Rules 4.2A

Appendix 4D

Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN	Half year ended ('current period')
055836952	30 June 2015

Results for announcement to the market–

				K'000
Revenues from ordinary operations	~~Up~~/Down	17%	T	399,173
Profit (loss) from ordinary operations after tax	Up/~~Down~~	12%	T	63,070
Profit (loss) attributable to members	Up/~~Down~~	20%	T	61,028

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend – 2014	60t	0t
Interim Dividend – 2015	95t	0t

Record date for determining entitlements to the dividend,	07 September 2015

Refer Pages 3, 4 and 5 for commentary

This report is to be read in conjunction with the most recent annual financial report

Directors Report
The directors present their report together with the consolidated financial report for the half-year ended 30 June 2015.

Directors:

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

G.L. Cundle Chairman	Chairman since 28th February 2015
P.W. Langslow Managing Director	Director since 12th January 2015
S.C. Pelling Finance Director	Director since 2012
P Aitsi	Director since 2014
G Aopi, CBE	Director since 1997
T.J. Blackburn	Director since 2011
Sir M.R. Bromley, KBE	Director since 2000
D.H. Cox OL	Director since 2004
G.J. Dunlop	Director since 1995
Lady W.T. Kamit, CBE	Director since 2005
B.N. Swire	Director since 1st January 2015
W.L. Rothery	Chairman resigned 28th February 2015

Commentary

Half year Report to the Stock Exchange

The Directors of Steamships Trading Company Limited (Steamships) announce an unaudited profit after tax and minority interests of K61.0 million for the 6 months to June 2015, an increase of K10.0 million or +19.5% over the same period in 2014. Adjusting for significant items the underlying profit attributable to shareholders decreases K4.8 million or -10.1% over the same period in 2014.

	2015 K000's	2014 K000's	Change
Net Profit attributable to shareholders	**61,028**	**51,050**	**19.5%**
Add back/(less) impact of significant items (post tax & minority interest)			
Unrealised gain on change in control of Pacific Rumana	(18,867)	-	
Impairment of coastal slipway due to Paga Hill ring road	1,337	-	
Gain on sale of transport fleet and equipment	(665)	-	
Gain on sale of vessels	-	(1,422)	
Total impact of significant items	**(18,195)**	**(1,422)**	
Less profit attributable to discontinued operations	-	(1,987)	
Underlying profit attributable to shareholders	**42,833**	**47,641**	**(10.1%)**

The year on year result reflects an expected weakening level of activity post PNG LNG and commodity price drops with excess capacity and consequently thinner margins in most businesses. Investment in the country's mining sector has largely withered which combined with depressed agricultural commodities and an overvalued Kina sees falling domestic consumption. As a consequence 2015 has seen notable pressure across the economy and Steamships sales have declined 6.3% to K399.2 million against last year's K426.0 million (K480.8 million less K54.8 million discontinued activity).

Depreciation in 2015 was flat at K52.3 million compared to 2014, whilst interest on borrowings was K15.3 million against K17.2 million in 2014 reflecting positive net cash generation. Capital investment was lower with expenditure for the 6 months being K42.2 million against K71.4 million in 2014 reflecting completion of major projects in 2014. The group's net operating cash flow generation improved to K110.4 million against K99.4 million in 2014.

An interim dividend of 95 toea per share has been declared and will be paid on 30th September 2015, 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 significantly reduced marine project charters for Steamships Shipping and declining land side cartage margins for East West Transport with excess market trucking capacity. Consort Express Lines' coastal and island trades have seen reduced margins in the face of competition for limited cargos. Joint Venture Stevedoring volumes remain static and the business faces some uncertainty in respect of terminal relocations to Motukea and Lae Tidal Basin. Pacific Towing experienced a decline in harbour towage jobs.

Given the above economic conditions Steamships foresaw a need to restructure its logistics activities and consequently embarked on a rationalization and consolidation of its landside and marine interests respectively. As provided for in last year's accounts, in February 2015 the unsustainable Highlands Highway operations of East West Transport were closed. Consequently in May 2015 the residual transport business, which focuses on customs clearances, town cartage and fuel distribution was merged with that of our Joint Venture Stevedoring businesses to form a new combined division called Transport and Port Services. Separately on the 1st July 2015 the group merged its shipping interests together with the sale of Steamships Coastal Shipping to Consort Express Lines. Both combinations target efficiency alignment and synergistic cost savings in the competitive economic environment.

Property & Hotels

Pacific Palms Property recorded improved year on year revenue reflecting the full effect of Waigani Central, Windward East and industrial units in Madang all of which opened in the first half of last year. Residential rates continue to compress but occupancy for Pacific Palms remains strong reflecting the quality of product. A refurbishment of the original Windward West is ongoing which will see 26 upgraded apartments by the end of 2015. In June 2015 the joint venture Harbourside development was commissioned with 95% occupancy secured for the commercial floors and all ground level food & beverage outlets let; most tenancies will have fit outs completed by the last quarter of 2015. Unfortunately in July 2015 a fire broke out in the new Central Waigani development with extensive damage to the rear of the property. Coral Sea Hotels remains a stable business, however, Port Moresby rate compression with the opening of new competitive offerings will be evident in the second half of this year. Focus is on product delivery excellence with ongoing room refurbishments in various properties and investment in complementary food & beverage facilities. The Huon Gulf is set to be rebuilt, the Melanesian completely refurbished and the Highlander significantly expanded.

Commercial

Laga Industries has completed its production facility transformation with a K10 million investment in a new ice cream plant. Aside from securing a significant gross margin improvement through improved formulation this doubles production capacity setting a positive sales and distribution challenge for the second half of the year. Food services continues to perform well with line extensions under review. Vegetable oil is a commoditised product but Highlands Meadow continues to command loyalty. The divestment of Trade Winds continues with an expectation that the business will be sold by the end of the year.

Colgate Palmolive, a PNG joint venture, saw improved trade volumes and margins across most product ranges under the watch of a new General Manager.

The 2014 comparative includes, as a discontinued business, Datec which was sold to Telikom in July 2014.

Trading outlook

The collapse in fuel and commodity prices and the subsequent mid-year economic outlook for PNG poses significant challenges for the country and consequently trade conditions for business. The current El Nino and temporary closure of Ok Tedi threatens our logistics activity in the gulf region for the remainder of 2015 and potentially into next year.

There is a growth of inquiries related to Elk-Antelope, Western Province and Frieda River projects for which our upgraded marine fleet is well positioned. Surplus general road transport capacity, oversupply of residential units in Port Moresby, continued hotel room inventory expansion and a fall in disposable incomes all pose continuing challenges. Uncertainty over the level and availability of foreign exchange following Bank of PNG intervention a year ago remains a downside risk on input costs and investment for several of the group's activities.

STATEMENT OF COMPREHENSIVE INCOME - CONSOLIDATED FOR THE SIX MONTHS ENDED 30th JUNE 2015

	6 months ended 30 June 2015 K'000	6 months ended 30 June 2014 K'000
Revenue		
Revenue from Operations	**399,173**	480,831
Other income	**69**	2,323
Operating expenses		
Raw materials and consumables used	**(50,913)**	(84,116)
Staff costs	**(86,826)**	(100,838)
Depreciation & amortisation	**(52,348)**	(53,088)
Finance costs	**(15,391)**	(17,233)
Charter, port services & stevedoring	**(22,571)**	(21,937)
Fuel	**(20,746)**	(29,281)
Other operating expenses	**(90,726)**	(98,234)
Other gains (Refer to Note 3)	**18,867**	-
Share of net profit of associates and joint ventures	**3,076**	1,445
Profit from operations before income tax	**81,664**	79,872
Income tax expense	**(18,594)**	(23,392)
Profit for the six-month period	**63,070**	56,480
Profit attributable to Continuing Operations	**63,070**	54,493
Profit attributable to Discontinuing Operations (Refer to Note 4)	**-**	1,987
Profit/total comprehensive income is attributable to:		
Owners of Steamships Trading Company Limited	**61,028**	51,050
Minority Interest	**2,042**	5,430
	63,070	56,480
Earnings per security (EPS)		
Basic EPS	196.8	164.6
Diluted EPS	196.8	164.6

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Contributed Equity K'000	Retained Earnings K'000	Other Reserves K'000	Total K'000	Minority Interest K'000	Total Equity K'000
BALANCE AT 1 JANUARY 2014 (Restated)	**24,200**	**698,771**	**(8,994)**	**713,977**	**22,907**	**736,884**
Profit for the period	-	51,050	-	51,050	5,430	56,480
Dividends provided for or paid	-	(41,861)	-	(41,861)	(1,593)	(43,454)
Balance at 30 June 2014	**24,200**	**707,960**	**(8,994)**	**723,166**	**26,744**	**749,910**
Profit for the period	-	37,605	-	37,605	6,060	43,665
Dividends provided for or paid	-	(24,807)	-	(24,807)	(2,031)	(26,838)
Balance at 31 December 2014	**24,200**	**720,758**	**(8,994)**	**735,964**	**30,773**	**766,737**
Profit for the period	-	61,028	-	61,028	2,042	63,070
Equity Adjustment on Pacific Rumana transferring from subsidiary to associate	-	2,206	-	2,206	17,122	19,328
Dividends provided for or paid	-	(18,605)	-	(18,605)	(1,122)	(19,727)
Balance at 30 June 2015	**24,200**	**765,387**	**(8,994)**	**780,593**	**48,815**	**829,408**

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED	As at 30 June 2015 K'000	As at 31 Dec 2014 K'000	As at 30 June 2014 K'000
Current Assets			
Inventories	43,012	37,060	40,617
Receivables & prepayments	132,049	160,551	192,206
Asset held for sale (Refer to Note 4)	-	-	46,139
Loans to related companies	-	-	375
Cash, bank and short term deposits	25,412	15,273	20,664
Income Tax Prepaid	-	-	184
Total Current Assets	**200,473**	**212,884**	**300,185**
Non-Current Assets			
Investments	38,540	33,193	31,415
Goodwill	80,491	80,491	84,501
Property, plant and equipment	690,435	714,630	714,576
Investment properties	402,288	400,493	357,371
Loans to related companies	192,062	153,595	131,729
Deferred tax asset	34,839	33,521	22,263
Total Non-Current Assets	**1,438,655**	**1,415,923**	**1,341,855**
Total Assets	**1,639,128**	**1,628,807**	**1,642,040**
Current Liabilities			
Trade payables	46,347	49,921	50,079
Other payables & accruals	42,746	51,260	83,457
Provisions	13,076	12,411	10,202
Liabilities held for sale (Refer to Note 4)	-	-	17,883
Loans from related companies	15,049	13,579	16,914
Loans from shareholder	24,562	17,615	15,160
Borrowings (Refer to Note 9)	258,200	42,014	45,368
Income tax payable	12,109	3,821	-
Total Current Liabilities	**412,089**	**190,621**	**239,063**
Non-Current Liabilities			
Deferred tax liability	29,568	32,106	33,272
Borrowings (Refer to Note 9)	356,080	627,507	608,700
Long service leave	11,983	11,836	11,095
Total Non-Current Liabilities	**397,631**	**671,449**	**653,067**
Total Liabilities	**809,720**	**862,070**	**892,130**
Net Assets	**829,408**	**766,737**	**749,910**
Share Capital and Reserves			
Issued capital	24,200	24,200	24,200
Retained earnings	756,393	711,764	698,966
Capital and reserves attributable to the company's shareholders	780,593	735,964	723,166
Minority shareholders' interest	48,815	30,773	26,744
Total Capital and Reserves	**829,408**	**766,737**	**749,910**

STATEMENT OF CASH FLOW - CONSOLIDATED

	6 months ended 30 June 2015 K'000	6 months ended 30 June 2014 K'000
Cash flows related to operating Activities		
Receipts from customers	436,333	467,348
Payments to suppliers and employees	(295,375)	(323,814)
Interest and other items of similar nature received	37	79
Interest and other costs of finance paid	(15,428)	(17,312)
Income taxes paid	(15,178)	(26,909)
Net operating cash flows	**110,389**	**99,392**
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(42,231)	(71,356)
Proceeds from sale of property, plant and equipment	5,060	6,184
Investment in subsidiary	-	(400)
Dividends received from associates	3,000	1,500
Net investing cash flows	**(34,171)**	**(64,072)**
Cash flows related to financing activities		
Loans extended from / (repaid to) other entities	1,943	(28,123)
Proceeds from borrowings	-	60,000
Repayment of borrowings	(28,601)	(4,240)
Dividends paid	(19,728)	(43,451)
Net financing cash flows	**(46,386)**	**(15,814)**
Net increase in cash held	29,832	19,506
Cash at beginning of period	(10,941)	(29,978)
Cash at end of period *(see reconciliation of cash)*	18,891	(10,472)

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	25,412	20,664
Bank overdraft	(6,521)	(31,136)
Total cash at end of period	18,891	(10,472)

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Ratios	Current period	Previous corresponding Period
Profit before tax / revenue Consolidated profit from ordinary activities before tax as a percentage of revenue	20.5%	16.6%
Profit after tax / equity interests Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	7.8%	7%

Earnings per security (EPS)

Calculation of the following in accordance with *IAS33: Earnings per Share* (a) Basic EPS	196.8*t*	164.6*t*
(b) Diluted EPS	196.8*t*	164.6*t*
(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	K24.15	K21.47

2. Material interests in entities which are not controlled entities

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
Equity accounted associates and joint venture entities	Current period	Previous corresponding period	Current period - K'000	Previous corresponding period- K'000
Colgate Palmolive Ltd	50	50	1,362	552
United Stevedoring	12	12	5	4
Riback Stevedores	25	25	1,548	662
Makerio Stevedoring	23	23	73	153
Nikana Stevedoring	23	23	108	74
Harbourside Development Limited	50	50	(445)	-
Pacific Rumana	50	50	425	-
Total			3,076	1,445

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. Pacific Rumana was reclassified from subsidiary to joint venture as result of change in control of the business. This has resulted in gain of K18,867,000 as result of derecognising the net liability position and minority interest from the 31st December 2014 consolidated position and equity accounting for the investment at its estimated fair value. The fair value recognises the property asset being measured at its current market value which is significantly higher than its previous book value.

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

4. Discontinuing Activities

There were no discontinued activities during the current period. The Group expects to dispose various non-strategic residential properties and its interest in the Trade Winds business later in the year.

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:

	2014
Revenue	K54,844
Operating expenses	(K52,005)
Profit before tax	K2,839
Profit after tax	K1,987

4. Discontinuing Activities (Continued)

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 2014.

6. Contingent Liabilities

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

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

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

No losses are anticipated in respect of these guarantees.

7. Capital Commitments

As at the 30th June 2015 the group had contracts outstanding for capital expenditure of K86.6 million in respect of property developments and all due within 12 months (prior year K38.8 million due within 12 months and K55 million due within 2-5 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
2015					
External Revenue	138,060	56,648	203,775	690	**399,173**
Inter-Segmental Revenue	15,461	294	1,690	-	**17,445**
Interest Revenue	-	-	1	36	**37**
Interest Expense	(5)	(3)	(4,587)	(10,833)	**(15,428)**
Segment Results	58,341	21	1,868	18,358	**78,588**
Add: Share of Associate & Joint Venture Profit	(20)	1,362	1,734	-	**3,076**
Total Segment Result	58,321	1,383	3,602	18,358	**81,664**
Income Tax Expense	(16,981)	(6)	(154)	(1,453)	**(18,594)**
Group Profit	41,340	1,377	3,448	16,905	**63,070**
Segment Assets	745,862	96,494	465,724	331,048	**1,639,128**
Segment Liabilities	388,118	76,177	257,109	88,316	**809,720**
Net Assets	357,744	20,317	208,615	242,732	**829,408**
Capital Expenditure	21,537	3,835	15,855	1,004	**42,231**
Depreciation	21,243	2,395	27,465	1,245	**52,348**

	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**
Inter-Segmental 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 & Joint Venture 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	745,290	131,566	483,451	281,733	**1,642,040**
Segment Liabilities	463,474	79,437	265,817	83,402	**892,130**
Net Assets	281,816	52,129	217,634	198,331	**749,910**
Capital Expenditure	24,986	9,226	36,526	618	**71,356**
Depreciation	19,272	4,246	28,862	708	**53,088**

9. Borrowings

Due to the declining performance of the logistics division as at 30 June 2015 the parent entity breached one of its bank covenants resulting in K240 million of borrowings being reclassified from non-current to current liabilities. The covenant in question is related to security rather than performance and is not expected to be a continuing issue. A waiver has been obtained from the bank subsequent to the period end.

Independent Auditor's Review Report
to the Directors of Steamships Trading Company Limited

Report on the condensed interim financial statements
We have reviewed the accompanying condensed interim financial statements, being a special purpose financial report, of Steamships Trading Company Limited (the Company), which comprise the condensed statement of financial position as at 30 June 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date and other selected explanatory notes for the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the half-year.

The condensed interim 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 condensed interim financial statements
The Directors of the Company are responsible for the preparation of these interim 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 interim 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 condensed interim 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 interim 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 interim financial statements of the Company do not present fairly the Group's financial position as at 30 June 2015 and its financial performance and cash flows for the half-year ended on that date in accordance with IAS 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 those conclusions we have formed.

PricewaterhouseCoopers

Grant Burns
Partner
Registered under the Accountants Act 1996

Port Moresby
28 August 2015