steel&tube
STRONGER IN EVERYWAY

Stronger Together

Half Year Report 2013

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

It has been a successful six months to 31 December 2012 for Steel & Tube. The on-going One Company and supply-chain initiatives have contributed to an improvement in the Company's performance compared with the same period last year.

Results

The trading result for the six months to 31 December 2012 is a profit after tax of $7.3 million. This is an increase of $0.9 million or 14 per cent compared with the same period last year and slightly higher than previous guidance.

Sales decreased marginally by $3.3 million or 1.6 per cent to $199.6 million. However, margins improved due to close management of market pricing.

The net tangible assets per share at 31 December 2012 were $1.53 compared with $1.47 at 31 December 2011.

Dividend

The Directors have declared a fully-imputed interim dividend of 6.5 cents per share to be paid on 28 March 2013 to holders of fully-paid ordinary shares registered at 15 March 2013. The amount payable is $5.75 million and a supplementary dividend of 1.15 cents will be paid to non-resident shareholders.

Arrium's majority shareholding divestiture

A significant development for Steel & Tube during the half year was the divestiture on 9 October 2012 by Arrium (formerly known as OneSteel) of their 50.3 per cent majority shareholding in the Company. The shares were acquired by New Zealand institutional and retail investors.

A positive development for Steel & Tube was the return to the NZX 50 on 14 November 2012. This has generated a much greater interest in the Company from our new shareholders and the wider investment community.

As a consequence of the shareholding change existing Director Sir John Anderson replaced Dean Pritchard as the Chairman, effective 10 October. Dean Pritchard and Rosemary Warnock, both formerly Arrium-appointed Directors, remain as Independent Directors. Steve Hamer Chief Executive of OneSteel Distribution resigned 9 October and a search for his replacement is underway. Independent Director Janine Smith and Chief Executive Officer Dave Taylor remain as Directors.

Performance

Global uncertainty continues to shape those domestic markets important to Steel & Tube, notably manufacturing, construction and rural, as well as the steel sector generally with on-going pricing volatility and sluggish, worldwide demand.

The start of the new financial year coincided with price increases improving margins, although underlying demand remained restrained with subdued activity in the manufacturing and rural sectors. However, this was offset by increased construction activity led by Christchurch.

With rising concerns about a slowing Chinese economy and increasingly soft global demands, pricing for steel raw materials and finished products eased. This coupled with ongoing intense domestic competition led to pricing pressures, which reduced some of the earlier margin gains as the half year progressed.

Christchurch construction activity continued to slowly improve and our business there remains well positioned. Auckland activity levels and, in particular, commercial construction have remained subdued with only the residential construction sector offering any real sign of improvement. Manufacturing remained suppressed with metal manufacturing activity by volume down 6.9 per cent for the quarter ending September on seasonally adjusted figures. Transport and machinery equipment saw a slight improvement at 0.8 per cent.

Progress continues with the Company's various reinvigoration initiatives under the banner of 'One Company'. Two further areas, Nelson and Hamilton, have consolidated all of their respective businesses into single-site operations. The Company's Lower Hutt-based national support centre has been relocated to a new office facility in the Hutt Valley.

A new plate-processing facility was commissioned in Auckland and resources have been bolstered in Christchurch. Extensive staff development and capability programmes have continued, which are all underpinned by the Company's brand and values.

The half year saw the introduction of the new supply-chain model with the culmination of several supply-chain initiatives. Although the transition remains in its early days it is pleasing to see some benefits already flowing through.

As always, health and safety are a priority for Steel & Tube with considerable effort and focus placed on educating and engaging staff and particularly on those activities with high risk. Pleasingly, the number of incidents resulting in injury was reduced compared with the previous year and all of those incidents were of minor nature.

Outlook

Underlying demand remains the fundamental issue for the steel industry both domestically and globally. Internationally, business sentiment appears to be more optimistic with the Chinese and the US economies appearing more bullish and Europe a little more stable. This is reflected in slow expansions to manufacturing in the US and emerging markets, although Europe continues to contract.

Similarly, and despite mixed data, domestic sentiment appears to be strengthening aided by a reasonable December quarter, increasing construction activity centred predominately around Christchurch and improving house prices.

Volatility in manufacturing continues with a weak September quarter countered by a marginally stronger December quarter. With the slow improvement in the economy and other trading partners it is hoped this sector will continue to deliver growth, albeit likely to be muted by the ongoing strength of the New Zealand dollar.

With robust overseas demand, the rural sector appears to be more positive than the previous year. However, generally on-farm spending is slow but consistent with our expectations. New investment in processing capacity in dairy shows a continuing long-term confidence in the sector.

From a company perspective, construction is improving, clearly being led by the Christchurch rebuild activities. Other regions are showing an increase in quote activity across the sector suggesting the non-residential inertia has bottomed. The recent appointment of receivers to Mainzeal Property and Construction Ltd has no material impact on the Company. Manufacturing is holding but under pressure, and the rural sector is constant.

With the pick-up in global activity and compounded by a tightening in supply, iron ore has rebounded from the lows of September 2012 and is currently above $150 per tonne. Some mills have already started to increase finished steel product prices and this is likely to impact the domestic market in the near term.

At Steel & Tube we remain focused on delivering the various reinvigoration initiatives that put the customer at the centre of what we do. We believe our strengthened approach will increasingly generate benefits above those of the general trading environment.

Overall, we expect the results for the second half of the year to be ahead of the first six months.

Sir John Anderson
Chairman
14 February 2013

Dave Taylor
Chief Executive Officer

Consolidated Interim Statement Of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Unaudited December 2012 $000	Unaudited December 2011 Restated $000
Sales revenue	199,572	202,907
Cost of sales	(156,711)	(162,580)
Gross profit	42,861	40,327
Other operating income	894	198
Selling expenses	(12,810)	(12,212)
Administration expenses	(10,618)	(8,853)
Other operating expenses	(9,362)	(9,702)
Operating earnings before financing costs	10,965	9,758
Interest income	17	28
Interest expense	(737)	(883)
Profit before tax	10,245	8,903
Tax expense - operating income	(2,955)	(2,530)
Profit after tax	7,290	6,373
Other comprehensive income - hedging reserve	(2)	377
Total comprehensive income	7,288	6,750
Basic earnings per share (cents)	8.3	7.2
Diluted earnings per share (cents)	8.3	7.2

The accompanying notes form part of these financial statements.

Consolidated Interim Statement Of Changes In Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Share capital $000	Retained earnings $000	Hedging reserve $000	Treasury shares $000	Share-based payments $000	Total equity $000
Balance at 1 July 2012	71,523	82,688	(308)	(1,661)	442	152,684
Comprehensive income						
Profit after tax	-	7,290	-	-	-	7,290
Other comprehensive income - hedging reserve	-	-	(2)	-	-	(2)
Transactions with owners						
Dividends paid	-	(5,717)	-	-	-	(5,717)
Granted during the period	-	-	-	-	188	188
Purchase of own shares - net	-	-	-	(612)	-	(612)
Unaudited balance at 31 December 2012	**71,523**	**84,261**	**(310)**	**(2,273)**	**630**	**153,831**
Balance at 1 July 2011	71,252	82,311	(614)	(1,367)	389	151,971
Comprehensive income						
Profit after tax	-	6,373	-	-	-	6,373
Other comprehensive income - hedging reserve	-	-	377	-	-	377
Transactions with owners						
Dividends paid	-	(7,912)	-	-	-	(7,912)
Proceeds from partly paid shares	271	-	-	-	-	271
Granted during the period	-	-	-	-	60	60
Purchase of own shares - net	-	-	-	(290)	-	(290)
Unaudited balance at 31 December 2011	**71,523**	**80,772**	**(237)**	**(1,657)**	**449**	**150,850**

The accompanying notes form part of these financial statements.

Consolidated Interim Balance Sheet

AS AT 31 DECEMBER 2012

	Unaudited December 2012 $000	Audited June 2012 $000
Current assets		
Cash and cash equivalents	**4,596**	3,680
Trade and other receivables	**58,059**	74,317
Inventories	**83,326**	82,705
Assets held for sale	**508**	508
Derivative financial instruments	**43**	108
	146,532	161,318
Non-current assets		
Property, plant and equipment	**47,752**	48,201
Intangibles	**20,289**	20,899
	68,041	69,100
Total assets	**214,573**	230,418
Current liabilities		
Borrowings - on call	**2,200**	2,500
Trade and other payables	**26,938**	32,482
Borrowings - term loans	**27,000**	37,500
Provisions	**844**	844
Derivative financial instruments	**175**	216
Income tax payable	**1,306**	1,507
	58,463	75,049
Non-current liabilities		
Deferred tax	**1,304**	1,771
Derivative financial instruments	**299**	320
Employee benefits	**676**	594
	2,279	2,685
Equity		
Share capital	**71,523**	71,523
Retained earnings	**84,261**	82,688
Hedging reserve	**(310)**	(308)
Treasury shares	**(2,273)**	(1,661)
Share-based payments	**630**	442
	153,831	152,684
Total equity and liabilities	**214,573**	230,418

These consolidated interim financial statements and accompanying notes were authorised by the Board on 14 February 2013.

For the Board

Sir John Anderson, Chairman

Dave Taylor, Chief Executive Officer

The accompanying notes form part of these financial statements.

Consolidated Interim Statement Of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Unaudited December 2012 $000	Unaudited December 2011 $000
Cash flows from operating activities		
Customers receipts	**209,285**	210,128
Interest receipts	**13**	28
Payments to suppliers and employees	**(185,791)**	(204,746)
Income tax payments	**(3,714)**	(3,335)
Interest payments	**(735)**	(883)
Net cash inflow from operating activities	**19,058**	1,192
Cash flows from investing activities		
Property, plant and equipment disposals	**2,123**	78
Property, plant and equipment purchases	**(3,136)**	(1,670)
Net cash outflow from investing activities	**(1,013)**	(1,592)
Cash flows from financing activities		
Proceeds from call on shares	**-**	271
Treasury shares	**(612)**	(290)
Borrowings	**(10,500)**	2,000
Dividends paid	**(5,717)**	(7,912)
Net cash outflow from financing activities	**(16,829)**	(5,931)
Net decrease in cash and cash equivalents	**1,216**	(6,331)
Cash and cash equivalents at beginning of the period	**1,180**	3,023
Cash and cash equivalents at end of the period	**2,396**	(3,308)
Represented by:		
Cash and cash equivalents	**4,596**	2,092
Borrowings - on call	**(2,200)**	(5,400)
	2,396	(3,308)

The accompanying notes form part of these financial statements.

Notes To The Consolidated Interim Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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

The registered office of the Company is at Level 4, 25 Victoria Street, Petone, Lower Hutt, New Zealand.

Statement of compliance

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

Basis of preparation

These financial statements are presented in New Zealand dollars and rounded to the nearest thousand. These financial statements do not include all the information required for full financial statements and consequently should be read in conjunction with the full financial statements of the Company for the year ended 30 June 2012. The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's audited financial statements for the year ended 30 June 2012.

Disclosures

1. Operating segments

Operating segments of the Group as at 31 December 2012 have been determined based on separate financial information that is regularly reviewed by the chief operating decision maker. The Group's operating segments comprise steel distribution and processing, roofing products, reinforcing and wire businesses.

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

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

2. Contingent liabilities

Guarantees on contracts at 31 December 2012 were $0.5 million (June 2012: $0.5 million) and were transacted in the ordinary course of business.

3. Related parties

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

	Unaudited December 2012 $000	Unaudited December 2011 $000
(a) Transactions with related entities of the Group		
Purchases during the period	**11,975**	19,264
Percentage of related party purchases	**7.6%**	11.8%

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 was no longer considered to be a related party of the Company.

	Unaudited December 2012 $000	Unaudited December 2011 $000
(b) Transactions with key management personnel		
Short-term benefits	**1,311**	1,095
	1,311	1,095

The key management personnel are the Directors and Executive Management. Included in short-term benefits are Director s' fees of $176,607 (December 2011: $199,500).

4. Restated comparatives

Consistent with the full financial statements for the year ended 30 June 2012 the comparative figures in the Statement of Comprehensive Income have been restated to reflect the structure changes in the Company. An increase of $0.404 million in administration expenses ($8.449 million to $8.853 million) and a corresponding reduction in selling expenses ($12.616 million to $12.212 million) has been made to align the current years classification.

5. Subsequent event

On 14 February 2013 the Board declared a fully-imputed dividend of 6.5 cents per share ($5.75 million) and a supplementary dividend to non-resident shareholders of 1.15 cents per share. The dividends will be paid to shareholders on 28 March 2013.

Independent Auditors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements ("financial statements") of Steel & Tube Holdings Limited (the "Company") and the entities it controlled at 31 December 2012 or from time to time during the period (the "Group") on pages 4 to 9, which comprise the balance sheet as at 31 December 2012, the statement of comprehensive income and statement of changes in equity and cash flow statement for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2012, and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

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

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

We have reviewed the financial statements of the Group for the period ended 31 December 2012 in accordance with the Review Engagement Standards issued in New Zealand.

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

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 December 2012 and its financial performance and cash flows for the period ended on that date.

Restriction on Distribution or Use

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

PricewaterhouseCoopers

Chartered Accountants
14 February 2013

Wellington

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STRONGER IN EVERYWAY

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Auditors

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steel&tube