

 *Steel & Tube Holdings Limited*

HALF YEARLY  
**HALF YEARLY**  
**REPORT 1998**



# **DIRECTORS' REPORT**

**FOR THE SIX MONTHS ENDED 30 NOVEMBER 1998**

**The result for the six months was an after tax profit of \$3.9 million. This compares unfavourably with the \$7.1 million recorded in 1997.**

As foreshadowed at the Annual General Meeting, the very difficult trading conditions have persisted and all operations have recorded lower profits.

The Engineering operations in particular have been seriously affected with reduced opportunities and low margins.

The Directors have declared an interim dividend of 4 cents per share which will be paid on 5 February 1999 to holders of fully paid ordinary shares registered at 22 January 1999. The amount payable is \$3.5 million. This dividend carries full imputation credits.

A supplementary dividend of 0.7 cents is payable to non resident shareholders.



**Dr R L Every**  
**Chairman of the Board of Directors**

**Dated 18 December 1998**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Steel & Tube Holdings Limited and its subsidiaries as at 30 November 1998

|                                     | as at<br>30 Nov 1998<br>(\$000) | as at<br>30 Nov 1997<br>(\$000) | as at<br>31 May 1998<br>(\$000) |
|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Equity</b>                       |                                 |                                 |                                 |
| Paid up capital                     | 69,341                          | 69,230                          | 69,312                          |
| Reserves                            | 985                             | 44                              | 1,580                           |
| Retained earnings                   | 51,320                          | 54,923                          | 47,437                          |
| <b>Shareholders' funds</b>          | <b>121,646</b>                  | <b>124,197</b>                  | <b>118,329</b>                  |
| Minority interest                   | 11,182                          | 9,624                           | 11,288                          |
|                                     | <b>132,828</b>                  | <b>133,821</b>                  | <b>129,617</b>                  |
| <b>Non Current Liabilities</b>      |                                 |                                 |                                 |
| Term loans                          | -                               | 31,393                          | 10,000                          |
| <b>Current Liabilities</b>          |                                 |                                 |                                 |
| Short term borrowings               | 50,655                          | 45,574                          | 57,242                          |
| Accounts payable                    | 24,650                          | 29,120                          | 21,908                          |
| Provision for tax                   | -                               | 997                             | 24                              |
| Proposed dividend                   | -                               | -                               | 6,141                           |
|                                     | <b>75,305</b>                   | <b>75,691</b>                   | <b>85,315</b>                   |
|                                     | <b>\$208,133</b>                | <b>\$240,905</b>                | <b>\$224,932</b>                |
| <b>Non Current Assets</b>           |                                 |                                 |                                 |
| Fixed assets                        | 66,436                          | 66,382                          | 68,995                          |
| Goodwill                            | 6,563                           | 8,013                           | 7,339                           |
| Future income tax benefit           | 968                             | 1,152                           | 458                             |
| Long term receivables               | 17                              | 469                             | 17                              |
|                                     | <b>73,984</b>                   | <b>76,016</b>                   | <b>76,809</b>                   |
| <b>Current Assets</b>               |                                 |                                 |                                 |
| Cash in bank                        | -                               | 335                             | -                               |
| Accounts receivable and prepayments | 64,376                          | 72,184                          | 70,039                          |
| Inventories                         | 69,286                          | 92,370                          | 78,084                          |
| Tax refund due                      | 487                             | -                               | -                               |
|                                     | <b>134,149</b>                  | <b>164,889</b>                  | <b>148,123</b>                  |
|                                     | <b>\$208,133</b>                | <b>\$240,905</b>                | <b>\$224,932</b>                |

The accompanying notes form part of and are to be read in conjunction with these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

of Steel & Tube Holdings Limited and its subsidiaries for the  
six months ended 30 November 1998

|  | 6 months<br>30 Nov 1998<br>(\$000) | 6 months<br>30 Nov 1997<br>(\$000) | 12 months<br>31 May 1998<br>(\$000) |
|--|------------------------------------|------------------------------------|-------------------------------------|
| <b>Cash Flows From Operating Activities</b>  |                                    |                                    |                                     |
| Cash was provided from/(applied to):         |                                    |                                    |                                     |
| Receipts from customers                      | 190,232                            | 207,634                            | 397,815                             |
| Interest received                            | 43                                 | 162                                | 297                                 |
| Payments to suppliers and employees          | (159,074)                          | (190,758)                          | (352,567)                           |
| Income taxes paid                            | (4,115)                            | (4,792)                            | (7,351)                             |
| Interest paid                                | (2,032)                            | (2,627)                            | (5,386)                             |
| Net cash flow from operating activities      | <u>25,054</u>                      | <u>9,619</u>                       | <u>32,808</u>                       |
| <b>Cash Flows From Investing Activities</b>  |                                    |                                    |                                     |
| Cash was provided from/(applied to):         |                                    |                                    |                                     |
| Sale of fixed assets                         | 708                                | 8,246                              | 8,571                               |
| Sale of investment                           | -                                  | -                                  | 362                                 |
| Purchase of fixed assets                     | (3,063)                            | (6,287)                            | (10,350)                            |
| Net cash flow from/(to) investing activities | <u>(2,355)</u>                     | <u>1,959</u>                       | <u>(1,417)</u>                      |
| <b>Cash Flows From Financing Activities</b>  |                                    |                                    |                                     |
| Cash was provided from/(applied to):         |                                    |                                    |                                     |
| Proceeds from call on shares                 | 29                                 | 146                                | 228                                 |
| Net settlement from total borrowings         | (17,609)                           | (5,721)                            | (15,873)                            |
| Dividends paid                               | (6,141)                            | (8,732)                            | (14,870)                            |
| Net cash flow to financing activities        | <u>(23,721)</u>                    | <u>(14,307)</u>                    | <u>(30,515)</u>                     |
| Net cash flow                                | <u>(1,022)</u>                     | <u>(2,729)</u>                     | <u>876</u>                          |
| Opening cash brought forward                 | <u>(4,507)</u>                     | <u>(5,383)</u>                     | <u>(5,383)</u>                      |
| Closing cash carried forward                 | <u><u>\$(5,529)</u></u>            | <u><u>\$(8,112)</u></u>            | <u><u>\$(4,507)</u></u>             |
| Cash is comprised of:                        |                                    |                                    |                                     |
| Cash in bank                                 | -                                  | 335                                | -                                   |
| Bank overdraft                               | (5,529)                            | (8,447)                            | (4,507)                             |
|  | <u><u>\$(5,529)</u></u>            | <u><u>\$(8,112)</u></u>            | <u><u>\$(4,507)</u></u>             |

The accompanying notes form part of and are to be read in conjunction with these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

of Steel & Tube Holdings Limited and its subsidiaries for the  
six months ended 30 November 1998

|   | 6 months<br>30 Nov 1998<br>(\$000) | 6 months<br>30 Nov 1997<br>(\$000) | 12 months<br>31 May 1998<br>(\$000) |
|---|------------------------------------|------------------------------------|-------------------------------------|
| <b>Reconciliation of Profit After Taxation<br/>To Cash Flow From Operating Activities</b> |                                    |                                    |                                     |
| Profit after taxation   | <b>4,310</b>                       | 8,041                              | 13,343                              |
| Add/(less) items classified as Investing or<br>Financing activities:                      |                                    |                                    |                                     |
| Net (gain)/loss on sale of fixed assets   | <b>(35)</b>                        | 12                                 | 14                                  |
|   | <b>(35)</b>                        | 12                                 | 14                                  |
| Add non cash items:   |                                    |                                    |                                     |
| Depreciation  | <b>3,573</b>                       | 2,970                              | 6,547                               |
| Amortisation of goodwill  | <b>1,023</b>                       | 1,001                              | 2,047                               |
| Increase in future income tax benefit   | <b>(510)</b>                       | (831)                              | (137)                               |
|   | <b>4,086</b>                       | 3,140                              | 8,457                               |
| Movements in working capital items:   |                                    |                                    |                                     |
| (Decrease)/increase in income tax payable   | <b>(511)</b>                       | 1,566                              | 428                                 |
| Decrease in accounts receivable<br>and prepayments  | <b>5,663</b>                       | 8,341                              | 7,986                               |
| Increase/(decrease) in accounts payable<br>and provisions                                 | <b>2,656</b>                       | 1,056                              | (6,156)                             |
| Decrease/(increase) in inventories  | <b>8,885</b>                       | (6,810)                            | 7,976                               |
| Movements in working capital classified as<br>investing or financing activities           | <b>-</b>                           | (5,727)                            | 760                                 |
|   | <b>16,693</b>                      | (1,574)                            | 10,994                              |
| Net cash flow from operating activities   | <b>\$25,054</b>                    | \$9,619                            | \$32,808                            |

The accompanying notes form part of and are to be read in conjunction with these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

of Steel & Tube Holdings Limited and its subsidiaries for the six months ended 30 November 1998

## 1. Statement of Accounting Policies

The accounting policies applied in the preparation of the interim financial statements are consistent with those used in the interim financial statements for the six months ended 30 November 1997 and the annual report for the year ended 31 May 1998.

These interim financial statements are prepared in accordance with FRS-24: Interim Financial Statements and should be read in conjunction with the previous annual report for the year ended 31 May 1998.

All figures for the six months ended 30 November 1998 and 30 November 1997 are unaudited.

The figures for the twelve months ended 31 May 1998 are taken from audited financial statements.

|  | as at<br>30 Nov 1998<br>(\$000) | as at<br>30 Nov 1997<br>(\$000) | as at<br>31 May 1998<br>(\$000) |
|--|---------------------------------|---------------------------------|---------------------------------|
|--|---------------------------------|---------------------------------|---------------------------------|

## 2. Operating lease commitments:

The aggregate lease commitments are as follows:

|                  |          |          |          |
|------------------|----------|----------|----------|
| Within 1 year    | 3,857    | 4,145    | 3,974    |
| Within 1-2 years | 3,158    | 3,893    | 3,540    |
| Within 2-5 years | 7,801    | 8,750    | 8,332    |
| Beyond 5 years   | 8,266    | 11,116   | 9,865    |
|                  | \$23,082 | \$27,904 | \$25,711 |

## 3. Contingent Liabilities

Guarantees under contracts and other contingent liabilities of the Group

|         |         |         |
|---------|---------|---------|
| \$3,125 | \$4,396 | \$3,620 |
|---------|---------|---------|

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

of Steel & Tube Holdings Limited and its subsidiaries for the  
six months ended 30 November 1998

|  | 6 months<br>30 Nov 1998<br>(\$000) | 6 months<br>30 Nov 1997<br>(\$000) | 12 months<br>31 May 1998<br>(\$000) |
|--|------------------------------------|------------------------------------|-------------------------------------|
| <b>Sales</b>   | <b>184,818</b>                     | 205,891                            | 395,215                             |
| <b>Profit before interest and taxation</b>                               | <b>9,445</b>                       | 15,720                             | 27,012                              |
| Interest received  | 43                                 | 162                                | 297                                 |
| Interest paid  | <b>(2,032)</b>                     | (2,627)                            | (5,386)                             |
| <b>Profit before taxation</b>  | <b>7,456</b>                       | 13,255                             | 21,923                              |
| Tax expense  | <b>3,146</b>                       | 5,214                              | 8,580                               |
| <b>Profit after taxation</b>   | <b>4,310</b>                       | 8,041                              | 13,343                              |
| Minority interest in profit of subsidiary                                | <b>(427)</b>                       | (897)                              | (1,406)                             |
| <b>Profit attributable to the shareholders<br/>of the Parent company</b> | <b>\$3,883</b>                     | \$7,144                            | \$11,937                            |
| Earnings per share (cents) (annualised, after tax)                       | 8.8                                | 16.3                               | 13.6                                |

## CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

of Steel & Tube Holdings Limited and its subsidiaries for the  
six months ended 30 November 1998

|   | 6 months<br>30 Nov 1998<br>(\$000) | 6 months<br>30 Nov 1997<br>(\$000) | 12 months<br>31 May 1998<br>(\$000) |
|---|------------------------------------|------------------------------------|-------------------------------------|
| Equity at the beginning of the period                   | <b>129,617</b>                     | 124,213                            | 124,213                             |
| Net profit for the period                               | <b>3,883</b>                       | 7,144                              | 11,937                              |
| Net movement in foreign currency<br>translation reserve | <b>(595)</b>                       | 878                                | 2,415                               |
| Total recognised revenue and expenses<br>for the period | <b>3,288</b>                       | 8,022                              | 14,352                              |
| Increase/(decrease) in minority interest                | <b>(106)</b>                       | 1,440                              | 3,103                               |
| Increase in paid-up capital                             | <b>29</b>                          | 146                                | 228                                 |
| Dividends   | -                                  | -                                  | (12,279)                            |
| <b>Equity at the end of the period</b>                  | <b>\$132,828</b>                   | \$133,821                          | \$129,617                           |

The accompanying notes form part of and are to be read in conjunction with these financial statements

# DIRECTORY

»» **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**

15-17 Kings Crescent, Lower Hutt  
PO Box 38-887, Wellington Mail Centre

**General Manager** Mr R J O'Neill

»» **ENGINEERING AND FABRICATION**

492 Great South Road, Otahuhu, Auckland  
PO Box 40, Auckland

**General Manager** Mr T Gibbons

»» **A J FORSYTH & COMPANY LIMITED**

830 Carlisle Road, New Westminster  
Vancouver, Canada

**President** Mr D Thomas

»» **AUDITORS**

PricewaterhouseCoopers

»» **SHARE REGISTRY**

Corporate Registry Services Limited

»» **PRINCIPAL BANKERS**

ANZ Banking Group (New Zealand) Limited

National Bank of New Zealand Limited

Bank of America, Canada