

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 2022

For announcement to the market

Extracts from this report for announcement to the market.

K'000

Revenues from continuing operations	Up / down	12%	to	631,262
Profit from continuing operations after tax	Up / down	31%	to	59,441
Profit for the period attributable to members	Up / down	36%	to	57,985
Dividends (distributions)	Amount per security	Franked amount per security		
Proposed final dividend	70t	0t		
Interim dividend	50t			
Previous corresponding period	65t 35t	0t		
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	28 th April 2023			

Preliminary Final Report to the Stock Exchange

2022 was a stronger than expected year for Steamships as the PNG economy recovered well from the constraints imposed as a result of the COVID-19 pandemic in 2020-21. Demand for the Group's products and services was robust throughout the year.

The Company however was not immune to the supply chain constraints and inflationary pressure that prevailed globally and these limited the progress of various property projects and new investments.

Steamships' sales revenue, on a continuing basis, increased 12% to K631.3 million against last year's K563.9 million, with improved revenue across the various businesses.

	2022	2021	Change
	K000's	K000's	
Net Profit attributable to shareholders	57,985	90,550	(36%)
Add back / (less) impact of significant items (post tax & minority interest)			
Impairment of properties	18,090	-	
Recognition of tax losses previously not recognised, net of deferred tax movements	-	(22,869)	
Total impact of significant items	18,090	(22,869)	
Underlying profit attributable to shareholders	76,075	67,681	12%

Depreciation in 2022 was K95.3 million against K93.8 million in 2021, and interest on net borrowings (excluding capitalised interest) was K1.2 million against K4.0 million in 2021. Capital expenditure for the year was K129.2 million against K89.7 million in 2021.

The group's net operating cash flow generation decreased by 2% to K183.5 million against K187.3 million in 2021. The cash balance at year end is K52.9 million.

A final dividend of 70 toea per share has been proposed and will be paid following approval at the Board of Directors meeting on 15th June 2023, subject to Steamships' ability to secure foreign exchange for non PNG shareholders. As there was an interim dividend paid during the year of 50 toea per share, the total dividend for the year is 120 toea per share (2021: 100 toea per share). The dividend is unfranked and there is no conduit foreign income.

Significant items

In 2018 the Company entered into a lease to build and operate the Cassowary Hotel in Kiunga. Although demand for rooms at the hotel has seen periods of strength (notably COVID-19 related quarantine), the current environment (and outlook) is weak and the hotel is operating at a loss. Discussion with the relevant Parties to provide support, whilst initially promising, have failed to reach a mutually satisfactory agreement, resulting in the Company making an impairment.

The Blaikie Apartments in Lae suffered damage as a result of the earthquake in September 2022, resulting in the Company making an impairment. The Company has lodged a claim with its insurer and will record the insurance proceeds upon finalisation of the claim.

The details are as follows:

	PGK'000
Impairment of Cassowary Hotel	21,800
Impairment of Blaikie Apartments	4,000
Less Tax Effect	(7,710)
Total	18,090

Coral Sea Hotels

Coral Sea Hotels (CSH) was successful in attracting guests in greater numbers, post COVID-19, as international and domestic travel restrictions were lifted early in the year. The national election did have the anticipated negative impact upon mid-year activity. Food and beverage margins were compressed by rising input inflation. CSH continues to expand the food and beverage offering with the opening of new outlets (Enzo's Pizzas) and new menu offerings. CSH will continue to expand the Enzo's brand in the coming years with more outlets nationwide.

Pacific Palms Property

Pacific Palms Property's (PPP) also experienced stronger demand, notably in residential units, in 2022 with overall occupancy increasing across the portfolio, with increasing rents seen later in the year. The new development in Port Moresby, Harbourside South, continued construction and is scheduled for phased completion in 2023.

Logistics

The integration of the logistics businesses, comprising Consort Express Lines shipping (CEL), EastWest Transport (EWT), Joint Venture Port Services (JVPS) and Pacific Towing, continued throughout the year with the aim of offering an improved service for customers. Additional shipping, towing and trucking capacity was added to meet the demand for services together with more investment in IT systems.

The general cartage activity of EWT, together with depot operations, however remained disappointing. Fuel transport recovered, especially with the increased air traffic following the lifting of COVID-19 restrictions. The plan for 2023 is to strive for improved door-to-door business integrated with CEL.

Pacific Towing provided a consistently reliable harbour towage service throughout the year. Returns were bolstered by salvage operations early in the year.

Commercial

The results of Colgate-Palmolive (PNG) Limited, a PNG incorporated joint venture, also improved following the lifting of the various COVID-19 restrictions. Inflationary pressure and supply chain disruptions however proved challenging. Volume sales in the Home Care category were adversely impacted. Overall, sales revenue grew year-on-year, albeit at a lower margin.

Trading Outlook

There is growing optimism that early-works activity for the Papua LNG project and broader infrastructure investment should gain traction in 2023. Steamships is well positioned to benefit from the improving economic conditions. It remains committed to continuous improvement in productivity and vigilant in identifying opportunities for growth.

Papua New Guinea is our home and principal place of business, and we will continue to actively contribute to its economic and social development. The Board of Directors would like to thank all our staff for their commitment and personal sacrifices during what has been a challenging few years for the entire country.

Statement of comprehensive income

	Current period - K'000	Previous corresponding period - K'000
Continuing Operations		
Revenues	631,262	563,929
Operating Expenses		
Cost of goods and services	(113,327)	(113,742)
Staff cost	(148,887)	(132,189)
Electricity and fuel	(51,869)	(34,680)
Depreciation and amortisation	(95,279)	(93,774)
(Impairment)/Reversal of impairment of vessels	(767)	4,370
Impairment of properties	(25,842)	-
Insurance	(7,405)	(6,639)
Security costs	(13,017)	(12,063)
Motor vehicle expenses	(29,669)	(18,536)
Fixed assets write-off	-	(100)
Finance costs- net	(1,175)	(4,018)
Other operating expenses	(64,106)	(69,190)
Share of net profits of associates and joint venture entities accounted for using the equity method	6,155	5,062
Profit before income tax	86,074	88,430
Income tax expense	(26,633)	(1,694)
Profit from Continuing Operations	59,441	86,736
Profit from Discontinued Operations	-	4,880
Total Comprehensive Income for the Year	59,441	91,616
Attributable to:		
Shareholders	57,985	90,550
Non-Controlling Interests	1,456	1,066
	59,441	91,616

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

Earnings per security (EPS)	Current period (toea)	Previous corresponding period (toea)
Basic & Diluted EPS (total profit)	187.0	292.0
Basic & Diluted EPS (continuing)	187.0	279.8
Basic & Diluted EPS (discontinued)	-	15.7

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	39,379	33,086
Consolidated profit from continuing operations after tax attributable to members for the <i>2nd</i> half year	20,062	53,650

Statement of financial position - consolidated	As at 31 Dec 2022 K'000	As at 31 Dec 2021 K'000
Current assets		
Cash and cash equivalents	53,436	63,788
Trade and other receivables	147,620	178,295
Assets held for sale	3,001	8,234
Income tax receivable	12,088	10,000
Inventories	28,463	23,009
Total current assets	244,608	283,326
Non-current assets		
Investments	45,458	39,367
Property, plant and equipment	558,555	558,568
Investment property	388,896	375,415
Intangibles	76,433	76,433
Due from related parties	199,410	167,682
Income tax receivable	-	13,627
Deferred tax asset	2,020	2,571
Total non-current assets	1,270,772	1,233,663
Total assets	1,515,380	1,516,989
Current liabilities		
Trade and other payables	107,725	91,804
Lease liabilities	2,667	2,080
Provisions	5,635	48,239
Due to related parties	2,902	2,787
Borrowings	240,182	53,778
Total current liabilities	359,111	198,688
Non-current liabilities		
Lease liabilities	57,245	59,474
Deferred tax liability	24,379	18,470
Borrowings	20,000	209,500
Provision for other liabilities and charges	10,576	9,928
Total non-current liabilities	112,200	297,372
Total liabilities	471,311	496,060
Net assets	1,044,069	1,020,929
Share capital and reserves		
Issued capital	24,200	24,200
Retained earnings	1,002,810	980,484
Shareholders' funds	1,027,010	1,004,684
Minority shareholders' interests	17,059	16,245
Total capital and reserves	1,044,069	1,020,929

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

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 1 January 2021	24,200	922,643	946,843	16,983	963,826
Total Comprehensive income for the year	-	90,550	90,550	1,066	91,616
Other	-	2,950	2,950	-	2,950
Dividends paid 2021	-	(35,659)	(35,659)	(1,804)	(37,463)
Balance at 31 December 2021	24,200	980,484	1,004,684	16,245	1,020,929
Total Comprehensive income for the year	-	57,985	57,985	1,456	59,441
Dividends paid 2022	-	(35,659)	(35,659)	(642)	(36,301)
Balance at 31 December 2022	24,200	1,002,810	1,027,010	17,059	1,044,069

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	190,665	192,198
Interest received	13,526	9,817
Interest and other costs of finance paid	(14,712)	(13,835)
Income taxes paid	(5,960)	(919)
Net operating cash flows	183,519	187,261
Cash flows related to investing activities		
Purchases of property, plant and equipment	(129,152)	(89,743)
Proceeds from sale of property, plant and equipment	6,338	-
Proceeds from disposal of subsidiaries, net of disposed cash	-	(44,056)
Dividends received from associates	2,698	188
Loans issued to associated companies	(33,307)	(52,327)
Investment in term deposits	-	8,063
Net investing cash flows	(153,423)	(177,875)
Cash flows related to financing activities		
Proceeds from borrowings	30,000	-
Repayment of borrowings	(30,000)	(42,523)
Loans repaid to associated companies	115	(2,077)
Lease repayments	(2,250)	(5,987)
Dividends paid	(36,301)	(37,463)
Net financing cash flows	(38,436)	(88,050)
Net (decrease) / increase in cash held	(8,340)	(78,664)
Cash at beginning of period (see Reconciliation of cash)	61,254	139,918
Cash at end of period (see Reconciliation of cash)	52,914	61,254

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

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.

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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	53,436	63,788
Bank overdraft	(522)	(2,534)
Total cash at end of period	52,914	61,254

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	13.64%	15.68%
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	5.65%	8.52%

Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *IAS 33: Earnings Per Share* are as follows.

187.0 toea per share (continuing operations)
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NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	K31.21	K30.46

Loss of control of entities having material effect

Name of entity (or group of entities)	not applicable
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	not applicable
Date to which the profit (loss) in item 14.2 has been calculated	not applicable
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	not applicable
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	not applicable

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable	28th July 2023
Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESSE approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESSE approved)	28 th April 2023
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	70t	NIL	70t
	Previous year	65t	NIL	65t
Interim dividend:	Current year	50t	NIL	50t
	Previous year	35t	NIL	35t

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

	Current year	Previous year
Ordinary securities	K1.20	K1.00
Preference securities	NIL	NIL

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

	Current period K'000	Previous corresponding period - K'000
Ordinary securities	21,706	20,155
Preference securities	Nil	Nil
Other equity instruments	Nil	Nil
Total	21,706	20,155

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	8,793	7,232
Income tax on ordinary activities	(2,638)	(2,170)
Profit (loss) from ordinary activities after tax	6,155	5,062
Extraordinary items net of tax	-	-
Net profit (loss)	6,155	5,062
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	6,155	5,062

Material interests in entities which are not controlled entities

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

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (<i>item 1.10</i>)	
	Current period	Previous corresponding period	Current period K'000	Previous corresponding period - K'000
Equity accounted associates and joint venture entities				
a) Colgate-Palmolive (PNG)	50.0	50.0	4,421	4,419
b) Pacific Rumana	50.0	50.0	421	231
c) Riback Stevedoring	49.0	49.0	-	-
d) Makerio Stevedoring	45.0	45.0	117	65
e) Nikana Stevedoring	45.0	45.0	157	134
f) Harbourside Development	50.0	50.0	200	(180)
g) Viva No 31	50.0	50.0	(98)	(131)
h) Wonye	50.0	50.0	937	524
Total			6,155	5,062
Other material interests			-	-
Total			6,155	5,062

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				

<p>Unsecured notes <i>(description)</i></p> <p>Changes during current period</p> <p>(a) Increases through issues</p> <p>(b) Decreases through securities matured, converted</p>		
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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 *IFRS 8: Segment Reporting* and for half year reports, *IAS 34: 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 *IAS 34: 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.

Refer to comments below.

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 *IAS 34: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *IAS 1: Presentation of Financial Statements*).

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.

During the second half of the year, estimates as to the recoverable amount of the Cassowary Hotel right-of-use asset and the Blaikie Apartments asset were revised to account for updates in the current economic environment & outlook and the physical condition as a result of the earthquake, respectively.

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

Please refer to 4(a) of this report

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	@345 Building Allotments 3, 4 and 5, Section 20 Champion Parade, Granville, Port Moresby, National Capital District, Papua New Guinea
Date	15 th June, 2023
Time	12.00 noon
Approximate date the annual report will be available	10 th April, 2023

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.

The accounts have been audited.

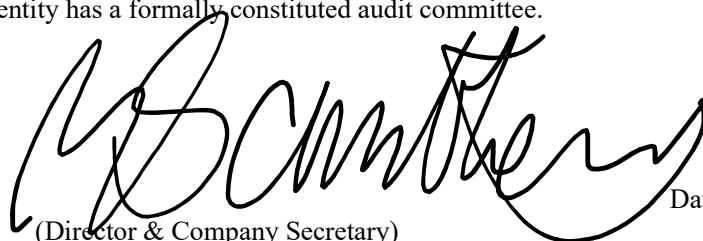
The accounts are in the process of being audited or subject to review.

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 2023

Print name: Michael Scantlebury

Segmental Reporting

Divisional Segments

The group operates in the following commercial areas:

	Hotels and Property	Logistics	Finance, Investment and Eliminations	Total
	K'000	K'000	K'000	K'000
2022				
Total revenue from continuing operations	248,595	380,337	2,330	631,262
Segment results	54,537	41,612	(16,230)	79,919
Add: Share of associate profit	-	-	6,155	6,155
Total Segment result	54,537	41,612	(10,075)	86,074
Income tax credit / (expense)	(16,361)	(12,484)	2,212	(26,633)
Group profit	38,176	29,128	(7,863)	59,441
Segment assets	696,098	423,173	396,109	1,515,380
Segment liabilities	(1,367)	(217,099)	(252,845)	(471,311)
Net assets	694,731	206,074	143,264	1,044,069
Capital expenditure	33,453	94,517	1,182	129,152
Depreciation	44,237	47,669	3,373	95,279

	Hotels and Property	Logistics	Finance, Investment and Eliminations	Total
	K'000	K'000	K'000	K'000
2021				
Total Revenue				
- from continuing operations	240,286	321,168	2,475	563,929
- from discontinued operations	-	-	746	746
	<u>240,286</u>	<u>321,168</u>	<u>3,221</u>	<u>564,675</u>
Segment Results	81,739	23,520	(21,891)	83,368
Add: Share of Associate Profit	-	-	5,062	5,062
Total Segment result	<u>81,739</u>	<u>23,520</u>	<u>(16,829)</u>	<u>88,430</u>
Income tax credit / (expense)	<u>(14,433)</u>	<u>(5,633)</u>	<u>18,372</u>	<u>(1,694)</u>
Group profit from continuing operations	67,306	17,887	1,543	86,736
Group profit from discontinued operations	-	-	4,880	4,880
Total Group profit	<u>67,306</u>	<u>17,887</u>	<u>6,423</u>	<u>91,616</u>
Segment assets	697,144	351,345	468,500	1,516,989
Segment liabilities	(101,584)	(173,189)	(221,287)	(496,060)
Net Assets	<u>595,560</u>	<u>178,156</u>	<u>247,213</u>	<u>1,020,929</u>
Capital expenditure	41,419	47,672	652	89,743
Depreciation	45,908	43,193	4,673	93,774

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

Current Period

There were no changes in control over entities during the last period.

2. Basis of Accounting

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

3. Income Tax Credit/ (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 – continuing operations	86,074	88,430
Prima facie tax on profit before income tax	(25,822)	(26,529)
Tax loss utilised in current year – previously unrecognised	1,182	25,600
Tax loss previously unrecognised tax losses net of deferred tax movements	-	(2,731)
Tax on non assessable income	(184)	447
Share of profit of associates and joint ventures	1,846	1,519
Adjustments in tax from prior years	(3,655)	-
	<u>(26,633)</u>	<u>(1,694)</u>

4. Contingent Liabilities

There were contingent liabilities at the Balance Sheet date as follows:

- (a) Steamships Trading Company Limited holds a 50% interest in an associated company, Colgate Palmolive (PNG) Ltd, (“CP (PNG Ltd”). In 2022 CP (PNG) Ltd received a notice from PNG Customs seeking to reassess the historic rate of import duty applied to a specific product, known as soap noodles, resulting in an additional duty of K11.1 million and an intention to apply the higher rate on future imports. CP (PNG) Ltd has disputed the interpretation of the product characteristics by PNG Customs and formally appealed against this higher assessed rate of duty. The appeal process remains in progress.

To the extent that any of the additional duty is deemed payable by CP (PNG) Ltd following the appeal process, the Group’s share of profits from associates and the equity accounted investment in CP (PNG) Ltd will be reduced by 50% of the amount payable, net of any tax effect.

- (b) The parent entity has given a secured guarantee in respect of the bank overdrafts and loans of certain subsidiaries, associates and joint ventures.
- (c) 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.

5. Net Current Liabilities

As at 31st December 2022 the Company has a Net Current Liability position of K114.5 million. This arises due to the maturity of the Company's loan facilities with Westpac PNG Limited and ANZ Banking Group (PNG) Limited in August and November 2023, respectively. The drawn balances are therefore re-classified from non-current liabilities to current liabilities. The Company is confident that these loan facilities will be renewed on or before maturity. Alternatively, the Company will use a combination of operating cash flows and facilities with other banks to meet all its current liabilities.

6. Subsequent events

On 9th February 2023 the Company entered into a revolving credit facility agreement with Kina Bank Limited for K60 million for three years. Security for the facility is provided by the existing Common Terms Deed, which provides security for financial obligations with the Company's banks.

7. Comparatives

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