



Shareholder
Review 2016



Stronger Foundations

2016 has seen several challenges for Steel & Tube, but the company has again demonstrated resilience and strength.



Anne Urlwin
Independent Director

Dave Taylor
Chief Executive Officer and
Non-independent Director

Sir John Anderson
Chairman and
Independent Director

Rosemary Warnock
Independent Director

Dean Pritchard
Independent Director

Net profit after tax for the year improved by 20.4 per cent to reach \$25.8 million and reflects a \$6.4 million one-off contribution from the Auckland property sale of Bowden Road. Profit excluding this property gain is \$19.4 million and is higher than guidance given in May.

The second half results included a one-off cost impact in relation to product quality issues. Despite the low steel prices, Steel & Tube has posted a record revenue of \$516 million, a lift of three per cent over the prior year.

This was achieved in a particularly challenging environment with global steel prices at 13-year lows at the year's midpoint, and ongoing price volatility and competition in the domestic steel market.

Interestingly, had steel prices been comparable to those in 2011, Group revenue would likely be approaching \$600 million.

As the company delivered on its acquisition and strategic reinvestment objectives, the balance sheet remained robust, allowing the Board to continue to provide consistent and sustainable dividends to shareholders and declare a final dividend of 13.5 cents

per share. That lifts total dividend payments from 19 cents last year to 22.5 cents per share for the year and an overall payment of \$12.2 million.

The first half acquisitions of Manufacturing Suppliers Ltd. (MSL) and Aquaduct and Bosch Irrigation bring new capabilities to Steel & Tube.

Significant investment continues in Steel & Tube's plant, machinery and facilities. The Board has approved \$7.8 million in new facility upgrades and rebuilds, which will be commissioned through the latter part of 2016 and throughout 2017. Similar investment and work continues to refresh the company's ICT systems and capabilities, which will further establish Steel & Tube as New Zealand's leading steel distributor and processor.

The balance sheet remains robust, supported by strong cash-flow generation. This year's net operating cash improved by 4.9 per cent on last year to reach \$25.1 million.

The company strategy executed over recent years has positioned Steel & Tube well, as illustrated by this year's performance despite the challenges. Management has refreshed the strategy to reflect

the likely environment for the next five years and beyond. That strategy will see Steel & Tube build on its strong foundations while leveraging unique capabilities to deliver value to customers, shareholders and employees.

The Board recognises that it has been a challenging year and would like to extend its appreciation to all Steel & Tube staff, who continue to perform their tasks diligently. The Board would particularly like to acknowledge the efforts of CEO Dave Taylor and the Lead Team for their contribution in the face of headwinds.

The Board remains confident in the management team and its ability to deliver the new strategy. The future looks bright as we build on stronger foundations.



Sir John Anderson Chairman

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Building on Stronger Foundations

The One Company rejuvenation has been the cornerstone of Steel & Tube's strategy for the last five years. As a result, the company's operating model, values, customer service philosophy and brand have undergone significant changes.



Steve Williams
General Manager
MSL

Phil Abraham
General Manager
Distribution

Dennis Boyle
General Manager
Supply Chain

Dave Taylor
Chief Executive Officer and
Non-independent Director

Janie Elrick
Chief Financial Officer
and Company Secretary

Brett Douglas
General Manager
Marketing

Roger O'Neill
General Manager
Processing

Steve Kubala
General Manager
Stainless

Dave Clegg
General Manager
Human Resources

Acquisitions have seen the Steel & Tube stable of companies grow. Steel & Tube is now the number one or two supplier across nearly all key product categories.

Significant investment in new purpose designed facilities and equipment puts Steel & Tube at the forefront of the industry for improving capacity and productivity.

Similar investments in ICT systems and capabilities gives Steel & Tube the edge when it comes to improving customer experience and business effectiveness.

Steel & Tube has its own internal leadership development programme (Leed2Succeed). Reflecting our commitment to staff across all levels of the business, training and development expenditure has been in excess of \$2 million over recent years.

All this and much more has ensured year-on-year earnings increases since 2012 despite the decline in global steel prices. It has only been in the last year (as the decline in global steel prices accelerated through to December 2015) that improvements in Steel & Tube's performance could not keep pace with the impact of the global steel price decline.

That said, we are now looking to build on those strong foundations with a refreshed strategy that will ready Steel & Tube for further growth in coming years. The newly endorsed strategy will take the company to a new level with improved customer service, integrated solutions and value propositions.

Trading environment

With a softening in the Chinese domestic market, China, which now has 50 per cent of the world's steel producing capacity, exported 112 million tonnes of steel in 2015. To put that into perspective, New Zealand uses less than one million tonnes per year across all different steel types.

Global steel prices fell to 13-year lows in late 2015 and many jurisdictions implemented anti-dumping legislation. Interestingly, however, Chinese, and consequently global, steel prices increased dramatically through the first part of 2016 and, despite some softening towards mid-year, prices appear to be firming again.

This has resulted in welcome price increases across Australasia around the start of the new financial year.

Domestically, New Zealand demand remains robust, with construction underpinning activity levels. Pleasingly, manufacturing has proved resilient and we continue to experience solid volumes in this sector. Unsurprisingly the rural sector remains subdued, and those manufacturers aligned to this sector, particularly stainless steel tank manufacturers, have been impacted.

As a consequence, New Zealand volumes this year are comparable to the prior year, and Steel & Tube market shares continue to benefit from the multiple initiatives that form the One Company strategy.

Quality assurance

Steel & Tube has a robust procurement strategy to ensure that the products we supply meet the relevant codes and standards. For inventory items, we have long-standing relationships with domestic and overseas mills, including agents within Asia. Most are ACRS (Australian Certification Authority for Reinforcing and Structural Steels) or ILAC (International Laboratory Accreditation Cooperation) accredited, or have third party accreditation that is accepted within Australasia. We also undertake our own due diligence and make frequent visits to review and assess their operations and quality systems. To further ensure compliance, we also commission tests by independent accredited laboratories.



Robyn Cameron - Senior Project Manager S&T

Reinvesting for the future

Steel & Tube's \$30 million reinvigoration programme to strengthen our core business and deliver operational excellence has already delivered some notable successes, but the programme of work continues.

The second of our new facilities in Auckland was commissioned in the first half of this financial year, at the same time that plans were approved for new facilities in Dunedin and Christchurch. The Dunedin plans consolidate the operations there into one purpose designed facility and will open at the end of this year.

The Christchurch development will see multiple businesses consolidated into two larger facilities creating a Distribution hub and a Processing hub, with both of these facilities expected to be online through mid-to-late 2017.

Another best-in-class example, a Steel & Tube small format facility opened in Blenheim. The store is a real example of us listening to our customers who told us they prefer to buy local, and now makes our products more accessible to an important viticulture market, among others.

Overseeing that reinvestment

Since 1981, Robyn Cameron has held roles at Steel & Tube as a customer services officer, sales rep, purchasing team leader, branch manager, training manager and IT manager before landing the role of project manager of new builds. Her first major project was overseeing the building and fit-out of our three new purpose-built facilities in Palmerston North, Savill Drive and Highbrook.

In addition to delivering these three facilities, Robyn project managed the Blenheim small-format store and is now working on the developments in Dunedin and Christchurch.

"I've always loved the opportunity for variety that Steel & Tube has given me," she says.



Sarah Murdoch - South Island Manager MSL

Bigger, better, stronger

Forty-six years after being established as a boutique operation in Auckland, Manufacturing Suppliers Ltd. (MSL) is at the top of its game.

Steel & Tube has just celebrated the first anniversary since welcoming the leading fastenings business with the iconic Fortress brand into its portfolio. We continue to see great examples of the ways in which our One Company strategy benefits our customers and our bottom line.

MSL General Manager Steve Williams says that the acquisition has been a great fit for both companies, with a forward-focused approach to taking the business to a new level.

"While recognising that there are some real challenges when businesses come together, we've shared a common goal to support each other and work to create the best of both worlds for our people, our customers and our stakeholders.

"We may still be two brands, but we're one company, and there have been some important milestones achieved over the past 12 months."

MSL was already a market leader, and since the acquisition Steel & Tube has leveraged opportunities to further extend the range of both businesses' products, as well as build expertise and capability.

One of those driving the integrated approach is MSL South Island manager Sarah Murdoch, who is based out of Christchurch.

With over 20 years' experience with the fastenings business, Sarah has grown along with the company.

"I started in the business in the office doing internal sales and accounts when there were only three employees at the newly opened Christchurch branch. Within five years, I was put out on the road as an account manager. I've seen the significant growth of MSL and I'm very proud to have evolved with the business, and to be part of what is a very successful company."

Where the customer's requirements or specifications possibly require other suppliers to be considered, we not only do our own due diligence, but also validate with external verification.

We were disappointed by the actual quality issues in the second half and the subsequent media attention speculating on both actual and perceived issues. Putting things into perspective, Steel & Tube purchases almost \$400 million worth of steel per year across some 50,000 products that are then delivered into one of the 56 Steel & Tube centres throughout New Zealand. Less than half of this value is imported from overseas and our long-term conformance rate is 99.75 per cent.

We have engaged an external resource to conduct a perceptions survey of the various stakeholder groups to understand the impact of the quality issues and media attention. The survey will highlight some actions for us to address to further cement our position as the quality and professional company that we are.

Our people

With our new acquisitions, Steel & Tube now employs almost 1000 people across the 56 facilities that make up the various businesses. Of the 1000 staff, 22 per cent of the total workforce are women and, pleasingly, several are in warehouse operations – historically a male 'domain'.

We are also continuing with our support for the First Foundation, offering to provide financial and coaching support for the teenager of an employee to attend university. This will be our fourth year giving such support, and the fifth teenager to benefit from the First Foundation programme. This is just one of many 'benefits' that our employees can gain by being part of a larger organisation that is prepared to leverage relationships for employees.

Health and safety remains a key priority for Steel & Tube. Excellent progress has again been made against all of the leading indicators that measure the input into health and safety. Disappointingly, however, we have still had too many medical treatment incidents and too much time has been lost. A significant number of these incidents were concentrated at just four of the 56 facilities, and the statistics are unrepresentative of the excellent progress many of the operations continue to make on the health and safety journey.

Strategic focus

Our facilities have continued to be upgraded and consolidated as a result of the One Company initiatives. The new Auckland Coil and Purlins facility that adjoins the Roofing and ComFlor® roll-forming facility in Highbrook has created a processing hub for Steel & Tube in Auckland. Although the construction was completed last year, the facility was commissioned in the first half of this financial year. Plans were also finalised and approved for new facilities in Dunedin and Christchurch. The Dunedin plans consolidate the operations there into one new purpose designed and built facility due to be online in late 2016/early 2017. Christchurch will see multiple businesses consolidated into two larger facilities, creating a distribution hub and a processing hub. These are expected to be online mid-to-late 2017.

Two other important achievements in the year were the acquisitions of Manufacturing Suppliers Ltd. (MSL) and Aquaduct with their sister company, Bosch Irrigation. The acquisition of MSL, who supply the iconic Fortress brand, makes Steel & Tube New Zealand's leading fastenings business.

Aquaduct has strengthened Steel & Tube's existing piping systems business with a unique capability to produce large bore, long length high density polyethylene for on and off farm irrigation infrastructure schemes. This sector is expected to continue to experience significant investment in coming years.

Investment has continued within ICT with upgrades to both infrastructure and systems, aligning businesses in preparation for the new enterprise system. This will provide Steel & Tube with new capabilities to improve customer interactions within the ever-changing digital space, and provide the system standardisation that will allow further integration and alignment across the Steel & Tube stable of businesses.

This investment has been achieved in the face of an increasingly challenging environment, particularly impacted by global steel prices. Not only have the benefits from the One Company strategy and investments more than off-set the margin erosion from the fall in steel prices, they have also created the foundations for a stronger Steel & Tube in the future.

Outlook

While raw material and finished steel prices remain volatile, both are firming again and reaching levels considerably above the 13-year lows of December 2015.

This bodes well for steel manufacturers and distributors alike as price increases filter through most markets. Although these are still early days, the price increases that Steel & Tube implemented at the start of the new financial year are encouraging.

Following significant pressure from the global steel community, it does appear that China is now serious about reducing steel production capacity.

Domestically, the outlook for the two key markets of importance to Steel & Tube is robust. Construction activity across all three sub sectors (residential, commercial and infrastructure) looks very positive and, though there may be movement with respect to individual regions, overall we remain encouraged by the strong outlook for construction.

Pleasingly, manufacturing continues to demonstrate solid growth despite the relatively high dollar. While there may be a degree of limited volatility from quarter to quarter, manufacturing is proving to be quite resilient with transport, machinery and equipment manufacturing in particular continuing a steady upwards trend.

Of less significance to Steel & Tube, the rural sector continues to grapple with low commodity prices. However, not only are some of the sub sectors, such as viticulture, showing growth, but there also appears to be a general improvement in optimism overall.

Given the outlook and improvement in the global steel scene, Steel & Tube is positive about the future. We are excited by our refreshed strategy and believe it will help to differentiate Steel & Tube in a competitive environment while leveraging economic activity in the key sectors. The investments will improve not only productivity and business integration, but top line growth too. Consequently, we are forecasting an improved financial performance this year.



Dave Taylor Chief Executive Officer



Accepting the 2016 Best Workplace Safety Initiative Award on behalf of Steel & Tube Stainless Auckland: Steve Johnson, Henare Baker and John Ikitule, with Steve Kubala, GM Stainless.

One Company health and safety

Steel & Tube places enormous importance on the safety of its employees. This year we increased our health and safety resources and considerably raised the profile of the safety programmes we have in place.

We have focused not only on strengthening our existing health and safety campaigns, but also on bringing our new companies up to standard.

Health and safety in action over the past year has meant assessing how our new acquisitions position themselves in the area of health and safety, and evaluating what work needs to be done to align them with Steel & Tube's safety principles.

To start the process, MSL's Auckland, Hamilton, Palmerston North, Wellington and Christchurch branches took part in a gap analysis.

The findings have led to an action plan providing a road map towards full health and safety alignment within 12 months. To achieve those targets, the health and safety team have recruited an MSL staff member to help local site leadership work through the requirements and meet the target on time.

Celebrating our successes

Each year we recognise our own safety pioneers through our annual Steel & Tube Health and Safety Awards. The Awards are an opportunity to salute the contributions our people make toward ensuring our safety every day.

Each nomination strengthens our practices and adds to our overall success: we are very proud of the strong health and safety culture we have developed.

It has been great to see our staff from within our new businesses, like Steel & Tube Stainless Auckland, taking the lead and demonstrating rigorous safety in their workplace no matter what kind of work they do.

An innovative company
complementing Steel & Tube's
core business



Bringing life-giving water to New Zealand farms through its innovative transportable pipe factory, Aquaduct has been an exciting addition to the Steel & Tube stable.

Acquired by Steel & Tube in September 2015 along with its sister company Bosch Irrigation, award-winning Aquaduct had already secured prominence as New Zealand's, and quite possibly a world first fully transportable large bore pipe production facility.

The business sits in the Canterbury plains on land near Hororata, ensconced within a purpose built 2000sqm fully equipped tent, with the capability of producing large volumes of polyethylene pipe up to 120m long and 1600mm diameter.

Aquaduct cut its teeth on the Valetta Irrigation Scheme conversion on the Canterbury Plains, winning a highly sought after Irrigation NZ Innovation Award in 2014 for the transportable 'pop-up' pipe factory.

The addition of Aquaduct gives Steel & Tube huge potential to tap into a fast growing irrigation sector. According to CEO Dave Taylor, the company's full suite of products and capabilities gives it competitive advantage when it comes to providing a holistic solution for large irrigation schemes.

"We see Aquaduct as a great company with an innovative and exciting product offering that complements our core business. Combining the well-established Steel & Tube brand and Aquaduct's innovation will enrich our overall product offering, taking both companies into new and exciting territory."

Complete project delivery

Large diameter pipes can be installed at
450-500metres
per day

Customised pipe wall thickness to meet project requirements

PPE pipe manufacture lengths
12 to 120metres

A unique
relocatable facility



Darryn Ross - Manager Aquaduct

Acton Farmers Irrigation Cooperative Limited 12km Pipeline Scheme

As Steel & Tube begins to build on the opportunities Aquaduct presents, focus continues on a number of on-farm projects where Aquaduct and Bosch Irrigation have worked hand-in-hand. Just south of Rakaia, work is well underway on the \$2.5 million Acton Cooperative pipeline scheme. Currently in stage one of the three stage scheme, 12km of PE piping will be laid.

The scheme will use gravity to feed the water and will replace an open race. The aim is to prevent high water losses caused by seepage from the old open race system. While the saving in water will pay for the scheme, there are also wider environmental benefits.

Water will be screened at the pipe entry and then delivered to farmers through eight controlled outlets with the control being accessible online.

New Zealand's largest hospital building project

The combined redevelopment of Christchurch and Burwood Hospitals is the largest government investment in the history of New Zealand's public health service. Steel & Tube is proud to have been a part of that redevelopment from the outset.

Expansion of facilities for older persons' health at Burwood Hospital was first planned back in 2009, to keep pace with an increasing elderly population in Canterbury, but the project was fast-tracked after the Canterbury earthquakes in 2010-11. The new facilities at Burwood Hospital were opened to admit patients in June 2016, just three years after breaking ground on site.

More than 'just another job', the \$215 million 32,000sqm facility has been a labour of love for the staff involved, and a chance for them to have a role in the rebuild of a city.

"It hasn't been about how much steel we can sell into the Canterbury region – we have wanted to be involved in this region's rebuild journey so it's jobs like Burwood Hospital where we've felt immensely proud of being involved," says Steel & Tube's Christchurch Area Manager Peter Donohue.

Within the hospital's structure sits 3000 tonnes of reinforcing steel and over 500 tonnes of structural steel, pipe supports, ComFlor® and cable trays supplied by Steel & Tube.

"Our Christchurch team worked extended hours to keep up with demand," says Peter.

"During the peak of the project our reinforcing division was working double shifts to supply 40 tonnes a day into this construction. The 20,000sqm of ComFlor®80 installed in Burwood is equivalent to around three rugby fields."

A floor area of
32,500sqm

Approximately
15,000m³
of soil and sand was removed

The building footprint is
14,000sqm

Approximately
450 pre-cast panels
make up parts of the buildings

Building our capability

Staff development remains a key focus and we continue to allocate significant resources for both formal and informal initiatives. In recent years, in excess of \$2 million has been invested in developing our people across all levels of the business.

This was the fifth year of our sales capability programme, which is undertaken by all our external

customer-facing staff. It has been developed to ensure that we are an agile company that is constantly innovating, spotting and reacting to new opportunities, and evolving with our customers.

Another focus over the past year was our Leading Change programme, which develops and prepares our current leaders to stay relevant and

successful for the future. Manager-led change has been critical to the success of the change programmes implemented by Steel & Tube to deliver on its strategic objectives.

We also launched the second cohort for Lead2Succeed, a three-year programme aimed at Steel & Tube's future senior leaders.

Leading to succeed

When we first launched the programme in 2014, our vision was for our people to develop core leadership capabilities, to collaborate and lead on key real-time projects and challenges facing Steel & Tube, and to become key players in the continued success of the company.

Twenty-one staff to date have been selected to take part in a transformation journey to become better leaders. We envisage that these leaders will build stronger teams and, in turn, a better business.

Michele Kingham already had a track record as a leader within customer service teams when her Lead2Succeed journey started back in 2014.

"I can honestly say that Steve Jobs is right, 'the journey is the reward'. This development allows me the opportunity to inspire my team and others around me and help create a great workplace culture. Steel & Tube has provided a leadership programme that has empowered me to take ownership of my learning and development and seek out my purpose. I am thoroughly enjoying leading people to the answer, not simply providing the answer."

When the call came out for applications for the second cohort group, Eliza Ryall was one of the first in line. While her three-year Lead2Succeed journey has really just begun, Eliza has grabbed the opportunity with both hands.

"I have taken on a newly created national position within our business and I firmly believe my inclusion in Lead2Succeed played a part in this. I am really grateful for these opportunities, enjoying being challenged and the learning that comes from this, and looking forward to the rest of the journey."



The Lead2Succeed team

Michele Kingham

Eliza Ryall



Sustainable design for Hamilton's newest school campus

Rising from within a sprawling 11 hectare plot in the burgeoning northern Hamilton suburb of Rototuna will be the country's largest new school campus built in over three decades, constructed entirely from sustainable products.

The Ministry of Education-funded school building projects have been welcomed by the local community, and Steel & Tube has been a key supplier in the development of not just one but two interlinked schools that, when complete, will have the capacity to accommodate 2000 students.

Development of the Junior High School for year 7-10 students was the first cab off the rank and opened in February this year with a roll of over 600 foundation students. The year 11-13 Senior High School will be completed for the arrival of students for the 2017 school year.

Bevan Parish, Steel & Tube's Business Development Manager, Major Projects, said the project had been a collaborative approach from the outset between Arrow International, which has the design and construct contract, and suppliers.

"It's fantastic that we could be involved with supplying a great range of our products and services to the Rototuna schools project. Our early involvement with the Arrow International team was key to the success to supply, and, working closely with our key suppliers, we provided Arrow International with the relevant sustainability and compliance information for structural steel, reinforcing, roofing and ComFlor® to support the Rototuna Junior and Senior High Schools Green Star Project."

Bevan says it was great to see that new schools today were being constructed from sustainable products that not only have longevity but have also been selected based on their environmental impact.

"I think it's important that our today and tomorrow kids understand the importance of sustainability and the positive effect it has on our environment."

Hamilton's
fastest growing
community

600_{plus}
foundation students
in Junior High

18,000_{sqm}
spread across two levels on 11 hectares

Capacity for up to
2,000_{students}

Five
Green Star rating



Providing value add products for world-class learning facility

The University of Canterbury's science and engineering facilities will be touted as modern, state-of-the-art and world class once the \$216 million transformation is complete.

The new Regional Science and Innovation Centre will provide 25,000sqm of accommodation for the College of Science across two buildings, creating a hub for the region's science and innovation that encourages collaborative teaching, learning and research.

The first building is due for completion in 2017. Phase 2, the postgraduate and staff research hub is scheduled to be completed by the beginning of 2019.

From preliminary design to construction stage, Steel & Tube has been working closely with Fletcher Construction, asBUILT, Silvester Clark and all on-site sub-contractors to supply unique seismic solutions for cable supports and restraints, says Steel & Tube's Piping and Cable Supports National Specialist Jared Cottle.

"The early opportunity to work together enabled a coordinated approach in terms of design, supply and installation. The coordination of a one system seismic approach for

all contractors has ensured product quality is never compromised while providing a reduction of onsite service clashes."

Jared says that an early insight into the inventory requirements meant Steel & Tube were able to forecast volumes to meet demands.

"Steel & Tube's extensive product portfolio, availability and ability to source if required at short notice has enabled contractors the opportunity to streamline their procurement by utilising Steel & Tube's one stop shop strategy.

"Sikla and Zip-Clip, two of Steel & Tube's highly regarded suppliers of supports and seismic restraints have provided contractors with innovative time- and labour-saving benefits during service installation. The introduction of the ComFlor®60 M10 Wedge Nut for gravity supports has further provided additional time-saving benefit, reducing the number of penetrations required for anchor fixings."

Regional
innovation hub

\$216million
project budget

25,000sqm
across two buildings

300
tradespeople on-site

State-of-the-art
facilities

Financial summary



Summary Statement of Profit or Loss and Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$000	2015 \$000
Total revenue	516,197	502,422
Gain on sale of property	6,267	-
Expenditure		
Cost of sales	(392,444)	(388,602)
Selling expenses	(43,375)	(36,027)
Administration expenses	(23,931)	(21,592)
Other operating expenses	(25,825)	(22,807)
Interest expense	(3,721)	(3,568)
Total expenditure	(489,296)	(472,596)
Profit before tax	33,168	29,826
Tax expense	(7,342)	(8,379)
Profit for the year attributable to owners of the Company	25,826	21,447
Other comprehensive income - hedging reserve	(1,294)	1,230
Total comprehensive income attributable to owners of the Company	24,532	22,677

Summary Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$000	2015 \$000
Opening balance	167,009	160,381
Profit after tax	25,826	21,447
Other comprehensive income - hedging reserve (net of tax)	(1,294)	1,230
Total comprehensive income	24,532	22,677
Transactions with owners		
Dividends paid	(17,027)	(15,756)
Issue of ordinary shares related to business combination	6,000	-
Other	(269)	(293)
Closing balance	180,245	167,009
Total equity comprises of:		
Share capital	77,756	71,717
Retained earnings	105,657	96,858
Other equity reserves	(3,168)	(1,566)
Total equity	180,245	167,009

The summary financial statements have been derived from the full financial statements.

Summary Statement Of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$000	2015 \$000
Net cash inflow from operating activities	25,076	23,900
Net cash outflow from investing activities	(35,651)	(16,722)
Net cash inflow from financing activities	8,772	29,617
Net (decrease)/increase in cash and cash equivalents	(1,803)	36,795
Cash and cash equivalents at the beginning of the year	4,090	(32,705)
Cash and cash equivalents at the end of the year	2,287	4,090
Represented by:		
Cash and cash equivalents	2,287	4,090

Summary Balance Sheet

AS AT 30 JUNE 2016

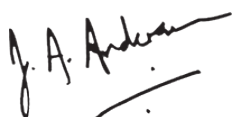
	2016 \$000	2015 \$000
Current assets		
Cash and cash equivalents	2,287	4,090
Trade and other receivables	89,842	86,747
Inventories	129,377	112,601
Other current assets	33	1,457
	221,539	204,895
Non-current assets		
Property, plant and equipment	61,557	56,702
Intangibles	47,344	26,204
	108,901	82,906
Total assets	330,440	287,801
Current liabilities		
Trade and other payables	45,133	42,329
Other current liabilities	4,766	3,456
	49,899	45,785
Non-current liabilities		
Trade and other payables	1,229	1,387
Borrowings	97,900	71,740
Deferred tax	160	798
Provisions	1,007	1,082
	100,296	75,007
Equity	180,245	167,009
Total equity and liabilities	330,440	287,801

The summary financial statements have been derived from the full financial statements.

Summary notes to the Financial Statements

1. Steel & Tube Holdings Limited (the Company) is registered under the Companies Act 1993 and is a FMC Reporting Entity under the Financial Markets Conduct Act 2013. The Company is a limited liability company incorporated and domiciled in New Zealand. The Group comprises Steel & Tube Holdings Limited and its subsidiaries. The Group's principal activities relate to the distribution, processing and fabrication of steel, plastics and allied products.
2. The Group is a for-profit entity and its full 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) and International Financial Reporting Standards (IFRS). The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.
3. The summary financial statements have been extracted from the full financial statements. The summary financial statements cannot provide a full understanding due to their summary nature. A full understanding can be obtained only by reference to the annual report and the full financial statements. The reporting currency is NZ dollars rounded to the nearest thousand (\$000).
4. A copy of the annual report and full financial statements may be obtained on request from the registered office of the Company or the Company's website www.steelandtube.co.nz
5. On 11 August 2016 the Board declared a fully imputed dividend of 13.5 cents per share (\$12.2 million) and a supplementary dividend to non-resident shareholders of 2.38 cents per share. The dividends will be paid to shareholders on 30 September 2016.
6. The full annual financial statements of the Group have been audited by PricewaterhouseCoopers who have issued an unmodified audit opinion in respect to the financial statements on 11 August 2016.
7. The Directors have authorised the full Financial Statements on 11 August 2016.
8. These Summary Financial Statements are in compliance with FRS-43: Summary Financial Statements.
9. The Company acquired Manufacturing Suppliers Limited and Aquaduct and Bosch Irrigation during the year for consideration of \$31,947k and \$7,966k respectively. Goodwill of \$15,602k was recognised on the MSL acquisition.

Approved on behalf of the Board:



Sir John Anderson Chairman



Dave Taylor Chief Executive Officer



Report of the Independent Auditors' on the Summary Financial Statements

to the shareholders of Steel & Tube Holdings Limited

The accompanying summary financial statements, on pages 13 to 15 which comprise the summary balance sheet as at 30 June 2016, the summary statement of profit or loss and other comprehensive income, the summary statement of changes in equity and the summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of the Group for the year ended 30 June 2016. The Group comprises Steel & Tube Holdings Limited and the entities it controlled at 30 June 2016 or from time to time during the financial year.

The summary financial statements do not contain all the disclosures required for full financial statements under New Zealand Equivalents to International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Group.

Our audit of the financial statements for the year ended 30 June 2016 was completed on 12 August 2016 and our unmodified opinion was issued on that date. We have not undertaken any additional audit procedures in relation to those financial statements from the date of the completion of our audit and those financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

This report is made solely to the Company's shareholders, as a body. Our work has been undertaken so that we might state those matters we are required to state to them in a report from the auditor 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's shareholders, as a body, for this report, or for the opinions we have formed. In addition, we take no responsibility for, nor do we report on, any part of the annual report not specifically mentioned in our report.

Directors' Responsibility for the Summary Financial Statements

The Directors are responsible on behalf of the Company for the preparation of the summary financial statements in accordance with FRS-43: *Summary Financial Statements* (FRS 43).

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*.

We are independent of the Group. Our firm carries out other services for the Group in the areas of tax advice and other assurance services. The provision of these other services has not impaired our independence.

Opinion

In our opinion, the summary financial statements on pages 13 to 15 derived from the audited financial statements of the Group for the year ended 30 June 2016 are consistent, in all material respects, with those audited financial statements, in accordance with FRS-43.

Restriction on Use of our Report

This report has been prepared for inclusion in the annual report. We disclaim any responsibility for reliance on this report or the amounts included in the summary financial statements, for any purpose other than that for which they were prepared.

Chartered Accountants
12 August 2016

Wellington

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**This document, in conjunction with
the Steel & Tube Financial Report 2016,
constitutes the 2016 Annual Report
to shareholders of Steel & Tube
Holdings Limited.**



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