1999 ANNUAL REPORT

# Steel & Tube Holdings Limited

FOCUSING ON OUR CORE BUSINESS

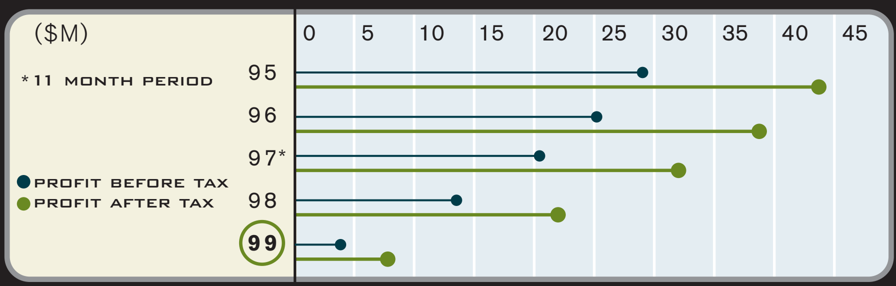
# 9

PAGE

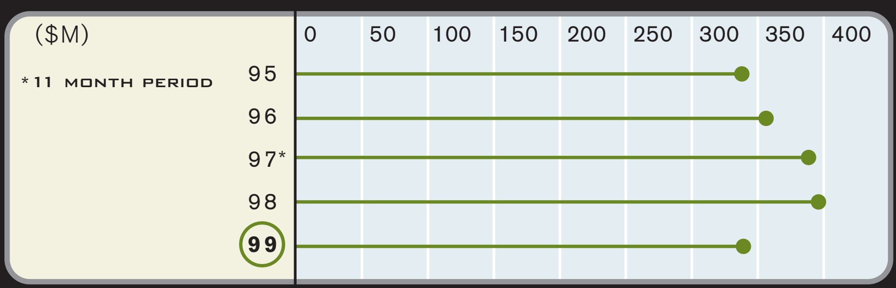
# 1999 HIGHLIGHTS

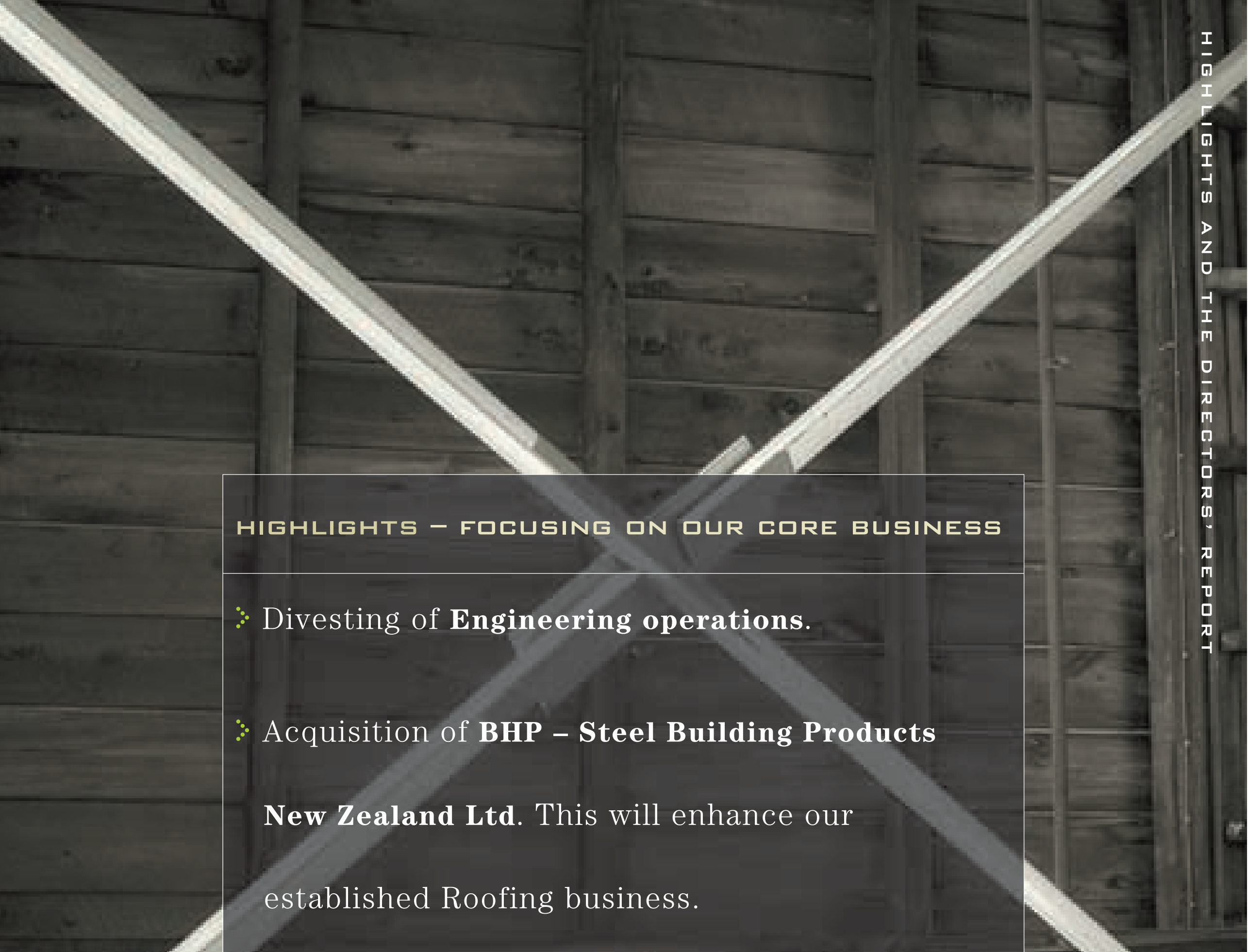
ABOVE: **Tararua Wind Farm.** 48 towers produced from 1700 tonnes of steel. These towers were manufactured by Eastbridge Ltd. In addition CP Reinforcing supplied a further 370 tonnes for the foundations.

## Profit




## Total Sales

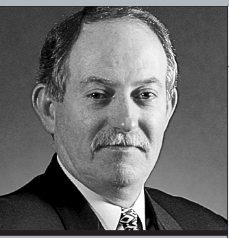




## HIGHLIGHTS – FOCUSING ON OUR CORE BUSINESS

- Divesting of **Engineering operations**.
- Acquisition of **BHP – Steel Building Products New Zealand Ltd**. This will enhance our established Roofing business.
- **A J Forsyth & Company Limited.** Further operational efficiencies obtained in a very difficult trading environment.
- **Steel Distribution & Processing**. Increased sales and market share for value added products in South Island.
- **Metal Fastening** operations showed improved results over last year.
- Continued improvement shown in the Group's **Health and Safety** record.

# BOARD OF DIRECTORS



## DR R L EVERY — CHAIRMAN

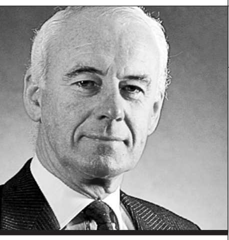
Dr Every was appointed Chairman of the Board on 18 October 1996. He was appointed to the Board from Tubemakers of Australia Limited as an Executive Director in 1988. He was Chief Executive Officer of Steel & Tube Holdings Limited from 1 August 1989 until 30 June 1991. He was appointed Managing Director of Tubemakers of Australia Limited on 1 January 1996, Group General Manager and Chief Executive Officer of BHP Steel Products in 1997 and President of BHP Steel, located in Melbourne, on January 1999.

## MR N CALAVRIAS — CHIEF EXECUTIVE OFFICER

In September 1990 Mr Calavrias was appointed Executive Director following the acquisition of the Acorn Pacific Corporation Group of which he was Managing Director. He was appointed Chief Executive Officer of the Group from 1 July 1991 and is a Director of all subsidiary companies of Steel & Tube Holdings Limited. Mr N Calavrias is a member of the New Zealand Business Roundtable.

## MR B L CARRASCO

Appointed a Director in 1998. Mr Carrasco is Vice President Finance, BHP Steel and a Director of A J Forsyth & Company Limited.



## MR B M J DINEEN

Appointed a Director in 1994, Mr Dineen was formerly Chairman and Managing Director of the Shell Companies in New Zealand. He is currently Chairman of the New Zealand Wool Testing Authority Limited and a Director of the National Bank of New Zealand Limited, Todd Corporation Limited, New Zealand Symphony Orchestra Limited, Rangatira Limited, Tru-Test Corporation Limited, Danaflex Packaging Corporation Limited, and a member of the Board of New Zealand Cricket.

## MR P L MULLER

Appointed a Director in 1997, Mr Muller is President of BHP Steel Tubemakers Merchandising Group and is a Director of A J Forsyth & Company Limited.

## MR A S PATERSON

Appointed a Director in 1975, Mr Paterson is a Director of Eldercare New Zealand Limited (formerly New Zealand Petroleum Company Limited) and Tru-Test Corporation Limited.

## MR A C CANDY

Appointed Company Secretary in 1992, Mr Candy joined the Company as Financial Controller of the Merchandising Division in 1988 and is a Director of all subsidiary companies of Steel & Tube Holdings Limited.

# DIRECTORS' REPORT

The Directors present the Annual Report together with the financial statements of the Company and its subsidiaries for the 12 months ended 31 May 1999.

## Results

The year end result was an after tax profit of $3.36 million. The trading losses and close out costs associated with the Engineering business, which were foreshadowed in March 1999, amounted to $6.61 million after tax.

With the disposal of the Engineering business, the Group has refocused on core activities enhanced by the recent acquisition of BHP-Steel Building Products Limited, a major distributor of steel roofing and cladding products throughout New Zealand.

## Dividends

The Directors have declared a final dividend of 4 cents per share which will be paid on 27 August 1999 to holders of fully paid ordinary shares registered at 13 August 1999. The amount payable is $3.5 million. This dividend carries full imputation credits and makes a total distribution for the year of 8 cents, which compares with an amount of 14 cents per share for the previous financial period.

## Financial Position

Shareholders' equity reduced to $126 million from $130 million last year. During the year borrowings reduced by $22 million to $45 million principally due to reduced working capital usage. The gearing ratio (debt : debt plus shareholders' equity) is 0.26 : 1. The Company continues to be in a sound position.

## Auditors

In accordance with section 200 of the Companies Act 1993, the Auditors, PricewaterhouseCoopers, continue in office.

## Directors

In accordance with the Company's Constitution Dr R L Every and Mr A S Paterson will retire by rotation and being eligible, offer themselves for re-election.

## Committees of the Board

The Board of Directors has an Audit Committee comprising Messrs B L Carrasco (Chairman), A S Paterson and B M J Dineen. The committee met twice during the year. The role of the Audit Committee is to review the Group's accounting policies, internal controls, statutory compliance and related matters.

## Personnel

The number of employees has reduced to 648 from 1042. This reduction is mainly due to the disposal of Engineering operations during the year.

The Directors wish to acknowledge the contribution made by all staff during a very difficult trading period.

DR R L EVERY
CHAIRMAN OF DIRECTORS

MR N CALAVRIAS
CHIEF EXECUTIVE OFFICER

28 JULY 1999

NICK CALAVRIAS
CHIEF EXECUTIVE OFFICER

A significantly reduced demand for the Company's products and services and the adverse impact of exiting from the Engineering businesses reduced the financial returns to shareholders.

During the year under review, sales and earnings before tax from the New Zealand operations (excluding Engineering) declined by $24.4 million and $5.4 million respectively when compared to the previous year.

The Canadian operations sales and earnings before tax had also declined by C$10.5 million and C$2.8 million respectively.

Trading losses and close out costs associated with the Engineering business amounted to $6.6 million after tax.

## Steel Distribution & Processing

A reduced demand for steel, increased competition and a lowering of the average price of imported steel brought about by surplus steel making capacity in Asia, combined to adversely affect this year's profit.

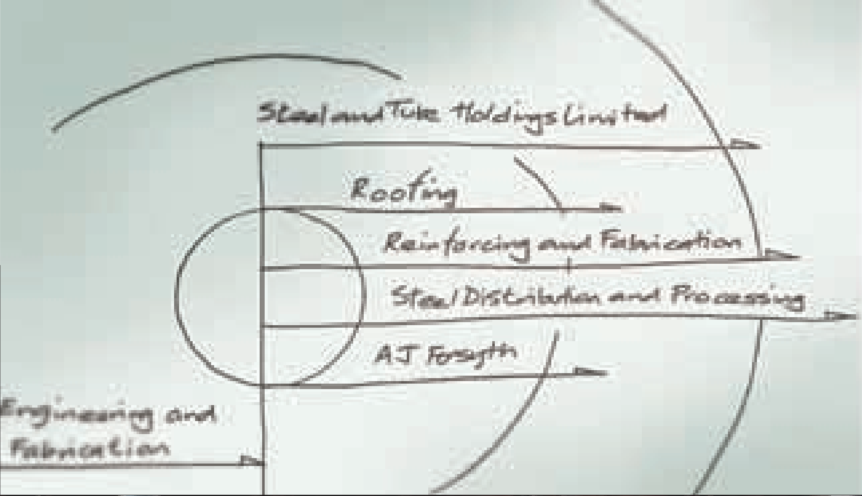
The demand for steel products continued to fall throughout the year as commercial construction, manufacturing and the metal fabrication sectors contracted. Reduced trading opportunities affected the Steel Distribution operations with total volumes declining 12% when compared with last year.

We were however, able to increase sales and market share for value added products in the South Island due in part to upgrading the coil processing equipment and increasing capacity in Christchurch in early 1999.

The Metal Fastening operations, trading as Fastening Supplies, were also able to improve on last year's results. Given the difficult trading environment this was a marvellous achievement.

TERRY CARTER
GENERAL MANAGER
NORTHERN REGION
STEEL DISTRIBUTION

JON GOUSMETT
GENERAL MANAGER
CENTRAL AND SOUTHERN
REGION STEEL
DISTRIBUTION




BELOW: **Manthel Building – Wellington.** **Example of Duragal versatility – internal steel support frame strengthening the seismic structure of a former factory being transformed into office space.**





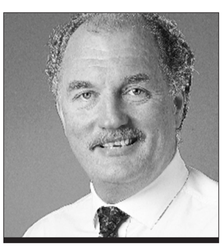
Throughout the year a focus on reducing the operating costs and the funds employed resulted in savings of $1.9 million in operating costs and a reduction in stock and debtors of $4.2 million.

## Reinforcing and Fabrication

Increased competition and a significant reduction in the average cost of steel resulted in the Reinforcing operation posting a reduced profit for the period.

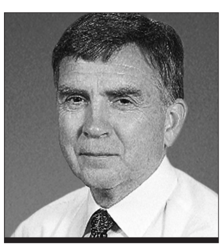
Although the year commenced with substantial orders on hand, by October 1998 it was apparent that the second half of the year would see a significant decline in contract opportunities. In addition to this, the geographical spread of contracts was of concern. At various times through the year, each location (other than Auckland) was adversely affected by a significant reduction in available work.

The amount of work obtained in Auckland during the year, however, enabled the total volume processed by the Reinforcing operations to be similar to last year.



**ROGER O'NEILL**

GENERAL MANAGER
REINFORCING FABRICATION AND ROOFING



**DUNCAN THOMAS**

PRESIDENT
A J FORSYTH & COMPANY LIMITED

ABOVE: North Harbour Stadium – Albany. Roof and cladding supplied by BHP Roofing.

Major contracts of interest that were supplied during the year were:

| | | |
|---|---|---|
| Auckland | Metropolis Apartments | 2000 tonnes |
| Auckland | Central Remand Prison | 1000 tonnes |
| Auckland | Eden Park Stand | 700 tonnes |
| Auckland | Auckland Viaduct | 675 tonnes |
| Auckland | Alpurt-Bridge Extensions | 400 tonnes |
| Auckland | Manukau District Court | 200 tonnes |
| Hamilton | Anchor Dairy Powder Dryer | 600 tonnes |
| Christchurch | Distribution Centre | 320 tonnes |
| Christchurch | Picton Sewerage | 200 tonnes |
| Dunedin | Information Services Building | 310 tonnes |

## Engineering and Fabrication

The severe downturn in the heavy engineering sector experienced last year continued throughout this financial year. Attempts were made to restructure and downsize the operations to a point where they would be profitable in the current economic environment, however this was unable to be achieved.

The decision was taken in early December 1998 by the Company to divest itself of the Engineering business which had been part of the Group since 1972. The divestment was completed by March 1999.

## A J Forsyth & Company Limited

The slow down in economic activity throughout British Columbia brought about in part by reduced exports to Asia severely impacted the financial results when compared with the previous period.

The recent operational efficiencies obtained by the Company last year were not enough to shelter the Company from a very difficult trading environment and a reduction in steel volumes of about 14%.

ABOVE LEFT: **WestpacTrust Stadium – Addington. The curved roof was supplied and fitted by BHP Roofing.**

ABOVE RIGHT AND BOTTOM: **Wellington International Airport. 1300 tonnes of reinforcing supplied to the Wellington International Airport main terminal. In addition the roof has been supplied by BHP Roofing.**



In addition to the reduced volumes, the Company had to contend with a substantial reduction in the price of hot rolled steel coil and structural steel products. This in turn impacted on margins.

Further operational efficiencies were obtained throughout the year as we completed another phase of our reorganisation plan. These contributed to ongoing savings of $0.6 million per year.

A new PC based computer system which is Year 2000 compliant was worked on during the second half of the year and was implemented on 1 June 1999.

## Acquisition

On 12 May 1999 the Company signed a conditional agreement with BHP Steel (JLA) Pty Limited to acquire all the shares in BHP-Steel Building Products New Zealand Limited (BHP-SBP) for a net price of about $17.5 million.

BHP-SBP is the second largest manufacturer of steel roofing products and has operations in Whangarei, Auckland, Tauranga, Wellington and Christchurch and has 90 employees. It also manufactures and distributes Waratah steel fence posts.

As BHP is a related party and because the net acquisition price of approximately $17.5 million exceeded 5% of the Company's shareholders' funds, the Listing Rules of the New Zealand Stock Exchange required the Company to seek approval from non-associated shareholders and to obtain an independent appraisal report.

This approval was obtained at a Special Meeting of the Company which was held on Thursday 17 June 1999.

The exiting of the Engineering businesses and the acquisition of BHP-SBP will now enable the Company to fully focus on its core business of steel and allied products.

## Year 2000 Compliance

The majority of computer software world wide is programmed to process transactions using only two digits for the year of transaction (eg. 98 for 1998). Computer systems that do not recognise the Year 2000 will encounter significant processing inaccuracies and in some cases become totally inoperable.

The Company has either upgraded or replaced all critical software to ensure that its operating units are Year 2000 compliant. Testing and remedial work is expected to be complete by the end of September 1999.

The Company relies on a large number of suppliers for its goods and services and cannot guarantee that these will not be disrupted. It also relies on its customers to be Year 2000 compliant so that their business is not disrupted and is able to continue to buy products from the Company.

To minimise the disruption that may occur over this period, the Company is formulating a number of contingency plans to deal with unexpected problems in areas where significant risk to our operations has been identified.

## Health and Safety

Health and safety in the workplace continues to be a focus of the Group's business philosophy with Safety Committees, Management and the Board promoting the importance of safety at all times. This focus has seen a continued improvement in the Group's safety record during the period, leading to greater productivity and cost reductions.

The Group's lost time injury frequency rate reduced during the year to 4.7 per one million hours worked (previously 11.9) while the number of lost time injuries reduced from 25 to 8.

## Outlook

In the 1998 Annual Report I stated that "reduced volumes and margin pressure will affect the Company's profit as the difficult trading conditions encountered throughout the year are expected to continue for both New Zealand and the Canadian operations in the year ahead". Unfortunately this proved to be very accurate.

The year ahead is expected to be another challenging year. The current economic growth is being led by domestic consumption and unless this spreads to the wider business community some time soon, the economic recovery is likely to stall. Provided that the recovery does not stall, then there is the expectation of a similar result to last year for the ongoing businesses.

The Company's profit will be further enhanced by the recent acquisition of BHP-SBP.

MR N CALAVRIAS
CHIEF EXECUTIVE OFFICER

# FINANCIAL STATEMENTS

## Statement of Financial Performance

OF STEEL & TUBE HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 MAY 1999

| | NOTES | GROUP 1999 ($000) | GROUP 1998 ($000) | PARENT 1999 ($000) | PARENT 1998 ($000) |
|---|---|---|---|---|---|
| **Sales** | | | | | |
| Continued activities | | **305,425** | 344,963 | **218,472** | 242,911 |
| Discontinued activities | | **32,476** | 50,252 | **32,476** | 50,252 |
| | | **337,901** | 395,215 | **250,948** | 293,163 |
| **Profit/(loss) before taxation** | | | | | |
| Continued activities | | **16,973** | 26,060 | **15,453** | 20,873 |
| Discontinued activities | | **(9,246)** | (4,137) | **(9,246)** | (4,137) |
| | 3 | **7,727** | 21,923 | **6,207** | 16,736 |
| Tax expense | 4 | **4,019** | 8,580 | **2,825** | 5,882 |
| **Profit after taxation** | | **3,708** | 13,343 | **3,382** | 10,854 |
| Minority interest in profit of subsidiary | | **(344)** | (1,406) | **–** | – |
| **Profit attributable to the shareholders of the parent company** | | **$3,364** | $11,937 | **$3,382** | $10,854 |

## Statement of Movements in Equity

OF STEEL & TUBE HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 MAY 1999

| | GROUP 1999 ($000) | GROUP 1998 ($000) | PARENT 1999 ($000) | PARENT 1998 ($000) |
|---|---|---|---|---|
| Equity at the beginning of the year | **129,617** | 124,213 | **118,329** | 116,028 |
| Net profit for the year | **3,364** | 11,937 | **3,382** | 10,854 |
| Net movement in revaluation of assets reserve | **–** | – | **(265)** | 3,498 |
| Net movement in foreign currency translation reserve | **(247)** | 2,415 | **–** | – |
| Total recognised revenue and expenses for the year | **3,117** | 14,352 | **3,117** | 14,352 |
| Increase in minority interest | **76** | 3,103 | **–** | – |
| Increase in paid-up capital | **29** | 228 | **29** | 228 |
| Dividends | **(7,019)** | (12,279) | **(7,019)** | (12,279) |
| Supplementary dividends | **(997)** | (1,441) | **(997)** | (1,441) |
| Foreign investor tax credit | **997** | 1,441 | **997** | 1,441 |
| **Equity at the end of the year** | **$125,820** | $129,617 | **$114,456** | $118,329 |

# Statement of Financial Position

OF STEEL & TUBE HOLDINGS LIMITED AND ITS SUBSIDIARIES

AS AT 31 MAY 1999

| | NOTES | GROUP 1999 ($000) | GROUP 1998 ($000) | PARENT 1999 ($000) | PARENT 1998 ($000) |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| Paid up capital | 8 | **69,341** | 69,312 | **69,341** | 69,312 |
| Reserves | 9 | **1,333** | 1,580 | **3,592** | 3,857 |
| Retained earnings | | **43,782** | 47,437 | **41,523** | 45,160 |
| **Shareholders' funds** | | **114,456** | 118,329 | **114,456** | 118,329 |
| Minority interest | | **11,364** | 11,288 | – | – |
| | | **125,820** | 129,617 | **114,456** | 118,329 |
| **Non Current Liabilities** | 10 | **27,657** | 10,000 | **15,000** | 10,000 |
| **Current Liabilities** | | | | | |
| Short term borrowings | 11 | **17,322** | 57,242 | **11,526** | 27,642 |
| Accounts payable | 12 | **24,821** | 21,908 | **17,693** | 15,663 |
| Provision for tax | | **–** | 24 | **–** | – |
| Proposed dividend | 6 | **3,510** | 6,141 | **3,510** | 6,141 |
| | | **45,653** | 85,315 | **32,729** | 49,446 |
| | | **$199,130** | $224,932 | **$162,185** | $177,775 |
| **Non Current Assets** | | | | | |
| Fixed assets | 13 | **63,612** | 68,995 | **40,288** | 45,085 |
| Investments | 14 | **300** | – | **14,289** | 14,554 |
| Goodwill | | **4,211** | 7,339 | **1,828** | 4,535 |
| Future income tax benefit | 5 | **1,100** | 458 | **2,264** | 1,541 |
| Long term receivables | 15 | **995** | 17 | **1,738** | 2,965 |
| | | **70,218** | 76,809 | **60,407** | 68,680 |
| **Current Assets** | | | | | |
| Accounts receivable and prepayments | 16 | **66,753** | 70,039 | **53,729** | 52,989 |
| Inventories | 17 | **60,840** | 78,084 | **46,895** | 55,468 |
| Tax refund due | | **1,319** | – | **1,154** | 638 |
| | | **128,912** | 148,123 | **101,778** | 109,095 |
| | | **$199,130** | $224,932 | **$162,185** | $177,775 |

ON BEHALF OF THE BOARD

DATED 28 JULY 1999

DR R L EVERY, CHAIRMAN

MR N CALAVRIAS, CHIEF EXECUTIVE OFFICER

# Statement of Cash Flows

OF STEEL & TUBE HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 MAY 1999

| | NOTES | GROUP 1999 ($000) | GROUP 1998 ($000) | PARENT 1999 ($000) | PARENT 1998 ($000) |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | |
| Cash was provided from/(applied to): | | | | | |
| Receipts from customers | | **341,393** | 397,815 | **253,080** | 295,720 |
| Interest received | | **84** | 297 | **47** | 288 |
| Payments to suppliers and employees | | **(298,577)** | (352,567) | **(225,918)** | (258,829) |
| Income taxes paid | | **(4,917)** | (7,351) | **(3,030)** | (4,940) |
| Interest paid | | **(3,581)** | (5,386) | **(2,196)** | (3,997) |
| Net cash flow from operating activities | | **34,402** | 32,808 | **21,983** | 28,242 |
| **Cash Flows From Investing Activities** | | | | | |
| Cash was provided from/(applied to): | | | | | |
| Repayment of trade advance | | **2,500** | – | **–** | – |
| Sale of fixed assets | | **2,866** | 8,571 | **2,522** | 8,530 |
| Sale of investment | | **–** | 362 | **–** | 362 |
| Sale of engineering division's assets | | **1,649** | – | **1,649** | – |
| Payment of deposit for purchase of Roofing division | 24 | **(2,715)** | – | **(2,715)** | – |
| Purchase of investment | | **(300)** | – | **–** | – |
| Purchase of fixed assets | | **(6,518)** | (10,350) | **(4,924)** | (7,005) |
| Net cash flow (to) / from investing activities | | **(2,518)** | (1,417) | **(3,468)** | 1,887 |
| **Cash Flows From Financing Activities** | | | | | |
| Cash was provided from/(applied to): | | | | | |
| Repayment of subsidiary advance | | **–** | – | **2,222** | – |
| Proceeds from call on shares | | **29** | 228 | **29** | 228 |
| Net settlement from total borrowings | | **(18,750)** | (15,873) | **(10,000)** | (15,000) |
| Dividends paid | | **(9,650)** | (14,870) | **(9,650)** | (14,870) |
| Net cash flow to financing activities | | **(28,371)** | (30,515) | **(17,399)** | (29,642) |
| Net cash flow | | **3,513** | 876 | **1,116** | 487 |
| Opening cash brought forward | | **(4,507)** | (5,383) | **(2,642)** | (3,129) |
| **Closing cash carried forward** | | **(994)** | (4,507) | **(1,526)** | (2,642) |
| Cash is comprised of: | | | | | |
| Bank overdraft | | **(994)** | (4,507) | **(1,526)** | (2,642) |
| | | **(994)** | (4,507) | **(1,526)** | (2,642) |

# Statement of Cash Flows (continued)

OF STEEL & TUBE HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 MAY 1999

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | **1999 ($000)** | 1998 ($000) | **1999 ($000)** | 1998 ($000) |
| **Reconciliation of Profit After Taxation To Cash Flow From Operating Activities** | | | | |
| Profit after taxation | **3,708** | 13,343 | **3,382** | 10,854 |
| Add/(Less) items classified as Investing or Financing activities: | | | | |
| Net loss/(gain) on sale of fixed assets | **(40)** | 14 | **(40)** | 14 |
| | **(40)** | 14 | **(40)** | 14 |
| Add non cash items: | | | | |
| Depreciation | **6,807** | 6,547 | **5,270** | 5,142 |
| Bad debts written off | **928** | 906 | **861** | 534 |
| Amortisation of goodwill | **3,079** | 2,047 | **2,707** | 1,668 |
| Increase in future income tax benefit | **(642)** | (137) | **(723)** | (516) |
| | **10,172** | 9,363 | **8,115** | 6,828 |
| Movements in working capital items: | | | | |
| (Decrease)/increase in income tax payable | **(1,343)** | 428 | **(516)** | 207 |
| Decrease/(increase) in accounts receivable and prepayments | **2,149** | 7,080 | **(1,601)** | 9,795 |
| Increase/(decrease) in accounts payable and provisions | **2,913** | (6,156) | **2,030** | (5,266) |
| Decrease in inventories | **17,244** | 7,976 | **8,573** | 12,448 |
| Movements in working capital classified as investing or financing activities | **(401)** | 760 | **2,040** | (6,638) |
| | **20,562** | 10,088 | **10,526** | 10,546 |
| **Net cash flow from operating activities** | **$34,402** | $32,808 | **$21,983** | $28,242 |

## 1. STATEMENT OF ACCOUNTING POLICIES

**Entities Reporting**
The Parent Company's financial statements are for Steel & Tube Holdings Limited as a separate entity and the consolidated financial statements are for the Steel & Tube Holdings Group which includes all its subsidiaries.

**Statutory Base**
Steel & Tube Holdings Limited is a company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

**Measurement Base**
The financial statements have been prepared on the historical cost method, modified by the revaluation of certain assets.

**Accounting Policies**
The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below:

*(a)* *Basis of Consolidation*
The consolidated financial statements are prepared from the financial statements of the parent company and its subsidiaries as at 31 May 1999 using the purchase method. All significant transactions between Group companies are eliminated on consolidation.

*(b)* *Sales*
Sales shown in the Statement of Financial Performance comprise the amounts received and receivable by the Group for goods and services supplied to customers in the ordinary course of business.

*(c)* *Goodwill*
The excess of cost over the fair value of the net assets of subsidiaries acquired is capitalised as goodwill and is amortised over its useful life which is estimated to be a period of 10 years.

*(d)* *Fixed Assets*
The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use.

Until 1991 land and buildings were revalued to 90% of the market value for existing use or at a lesser value as considered appropriate by the Directors. Since 1992 land and buildings have been carried at cost.

*(e)* *Depreciation*
Depreciation is charged on a straight line basis to write off the cost or valuation of the fixed assets over their estimated useful life as follows:

| | |
|---|---|
| Buildings | Average 50 years |
| Motor vehicles | 5 to 8 years |
| Plant and machinery | 3 to 10 years |

Land and capital work in progress are not depreciated.

*(f)* *Investments*
Investments in subsidiaries are revalued to reflect the parent company's share of their net underlying assets. Other investments are at valuation. Dividend income is accounted for on a cash basis. Interest and rental income are accounted for as earned.

*(g)* *Inventories*
Stock is valued at the lower of cost and net realisable value. Cost is established principally on the average cost method which approximates actual cost determined on a first in first out basis. Manufactured goods are valued at direct costs of labour, materials and overheads. Full provision is made for all defective, obsolete and slow moving stock.

Long term contracts are valued by application of the percentage of completion method reduced by progress payments received or receivable. Other work in progress is valued at direct cost plus related overheads. Where losses have been identified, full provision is made in respect of the estimated loss on the entire contract.

(h) *Debtors*
Debtors are recorded at the estimated realisable value after providing against debts where collection is doubtful.

(i) *Taxation*
The liability method of accounting for deferred tax is used. The tax charged against the profit for the year is the estimated total liability in respect of that profit calculated at the present rate of company tax after allowance for permanent differences. The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax.

Future income tax benefits from timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the tax benefits or losses are able to be utilised by the Group.

(j) *Lease Commitments*
Operating lease payments are charged as expenses in the periods in which they are incurred.

(k) *Foreign Currencies*
Foreign currency transactions are converted at the exchange rates at the date the transaction is entered into except where forward currency contracts have been taken out to cover short term forward currency commitments. Where short term forward currency contracts have been taken out the transaction is translated at the average rate contained in the contracts. Overseas currency balances are converted at the rates of exchange ruling at balance date.

Revenue and expenses of independent foreign operations are translated monthly to New Zealand dollars at the exchange rate in effect at the end of each month. Assets and liabilities are converted to New Zealand dollars at the rates of exchange ruling at balance date.

Exchange differences arising from the translation of independent foreign operations are recognised in the foreign currency translation reserve.

(l) *Financial Instruments*
Financial Instruments entered into as hedges of an underlying exposure are accounted for on the same basis as the underlying exposure.

(m) *Goods and Services Tax (GST)*
The statement of financial performance and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(n) *Statement of Cash Flows*
The following are the definitions of the terms used in the Statement of Cash Flows:

(a) Cash is considered to be cash on hand, call deposits, current accounts in banks, and bank overdrafts.

(b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.

(c) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

(d) Operating activities include all transactions and other events that are not investing or financing activities.

**Changes in Accounting Policies**
At the beginning of the year the Group adopted the accounting policy contained in Financial Reporting Standard 21 with respect to the translation of independent foreign operations. The impact of this change is not material.

There have been no other changes in accounting policies

## 2. BUSINESS ACTIVITY DURING THE YEAR

The principal business activity of the Group during the year was the processing, fabrication and distribution of steel products.

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | **1999** | 1998 | **1999** | 1998 |
| | **($000)** | ($000) | **($000)** | ($000) |

## 3. PROFIT BEFORE TAXATION

| | | | | |
|---|---|---|---|---|
| **Continued activities** | | | | |
| Profit before taxation is stated: | | | | |
| *After charging/(crediting):* | | | | |
| Amortisation of goodwill | **1,850** | 2,047 | **1,478** | 1,668 |
| Auditors' remuneration – audit services | **255** | 262 | **225** | 231 |
| – other services | **323** | 348 | **317** | 342 |
| Bad debts written off | **928** | 906 | **861** | 534 |
| Increase in provision for doubtful debts | **209** | – | **128** | – |
| Depreciation | **6,807** | 6,547 | **5,270** | 5,142 |
| Directors' fees | **149** | 139 | **149** | 139 |
| Donations | **11** | 10 | **9** | 8 |
| Interest paid | **3,581** | 5,386 | **2,196** | 3,997 |
| Interest income | **(84)** | (297) | **(47)** | (288) |
| Net loss/(gain) on disposal of assets | **(40)** | 14 | **(40)** | 14 |
| Rent and leasing costs | **5,082** | 5,010 | **4,085** | 3,908 |
| **Discontinued activities** | | | | |
| Goodwill written off on sale of Engineering division | **1,229** | – | **1,229** | – |

## 4. TAX EXPENSE

| | | | | |
|---|---|---|---|---|
| **Profit before taxation** | **$7,727** | $21,923 | **$6,207** | $16,736 |
| Tax at 33% (1998: 33%) | **2,550** | 7,234 | **2,048** | 5,523 |
| Add/(less) tax effect of: | | | | |
| Non-deductible expenditure | **1,273** | 989 | **902** | 650 |
| Over provision in prior years | **(129)** | (309) | **(125)** | (291) |
| Adjustment for tax at other rates | **325** | 666 | **–** | – |
| | **$4,019** | $8,580 | **$2,825** | $5,882 |
| The tax expense is represented by: | | | | |
| Tax payable in respect of the current year | **4,496** | 8,717 | **3,548** | 6,398 |
| Transferred to future income tax benefit | **(642)** | (137) | **(723)** | (516) |
| | **$3,854** | $8,580 | **$2,825** | $5,882 |

## 5. FUTURE INCOME TAX BENEFIT

| | | | | |
|---|---|---|---|---|
| Future income tax benefit at the beginning of the year | **458** | 321 | **1,541** | 1,025 |
| Transferred from tax expense | **642** | 137 | **723** | 516 |
| Future income tax benefit at the end of the year | **$1,100** | $458 | **$2,264** | $1,541 |

| | GROUP AND PARENT | |
|---|---|---|
| | **1999 ($000)** | 1998 ($000) |
| **6. DIVIDENDS PAID AND DECLARED** | | |
| Interim dividend paid of 4 cents per share (1998: 7 cents per share) | **3,509** | 6,138 |
| Final dividend declared of 4 cents per share (1998: 7 cents per share) | **3,510** | 6,141 |
| | **$7,019** | $12,279 |
| **7. IMPUTATION CREDIT ACCOUNT** | | |
| Balance at the beginning of the period | **543** | 15,442 |
| Add/(less): | | |
| Income tax paid | **3,030** | 4,940 |
| Transferred from subsidiaries | **830** | 555 |
| Imputation credits attached to dividends received | **5** | 9 |
| Imputation credits attached to dividends paid to shareholders | **(3,756)** | (20,403) |
| | **$652** | $543 |
| Imputation credits directly and indirectly available to the shareholders at 31 May: | | |
| Parent | **652** | 543 |
| Subsidiaries | **–** | 762 |
| | **$652** | $1,305 |
| **8. PAID UP CAPITAL** | | |
| Issued and paid up capital at the beginning of the year | **69,312** | 69,084 |
| Issued to senior executives' share scheme | **–** | 2 |
| Call on senior executives' share scheme | **29** | 226 |
| Issued and paid up capital at the end of the year | **$69,341** | $69,312 |
| Ordinary shares on issue at 31 May | **88,190,366** | 88,190,366 |

All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

Shares issued under the Senior Executives' Share Scheme qualify for bonus and cash issues but do not have dividend or voting entitlements until the shares are fully paid.

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | **1999** | 1998 | **1999** | 1998 |
| | **($000)** | ($000) | **($000)** | ($000) |
| **9. RESERVES** | | | | |
| **Assets revaluation reserve** | | | | |
| Balance at the beginning of the year | **–** | – | **3,857** | 359 |
| Revaluation during the year | **–** | – | **(265)** | 3,498 |
| Balance at the end of the year | **–** | – | **3,592** | 3,857 |
| **Foreign currency translation reserve** | | | | |
| Balance at the beginning of the year | **1,580** | (835) | **–** | – |
| Movements during the year | **(247)** | 2,415 | **–** | – |
| Balance at the end of the year | **1,333** | 1,580 | **–** | – |
| Total reserves at 31 May | **$1,333** | $1,580 | **$3,592** | $3,857 |

## 10. NON CURRENT LIABILITIES

| | GROUP 1999 | GROUP 1998 | PARENT 1999 | PARENT 1998 |
|---|---|---|---|---|
| Bank term loans | **37,657** | 32,900 | **25,000** | 20,000 |
| Less bank term loans repayable within one year (Note 11) | **(10,000)** | (22,900) | **(10,000)** | (10,000) |
| | **$27,657** | $10,000 | **$15,000** | $10,000 |

The bank term loans have an average interest rate of 6% (1998: 7%) per annum and are due for repayment within 1 to 3 years.

## 11. SHORT TERM BORROWINGS

| | GROUP 1999 | GROUP 1998 | PARENT 1999 | PARENT 1998 |
|---|---|---|---|---|
| Bank overdraft | **994** | 4,507 | **1,526** | 2,642 |
| Bank loans | **6,328** | 29,835 | **–** | 15,000 |
| Bank term loans repayable within one year (Note 10) | **10,000** | 22,900 | **10,000** | 10,000 |
| | **$17,322** | $57,242 | **$11,526** | $27,642 |

Interest rates on bank loans ranged from 4% to 10% during the year (1998: 3% to 10%). The current portion of bank term loans have the same interest rate as the term portion in Note 10. The credit facilities provided by the banks are subject to the conditions of the Group's Deed of Negative Pledge. The overdraft and bank loans can be drawn at any time. The overdraft facilities may be terminated by the bank on demand. Interest rates on all facilities are variable.

The bank facility arranged with the Bank of America for A J Forsyth & Company Limited has been guaranteed by Steel & Tube Holdings Limited and The Broken Hill Proprietary Company Limited. At year end the value of A J Forsyth & Company Limited loans from the Bank of America was $18.9 million (1998: $27.7 million ).

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | **1999** | 1998 | **1999** | 1998 |
| | **($000)** | ($000) | **($000)** | ($000) |
| **12. ACCOUNTS PAYABLE** | | | | |
| Trade creditors | **19,238** | 13,856 | **13,249** | 8,891 |
| Provisions and accruals | **3,790** | 5,293 | **3,370** | 4,790 |
| Employee entitlements | **1,793** | 2,759 | **1,074** | 1,982 |
| | **$24,821** | $21,908 | **$17,693** | $15,663 |
| **13. FIXED ASSETS** | | | | |
| Freehold land | | | | |
| At cost | **3,136** | 3,254 | **3,055** | 3,173 |
| At Directors' valuation | **1,855** | 1,956 | **1,602** | 1,698 |
| | **4,991** | 5,210 | **4,657** | 4,871 |
| Leasehold land | | | | |
| At cost | **991** | 1,016 | **29** | 29 |
| At Directors' valuation | **3,961** | 4,093 | **81** | 81 |
| | **4,952** | 5,109 | **110** | 110 |
| Buildings | | | | |
| At cost | **26,176** | 25,781 | **15,547** | 15,545 |
| Less accumulated depreciation | **(5,844)** | (4,813) | **(1,030)** | (767) |
| | **20,332** | 20,968 | **14,517** | 14,778 |
| At Directors' valuation | **5,738** | 6,412 | **2,605** | 3,219 |
| Less accumulated depreciation | **(649)** | (610) | **(424)** | (445) |
| | **5,089** | 5,802 | **2,181** | 2,774 |
| Plant and equipment | | | | |
| At cost | **56,532** | 61,942 | **39,643** | 45,943 |
| Less accumulated depreciation | **(28,284)** | (30,036) | **(20,820)** | (23,391) |
| | **28,248** | 31,906 | **18,823** | 22,552 |
| | **$63,612** | $68,995 | **$40,288** | $45,085 |

Directors' valuation for the New Zealand properties was at 31 March 1991. Directors estimate that the fair values of the Group's properties are at least equal to their net book values at 31 May 1999.

| | GROUP 1999 ($000) | GROUP 1998 ($000) | PARENT 1999 ($000) | PARENT 1998 ($000) |
|---|---|---|---|---|
| **14. INVESTMENTS** | | | | |
| Shares in subsidiaries | **–** | – | **14,289** | 14,554 |
| Other investments | **300** | – | **–** | – |
| | **$300** | – | **$14,289** | $14,554 |

The principal operating subsidiaries are:

| | Country of Incorporation | Percentage Shareholding | Principal Activities |
|---|---|---|---|
| David Crozier Limited | New Zealand | 100 % | Finance company |
| EMCO Group Limited | New Zealand | 100 % | Finance company |
| NZMC Limited | New Zealand | 100 % | Investment company |
| Steel & Tube New Zealand Limited | New Zealand | 100 % | Investment company |
| Stube Industries Limited | New Zealand | 100 % | Property company |
| A J Forsyth & Company Limited | Canada | 51 % | Steel distribution and processing |

The financial year end of all subsidiaries is 31 May.

| | GROUP 1999 ($000) | GROUP 1998 ($000) | PARENT 1999 ($000) | PARENT 1998 ($000) |
|---|---|---|---|---|
| **15. LONG TERM RECEIVABLES** | | | | |
| Advance to subsidiaries | **–** | – | **743** | 2,965 |
| Other | **995** | 17 | **995** | – |
| | **$995** | $17 | **$1,738** | $2,965 |
| **16. ACCOUNTS RECEIVABLE AND PREPAYMENTS** | | | | |
| Trade debtors | **62,290** | 65,782 | **49,399** | 51,445 |
| Prepayments and other receivables | **4,463** | 1,757 | **4,330** | 1,544 |
| Trade advance | **–** | 2,500 | **–** | – |
| | **$66,753** | $70,039 | **$53,729** | $52,989 |
| **17. INVENTORIES** | | | | |
| Work in progress | **1,224** | 3,529 | **1,224** | 3,529 |
| Inventory | **59,616** | 74,555 | **45,671** | 51,939 |
| | **$60,840** | $78,084 | **$46,895** | $55,468 |

Inventories are not subject to restriction of title, including Romalpa Clause.

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | **1999 ($000)** | 1998 ($000) | **1999 ($000)** | 1998 ($000) |

## 18. COMMITMENTS

**(a) Operating lease commitments**

The Group leases premises with lease terms in excess of one year with the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no options to purchase in respect of these operating leases.

The aggregate lease commitments are as follows:

| | GROUP 1999 | GROUP 1998 | PARENT 1999 | PARENT 1998 |
|---|---|---|---|---|
| (i) Within 1 year | **3,529** | 3,974 | **3,467** | 3,912 |
| (ii) Within 1-2 years | **3,049** | 3,540 | **2,987** | 3,479 |
| (iii) Within 2-5 years | **8,719** | 8,332 | **8,534** | 8,147 |
| (iv) Beyond 5 years | **9,339** | 9,865 | **9,000** | 9,464 |
| | **$24,636** | $25,711 | **$23,988** | $25,002 |

**(b) Capital commitments**

The Group has capital commitments of $0.9 million (1998: $0.8 million).



## 19. RELATED PARTY TRANSACTIONS

Steel & Tube Holdings Limited is a 50.01% (1998: 50.01%) subsidiary of Tubemakers of New Zealand Limited. Tubemakers of New Zealand Limited is controlled by The Broken Hill Proprietary Company Limited (BHP).

The Group sourced 27.4% (1998: 22.3%) of its purchases from BHP Group. At 31 May 1999 the Group owed BHP Group $5.5 million (1998: $6.8 million) paid in June 1999. All transactions with BHP Group are conducted on an arm's length basis and normal commercial terms.

## 20. CONTINGENT LIABILITIES

Guarantees under contracts and other contingent liabilities of the Parent and Group total $1.0 million (1998: $3.62 million). These have been entered into in the ordinary course of business.

The company has a contractual dispute with Transfield Power Systems (a division of Transfield Proprietary Limited). After considering the possible outcomes Directors believe that the financial statements reflect an appropriate valuation for this contract.

## 21. EMPLOYEE SHARE PURCHASE SCHEME

The Employee Share Purchase Scheme was established in June 1983 to offer shares to employees on terms consistent with the provisions of s166 of the Income Tax Act 1976.

The Scheme is available to all full-time permanent employees who have completed at least twelve months of continuous service with the Company. Directors are not eligible to participate in the Scheme. Eligible employees are able to purchase shares to a total value of $2,340 per employee on an interest free basis for a period of three years. The shares allocated to eligible employees will not be vested until the expiry of the later of the three year period or the full repayment of the loan by the employees. The Trustees, pursuant to a Trust Deed, will administer the shares in the Scheme until ownership of the shares is vested with the employee.

The Trustees of the Scheme are Mr N Calavrias, Mr A S Paterson and Mr A C Candy who were appointed by the Board of Directors.

In July 1995 a Fourth Offer of shares was made to eligible employees. The shares were issued at a price of $6.20 per share set by the Board of Directors. The total number of shares issued was 64,650 shares. These shares rank equally with all other shares in respect of voting rights and dividend entitlements.

The Scheme's share purchase was funded by an interest free loan from Steel & Tube Holdings Limited.

At 31 May 1999 the Trustees held 25,500 shares (1998 25,500).

## 22. SEGMENT INFORMATION

### Geographical segments

| | New Zealand Processing, Fabrication and Distribution of Steel Products | | New Zealand Engineering (Discontinued Activities) | | Canadian Processing, Fabrication and Distribution of Steel Products | | Group | |
|---|---|---|---|---|---|---|---|---|
| | **1999 ($000)** | 1998 ($000) | **1999 ($000)** | 1998 ($000) | **1999 ($000)** | 1998 ($000) | **1999 ($000)** | 1998 ($000) |
| Total sales | **$218,472** | $242,911 | **$32,476** | $50,252 | **$86,953** | $102,052 | **$337,901** | $395,215 |
| Segment result | **$17,000** | $23,178 | **($8,652)** | ($2,740) | **$2,876** | $6,574 | **$11,224** | $27,012 |
| Net interest expense | | | | | | | **(3,497)** | (5,089) |
| Taxation | | | | | | | **(4,019)** | (8,580) |
| Total unallocated expenses | | | | | | | **(7,516)** | (13,669) |
| Profit after taxation | | | | | | | **3,708** | 13,343 |
| Minority interest | | | | | | | **(344)** | (1,406) |
| Profit for the year attributable to Shareholders | | | | | | | **$3,364** | $11,937 |
| Segment assets | **$140,614** | $148,664 | **$7,440** | $13,822 | **$51,076** | $62,446 | **$199,130** | $224,932 |

## 23. FINANCIAL INSTRUMENTS

**(a) Currency and interest rate risk**

*Nature of activities and management policies with respect to financial instruments.*

*(i) Foreign Exchange*

The Group undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency arise. It is the Group's policy to hedge foreign currency risks as they arise by using forward and spot foreign exchange contracts.

The net notional amount of forward foreign exchange contracts of the Parent and Group outstanding at 31 May 1999 is $6.9 million (1998: $3.8 million).

*(ii) Interest Rate*

The Group uses both short term floating and long term fixed rate borrowings to fund ongoing activities.

**(b) Credit Risk**

In the normal course of its business the Group incurs credit risk from trade debtors and transactions with financial institutions. The Group has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis. In some instances, the Group secures collateral from trade debtors in the form of charges over their assets in order to mitigate the risk of loss as a result of default of their obligations.

The Group has no significant concentrations of credit risk, and does not require any collateral or security to support financial instruments held with financial institutions due to the quality of the institutions dealt with.

**(c) Fair Values**

The estimated fair values of the Group's financial assets and liabilities which differ from their carrying value are noted below:

| | 1999 | | 1998 | |
|---|---|---|---|---|
| | CARRYING VALUE $000 | FAIR VALUE $000 | CARRYING VALUE $000 | FAIR VALUE $000 |
| **Parent Company** | | | | |
| Bank term loans | **(15,000)** | **(14,993)** | (10,000) | (9,955) |
| Foreign exchange contracts | **–** | **147** | – | 124 |
| **Group** | | | | |
| Bank term loans | **(27,657)** | **(27,670)** | (10,000) | (9,955) |
| Foreign exchange contracts | **–** | **147** | – | 124 |

The Group anticipates that bank term loans will be held to maturity and therefore settlement at the fair value is unlikely.

The following methods and assumptions were used to estimate the fair values for each class of financial instrument:

**Cash, Accounts Receivable, Bank Overdraft, Accounts Payable, Short Term Loans, and Advances from Subsidiaries**

The carrying values of these items are equivalent to the fair values, and therefore, are excluded from the above table.

**Unlisted Investments**

The fair value is estimated to be the net asset backing.

**Bank Term Loans**

The fair value is estimated on current market rates available to the Group for debt of similar maturities.

**Foreign Exchange Contracts**

The fair value is estimated on the quoted market prices for these instruments.

## 24. EVENTS OCCURRING AFTER BALANCE DATE

On 17 June 1999, Steel & Tube Holdings Limited acquired 100% of the assets of BHP Steel Building Products New Zealand Limited for a cash consideration of $27.5 million. The fair value of the net identifiable assets of the company at the date of acquisition was $20.3 million. As the agreement was entered into after balance date the financial effect has not been recognised in the financial statements for the year ended 31 May 1999.

PRICEWATERHOUSECOOPERS

# Auditor's Report

TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

We have audited the financial statements on pages 10 to 23. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 May 1999 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 14 to 15.

**Directors' Responsibilities**

The Company's Directors are responsible for the preparation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 May 1999 and their financial performance and cash flows for the year ended on that date.

**Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

**Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies used and described on pages 14 to 15 are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out other assignments on behalf of the Company and its subsidiaries in the area of taxation and other assurance services. Other than in these capacities and in our capacity as auditors, we have no relationships with, or interests in, the Company or any of its subsidiaries.

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 10 to 23;

(i) comply with generally accepted accounting practice; and

(ii) give a true and fair view of the financial position of the Company and Group as at 31 May 1999 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 2 August 1999 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS

WELLINGTON

# Comparative Review

OF STEEL & TUBE HOLDINGS LIMITED AND ITS SUBSIDIARIES

| | **1999** | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| | **12 MONTHS** | 12 MONTHS | 11 MONTHS | 12 MONTHS | 12 MONTHS |
| | **($000)** | ($000) | ($000) | ($000) | ($000) |
| **Financial Performance** | | | | | |
| Sales | **337,901** | 395,215 | 386,976 | 355,120 | 335,744 |
| Profit before tax | **7,727** | 21,923 | 32,114 | 38,711 | 43,598 |
| Tax | **4,019** | 8,580 | 11,831 | 13,564 | 14,629 |
| Profit after tax | **3,708** | 13,343 | 20,283 | 25,147 | 28,969 |
| Minority interest | **(344)** | (1,406) | (695) | 185 | (1,541) |
| Total Group profit after tax | **3,364** | 11,937 | 19,588 | 25,332 | 27,428 |
| Dividends | **(7,019)** | (12,279) | (17,464) | (17,430) | (17,397) |
| **(Decrease)/increase in retained earnings** | **(3,655)** | (342) | 2,124 | 7,902 | 10,031 |
| **Financial Position** | | | | | |
| Paid up capital | **69,341** | $69,312 | $69,084 | $68,565 | $68,163 |
| Current assets | **128,912** | 148,123 | 164,495 | 150,766 | 108,685 |
| Current liabilities | **45,653** | 85,315 | 85,034 | 81,167 | 53,542 |
| Net current assets | **83,259** | $62,808 | $79,461 | $69,599 | $55,143 |
| Total assets | **199,130** | 224,932 | 239,779 | 220,916 | 159,458 |
| Total liabilities | **73,310** | 95,315 | 115,566 | 99,667 | 53,542 |
| Minority interest | **11,364** | 11,288 | 8,185 | 7,572 | – |
| Shareholders' funds | **114,456** | $118,329 | $116,028 | $113,677 | $105,916 |

**Statistics**

| | NOTE | | | | | |
|---|---|---|---|---|---|---|
| Dividends in cents per share | (1) | **8.0** | 14.0 | 20.0 | 20.0 | 20.0 |
| Times dividend covered | | **0.5** | 0.9 | 1.1 | 1.5 | 1.6 |
| Earnings in cents per share | (1) & (2) | **3.8** | 13.6 | 24.5 | 29.1 | 31.5 |
| Percentage return on: | | | | | | |
| Sales | | **1.0** | 3.0 | 5.1 | 7.1 | 8.2 |
| Shareholders' funds | (2) | **2.9** | 10.1 | 18.4 | 22.3 | 25.9 |
| Current assets to current liabilities | | **2.8:1** | 1.7:1 | 1.9:1 | 1.9:1 | 2.0:1 |
| Net assets in cents per share | | **130** | 135 | 133 | 130 | 122 |
| Shareholders' funds to total assets (%) | | **57** | 53 | 48 | 51 | 66 |
| Number of ordinary shareholders | | **6,855** | 5,898 | 5,148 | 5,075 | 4,609 |
| Number of employees at period end | | **648** | 1,042 | 1,255 | 1,105 | 648 |

Note:

(1) 1997 and prior years' figures have been adjusted to reflect the effects of the one for one bonus issue

(2) The earnings in cents per share, and percentage return on shareholders' funds have been annualised for the period ended 31 May 1997.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Constitution of the Company provides for the Company or any related company to indemnify every Director or Officer out of the assets of the Company to the maximum extent permitted at law. The Group has taken out Directors' and Officers' Liability Insurance which ensures that the individuals concerned will incur no monetary loss as a result of actions undertaken by them in good faith in performing their normal duties.

### INTERESTED TRANSACTIONS

All transactions conducted by the Group with The Broken Hill Proprietary Company Limited ("BHP") are interested transactions. Details of these are given in Note 19 to the financial statements.

On 12 May 1999 the Company entered into a conditional agreement to purchase all the shares in BHP Steel Building Products New Zealand Limited. Messrs Every, Carrasco and Muller declared an interest in this transaction and took no part in the discussions or negotiation of the agreement. Refer Note 24 to the accounts.

Details of matters that have been entered in the interests register by individual directors are outlined in the director profiles. Where a director has declared an interest in a particular entity, the declaration serves as notice that the director may benefit from any transactions between the Parent or Group and the identified entities.

### REMUNERATION OF DIRECTORS

Total remuneration and benefits received or due and receivable in the year ended 31 May were:

| | ($000) |
|---|---|
| R L Every | 47 |
| N Calavrias | 408 |
| B L Carrasco | 25 |
| B M J Dineen | 25 |
| P L Muller | 24 |
| A S Paterson | 28 |

### USE OF COMPANY INFORMATION

There were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

### REMUNERATION OF EMPLOYEES

Total remuneration and benefits received, or due and receivable at 31 May were within the following bands:

| | NO. OF EMPLOYEES IN EACH BAND | |
|---|---|---|
| REMUNERATION RANGE FOR EMPLOYEES | GROUP | PARENT |
| | 1999 | 1999 |
| | 12 Months | 12 Months |
| $100,000 – $109,999 | 2 | 2 |
| $130,000 – $139,999 | 1 | 1 |
| $140,000 – $149,999 | 4 | 3 |
| $160,000 – $169,999 | 1 | – |
| $170,000 – $179,999 | 1 | – |
| $180,000 – $189,999 | 1 | 1 |
| $270,000 – $279,999 | 1 | – |

# Shareholder Statistics

OF STEEL & TUBE HOLDINGS LIMITED AS AT 18 AUGUST 1999

### CENSUS OF SHAREHOLDERS

| SIZE OF HOLDINGS | NO. OF SHAREHOLDERS | NO. OF SHARES | % |
|---|---|---|---|
| 1 - 499 | 1,258 | 250,295 | 0.29 |
| 500 - 999 | 981 | 656,063 | 0.74 |
| 1,000 - 4,999 | 3,107 | 7,002,997 | 7.94 |
| 5,000 - 9,999 | 889 | 5,604,731 | 6.36 |
| 10,000 - 49,999 | 624 | 9,877,885 | 11.20 |
| 50,000 - 99,999 | 27 | 1,755,070 | 1.99 |
| Over 100,000 | 37 | 63,043,325 | 71.48 |
| | 6,923 | 88,190,366 | 100.00 |

### TWENTY LARGEST SHAREHOLDERS

The twenty largest shareholders holding 68.15% of the issued shares are as follows:

| | | |
|---|---|---|
| Tubemakers of New Zealand Limited | 44,107,240 | 50.01 |
| ANZ Nominees Limited | 3,633,471 | 4.12 |
| National Mutual Life Association of Australasia Limited A Account | 2,368,759 | 2.69 |
| National Nominees New Zealand Limited | 2,132,524 | 2.42 |
| AMP Superannuation Tracker Fund | 1,114,857 | 1.26 |
| Credit Suisse First Boston NZ Custodians Ltd | 952,000 | 1.08 |
| Guardian Assurance Limited – Equity Fund | 950,000 | 1.08 |
| The Public Trustee – A/C GIF No. 41 | 729,356 | .83 |
| NMFM Nominees Limited A Account | 600,315 | .68 |
| Royal & Sun Alliance Life and Disability (New Zealand Ltd) | 471,100 | .53 |
| Nicholas and Mariana Calavrias Family Trust | 450,000 | .51 |
| Citibank Nominees (New Zealand) Limited | 387,670 | .44 |
| Credit Suisse First Boston NZ Securities Ltd | 383,660 | .44 |
| Athene Nominees Limited | 370,000 | .42 |
| The NZ Guardian Trust Co. Limited – Guardian Trust Investment Limited | 303,126 | .34 |
| Royal & Sun Alliance Nominees (New Zealand Ltd) | 285,556 | .32 |
| The Trustees Executors and Agency Company of New Zealand Limited | 233,195 | .26 |
| Tea Custodians Limited – NZ Selected Equities Trust | 216,170 | .25 |
| Leszek Andrzej Plenzler | 215,000 | .24 |
| Salvation Army Property New Zealand | 200,000 | .23 |



### SUBSTANTIAL SECURITY HOLDERS

According to the file kept by the Company in terms of section 25 of the Securities Amendment Act 1988, the names of persons who are substantial security holders and the number of voting securities in which they have a relevant interest at 18 August 1999 are as follows:

| NAME | FULLY PAID ORDINARY HELD | PERCENTAGE SHARES ON ISSUE |
|---|---|---|
| Tubemakers of Australia Limited | 44,107,240 | 50.01 |

SECURITIES ON ISSUE COMPRISE:

| | |
|---|---|
| Fully paid ordinary shares carrying full voting rights | 87,746,366 |
| Senior Executives' shares partly paid to one cent | 444,000 |

## DIRECTORS' SHAREHOLDING

| | As at 31 May 1999[1] | | | As at 31 May 1998 | | |
|---|---|---|---|---|---|---|
| | BENEFICIAL | NON BENEFICIAL | ASSOCIATED PERSON | BENEFICIAL | NON BENEFICIAL | ASSOCIATED PERSON |
| N Calavrias | **340,000**[1] | **25,500**[2] | **450,000** | 340,000[2] | 127,200[3] | 450,000 |
| B L Carrasco | **–** | **–** | **44,107,240**[3] | – | – | 44,107,240[4] |
| B M J Dineen | **40,000** | **–** | **–** | 40,000 | – | – |
| R L Every | **6,000** | **–** | **44,107,240**[3] | 6,000 | – | 44,107,240[4] |
| P L Muller | **4,000** | **–** | **44,107,240**[3] | 4,000 | – | 44,107,240[4] |
| A S Paterson | **15,000** | **25,500**[3] | **14,000** | 15,000 | 127,200[3] | 14,000 |

[1] Includes shares partly paid up to one cent held under the Senior Executives' Share Scheme 1993.

[2] Shares held in a non beneficial capacity as Trustees of the Employee Share Purchase Scheme.

[3] Messrs Carrasco, Every and Muller are associated persons of Tubemakers of Australia Limited by virtue of their positions as Directors or employees of certain of its related companies or as appointees of these companies as Directors of the Company.

## SHARE DEALINGS BY DIRECTORS

There were no share dealings in the company by Directors during the period.

Messrs Every, Carrasco, Muller and Dineen have disclosed that they hold shares and/or options in The Broken Hill Proprietary Company Limited.

# Processing, Fabrication and Distribution Locations in New Zealand and Canada

CORPORATE OFFICE

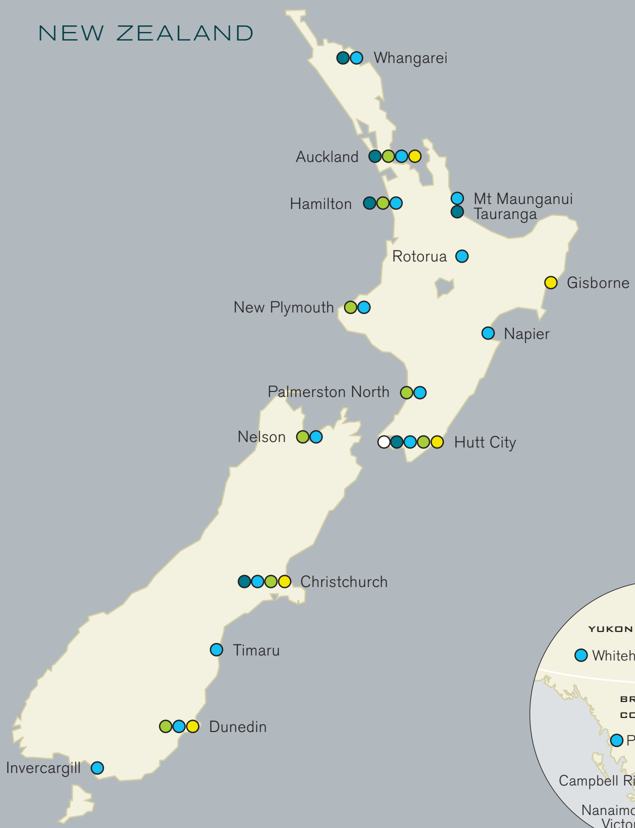
ROOFING PRODUCTS

REINFORCING & FABRICATION

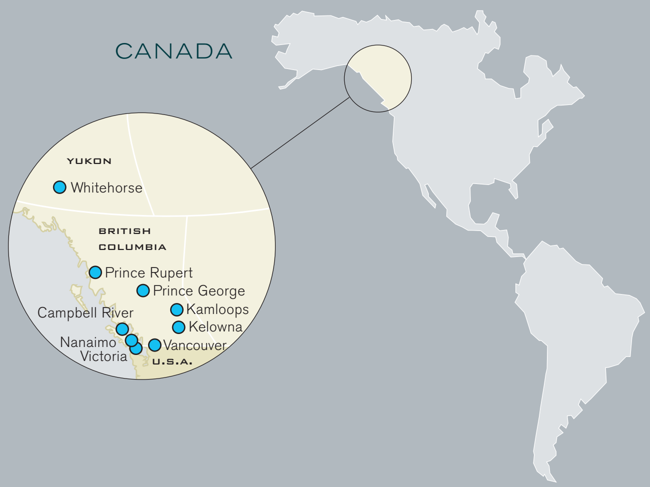
STEEL DISTRIBUTION & PROCESSING

FASTENING

## NEW ZEALAND




## CANADA








### STEEL & TUBE HOLDINGS LIMITED

15-17 Kings Crescent, Lower Hutt

Private Box 30-543, Lower Hutt

Chief Executive Officer Mr N Calavrias

Company Secretary Mr A C Candy

### STEEL DISTRIBUTION & PROCESSING

15-17 Kings Crescent, Lower Hutt

Private Box 30-543, Lower Hutt

Chief Executive Officer Mr N Calavrias

### REINFORCING, FABRICATION & ROOFING

15-17 Kings Crescent, Lower Hutt

Private Box 38-337, Wellington Mail Centre

General Manager Mr R J O'Neill

### A J FORSYTH & COMPANY LIMITED

830 Carlisle Road, New Westminster

Vancouver, Canada

President Mr D Thomas

### AUDITORS

PricewaterhouseCoopers

### SHARE REGISTRY

Computershare Registry Services Limited

### PRINCIPAL BANKERS

ANZ Banking Group (New Zealand) Limited

National Bank of New Zealand Limited

Bank of America, Canada

Steel & Tube Holdings Limited

15-17 Kings Crescent, Private Box 30-543, Lower Hutt, Wellington, New Zealand.