steel&tube
STRONGER IN EVERYWAY

One Company: One Future

Half Year Report 2012

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

The Directors are pleased to present the unaudited consolidated financial statements for the 2012 half year that were authorised for issue on 9 February 2012.

Results

The trading result for the six months to 31 December 2011 is a profit after tax of $6.4 million. This is a decrease of $2 million or 24% compared with the same period last year, and in line with previous guidance.

Sales increased by $12.5 million, or 7% to $202.9 million. However margin pressure resulted in a reduced overall trading result.

The net tangible assets per share at 31 December 2011 were $1.47 compared to $1.45 at 31 December 2010.

Dividend

Directors have declared a fully-imputed interim dividend of 5.5 cents per share to be paid on 30 March 2012 to holders of fully-paid ordinary shares registered at 16 March 2012. The amount payable is $4.86 million and a supplementary dividend of 0.97 cents will be paid to non-resident shareholders.

Performance

Industry activity levels saw no appreciable change from the prior year. Notably demand in Auckland was very subdued across all product categories, particularly during September and October, with November seeing some improvement.

Although the key sectors of residential and non-residential construction, along with metal related manufacturing remained subdued, this was marginally offset by improvements in the rural sector. The ongoing uncertainties throughout the world continue to impact business sentiment, generally resulting in a cautious approach.

Our Christchurch operations and people continue to demonstrate considerable resilience as they deal with the ongoing earthquakes and aftershocks. There had been early signs that some rebuild activities were commencing, however the ongoing seismic activity may further impact the rebuild schedule.

Volatility in global raw material prices, finished steel prices and in the New Zealand dollar has led to increased volatility in domestic steel prices. This increased volatility along with inventory lead times is creating a more dynamic and challenging pricing environment for steel manufacturers, distributors and customers alike. In addition, the subdued demand led to some manufacturers and distributors being prepared to discount prices early, resulting in significant margin pressure. Prices were increased late in 2011, reflecting international pricing, to reduce the continuation of the margin decline.

At Steel & Tube, we remain focused on delivering initiatives that focus on improving customer service and growing the company. The One Company approach has resulted in improved sales as the new operating model gains traction.

The new and exciting brand was introduced to our customers and staff in July and rebranding was completed in September. Work continues to refresh other parts of our business, which includes upgrades to numerous facilities over coming periods as we continue with the facility rationalisation program.

Additionally our focus on costs, debtors and inventory management, position the organisation for the environment ahead.

Health and safety remains a top priority. Good progress is being made in addressing higher consequence safety risks and although the number of medical treatment injuries is higher than last year, none of the injuries were of a serious nature.

Outlook

From the Company's perspective the economic recovery remains slow, and although the September quarter GDP was stronger than widely expected, the growth was not in those sectors of most relevance to Steel & Tube.

The rural sector commodity pricing remains elevated, despite softening through the second half of 2011, and we expect demand to reflect this. While non-food manufactured exports and metal related manufacturing both declined in the September 2011 quarter, the December Performance of Manufacturing Index showed some improvement.

Residential construction activity is now at its lowest level since 1993 and non-residential building consents in December 2011 were down 3.3% year on year.

Any meaningful activity in the rebuild for Christchurch is likely to extend further into the second half of the 2012 calendar year.

Ongoing global uncertainties and the impact these uncertainties have on the NZ economy makes it very difficult to forecast with any degree of certainty. Our view is that the issues overseas will continue to limit confidence and curtail investment. Other than the Christchurch rebuild, we see no reason for demands to increase from the current level in the short term.

We remain focused on delivering our internal initiatives, and we believe that they will increasingly generate benefits above that of the general trading environment. Overall we expect that the results for the second half of the year will be similar to or a little better than for the first six months.

Dean Pritchard
Chairman

Dave Taylor
Chief Executive Officer

09 February 2012

Consolidated Interim Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Unaudited December 2011 $000	Unaudited December 2010 $000
Sales revenue	**202,907**	190,453
Cost of sales	**(162,580)**	(146,586)
Gross profit	**40,327**	43,867
Other operating income	**198**	164
Selling expenses	**(12,616)**	(13,762)
Administration expenses	**(8,449)**	(7,701)
Other operating expenses	**(9,702)**	(9,771)
Operating earnings before financing costs	**9,758**	12,797
Interest income	**28**	19
Interest expense	**(883)**	(734)
Profit before tax	**8,903**	12,082
Tax expense - operating income	**(2,530)**	(3,684)
Profit after tax	**6,373**	8,398
Other comprehensive income – hedging reserve	**377**	(398)
Total comprehensive income	**6,750**	8,000
Basic earnings per share (cents)	**7.2**	9.5
Diluted earnings per share (cents)	**7.2**	9.5

The accompanying notes form part of these financial statements.

Consolidated Interim Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Share capital $000	Retained earnings $000	Hedging reserve $000	Treasury shares $000	Share-based payments $000	Total equity $000
Balance at 1 July 2011	**71,252**	**82,311**	**(614)**	**(1,367)**	**389**	**151,971**
Comprehensive income						
Profit after tax	**–**	**6,373**	**–**	**–**	**–**	**6,373**
Other comprehensive income – hedging reserve	**–**	**–**	**377**	**–**	**–**	**377**
Transactions with owners						
Dividends paid	**–**	**(7,912)**	**–**	**–**	**–**	**(7,912)**
Proceeds from call on shares	**271**	**–**	**–**	**–**	**–**	**271**
Granted during the period	**–**	**–**	**–**	**–**	**60**	**60**
(Purchase)/withdrawal of own shares	**–**	**–**	**–**	**(290)**	**–**	**(290)**
Unaudited balance at 31 December 2011	**71,523**	**80,772**	**(237)**	**(1,657)**	**449**	**150,850**
Balance at 1 July 2010	71,252	74,945	224	(872)	365	145,914
Comprehensive income						
Profit after tax	–	8,398	–	–	–	8,398
Other comprehensive income – hedging reserve	–	–	(398)	–	–	(398)
Transactions with owners						
Dividends paid	–	(4,398)	–	–	–	(4,398)
Granted during the period	–	–	–	–	152	152
Lapsed or forfeited during the period	–	–	–	–	(83)	(83)
(Purchase)/withdrawal of own shares	–	–	–	(463)	–	(463)
Unaudited balance at 31 December 2010	**71,252**	**78,945**	**(174)**	**(1,335)**	**434**	**149,122**

The accompanying notes form part of these financial statements.

Consolidated Interim Balance Sheet

AS AT 31 DECEMBER 2011

	Unaudited December 2011 $000	Audited June 2011 $000
Current assets		
Cash and cash equivalents	**2,092**	3,023
Trade and other receivables	**59,467**	68,313
Inventories	**96,124**	88,735
Assets held for sale	**508**	508
Derivative financial instruments	**187**	–
	158,378	160,579
Non-current assets		
Property, plant and equipment	**49,525**	51,060
Intangibles	**19,953**	19,903
	69,478	70,963
Total assets	**227,856**	231,542
Current liabilities		
Trade and other payables	**24,968**	33,444
Borrowings – on call	**5,400**	–
Borrowings – term loans	**43,000**	41,000
Provisions	**741**	795
Derivative financial instruments	**–**	853
Income tax payable	**50**	845
	74,159	76,937
Non-current liabilities		
Deferred tax	**2,320**	2,040
Employee benefits	**527**	594
	2,847	2,634
Equity		
Share-capital	**71,523**	71,252
Retained earnings	**80,772**	82,311
Hedging reserve	**(237)**	(614)
Treasury shares	**(1,657)**	(1,367)
Share-based payments	**449**	389
	150,850	151,971
Total equity and liabilities	**227,856**	231,542

The consolidated interim financial statements and accompanying notes were authorised by the Board on 9 February 2012.

For the Board

Dean Pritchard, Chairman

Dave Taylor, Chief Executive Officer

The accompanying notes form part of these financial statements.

Consolidated Interim Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Unaudited December 2011 $000	Unaudited December 2010 $000
Cash flows from operating activities		
Customers receipts	**210,128**	198,851
Interest receipts	**28**	19
Payments to suppliers and employees	**(204,746)**	(182,447)
Income tax payments	**(3,335)**	(3,918)
Interest payments	**(883)**	(734)
Net cash inflow from operating activities	**1,192**	11,771
Cash flows from investing activities		
Property, plant and equipment disposals	**78**	200
Property, plant and equipment purchases	**(1,670)**	(4,037)
Net cash outflow from investing activities	**(1,592)**	(3,837)
Cash flows from financing activities		
Treasury shares	**(290)**	(463)
Proceeds from call on shares	**271**	–
Borrowings	**2,000**	2,000
Dividends paid	**(7,912)**	(4,398)
Net cash outflow from financing activities	**(5,931)**	(2,861)
Net (decrease) increase in cash and cash equivalents	**(6,331)**	5,073
Cash and cash equivalents at beginning of the period	**3,023**	(6,942)
Cash and cash equivalents at end of the period	**(3,308)**	(1,869)
Represented by:		
Cash and cash equivalents	**2,092**	–
Borrowings - on call	**(5,400)**	(1,869)
	(3,308)	(1,869)

The accompanying notes form part of these financial statements.

Notes to the Consolidated Interim Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Steel & Tube Holdings Limited is registered under the Companies Act 1993 and is an issuer on the New Zealand Stock Exchange for the purposes of the Financial Reporting Act 1993. The Company is a limited liability company incorporated and domiciled in New Zealand, and the Group comprises Steel & Tube Holdings Limited and its subsidiaries. The Group's principal activities relate to the distribution, processing and fabrication of steel and allied products.

The registered office of the Company is at 15-17 Kings Crescent, Lower Hutt, New Zealand.

Statement of compliance

The Group is a profit-oriented entity and its unaudited condensed consolidated interim financial statements have been prepared in accordance with, and comply with, New Zealand Generally Accepted Accounting Practice (NZ GAAP), New Zealand's Equivalent to International Financial Reporting Standard NZ IAS 34: Interim Financial Reporting and International Accounting Standard IAS 34: Interim Financial Reporting.

Changes to NZ IAS 34: Interim Financial Reporting effective 1 July 2011 and have been incorporated in the current interim financial statements. These changes have not had a material impact on the interim financial statements.

Basis of preparation

These financial statements are presented in New Zealand dollars and rounded to the nearest thousand. These financial statements do not include all the information required for full financial statements and consequently should be read in conjunction with the full financial statements of Steel & Tube Holdings Limited for the year ended 30 June 2011. The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's audited financial statements for the year ended 30 June 2011.

Disclosures

1. Operating segments

Operating segments of the Group as at 31 December 2011 have been determined based on separate financial information that is regularly reviewed by the chief operating decision maker. The Group's operating segments comprise steel distribution and processing, roofing products, reinforcing and wire businesses.

NZ IFRS 8: Operating Segments permits the aggregation of operating segments into reportable segments. This has been adopted as the operating segments have similar economic characteristics, are also similar in the nature of products and services supplied, the nature of the production processes, the class of customers the products and services are sold to, and the distribution channels for these products and services. Based on this analysis, no additional disclosure is required in the interim financial statements as the Group has one reportable segment.

1. Operating segments (continued)

The Group primarily derives its revenue from the distribution, processing and fabrication of steel and allied products, with all revenue derived and assets located in New Zealand. The Group has a diverse range of customers from various industries, with no single customer contributing more than 10% of the Group's revenue.

2. Contingent liabilities

Guarantees on contracts at 31 December 2011 were $0.4 million (June 2011: $0.4 million) and were transacted in the ordinary course of business.

3. Related parties

The Group has related party relationships with its controlled entities, its overseas parent shareholder and with key management personnel.

	Unaudited December 2011 $000	Unaudited December 2010 $000
(a) Transactions with parent company		
Purchases during the period	**19,264**	12,378
Percentage of related party purchases	**11.8%**	8.4%

OneSteel Limited of Australia, through its subsidiary OneSteel NZ Holdings Limited, owns 50.3% (June 2011: 50.3%) of the Company's issued shares. All transactions are on commercial terms. Included in trade creditors is an amount of $1.3 million (June 2011: $2.8 million) owed to OneSteel at balance date.

(b) Transactions with key management personnel

Short-term benefits	**1,095**	1,566
	1,095	1,566

The key management personnel are the Directors and Executive Management. Included in short-term benefits are Directors' fees of $199,500 (December 2010: $207,707).

4. Subsequent event

On 9 February 2012 the Board declared a fully-imputed dividend of 5.5 cents per share ($4.86 million) and a supplementary dividend to non-resident shareholders of 0.97 cents per share. The dividends will be paid to shareholders on 30 March 2012.

Independent Auditors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements ("financial statements") of Steel & Tube Holdings Limited on pages 4 to 9, which comprise the balance sheet as at 31 December 2011, statement of comprehensive income, statement of changes in equity and statement of cash flow for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2011, and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the period ended 31 December 2011 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have no relationship with, or interests in, Steel & Tube Holdings Limited other than in our capacities as accountants conducting this review and tax advisors. These services have not impaired our independence as accountants of the Group.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 December 2011 and its financial performance and cash flows for the period ended on that date.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountants' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our review procedures, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants Wellington

9 February 2012

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Auditors

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