

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 2014

For announcement to the market

Extracts from this report for announcement to the market.

\$K'000

Revenues from continuing operations	Up/ down	1.2%	to	941,708
Profit from continuing operations after tax attributable to members	Up / down	22.2%	to	88,655
Profit for the period attributable to members	Up / down	22.2%	to	88,655
Dividends (distributions)	Amount per security		Franked amount per security	
Final dividend	60t		0t	
Interim dividend	80t			
Previous corresponding period	135t 50t		0t	
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	30 th April 2015			

Final Report to the Stock Exchange

The Directors of Steamships Trading Company Limited advise a profit after tax and minority interests of K88.7 million for the 12 months to December 2014, compared to a profit of K114.0 million (restated) for the same period in 2013 (a 22.2% reduction). Sales of K941.7 million have increased by 1.2% against 2013 sales of K930.9 million. Depreciation in 2014 was K106.87 million (excluding impairments) against K106.7 million in 2013, and interest on borrowings (excluding capitalised interest) was K28.9 million against K17.8 million in 2013. Capital expenditure for the 12 months was K201.3 million (with capitalised interest of K4.9million) against K224.7 million (with capitalised interest of K16.5 million) in 2013. A final dividend of 60 toea per share has been proposed and will be paid following approval at the company's annual general meeting on the 26th of May 2015. This brings the total dividend for the year to 140 toea per share (2013 = 185 toea per share). The dividend is unfranked and there is no conduit foreign income.

As allowed by IFRS 3, the 2013 comparative results have been restated to include an adjustment of K3.0 million to reduce the equity gain on assuming control of Pacific Towing; this is as a result of a reassessment of the estimated fair value associated with outstanding salvage jobs at the point of gaining control.

As reported to the Stock Exchange on the 16th February 2015, East West Transport implemented a decision to exit its operations on the Highlands Highway given an unsustainable operation. This together with a number of other impairments, netted off by a gain on the sale of Datec (PNG) Limited in July 2014, sees an adjusted underlying profit attributable to shareholders of K108.8 million as compared to a K128.4 million for the same period in 2013 (a 15.2% decline).

Economy

As anticipated, trading conditions in PNG slowed in 2014 as the stimulus provided by the construction phase of the PNG LNG project came to an end. Weaker agricultural commodity prices and the stronger Kina also took their toll on the non-resource sector of the economy which supports the vast majority of Papua New Guinea's citizens. The recent collapse in oil and gas prices will bring uncertainty and possible delays to anticipated projects but the quality of PNG resources should mean that it a question of when not if development will recommence. The mid-year intervention by the Bank of Papua New Guinea added unwelcome disruption and uncertainty to foreign currency transactions and created a continuing additional burden for much of the business community. Steamships remain confident in the longer term prospects for the PNG economy. In the short term a degree of caution will be exercised and disciplines applied that have assisted Steamships over 97 years to navigate the occasional bumpy road on PNG's journey of development.

Logistics

Consort Express Lines, Steamships Shipping and Stevedoring, East West Transport and Pacific Towing are early barometers of PNG's economic health with their exposure to trade flows and resource sector development. 2014 experienced slowing activity levels and the critical focus for 2015 will be on reducing structural costs to enhance competitiveness. Investment in fleet retonnaging was significant in 2014 and the modern tonnage will improve cost efficiency and reliability. Consort continued to suffer from severe congestion delays in Lae but the welcome completion of the first stage of the Lae Tidal Basin should remove this infrastructure bottleneck in 2015.

Property & Hotels

In recent years Pacific Palms Property has increasingly focused investment upon developments of scale and quality in good strategic locations. These attributes should position the business to ride out the stresses created by over-supply in some property sectors in Port Moresby. Windward West, Waigani Central, Kittyhawk Industrial Complex, the Madang Retail Centre and SVS Supermarket in Lae were all completed during 2014 and fully tenanted upon opening.

Coral Sea Hotels has and will continue to invest significantly in the upgrade of its product and the service standards of its staff to better attract and retain custom in an increasingly competitive market. Yields were

managed to ensure room occupancy rates were maintained despite the entry of new room capacity in the Port Moresby and Lae markets.

Commercial

Management of the transition of Laga Industries from a manufacturer of a variety of consumer goods to a business more focused upon ice cream manufacturing, sales and distribution has been a challenge. New management will be applying a more disciplined and structured approach to delivering the basics in a more reliable manner. Investment in a doubling of freezer and manufacturing capacity reflects the commitment to the potential of the ice cream business.

The sale of Datec was completed in 2014. The potential of this information technology and communications service provider was considered to be more readily realisable if aligned with a telecoms provider in an industry that is increasingly communications dependent. Datec was a good business for Steamships but should better realise its potential with its new owner, Telikom.

Joint Ventures

Colgate Palmolive had a much improved performance in 2014 with strengthened supply chain processes and stock control avoiding the product availability problems that undermined the prior year performance. Improved in-store execution and an enhanced distribution presence in second tier markets had a positive impact on sales.

The Harbourside Development, a joint venture with PNG Sustainable Development Program, is due to be completed in the first quarter of 2015 and will boast the best commercial and food & beverage destination in Port Moresby.

Sustainability

Steamships remains committed to the principles of Sustainable Development. Our People remain our key asset and focus on their health, safety and security is paramount in all we do.

Steamships will continue to invest in the training and development of its staff despite the slowdown. We intend to be well positioned for when the economy regathers steam and our team can continue to grow Steamships.

We continue to promote community engagement initiatives and are acutely aware of the need to minimise our environmental footprint. We continue for a second year to report against the Global Reporting Initiative measures at the C level.

Statement of comprehensive income

	Current period - K'000	Previous corresponding period - K'000 (Restated)
Revenues	941,708	930,934
Other Income	11,674	37,791
Operating Expenses		
Cost of goods & services	(410,215)	(411,509)
Staff	(188,073)	(188,035)
Depreciation & amortisation	(106,824)	(106,653)
Impairment of fixed assets	(30,590)	(106,427)
Finance- net	(28,808)	(17,690)
Other expenses	(54,083)	(58,664)
Share of net profits of associates and joint venture entities accounted for using the equity method	3,843	9,697
Profit before Income tax	138,632	89,444
Income tax expense	(38,487)	(14,042)
Profit for the Year	100,145	75,402
Other comprehensive income	-	-
Total Comprehensive Income for the Year	100,145	75,402
Profit attributable to Continuing Operations	98,052	74,830
Profit attributable to Discontinued Operations	2,093	572
Total Comprehensive Income is attributable to:		
Owners of Steamships Trading Company Limited	88,655	114,011
Minority Interests*	11,490	(38,609)
	100,145	75,402

* Note – inclusive of minority interest share of asset impairments

Earnings per security (EPS)	Current period	Previous corresponding period - K'000 (Restated)
Basic EPS	285.9	367.7
Diluted EPS	285.9	367.7

Comparison of half year profits

	Current year - K'000	Previous corresponding period - K'000 (Restated)
Consolidated profit from continuing operations after tax attributable to members reported for the <i>1st</i> half year	51,050	30,733
Consolidated profit from continuing operations after tax attributable to members for the <i>2nd</i> half year	37,605	83,278

Statement of financial position - consolidated	As at 31 Dec 2014 K'000	As at 31 Dec 2013 K'000 (Restated)
Current assets		
Cash and cash equivalents	15,273	11,640
Trade and other receivables	176,027	177,966
Loans to associates & joint ventures	168	337
Inventories	37,060	59,878
Total current assets	228,528	249,821
Non-current assets		
Investments	33,193	31,471
Property, plant and equipment	1,115,123	1,066,393
Intangibles	80,491	93,617
Loans to associates & joint ventures	153,595	103,065
Deferred tax asset	33,523	21,081
Total non-current assets	1,415,925	1,315,627
Total assets	1,644,453	1,565,448
Current liabilities		
Trade and other payables	116,658	130,662
Provisions	12,411	10,176
Loans from related parties	31,362	31,495
Borrowings	42,014	50,681
Income tax payable	3,821	7,713
Total current liabilities	206,265	230,727
Non-current liabilities		
Deferred tax liability	32,108	27,710
Borrowings	627,507	558,108
Long service leave	11,836	12,019
Total non-current liabilities	671,451	597,837
Total liabilities	877,716	828,564
Net assets	766,737	736,884

Statement of financial position – consolidated continued

Share capital and reserves		
Issued capital	24,200	24,200
Retained earnings	711,764	689,777
Shareholders' funds	735,964	713,977
Minority shareholders' interests	30,773	22,907
Total capital and reserves	766,737	736,884

Notes to the statement of financial position – 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 1st January 2013	24,200	652,978	677,178	84,322	761,500
Total Comprehensive income for the year	-	117,050	117,050	(38,609)	78,441
Restatement	-	(3,039)	(3,039)	-	(3,039)
Equity Adjustment on acquisition of Laga	-	(8,994)	(8,994)	(17,104)	(26,098)
Dividends paid 2013	-	(68,218)	(68,218)	(5,702)	(73,920)
Balance at 31 December 2013 (Restated)	24,200	689,777	713,977	22,907	736,884
Total Comprehensive income for the year	-	88,655	88,655	11,490	100,145
Dividends paid 2014	-	(66,668)	(66,668)	(3,624)	(70,292)
Balance at 31 December 2014	24,200	711,764	735,964	30,773	766,737

Consolidated statement of cash flows

	Current period K'000	Previous corresponding period K'000 (Restated)
Cash flows related to operating activities		
Receipts from customers	933,365	962,288
Payments to suppliers and employees	(631,622)	(644,090)
Interest received	91	106
Interest and other costs of finance paid	(28,899)	(17,796)
Income taxes paid	(50,423)	(64,930)
Net operating cash flows	222,512	235,578
Cash flows related to investing activities		
Purchases of property, plant and equipment	(201,328)	(224,735)
Proceeds from sale of property, plant and equipment	11,414	52,463
Dividends received from associates	2,122	5,921
Loans paid to Joint Venture	(50,494)	(51,609)
Acquisitions net of cash received	-	(91,602)
Proceeds from sale of Datec	28,967	-
Net investing cash flows	(209,319)	(309,562)
Cash flows related to financing activities		
Proceeds from borrowings	92,626	220,000
Repayment of borrowings	(16,490)	(86,401)
Dividends paid	(70,292)	(73,920)
Net financing cash flows	5,844	59,679
Net increase/(decrease) in cash held	19,037	(14,305)
Cash at beginning of period (<i>see Reconciliation of cash</i>)	(29,978)	(15,673)
Cash at end of period (<i>see Reconciliation of cash</i>)	(10,941)	(29,978)

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.

Not applicable

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	15,273	11,640
Bank overdraft	(26,214)	(41,618)
Total cash at end of period	(10,941)	(29,978)

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	14.72%	9.61%
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	12.05%	15.97%

Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

285.9t

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ⁺ ordinary security	K22.13	K20.75

Discontinued Operations

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

The 31st December 2014 results (K'000) from the Discontinued activities were derived from:

a) Profit & loss for the period were:

	<u>2014</u>	<u>2013</u>
	K'000	K'000
Revenue	62,441	102,998
Operating expenses	<u>(59,156)</u>	<u>(102,198)</u>
Profit before tax	<u>3,285</u>	<u>800</u>
Profit after tax	2,093	572

b) The subsequent sale has resulted in a capital gain for the group of K7,097,000

Control gained over entities having material effect

Name of entity (or group of entities)

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

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was +acquired (K'000)

1,183

Date from which such profit has been calculated

1st January 2014

Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

Not applicable

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

Restatement of previous year figures

Measurement period adjustment

Adjustment made on the true up of salvage revenue as part of purchase price accounting as allowed in IFRS 3.

	31 Dec 2013 K'000	Increase/ (Decrease) K'000	31 Dec 2013 (Restated) K'000
Statement of financial position (extract)			
Trade & other receivables	178,996	(1,000)	177,996
Intangibles	93,514	103	93,617
Deferred tax liability	(25,598)	(2,112)	(27,710)
Net Assets	<u>739,923</u>	<u>(3,039)</u>	<u>736,884</u>
Statement of comprehensive income (extract)			
Other Income	38,718	(927)	37,791
Profit before income tax	90,371	(927)	89,444
Income tax expense	(11,930)	(2,112)	(14,042)
Profit for the year	<u>78,441</u>	<u>(3,039)</u>	<u>75,402</u>

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable

25th May 2015

+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)

30th April 2015

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	60t	NIL	60t
	Previous year	135t	NIL	135t
Interim dividend:	Current year	80t	NIL	80t
	Previous year	50t	NIL	50t

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

	Current year	Previous year
+Ordinary securities	140t	185t
Preference +securities	NIL	NIL

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

	Current period K'000	Previous corresponding period - K'000
+Ordinary securities	18,604	41,861
Preference +securities	Nil	Nil
Other equity instruments	Nil	Nil
Total	18,604	41,861

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	5,490	14,172
Income tax on ordinary activities	(1,647)	(4,475)
Profit (loss) from ordinary activities after tax	3,843	9,697
Extraordinary items net of tax	-	-
Net profit (loss)	3,843	9,697
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	3,843	9,697

Material interests in entities which are not controlled entities

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

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.10)	
	Current period	Previous corresponding period	Current period K'000	Previous corresponding period - K'000
Equity accounted associates and joint venture entities				
a) Colgate Palmolive	50.0	50.0	2,035	707
b) Pacific Towing *	100.0	50.0*	-	4,637
c) United Stevedoring	12.0	12.0	8	(101)
d) Riback Stevedoring	25.0	25.0	1,311	4,128
e) Makario Stevedoring	23.0	23.0	291	130
f) Nikana Stevedoring	23.0	23.0	198	196
g) Harbourside Development Ltd	50.0	50.0	-	-
h) Viva No 31 Limited	50.0	-	-	-
Total			3,843	9,697
Other material interests			-	-
Total			3,843	9,697

* Note – 100% from 21st November 2013

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 *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: 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 19.

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by *AASB 1029: 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 the table of material factors impacting the results under page 2

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 *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

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.

Nil

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

Nil

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	Steamships Trading Company Limited, Head Office, Champion Parade, Town, Port Moresby
Date	26 th May, 2015
Time	11.00 am
Approximate date the annual report will be available	20 th April, 2015

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:

Company Secretary

Date: 27th February 2015

Print name: Sean Pelling

Segmental Reporting

Divisional Segments

The group operates in the following commercial areas:

	Commercial Division	Hotels& Property	Logistics	Finance& Investment	Total
	K'000	K'000	K'000	K'000	K'000
2014					
Total Revenue	181,588	278,621	481,332	167	941,708
Segment Results	(12,172)	116,886	23,265	6,810	134,789
Add: Share of Associate Profit	2,035	-	1,808	-	3,843
Total Segment result	(10,137)	116,886	25,073	6,810	138,632
Income tax expense	3,329	(37,459)	(3,987)	(370)	(38,487)
Group Profit	(6,808)	79,427	21,086	6,440	100,145
Segment assets	85,739	780,428	504,616	294,535	1,665,318
Segment liabilities	5,923	137,050	139,273	616,335	898,581
Net Assets	79,816	643,378	365,343	(321,800)	766,737
Capital expenditure	10,094	59,418	130,790	1,026	201,328
Depreciation	6,991	40,277	58,248	1,308	106,824

	Commercial Division	Hotels& Property	Logistics	Finance& Investment	Total
	K'000	K'000	K'000	K'000	K'000
2013					
Total Revenue	229,434	260,270	441,093	137	930,934
Segment Results	(16,456)	133,160	(57,707)	20,750	79,747
Add: Share of Associate Profit	706	-	8,991	-	9,697
Total Segment result	(15,750)	133,160	(48,716)	20,750	89,444
Income tax expense	4,057	(35,807)	17,010	698	(14,042)
Group Profit	(11,693)	97,353	(32,633)	22,375	75,402
Segment assets	122,145	822,810	442,633	177,850	1,565,448
Segment liabilities	21,600	40,699	124,865	641,400	828,564
Net Assets	100,555	782,111	317,768	(463,550)	736,884
Capital expenditure	13,425	118,297	117,998	926	250,646
Depreciation	7,023	40,808	57,364	1,458	106,653

These figures include minorities' share of operating profit and assets.