



Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Steel & Tube has posted a positive half-year result, reflecting a solid performance in the six months to 31 December 2013. Both profits and sales have increased compared to the same period last year on the back of a slowly improving economic environment. Good progress also continues across multiple initiatives aimed at improving the effectiveness of the organisation to serve customers.

Results

The trading result for the six months to 31 December 2013 is a profit after tax of \$8.0 million. This is an increase of 10 per cent compared with the same period last year, and is consistent with previous guidance.

Sales have also increased by \$12.1 million or 6 per cent to \$211.7 million on improved volumes. Margins were consistent with last year despite lower selling prices.

The net tangible assets per share at 31 December 2013 were \$1.56 compared with \$1.53 at 31 December 2012.

Dividend

The Directors have declared a fully-imputed interim dividend of 7 cents per share to be paid on 31 March 2014 to holders of fully-paid ordinary shares, registered at 14 March 2014. The amount payable is \$6.19 million and a supplementary dividend of 1.2 cents will be paid to non-resident shareholders.

Performance

The new financial year ushered in a more positive economic sentiment after multi-year lows, with expectations of a firmer economic footing set to position the New Zealand economy for expansion. These expectations have started to materialise, albeit slowly, with activity levels and volumes increasing across most of our sectors and product categories.

The construction sector, and in particular residential construction, continue to lead the way with strong activity in Christchurch and Auckland. Consequently those products aligned to this sector continue to do well. Non-residential appears to be slowly improving and we are participating in several key infrastructure projects across the country.

Similarly, the rural sector continues to be buoyed with solid demand and healthy commodity prices more than compensating for drought-impacted volumes. As a result, investments are increasing in dairy and viticulture.

In anticipation, Steel & Tube has made substantial investments ensuring we are well positioned to support the increased activity, particularly in the construction sector. New plant and equipment was commissioned which has boosted our wire processing and roofing capabilities in Canterbury. Other investments within reinforcing and a lift in key product lines are also positioning the business for increased activity.

Globally, the steel industry continues to grapple with excess capacity and sluggish demand suppressing margins and creating pricing volatility. The mid half-year price increase had mixed impact as competition remains intense.

Meanwhile, investment in our people and the business continued on multiple fronts and we have made good progress on moves to strengthen and revitalise our business via the One Company transformational project.

The key supply chain building blocks are in place and focus has turned to the IT infrastructure with a number of initiatives already completed.

Health and Safety remains a key focus and the number of incidents in the period are consistent with the improved position of last year.

Outlook

During the first half we began to see further evidence of the beginnings of economic recovery. Indicators and sentiment now suggest that New Zealand may be on the cusp of a marked economic turnaround. Similarly, the global economic outlook is also generally more optimistic, despite relatively muted growth and internal debt concerns within China.

Domestically a key driver for the economy is the construction sector with the rebuild effort in Christchurch, heavy demand for residential housing particularly in Auckland, and on-going government infrastructure expenditure.

New residential consents continue to increase with December consent data (by value) 29.7 per cent higher than the previous year. However non-residential data is only 6.9 per cent higher than last year and disconcertingly, the last quarter to December 2013 saw a reduction of 9.9 per cent by value.

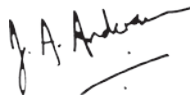
Another key driver is the rural sector with commodity prices remaining robust. Investments are expected to gain momentum over coming years directly from the sector and from those manufacturers supplying into it.

While New Zealand's manufacturing sector is not as bullish as other sectors we do expect to see slow improvements in volumes with some attributable to pull-through from other sectors. Although quarterly output data is volatile we were encouraged by the increase to metal manufacturing output for the September quarter of 6.6 per cent.

Despite slowly improving domestic steel demand the industry remains extremely competitive. For Steel & Tube to remain competitive new investment and greater labour flexibility is critical.

We remain focused on delivering multiple initiatives aimed at improving our capabilities, products and services to customers, while maximising our position for the anticipated lift in activity.

Steel & Tube remains in good shape, increasingly benefiting from the company's reinvigoration, and with an expectation the momentum of the first half will continue into the second half.



Sir John Anderson
Chairman
19 February 2014



Dave Taylor
Chief Executive Officer

Consolidated Interim Statement Of Profit Or Loss And Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Unaudited December 2013 \$000	Unaudited December 2012 \$000
Sales revenue	211,653	199,572
Other operating income	172	894
Cost of sales	(166,104)	(156,711)
Selling expenses	(13,700)	(12,810)
Administration expenses	(10,983)	(10,618)
Other operating expenses	(9,039)	(9,362)
Operating earnings before financing costs	11,999	10,965
Interest income	7	17
Interest expense	(773)	(737)
Profit before tax	11,233	10,245
Tax expense - operating income	(3,202)	(2,955)
Profit after tax	8,031	7,290
Other comprehensive income - hedging reserve	(442)	(2)
Total comprehensive income	7,589	7,288
Basic earnings per share (cents)	9.2	8.3
Diluted earnings per share (cents)	9.2	8.3

Consolidated Interim Statement Of Changes In Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Share capital \$000	Retained earnings \$000	Hedging reserve \$000	Treasury shares \$000	Share-based payments \$000	Total equity \$000
Balance at 1 July 2013	71,594	86,859	336	(2,306)	704	157,187
Comprehensive income						
Profit after tax	-	8,031	-	-	-	8,031
Other comprehensive income - hedging reserve	-	-	(442)	-	-	(442)
Transactions with owners						
Dividends paid	-	(7,462)	-	-	-	(7,462)
Granted/vested during the period - net	-	-	-	-	(83)	(83)
Purchase of own shares - net of transaction costs	-	-	-	(413)	-	(413)
Unaudited balance at 31 December 2013	71,594	87,428	(106)	(2,719)	621	156,818
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/vested during the period - net	-	-	-	-	188	188
Purchase of own shares - net of transactions costs	-	-	-	(612)	-	(612)
Unaudited balance at 31 December 2012	71,523	84,261	(310)	(2,273)	630	153,831

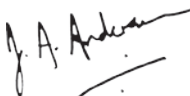
Consolidated Interim Balance Sheet

AS AT 31 DECEMBER 2013

	Unaudited December 2013 \$000	Audited June 2013 \$000
Current assets		
Cash and cash equivalents	3,910	3,509
Trade and other receivables	63,905	68,448
Inventories	92,718	81,777
Derivative financial instruments	44	647
	160,577	154,381
Non-current assets		
Property, plant and equipment	45,674	46,497
Intangibles	21,487	21,480
	67,161	67,977
Total assets	227,738	222,358
Current liabilities		
Trade and other payables	27,677	33,366
Borrowings	40,000	27,100
Provisions	215	262
Derivative financial instruments	192	12
Income tax payable	1,058	2,174
	69,142	62,914
Non-current liabilities		
Deferred tax	1,105	1,408
Derivative financial instruments	-	168
Employee benefits	673	681
	1,778	2,257
Equity		
Share capital	71,594	71,594
Retained earnings	87,428	86,859
Other reserves	(2,204)	(1,266)
	156,818	157,187
Total equity and liabilities	227,738	222,358

These consolidated interim financial statements and accompanying notes were authorised by the Board on 19 February 2014.

For the Board



Sir John Anderson, Chairman



Dave Taylor, Chief Executive Officer

Consolidated Interim Statement Of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Unaudited December 2013 \$000	Unaudited December 2012 \$000
Cash flows from operating activities		
Customers receipts	216,869	209,285
Interest receipts	7	13
Payments to suppliers and employees	(214,170)	(185,791)
Income tax payments	(4,447)	(3,714)
Interest payments	(773)	(735)
Net cash inflow/(outflow) from operating activities	(2,514)	19,058
Cash flows from investing activities		
Property, plant and equipment disposals	39	2,123
Property, plant and equipment and intangible asset purchases	(2,149)	(3,136)
Net cash inflow/(outflow) from investing activities	(2,110)	(1,013)
Cash flows from financing activities		
Treasury shares - net of transaction costs	(413)	(612)
Borrowings	8,000	(10,500)
Dividends paid	(7,462)	(5,717)
Net cash inflow/(outflow) from financing activities	125	(16,829)
Net increase/(decrease) in cash and cash equivalents	(4,499)	1,216
Cash and cash equivalents at beginning of the period	(3,591)	1,180
Cash and cash equivalents at end of the period	(8,090)	2,396
Represented by:		
Cash and cash equivalents	3,910	4,596
Borrowings - on call	(12,000)	(2,200)
	(8,090)	2,396

Notes To The Consolidated Interim Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

1. Basis of preparation and accounting policies

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 subsidiary. 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, 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). They comply with 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 2013. 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 2013.

The accounting policies adopted are consistent with those of the previous financial year except as described below:

XRB A1 Accounting Standards Framework For-Profit Entities

XRB A1 has been applied for the first time in the current period.

NZ IFRS 13 Fair Value Measurement (effective from 1 January 2013)

NZ IFRS 13 measurement and disclosure requirements are applicable for the period ending 31 December 2013.

The Group has included the disclosures required by NZ IAS 34 para 16A(j).

Disclosures

2. Operating segments

Operating segments of the Group as at 31 December 2013 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.

3. Financial risk management

The Group's activities are exposed to a variety of financial risks: market risk, credit risk, liquidity risk, cashflow risk and fair value interest-rate risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 30 June 2013. There have been no changes in the management of risk or in any risk management policies in the current period.

Derivative financial instruments are measured based on observable and derived inputs (level 2 hierarchy in IFRS 7). The fair value of assets and liabilities approximates their carrying value.

4. Contingent liabilities

Guarantees on contracts at 31 December 2013 were \$1.4 million (June 2013: \$0.5 million) and were transacted in the ordinary course of business.

5. Related parties

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

	Unaudited December 2013 \$000	Unaudited December 2012 \$000
(a) Transactions with related entities of the Group		
Purchases during the period	-	11,975
Percentage of related party purchases	-	7.6%

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.

From 10 October 2012 Arrium Limited was no longer considered to be a related party of the Company, therefore no related party transactions have been recorded in the current period.

(b) Transactions with key Management personnel

Short-term benefits and share based payments	1,752	1,311
	1,752	1,311

The key Management personnel are the Directors and Executive Management. Included in short-term benefits are Directors' fees of \$167,141 (December 2012: \$176,607).

6. Subsequent event

On 19 February 2014 the Board declared a fully-imputed dividend of 7.0 cents per share (\$6.19 million) and a supplementary dividend to non-resident shareholders of 1.2 cents per share. The dividends will be paid to shareholders on 31 March 2014.

Independent Accountants' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2013



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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 entity it controlled at 31 December 2013 or from time to time during the period (the “Group”) on pages 4 to 9, which comprise the balance sheet as at 31 December 2013, the statement of profit or loss and other comprehensive income, 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 Interim Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2013, 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 2013 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, providers of other assurance, advisory 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 2013 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
19 February 2014

Wellington

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Auditors

PricewaterhouseCoopers


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