



STEAMSHIPS
TRADING COMPANY LIMITED

30 August 2024

ASX MARKET ANNOUNCEMENT

EXPLANATORY NOTE - SST 2024 APPENDIX 4D - HALF YEARLY RESULTS

Further to the previous Announcement “SST 2024 Appendix 4D - Half Yearly Results” the attached report is inclusive of PwC Interim Review Report and the previous Announcement for the same report is to be discarded.

Alessandro Mistrone
Company Secretary
Steamships Trading Company Limited

Attachment:

Appendix 4D

Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN

055836952

Half year ended ("current period")

30 June 2024

Results for announcement to the market–

			K'000
Revenues from ordinary operations	Up/ Down	7.4%	to 338,961
Profit (loss) from ordinary operations after tax	Up/ Down	4.7%	to 25,397
Profit (loss) attributable to members	Up/ Down	4.3%	to 25,271
Dividends (distributions)	Amount per security	Franked amount per security	
Final Dividend – 2023	60t	0t	
Interim Dividend – 2024	40t*	0t	

Record date for determining entitlements to the dividend,

Not Applicable

Refer Pages 3 and 4 for commentary.

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

* Proposed interim dividend, subject to Board approval.

Directors' Report

The directors present their report together with the condensed interim consolidated financial information for the half-year ended 30 June 2024.

Directors:

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

G.L. Cundle Chairman	Director since 2013 and Chairman since 2015
P.J. Aitsi, MBE	Director since 2021
R.P.N. Bray	Director since 2018, resigned on 30 June 2024
L.M. Bromley	Director since 2019
D.H. Cox OL, OBE	Director since 2003
C.K. Daniells	Appointed as Director on 1 July 2024
C. Kasou	Appointed as Director on 1 March 2024
A. Mistrone	Appointed as Director on 1 July 2024
J.B. Rae Smith	Director since 2019
M.R. Scantlebury	Director since 2016, resigned on 30 June 2024

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 K25.3 million for the six months to June 2024, an increase of 4.3% over the same period in 2023. Profit before tax includes the following items:

- K17.7 million income from insurance proceeds
- K2.6 million cash spend related to ongoing upgrade of enterprise resource planning (ERP) system

Revenue from ordinary operations increased 7.4% to K339.0 million compared to the same period last year. Despite soft underlying economic conditions, Steamships diversified operations ensured a balanced overall performance, with growth primarily driven by Property and Logistics divisions.

	6 months ended 30 June 2024 K000's	6 months ended 30 June 2023 K000's	Change
Net Profit attributable to shareholders	25,271	24,225	4.3%
Add / (Less) impact of significant items (post tax and minority interest)			
Net insurance claim settlement income – property damages	(12,366)	-	
ERP implementation expensed	1,852	-	
Total impact of significant items	(10,514)	-	
Underlying profit attributable to shareholders	14,757	24,225	(39.1%)

The charge for depreciation for the year to date of K55.0 million compared to K51.6 million in the same period in 2023 (excluding impairments). Capital investment decreased for the six months, being K69.6 million (through existing facilities and available funding arrangements) against K114.7 million in 2023.

The group's net operating cash flow generation marginally decreased to K53.4 million from K54.3 million in 2023. The group had K30.7 million in cash and bank on 30th June 2024 (K5.7 million on 30th June 2023).

An interim dividend of 40 toea has been proposed, subject to Board approval.

Logistics

The Logistics division reported top line growth compared to prior year; however pressure on margins and disruption to supply chain meant that bottom line results were lower than management expectations.

Following significant investment in capital and human resources in 2023 to increase capacity in domestic shipping, the division has expanded its marine asset base, shore side equipment and improved its port operations (Consort Express Lines and JV Port Services). This investment was made ahead of an expected increase in demand, primarily driven by resource projects. The delay in Papua LNG, and other new mining

projects, has impacted business potential and the market as a whole. As such, the logistics group is being tightly managed to optimise its operational performance as well as cash generation activities.

The outlook for the balance of the year for projects and the general market looks more promising and will benefit from an improved coastal shipping product and service coverage. The second half of the year is traditionally stronger and is already showing signs of growth.

Pacific Towing has maintained a reliable core harbour towage service that delivers stable returns and has benefited from some ad hoc salvage work. This should ensure that Pacific Towing maintains its current performance for the rest of the year.

East West Transport emphasis on improved operational performance and customer service has produced positive outcomes with results trending ahead of prior year. Although first half was hampered by weak demand for general transport and volatility in fuel supply to the country, the operating result is expected to further improve towards the end of the year.

Property and Hospitality

The opening of the Harbourside South mixed office/retail/serviced apartment development, along with the recent completion of the Portside Business Park acquisition, underscores Steamships commitment to its long-term investment in Papua New Guinea. It also reflects its strategy to develop high-quality properties in prime locations that are competitively positioned in the market and poised to benefit the economy as a whole.

Coral Sea Hotels first half of the year has seen a slight downturn in revenue performance compared to prior year due to lower occupancy levels; this has been partly offset by lower operating costs. The Grand Papua Hotel renovation is expected to accelerate in the second half of the year.

Investments

Colgate-Palmolive, a PNG joint venture, results were unfavourably affected by events that occurred on the 10th of January; most customers took a very conservative approach to their stockholding that had a knock-on effect on demand patterns, although second quarter revenue showed positive signs.

Trading outlook

Economic growth at macro level continues to be unremarkable whilst inflation continues to rise. Access to foreign currency remains difficult and business activity is muted.

Despite the delay in natural resources projects, there is some optimism that the second half of the year will show improved results. The reopening of the Porgera mine and strong agricultural commodity prices should encourage an improvement in economic activity and should benefit the Steamships business performance.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	6 months ended 30 June 2024 K'000	6 months ended 30 June 2023 K'000
Revenue		
Revenue from operations	338,961	315,736
Other income (Note 4)	18,120	-
Operating expenses		
Cost of goods and services	(77,459)	(64,949)
Staff costs	(97,779)	(82,063)
Depreciation and amortisation	(54,978)	(51,608)
Electricity and fuel	(26,283)	(23,446)
Insurance	(2,642)	(3,652)
Security costs	(7,591)	(6,490)
Motor vehicle and vessel expenses	(15,618)	(15,778)
Finance (costs) / income - net	(1,765)	96
Other operating expenses	(37,716)	(38,103)
Share of net profit of associates and joint venture entities accounted for using the equity method	2,539	3,504
Profit from operations before income tax	37,789	33,247
Income tax expense (Note 7)	(12,392)	(8,987)
Profit for the six-month period	25,397	24,260
Profit attributable to Continuing Operations	25,397	24,260
Profit/Total comprehensive income is attributable to:		
Owners of Steamships Trading Company Limited	25,271	24,225
Minority interest	126	35
	25,397	24,260
Earnings per security (EPS)		
Basic & Diluted EPS (total profit)	81.5t	78.1t
Basic & Diluted EPS (continuing)	81.5t	78.1t

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

	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 2023	24,200	1,043,105	(40,295)	1,027,010	17,059	1,044,069
Profit for the period	-	24,225	-	24,225	35	24,260
Dividends	-	(21,706)	-	(21,706)	-	(21,706)
Balance at 30 June 2023	24,200	1,045,624	(40,295)	1,029,529	17,094	1,046,623
Profit for the period	-	33,919	-	33,919	488	34,407
Dividends	-	(10,853)	-	(10,853)	(554)	(11,407)
Balance at 31 Dec 2023	24,200	1,068,690	(40,295)	1,052,595	17,028	1,069,623
Profit for the period	-	25,271	-	25,271	126	25,397
Dividends	-	(18,605)	-	(18,605)	(20)	(18,625)
Balance at 30 June 2024	24,200	1,075,356	(40,295)	1,059,261	17,134	1,076,395

**CONDENSED CONSOLIDATED
BALANCE SHEET**

	As at 30 June 2024 K'000	As at 31 Dec 2023 K'000	As at 30 June 2023 K'000
Current Assets			
Cash and cash equivalents	31,075	28,804	19,048
Receivables and prepayments	195,918	184,726	165,379
Inventories	42,029	39,480	33,769
Income tax receivable	4,451	5,163	2,240
Assets held for sale (Note 5)	975	-	3,001
Total Current Assets	274,448	258,173	223,437
Non-Current Assets			
Property, plant and equipment	732,677	692,559	675,283
Investment properties	378,012	381,374	382,457
Investments in related companies	47,971	45,495	46,367
Goodwill	76,433	76,433	76,433
Loans to related companies	161,803	243,069	212,587
Deferred tax assets	4,627	4,627	2,020
Total Non-Current Assets	1,401,523	1,443,557	1,395,147
Total Assets	1,675,971	1,701,730	1,618,584
Current Liabilities			
Trade and other payables	133,018	108,680	154,991
Lease liabilities	2,333	2,576	2,497
Provisions	6,259	6,122	27,898
Loans from related companies	1,209	1,862	2,691
Loans from a minority shareholder	160	160	160
Borrowings	30,000	32,895	267,853
Total Current Liabilities	172,979	152,295	456,090
Non-Current Liabilities			
Lease liabilities	54,327	55,234	56,172
Deferred tax liabilities	30,283	28,086	18,461
Borrowings	330,286	385,301	30,000
Long service leave	11,701	11,191	11,238
Total Non-Current Liabilities	426,597	479,812	115,871
Total Liabilities	599,576	632,107	571,961
Net Assets	1,076,395	1,069,623	1,046,623
Share Capital and Reserves			
Issued capital	24,200	24,200	24,200
Reserves	1,035,061	1,028,395	1,005,329
Capital and reserves attributable to the Company's shareholders	1,059,261	1,052,595	1,029,529
Minority shareholders' interest	17,134	17,028	17,094
Total Capital and Reserves	1,076,395	1,069,623	1,046,623

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

	6 months ended 30 June 2024 K'000	6 months ended 30 June 2023 K'000
Cash flows related to operating activities		
Receipts from customers	327,768	285,361
Payments to suppliers and employees	(257,556)	(220,409)
Interest and other items of similar nature received	1,610	1,241
Interest and other costs of finance paid	(10,163)	(5,286)
Income taxes paid	(8,291)	(6,652)
Net operating cash flows	53,368	54,255
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(69,644)	(114,691)
Proceeds from sale of property, plant and equipment	43	35
Dividends received from an associate	8,000	2,500
Loans issued to related companies	(8,734)	(12,864)
Net investing cash flows	(70,335)	(125,020)
Cash flows related to financing activities		
Proceeds from borrowings	50,000	40,000
Repayments of borrowings	(105,000)	(15,000)
Loans repaid by a joint venture	90,000	-
Loans repaid to related companies	(654)	(211)
Lease repayments	(1,150)	(1,243)
Dividends paid to a shareholder	(11,404)	-
Net financing cash flows	21,792	23,546
Net increase / (decrease) in cash held	4,825	(47,219)
Cash at beginning of period	25,909	52,914
Cash at end of period <i>(see Reconciliation of cash)</i>	30,734	5,695

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, term deposits	31,075	19,048
Bank overdraft	(341)	(13,353)
Total cash at end of period	30,734	5,695

OTHER NOTES TO THE CONDENSED INTERIM 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	11.1%	10.5%
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	2.4%	2.3%
Earnings per security (EPS)		
Calculation of the following in accordance with <i>IAS33: Earnings per Share</i>		
(a) Basic EPS – total earnings	81.5t	78.1t
Basic EPS – continuing	81.5t	78.1t
(b) Diluted EPS – total earnings	81.5t	78.1t
Diluted EPS - continuing	81.5t	78.1t
(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	K32.25	K31.29

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		Equity accounted for 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 Limited	50	50	1,239	3,045
Riback Stevedoring Limited	49	49	(45)	-
Makerio Stevedoring Limited	45	45	(54)	(199)
Nikana Stevedoring Limited	45	45	1	50
Harbourside Development Limited	50	50	-	-
Pacific Rumana Limited	50	50	350	244
Viva No 31 Limited	50	50	22	(45)
Wonye Limited	50	50	895	409
Wonye No. 2 Limited	50	-	131	-
Total			2,539	3,504

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

Current Period

Hebamo Transport Limited was incorporated on 5 February 2024. This Company is 100% owned by Steamships Trading Company Limited.

Previous Period

On 21st September 2023, the Board of Wonye No. 2 Limited approved the issuance of 3.5 million ordinary shares each to Steamships Trading Company Limited and Tininga Limited respectively. As a result of the subscription, Steamships Trading Company Limited no longer has sole control. Wonye No. 2 is now accounted for as a joint venture company.

4. Other income

Other income relates to insurance proceeds.

5. Assets held for sale

Assets held for sale relate to North Waigani and Gerehu properties.

6. Basis of Accounting

This condensed interim consolidated financial information has been prepared in accordance with IAS 34 Interim Financial Reporting.

For more details on the accounting policies, please refer to the annual report of Steamships Trading Company Limited for the year ended 31 December 2023. The Group applies International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea. These policies have been consistently applied to all periods presented. There were no changes in significant accounting policies in the current half year period.

7. Income Tax Expense

The effective rate of tax charged differs from the statutory rate of 30% as follows:

	Current period	Previous corresponding period
	K'000	K'000
Net profit before income tax	37,789	33,247
Prima facie tax on profit before income tax at 30%	11,336	9,974
Share of profit of associates and joint ventures	(762)	(1,051)
Tax on non-assessable income	293	183
Adjustments of current tax of prior periods	763	(132)
Unrecognised deferred tax asset on losses	762	-
Other	-	13
	<u>12,392</u>	<u>8,987</u>

8. 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.

9. Capital Commitments

As at 30 June 2024 the group had contracts outstanding for capital expenditure of K13.6 million in respect of property developments and all due within 12 months (prior year capital commitments of K73.6 million all due within 12 months).

10. Divisional Segments

The group operates in the following commercial areas:

	Property and Hospitality	Logistics	Commercial and Investment	Total
	K'000	K'000	K'000	K'000
2024				
External Revenue and other income	151,582	202,982	2,517	357,081
Interest Revenue	-	73	8,326	8,399
Interest Expense	(1,278)	-	(8,886)	(10,164)
Segment Results	61,658	(7,355)	(19,053)	35,250
Add: Share of Associate and Joint Venture Profit	-	-	2,539	2,539
Total Segment Result	61,658	(7,355)	(16,514)	37,789
Income Tax (Expense) / Benefit	(18,498)	2,206	3,900	(12,392)
Group Profit from continuing operations	43,160	(5,149)	(12,614)	25,397
Segment Assets	699,271	577,255	399,445	1,675,971
Segment Liabilities	(27,020)	(372,777)	(199,779)	(599,576)
Net Assets	672,251	204,478	199,666	1,076,395
Capital Expenditure	30,193	39,203	248	69,644
Depreciation	21,380	31,958	1,640	54,978

	Property and Hospitality	Logistics	Commercial and Investment	Total
	K'000	K'000	K'000	K'000
2023				
External Revenue	133,692	180,827	1,217	315,736
Interest Revenue	-	36	6,669	6,705
Interest Expense	(1,323)	-	(5,286)	(6,609)
Segment Results	44,588	247	(15,092)	29,743
Add: Share of Associate and Joint Venture Profit	-	-	3,504	3,504
Total Segment Result	44,588	247	(11,588)	33,247
Income Tax (Expense) / Benefit	(13,376)	(74)	4,463	(8,987)
Group Profit from continuing operations	31,212	173	(7,125)	24,260
Segment Assets	656,059	522,489	440,036	1,618,584
Segment Liabilities	(69,741)	(304,149)	(198,071)	(571,961)
Net Assets	586,318	218,340	241,965	1,046,623
Capital Expenditure	33,687	128,989	474	163,150
Depreciation	21,535	28,307	1,766	51,608

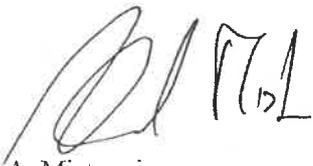
11. Subsequent events

During the month of July 2024, Steamships completed the acquisition of Portside Business Park, a key industrial and commercial development. Total consideration of K44.3 million is payable over a 6-year period. Steamships also completed the sale of land and property in North Waigani for K13.1 million.

12. Comparatives

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

Signed in accordance with a resolution of, and on behalf of the Board.



A. Mistrone
Finance Director



C.K. Daniells
Managing Director



Report on review of the condensed interim consolidated financial information to the Directors of Steamships Trading Company Limited

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Steamships Trading Company Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2024 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flow for the six-month period then ended and other explanatory notes. The Directors are responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, 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, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 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 the conclusions we have formed.

PricewaterhouseCoopers

Jonathan Grasso
Partner
Registered under the Accountants Act 1996

Port Moresby
30 August 2024

Chris Wickenhauser
Partner
Registered under the Accountants Act 1996

Port Moresby
30 August 2024