

Appendix 4D

Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN

055836952

Half year/financial year ended ('current period')

30 June 2014

Results for announcement to the market—

				K'000
Revenues from ordinary operations	Up/ Down	4.3%	T	480,831
Profit (loss) from ordinary operations after tax	Up/ Down	2106.3%	T	56,480
Profit (loss) attributable to members	Up/ Down	61.1%	T	51,050
Dividends (distributions)	Amount per security	Franked amount per security		
Final Dividend – 2013	135¢	0¢		
Interim Dividend – 2014	80¢	0¢		

<p>⁺Record date for determining entitlements to the dividend,</p>	<p>12 September 2014</p>
<p>Refer Page 3 & 4 for commentary</p>	

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 consolidated financial report for the half-year ended 30 June 2014.

Directors:

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

W.L. Rothery Chairman	Chairman since 2006
GLCundle Managing Director	Director since 2013
D H Cox OL	Director since 2004
G Aopi, CBE	Director since 1997
Sir Michael Bromley, KBE	Director since 2000
G.J. Dunlop	Director since 1995
J.W.J Hughes-Hallett	Director since 2010
Lady W.T. Kamit, CBE	Director since 2005
T.J. Blackburn	Director since 2011
S.C. Pelling	Director since 2012

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 K51.1 million for the 6 months to June 2014, an increase of K20.3 million or 66.1% over the same period in 2013 (but a decrease of K12.7m or 19.9% when adjusted for a 2013 impairment of certain of the company's shipping assets).

The year on year result reflects the full impact of a slower economy, which as previously reported turned in 2013 with the end of the PNG LNG construction and demobilisation, a slowing of investment in the country's mining sector, a weakening Kina, declining exports, lower hard and soft commodity prices and falling domestic consumption. As a consequence 2014 has seen notable pressure across the economy and whilst sales of K480.8 million represent a 4.3 per cent increase on 2013 sales of K460.9 million for the company, margins have been compressed.

Depreciation in 2014 was flat at K53.0 million compared to 2013 before ship impairments, while interest on borrowings was K17.2 million against K15.2 million in 2013. Given the slower economy and the commissioning of various property projects in late 2013 and early 2014, capital investment was lower with expenditure for the 6 months being K71.4 million against K110.1 million in 2013. The group's net operating cash flow generation slowed to K90.3 million against K118.9 million in 2013.

An interim dividend of 80 toea per share has been declared and will be paid on 30th September 2014, subject to our ability to secure foreign exchange for non PNG shareholders.

Logistics

The Logistics Division experienced a tough first half of the year mainly in relation to reduced marine project charters for Steamships Shipping with lower activity in the Papuan Gulf and declining land side cartage for East West Transport due to excess capacity entering the open market following PNG LNG decommissioning. Consort Express Lines' coastal and island trades have largely held constant as have Joint Venture Stevedoring volumes (with the addition of a new operation in Alotau) but Pacific Towing experienced a decline in harbour tug jobs. A focus on restructuring and cost efficiency together with maintaining high service levels to retain and attract customers remains a critical focus for these businesses. The second half of 2014 will see the addition of a 70 meter Landing Craft (LCT) and two new 45 meter LCT's for Steamships Shipping to provide increased project charter capacity to offset the loss of Ok Tedi charter employment. Consort Express Lines plans to acquire two modern, second hand vessels in the second half of 2014 as part of a fleet replacement program to lower operational costs and improve capacity.

Property & Hotels

Pacific Palms Property recorded improved year on year revenue following the opening of Windward (Port Moresby) and Blaikie Apartments (Lae) and industrial units in Port Moresby and Madang, however new supply in the Port Moresby residential sector has compressed margins. Occupancies in all categories remain strong at an overall 98% reflecting the quality of the portfolio. Coral Sea Hotels experienced rate erosion in the Port Moresby and Lae markets due to additional competitive capacity although revenue per available room continued to lead the industry. The Madang and Highlands hotels have seen a quiet start to the year. A three year upgrade program has commenced, which seeks to further strengthen standards for Coral Sea Hotels.

Commercial

Laga Industries continues its transformation with the division implementing a series of strategic changes to establish a platform for positive growth and development. The revised business model is focusing primarily on ice cream manufacture, sale and distribution whilst off shoring vegetable oil and food service packaging and divestment of its alcoholic beverage operations. Sales have been flat with margins reduced due to negative forex impact on raw material costs. Datec experienced improved sales and margins through the first half of the year. As announced in May 2014 the board agreed a sale of the business to Telikom PNG Limited, effective 31st July 2014. Colgate Palmolive, a PNG joint venture, saw improved trade volumes but margins were also reduced due to higher imported material costs with profit marginally down on prior year. All commercial businesses anticipate sales price increases in the second half of year to partially recover reduced margins.

Trading outlook

It is anticipated that the PNG business economy will continue to be challenging for the balance of 2014 as it transitions from the boom conditions of the LNG construction period and the company's operating result is expected to reflect this weakening level of activity. Uncertainty over the level and availability of foreign exchange following Bank of PNG intervention remains a downside risk on input costs for several of the group's activities.

Statement of comprehensive income - consolidated
For the 6 months ended 30 June 2014

	6 months ended 30 June 2014 K'000	6 months ended 30 June 2013 K'000
Revenue		
Revenue from Operations	480,831	460,867
Other income	2,323	709
Operating expenses		
Raw materials and consumables used	(84,116)	(78,166)
Staff costs	(100,838)	(93,748)
Depreciation & amortisation	(53,088)	(52,967)
Impairment of ships	-	(92,432)
Finance costs	(17,233)	(15,238)
Charter, port services & stevedoring	(21,937)	(17,207)
Fuel	(29,281)	(24,814)
Other operating expenses	(98,234)	(92,834)
Share of net profit of associates and joint ventures	1,445	6,400
Profit from operations before income tax	79,872	569
Income tax expense	(23,392)	1,991
Profit for the six-month period	56,480	2,560
Profit attributable to Continuing Operations	54,493	1,919
Profit attributable to Discontinuing Operations (*Refer to Note 4)	1,987	641
Profit/total comprehensive income is attributable to:		
Owners of Steamships Trading Company Limited	51,050	30,733
Minority Interest	5,430	(28,173)
	56,480	2,560
Earnings per security (EPS)		
Basic EPS	164.6	99.1
Diluted EPS	164.6	99.1

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014**

	Contributed Equity <u>K'000</u>	Retained Earnings <u>K'000</u>	Other Reserves <u>K'000</u>	Total <u>K'000</u>	Minority Interest <u>K'000</u>	Total Equity <u>K'000</u>
BALANCE AT 1 JANUARY 2013	24,200	652,978	0	677,178	84,322	761,500
Profit for the period	0	30,733	0	30,733	(28,173)	2,560
Other comprehensive income	0	0	0	0	0	0
Dividends provided for or paid	0	(52,714)	0	(52,714)	(2,976)	(55,690)
Balance at 30 June 2013	24,200	630,997	0	655,197	53,173	708,370
Profit for the period	0	86,317	0	86,317	(10,436)	75,881
Other comprehensive income	0	0	0	0	0	0
Equity Adjustment on acquisition of Laga	0	0	(8,994)	(8,994)	(17,104)	(26,098)
Dividends provided for or paid	0	(15,504)	(8,994)	(15,504)	(2,726)	(18,230)
Balance at 31 December 2013	24,200	701,810	(8,994)	717,016	22,907	739,923
Profit for the period	0	51,050	0	51,050	5,430	56,480
Other comprehensive income	0	0	0	0	0	0
New Minority Investment	0	0	0	0	200	200
Dividends provided for or paid	0	(41,861)	0	(41,861)	(1,593)	(43,454)
Balance at 30 June 2014	24,200	710,999	(8,994)	726,205	26,944	753,149

**STATEMENT OF FINANCIAL
POSITION - CONSOLIDATED**

	As at 30 June 2014 K'000	As at 31 Dec 2013 K'000	As at 30 June 2013 K'000
Current assets			
Inventories	40,617	59,878	65,100
Receivables & prepayments	193,236	178,996	172,385
Asset held for sale (*Refer to Note 4)	46,139	-	9,633
Loans to related companies	375	337	2,056
Cash, bank and short term deposits	20,664	11,640	14,593
Income Tax Prepaid	184	-	-
Other – financial asset	-		20,307
Total current assets	301,215	250,851	284,074
Non-current assets			
Investments	31,415	31,471	42,164
Goodwill	84,398	93,514	26,183
Property, plant and equipment	714,576	722,735	673,345
Investment properties	357,371	343,658	313,535
Loans to related companies	131,729	103,065	72,722
Deferred tax asset	22,263	21,081	-
Total non-current assets	1,341,752	1,315,524	1,127,949
Total assets	1,642,967	1,566,375	1,412,023
Current liabilities			
Trade payables	50,079	50,177	50,763
Other payables & accruals	83,257	80,485	93,143
Provisions	10,202	10,176	12,197
Liabilities held for sale (*Refer to Note 4)	17,883	-	-
Loans from related companies	16,914	16,335	19,072
Loans from shareholder	15,160	15,160	15,160
Borrowings	45,368	50,681	32,457
Income tax payable	-	7,713	26,519
Total current liabilities	238,863	230,727	249,311
Non-current liabilities			
Deferred tax liability	31,160	25,598	6,578
Borrowings	608,700	558,108	437,330
Long service leave	11,095	12,019	10,434
Total non-current liabilities	650,955	595,725	454,342
Total liabilities	889,818	826,452	703,653
Net assets	753,149	739,923	708,370
Share capital and reserves			
Issued capital	24,200	24,200	24,200
Retained earnings	702,005	692,816	630,997
Capital and reserves attributable to the company's shareholders	726,205	717,016	655,197
Minority shareholders' interest	26,944	22,907	53,173
Total capital and reserves	753,149	739,923	708,370

Consolidated statement of cash flows

	6 months ended 30 June 2014 K'000	6 months ended 30 June 2013 K'000
Cash flows related to operating activities		
Receipts from customers	467,348	480,251
Payments to suppliers and employees	(323,814)	(307,818)
Interest and other items of similar nature received	79	36
Interest and other costs of finance paid	(17,312)	(15,274)
Income taxes paid	(26,909)	(31,713)
Net operating cash flows	99,392	125,482
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(71,356)	(110,065)
Proceeds from sale of property, plant and equipment	6,184	51,149
Investment in subsidiary	(400)	-
Acquisition of business	-	(9,000)
Dividends received from associates	1,500	2,923
Loans repaid by/(to) other entities	(28,123)	(20,248)
Net investing cash flows	(92,195)	(85,241)
Cash flows related to financing activities		
Proceeds from borrowings	60,000	40,000
Repayment of borrowings	(4,240)	(23,142)
Dividends paid	(43,451)	(55,690)
Net financing cash flows	12,309	(38,832)
Net increase (decrease) in cash held	19,506	1,409
Cash at beginning of period	(29,978)	(15,673)
Cash at end of period <i>(see reconciliation of cash)</i>	(10,472)	(14,264)
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	20,664	14,593
Bank overdraft	(31,136)	(28,857)
Total cash at end of period	(10,472)	(14,264)

Other notes to the consolidated financial statements

1. Ratios

	Current period	Previous corresponding Period
Profit before tax / revenue		
Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue	16.6%	0.1%
Profit after tax / equity interests		
Consolidated net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	7.0%	4.7%

Earnings per security (EPS)

Calculation of the following in accordance with *LAS33: Earnings per Share*

(a) Basic EPS	164.6t	99.1t
(b) Diluted EPS	164.6t	99.1t
(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	K21.57	K22.00
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2. Material interests in entities which are not controlled entities

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period - K'000	Previous corresponding period- K'000
Equity accounted associates and joint venture entities				
Colgate Palmolive Ltd	50	50	552	2,459
Pacific Towing Ltd	100	50	0	864
United Stevedoring	12	12	4	4
Riback Stevedores	25	25	662	2,913
Makerio Stevedoring	23	23	153	67
Nikana Stevedoring	23	23	74	93
Harbourside Development Limited	50	50	-	-
Total			1,445	6,400

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

Current Period

Acquired 50.3% interest in Palms Stevedoring & Transport Ltd which undertakes the activities of stevedoring, marshalling, handling, cartage, storage and transport in Alotau.

Previous Corresponding Period

50% of Pacific Towing (PNG) Limited's share capital was purchased to take Steamships interest to 100% in November 2013.

4. Discontinuing Activities

On 31st July 2014, the Group disposed of its 100% interest in Datec (PNG) Ltd to Telikom PNG Ltd.

The 30th June 2014 results (K'000) from the Discontinuing activities are derived from:

a) Profit & loss for the period are:

	<u>2014</u>	<u>2013</u>
Revenue	K 54,844	K51,802
Operating expenses	<u>(K52,005)</u>	<u>(K50,886)</u>
Profit before tax	<u>K2,839</u>	<u>K916</u>
Profit after tax	K1,987	K641

b) Balance sheet as at 30th June 2014:

Assets held for sale (including goodwill)	K46,139
Liabilities held for sale	K17,883

The subsequent sale has resulted in a profit for the group.

5. Basis of Accounting

This condensed interim financial report has been prepared in accordance with the measurement requirements of International Financial Reporting Standards and in accordance with IAS34 Interim Financial Reporting. There were no changes in significant accounting policies and these were consistently applied in the current half year.

For more details on the accounting policies, please refer to the annual report of Steamships Trading Company Limited for the year ended 31 December 2013.

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

No losses are anticipated in respect of these guarantees.

7. Capital Commitments

As at the 30th June 2014 the group had contracts outstanding for capital expenditure of K38.8 million in respect of property developments and new ships all due within 12 months (prior year K73.6 million due within 12 months and K14.6 million due within 1-5 years).

8. Divisional Segments

The group operates in the following commercial areas:

	Hotels& Property	Commercial Division *	Logistics	Finance& Investment	Total
	K'000	K'000	K'000	K'000	K'000
2014					
External Revenue	132,001	114,315	234,444	71	480,831
Intersegmental Revenue	17,633	364	2,970	-	20,967
Interest Revenue	34	-	16	29	79
Interest Expense	(1,860)	(0)	(3,546)	(11,906)	(17,312)
Segment Results	57,956	(593)	19,321	1,743	78,427
Add: Share of Associate Profit	-	552	893	-	1,445
Total Segment result	57,956	(41)	20,214	1,743	79,872
Income tax expense	(18,694)	(464)	(5,299)	1,065	(23,392)
Group Profit	39,262	(505)	14,915	2,808	56,480
Segment assets	768,028	128,986	464,485	281,468	1,642,967
Segment liabilities	99,839	29,779	124,687	635,513	889,818
Net Assets	668,189	99,207	339,798	(354,045)	753,149
Capital expenditure	24,986	9,226	36,526	618	71,356
Depreciation	19,272	4,246	28,862	708	53,088

* Include the Assets and Liabilities Held for Sale as disclosed in the Statement of Financial Position and Note 4

	Hotels& Property	Commercial Division	Logistics	Finance& Investment	Total
	K'000	K'000	K'000	K'000	K'000
2013					
External Revenue	128,303	110,256	222,214	94	460,867
Intersegmental Revenue	19,312	704	7,140	-	27,156
Interest Revenue	-	36	-	-	36
Interest Expense	(4)	(4)	(2,870)	(12,396)	(15,274)
Segment Results	67,138	(2,494)	(73,356)	2,881	(5,831)
Add: Share of Associate Profit	-	864	5,536	-	6,400
Total Segment result	67,138	(1,630)	(67,820)	2,881	569
Income tax expense	(20,141)	748	22,007	(623)	1,991
Group Profit	46,997	(882)	(45,813)	2,258	2,560
Segment assets	638,458	132,706	384,132	256,727	1,412,023
Segment liabilities	64,479	24,822	101,917	512,435	703,653
Net Assets	573,979	107,884	282,215	(255,708)	708,370
Capital expenditure	56,033	8,317	45,025	690	110,065
Depreciation	19,822	4,259	28,100	786	52,967
Impairment of ships	-	-	92,432	-	92,432



Independent Auditor's Review Report

to the Directors of Steamships Trading Company Limited

Report on the condensed half-year financial statements

We have reviewed the accompanying condensed half-year financial statements of Steamships Trading Company Limited (the Company), which comprise the condensed statement of financial position as at 30 June 2014, and the condensed statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, and other explanatory notes for the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the half-year.

The condensed half-year financial statements do not contain all the disclosures required of the full financial statements under generally accepted accounting practice in Papua New Guinea. Reading these condensed financial statements, therefore, is not a substitute for reading the annual financial statements of the Company.

Directors' responsibility for the half-year condensed financial statements

The Directors of the Company are responsible for the preparation of these financial statements such that they present fairly the matters to which they relate in accordance with IAS 34 'Interim Financial Reporting' and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the condensed half-year financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' in order to state whether, on the basis of the procedures described, anything has come to our attention that makes us believe that the half-year financial statements do not present fairly the matters to which they relate. As the auditor of the Company, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of half-year financial statements consists of making enquiries, 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, which is not an audit, nothing has come to our attention that causes us to believe that the condensed half-year financial statements of Steamships Trading Company Limited do not present fairly the Group's financial position as at 30 June 2014 and its financial performance and cash flows for the half-year ended on that date in accordance with IAS 34 'Interim Financial Reporting'.



Independent Auditor's Review Report
Steamships Trading Company Limited

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 "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be "GE Burns".

GE Burns
Partner

Port Moresby
28 August 2014