



STEEL & TUBE

HALF YEAR REPORT 2005

DIRECTORS' REPORT

STEEL & TUBE HOLDINGS LIMITED AND SUBSIDIARIES FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

Results

These financial statements were authorised for issue on 17 February 2005.

Your Directors are pleased to report that the result for the six months ended 31 December 2004 was an after tax profit of \$18.58 million. This is an increase of 55% or \$6.62 million when compared with the same period last year.

Sales during this period increased by \$31.82 million (17%) to \$216.51 million.

Dividend

The Directors have declared a dividend of 15 cents per share which will be paid on 11 March 2005 to holders of fully paid ordinary shares registered at 4 March 2005. This dividend is an increase of 3 cents or 25% on the previous period. The amount payable is \$13.2 million. This dividend carries full imputation credits and a supplementary dividend of 2.6471 cents will be paid to non resident shareholders.

Performance

The New Zealand economy has remained strong led by historically high employment rates and relatively low interest rates fuelling strong consumer spending.

Activity in the construction sector is at all time highs. Commercial construction and infrastructure activity have reached record levels while the demand for new residential housing has continued at near record levels.

Overall the demand for the Company's goods and services from the Lower North Island and the South Island regions retreated slightly, however, growth from the Auckland Region more than offset any reduction in activity from these areas.

The Steel Distribution operations experienced strong demand from the construction sector, however, some softening in activity levels was evident from manufacturing resulting in a slight overall lift in volumes. Sales revenue increased by 15% primarily due to the flow on effect of the lift in steel prices brought about by strong world demand.

The Roofing Products business continued to perform at record levels due to the strong demand for roofing and cladding products from the construction of new residential property and the light commercial building sector. Record levels of construction activity and a better mix of available contracts also enabled the Reinforcing business to post results substantially ahead of any previous period.

Hurricane Wire Products produced similar results to last year on lower volumes. Sales to the rural sector were slightly lower, however, this was offset by an increase in revenue 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 last twelve months with any softening in the residential construction sector to be offset by growth in commercial construction. The rural sector demand is expected to increase in line with normal seasonal trends.



Bob Every
Chairman



Nick Calavrias
Chief Executive Officer

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	6 months Dec 2004	6 months Dec 2003	12 months Jun 2004
	\$000	\$000	\$000
Sales	216,516	184,695	387,787
Earnings before interest and tax	29,673	19,424	45,777
Interest income	47	31	101
Interest expense	(1,287)	(907)	(1,902)
Profit before tax	28,433	18,548	43,976
Tax expense	(9,854)	(6,597)	(15,514)
Profit after tax	18,579	11,951	28,462

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	6 months Dec 2004	6 months Dec 2003	12 months Jun 2004
	\$000	\$000	\$000
Net profit for the period	18,579	11,951	28,462
Share capital movements	16	251	251
Employee share scheme on consolidation	–	–	25
Treasury stock movements	(242)	–	(220)
Dividends paid to shareholders	(13,208)	(19,331)	(29,883)
Movements during the period	5,145	(7,129)	(1,365)
Equity at beginning of period	125,232	126,597	126,597
Equity at end of period	130,377	119,468	125,232

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2004

	Dec 2004 \$000	Dec 2003 \$000	Jun 2004 \$000
Equity			
Paid up share capital	69,900	69,884	69,884
Treasury stock	(462)	–	(220)
Retained earnings	60,939	49,584	55,568
	<u>130,377</u>	<u>119,468</u>	<u>125,232</u>
Non-current liabilities	<u>5,000</u>	<u>10,000</u>	<u>5,000</u>
Current liabilities			
Borrowings	29,193	22,402	27,743
Payables and accruals	37,199	28,579	35,347
	<u>66,392</u>	<u>50,981</u>	<u>63,090</u>
	<u>201,769</u>	<u>180,449</u>	<u>193,322</u>
Non-current assets			
Property, plant and equipment	40,624	40,763	40,515
Future income tax benefit	3,766	3,292	3,636
Goodwill	18,246	20,960	19,556
	<u>62,636</u>	<u>65,015</u>	<u>63,707</u>
Current assets			
Inventories	73,752	56,267	57,273
Receivables and prepayments	65,381	59,167	72,342
	<u>139,133</u>	<u>115,434</u>	<u>129,615</u>
	<u>201,769</u>	<u>180,449</u>	<u>193,322</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	6 months Dec 2004	6 months Dec 2003	12 months Jun 2004
	\$000	\$000	\$000
Net cash flows from/(used in) operating activities			
Receipts from customers	222,382	187,566	379,117
Interest received	47	31	101
Payments to suppliers and employees	(199,165)	(164,961)	(332,393)
Income tax paid	(7,073)	(5,448)	(15,667)
Interest paid	(1,287)	(907)	(1,902)
	<u>14,904</u>	<u>16,281</u>	<u>29,256</u>
Net cash flows from/(used in) investing activities			
Sale of fixed assets	192	233	377
Employee share scheme	–	–	25
Purchase of treasury stock	(242)	–	(220)
Purchase of fixed assets	(3,112)	(2,594)	(5,307)
	<u>(3,162)</u>	<u>(2,361)</u>	<u>(5,125)</u>
Net cash flows from/(used in) financing activities			
Share capital paid up	16	251	251
Dividends paid to majority shareholder	(6,676)	(9,791)	(15,142)
Dividends paid to other shareholders	(6,532)	(9,540)	(14,741)
	<u>(13,192)</u>	<u>(19,080)</u>	<u>(29,632)</u>
Net decrease in cash balances	(1,450)	(5,160)	(5,501)
Cash at beginning of period	(22,743)	(17,242)	(17,242)
Cash at end of period	<u>(24,193)</u>	<u>(22,402)</u>	<u>(22,743)</u>
Cash comprises bank overdraft/call borrowings	<u>(24,193)</u>	<u>(22,402)</u>	<u>(22,743)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	6 months Dec 2004	6 months Dec 2003	12 months Jun 2004
	\$000	\$000	\$000
Reconciliation of profit after tax to net cash inflows from operating activities			
Profit after tax	18,579	11,951	28,462
Classified as investing/financing activities:			
Gain on sale of fixed assets	(117)	(38)	(58)
Non-cash items:			
Depreciation	2,928	2,798	5,635
Goodwill amortisation	1,310	1,366	2,770
Future income tax benefit	(130)	31	(313)
	<u>4,108</u>	<u>4,195</u>	<u>8,092</u>
Movements in working capital items:			
Provision for tax	2,911	1,118	161
Receivables and prepayments	7,029	2,731	(9,487)
Payables and accruals	(1,127)	(2,344)	4,424
Inventories	(16,479)	(1,332)	(2,338)
	<u>(7,666)</u>	<u>173</u>	<u>(7,240)</u>
Net cash inflows from operating activities	14,904	16,281	29,256

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

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 year ended 30 June 2004 and the previous six months ended 31 December 2003.

These statements have been prepared in accordance with FRS 24: Interim Financial Statements and should be read in conjunction with the annual report for the year ended 30 June 2004.

There have been no changes in accounting policies except for the consolidation of the employee share schemes as disclosed in the 2004 annual report. Unallocated company shares in these schemes are reported as treasury stock. Certain comparatives have been restated to correspond to the current period's presentation.

	Dec 2004	Dec 2003	Jun 2004
	\$000	\$000	\$000
1. Operating lease commitments			
Within 1 year	5,614	5,376	5,417
Within 1-2 years	4,862	5,051	4,985
Within 2-5 years	7,903	9,656	8,902
Beyond 5 years	3,343	4,321	3,993
	21,722	24,404	23,297
2. Contingent liabilities			
Guarantees under contracts and other contingent liabilities of the Group	1,233	1,196	1,233

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Steel & Tube Reinforcing & Fabrication

Steel & Tube Roofing Products

Hurricane Wire Products

Share Registry

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Steel & Tube Holdings Limited