



STEEL & TUBE

HALF YEAR REPORT 2003



DIRECTORS' REPORT

OF STEEL & TUBE HOLDINGS LIMITED AND SUBSIDIARIES FOR THE 6 MONTHS ENDED 31 DECEMBER 2003

Results

These financial statements were authorised for issue on 16 February 2004.

Your Directors are pleased to report that the result for the six months ended 31 December 2003 was an after tax profit of \$11.95 million. This is an improvement of 9.0% or \$1.0 million when compared with the previous result.

Sales during this period increased by \$23.4 million to \$184.69 million due to the inclusion of Hurricane Wire Products, which was acquired in April 2003.

Dividend

The Directors have declared a dividend of 12 cents per share which will be paid on 12 March 2004 to holders of fully paid ordinary shares registered at 5 March 2004. The amount payable is \$10.56 million. This dividend carries full imputation credits and a supplementary dividend of 2.1176 cents will be paid to non-resident shareholders.

Performance

The New Zealand economy proved more resilient than anticipated due to the continuation of strong consumer spending, led by historically high employment rates, low interest rates, and high net migration, boosting demand for new residential housing to record levels. Commercial construction activity for the period July to September however was lower than the previous comparable period but has since gathered substantial momentum.

Demand for the Company's goods and services from the lower North Island and the South Island regions retreated slightly, however, growth from the northern region more than offset any reduction in activity from these areas.

The Steel Distribution and Processing business increased volumes slightly in the period under review. Sales revenue however decreased as the average price of replacement steel in NZ dollar terms reduced due to the strong currency appreciation relative to the US dollar. Strong world demand for steel and the continuation of substantial rises in input costs like scrap steel, iron ore and ocean freight will however see a reversal of this trend in the second half.

The Roofing Products business performed at record levels due to the strong demand for roofing and cladding products from the construction of new residential property and the commercial building sector. The Reinforcing business is also performing well due to obtaining a better mix of commercial contracts relative to last year.

The recently acquired business Hurricane Wire Products produced similar results to last year. Although volume to the rural sector was slightly lower, this was offset by higher volumes to the building and construction sectors.

Outlook

The overall trading environment for the second half of the financial year is expected to remain similar to that encountered in the first half with any softening in the rural and manufacturing sectors to be offset by increased demand from the construction sector.



Bob Every
Chairman



Nick Calavrias
Chief Executive Officer

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE 6 MONTHS ENDED 31 DECEMBER 2003

	6 months 31 Dec 2003	6 months 31 Dec 2002	12 months 30 Jun 2003
	\$000	\$000	\$000
Sales	184,695	161,336	327,957
Earnings before interest and tax	19,424	17,190	34,284
Interest income	31	22	116
Interest expense	(907)	(367)	(955)
Profit before tax	18,548	16,845	33,445
Tax expense	(6,597)	(5,895)	(11,923)
Profit attributable to parent company shareholders	11,951	10,950	21,522

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

FOR THE 6 MONTHS ENDED 31 DECEMBER 2003

	6 months 31 Dec 2003	6 months 31 Dec 2002	12 months 30 Jun 2003
	\$000	\$000	\$000
Net profit for the period	11,951	10,950	21,522
Movements in share capital	251	11	(4)
Dividends paid to shareholders	(19,331)	(8,787)	(18,453)
Movements during the period	(7,129)	2,174	3,065
Equity at beginning of period	126,597	123,532	123,532
Equity at end of period	119,468	125,706	126,597

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2003

	31 Dec 2003	31 Dec 2002	30 Jun 2003
	\$000	\$000	\$000
Equity			
Paid up share capital	69,884	69,648	69,633
Retained earnings	49,584	56,058	56,964
	119,468	125,706	126,597
Non-current liabilities			
	10,000	-	10,000
Current liabilities			
Borrowings	22,402	3,223	17,242
Payables and accruals	28,579	27,059	30,923
	50,981	30,282	48,165
	180,449	155,988	184,762
Non-current assets			
Property, plant and equipment	40,763	37,779	41,162
Goodwill	20,960	10,314	22,326
Future income tax benefit	3,292	4,236	3,323
Long term receivable	-	182	-
	65,015	52,511	66,811
Current assets			
Inventories	56,267	48,449	54,935
Receivables and prepayments	59,167	55,028	63,016
	115,434	103,477	117,951
	180,449	155,988	184,762

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2003

	6 months 31 Dec 2003	6 months 31 Dec 2002	12 months 30 Jun 2003
	\$000	\$000	\$000
Net cash flows from/(used in) operating activities			
Receipts from customers	187,566	163,941	329,069
Interest received	31	22	116
Payments to suppliers and employees	(164,961)	(145,220)	(290,112)
Income taxes paid	(5,448)	(4,059)	(11,185)
Interest paid	(907)	(367)	(955)
	<u>16,281</u>	<u>14,317</u>	<u>26,933</u>
Net cash flows from/(used in) investing activities			
Sale of fixed assets	233	523	799
Proceeds from disposal of subsidiary	-	-	149
Purchase of business assets	-	-	(24,779)
Purchase of fixed assets	(2,594)	(2,661)	(5,261)
	<u>(2,361)</u>	<u>(2,138)</u>	<u>(29,092)</u>
Net cash flows from/(used in) financing activities			
Borrowings	-	-	10,000
Share capital paid up	251	11	11
Repurchase and cancellation of shares	-	-	(15)
Dividends paid to majority shareholder	(9,791)	(4,451)	(9,347)
Dividends paid to other shareholders	(9,540)	(4,336)	(9,106)
	<u>(19,080)</u>	<u>(8,776)</u>	<u>(8,457)</u>
Net (decrease)/increase in cash balances	(5,160)	3,403	(10,616)
Cash at beginning of period	(17,242)	(6,626)	(6,626)
Cash at end of period	<u>(22,402)</u>	<u>(3,223)</u>	<u>(17,242)</u>
Cash comprises bank overdraft/call borrowings	<u>(22,402)</u>	<u>(3,223)</u>	<u>(17,242)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE 6 MONTHS ENDED 31 DECEMBER 2003

	6 months 31 Dec 2003	6 months 31 Dec 2002	12 months 30 Jun 2003
	\$000	\$000	\$000
Reconciliation of profit after tax to net cash flows from operating activities			
Profit after tax	11,951	10,950	21,522
Items classified as investing/financing activities:			
(Gain)/loss on sale of fixed assets	(38)	(29)	32
Gain on disposal of subsidiary	-	-	(149)
	(38)	(29)	(117)
Non-cash items:			
Depreciation	2,798	2,489	5,250
Bad debts written off	58	113	514
Amortisation of goodwill	1,366	716	1,755
Future income tax benefit	31	(84)	829
	4,253	3,234	8,348
Movements in working capital items:			
Income tax	1,118	1,920	(91)
Receivables and prepayments	2,673	3,148	953
Payables and accruals	(2,344)	(4,083)	(2,749)
Inventories	(1,332)	(823)	(933)
	115	162	(2,820)
Net cash inflows from operating activities	16,281	14,317	26,933

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2003

1. Statement of accounting policies

The accounting policies applied in the preparation of the interim financial statements are consistent with those used in the annual report for the twelve months ended 30 June 2003, and the previous 6 months ended 31 December 2003.

These statements have been prepared in accordance with FRS 24: Interim Financial statements, it is recommended that these statements be read in conjunction with the annual report for the year ended 30 June 2003.

There have been no changes to accounting policies.

	31 Dec 2003	31 Dec 2002	30 Jun 2003
	\$000	\$000	\$000
2. Operating lease commitments:			
Within 1 year	5,376	3,795	5,241
Within 1-2 years	5,051	3,375	4,984
Within 2-5 years	9,656	7,290	10,693
Beyond 5 years	4,321	1,414	4,135
	24,404	15,874	25,053
3. Contingent liabilities			
Guarantees under contracts and other contingent liabilities of the Group	1,196	2,560	2,575



Steel & Tube Holdings Limited

DIRECTORY

Steel & Tube Holdings Limited

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Chief Executive Officer, Nick Calavrias
Company Secretary, Tony Candy
Website: www.steelandtube.co.nz

Steel & Tube Distribution & Processing

Executive General Manager and
Chief Executive Officer, Nick Calavrias

Northern Region
General Manager, Jon Gousmett,

Central & Southern Region
General Manager, Terry Carter

Steel & Tube Fastening Supplies

General Manager, Jim Peterson

Steel & Tube Piping Systems

General Manager, Graham Purvis

Steel & Tube Reinforcing & Fabrication

General Manager, Roger O'Neill

Steel & Tube Roofing Products

General Manager, Mark Winnard

Hurricane Wire Products

General Manager, Stuart Spittle