> June 2021). Cash reserves were accumulated during the COVID-19 period and are now being gradually reduced.

Considering the improvement in results, an interim dividend of 50 toea has been proposed, subject to Board approval.

### **Logistics**

The four logistics businesses of the group are being increasingly integrated into a single division under common management to improve customer service. The Logistics division has reported a solid first-half year performance, on improved demand, despite some difficult trading conditions.

Domestic shipping and port operations (Consort Express Lines and JV Port Services) were bolstered by the arrival of an additional vessel, Kimbe Chief. An additional barge was acquired to add capacity to the group. The outlook for the balance of the year for both scheduled liner services and project & charter work looks promising.

Pacific Towing purchased two replacement tugs to replace two ageing vessels. Both will enter service in the second half of 2022. This upgrade will improve reliability and reduce maintenance costs. Demand for harbour towage in the first half of 2022 has been weaker than hoped.

East West Transport has experienced a challenging six months. Results are ahead of the same period in 2021 but have not met management's expectations. Although demand for fuel deliveries has increased, general cartage demand remains soft. Management is committed to an improvement plan and has invested in new trucks, systems and increased operational management resources.

### **Property and Hospitality**

Demand for property, particularly premium residential, is improving and the division reports an improved profit for the year to date. Completion of the mixed-use development, Harbourside South, has slipped to 2023 as supply chain constraints linger. Quality is a key focus for the management team and the contractor. Costs are being well managed and are within our original budget. Various new development projects are under consideration as the business outlook improves.

Coral Sea Hotels experienced a positive start to the year as demand for hospitality exceeded post-COVID expectations. The Grand Papua Hotel has joined the Radisson Individuals branded hotels and will be an attractive proposition for the Radisson loyalty club members. The Enzo's pizza outlets have been launched as standalone venues and a countrywide expansion is planned. Challenges are anticipated for the division until underlying demand proves more sustainable. Post-election stability would support prospects for market recovery.

### **Investments**

Colgate Palmolive, a PNG joint venture, reported a good result, with overall higher volumes and sales revenue for the six months to June 2022. Notably, there was a strong performance from the Oral Care category compared to the same period last year. Home and Personal Care categories were also positive on improving underlying consumer demand.

### **Trading outlook**

Business activity has increased since the removal of COVID-19 restrictions on travel. The hotel market remains oversupplied, particularly in Port Moresby, but there is some optimism that business demand is starting to recover and should compensate for the loss of quarantine business.

Papua New Guinea appears to be somewhat sheltered from the gloomy global economic outlook with recessions looming in much of the developed world - whilst also struggling with inflation and an energy crisis. However, PNG is not immune to these global trends.

There is encouraging progress, albeit uneven, on the various resource projects.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	<b>6 months ended 30 June 2022 K'000</b>	<b>6 months ended 30 June 2021 K'000</b>
<b>Revenue</b>		
Revenue from operations	308,723	269,298
 <b>Operating expenses</b>		
Cost of goods and services	(44,420)	(38,086)
Staff costs	(64,143)	(63,797)
Depreciation and amortisation	(46,433)	(46,980)
Finance costs - net	(229)	(4,803)
Insurance	(6,967)	(6,069)
Charter, port services and stevedoring	(16,151)	(12,937)
Fuel	(23,753)	(15,241)
Other operating expenses	(53,010)	(49,381)
Share of net profit of associates and joint ventures	3,659	2,228
<b>Profit from operations before income tax</b>	<b>57,276</b>	<b>34,232</b>
Income tax expense (Note 6)	(17,263)	(1,016)
<b>Profit for the six-month period</b>	<b>40,013</b>	<b>33,216</b>
<b>Profit attributable to Continuing Operations</b>	<b>40,013</b>	<b>33,216</b>
 <b>Profit/total comprehensive income is attributable to:</b>		
Owners of Steamships Trading Company Limited	39,379	33,086
Minority Interest	634	130
	<b>40,013</b>	<b>33,216</b>
 <b>Earnings per security (EPS)</b>		
Basic & Diluted EPS (total profit)	127.0t	106.7t
Basic & Diluted EPS (continuing)	127.0t	106.7t

*Comparative period amounts have been restated to conform to presentation in the current year.*

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	<b>Contributed Equity K'000</b>	<b>Retained Earnings K'000</b>	<b>Other Reserves K'000</b>	<b>Total K'000</b>	<b>Minority Interest K'000</b>	<b>Total Equity K'000</b>
<b>Balance at 1 January 2021</b>	24,200	962,938	(40,295)	946,843	16,983	963,826
Profit for the period	-	33,086	-	33,086	130	33,216
Other	-	(836)	-	(836)	-	(836)
Dividends	-	(24,806)	-	(24,806)	(1,466)	(26,272)
<b>Balance at 30 June 2021</b>	<b>24,200</b>	<b>970,382</b>	<b>(40,295)</b>	<b>954,287</b>	<b>15,647</b>	<b>969,934</b>
Profit for the period	-	57,464	-	57,464	936	58,400
Other	-	3,786	-	3,786	-	3,786
Dividends	-	(10,853)	-	(10,853)	(338)	(11,191)
<b>Balance at 31 Dec 2021</b>	<b>24,200</b>	<b>1,020,779</b>	<b>(40,295)</b>	<b>1,004,684</b>	<b>16,245</b>	<b>1,020,929</b>
Profit for the period	-	39,379	-	39,379	634	40,013
Dividends	-	(20,155)	-	(20,155)	-	(20,155)
<b>Balance at 30 June 2022</b>	<b>24,200</b>	<b>1,040,003</b>	<b>(40,295)</b>	<b>1,023,908</b>	<b>16,879</b>	<b>1,040,787</b>

**CONDENSED CONSOLIDATED  
BALANCE SHEET**

	As at 30 June 2022 K'000	As at 31 Dec 2021 K'000	As at 30 June 2021 K'000
<b>Current Assets</b>			
Cash, bank and short-term deposits	86,001	63,788	84,191
Receivables and prepayments	185,306	178,295	123,979
Inventories	25,123	23,009	19,141
Income tax receivable	18,060	10,000	-
Assets held for sale	-	8,234	63,271
<b>Total Current Assets</b>	<b>314,490</b>	<b>283,326</b>	<b>290,582</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	577,476	545,566	540,462
Investment properties	384,246	388,417	388,698
Investments in related companies	43,123	39,367	39,119
Goodwill	76,433	76,433	76,433
Loans to related companies	182,775	167,682	148,805
Income tax receivable	-	13,627	20,733
Deferred tax asset	1,180	2,571	3,107
<b>Total Non-Current Assets</b>	<b>1,265,233</b>	<b>1,233,663</b>	<b>1,217,357</b>
<b>Total Assets</b>	<b>1,579,723</b>	<b>1,516,989</b>	<b>1,507,939</b>
<b>Current Liabilities</b>			
Trade and other payables	112,455	91,804	91,487
Lease liabilities	2,155	2,080	2,106
Provisions	48,467	48,239	53,024
Loans from related companies	2,608	2,787	2,969
Loans from minority shareholder	160	160	160
Borrowings (Note 10)	52,060	53,618	98,917
Liabilities attributable to assets held for sale	-	-	9,660
<b>Total Current Liabilities</b>	<b>217,905</b>	<b>198,688</b>	<b>258,323</b>
<b>Non-Current Liabilities</b>			
Lease liabilities	58,128	59,474	68,431
Deferred tax liability	28,011	18,470	16,191
Borrowings (Note 10)	224,500	209,500	184,500
Long service leave	10,392	9,928	10,560
<b>Total Non-Current Liabilities</b>	<b>321,031</b>	<b>297,372</b>	<b>279,682</b>
<b>Total Liabilities</b>	<b>538,936</b>	<b>496,060</b>	<b>538,005</b>
<b>Net Assets</b>	<b>1,040,787</b>	<b>1,020,929</b>	<b>969,934</b>
<b>Share Capital and Reserves</b>			
Issued capital	24,200	24,200	24,200
Reserves	999,708	980,484	930,087
Capital and reserves attributable to the company's shareholders	1,023,908	1,004,684	954,287
Minority shareholders' interest	16,879	16,245	15,647
<b>Total Capital and Reserves</b>	<b>1,040,787</b>	<b>1,020,929</b>	<b>969,934</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	6 months ended 30 June 2022 K'000	6 months ended 30 June 2021 K'000
<b>Cash flows related to operating activities</b>		
Receipts from customers	301,712	278,822
Payments to suppliers and employees	(201,364)	(177,798)
Interest and other items of similar nature received	6,242	4,306
Interest and other costs of finance paid	(6,471)	(7,492)
Income taxes paid	-	(495)
<b>Net operating cash flows</b>	<b>100,119</b>	<b>97,343</b>
<b>Cash flows related to investing activities</b>		
Payment for purchases of property, plant and equipment	(76,135)	(28,444)
Proceeds from sale of property, plant and equipment	400	-
Dividends received from an associate	2,500	101
Investment in term deposits	-	8,063
Loans issued to related companies	(15,093)	(42,349)
<b>Net investing cash flows</b>	<b>(88,328)</b>	<b>(62,629)</b>
<b>Cash flows related to financing activities</b>		
Repayments of borrowings	(15,000)	(20,000)
Loans repaid to related companies	(179)	(1,895)
Proceed from borrowings	30,000	-
Lease repayments	(2,399)	(2,945)
Dividends paid	-	(17,746)
<b>Net financing cash flows</b>	<b>12,422</b>	<b>(42,586)</b>
<b>Net (decrease) / increase in cash held</b>	<b>24,213</b>	<b>(7,872)</b>
Cash at beginning of period	61,254	139,918
<b>Cash at end of period</b> <i>(see Reconciliation of cash)</i>	<b>85,467</b>	<b>132,046</b>

**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	86,001	84,191
Net cash disclosed within Assets held for sale	-	49,272
Bank overdraft	(534)	(1,417)
<b>Total cash at end of period</b>	<b>85,467</b>	<b>132,046</b>

*Comparative period amounts have been restated to conform to presentation in the current year.*



## OTHER NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Ratios	Current period	Previous corresponding Period
<b>Profit before tax / revenue</b>		
Consolidated profit from ordinary activities before tax as a percentage of revenue	18.6%	12.7%
<b>Profit after tax / equity interests</b>		
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	3.9%	3.5%
<b>Earnings per security (EPS)</b>		
Calculation of the following in accordance with <i>LAS33: Earnings per Share</i>		
(a) Basic EPS – total earnings	127.0t	106.7t
Basic EPS – continuing	127.0t	106.7t
(b) Diluted EPS – total earnings	127.0t	106.7t
Diluted EPS - continuing	127.0t	106.7t
(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
<b>NTA backing</b>		
Net tangible asset backing per ordinary security	K31.10	K28.82

**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
<b>Equity accounted associates and joint venture entities</b>				
Colgate Palmolive Ltd	50	50	2,767	2,046
Riback Stevedores Ltd	49	49	-	-
Makerio Stevedoring Ltd	45	45	55	(6)
Nikana Stevedoring Ltd	45	45	46	42
Harbourside Development Ltd	50	50	-	(154)
Pacific Rumana Ltd	50	50	185	109
Viva No 31 Ltd	50	50	(18)	(53)
Wonye Limited	50	50	624	244
<b>Total</b>			<b>3,659</b>	<b>2,228</b>

**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 sold 30% of shareholding of United Stevedoring Limited to Wakang Inc. resulting in no gain or loss.

**4. Assets and liabilities held for sale**

There were no assets and liabilities held for sale during the period.

**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 2021. These policies have been consistently applied to all periods presented. There were no changes in significant accounting policies in the current half year period.

Where necessary, comparative figures have been adjusted to conform to changes in the presentation of the current year. Comparative balances in the statement of cash flows have been reclassified to conform with changes in presentation adopted in the current period.

## 6. Income Tax Expense

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

	Current period	Previous corresponding period
	K'000	K'000
Net profit before income tax	<u>57,276</u>	<u>34,232</u>
Prima facie tax on profit before income tax	17,183	10,269
Share of profit of associates and joint ventures	(1,568)	(954)
Recognition of tax losses previously not recognised	-	(8,398)
Adjustments of current tax of prior periods	1,655	186
Other	(7)	(87)
	<u>17,263</u>	<u>1,016</u>

## 7. Contingent Liabilities

### *Guarantees*

- (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.

### *Legal proceedings*

An appropriate provision has been made for ongoing legal proceedings at 30 June 2022 where a loss is considered probable. Based on information available at 30 June 2022 the Group estimates there were no material contingent liabilities at period end.

## 8. Capital Commitments

As at 30 June 2022 the group had contracts outstanding for capital expenditure of K82.4 million in respect of property developments and all due within 12 months (prior year capital commitments of K37.8 million all due within 12 months).

## 9. Divisional Segments

The group operates in the following commercial areas:

	Hotels and Property	Logistics	Commercial and Investment	Total
	K'000	K'000	K'000	K'000
<b>2022</b>				
External Revenue	121,914	185,625	1,184	308,723
Interest Revenue	12	142	6,088	6,242
Interest Expense	(1,430)	(3,606)	(1,435)	(6,471)
Segment Results	38,014	22,864	(7,261)	53,617
Add: Share of Associate and Joint Venture Profit	791	101	2,767	3,659
<b>Total Segment Result</b>	<b>38,805</b>	<b>22,965</b>	<b>(4,494)</b>	<b>57,276</b>
Income Tax Expense	(12,140)	(7,301)	2,178	(17,263)
<b>Group Profit from continuing operations</b>	<b>26,665</b>	<b>15,664</b>	<b>(2,316)</b>	<b>40,013</b>
Segment Assets	706,793	372,459	500,471	1,579,723
Segment Liabilities	(50,627)	(183,315)	(304,994)	(538,936)
<b>Net Assets</b>	<b>656,166</b>	<b>189,144</b>	<b>195,477</b>	<b>1,040,787</b>
Capital Expenditure	11,852	63,969	314	76,135
Depreciation	22,899	22,331	1,203	46,433

	Hotels and Property	Logistics	Commercial and Investment	Total
	K'000	K'000	K'000	K'000
<b>2021</b>				
External Revenue	115,027	152,355	1,916	269,298
Interest Revenue	232	191	3,883	4,306
Interest Expense	(3,460)	(3,301)	(2,348)	(9,109)
Segment Results	33,048	6,223	(7,267)	32,004
Add: Share of Associate and Joint Venture Profit	145	37	2,046	2,228
<b>Total Segment Result</b>	<b>33,193</b>	<b>6,260</b>	<b>(5,221)</b>	<b>34,232</b>
Income Tax Expense	-	(2,428)	1,412	(1,016)
<b>Group Profit from continuing operations</b>	<b>33,193</b>	<b>3,832</b>	<b>(3,809)</b>	<b>33,216</b>
Segment Assets	663,141	315,887	528,911	1,507,939
Segment Liabilities	(129,842)	(149,744)	(258,419)	(538,005)
<b>Net Assets</b>	<b>533,299</b>	<b>166,143</b>	<b>270,492</b>	<b>969,934</b>
Capital Expenditure	11,003	16,927	514	28,444
Depreciation	22,561	22,097	2,322	46,980

*Comparative period amounts have been restated to conform to presentation in the current year.*

## 10. Borrowings

Bank facilities with BSP Financial Group Limited (BSP) amounting to K70 million mature in October 2022. This has resulted in the K20 million drawn down on this facility at 30 June 2022 being classified as current liabilities, being due within the next 12 months. Management expect to renew the facility for another 3 years.

## 11. Comparatives

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

## 12. Subsequent events

There are no material adjusting or disclosing events after the end of the reporting period.



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

### Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Steamships Trading Company Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2022 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flow for the six-month period then ended and other explanatory notes. The Directors are responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim 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 condensed interim consolidated financial information of the Group 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 handwritten signature in blue ink that reads "Jonathan Grasso".

PricewaterhouseCoopers

A handwritten signature in blue ink that reads "Jonathan Grasso".

Jonathan Grasso  
Partner

Registered under the Accountants Act 1996

Port Moresby  
31 August 2022