

Appendix 4D

Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN

055836952

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

30 June 2012

Results for announcement to the market—

				K'000
Revenues from continuing operations	Up/ Down	11.7%	T	481,009
Profit (loss) from continuing operations after tax	Up/ Down	5.5%	T	80,607
Profit (loss) attributable to members	Up/ Down	9.4%	T	71,711
Dividends (distributions)	Amount per security	Franked amount per security		
Final Dividend – 2011	140¢	0¢		
Interim Dividend – 2012	115¢	0¢		

+Record date for determining entitlements to the dividend,	<table border="1"> <tr> <td style="text-align: center;">14 September 2012</td> </tr> </table>	14 September 2012
14 September 2012		
Refer Page 9 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 2012.

Directors:

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

W.L. Rothery Chairman	Chairman since 2006
D H Cox OL Managing Director	Managing Director since 2004
G Aopi, CBE	Director since 1997
Sir Michael Bromley, KBE	Director since 2000
G.J. Dunlop	Director since 1995
J.W.J Hughes-Hallett	Director since 2010
Lady W.T. Kamit, CBE	Director since 2005
E H Ruha	Director since 2008
T.J. Blackburn	Director since 2011

Statement of comprehensive income - consolidated
For the 6 months ended 30 June 2012

	6 months ended 30 June 2012 K'000	6 months ended 30 June 2011 K'000
Revenue		
Revenue from Continuing Operations	481,009	430,510
Other income	7,967	6,306
Operating expenses		
Raw materials and consumables used	(91,294)	(80,336)
Staff costs	(90,795)	(76,739)
Depreciation & amortisation	(48,258)	(37,446)
Finance costs	(14,916)	(15,579)
Freight	(4,242)	(3,132)
Insurance	(10,685)	(10,264)
Repairs & maintenance	(16,357)	(14,728)
Occupancy costs	(19,148)	(15,351)
Fuel	(25,536)	(23,868)
Marketing	(3,998)	(3,197)
Charter & port expenses	(12,031)	(7,357)
Telecommunications	(10,031)	(5,655)
Stevedoring expenses	(11,215)	(10,496)
Other operating expenses	(25,907)	(30,408)
Share of net profit of associates accounted for using the equity method	6,872	5,435
Profit before income tax	111,435	107,695
Income tax expense	(30,828)	(31,298)
Profit for the six-month period	80,607	76,397
Other comprehensive income	0	0
Total comprehensive income for the six-month period	80,607	76,397
Profit/total comprehensive income is attributable to:		
Owners of Steamships Trading Company Limited	71,711	65,553
Minority Interest	8,896	10,844
	80,607	76,397
Earnings per security (EPS)		
Basic EPS	231.3	211.4
Diluted EPS	231.3	211.4

**STATEMENT OF CHANGES IN EQUITY - CONSOLIDATED
FOR THE PERIOD ENDED 30 JUNE 2012**

	Attributable to owners of Steamships Trading Company Limited				Minority Interest <u>K'000</u>	Total Equity <u>K'000</u>
	Contributed Equity <u>K'000</u>	Reserves <u>K'000</u>	Retained Earnings <u>K'000</u>	Total <u>K'000</u>		
	BALANCE AT 1 JANUARY 2011	24,200	0	428,157		
Profit for the period	0	0	65,553	65,553	10,844	76,397
Other comprehensive income	0	0	0	0	0	0
Dividends provided for or paid	0	0	(15,504)	(15,504)	(4,258)	(19,762)
Balance at 30 June 2011	24,200	0	478,206	502,406	69,437	571,843
Profit for the period	0	0	92,708	92,708	10,994	103,702
Other comprehensive income	0	0	0	0	0	0
Dividends provided for or paid	0	0	(15,504)	(15,504)	(5,066)	(20,570)
Adjustment for prior year	0	0	(1,061)	(1,061)	0	(1,061)
Balance at 31 December 2011	24,200	0	554,349	578,549	75,365	653,914
Profit for the period	0	0	71,711	71,711	8,896	80,607
Other comprehensive income	0	0	0	0	0	0
Dividends provided for or paid	0	0	(43,412)	(43,412)	(3,354)	(46,766)
Balance at 30 June 2012	24,200	0	582,648	606,848	80,907	687,755

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED

	As at 30 June 2012 K'000	As at 31 Dec 2011 K'000	As at 30 June 2011 K'000
Current assets			
Inventories	57,386	50,334	56,339
Receivables & prepayments	198,555	200,633	178,417
Loans to associates & joint ventures	29,324	1,907	1,290
Cash, bank and short term deposits	1,881	1,653	172
Other – financial asset	45,107	45,107	49,583
Total current assets	332,253	299,634	285,801
Non-current assets			
Investments	33,987	28,445	20,803
Goodwill	17,183	17,183	17,183
Property, plant and equipment	968,985	938,709	854,527
Deferred tax asset	-	-	6,245
Total non-current assets	1,020,155	984,337	898,758
Total assets	1,352,408	1,283,971	1,184,559
Current liabilities			
Trade payables	53,133	57,820	48,013
Other payables & accruals	91,230	75,102	70,250
Provisions	20,268	22,066	21,008
Loans from associates & joint ventures	8,122	7,769	27,028
Loans from shareholder	10,160	18,460	9,159
Borrowings	40,763	48,697	47,563
Income tax payable	43,051	53,531	61,847
Total current liabilities	266,727	283,445	284,868
Non-current liabilities			
Deferred tax liability	11,806	7,664	-
Borrowings	376,286	330,391	319,515
Long service leave	9,834	8,557	8,333
Total non-current liabilities	397,926	346,612	327,848
Total liabilities	664,653	630,057	612,716
Net assets	687,755	653,914	571,843
Share capital and reserves			
Issued capital	24,200	24,200	24,200
Retained earnings	546,989	510,937	462,702
Proposed dividend	35,659	43,412	15,504
Capital and reserves attributable to the company's shareholders	606,848	578,549	502,406
Minority shareholders' interest	80,907	75,365	69,437
Total capital and reserves	687,755	653,914	571,843

Consolidated statement of cash flows
For the 6 months ended 30 June 2012

	30 June 2012 K'000	30 June 2011 K'000
Cash flows related to operating activities		
Receipts from customers	480,437	429,642
Payments to suppliers and employees	(306,823)	(282,350)
Interest and other items of similar nature received	86	54
Interest and other costs of finance paid	(15,002)	(15,633)
Income taxes paid	(37,166)	(17,597)
Net operating cash flows	121,532	114,116
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(79,970)	(102,794)
Proceeds from sale of property, plant and equipment	1,505	595
Dividends received from associates	1,330	1,817
Loans repaid by/to other entities	(27,417)	11,276
Net investing cash flows	(104,552)	(89,106)
Cash flows related to financing activities		
Proceeds from borrowings	120,000	20,000
Repayment of borrowings	(76,252)	(26,874)
Dividends paid	(46,766)	(18,546)
Net financing cash flows	(3,018)	(25,420)
Net increase (decrease) in cash held	13,962	(410)
Cash at beginning of period	(47,044)	(46,981)
Cash at end of period <i>(see reconciliation of cash)</i>	(33,082)	(47,391)

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	1,881	172
Bank overdraft	(34,963)	(47,563)
Total cash at end of period	(33,082)	(47,391)

Other notes to the consolidated financial statements

Ratios	Current period	Previous corresponding Period
Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue	23.2%	25.0%
Profit after tax / equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	11.8%	13.0%
Earnings per security (EPS)		
Calculation of the following in accordance with <i>LAS33: Earnings per Share</i>		
(a) Basic EPS	231.3t	211.4t
(b) Diluted EPS	231.3t	211.4t
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	31,008,237	31,008,237
NTA backing		
Net tangible asset backing per ordinary security	K21.63	K17.89

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	2,199	1,296
Pacific Towing Ltd	50	50	2,181	2,854
United Stevedoring	12	12	4	18
Riback Stevedores	25	25	2,213	1,001
Makerio Stevedoring	23	23	162	122
Nikana Stevedoring	23	23	113	144
Harbourside Development Limited	50	50	-	-
Total			6,872	5,435

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

Current Period

Nil

Previous Corresponding Period

Control was acquired over Kiunga Stevedoring Company Limited on January 1, 2011.

In 2011, the Group early adopted IFRS 10 (Consolidated Financial Statements) and applied it retrospectively. As a result, the Group determined that they controlled New Britain Shipping Limited and Middle Fly Shipping Limited which were previously accounted for as equity investments.

Basis of Accounting

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

Commentary

Half year Report to the Stock Exchange

The Directors of Steamships Trading Company Limited advise a profit after tax and minority interests of K71.7 million for the 6 months to June 2012, an increase of K5.9 million over the same period in 2011. Sales of K481.0 million represent an 11.7 per cent increase on 2011 sales of K430.5 million. Depreciation in 2012 was K48.3 million against K37.2 million in 2011, while interest on borrowings was K 14.9 million against K 15.6 million in 2011. Capital expenditure for the 6 months was K79.9million against K 102.8 million in 2011.

The Logistics Division comprising shipping and road haulage has experienced a weaker start to the year with strong throughput across the nations ports offsetting a slower charter market for project vessels. The latter is indicative of major mining, oil and gas projects entering the “back end” of their delivery cycles or new projects pending the national elections before launching start up phases. An increase in the number of vessels now competing on the PNG Coast has also seen general cargo volumes fall below previous years, necessitating the restructuring of service schedules.

East West Transport has continued to build on the growth achieved in the second half of 2011 and has commenced a re-fleeting programme which will see an additional 16 per cent capacity added to the fleet before the end of the year. This new capacity will allow the business to build on its town, and in particular, highway cartage offering and improve its service reliability.

In the Property Division, Pacific Palms Property continues to perform well with strong support for our residential, industrial, retail and commercial property. New residential stock entering the higher end of the Port Moresby and Lae markets has curbed demand and growth prospects from this segment will be modest over the short to medium term. The company commenced construction of a 18,864m² Harbourside Office development, which will complement our increasingly diversified portfolio. This is a joint venture project between Steamships and PNG Sustainable Development Program and is scheduled for completion in September 2014.

Coral Seas Hotels has had a satisfactory start to the year in an increasingly competitive market. Corporate demand for both long and short-term accommodation is trailing the high occupancy levels experienced in 2011 and while traditionally we see uplift in occupancy during the second half of the year, with more stock entering the market, margins will remain thin. The company’s newest hotel the Grand Papua has seen a

steady increase in occupancy since its launch and continues to attract customers seeking a competitively priced luxury hotel offering in the CBD.

In the Commercial Division, Laga Industries is trading satisfactorily and sales are ahead of the same period last year. Support for all categories has been largely positive and margin improvement has been achieved through improved procurement of raw materials and a softening of world pricing for key commodities. In keeping with the company's strategy to modernise its manufacturing plant and increase production capacity, new blow mould machines will be commissioned this year.

Datec is starting to make ground on what has been a slow start to the year. Demand for products and services has fallen below expectations necessitating further restructuring across all lines of this business to improve delivery of Information and Communication Technology solutions for our clients. An upgrade of our Internet Service Provider platform and increase in corporate sales activity will see results improve during the second half of the year.

Steamships continue to strive for improvement in all measures of sustainable development. People remain our key asset and our focus on their health, safety and security is paramount. We continue to promote community engagement initiatives and we are acutely aware of the need to minimise our environmental footprint. Global Reporting Initiative measures are currently being rolled out and these will provide a benchmark for measuring and improving our efforts in the years to come.

PNGs' macroeconomic fundamentals remain sound but a more moderate rate of economic growth is expected over the next 12 – 24 months. The political uncertainty that gripped the country over the past 12 months is set to ease with the conclusion of the National Elections. The return of a stable government will lift confidence and see business activity strengthen over the second half of the year.

An interim dividend of 115 toea (an increase of 130% over last year's interim dividend) per share has been declared and will be paid on the 30th September 2012.

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
30 June 2012					
External Revenue	125,304	127,637	227,995	73	481,009
Intersegmental Revenue	17,921	908	9,902	0	28,731
Interest Revenue	-	36	34	16	86
Interest Expense	(2,070)	(20)	(2,796)	(10,116)	(15,002)
Segment Results	96,932	9,147	37,829	(39,345)	104,563
Add: Share of Associate Profit	-	2,199	4,673	-	6,872
Total Segment result	96,932	11,346	42,502	(39,345)	111,435
Income tax expense	(29,080)	(2,744)	(11,349)	12,345	(30,828)
Group Profit	67,852	8,602	31,153	(27,000)	80,607
Segment assets	575,009	135,917	441,010	200,472	1,352,408
Segment liabilities	4,864	29,456	161,676	468,657	664,653
Net Assets	570,145	106,461	279,334	(268,185)	687,755
Capital expenditure	19,284	6,257	30,139	24,290	79,970
Depreciation	21,159	3,564	22,825	710	48,258

	Hotels& Property	Commercial Division	Logistics	Finance& Investment	Total
	K'000	K'000	K'000	K'000	K'000
30 June 2011					
External Revenue	95,986	119,614	212,151	2,759	430,510
Intersegmental Revenue	15,526	346	3,544	-	19,416
Interest Revenue	-	36	18	-	54
Interest Expense	(4)	(32)	(4,684)	(10,913)	(15,633)
Segment Results	52,874	12,062	42,924	(5,600)	102,260
Add: Share of Associate Profit	-	1,296	4,139	-	5,435
Total Segment result	52,874	13,358	47,063	(5,600)	107,695
Income tax expense	(15,862)	(3,619)	(12,790)	973	(31,298)
Group Profit	37,012	9,739	34,273	(4,627)	76,397
Segment assets	283,478	146,733	627,658	126,690	1,184,559
Segment liabilities	24,695	15,085	161,871	411,065	612,716
Net Assets	258,783	131,648	465,787	(284,375)	571,843
Capital expenditure	37,742	2,283	18,286	44,483	102,794
Depreciation	9,143	4,063	20,748	3,492	37,446



Independent auditor's review report to the members of Steamships Trading Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Steamships Trading Company Limited Group (the consolidated entity) which comprises the condensed statement of financial position as at 30 June 2012, the condensed statements of comprehensive income, changes in equity and cash flows for the half-year ended on that date, and other selected explanatory notes for the consolidated entity. The consolidated entity comprises Steamships Trading Company Limited (the Company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Steamships Trading Company Limited are responsible for the preparation and presentation of the half-year financial report that presents fairly in accordance with International Financial Reporting Standards (including generally accepted accounting practices in Papua New Guinea) and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that causes us believe that the financial report is not presented fairly, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. As the auditor of Steamships Trading Company Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report 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, we have not become aware of any matter that makes us believe that the half-year financial report of Steamships Trading Company Limited does not present fairly, in all material respects, the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* and generally accepted accounting practices in Papua New Guinea.



Other matters

This report, including the review conclusion, has been prepared for and only for the company's shareholders as a body in accordance with the Companies Act 1997 and for no other purpose. We do not, in giving this review conclusion, accept or assume responsibility for any other purpose or to any other person whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'B Entwistle', written in a cursive style.

By: Brett Entwistle
Partner
Registered under the Accountants Act 1996

Port Moresby
22 August 2012

A handwritten signature in black ink, appearing to read 'Grant Burns', written in a cursive style.

Grant Burns
Engagement Leader