



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 2023 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.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in blue ink that reads "J Grasso".

Jonathan Grasso
Partner

Registered under the Accountants Act 1996

Port Moresby
31 August 2023

PricewaterhouseCoopers, PwC Haus, Level 6, Harbour City, Konedobu, PO Box 484
Port Moresby, Papua New Guinea

T: +675 321 1500 / +675 305 3100, www.pwc.com/pg

Appendix 5B

Half yearly results

Name of entity

Steamships Trading Company Limited

ARBN

055836952

Half year ended ('current period')

30 June 2023

Results for announcement to the market—

K'000

Revenues from ordinary operations	Up/ Down	2.3%	T	315,736
Profit (loss) from ordinary operations after tax	Up/ Down	39.4%	T	24,260
Profit (loss) attributable to members	Up/ Down	38.5%	T	24,225
Dividends (distributions)				
	Amount per security		Franked amount per security	
Final Dividend – 2022	70t		0t	
Interim Dividend – 2023*	35t		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 consolidated financial statements for the half-year ended 30 June 2023.

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
L.M. Bromley	Director since 2019
D.H. Cox OL, OBE	Director since 2003
Lady W.T. Kamit, CBE	Director since 2005, resigned on 15 th June 2023
M.R. Scantlebury	Director since 2016
J.B. Rae Smith	Director since 2019

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 K24.2 million for the six months to June 2023, a decrease of 38.5% over the same period in 2022. There were no significant items (which are considered non-recurring in nature) effecting profit after tax and minority interests.

Revenue from ordinary operations increased 2.3% to K315.7 million compared to the same period last year. Although we saw a strong recovery from the COVID-19 pandemic in 2022, this momentum has faltered in 2023. The core economy remains fragile with a few isolated areas of growth, albeit constrained by structural challenges.

The charge for depreciation for the year to date of K51.6 million compared to K46.4 million in the same period in 2022 (excluding impairments). Recognising the recovery in the underlying economic fundamentals and positive outlook, capital investment increased for the six months, being K163.1 million (through existing facilities and available funding arrangements) against K76.1 million in 2022.

The group's net operating cash flow generation decreased to K54.3 million from K100.1 million in 2022. The group had K5.7 million in cash, bank and short-term deposits on 30th June 2023 (K85.5 million on 30th June 2022). Cash reserves were accumulated during the COVID-19 period and have reduced to meet operating and capital expenditure needs.

Considering the impact of the material decrease in half-year results, an interim dividend of 35 toea has been proposed, subject to Board approval.

Logistics

The four logistics businesses of the group, now integrated into a single division under common management continue to strive for improved customer service. The Logistics division has reported a weak first half-year performance, on reduced demand for scheduled liner coastal shipping and general cartage. Trading conditions remain difficult.

Domestic shipping and port operations (Consort Express Lines and JV Port Services) have increased capacity ahead of the expected growth in demand, primarily from the resource projects. Three additional tugs and four barges were acquired, as well as considerable shore-based equipment. The outlook for the balance of the year for project and charter work looks promising, whilst scheduled liner services expect continued softness in demand.

Pacific Towing has been busily engaged on salvage work in 2023 whilst maintaining a reliable core harbour towage service. The latter service is a more stable and predictable offering and, combined with the ad-hoc salvage work so far, should ensure that Pacific Towing meets its financial performance goals for the year.

EastWest Transport has experienced a challenging six months. Results are lower than the same period in 2022 and have not met management's expectations. Although demand for fuel deliveries has increased, general cartage demand remains weak. Management is committed to an improvement plan and has invested in new trucks, systems and increased operational management resources.

Property and Hospitality

Demand for property, particularly premium residential, is steadily improving and the division reports an improved profit for the year to date. Completion of the mixed-use development, Harbourside South, is expected in late 2023 and will open with 88 Marriott Executive Apartments. Global supply chain constraints and inflationary pressure have resulted in increased costs. The division took occupancy of the undeveloped land at Motukea, known as Portside. Early interest from potential tenants is encouraging. Various other exciting new development projects are under consideration as the business outlook improves.

Coral Sea Hotels experienced a positive six months as demand for hospitality (rooms, conferences and food and beverage offerings) and rates, exceeded expectations. The Radisson branded Grand Papua Hotel especially is reporting strong growth. Challenges are anticipated for the division until underlying demand proves more embedded.

Investments

Colgate Palmolive, a PNG joint venture, reported a good result, with slightly lower volumes in the major sales categories, compensated by higher selling prices, resulting in an increased sales revenue for the six months to June 2023. Notably, the Oral and Personal Care categories showed growth compared to the same period last year. Home Care category sales however were impacted by the imposition of higher import duty on raw materials and sales volume declined as prices were increased as a result.

Trading outlook

Business activity remains muted. Access to foreign currency is difficult for all businesses. There is however some optimism that business demand is starting to recover, ahead of the Papua LNG project and re-opening of the Porgera mine. PNG should witness economic growth in the years ahead. There is encouraging progress, albeit uneven, on the various resource projects.

PNG appears, for now, to be somewhat sheltered from the gloomy global economic outlook with higher interest rates and recessions forecast. However, PNG is not immune to these global trends and must make the most of its opportunities.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	6 months ended 30 June 2023 K'000	6 months ended 30 June 2022 K'000
Revenue		
Revenue from operations	315,736	308,723
Operating expenses		
Cost of goods and services	(47,994)	(44,420)
Staff costs	(74,547)	(64,143)
Depreciation and amortisation	(51,608)	(46,433)
Electricity and fuel	(11,388)	(10,372)
Insurance	(4,927)	(6,967)
Security costs	(6,490)	(6,707)
Motor vehicle and vessel expenses	(27,987)	(27,808)
Fixed assets write-off	-	(100)
Finance income / (costs) - net	96	(229)
Other operating expenses	(61,148)	(47,927)
Share of net profit of associates and joint venture entities accounted for using the equity method	3,504	3,659
	33,247	57,276
Profit from operations before income tax		
Income tax expense (Note 6)	(8,987)	(17,263)
	24,260	40,013
Profit for the six-month period		
	24,260	40,013
Profit attributable to Continuing Operations		
	24,260	40,013
Profit/total comprehensive income is attributable to:		
Owners of Steamships Trading Company Limited	24,225	39,379
Minority interest	35	634
	24,260	40,013
Earnings per security (EPS)		
Basic & Diluted EPS (total profit)	78.1t	127.0t
Basic & Diluted EPS (continuing)	78.1t	127.0t

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 2023**

	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 2022	24,200	1,020,779	(40,295)	1,004,684	16,245	1,020,929
Profit for the period	-	39,379	-	39,379	634	40,013
Dividends	-	(20,155)	-	(20,155)	-	(20,155)
Balance at 30 June 2022	24,200	1,040,003	(40,295)	1,023,908	16,879	1,040,787
Profit for the period	-	38,761	-	38,761	822	39,583
Dividends	-	(35,659)	-	(35,659)	(642)	(36,301)
Balance at 31 Dec 2022	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

**CONDENSED CONSOLIDATED
BALANCE SHEET**

	As at 30 June 2023 K'000	As at 31 Dec 2022 K'000	As at 30 June 2022 K'000
Current Assets			
Cash, bank and short-term deposits	19,048	53,436	86,001
Receivables and prepayments	165,379	147,620	185,306
Inventories	33,769	28,463	25,123
Income tax receivable	2,240	12,088	18,060
Asset held for sale	3,001	3,001	-
Total Current Assets	223,437	244,608	314,490
Non-Current Assets			
Property, plant and equipment	675,283	558,555	577,476
Investment properties	382,457	388,896	384,246
Investments in related companies	46,367	45,458	43,123
Goodwill	76,433	76,433	76,433
Loans to related companies	212,587	199,723	182,775
Deferred tax asset	2,020	2,020	1,180
Total Non-Current Assets	1,395,147	1,271,085	1,265,233
Total Assets	1,618,584	1,515,693	1,579,723
Current Liabilities			
Trade and other payables	154,991	108,038	112,455
Lease liabilities	2,497	2,667	2,155
Provisions	27,898	5,635	48,467
Loans from related companies	2,691	2,902	2,608
Loans from minority shareholder	160	160	160
Borrowings (Note 10)	267,853	240,022	52,060
Total Current Liabilities	456,090	359,424	217,905
Non-Current Liabilities			
Lease liabilities	56,172	57,245	58,128
Deferred tax liability	18,461	24,379	28,011
Borrowings (Note 10)	30,000	20,000	224,500
Long service leave	11,238	10,576	10,392
Total Non-Current Liabilities	115,871	112,200	321,031
Total Liabilities	571,961	471,624	538,936
Net Assets	1,046,623	1,044,069	1,040,787
Share Capital and Reserves			
Issued capital	24,200	24,200	24,200
Reserves	1,005,329	1,002,810	999,708
Capital and reserves attributable to the company's shareholders	1,029,529	1,027,010	1,023,908
Minority shareholders' interest	17,094	17,059	16,879
Total Capital and Reserves	1,046,623	1,044,069	1,040,787

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	6 months ended 30 June 2023 K'000	6 months ended 30 June 2022 K'000
Cash flows related to operating activities		
Receipts from customers	285,361	301,712
Payments to suppliers and employees	(220,409)	(201,364)
Interest and other items of similar nature received	1,241	6,242
Interest and other costs of finance paid	(5,286)	(6,471)
Income taxes paid	(6,652)	-
Net operating cash flows	54,255	100,119
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(114,691)	(76,135)
Proceeds from sale of property, plant and equipment	35	400
Dividends received from an associate	2,500	2,500
Loans issued to related companies	(12,864)	(15,093)
Net investing cash flows	(125,020)	(88,328)
Cash flows related to financing activities		
Proceeds from borrowings	40,000	30,000
Repayments of borrowings	(15,000)	(15,000)
Loans repaid to related companies	(211)	(179)
Lease repayments	(1,243)	(2,399)
Net financing cash flows	23,546	12,422
Net (decrease) / increase in cash held	(47,219)	24,213
Cash at beginning of period	52,914	61,254
Cash at end of period <i>(see Reconciliation of cash)</i>	5,695	85,467

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	19,048	86,001
Bank overdraft	(13,353)	(534)
Total cash at end of period	5,695	85,467

OTHER NOTES TO THE CONDENSED 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	10.5%	18.6%
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	2.4%	3.9%

Earnings per security (EPS)

Calculation of the following in accordance with *LAS33: Earnings per Share*

(a) Basic EPS – total earnings	78.1t	127.0t
Basic EPS – continuing	78.1t	127.0t
(b) Diluted EPS – total earnings	78.1t	127.0t
Diluted EPS - continuing	78.1t	127.0t
(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	K31.29	K31.10
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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 Ltd	50	50	3,045	2,767
Riback Stevedores Ltd	49	49	-	-
Makerio Stevedoring Ltd	45	45	(199)	55
Nikana Stevedoring Ltd	45	45	50	46
Harbourside Development Ltd	50	50	-	-
Pacific Rumana Ltd	50	50	244	185
Viva No 31 Ltd	50	50	(45)	(18)
Wonye Limited	50	50	409	624
Total			3,504	3,659

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.

Previous Period

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

4. Asset held for sale

Assets held for sale relate to Consort's vessel Balimo Chief which was sold in July 2023 for USD1.3 million.

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 2022. 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.

6. 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	33,247	57,276
Prima facie tax on profit before income tax at 30%	9,974	17,183
Share of profit of associates and joint ventures	(1,051)	(1,568)
Tax on non-assessable income	183	-
Adjustments of current tax of prior periods	(132)	1,655
Other	13	(7)
	<u>8,987</u>	<u>17,263</u>

7. 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.

8. Capital Commitments

As at 30 June 2023 the group had contracts outstanding for capital expenditure of K73.6 million in respect of property developments and all due within 12 months (prior year capital commitments of K82.4 million all due within 12 months).

9. 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
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	(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

	Property and Hospitality	Logistics	Commercial and Investment	Total
	K'000	K'000	K'000	K'000
2022				
External Revenue	121,914	185,625	1,184	308,723
Interest Revenue	12	142	6,088	6,242
Interest Expense	(1,430)	(3,606)	(1,435)	(6,471)
Segment Results	38,014	22,864	(7,261)	53,617
Add: Share of Associate and Joint Venture Profit	791	101	2,767	3,659
Total Segment Result	38,805	22,965	(4,494)	57,276
Income Tax Expense	(12,140)	(7,301)	2,178	(17,263)
Group Profit from continuing operations	26,665	15,664	(2,316)	40,013
Segment Assets	706,793	372,459	500,471	1,579,723
Segment Liabilities	(50,627)	(183,315)	(304,994)	(538,936)
Net Assets	656,166	189,144	195,477	1,040,787
Capital Expenditure	11,852	63,969	314	76,135
Depreciation	22,899	22,331	1,203	46,433

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

10. Borrowings

As at period end the bank facilities of K170 million with Westpac Bank PNG Limited expiring on 31 August 2023, and K305 million with ANZ Banking Group (PNG) Limited expiring on 26 November 2023, respectively, were pending execution of the amended deeds to extend the facilities for a further 3 years. This has resulted in the amounts outstanding under these facilities being classified as current liabilities, being due within the next 12 months.

11. Net current liabilities

As at 30th June 2023, the Company has a Net Current Liability position of K232.7 million. As disclosed in Note 10, the Company's loan facilities with Westpac and ANZ banks will mature in August and November 2023, respectively. The drawn balances are therefore classified under current liabilities as at 30th June 2023. The Company will use a combination of operating cash flows and facilities to meet all its current liabilities.

12. Subsequent events


The extension of bank facilities with Westpac and ANZ banks to maturity dates in August 2026 and November 2026, respectively, were approved in August 2023.


As disclosed in Note 4, the Company entered into the Memorandum of Agreement for the sale and purchase of Balimo Chief. The sale was completed on 13th July 2023.

13. 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.


G.L. Cundle
Chairman


R.P.N. Bray
Managing Director