steel&tube
STRONGER IN EVERYWAY

Financial Report 2013

Directors' Report

The Directors are pleased to present the annual report and audited financial statements of the Company and its subsidiaries for the year ended 30 June 2013.

Group Results

For the year ended 30 June 2013 Steel & Tube Holdings Limited reported a Group net profit after tax of $15.6 million. This result compares to a profit after tax of $13.1 million last year, an increase of 19%. Earnings per share for the year ended 30 June 2013 were 17.8 cents, compared to 14.9 cents for the year prior.

As at 30 June 2013, total equity increased by $4.5 million to $157.2 million. Total assets decreased by $8.1 million to $222.4 million, compared to $230.4 million in the prior year.

The Group's debt to equity ratio of 13% continues to be at a level which enables the Group to leverage against its assets, if required. The Company is in a sound position.

Dividends

The Company has declared a fully imputed dividend of 8.5 cents per share payable on 30 September 2013 to holders of fully paid ordinary shares recorded on 13 September 2013. This brings the total dividends for the year to 15 cents. The final dividend payable is $7.52 million.

Executive Share Plan

A total of 324,623 shares were purchased for the Executive Share Plan. Conversion of the rights to these shares is subject to achieving Board-approved targets. During the year rights to 49,614 shares within the Executive Share Plan were exercised, refer to note 21(b) in the financial statements. In 2009 the NZX granted a waiver to the Company under listing rule 7.6.4(b)(iii) to allow the CEO to participate in the Plan on the same terms as those offered to other senior employees. Non-executive Directors do not participate in the Plan. Details of the waiver can be found at www.steelandtube.co.nz.

Auditors

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

Directors

Anne Urlwin was appointed a Director on 1 June 2013 and, being eligible, offers herself for election.

In accordance with the Company's Constitution, Dean Pritchard and David Taylor will retire by rotation and both make themselves available for re-election.

Director certificates covering entries in the Interests Register in respect of remuneration, dealing in Company shares, insurance indemnities and other interests have been disclosed in the statutory information section of the annual report.

Personnel

The Board thanks all staff for their continued commitment to the One Company vision.
The contribution of each team member is acknowledged as we continue the journey to make Steel & Tube *Stronger in Everyway*.

Sir John Anderson
Chairman
15 August 2013

Dave Taylor
Chief Executive Officer

Financial Statements

General Information

This document, in conjunction with the Steel & Tube Shareholder Review 2013, constitutes the 2013 Annual Report to shareholders of Steel & Tube Holdings Limited.

Chief Executive's Review

Overview

Steel & Tube delivered a solid year's performance. The first half saw a gradual market improvement led by construction activity in Christchurch. This momentum was expected to continue through the second half but, due to a number of variables, trading proved to be challenging from February.

Our One Company approach continued on multiple fronts bringing greater efficiencies to the business with benefits and opportunities for our customers.

On 9 October Arrium (formerly known as OneSteel) divested their 50.3% majority shareholding in Steel & Tube mostly to New Zealand institutional and retail investors. Steel & Tube returned to the NZX 50 on 14 November 2012.

Financial results

The trading result for the full year to 30 June 2013 is a profit after tax of $15.6 million compared with $13.1 million for the previous year, an increase of 19%.

Reducing steel prices resulted in sales for the year at $393 million, compared with $405 million for the previous year, a decrease of 3% on consistent volumes.

Operating cash flow remains strong at $27.5 million and is an increase of $8.7 million (47%) when compared with the previous year.

Working capital was well managed and, with strong operating cash flows, borrowings reduced to $23.6 million and gearing reduced to 13%.

A final dividend of 8.5 cents a share was declared on 15 August 2013.

Trading environment

Global raw-material pricing volatility early in the year led to domestic price increases for most products and saw a good start to the year. We expected the sharp and significant price swings, particularly for iron ore in the first half to lead to finished-steel price increases. This was true in US dollars, but did not materialise locally due to an appreciating NZ dollar and soft underlying demand. Consequently, the expected price increase in the third quarter did not occur, and steel prices throughout the year were on average lower than in the prior year.

Domestically, the three key industry sectors for our business; construction, manufacturing and rural, experienced mixed activity levels during the year. The first half saw both the rural and manufacturing sectors subdued, albeit with volatility, whilst construction demand slowly increased, led by Christchurch.

Christchurch residential construction activity continued to gain momentum and infrastructure activities maintained target levels. Our roofing and reinforcing products, particularly reinforcing meshes experienced good growth from this activity. Several commercial build projects, mostly in suburban areas and rebuild preparatory activities led us to believe the commercial rebuild was gaining momentum.

Elsewhere in New Zealand, with the exception of increasing residential consents and specific key infrastructure projects in Auckland, most other regions remained subdued. Quoting activity increased in several locations including Wellington, reversing previous trends but this did not manifest in increased volumes.

Early second-half indications suggested Christchurch construction momentum would continue and, with manufacturing finishing the first half reasonably strongly, expectations were for an improved second half trading environment.

However, February saw the momentum dissipate and demand soften across the country and this soft market continued into April. May and June saw a small recovery. The lower activity was against a domestic economic backdrop of growing optimism.

Despite this 'mixed' environment, the second-half performance was ahead of the first and further demonstrates the positive impact on performance of the company's various initiatives.

Stronger in Everyway

One Company

We are pleased with the momentum One Company continues to gain with customers as we held volumes whilst lifting margins in a competitive environment. Customers are recognising the benefits and several new customer partnerships were formed during the year.

The supply-chain changes continue with much foundation work now complete. This will positively impact our overall business effectiveness next year and beyond.

Investment in plant and equipment continues. We have commissioned leading-edge, plate-processing machinery

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to serve Auckland and the North Island. In Christchurch, additions to wire processing have increased our seismic-mesh capacity and our new commercial-roof profile roll formers have complemented our range in anticipation of the commercial rebuild.

In Nelson and Hamilton we have consolidated our multiple facilities into new, single-site operations. At each location the distribution and the processing facilities have been brought together to better meet the entire needs of customers and improve efficiencies. Our National Support Centre moved from Lower Hutt to a new single-floor location in Petone, purposefully designed to underpin our One Company culture and working environment.

Developing our workplace culture and our people continued with significant investment in our Values programme and capability. Pleasingly, this commitment is reflected in the latest employee-engagement survey, which showed improvement across all business areas.

In addition to the numerous One Company initiatives being implemented we remain focused on the fundamentals of the business. Costs were well managed despite the additional resources required to give effect to the change programme.

Health and safety

Steel & Tube places the highest priority on the commitment to the health and safety of our staff, contractors and visitors to our facilities. Over the past 12 months Lost Time Incidents have reduced from four to two and Medical Treatment Incidents from 14 to eight. This represents a 40% improvement on the previous year and we acknowledge the conscientious efforts of all of our staff. Steel & Tube staff face high-risk activities everyday, and we remained focused on addressing those activities with the potential for injuries to our people. We continued to drive behavioural change across our organisation towards appropriate and safe practices at all times.

Outlook

The New Zealand economy appears to be slowly gaining momentum across an increasingly broad range of sectors. While encouraging, our optimism remains tempered until we see an actual uplift in the sectors we serve.

Clearly, the big opportunity for Steel & Tube is the Christchurch rebuild and whilst the residential and infrastructure activities continue to offer growth in certain products, we await the commercial part of the rebuild to decisively commence. It remains unclear when the key anchor projects will begin.

Outside of Christchurch, residential consents continue to increase in most regions and in Auckland especially. Non-residential consents are also increasing but to a lesser degree. Whilst the residential activity will boost roofing and reinforcing throughout the year, commercial activity is likely to impact only the 2013/14 second half and beyond.

In the rural sector, the end of the drought, a strong late season and the latest increase in forecast farm-gate milk prices should see additional maintenance and equipment expenditure on farm. We expect the sector to remain resilient and robust for us in the short to medium term.

We anticipate continued volatility in metal, transport and equipment manufacturing with some pull through for domestic manufacturers as a consequence of construction activity.

From a global steel perspective, we expect the volatility of raw material prices to continue and underlying demand to remain soft. Asian steel manufacturers continue to face financial viability concerns with steel prices at the current level. Over capacity remains and many steel makers are rumored to be facing losses. Therefore, the global steel manufacturing industry needs to improve margins and there appears to be increasing sentiment to find ways to improve pricing. We expect upward pressure on steel pricing domestically and a price increase may follow in the first half.

The Company's many initiatives including One Company, staff engagement, supply chain and people development are progressing well, and continue to position Steel & Tube to realise the opportunities from a varied but slowly improving external environment.

With excellent cash flows, increasing performance and a very strong balance sheet the company is well positioned for expansion and growth.

Financial Statements 2013

Statements of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

		Group		Parent	
		2013	2012	**2013**	2012
	Notes	**$000**	$000	**$000**	$000
Sales revenue		**393,348**	405,362	**393,348**	405,362
Other operating income		**1,591**	800	**1,578**	782
Cost of sales	4	**(309,516)**	(324,446)	**(309,365)**	(324,446)
Selling expenses	4	**(26,914)**	(25,536)	**(26,914)**	(25,536)
Administration expenses	4	**(17,410)**	(17,281)	**(17,748)**	(17,281)
Other operating expenses	4	**(18,538)**	(18,968)	**(18,537)**	(18,943)
Operating earnings before financing costs		**22,561**	19,931	**22,362**	19,938
Interest income		**43**	55	**43**	55
Interest expense		**(1,412)**	(1,726)	**(1,412)**	(1,726)
Profit before tax		**21,192**	18,260	**20,993**	18,267
Tax expense	5	**(5,607)**	(5,133)	**(5,647)**	(5,128)
Profit for the year attributable to owners of the parent		**15,585**	13,127	**15,346**	13,139
Other comprehensive income - hedging reserve	20	**644**	306	**644**	306
Total comprehensive income		**16,229**	13,433	**15,990**	13,445
Basic earnings per share (cents)	16	**17.8**	14.9	**17.5**	15.0
Diluted earnings per share (cents)	16	**17.8**	14.9	**17.5**	14.9

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Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Share capital $000	Retained earnings $000	Hedging reserve $000	Treasury shares $000	Share-based payments $000	Total equity $000
Group							
Balance at 1 July 2011		71,252	82,311	(614)	(1,367)	389	151,971
Comprehensive income							
Profit after tax		-	13,127	-	-	-	13,127
Items that may be reclassified to profit or loss							
Other comprehensive income - hedging reserve		-	-	306	-	-	306
Total comprehensive income		-	13,127	306	-	-	13,433
Transactions with owners							
Dividends paid	17	-	(12,750)	-	-	-	(12,750)
Proceeds from partly paid shares	15	271	-	-	-	-	271
Granted during the year		-	-	-	-	53	53
Purchase of own shares - net of transaction costs	18	-	-	-	(294)	-	(294)
Balance at 30 June 2012		71,523	82,688	(308)	(1,661)	442	152,684
Balance at 1 July 2012		**71,523**	**82,688**	**(308)**	**(1,661)**	**442**	**152,684**
Comprehensive income							
Profit after tax		**-**	**15,585**	**-**	**-**	**-**	**15,585**
Items that may be reclassified to profit or loss							
Other comprehensive income - hedging reserve		**-**	**-**	**644**	**-**	**-**	**644**
Total comprehensive income		**-**	**15,585**	**644**	**-**	**-**	**16,229**
Transactions with owners							
Dividends paid	17	**-**	**(11,414)**	**-**	**-**	**-**	**(11,414)**
Proceeds from partly paid shares	15	**71**	**-**	**-**	**-**	**-**	**71**
Granted during the year		**-**	**-**	**-**	**-**	**262**	**262**
Purchase of own shares - net of transaction costs	18	**-**	**-**	**-**	**(645)**	**-**	**(645)**
Balance at 30 June 2013		**71,594**	**86,859**	**336**	**(2,306)**	**704**	**157,187**
Parent							
Balance at 1 July 2011		71,252	82,375	(614)	-	389	153,402
Comprehensive income							
Profit after tax		-	13,139	-	-	-	13,139
Items that may be reclassified to profit or loss							
Other comprehensive income - hedging reserve		-	-	306	-	-	306
Total comprehensive income		-	13,139	306	-	-	13,445
Transactions with owners							
Dividends paid	17	-	(12,822)	-	-	-	(12,822)
Proceeds from partly paid shares	15	271	-	-	-	-	271
Granted during the year		-	-	-	-	53	53
Balance at 30 June 2012		71,523	82,692	(308)	-	442	154,349
Balance at 1 July 2012		**71,523**	**82,692**	**(308)**	**-**	**442**	**154,349**
Comprehensive income							
Profit after tax		**-**	**15,346**	**-**	**-**	**-**	**15,346**
Items that may be reclassified to profit or loss							
Other comprehensive income - hedging reserve		**-**	**-**	**644**	**-**	**-**	**644**
Total comprehensive income		**-**	**15,346**	**644**	**-**	**-**	**15,990**
Transactions with owners							
Dividends paid	17	**-**	**(11,496)**	**-**	**-**	**-**	**(11,496)**
Proceeds from partly paid shares	15	**71**	**-**	**-**	**-**	**-**	**71**
Granted during the year		**-**	**-**	**-**	**-**	**262**	**262**
Balance at 30 June 2013		**71,594**	**86,542**	**336**	**-**	**704**	**159,176**

Balance Sheets

AS AT 30 JUNE 2013

	Notes	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Current assets					
Cash and cash equivalents	6	**3,509**	3,680	**3,501**	3,669
Trade and other receivables	7	**68,448**	74,317	**68,379**	74,091
Inventories	8	**81,777**	82,705	**81,777**	82,705
Assets held for sale	10	**-**	508	**-**	508
Derivative financial instruments	20	**647**	108	**647**	108
		154,381	161,318	**154,304**	161,081
Non-current assets					
Trade and other receivables	7	**-**	-	**1,949**	1,895
Property, plant and equipment	9	**46,497**	48,201	**46,497**	48,201
Intangibles	11	**21,480**	20,899	**21,480**	20,899
		67,977	69,100	**69,926**	70,995
Total assets		**222,358**	230,418	**224,230**	232,076
Current liabilities					
Trade and other payables	12	**33,366**	32,482	**33,366**	32,482
Borrowings	13	**27,100**	40,000	**27,100**	40,000
Provisions	14	**262**	844	**112**	844
Derivative financial instruments	20	**12**	216	**12**	216
Income tax payable		**2,174**	1,507	**2,165**	1,500
		62,914	75,049	**62,755**	75,042
Non-current liabilities					
Deferred tax	5	**1,408**	1,771	**1,450**	1,771
Derivative financial instruments	20	**168**	320	**168**	320
Employee benefits		**681**	594	**681**	594
		2,257	2,685	**2,299**	2,685
Equity					
Share capital	15	**71,594**	71,523	**71,594**	71,523
Retained earnings		**86,859**	82,688	**86,542**	82,692
Other reserves	18, 20(a)	**(1,266)**	(1,527)	**1,040**	134
		157,187	152,684	**159,176**	154,349
Total equity and liabilities		**222,358**	230,418	**224,230**	232,076

These financial statements and the accompanying notes were authorised by the Board on 15 August 2013.

For the Board

Sir John Anderson
Chairman

Dave Taylor
Chief Executive Officer

This document, in conjunction with the Steel & Tube Shareholder Review 2013, constitutes the 2013 Annual Report to shareholders of Steel & Tube Holdings Limited.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
Cash flows from operating activities					
Customer receipts		**395,942**	403,829	**395,942**	403,829
Interest receipts		**43**	55	**43**	55
Payments to suppliers and employees		**(361,781)**	(378,791)	**(361,950)**	(378,836)
Income tax payments		**(5,303)**	(4,856)	**(5,302)**	(4,848)
Interest payments		**(1,412)**	(1,485)	**(1,412)**	(1,485)
Net cash inflow from operating activities		**27,489**	18,752	**27,321**	18,715
Cash flows from investing activities					
Property, plant and equipment disposals		**2,976**	145	**2,976**	145
Transactions with controlled entities		**-**	-	**(392)**	(174)
Property, plant and equipment and intangible asset purchases		**(5,748)**	(4,467)	**(5,748)**	(4,467)
Net cash outflow from investing activities		**(2,772)**	(4,322)	**(3,164)**	(4,496)
Cash flows from financing activities					
Share capital		**71**	271	**71**	271
Treasury shares - net	18	**(645)**	(294)	**-**	-
Borrowings		**(17,500)**	(3,500)	**(17,500)**	(3,500)
Dividends paid	17	**(11,414)**	(12,750)	**(11,496)**	(12,822)
Net cash outflow from financing activities		**(29,488)**	(16,273)	**(28,925)**	(16,051)
Net decrease in cash and cash equivalents		**(4,771)**	(1,843)	**(4,768)**	(1,832)
Cash and cash equivalents at the beginning of the year		**1,180**	3,023	**1,169**	3,001
Cash and cash equivalents at the end of the year		**(3,591)**	1,180	**(3,599)**	1,169
Represented by:					
Cash and cash equivalents		**3,509**	3,680	**3,501**	3,669
Borrowings - on call		**(7,100)**	(2,500)	**(7,100)**	(2,500)
		(3,591)	1,180	**(3,599)**	1,169
Reconciliation of profit after tax to cash flows from operating activities					
Profit after tax		**15,585**	13,127	**15,346**	13,139
Non-cash adjustments:					
Depreciation and amortisation		**5,345**	6,206	**5,345**	6,206
Investment impairment		**-**	-	**337**	-
Deferred tax		**(614)**	(269)	**(572)**	(269)
Gain on items classified as investing activities:					
Gain on property, plant and equipment disposals		**(942)**	(19)	**(942)**	(19)
		19,374	19,045	**19,514**	19,057
Movements in working capital:					
Income tax		**667**	662	**665**	665
Inventories		**928**	6,030	**928**	6,030
Trade and other receivables		**5,869**	(6,004)	**5,374**	(6,056)
Trade and other payables, including derivatives		**651**	(981)	**840**	(981)
Net cash inflow from operating activities		**27,489**	18,752	**27,321**	18,715

This document, in conjunction with the Steel & Tube Shareholder Review 2013, constitutes the 2013 Annual Report to shareholders of Steel & Tube Holdings Limited.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1. General information

Steel & Tube Holdings Limited is registered under the Companies Act 1993 and is an issuer listed on the New Zealand 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 Level 7, 25 Victoria Street, Petone, Lower Hutt 5010, New Zealand.

2. Summary of significant accounting policies

(a) Statement of compliance

The Group is a profit-oriented entity and its consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

(b) Basis of preparation

These financial statements are presented in New Zealand dollars and rounded to the nearest thousand. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below, including derivative financial instruments, long-term service benefits and long-term incentive benefits. Preparation of the financial statements requires Management to exercise judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and of income and expenses. The accounting policies have been applied consistently to all periods presented in these financial statements.

(c) Basis of consolidation

Subsidiaries are all entities over which the Group has control, that is, the power, directly or indirectly, to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Financial statements of subsidiary entities are included in the Group financial statements from the date control commences until the date control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency

(i) Functional and presentation currency

Items presented in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Group's financial statements are presented in New Zealand dollars, which is the Company's functional and Group's presentation currency.

(ii) Foreign currency transactions

Foreign currency transactions are translated using foreign currency exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities at balance date are recognised in the Statement of Comprehensive Income except when deferred in equity as qualifying cash flow hedges.

2. Summary of significant accounting policies (continued)

(e) Segment reporting

An operating segment is a component of an entity that engages in business activities that earn revenue and incur expenses and for which the Chief Operating Decision-Maker (CODM) reviews the operating results on a regular basis and makes decisions on resource allocations. The Chief Executive Officer has been identified as the CODM.

A description of each operating segment within the Group is outlined in note 19.

(f) Revenue recognition

Revenue comprises the fair value of sales of goods and services net of Goods and Services Tax, and discounts and after elimination of sales within the Group. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer.

Interest shall be recognised using the effective interest method.

(g) Income tax and deferred tax

Income tax comprises both current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it will relate to items directly recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using enacted tax rates and any adjustment to tax payable in respect of prior periods.

Deferred tax uses the liability method to provide for temporary differences between the carrying amounts of assets and liabilities and their tax base. Deferred tax is not provided if it arises from the following temporary differences: goodwill not deductible for tax purposes, initial recognition of assets and liabilities in a transaction other than a business combination that affects neither accounting nor taxable profit and investments in subsidiaries where the timing of the reversal of the temporary difference is controlled by the Group to the extent that they will probably not reverse in the foreseeable future. Deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using enacted or substantively enacted tax rates expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent it is probable future taxable profits will offset temporary differences.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts and call borrowings repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the Statement of Cash Flows.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less the provision for impairment. The provision for impairment is established when there is objective evidence to indicate that debtors will not be able to pay their debts when due. Significant financial difficulties of debtors, probability that debtors will enter receivership, bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value, with cost determined on a weighted average cost basis or standard cost basis and include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, and selling expenses. The cost of finished inventories includes a share of overheads based on normal operating capacity.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (continued)

(k) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of the assets at the initial recognition and re-evaluates the designation at each reporting date.

Purchases and sales of financial assets are recognised on the date the Group has committed to the transaction. De-recognition of financial assets occurs when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Balance Sheet, when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are recognised initially at fair value and subsequently at amortised cost less any impairment. They are included in current assets unless their maturities are greater than 12 months from balance date. Loans and receivables are included in trade and other receivables in the Balance Sheet.

(ii) Fair values

Fair value in active markets: the fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at balance date, without any deduction for estimated future selling costs. Financial assets are priced at current bid prices and financial liabilities at current asking prices.

(l) Derivatives

(i) Cash flow hedge

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks and interest risk arising from operational, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify as hedging instruments for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into. Subsequent to initial recognition, derivatives are re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

For derivatives that are not designated as hedging instruments, the gain or loss on re-measurement to fair value is recognised in the Statement of Comprehensive Income in other gains and losses.

The Group designates certain derivatives as hedges of a highly probable forecast transaction (cash flow hedge). The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognised in equity. The gain or loss in the ineffective portion is recognised in the Statement of Comprehensive Income in other gains and losses.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (continued)

(l) Derivatives (continued)

(i) Cash flow hedge (continued)

When the hedged item is a non-financial asset (for example, inventory or property, plant and equipment) the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the Statement of Comprehensive Income in the same period the hedged item is recognised in the Statement of Comprehensive Income. If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated or is exercised, any cumulative gain or loss previously recognised in equity remains in equity until the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the Statement of Comprehensive Income within other gains/(losses).

Derivative financial instruments are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(m) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost (expenditure directly attributable to the purchase of items) or cost less accumulated depreciation and impairment except for land, which is stated at cost less impairment. Assets are tested annually for indicators of impairment and adjusted if required.

(ii) Subsequent costs

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the Statement of Comprehensive Income as expenses.

(iii) Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets, with the exception of land and capital work in progress, which are not depreciated. The residual values and useful lives are reviewed annually. The estimated useful lives are as follows:

Buildings	50 years
Plant and machinery and motor vehicles	3 - 10 years
Equipment, furniture and fittings	2 - 10 years

(n) Intangible assets

(i) Goodwill

All business combinations are accounted for using the acquisition method. Goodwill is recognised on acquisitions of subsidiaries or purchases of business assets and represents the excess of the acquisition cost over the fair value of the acquired net assets. Goodwill is allocated to cash-generating units, tested annually for impairment, or more frequently if events or circumstances indicate it may be impaired, and is carried at cost less accumulated impairment losses.

In determining the recoverable amount of goodwill, valuation models to calculate the present value of expected cash flows of the cash-generating units are used. The major inputs and assumptions used in the models that require Management judgement include: forecasts of sales volumes and revenues, future prices and costs, terminal values and discount rates.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

(ii) Licences

Licences are capitalised on the basis of costs incurred to acquire and use the specific licences and are amortised over their estimated useful lives of three to five years.

(o) Impairment of non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(p) Trade and other payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are recognised initially at fair value and are unsecured and subsequently measured at amortised cost using the effective interest method.

(q) Goods and Services Tax (GST)

These financial statements have been prepared so that all components are stated exclusive of GST except where the GST is not recoverable. Trade and other receivables and payables are stated GST inclusive. The net amount of GST recoverable from or payable to Inland Revenue is included within these categories.

(r) Borrowings

Borrowings are recognised initially at fair value and net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the net proceeds and redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. The net movement in borrowings is shown in the Statement of Cash Flows. Borrowings are classified as current liabilities if settlement is within 12 months.

(s) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(t) Employee benefits

(i) Long-term service benefit

The Group's net obligation for long-term service benefit is the amount of future benefit employees have earned, in return for their services in the current and prior periods, and is calculated using an independent actuarial valuation of the present value of the estimated future cash flows.

(ii) Short-term incentives

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(iii) Long-term incentives

Employee Share Purchase Scheme

An opportunity is provided for employees to acquire Company shares when an offer is made. Directors are not eligible to participate in the scheme. The scheme is operated as a Trust, with the Trustees appointed by the Board. Eligibility is based on having completed one year of employment at the time of the offer. The shares are offered at a discount to market price approved by the Board. The fair value is recognised at grant date and expensed over the vesting period. An interest-free loan is available to employees to purchase Company shares when an offer is made.

Shares allocated to employees do not vest until a minimum of three years from grant date has elapsed and the loan from the employee has been repaid. All shares allocated to employees are held beneficially by the Trustees until they vest, while dividends received on these shares are paid directly to employees. The employees may withdraw from the scheme prior to the vesting date. These shares are held beneficially by the Trustees until they vest and are recognised as treasury shares.

Share-based plan

The share-based plan is a long-term incentive plan that offers key Management personnel an opportunity to subscribe for rights to Company shares as directed by the Board. The Board appoints a Trustee to administer the plan. Vesting of the rights occurs upon achieving Board-approved targets, after a minimum of three years to a maximum of five years from grant date. Any rights not vested after the expiry of five years are cancelled. The cost associated with this plan is measured at fair value at grant date and is recognised as an expense in the Statement of Comprehensive Income over the vesting period, with a corresponding entry to the reserve in equity where equity is settled and a corresponding entry to liabilities where cash is settled. Shares purchased in this plan are recognised as treasury shares until they are distributed.

(u) Capital

Ordinary shares are classified as equity. Where any controlled entities purchase Company shares that have not been allocated, the consideration paid and directly attributable costs are deducted from equity and classified as treasury shares.

(v) Adoption status of relevant new financial reporting standards and interpretations

(i) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2012 and have been adopted in these financial statements:

IAS 1, Financial Statement Presentation (amendment)

The amendment requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income. These changes have not had a material impact on the Group's financial statements.

Harmonisation Amendments

The Accounting Standards Review Board issued the Harmonisation Amendments for the purpose of harmonising Australian and New Zealand Standards with source IFRSs to eliminate many of the differences between the Standards for profit-orientated entities applying IFRSs as adopted in Australia and New Zealand. These changes have not had a material impact on the Group financial statements.

There are no other IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 July 2012 that would be expected to have a material impact on the group.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

2. Summary of significant accounting policies (continued)

(v) Adoption status of relevant new financial reporting standards and interpretations (continued)

(ii) Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods for which the Group has not early adopted. The standards relevant to the Group are as follows:

NZ IFRS 9, Financial Instruments (effective from 1 January 2015)
The standard specifies the classification and measurement criteria for financial assets and is designed to replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZIFRS 9 requires an entity to classify financial assets at either amortised cost or fair value on the basis of, the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. An additional presentational requirement has been added for liabilities designated at fair value through profit and loss. The adoption of this standard is not expected to materially impact the Group's recognition of financial assets or liabilities.

NZ IFRS 10 Consolidated Financial Statements (effective from 1 January 2013)
The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities and supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation Special Purpose Entities. NZ IFRS requires an entity that is a parent to present consolidated financial statements, defines the principle of control and sets out how to apply the principle of control to identify whether an investor controls an investee. The Group will adopt the standard for the interim period ending 31 December 2013 and the year ending 30 June 2014. The standard is not expected to have a material impact on the financial statements.

NZ IFRS 12 Disclosure of interest in other entities (effective from 1 January 2013)
The standard applies to entities that have an interest in subsidiaries, joint ventures, associates or unincorporated structured entities. It establishes disclosure objectives and specified minimum disclosures that an entity must provide to meet the objectives. The Group will adopt the standard for the interim period ending 31 December 2013 and the year ending 30 June 2014.

NZ IFRS 13 Fair Value Measurement (effective from 1 January 2013)
The standard defines fair value, sets out a single framework for measuring fair value and requires disclosure about fair value measurements. The standard explains how to measure fair value for financial reporting. The standard is not expected to have a material impact on the Group financial statements. The Group will adopt the standard for the interim period ending 31 December 2013 and the year ending 30 June 2014.

NZ IAS 27 Separate Financial Statements (revised) (effective 1 January 2013)
Contains accounting disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The standard is not expected to have a material impact on the Group or Parent financial statements. The Group will adopt the standard for the interim period ending 31 December 2013 and the year ending 30 June 2014.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are disclosed below.

Estimated impairment of intangible assets

Intangible assets with indefinite useful lives are not subject to amortisation. The Group tests annually for impairment (note 11) or when events or circumstances indicate the carrying value may not be recoverable, in accordance with the accounting policy stated in note 2(o).

Intangible assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable (note 11).

An impairment loss is recognised for the excess of the carrying value of an asset or cash-generating unit over its recoverable amount and is charged to the Statement of Comprehensive Income. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Group and Parent 2013 $000	Group and Parent 2012 $000
4. Operating expenses		
Included in operating activities:		
Inventories expensed in cost of sales	**(292,408)**	(306,430)
Inventory written down	**(597)**	(238)
Bad debts	**(706)**	(529)
Depreciation and amortisation	**(5,345)**	(6,206)
Operating leases	**(9,725)**	(8,769)
Directors' fees	**(342)**	(390)
Employee benefits	**(47,471)**	(44,421)
Auditors' fees - audit services	**(209)**	(200)
- tax compliance and consulting	**(14)**	(24)
Donations	**(7)**	(10)

Inventory written down is shown in cost of sales and bad debts are shown in other operating expenses.

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
5. Income and deferred tax				
Profit before tax	**21,192**	18,260	**20,993**	18,267
Non-assessable income	**(1,411)**	-	**(1,411)**	-
Non-assessable expenditure	**245**	72	**586**	48
	20,026	18,332	**20,168**	18,315
Tax at 28%	**5,607**	5,133	**5,647**	5,128
	5,607	5,133	**5,647**	5,128
Represented by:				
Current tax	**6,221**	5,521	**6,219**	5,516
Deferred tax	**(614)**	(388)	**(572)**	(388)
	5,607	5,133	**5,647**	5,128

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Opening balance $000	Recognised in income $000	Recognised in income $000	Closing balance $000
5. Income and deferred tax (continued)				
Deferred tax				
Group 2013				
Property, plant and equipment	**(4,013)**	**381**	**-**	**(3,632)**
Employee benefits	**1,428**	**38**	**-**	**1,466**
Provisions	**694**	**195**	**-**	**889**
Cash flow hedging reserve	**120**	**-**	**(251)**	**(131)**
	(1,771)	**614**	**(251)**	**(1,408)**
Group 2012				
Property, plant and equipment	(4,169)	156	-	(4,013)
Employee benefits	1,257	171	-	1,428
Provisions	633	61	-	694
Cash flow hedging reserve	239	-	(119)	120
	(2,040)	388	(119)	(1,771)
Parent 2013				
Property, plant and equipment	**(4,013)**	**381**	**-**	**(3,632)**
Employee benefits	**1,428**	**38**	**-**	**1,466**
Provisions	**694**	**153**	**-**	**847**
Cash flow hedging reserve	**120**	**-**	**(251)**	**(131)**
	(1,771)	**572**	**(251)**	**(1,450)**
Parent 2012				
Property, plant and equipment	(4,169)	156	-	(4,013)
Employee benefits	1,257	171	-	1,428
Provisions	633	61	-	694
Cash flow hedging reserve	239	-	(119)	120
	(2,040)	388	(119)	(1,771)

	Group		Parent	
	2013 $000	2012 $000	**2013 $000**	2012 $000
The analysis of deferred tax assets and deferred tax liabilities is as follows:				
Deferred tax assets:				
Deferred tax asset recovery within 1 year	**541**	201	**541**	201
Deferred tax asset recovery after 1 year	**4,667**	4,931	**4,667**	4,931
	5,208	5,132	**5,208**	5,132
Deferred tax liability settlement within 1 year	**(2,524)**	(2,160)	**(2,482)**	(2,160)
Deferred tax liability settlement after 1 year	**(1,276)**	(1,201)	**(1,276)**	(1,201)
	(3,800)	(3,361)	**(3,758)**	(3,361)
Deferred tax liabilities (net)	**1,408**	1,771	**1,450**	1,771

Imputation credits available at year end were $3.871 million (2012: $20.037 million).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
6. Cash and cash equivalents				
Cash and cash equivalents	**3,509**	3,680	**3,501**	3,669
	3,509	3,680	**3,501**	3,669

This consists of both interest and non-interest bearing balances denominated in various currencies.

	Group 2013 $000	Group 2012 $000	Parent 2013 $000	Parent 2012 $000
7. Trade and other receivables				
Trade receivables	**66,981**	69,802	**66,981**	69,802
Provision for impairment	**(1,759)**	(1,485)	**(1,759)**	(1,485)
	65,222	68,317	**65,222**	68,317
Prepayments and sundry receivables	**3,226**	6,000	**3,157**	5,774
Controlled entities (note 23(b))	**-**	-	**1,949**	1,895
	68,448	74,317	**70,328**	75,986

No concentration of credit risk exists with trade receivables, as the Group has a large number of customers. Bad debts written off during the year amounted to $0.7 million (2012: $0.5 million). The carrying values of trade and other receivables are equivalent to their fair values.

(a) Past due but not impaired

At 30 June 2013, trade receivables of $14.6 million (2012: $22.8 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these trade receivables is as follows:

	Group and Parent 2013 $000	Group and Parent 2012 $000
Within 1 month	**9,971**	17,529
Within 1 to 3 months	**3,269**	4,514
Beyond 3 months	**1,379**	748
	14,619	22,791

(b) Provision for impairment

At 30 June 2013 trade receivables of $3.6 million (2012: $5.1 million) were considered to be impaired and the amount of the provision was $1.8 million (2012: $1.5 million). The impaired receivables were from a number of customers who were in unexpectedly difficult economic situations. It was assessed that a portion of the receivables are expected to be recovered.

	2013	2012
Balance at the beginning of the year	**1,485**	1,224
Recognised during the year	**1,084**	1,067
Written off during the year as uncollectible	**(810)**	(806)
Balance at the end of the year	**1,759**	1,485

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Group and Parent	
	2013 $000	2012 $000
8. Inventories		
Finished goods at cost	**82,797**	83,305
Provision for write-down	**(1,020)**	(600)
	81,777	82,705

	Group and Parent			
	Land & buildings $000	Machinery & vehicles $000	Furniture, fittings & equipment $000	Total $000
9. Property, plant and equipment				
2013				
Opening cost	30,858	67,207	19,130	117,195
Opening accumulated depreciation	(6,394)	(47,368)	(15,232)	(68,994)
Opening net book value	24,464	19,839	3,898	48,201
Additions	-	2,941	2,065	5,006
Disposals	-	(1,478)	(48)	(1,526)
Depreciation	(506)	(3,600)	(1,078)	(5,184)
Closing net book value	**23,958**	**17,702**	**4,837**	**46,497**
Comprised of:				
Cost	30,858	68,670	21,147	120,675
Accumulated depreciation	(6,900)	(50,968)	(16,310)	(74,178)
	23,958	**17,702**	**4,837**	**46,497**
2012				
Opening cost	30,772	64,950	18,182	113,904
Opening accumulated depreciation	(5,890)	(42,845)	(14,109)	(62,844)
Opening net book value	24,882	22,105	4,073	51,060
Additions	86	2,344	985	3,415
Disposals	-	(87)	(37)	(124)
Depreciation	(504)	(4,523)	(1,123)	(6,150)
Closing net book value	24,464	19,839	3,898	48,201
Comprised of:				
Cost	30,858	67,207	19,130	117,195
Accumulated depreciation	(6,394)	(47,368)	(15,232)	(68,994)
	24,464	19,839	3,898	48,201

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Group and Parent	
	2013 $000	2012 $000
10. Assets held for sale		
Balance at the beginning of the year	**508**	508
Net movement during the year	**(508)**	-
Balance at the end of the year	**-**	508

The Group sold the property held for sale in March 2013. The property was sold for a net price of $0.8 million and realised a profit of $0.3 million. The profit on sale has been recorded in other income in the Statement of Comprehensive Income.

	Group and Parent			
	Goodwill $000	Licences $000	Other $000	Total $000
11. Intangibles				
2013				
Opening cost	**19,856**	**4,177**	**198**	**24,231**
Opening accumulated amortisation	**-**	**(3,329)**	**(3)**	**(3,332)**
Opening net book value	**19,856**	**848**	**195**	**20,899**
Additions	**-**	**742**	**-**	**742**
Amortisation charge	**-**	**(141)**	**(20)**	**(161)**
Closing net book value	**19,856**	**1,449**	**175**	**21,480**
Comprised of:				
Cost	**19,856**	**4,919**	**198**	**24,973**
Accumulated amortisation	**-**	**(3,470)**	**(23)**	**(3,493)**
	19,856	**1,449**	**175**	**21,480**
2012				
Opening cost	19,856	3,323	-	23,179
Opening accumulated amortisation	-	(3,276)	-	(3,276)
Opening net book value	19,856	47	-	19,903
Additions	-	854	198	1,052
Amortisation charge	-	(53)	(3)	(56)
Closing net book value	19,856	848	195	20,899
Comprised of:				
Cost	19,856	4,177	198	24,231
Accumulated amortisation	-	(3,329)	(3)	(3,332)
	19,856	848	195	20,899

Licences are amortised over their estimated useful lives of three to five years.
Amortisation charges are included in other operating costs.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

11. **Intangibles** (continued)

Impairment test on goodwill

Goodwill is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from the business combination. Goodwill is tested annually for impairment or when there are indications goodwill may be impaired.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow forecasts based on financial budgets prepared by Management and approved by the Board to 30 June 2016. The forecasts are based on past performance, adjusted for expectations of future events, including expectations of future market conditions. The cash flow forecasts to 30 June 2016 are extrapolated for a further two years based on year three forecasts. In arriving at the forecast cash flows, Management has made key assumptions about sales revenue growth, steel prices, margin levels and foreign exchange fluctuations.

The estimated growth rate for the terminal value is 1.5% (2012: 1.5%). This rate does not exceed the average long-term growth rate for relevant markets. The pre-tax discount rates applied to the cash flow forecasts range from 13.0% to 13.5% (2012: 13.9% to 16.0%). The pre-tax discount rates derived are based on using a post-tax weighted average cost of capital for the Group of 9.9% (2012: 10.0%) through a capital asset pricing model, taking into account the current cost of debt and equity. The post-tax discount rate has been derived using externally sourced market data specific to the industry in which the Group operates.

Management does not expect that a reasonable change in key assumptions would reduce the recoverable amount of any CGU below its carrying amount.

Based on the calculations completed, there is no indication of impairment as at 30 June 2013.

	Group and Parent	
	2013 $000	2012 $000
Carrying value of goodwill:		
Hurricane Wire Products	**11,419**	11,419
Distribution	**4,897**	4,897
Roofing Products	**3,540**	3,540
	19,856	19,856

	Group		Parent	
	2013 $000	2012 $000	**2013 $000**	2012 $000
12. Trade and other payables				
Trade payables	**20,393**	22,221	**20,393**	22,221
Accrued expenses	**8,853**	6,616	**8,853**	6,616
Employee benefits	**4,120**	3,645	**4,120**	3,645
	33,366	32,482	**33,366**	32,482

The carrying amounts of the above items are equivalent to their fair values, and trade payables denominated in a foreign currency are not significant in the current and previous years.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Group and Parent	
	2013 $000	2012 $000
13. Bank borrowings		
Current		
On call	**7,100**	2,500
Term loans	**20,000**	37,500
	27,100	40,000

The effective interest rate on the call borrowings was 4.1% (2012: 4.1%). Credit facilities arranged with the banks can be drawn at any time, subject to meeting the Group's Deed of Negative Pledge conditions. Interest rates on these facilities are variable. The carrying value of the current borrowings is equivalent to the fair value.

The effective interest rate on the fixed rate term loans was 4.4% (2012: 4.3%). As the effective interest rate on the borrowings approximates the market rates for the term to maturity, the carrying amount approximates the fair value. The Group has committed bank borrowing facilities at balance date of $90 million (2012: $90 million). These facilities have a mix of fixed and revolving terms. Unless earlier extended, $30 million (2012: $30 million) has an expiry date of September 2014, $30 million (2012: $30 million) has an expiry date of January 2015, $30 million (2012: $30 million) has an expiry date of February 2015.

	Group		Parent	
	2013 $000	2012 $000	**2013 $000**	2012 $000
14. Provisions				
Current				
Balance at the beginning of the year	**844**	795	**844**	795
Movement during the year	**(582)**	49	**(732)**	49
Balance at the end of the year	**262**	844	**112**	844

The provision relates to estimates of customer claims for faulty or defective products supplied and contract disputes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Group and Parent			
	2013 $000	2012 $000	**2013 Shares**	2012 Shares
15. Share capital				
Fully paid:				
Balance at the beginning of the year	**71,522**	71,251	**88,427,240**	88,372,240
Proceeds from partly paid shares	**71**	271	**17,000**	55,000
Balance at the end of the year	**71,593**	71,522	**88,444,240**	88,427,240
Partly paid:				
Balance at the beginning of the year	**1**	1	**102,000**	157,000
Transfer to fully paid shares	**-**	-	**(17,000)**	(55,000)
Balance at the end of the year	**1**	1	**85,000**	102,000
Total balance at the end of the year	**71,594**	71,523	**88,529,240**	88,529,240

The holders of ordinary shares are entitled to receive dividends declared from time to time and to one vote per share at meetings of the Company. Ordinary shares issued and partly paid to one cent in the Senior Executives' Share Scheme 1993 do not have dividend or voting entitlements until the shares are paid in full but qualify for bonus and cash issues. Ordinary shares do not have a par value.

	Group		Parent	
	2013	2012	**2013**	2012
16. Earnings per share (EPS)				
Profit after tax ($000)	**15,585**	13,127	**15,346**	13,139
Weighted average number of shares for basic EPS ($000)	**87,646**	87,882	**87,646**	87,882
Weighted average number of shares for diluted EPS ($000)	**87,770**	87,984	**87,770**	87,984
Basic earnings per share (cents)	**17.8**	14.9	**17.5**	15.0
Diluted earnings per share (cents)	**17.8**	14.9	**17.5**	14.9

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of fully paid shares less treasury shares. Diluted earnings per share includes partly paid shares (note 15).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Group		Parent	
	2013 $000	2012 $000	**2013 $000**	2012 $000
17. Dividends				
2013 interim: 6.5 cents per share (2012: 5.5 cents)	**5,748**	4,864	**5,748**	4,864
2012 final: 6.5 cents per share (2011: 9 cents)	**5,748**	7,958	**5,748**	7,958
Treasury shares	**(82)**	(72)	**-**	-
	11,414	12,750	**11,496**	12,822

Dividends paid are fully imputed and the Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $0.05 million (2012: $0.05 million).

Declared post balance date and not recognised as a liability:

2013 final: 8.5 cents per share (2012: 6.5 cents).	**7,518**	5,748

	Group		Group	
	2013 $000	2012 $000	**2013 Shares**	2012 Shares
18. Treasury shares				
Balance at the beginning of the year	**1,661**	1,367	**566,159**	436,999
Purchases	**741**	317	**324,623**	122,652
Used in share schemes	**(141)**	(73)	**(114,294)**	(18,037)
Withdrawals	**45**	50	**21,750**	24,545
Balance at the end of the year	**2,306**	1,661	**798,238**	566,159

Treasury shares are unallocated Company shares held by the Trustees of share-based schemes and are recognised as a reduction in shareholders' funds of the Group. The Treasury shares purchased during the year had a weighted average price of $2.27 (2012: $2.59).

19. Operating segments

Operating segments of the Group as at 30 June 2013 have been determined based on separate financial information that is regularly reviewed by the CODM. 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 in the distribution channels for these products and services. Based on this analysis, no additional disclosure is required in the annual financial statements as the Group has one reportable segment.

The Group primarily derives its revenue from the distribution, processing and fabrication of steel and allied products, with all revenue and assets accounted for 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.

20. Financial risk management

The Group's activities are exposed to a variety of financial risks: market risk, credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects by hedging exposures through derivative financial instruments.

(a) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or value of its holding in financial instruments. The objective of market risk is to manage risk within acceptable levels.

Interest-rate risk

The Group's main interest risk arises from floating rate borrowings drawn down under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating to fixed interest rate swaps. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. The Group qualifies for hedge accounting and all gains and losses from its interest rate swap are taken to equity.

The Group's operating cash flows are substantially independent of changes in market interest rates, as it has no significant interest-bearing assets. Cash flow interest-rate risk arises mainly from borrowings of both short-term and long-term advances. Long-term borrowings are arranged at fixed rates. The cash flow interest rate on short-term borrowings is variable and the Group monitors this exposure on a regular basis.

	Group and Parent	
	2013 $000	2012 $000
Cash flow hedging reserve:		
Balance at the beginning of the year	**(230)**	-
Interest rate swap fair value	**(168)**	(320)
Tax effect of interest rate swap	**47**	90
Transfer to interest expense	**320**	-
Transfer to tax	**(90)**	-
Balance at the end of the year	**(121)**	(230)

In September 2011 the Group entered into a $20 million interest rate swap with an interest rate of 4.3% and a termination date of September 2014. The fair value of the interest rate swap shown represents the amount of unrealised losses, whereas the principal amount is an aggregate exposure value of the contract.

As at balance date the interest rate swap was recorded as a liability of $0.168 million (2012: $0.320 million).

If the interest rate on short-term borrowings had increased/decreased by 100 basis points at balance date, the effect on post-tax profit/equity would have been $0.2 million (2012: $0.4 million) higher/lower respectively. There is no effect on term borrowings, as these are arranged at fixed rates of interest and on fixed terms.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

20. Financial risk management (continued)

(a) Market risk (continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from overseas purchases of inventory and certain plant and machinery. In accordance with its treasury policy, all confirmed overseas purchase orders are to be fully hedged where payment is made in a foreign currency. The Group uses forward foreign exchange contracts to manage its exposure to foreign exchange risks, predominantly the US dollar, from its operational, financing and investment activities. The Group qualifies for hedge accounting and all gains and losses from its foreign exchange exposure are taken to equity.

	Group and Parent	
	2013 $000	2012 $000
Cash flow hedging reserve:		
Balance at the beginning of the year	**(78)**	(614)
(Loss)/gain taken to equity	**635**	(108)
Tax effect on hedging	**(178)**	30
Transfer to inventory	**108**	853
Transfer to tax	**(30)**	(239)
Balance at the end of the year	**457**	(78)

The fair value of the foreign currency forward exchange contracts $0.6 million (2012: ($0.1 million)) arranged with the banks to hedge the purchases of inventory from overseas suppliers are recognised in equity, as the Group qualifies for hedge accounting.

As at balance date foreign exchange contracts recorded as assets were $0.646 million (2012: $0.108 million) and as liabilities were $0.012 million (2012: $0.216 million).

If the NZ dollar had weakened/strengthened by 5% against foreign currencies at balance date, there would be no impact on the Statement of Comprehensive Income, as the Group qualifies for hedge accounting and all hedges are 100% effective at balance date.

The effect would be to equity +/- $0.7 million (2012: +/- $0.6 million) respectively.

(b) Credit risk

Credit risk exposure arises from cash and cash equivalents, trade debtors and transactions with financial institutions. The maximum exposure is the total value of these balances. Customers who wish to trade on credit terms are subject to credit verification procedures and credit limits are set for each customer. The Group's credit policy is monitored regularly. In some circumstances collateral of security over assets may be obtained from trade debtors to mitigate the risk of default. Security over assets is not required from transactions with financial institutions, owing to the quality of the institutions the Group deals with. There are no significant concentrations of credit risk in the current or prior years.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

20. Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management means maintaining availability of sufficient cash and funding via an adequate amount of committed credit facilities. Owing to the nature of the underlying business, the Group aims to maintain funding flexibility through committed credit lines. The Group manages liquidity risk by monitoring actual and forecast cash flows on a regular basis and rearranging credit facilities where appropriate.

The table below analyses the Group's financial liabilities and derivative financial instruments into maturity groupings based on the remaining period from balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	6 months or less $000	6 to 12 months $000	1 to 2 years $000	2 to 5 years $000	Total $000
Group 2013					
Borrowings	**27,100**	**-**	**-**	**-**	**27,100**
Trade and other payables	**29,753**	**-**	**-**	**-**	**29,753**
Cash flow hedging of derivatives:					
Outflow	**13,897**	**-**	**-**	**-**	**13,897**
Inflow	**(14,531)**	**-**	**-**	**-**	**(14,531)**
Group 2012					
Borrowings	40,108	-	-	-	40,108
Trade and other payables	29,419	-	-	-	29,419
Cash flow hedging of derivatives:					
Outflow	13,096	347	121	-	13,564
Inflow	(12,282)	-	-	-	(12,282)
Parent 2013					
Borrowings	**27,100**	**-**	**-**	**-**	**27,100**
Trade and other payables	**29,453**	**-**	**-**	**-**	**29,453**
Cash flow hedging of derivatives:					
Outflow	**13,897**	**-**	**-**	**-**	**13,897**
Inflow	**(14,531)**	**-**	**-**	**-**	**(14,531)**
Parent 2012					
Borrowings	40,108	-	-	-	40,108
Trade and other payables	27,531	-	-	-	27,531
Cash flow hedging of derivatives:					
Outflow	13,096	347	121	-	13,564
Inflow	(12,282)	-	-	-	(12,282)

Interest-rate risk

The Group uses short-term floating and long-term fixed rate borrowings to fund its operations. The carrying value of term borrowings is equivalent to their fair values, as the impact of discounting is not significant. The tables below reflect the maturity periods of the borrowings at balance date.

	At call $000	Term loans $000	Total $000
2013			
Within 1 year	**7,100**	**20,000**	**27,100**
	7,100	**20,000**	**27,100**
2012			
Within 1 year	2,500	37,500	40,000
	2,500	37,500	40,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

20. Financial risk management (continued)

(d) Financial instruments by category

	Loans and receivables	Derivatives for hedging	Liabilities at amortised cost
Group 2013			
Assets per balance sheet			
Cash and cash equivalents	**3,509**	**-**	**-**
Trade and other receivables excluding prepayments	**67,236**	**-**	**-**
Derivative financial instruments	**-**	**647**(1)	**-**
Liabilities per balance sheet			
Borrowings	**-**	**-**	**27,100**
Trade and other payables	**-**	**-**	**29,753**
Derivative financial instruments	**-**	**180**(1)	**-**
Group 2012			
Assets per balance sheet			
Cash and cash equivalents	3,680	-	-
Trade and other receivables excluding prepayments	69,226	-	-
Derivative financial instruments	-	108(1)	-
Liabilities per balance sheet			
Borrowings	-	-	40,000
Trade and other payables	-	-	29,419
Derivative financial instruments	-	536(1)	-
Parent 2013			
Assets per balance sheet			
Cash and cash equivalents	**3,501**	**-**	**-**
Trade and other receivables excluding prepayments	**67,164**	**-**	**-**
Derivative financial instruments	**-**	**647**(1)	**-**
Liabilities per balance sheet			
Borrowings	**-**	**-**	**27,100**
Trade and other payables	**-**	**-**	**27,603**
Derivative financial instruments	**-**	**180**(1)	**-**
Parent 2012			
Assets per balance sheet			
Cash and cash equivalents	3,669	-	-
Trade and other receivables excluding prepayments	69,452	-	-
Derivative financial instruments	-	108(1)	-
Liabilities per balance sheet			
Borrowings	-	-	40,000
Trade and other payables	-	-	27,581
Derivative financial instruments	-	536(1)	-

(1) Financial instruments are measured at fair value based on inputs other than quoted prices (unadjusted) in active markets for identical assets or liabilities that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices, defined as Level 2 hierarchy in IFRS7).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

20. Financial risk management (continued)

(e) Capital risk management

The Group's capital includes share capital, treasury shares, reserves and retained earnings. The objectives for managing capital are to safeguard the Group's ability to continue as a going concern to provide returns and benefits for shareholders and other stakeholders and to maintain a strong capital base for investor, creditor and market confidence. The Group may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt to maintain or adjust its capital structure.

Monitoring of capital is on the basis of the gearing ratio. This ratio is calculated as net debt divided by the sum of total equity and net debt, where net debt is total borrowings less cash and cash equivalent assets. The policies in respect of capital management and allocation are reviewed regularly by the Directors. The gearing ratio for this year is 15% (2012: 22%) and is below the benchmark of 55% in the Group's Deed of Negative Pledge. The Group is not subject to any externally imposed capital requirements and there has been no material change in the management of capital during the year.

21. Share schemes

(a) Employee Share Purchase Scheme 1983

The Employee Share Purchase Scheme provides financial assistance, to a maximum of $2,340 per eligible employee in any three-year period, to enable staff to purchase Company shares in accordance with sections DC12 to 15 of the Income Tax Act 2007. Directors are not eligible to participate in this scheme. Shares allocated to employees at grant date do not vest until a minimum of three years has elapsed and the loan has been repaid. All shares allocated are held beneficially by the Trustees until they vest. Dividends received on these shares are paid directly to employees. The shares offered to employees are at a discount to market price approved by the Board. Employees may withdraw from the scheme at any time, with the repurchased shares recognised as treasury shares. No offer was made to employees in the current financial year. (2012: an offer at an issue price of $2.19 per share was made).

	Group	
	2013 Shares	2012 Shares
Balance at the beginning of the year	**280,210**	257,360
Purchases	**-**	80,000
Sold	**(64,680)**	-
Vested in employees	**(3,600)**	(57,150)
Balance at the end of the year	**211,930**	280,210

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

21. Share schemes (continued)

(b) Executive Share Plan 2003

The Executive Share Plan offers key Management personnel an opportunity to subscribe for rights to Company shares, as directed by the Board. Vesting of the rights occurs upon achieving Board-approved targets, based on total shareholder returns, after a minimum of three years to a maximum of five years from grant date. Shares purchased in this plan are recognised as treasury shares until they are distributed. A total of 324,623 shares were purchased during the year for the Executive Share Plan. During the year, 26,694 rights to shares were forfeited by employees in accordance with the rules of the share plan. The distribution was independently verified and based on total shareholder returns achieved. The value of the shares held is $2.3 million and is based on the cost price of the shares at the time of exercise.

	Group	
	2013 Shares	2012 Shares
Balance at the beginning of the year	**509,879**	421,534
Purchases	**324,623**	122,652
Vested in employees	**(49,614)**	(34,307)
Balance at the end of the year	**784,888**	509,879

22. Commitments and Contingencies

(a) Lease commitments on non-cancellable leases

	Group		Parent	
	2013 $000	2012 $000	**2013 $000**	2012 $000
Within 1 year	**8,288**	7,608	**8,288**	7,413
Within 1 to 5 years	**19,178**	17,197	**19,178**	16,417
Beyond 5 years	**4,456**	5,541	**4,456**	2,924
	31,922	30,346	**31,922**	26,754

The Group occupies a number of warehouse and office premises under operating leases. The leases have varying terms and renewal rights. During the year $8.7 million (2012: $8.8 million) was recognised as an expense in the Statement of Comprehensive Income.

During the year the Group entered into a operating lease agreement for the majority of its vehicle fleet. The lease agreement has varying terms and renewal rights for each vehicle. During the year $1.0 million (2012: $Nil) was recognised as an expense in the Statement of Comprehensive Income.

(b) Capital commitments

The Group has contractual commitments of $1.8 million (2012: $1.5 million) for property extensions and the purchase of plant and equipment.

(c) Contingent liabilities

Guarantees on contracts at balance date were $0.5 million (2012: $0.5 million) and were transacted in the ordinary course of business.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

23. Related parties

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

	Group and Parent	
	2013 $000	2012 $000
(a) Transactions with related entities of the Group		
Purchases during the year	**11,975**	39,507
Percentage of related party purchases	**3.0%**	9.7%

On 9 October 2012 Arrium Limited (formerly OneSteel Limited) of Australia announced the sale of its shareholding in the Company. Arrium Limited sold its shareholding of 44,504,814 shares in the Company for a fixed price of $2.05 per share. Arrium Limited through its subsidiary OneSteel NZ Holdings Limited, previously owned 50.3% of the Company's issued shares. The transactions with Arrium separately disclosed in this note are for the period up to and including 9 October 2012 and were all on commercial terms. Included in trade creditors as at 30 June 2012 was an amount of $4.2 million owed to Arrium Limited.

From 10 October 2012 Arrium Limited is no longer considered to be a related party of the Company.

	Parent	
	2013 $000	2012 $000
(b) Loans with controlled entities		
Loans to share schemes	**1,983**	1,591
Loans from/to subsidiaries	**(34)**	304
	1,949	1,895

Controlled entities are wholly owned and incorporated in New Zealand with a balance date of 30 June. They do not trade and loans provided to or from them are free of interest and repayable on demand. Loans provided to the share schemes are for the purchase of Company shares (note 21).

The subsidiaries in the Group are:

Subsidiaries	**2013 Holding**	2012 Holding	Principal Activity
Steel & Tube New Zealand Limited	**100%**	100%	Non-trading
Stube Industries Limited	**100%**	100%	Property

Stube Industries Limited was placed into voluntary liquidation on 4 June 2013.

Other entities

Trustees in the Steel and Tube Holdings Limited Staff Share Plan

Trustees of the Steel & Tube Group Employee Share Purchase Scheme

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

23. Related parties (continued)

	Group and Parent	
	2013 $000	2012 $000
(c) Transactions with key Management personnel		
Short-term benefits	**3,208**	2,643
Share-based benefits	**166**	109
	3,374	2,752

The key Management personnel are the Directors and Executive Management. Included in short-term benefits are Directors' fees of $342,367 (2012: $390,269).

24. Subsequent event

On 15 August 2013 the Board declared a fully imputed dividend of 8.5 cents per share ($7.52 million) and a supplementary dividend to non-resident shareholders of 1.5 cents per share. The dividends will be paid to shareholders on 30 September 2013.

Independent Auditors' Report

FOR THE YEAR ENDED 30 JUNE 2013

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TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

We have audited the financial statements of Steel & Tube Holdings Limited ("the Company") on pages 4 to 32, which comprise the balance sheets as at 30 June 2013, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2013 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors and tax advisors we have no relationship with, or interests in, the Company and Group. These services have not impaired our independence as auditors of the Company and Group.

Opinion

In our opinion, the financial statements on pages 4 to 32:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2013, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2013:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit 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 auditors' 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 audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
15 August 2013
Wellington

Directors' Profiles

Sir John Anderson KBE, FACA

Chairman and Independent Director

Appointed Chairman on 10 October 2012, Sir John Anderson was appointed as a Director on 10 November 2011. Sir John Anderson has had a distinguished career in business and has steered several top-tier commercial organisations in senior executive and governance capacities. Formerly Chief Executive of the ANZ National Bank, Sir John Anderson is currently Chair of PGG Wrightson and National Property Trust, and a Director of Commonwealth Bank of Australia and Turners & Growers.

Dave Taylor B.Sc

Chief Executive Officer and Non-independent Director

Appointed Chief Executive Officer and a Director on 5 October 2009, Mr Taylor was previously General Manager of the Australian Reinforcing Company, a subsidiary of OneSteel. In 22 years at the BOC Group, he held a number of senior executive positions, initially in the United Kingdom and later as President BOC Gases Korea, based in Seoul, and Managing Director Process Gas Solutions South Pacific, based in Sydney. Mr Taylor is also a Director of Steel & Tube New Zealand Limited and a Director of the Building Industry Federation.

Dean Pritchard BE, FIE Aust, CP Eng, FAICD

Independent Director

Appointed a Director on 20 May 2005. Mr Pritchard is a former Chief Executive Officer of Baulderstone Hornibrook, Chairman of ICS Global Limited and Director of Zinifex Limited, Rail Corporation New South Wales (RailCorp), Eraring Energy and Spotless Group Limited. He is currently a Director of OZ Minerals Limited and Arrium Limited.

Janine Smith B.Com, M.Phil (1st Class Hons)

Independent Director

Appointed a Director on 22 September 2010, Ms Smith is a former Chair of McLarens Young New Zealand, Director of BNZ, Kordia Group and Airways Corporation, and Trustee of Venture Taranaki Trust. Her executive roles have included General Manager/Chief Executive Officer and Executive Director at Arnott's New Zealand and Executive Director at Telecom Directories. Ms Smith is currently Chair of AsureQuality, a Director of The Warehouse and Kensington Swan Legal, and Principal of The Boardroom Practice.

Anne Urlwin BCom; CA; F InstD; FNZIM; ACIS

Independent Director

Appointed a Director on 1 June 2013, Ms Urlwin has more than 20 years' directorship experience in sectors ranging from infrastructure, telecommunications, energy, health, transport, information technology, research, banking, forestry and the primary sector as well as education, sports administration and the theatre. She is currently Chair of Naylor Love Enterprises Ltd and has directorships with Chorus Ltd, Southern Response Earthquake Services Ltd, and One Path Life (NZ) Ltd.

Rosemary Warnock BA, MAICD

Independent Director

Appointed a Director on 22 September 2010, Ms Warnock has held senior executive positions in the BP Group in Australia, the United Kingdom and Singapore, including as Chief Executive for Castrol Asia Pacific. Ms Warnock is currently Principal of The Adelante Group, a partnership that provides executive mentoring services, Chair of Thinc Group Holdings Pty, a project management company focused on major capital works, and a Director of Arrium Limited.

Governance Statement

The Board is responsible to shareholders for the proper direction and control of the Group's activities. Directors are elected by shareholders to provide leadership and strategic insight that will enhance value to the Group and enable it to grow.

Directors establish the objectives and the policy and control framework through which the Group's activities are conducted and monitor the performance of management with respect to these matters. In practice, the Board manages its role through defined delegation to the Chief Executive Officer who is charged with the day-to-day leadership and management of the business.

The Group's corporate governance policies and processes are regularly reviewed. These policies and processes do not materially differ from the New Zealand Exchange listing rule on corporate governance and the Securities Commission governance principles and guidelines.

Structure and Activities

The Board currently comprises five non-executive Directors and one executive Director, the Chief Executive Officer. The Company considers that all of the five non-executive Directors are independent directors. The profiles of the Company's Directors are located in the section titled "Directors' Profiles" in this report. The policies and guidelines for the operation of the Board are documented in the Company's Constitution and the Board operates in accordance with the broad principles set out in its charter. This charter and the charters relating to each of the standing committees of the Board can be viewed on the Company's website www.steelandtube.co.nz.

Directors meet at least nine times a year at various locations to enable them to interact with management, staff, customers and suppliers. The Directors also meet as and when required on specific matters that arise. Presentations from Senior Executives to the Board are also scheduled for these meetings.

Shareholders approve the aggregate amount available for Directors' fees at the Annual Meetings. The remuneration of Directors and their shareholdings in the Company are located in the section titled "Statutory Information" in this report. The Board is subject to regular performance appraisals in which appropriate strategies and action plans for improvement are agreed.

Committees

There are four standing committees within the Board to assist Directors in the execution of their responsibilities and to allow detailed consideration of issues. They are Audit, Governance and Remuneration, Nominations, Occupational Health, Safety and Environment. Each Committee is comprised of all of the non-executive Directors.

Audit Committee

The Audit Committee is chaired by independent Director, Anne Urlwin and meets four times a year. Its main responsibilities are:

- the oversight of all matters relating to the financial accounting and reporting of the Company;
- the establishment and oversight of the risk management and control framework including the internal audit and control processes; and
- the appointment and monitoring of the performance and independence of the external and internal auditors.

Governance and Remuneration Committee

The main duties of the Governance and Remuneration Committee are to review the governance policies and processes that are adopted, the remuneration of non-executive Directors, the remuneration packages of the Chief Executive Officer and Senior Executives and the provision of advice to the Board on incentive performance packages and succession planning. The committee is chaired by independent Director, Dean Pritchard.

Nominations Committee

The Nominations Committee is chaired by the Chairman of the Board and is responsible for the review of Board composition to ensure an appropriate mix of expertise and experience, the monitoring of the performance of Directors and the selection of suitable candidates where a vacancy exists.

Occupational Health, Safety and Environment Committee

The responsibilities of the members of the Occupational Health, Safety and Environment Committee are to review the adequacy of management systems and processes relating to compliance with statutory regulations, best practice codes and other significant issues with respect to health, safety and the environment. The committee is chaired by independent Director Rosemary Warnock.

Risk Management and Legal Compliance

The Group is committed to identifying, monitoring and managing the risks associated with its business activities. Defined policies and procedures are in operation to effectively manage legal compliance and other business risks and exposures. The Board reviews these policies and procedures and, where appropriate, advice is sought from external sources. The Group has various programmes in place to assist management and staff to achieve and maintain compliance.

Shareholder Relations

Shareholders are responsible for voting on the appointment and re-appointment of Directors. The Board aims to ensure that shareholders are properly informed of all major developments affecting the business activities of the Group. Information communicated in interim and annual reports, announcements to the NZX and at annual meetings can be viewed on the Company's website www.steelandtube.co.nz.

Statutory Information

Indemnification and Insurance of Directors and Officers

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

Interested transactions

All transactions conducted with Arrium Limited (previously called OneSteel Limited) and its subsidiaries were related party transactions up to 9 October 2012 with details provided in note 23(a) of the financial statements.

Details of matters entered in the interests register by individual Directors are outlined in the Director profiles and the accompanying sections below. A declaration by a Director of an interest in a particular entity serves as notice that the Director may benefit from any transactions between the Parent or Group and the identified entities.

Use of Company Information

No notices have been received from Directors requesting the use of Company information other than in their capacity as Directors.

Directors' Remuneration

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2013 were:

Directors	$000s
Sir John Anderson	109[1]
Dave Taylor	1,180[2]
Steve Hamer	17[3]
Dean Pritchard	80[4]
Janine Smith	63
Anne Urlwin	5[5]
Rosemary Warnock	63

1 Sir John Anderson was appointed Chairman on 10 October 2012.

2 Dave Taylor's remuneration package includes a $212,000 apportionment of a long-term incentive plan that would be payable provided certain performance criteria are achieved over three-year periods.

3 Steve Hamer resigned as a Director on 10 October 2012.

4 Dean Pritchard resigned as Chairman on 10 October 2012.

5 Anne Urlwin was appointed as a Director on 1 June 2013.

Employee Remuneration

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2013 were within the following bands:

Remuneration Range $000	No. of Employees
100 - 110	19
110 - 120	10
120 - 130	11
130 - 140	9
140 - 150	5
150 - 160	5
160 - 170	2
170 - 180	4
180 - 190	1
200 - 210	1
220 - 230	2
230 - 240	1
260 - 270	1
280 - 290	1
310 - 320	1
320 - 330	1

Directors' Shareholdings

	At 30 June 2013			At 30 June 2012		
	Beneficial	Non-beneficial	Associated persons	Beneficial	Non-beneficial	Associated persons
Sir John Anderson	15,000	211,930[1]	-	15,000	-	-
Dave Taylor	48,113	211,930[1]	-	15,000	280,210[1]	-
Dean Pritchard	10,000	-	-	10,000	-	44,504,814[2]
Janine Smith	10,000	-	-	10,000	-	-
Anne Urlwin	10,000[3]	-	-	-	-	-
Rosemary Warnock	2,500	-	-	2,500	-	44,504,814[2]

1 Shares held as Trustees of the Employee Share Purchase Scheme 1983.

2 Rosemary Warnock and Dean Pritchard were associated persons of Arrium Limited (previously OneSteel Limited) by virtue of their positions as Directors of Arrium Limited. This associated person's position ended when Arrium Limited sold its shareholding in Steel & Tube Holdings Limited on 9 October 2012.

3 For the year ended 30 June 2013, Anne Urlwin purchased shares in the Company.

Shareholder Information

Census of Shareholders

AS AT 31 JULY 2013

Size of holdings	Number of holders	Number of shares	% of issued shares
1 - 999	1,948	809,669	0.91
1,000 - 4,999	3,780	8,817,056	9.96
5,000 - 9,999	1,394	8,875,192	10.03
10,000 - 49,999	1,261	21,367,161	24.14
50,000 +	121	48,660,162	54.97
	8,504	**88,529,240**	**100.00**

Top Twenty Shareholders

AS AT 31 JULY 2013

Accident Compensation Corporation*	7,074,707	7.99
Custodial Services Limited - a/c 3	5,128,938	5.79
BNP Paribas Nominees (NZ) Limited*	4,153,440	4.69
Tea Custodians Limited*	2,630,387	2.97
Westpac NZ Shares 2002 Wholesale Trust*	2,526,452	2.85
New Zealand Superannuation Fund Nominees Limited*	2,069,053	2.34
FNZ Custodians Limited	2,009,936	2.27
Custodial Services Limited - a/c 2	1,595,413	1.80
Custodial Services Limited - a/c 18	1,545,716	1.75
Custodial Services Limited - a/c 4	1,393,286	1.57
BT NZ Unit Trust Nominees Limited*	1,189,658	1.34
Custodial Services Limited - a/c 1	1,002,473	1.13
Custodial Services Limited - a/c 16	999,719	1.13
Citibank Nominees (New Zealand) Limited*	947,588	1.07
Investment Custodial Services Limited*	550,702	0.62
Forsyth Barr Custodians Limited - a/c 1-33	468,611	0.53
ASB Nominees Limited - a/c 208747 ML	445,081	0.50
New Zealand Depository Nominee Limited	414,216	0.47
Kevin James Hickman, Joanna Hickman, John Anthony Callaghan, John William Dudley Ryder (Hickman family)	400,000	0.45
HSBC Nominees (New Zealand) Limited*	398,198	0.45
	36,943,574	**41.73**

* Shares held in New Zealand Central Securities Depository (NZCSD).

Substantial security holder

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to notices given under the Securities Markets Act 1988, the following shareholders were substantial holders in the Company as at 31 July 2013. The number of ordinary shares and the percentage of voting securities set out below are taken from the relevant substantial security holder notices.

	Shares	%
Accident Compensation Corporation	6,574,707	7.434
AMP Capital Investors (New Zealand) Limited	5,415,039	6.124

Issued shares in the Company comprise:

Ordinary shares fully paid	88,444,240
Ordinary shares partly paid (no voting rights)^	85,000
	88,529,240

^ Shares issued in the Senior Executives Share Scheme 1993.

This document, in conjunction with the Steel & Tube Shareholder Review 2013, constitutes the 2013 Annual Report to shareholders of Steel & Tube Holdings Limited.

Comparative Review

	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Financial Performance					
Sales	**393,348**	405,362	385,752	379,993	484,482
EBITDA	**27,906**	26,137	32,542	22,405	49,931
Depreciation and amortisation	**(5,345)**	(6,206)	(6,282)	(6,486)	(6,697)
EBIT	**22,561**	19,931	26,260	15,919	43,234
Net Interest expense	**(1,369)**	(1,671)	(1,412)	(1,710)	(5,928)
Profit before tax	**21,192**	18,260	24,848	14,209	37,306
Tax expense - operating income	**(5,607)**	(5,133)	(7,518)	(4,306)	(11,177)
Tax expense - tax legislation changes	**-**	-	(289)	(4,189)	-
Profit after tax	**15,585**	13,127	17,041	5,714	26,129
Funds Employed					
Equity	**157,187**	152,684	151,971	145,914	150,143
Non-current liabilities	**2,257**	2,685	2,634	1,661	6,045
	159,444	155,369	154,605	147,575	156,188
Comprises:					
Current assets	**154,381**	161,318	160,579	146,740	158,071
Current liabilities	**(62,914)**	(75,049)	(76,937)	(70,584)	(78,937)
Working capital	**91,467**	86,269	83,642	76,156	79,134
Non-current assets	**67,977**	69,100	70,963	71,419	77,054
	159,444	155,369	154,605	147,575	156,188

Statistics

	2013	2012	2011	2010	2009
Dividends per share (cents)	**15.0**	12.0	15.0	8.5	19.0
Earnings per share (cents)	**17.8**	14.9	19.4	6.5	29.6
Return on sales	**4.0%**	3.2%	4.4%	1.5%	5.4%
Return on equity	**9.9%**	8.6%	11.2%	3.9%	17.4%
Working capital (times)	**2.5**	2.1	2.1	2.0	2.0
Net tangible assets per share	**$1.53**	$1.49	$1.49	$1.42	$1.47
Equity to total assets	**70.7%**	66.3%	65.6%	66.9%	63.9%
Gearing (debt to debt plus equity)	**13.0%**	19.2%	20.0%	19.8%	24.0%
Net interest cover (times)	**16.5**	11.9	18.6	9.3	7.3
Ordinary shareholders	**8,463**	7,754	7,663	7,693	7,675
Employees	**683**	676	692	711	787
- Female	**126**	123			
- Male	**557**	553			
Directors & Officers					
- Female	**4**	3			
- Male	**8**	10			

EBITDA - Earnings before interest, tax, depreciation and amortisation.
EBIT - Earnings before interest and tax.

Directory

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Share Registry

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142, New Zealand
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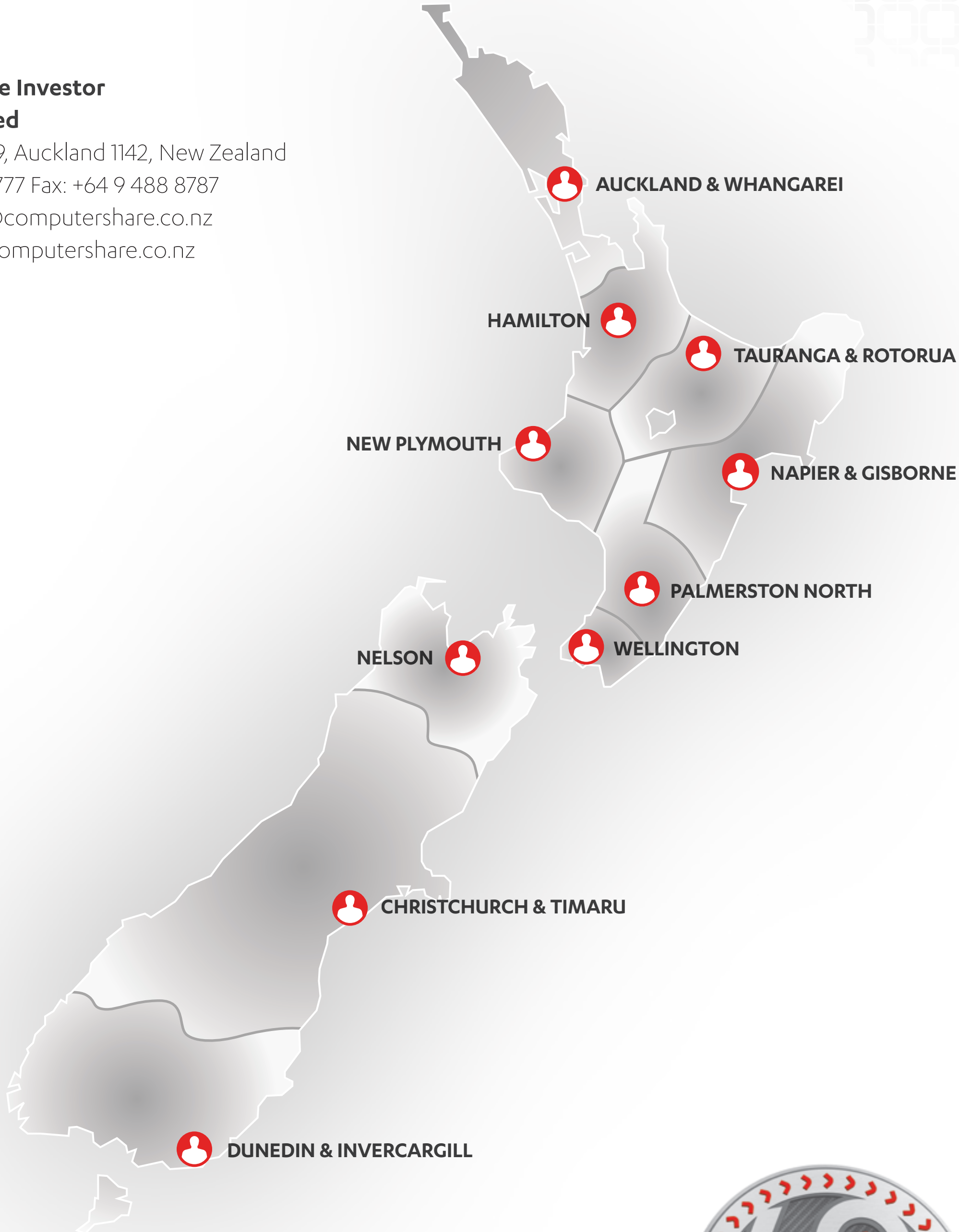
Email: enquiry@computershare.co.nz
Website: www.computershare.co.nz



This document, in conjunction with the Steel & Tube Shareholder Review 2013, constitutes the 2013 Annual Report to shareholders of Steel & Tube Holdings Limited.

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