

# Appendix 4D

## Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN

055836952

Half year ended ('current period')

30 June 2021

### Results for announcement to the market–

				K'000
Revenues from ordinary operations	Up/ <del>Down</del>	11%	T	290,850
Profit (loss) from ordinary operations after tax	Up/ <del>Down</del>	100%	T	33,216
Profit (loss) attributable to members	Up/ <del>Down</del>	106%	T	33,086
Dividends (distributions)	Amount per security	Franked amount per security		
Final Dividend – 2020	80¢			0¢
Interim Dividend – 2021	0¢			0¢

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

## Directors Report

The directors present their report together with the condensed consolidated financial statements for the half-year ended 30 June 2021.

Directors:

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

G.L. Cundle Chairman	Chairman since 2015
P Aitsi, MBE	Director from 1 <sup>st</sup> July 2021
G Aopi, CBE	Director resigned on 30 <sup>th</sup> June 2021
R.P.N. Bray	Managing Director since 2020
L.M. Bromley	Director since 2019
Sir M.R. Bromley, KBE	Director resigned on 30 <sup>th</sup> June 2021
D.H. Cox OL, OBE	Director since 2004
G.J. Dunlop	Director resigned on 30 <sup>th</sup> June 2021
Lady W.T. Kamit, CBE	Director since 2005
M.R. Scantlebury	Finance Director since 2016
J.B. Rae Smith	Director since 2019
J.H. Woodrow	Director since 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 K33.1 million for the six months to June 2021, an increase of 106% over the same period in 2020. However, adjusting for significant items (which are considered non-recurring in nature) the underlying profit attributable to shareholders was K24.7 million, an increase of 48% over the same period in 2020.

	2021 K000's	2020 K000's	Change
<b>Net profit attributable to shareholders</b>	<b>33,086</b>	<b>16,079</b>	<b>105.8%</b>
<b>Add back / (less) impact of significant items (post tax &amp; minority interest)</b>			
Recognition of tax losses previously not recognised	(8,398)	-	
Loss on Disposal of Vessels	-	622	
<b>Total impact of significant items</b>	<b>(8,398)</b>	<b>622</b>	
<b>Underlying profit attributable to shareholders</b>	<b>24,688</b>	<b>16,701</b>	<b>47.8%</b>

The period's results are impacted by the global Covid-19 pandemic and the re-introduction of many restrictions in March 2021 which continue to impede operating activity for businesses across PNG.

Revenue from ordinary operations increased 11.1% to K290.9 million compared to the same period last year. Cost saving measures implemented in 2020 across all businesses remain in place despite the partial recovery in demand resulting in a slight improvement in underlying profit.

The underlying economy remained weak. The closure of the Porgera gold mine, and uncertainty over progress on the other major new resource projects, continues to be a drag on the economy. Steamships' results have been relatively resilient as its businesses adapt to the tough new environment.

The charge for depreciation for the year to date of K46.9 million compared to K43.7 million in the same period in 2020 (excluding impairments). Capital investment however decreased for the six months, being K28.4 million against K37.9 million in 2020, as planned discretionary expenditure was either postponed or cancelled due to impact of Covid-19.

The group's net operating cash flow generation increased to K97.3 million up from K69.9 million in 2020 and the group had K132.0 million in cash and term deposits on 30<sup>th</sup> June 2021 (K96.9 million on 30<sup>th</sup> June 2020). Considering the improvement in results, an interim dividend of 35 toea has been proposed.

### **Logistics**

Consort Express Lines continues to build capability to deliver enhanced customer service across its business. Schedule and fleet reliability is higher and more stable than prior years. Coastal liner cargo volume fell sharply in April with the first Covid-19 lockdown in PNG but has largely recovered. The projects & charters business has been inconsistent with some large customers seeing their operations adversely impacted by Covid-19, but overall activity has been satisfactory.

The joint venture stevedore and equipment hire companies reported a solid first-half year performance despite the difficult trading environment. The equipment hiring business is gaining more customer recognition, with results on an upward trend.

East West Transport reported a decline in revenue for the period as volumes remained soft, particularly fuel haulage. The development of new depot management services was encouraging. Costs were carefully managed. The outlook remains challenging for the remainder of the year.

Pacific Towing reported stable revenue from its core towage activities (both within and outside PNG harbours) but the absence of salvage activity in the region reduced the overall result compared to last year.

On 31st December 2020 Pacific Towing (PNG) Ltd. was amalgamated into Steamships Ltd. The certificate of amalgamation from the Investment Promotion Authority was received on 12th May 2021. Steamships now operates its six businesses as divisions, operating under their trading names, rather than as companies.

### **Property & Hotels**

Pacific Palms Property reported lower revenue for the period to June as demand weakened. Covid-19 continued to adversely impact the demand for Port Moresby residential units. Occupancy of commercial and industrial properties improved albeit at lower rents. Construction of the mixed use Harbourside South development continued with a projected completion in late-2022.

Coral Sea Hotels experienced a good start to the year and benefited from the quarantine requirement for arrivals into PNG. The Ela Beach Hotel food and beverage offering improved considerably with new restaurant, bar and take-aways outlets which opened early in 2021. Cost management remained a key focus. Demand is currently stable but any relaxation of quarantine requirements would have a negative impact upon second half performance.

### **Investments**

Colgate Palmolive, a PNG joint venture, reported a satisfactory result, for both volumes and revenue, in the difficult trading environment. Overall, revenue grew compared to the same period last year, largely due to the strong performance of the Home Care category. The outlook, including Oral and Personal Care categories, remains positive due resilient underlying demand.

### **Trading outlook**

The PNG economy is expected to recover from the current weakness later this year and into 2022. Recent announcements by the PNG Government on the major resource development projects are encouraging. Steamships is adapting to meet the changing demands in the economy and positioning its businesses for a medium-term economic recovery.

Subsequent to 30 June 2021 the Group has successfully negotiated the renewal of part of its existing financing arrangements with a major bank in PNG. Also, after the period end Steamships agreed to sell its direct wholly owned subsidiary, Croesus Holdings Ltd, and indirect wholly owned subsidiary, Croesus Re PCC Ltd, both incorporated in the Isle of Man, to its majority shareholder John Swire & Sons Ltd at net book value. The valuation was supported by an independent accounting expert. The transaction was recommended by a sub-committee of independent directors of the Steamships board and then approved by the Steamships board. Completion of the transaction remains subject to approval from the Isle of Man Financial Services Authority. Croesus Re will continue to provide reinsurance services to Steamships. The value of the transaction represents less than 5% of the equity interests of Steamships as reported in the last set of accounts submitted to ASX, being 31st December 2020 (total equity of PGK 963,826,000 equivalent to approximately USD275,000,000).

**CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	6 months ended 30 June 2021 K'000	6 months ended 30 June 2020 K'000
<b>Revenue</b>		
Revenue from Operations	290,850	261,722
<b>Operating expenses</b>		
Raw materials and consumables used	(66,893)	(61,138)
Staff costs	(65,247)	(61,181)
Depreciation & amortisation	(46,980)	(43,666)
Finance costs	(4,803)	(4,308)
Charter, port services & stevedoring	(12,937)	(13,958)
Fuel	(15,241)	(15,481)
Other operating expenses	(46,745)	(44,422)
Other gains/(losses)	-	1,194
Share of net profit of associates and joint ventures	2,228	1,682
	34,232	20,444
<b>Profit from operations before income tax</b>	34,232	20,444
Income tax expense (Note 6)	(1,016)	(3,843)
	33,216	16,601
<b>Profit for the six-month period</b>	33,216	16,601
<b>Profit attributable to Continuing Operations</b>	33,216	16,601
<b>Profit/total comprehensive income is attributable to:</b>		
Owners of Steamships Trading Company Limited	33,086	16,079
Minority Interest	130	522
	33,216	16,601
<b>Earnings per security (EPS)</b>		
Basic & Diluted EPS (total profit)	106.7t	51.9t
Basic & Diluted EPS (continuing)	106.7t	51.9t

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<b>Contributed Equity K'000</b>	<b>Retained Earnings K'000</b>	<b>Other Reserves K'000</b>	<b>Total K'000</b>	<b>Minority Interest K'000</b>	<b>Total Equity K'000</b>
<b>Balance at 1 January 2020</b>	24,200	901,138	(40,295)	885,043	17,747	902,790
Profit for the period	-	16,079	-	16,079	522	16,601
Dividends provided for or paid	-	(17,054)	-	(17,054)	(127)	(17,181)
<b>Balance at 30 June 2020</b>	<b>24,200</b>	<b>900,163</b>	<b>(40,295)</b>	<b>884,068</b>	<b>18,142</b>	<b>902,210</b>
Profit for the period	-	62,775	-	62,775	(340)	62,435
Dividends provided for or paid	-	-	-	-	(819)	(819)
<b>Balance at 31 December 2020</b>	<b>24,200</b>	<b>962,938</b>	<b>(40,295)</b>	<b>946,843</b>	<b>16,983</b>	<b>963,826</b>
Profit for the period	-	33,086	-	33,086	130	33,216
Other	-	(836)	-	(836)	-	(836)
Dividends provided for or paid	-	(24,806)	-	(24,806)	(1,466)	(26,272)
<b>Balance at 30 June 2021</b>	<b>24,200</b>	<b>970,382</b>	<b>(40,295)</b>	<b>954,287</b>	<b>15,647</b>	<b>969,934</b>

**CONDENSED CONSOLIDATED  
BALANCE SHEET**

	As at 30 June 2021 K'000	As at 31 Dec 2020 K'000	As at 30 June 2020 K'000
<b>Current Assets</b>			
Cash, bank and short-term deposits	84,191	142,424	109,680
Term deposits	-	8,063	5,081
Receivables & prepayments	123,979	125,568	141,248
Inventories	19,141	17,282	13,889
Income tax receivable	-	23,923	8,239
Assets held for sale (Note 4)	63,271	4,987	-
<b>Total Current Assets</b>	<b>290,582</b>	<b>322,247</b>	<b>278,137</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	540,462	550,737	612,739
Investment properties	388,698	394,338	357,777
Investments in related companies	39,119	36,992	37,387
Goodwill	76,433	76,433	76,433
Loans to related companies	148,805	106,456	105,077
Income tax receivable	20,733	-	-
Deferred tax asset	3,107	1,010	2,383
<b>Total Non-Current Assets</b>	<b>1,217,357</b>	<b>1,165,966</b>	<b>1,191,796</b>
<b>Total Assets</b>	<b>1,507,939</b>	<b>1,488,213</b>	<b>1,469,933</b>
<b>Current Liabilities</b>			
Trade & other payables	91,487	61,689	94,008
Lease liabilities	2,106	2,662	3,795
Provisions	53,024	55,398	53,277
Loans from related companies	2,969	4,864	5,082
Loans from minority shareholder	160	160	160
Borrowings (Note 10)	98,917	105,006	194,777
Liabilities attributable to assets held for sale (Note 4)	9,660	-	-
<b>Total Current Liabilities</b>	<b>258,323</b>	<b>229,779</b>	<b>351,099</b>
<b>Non-Current Liabilities</b>			
Lease liabilities	68,431	70,428	66,869
Deferred tax liability	16,191	14,743	18,850
Borrowings (Note 10)	184,500	199,500	120,000
Long service leave	10,560	9,937	10,905
<b>Total Non-Current Liabilities</b>	<b>279,682</b>	<b>294,608</b>	<b>216,624</b>
<b>Total Liabilities</b>	<b>538,005</b>	<b>524,387</b>	<b>567,723</b>
<b>Net Assets</b>	<b>969,934</b>	<b>963,826</b>	<b>902,210</b>
<b>Share Capital and Reserves</b>			
Issued capital	24,200	24,200	24,200
Reserves	930,087	922,643	859,868
Capital and reserves attributable to the company's shareholders	954,287	946,843	884,068
Minority shareholders' interest	15,647	16,983	18,142
<b>Total Capital and Reserves</b>	<b>969,934</b>	<b>963,826</b>	<b>902,210</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	6 months ended 30 June 2021 K'000	6 months ended 30 June 2020 K'000
<b>Cash flows related to operating activities</b>		
Receipts from customers	300,374	275,593
Payments to suppliers and employees	(199,350)	(201,180)
Interest and other items of similar nature received	4,306	3,579
Interest and other costs of finance paid	(7,492)	(6,308)
Income taxes paid	(495)	(1,737)
<b>Net operating cash flows</b>	<b>97,343</b>	<b>69,947</b>
<b>Cash flows related to investing activities</b>		
Payment for purchases of property, plant and equipment	(28,444)	(37,988)
Dividends received from associates	101	5,880
Investment in term deposits	8,063	(5,081)
Loans issued to related companies	(42,349)	(16,500)
<b>Net investing cash flows</b>	<b>(62,629)</b>	<b>(53,689)</b>
<b>Cash flows related to financing activities</b>		
Repayments of borrowings	(20,000)	-
Loans repaid to related companies	(1,895)	(10,580)
Lease repayments	(2,945)	(2,567)
Dividends paid	(17,746)	(5,297)
<b>Net financing cash flows</b>	<b>(42,586)</b>	<b>(18,444)</b>
<b>Net (decrease) / increase in cash held</b>	<b>(7,872)</b>	<b>(2,186)</b>
Cash at beginning of period	139,918	99,089
<b>Cash at end of period</b> <i>(see Reconciliation of cash)</i>	<b>132,046</b>	<b>96,903</b>
<b>Reconciliation of cash</b>		
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.	<b>Current period K'000</b>	<b>Previous corresponding period K'000</b>
Cash on hand and at bank, term deposits	84,191	109,680
Net cash disclosed within Assets held for sale (Note 4)	49,272	-
Bank overdraft	(1,417)	(12,777)
<b>Total cash at end of period</b>	<b>132,046</b>	<b>96,903</b>



**OTHER NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

1. Ratios	Current period	Previous corresponding Period
<b>Profit before tax / revenue</b>		
Consolidated profit from ordinary activities before tax as a percentage of revenue	11.8%	7.8%
<b>Profit after tax / equity interests</b>		
Consolidated net profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	3.5%	1.8%
<b>Earnings per security (EPS)</b>		
Calculation of the following in accordance with <i>LAS33: Earnings per Share</i>		
(a) Basic EPS – total earnings	106.7t	51.9t
Basic EPS – continuing	106.7t	51.9t
(b) Diluted EPS – total earnings	106.7t	51.9t
Diluted EPS - continuing	106.7t	51.9t
(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
<b>NTA backing</b>		
Net tangible asset backing per ordinary security	K28.82	K26.63

**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
<b>Equity accounted associates and joint venture entities</b>				
Colgate Palmolive Ltd	50	50	2,046	1,788
Riback Stevedores Ltd	49	49	-	(22)
Makerio Stevedoring Ltd	45	45	(6)	(4)
Nikana Stevedoring Ltd	45	45	42	27
Harbourside Development Ltd	50	50	(154)	62
Pacific Rumana Ltd	50	50	109	(104)
Viva No 31 Ltd	50	50	(53)	(148)
Wonye Ltd	50	50	244	83
<b>Total</b>			<b>2,228</b>	<b>1,682</b>

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

Current Period

Steamships Trading Company Limited sold 30% of shareholding of United Stevedoring Limited to Wakang Inc resulting in no gain or loss.

Previous Period

There were no changes in ownership on non-controlled entities during the year.

**4. Assets and liabilities held for sale**

The Group agreed to sell its subsidiaries Croesus Holdings Ltd and Croesus Re PPC Ltd, both incorporated in the Isle of Man, after the period end. At 30 June 2021, the assets and liabilities of these entities are disclosed as assets and liabilities held for sale. A vessel of Consort Express Lines (the division of Steamships Limited) is also included in assets held for Sale.

Balance sheet as at 30 <sup>th</sup> June 2021:	Croesus Re PPC Ltd	Consort Express Lines	Total
<i>Assets held for sale</i>			
Short term deposits	K49,272	-	K49,272
Trade and other receivables	K10,178	-	K10,178
Property, plant and equipment	-	K3,821	K3,821
	<u>K59,450</u>	<u>K3,821</u>	<u>K63,271</u>
<i>Liabilities held for sale</i>			
Trade and other payables	<u>K9,660</u>	-	<u>K9,660</u>
Liabilities attributable to assets held for sale	<u>K9,660</u>	-	<u>K9,660</u>

The results of Croesus Holdings Limited and Croesus Re PPC Ltd for the period were not material to the Group.

The Commercial and Investment segment includes the assets and liabilities held for sale of Croesus Re PPC Ltd. The vessel of Consort Express Lines is included within Logistics segment. Refer to Note 9.

## 5. Basis of Accounting

This condensed interim financial report has been prepared in accordance with IAS34 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 2020. These policies have been consistently applied to all periods presented. There were no changes in significant accounting policies in the current half year period.

Where necessary, comparative figures have been adjusted to conform to changes in the presentation of the current year. Comparative balances in the statement of cash flows have been reclassified to conform with changes in presentation adopted in the current period.

## 6. Income Tax Expense

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

	Current period K'000	Previous corresponding period K'000
Net profit before income tax	34,232	20,444
Prima facie tax on profit before income tax	10,269	6,133
Share of profit of associates and joint ventures	(954)	(719)
Recognition of tax losses previously not recognised	(8,398)	-
Prior year adjustment	186	(1,342)
Other adjustments	(87)	(229)
	<u>1,016</u>	<u>3,843</u>

## 7. 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.

## 8. Capital Commitments

As at 30 June 2021 the group had contracts outstanding for capital expenditure of K37.8 million in respect of property developments and all due within 12 months (prior year capital commitments of K9.1 million all due within 12 months).

## 9. Divisional Segments

The group operates in the following commercial areas:

	Hotels & Property	Logistics	Commercial & Investment	Total
	K'000	K'000	K'000	K'000
<b>2021</b>				
External Revenue	115,027	173,907	1,916	290,850
Interest Revenue	232	191	3,883	4,306
Interest Expense	(3,460)	(3,301)	(2,348)	(9,109)
<b>Segment Results</b>	<b>33,048</b>	<b>6,223</b>	<b>(7,267)</b>	<b>32,004</b>
Add: Share of Associate & Joint Venture Profit	145	37	2,046	2,228
<b>Total Segment Result</b>	<b>33,193</b>	<b>6,260</b>	<b>(5,221)</b>	<b>34,232</b>
Income Tax Expense	-	(2,428)	1,412	(1,016)
<b>Group Profit from continuing operations</b>	<b>33,193</b>	<b>3,832</b>	<b>(3,809)</b>	<b>33,216</b>
Segment Assets	663,141	315,887	528,911	1,507,939
Segment Liabilities	129,842	149,744	258,419	538,005
<b>Net Assets</b>	<b>533,299</b>	<b>166,143</b>	<b>270,492</b>	<b>969,934</b>
Capital Expenditure	11,003	16,927	514	28,444
Depreciation	22,561	22,097	2,322	46,980

	Hotels & Property	Logistics	Commercial & Investment	Total
	K'000	K'000	K'000	K'000
<b>2020</b>				
External Revenue	93,105	166,746	1,871	261,722
Interest Revenue	9,994	1,732	600	12,326
Interest Expense	(8,989)	(805)	1,907	(7,887)
Segment Results	21,428	5,407	(8,073)	18,762
Add: Share of Associate & Joint Venture Profit	-	4	1,678	1,682
<b>Total Segment Result</b>	<b>21,428</b>	<b>5,411</b>	<b>(6,395)</b>	<b>20,444</b>
Income Tax Expense	(6,631)	(1,975)	4,763	(3,843)
<b>Group Profit from continuing operations</b>	<b>14,797</b>	<b>3,436</b>	<b>(1,632)</b>	<b>16,601</b>
Segment Assets	710,093	361,269	398,571	1,469,933
Segment Liabilities	234,674	238,259	94,790	567,723
<b>Net Assets</b>	<b>475,419</b>	<b>123,010</b>	<b>303,781</b>	<b>902,210</b>
Capital Expenditure	23,381	14,292	315	37,988
Depreciation	22,481	19,956	1,229	43,666

## 10. Borrowings

Bank facilities with Westpac Bank, amounting to K140m, expired in August 2021. Although we have re-negotiated the facilities on similar terms, the necessary documentation was not executed at period end. This has resulted in the amounts outstanding under these facilities being classified as current liabilities, being due within the next 12 months. The new facilities are now documented and in place.

## 11. Comparatives

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

## 12. Subsequent events

The sale of Croesus Holdings Limited and Croesus Re PPC Ltd John Swire & Sons Ltd at net book value was agreed in August 2021 (completion is pending approval from Isle of Man FSA). The sale will result in no material gain or loss for the Group. Refer to Note 4.

The extension of bank facilities with Westpac Bank to maturity date in August 2023 was approved in August 2021. Refer to Note 10.



## 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 2021 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 2021