

Appendix 4D

Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN

055836952

Half year ended ('current period')

30 June 2016

Results for announcement to the market—

				K'000
Revenues from ordinary operations	Up/Down	6%	T	376,819
Profit (loss) from ordinary operations after tax	Up/Down	29%	T	44,977
Profit (loss) attributable to members	Up/Down	29%	T	43,544
Dividends (distributions)		Amount per security	Franked amount per security	
Final Dividend – 2015		35t	0t	
Interim Dividend – 2016		70t	0t	

Record date for determining entitlements to the dividend,

07 September 2016

Refer Pages 3 and 4 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 2016.

Directors:

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

G.L. Cundle Chairman	Chairman since 2015
P.W. Langslow Managing Director	Director since 2015
M.R. Scantlebury Finance Director	Director since 24 th June 2016
P Aitsi	Director since 2014
G Aopi, CBE	Director since 1997
J.H. Woodrow	Director since 07 th September 2015
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 2015
T.J. Blackburn	Director resigned 07 th September 2015
S.C. Pelling Finance Director	Director resigned 24 th June 2016

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 K43.5 million for the 6 months to June 2016, a decrease of K17.5 million or - 28.6% over the same period in 2015. Adjusting for significant items the underlying profit attributable to shareholders decreased K1.7 million or -4% over the same period in 2015.

	2016 K000's	2015 K000's	Change
Net Profit attributable to shareholders	43,544	61,028	-28.6%
Add back / (less) impact of significant items (post tax & minority interest)			
Gain on disposal of property	(4,891)		
Hotel Development Cost Write Off	845		
Impairment of Buildings	1,618		
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 & equipment		(665)	
Total impact of significant items	(2,428)	(18,195)	
Underlying profit attributable to shareholders	41,116	42,833	-4.0%

The year on year result reflects a weakening level of economic activity in PNG following the initial stimulus from investment in LNG production and the fall in global commodity prices, upon which much of the economy depends. Consequently, there is generally excess capacity and reduced profit margins in most businesses. Investment in the major industrial sectors has fallen which, combined with an acute lack of foreign currency, has resulted in reduced domestic consumption. Trading has been difficult so far this year and Steamships' sales have declined 5.6% to K376.8 million compared to last year's 399.2 million.

The charge for depreciation for the year to date of K54.2 million (K52.5 excluding impairments) is broadly consistent with the same period in 2015. Net interest on borrowings of K10.8 million (K13.7 million in 2015) reflects positive net cash generation despite the decline in profit. The group's net operating cash flow generation decreased to K88.9 million against K110.4 million in 2015. Capital investment was lower with expenditure for the 6 months being K36.6 million against K42.2 million in 2015 largely due to the completion of major projects in 2015.

An interim dividend of 70 toea per share has been declared and will be paid on 30th September 2016, subject to our ability to secure foreign exchange for non PNG shareholders.

Logistics

As a result of reduced economic activity, the Logistics Division experienced a tough six months with reduced tonnage and volumes handled and distributed. Consort Express Lines' coastal and island trades have seen falling demand from all major customers and increased competition. Joint Venture Stevedoring volumes fell and the business faces some uncertainty in respect of the proposed appointment of a new international operator of the terminal concession and terminal relocations to Motukea in Port Moresby and Lae Tidal Basin. Pacific Towing experienced a decline in harbour towage jobs compared to 2015.

The rationalisation and merger of some of the group's businesses in 2015 has allowed the logistics division to cope with the reduced demand better than the competition, by exploiting synergies and reducing costs in combined business units, within Transport and Port Services and Consort Express Lines and the Division is pursuing further benefits of cooperation across the breadth of its activities in the country.

Property & Hotels

Pacific Palms Property reported reduced year on year revenue due to higher vacancies in all categories of property and the loss of use of Waigani Central following the fire last year. Residential rates remain under pressure but occupancy for Pacific Palms remains high on the quality of product offered. The joint venture Harbourside development continues to meet expectations as the flagship development in Port Moresby. Coral Sea Hotels experienced declining occupancy and room rates for the year to date. The revenue challenge was exacerbated by the closure of the Melanesian Hotel in Lae, pending demolition and the potential construction of a larger new hotel. More rooms will come into the weak market in the second half of 2016 putting further pressure on revenue. The focus is on product delivery excellence with ongoing room refurbishments in various properties and investment in complementary food and beverage facilities. The Highlander hotel in Mt. Hagen will be significantly expanded and upgraded.

Commercial

Laga Industries records a small reduction in sales revenue for the year to date which was more than compensated by good cost control leading to an increase in profits. Both ice cream and cooking oil sales enjoyed periodic sales momentum but underlying consumer demand is fragile. The specialty lines business lags last year performance, however, new product launches in the second half of 2016 should address this. Beverage sales are also down as a result of the planned scale-down of the Trade Winds alcoholic beverage business.

Colgate Palmolive, a PNG joint venture, saw improved trade volumes and margins across most product ranges.

Trading outlook

The mid-year economic outlook for PNG presents significant challenges for the country and consequently trading conditions for businesses. Uncertainty over the level and availability of foreign exchange remains a downside risk on input costs and potential investment in several of the group's activities for the remainder of 2016 and into next year.

Nevertheless the outlook for 2018 is more attractive as investments in announced LNG and various mineral production projects will stimulate the economy, absorb current excess capacity and will specifically benefit much of the businesses in Steamships. The group remains committed to PNG and will continue to invest in all lines of business to benefit from improved trading conditions in the future.

**STATEMENT OF COMPREHENSIVE INCOME - CONSOLIDATED
FOR THE SIX MONTHS ENDED 30th JUNE 2016**

	6 months ended 30 June 2016 K'000	6 months ended 30 June 2015 K'000
Revenue		
Revenue from Operations	376,819	399,173
Other income	-	69
Operating expenses		
Raw materials and consumables used	(46,954)	(50,913)
Staff costs	(83,890)	(86,826)
Depreciation & amortisation	(54,166)	(52,348)
Finance costs	(10,847)	(13,718)
Charter, port services & stevedoring	(14,665)	(22,571)
Fuel	(16,613)	(20,746)
Other operating expenses	(92,416)	(92,399)
Other gains	4,891	18,867
Share of net profit of associates and joint ventures	1,938	3,076
Profit from operations before income tax	64,097	81,664
Income tax expense	(19,120)	(18,594)
Profit for the six-month period	44,977	63,070
Profit attributable to Continuing Operations	44,977	63,070
Other comprehensive income	-	-
Profit/total comprehensive income is attributable to:		
Owners of Steamships Trading Company Limited	43,544	61,028
Minority Interest	1,433	2,042
	44,977	63,070
Earnings per security (EPS)		
Basic & Diluted EPS	140.4	196.8

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	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 31 January 2015	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 adj on PacRumana transferring From subsidiary to Associates	-	2,206	-	2,206	17,122	19,328
Dividends provided for or paid	-	(18,604)	-	(18,604)	(1,122)	(19,726)
Balance at 30 June 2015	24,200	765,388	(8,994)	780,594	48,815	829,409
Profit for the period	-	37,951	-	37,951	373	38,324
Dividends provided for or paid	-	(29,458)	-	(29,458)	(1,673)	(31,131)
Balance at 31 December 2015	24,200	773,881	(8,994)	789,087	47,515	836,602
Profit for the period	-	43,544	-	43,544	1,433	44,977
Dividends provided for or paid	-	(10,853)	-	(10,853)	(1,134)	(11,987)
Balance at 30 June 2016	24,200	806,572	(8,994)	821,778	47,814	869,592

**STATEMENT OF FINANCIAL
POSITION - CONSOLIDATED**

	As at 30 June 2016 K'000	As at 31 Dec 2015 K'000	As at 30 June 2015 K'000
Current Assets			
Inventories	38,622	41,008	43,012
Receivables & prepayments	150,055	147,830	132,049
Loans to related companies	166,980	159,755	-
Cash, bank and short term deposits	8,081	11,538	25,412
Total Current Assets	363,738	360,131	200,473
Non-Current Assets			
Investments	46,178	36,458	38,540
Goodwill	80,491	80,491	80,491
Property, plant and equipment	723,471	731,596	690,435
Investment properties	336,769	341,359	402,288
Loans to related companies	43,750	40,349	192,062
Deferred tax asset	36,914	36,914	34,839
Total Non-Current Assets	1,267,573	1,267,167	1,438,655
Total Assets	1,631,311	1,627,298	1,639,128
Current Liabilities			
Trade & other payables	85,351	89,456	89,093
Provisions	10,926	9,970	13,076
Loans from related companies	36,498	26,690	15,049
Loans from shareholder	22,933	22,933	24,562
Borrowings (Refer to Note 8)	195,349	390,836	258,200
Income tax payable	7,798	1,407	12,109
Total Current Liabilities	358,855	541,292	412,089
Non-Current Liabilities			
Deferred tax liability	33,227	33,426	29,568
Borrowings (Refer to Note 8)	358,000	204,208	356,080
Long service leave	11,637	11,770	11,983
Total Non-Current Liabilities	402,864	249,404	397,631
Total Liabilities	761,719	790,696	809,720
Net Assets	869,592	836,602	829,408
Share Capital and Reserves			
Issued capital	24,200	24,200	24,200
Retained earnings	797,578	764,887	756,393
Capital and reserves attributable to the company's shareholders	821,778	789,087	780,593
Minority shareholders' interest	47,814	47,515	48,815
Total Capital and Reserves	869,592	836,602	829,408

STATEMENT OF CASH FLOW - CONSOLIDATED

	6 months ended 30 June 2016 K'000	6 months ended 30 June 2015 K'000
Cash flows related to operating activities		
Receipts from customers	378,636	436,333
Payments to suppliers and employees	(266,503)	(295,375)
Interest and other items of similar nature received	7,166	6,850
Interest and other costs of finance paid	(17,212)	(22,241)
Income taxes paid	(13,207)	(15,178)
Net operating cash flows	88,880	110,389
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(36,588)	(42,231)
Proceeds from sale of property, plant and equipment	6,535	5,060
Investments in associates and subsidiaries	(7,803)	-
Dividends received from associates	-	3,000
Net investing cash flows	(37,856)	(34,171)
Cash flows related to financing activities		
Loans extended from / (repaid to) other entities	(818)	1,943
Proceeds from borrowings	18,000	-
Repayment of borrowings	(51,903)	(28,601)
Dividends paid	(11,968)	(19,728)
Net financing cash flows	(46,689)	(46,386)
Net increase in cash held	4,335	29,832
Cash at beginning of period	(6,603)	(10,941)
Cash at end of period <i>(see reconciliation of cash)</i>	(2,268)	18,891

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	8,081	25,412
Bank overdraft	(10,349)	(6,521)
Total cash at end of period	(2,268)	18,891

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	17.0%	20.5%
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	5.3%	7.8%
Earnings per security (EPS)		
Calculation of the following in accordance with <i>LAS33: Earnings per Share</i>		
(a) Basic EPS	140.4t	196.8t
(b) Diluted EPS	140.4t	196.8t
(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	K25.45	K24.15

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	1,306	1,362
United Stevedoring Ltd	16.9	12	3	5
Riback Stevedores Ltd	34.4	25	1,233	1,548
Makerio Stevedoring Ltd	31.7	23	97	73
Nikana Stevedoring Ltd	31.7	23	41	108
Harbourside Development Ltd	50	50	(1,233)	(445)
Pacific Rumana	50	50	514	425
Viva No 31 Ltd	50	-	(23)	-
Wonye Ltd	50	-	-	-
Morobe Terminals Ltd	42.7	-	-	-
Total			1,938	3,076

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

Current Period

The ownership on non-controlled entities held by Consort Express Lines Ltd has changed from previous corresponding period as a result of Steamships Trading Company increasing its shareholding in Consort Express Lines Ltd from 51% to 70.2% in July 2015.

Previous Corresponding Period

Pacific Rumana was reclassified from subsidiary to joint venture as result of change in control of the business. This 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 recognised the property asset being measured at its market value which was significantly higher than its previous book value.

4. 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 2015.

5. 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.

6. Capital Commitments

As at the 30th June 2016 the group had contracts outstanding for capital expenditure of K34.3 million in respect of property developments and all due within 12 months (prior year capital commitments of K86.6 million all due within 12 months).

7. 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
2016					
External Revenue	128,003	54,653	178,670	3,844	365,170
Inter-Company Revenue	9,761	295	1,593	-	11,649
Interest Revenue	-	-	12	7,154	7,166
Interest Expense	(9,718)	(2,270)	(5,761)	(264)	(18,013)
Segment Results	46,875	2,346	12,726	212	62,159
Add: Share of Associate & Joint Venture Profit	-	-	1,375	563	1,938
Total Segment Result	46,875	2,346	14,101	775	64,097
Income Tax Expense	(13,667)	(704)	(2,723)	(2,026)	(19,120)
Group Profit	33,208	1,642	11,378	(1,251)	44,977
Segment Assets	749,061	94,737	489,152	298,361	1,631,311
Segment Liabilities	356,432	71,723	213,874	119,691	761,719
Net Assets	392,629	23,014	275,278	178,670	869,592
Capital Expenditure	23,526	1,891	8,692	2,479	36,588
Depreciation	23,645	2,458	26,740	1,323	54,166

	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-Company Revenue	15,461	294	1,690	-	17,445
Interest Revenue	-	-	1	6,849	6,850
Interest Expense	(11,360)	(2,373)	(4,587)	(2,248)	(20,568)
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

8. Borrowings

Due to the declining performance of the logistics division in 2015 the parent entity breached one of its bank covenants resulting in certain borrowings being reclassified from non-current to current liabilities. These borrowings have since been negotiated which allows them to be classified as non-current. The company is currently renewing all its bank facilities and this matter is the subject of a Special Shareholder Resolution which will be tabled at a shareholder meeting to be held on 15th September 2016.

9. Comparatives

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