



STEEL&TUBE

ANNUAL REPORT 2007

Highlights 2007

- Awarded the 2007 ACC Thinksafe Workplace Safety Award for the Wellington region.
- As part of our facilities upgrade plans, we re-located our Hamilton and Mount Maunganui branches in Distribution and Roofing and the Wellington Roofing branch to new purpose-built leased premises.
- New Fastening branches were opened in Hamilton, Palmerston North and Mount Maunganui.
- New Chain and Rigging and Safety Solutions branch opened at Petone.
- Steel and Tube staff participated in the Cancer Society's Wellington region 'Relay for Life' and raised $10,000. The company matched the amount raised.

New premises for Distribution and Roofing in Mt Maunganui

Contents

New premises for Distribution and Roofing in Hamilton

Board of Directors

Reinforcing

Top: **Piers to the 256 metre long four-lane Otanerua Viaduct.**

Right: **Piers to the two 538 metre long twin-lane bridges that form the Waiwera Viaduct.**

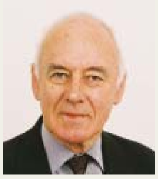
Steel & Tube Reinforcing is supplying reinforcing bar to the Albany to Puhoi Motorway extension project. Approximately 8,500 tonnes of reinforcing bar is expected to be supplied during the three-year construction period.

Dean Pritchard | **Chairman and Non-independent Director**

Appointed a Director and elected as Chairman on 20 May 2005. Mr Pritchard BE, FIE Aust, CP Eng, FAICD is also a Director of Zinifex Limited, OneSteel Limited, Spotless Group Limited and Eraring Energy. Previously, he was Chief Executive Officer of Baulderstone Hornibrook, Chairman of ICS Global Limited and a Director of Railcorp.

Nick Calavrias | **Chief Executive Officer and Non-independent Director**

In September 1990 Mr Calavrias was appointed Executive Director following the acquisition of the Acorn Pacific Corporation Group of which he was Managing Director. He was appointed Chief Executive Officer of the Group from 1 July 1991 and is a Director of all subsidiary companies of Steel & Tube Holdings Limited. Mr Calavrias is a member of the Institute of Directors, the New Zealand Business Roundtable and a Fellow of the New Zealand Institute of Management. He is a Director of Rangatira Limited and Chairman of Contract Resources Limited.



Barry Dineen | **Independent Director**

Appointed a Director in 1994, Mr Dineen was formerly Chairman and Managing Director of the Shell Companies in New Zealand. He is currently a Director of Todd Corporation Limited and Tecpak Industries Limited. He is Past President of the Institute of Directors in New Zealand.

Dr Eileen Doyle | **Non-independent Director**

Appointed a Director on 15 July 2005. Dr Doyle Ph.D, FAICD is also Chairman of Port Waratah Coal Services and a Director of State Super Financial Services, OneSteel Limited, Commonwealth Science and Industry Research Organisation and Ross Human Directors Limited.

Ian Lindsay | **Independent Director**

Appointed a Director on 15 February 2001, Mr Lindsay was formerly Director of Finance Asia Pacific for the BOC Group plc. Prior to this he had been Chairman and Managing Director of BOC Gases New Zealand Limited. He is currently a Director of Liquigas Limited.

Tony Reeves | **Non-independent Director**

Appointed a Director in November 2001, Mr Reeves is Chief Financial Officer of OneSteel Limited where he is responsible for accounting, taxation, treasury, business planning and development, strategic sourcing, legal function and company secretarial matters. He was formerly Chief Financial Officer of Orica's worldwide explosives business and prior to that Director Finance and Information Technology for ICI's international polyester business.

Tony Candy | **Company Secretary**

Appointed Company Secretary and Chief Financial Officer in February 1992. Mr Candy joined the Company as Financial Controller of the Merchandising Division in 1988 and is a Director of all subsidiary companies of Steel & Tube Holdings Limited.

Directors' Report

The Directors present the annual report and financial statements of the Company and its subsidiaries for the year ended 30 June 2007.

The accounts have been prepared in accordance with New Zealand Accounting Standards which comply with International Financial Reporting Standards.

Results

The financial result for the year was an after tax profit of $27.77 million. This compares with the $30.82 million result of the previous year.

Dividends

Directors have declared a fully imputed dividend of 14 cents per share payable on 28 September 2007 to holders of fully paid ordinary shares registered at 21 September 2007. The amount payable is $12.3 million. The ordinary dividends for the year of 29 cents, compares to the previous year's ordinary dividends of 32 cents per share.

Financial Position

Shareholders' equity of $138.8 million compares with $139.1 million the previous year. Borrowings during the year increased by $24.7 million to $69.7 million. The gearing ratio (debt:debt plus shareholders' equity) is 0.33:1. The Company continues to be in a sound position.

Share Capital

During the year 127,000 shares in the Senior Executives' Share Scheme 1993 were paid in full for a consideration of $588,000. These shares were previously paid to 1 cent. Refer note 12 for details.

In August 2006, 20,000 shares were purchased on-market for a consideration of $88,000 by the Trustee of the Executive Share Plan. Vesting of rights to these shares is subject to the achievement of Board-approved targets. These shares are recognised as treasury stock in the financial statements. There are no Directors, including the Chief Executive Officer, participating in this plan. In January 2007 rights to 42,546 shares vested with employees. Refer notes 13 and 15b for details.

Auditors

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

Directors

In accordance with the Company's Constitution, Ian Lindsay and Dean Pritchard will retire by rotation and, being eligible, offer themselves for re-election.

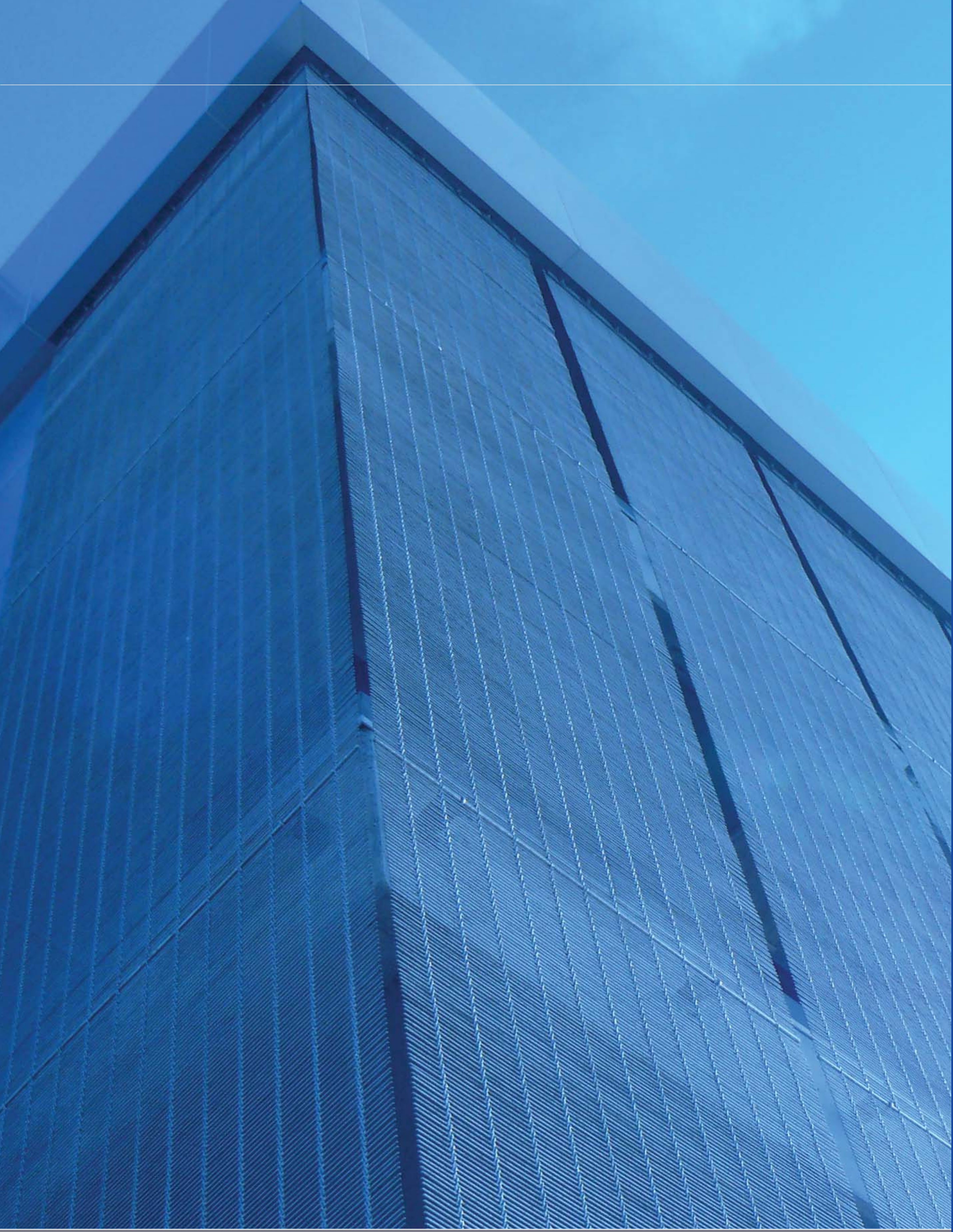
Personnel

The Directors wish to acknowledge the valuable contribution made by all staff to the continued solid performance of the Company, and to thank them sincerely.

Dean Pritchard | Chairman

Nick Calavrias | Chief Executive Officer

16 August 2007



Stainless

Steel & Tube Stainless supplied approximately 12 tonnes of multi-weave 316 S/S mesh for the exterior of the TSB Bank head office building in New Plymouth.

Architect Terry Boon from Boon Goldsmith Bhaskar.

CHIEF EXECUTIVE'S

Review of Operations

Nick Calavrias Chief Executive Officer

Roofing

The ASB Bank Waikato Tennis Centre is clad with the Steel & Tube Roofing profile ST900. This product was installed by the Roofing Specialists Ltd.

Nautilus Estate Awatere River Vineyard in the Marlborough Region installed the unique Viticulture Trellising System designed and supplied by Hurricane Wire. This new system incorporates a Grilla Clip attached to a Waratah post.

Hurricane Wire

Financial Performance

For the year ending 30 June 2007 the Company achieved a profit of $27.77 million after tax. This is a decrease of $3.05 million, or 10%, when compared with the previous year's result.

Sales at $466.32 million were up from $439.34 million in the previous year. This result includes a full year's contribution from the stainless steel operation compared with three months in the previous period. After allowing for the effect of this acquisition, Group sales were similar to last year.

A full year dividend of 29 cents per share was declared.

The Company's result represents an EBIT return on year end total funds employed of 24% and an after tax return on average shareholders' funds of 20%.

Market Conditions

There were a number of external factors that contributed to the Company having a tough trading environment to contend with in the year under review.

The Reserve Bank's actions to slow the economy through increases in the Official Cash Rate, and the rapid appreciation of the NZ dollar substantially affected the business community that we service.

The Company's three key market segments of commercial construction, manufacturing and the rural sector all suffered to some degree. This had the overall effect of reducing demand for our goods and services, and increasing the competitive trading environment.

Despite the action taken by the Reserve Bank to slow the housing market, activity in this sector increased during the year. However, the level of commercial construction activity, which is a key driver for our business, was similar to last year.

Export receipts for the manufacturing and rural sectors were adversely affected by the strong NZ dollar which reached a 23 year high against the US dollar. Although dairy commodity prices increased rapidly from the third quarter, the full benefit to the New Zealand economy will not be seen until next year. Difficult trading conditions remain for sheep and beef farmers.

Domestic-based manufacturing also suffered as an increasing amount of cheaper sourced imports replaced locally manufactured product.

Considerable market volatility was encountered in the cost of replacement inventory as the New Zealand currency progressively strengthened.

These market conditions, together with a very competitive environment, affected the Company's ability to fully recover cost increases incurred during the year.

Performance

Distribution business; comprising Steel Distribution, Stainless Steel, Fastening Systems, Piping Systems and Industrial Products, produced higher earnings than the previous year.

Although the value of commercial building activity was similar to last year, the volume of building products consumed by this sector was lower once the effects of price increases were taken into consideration.

Volume to the manufacturing sector was also slightly lower than last year.

The increased level of earnings was assisted by the addition of the Stainless Steel business acquired in April 2006 and an increased focus on Industrial Products, which allowed the Company to increase its overall market offer to an expanded customer base.

It is pleasing to note that the Stainless business was successfully integrated into the Group during the year and delivered a higher than expected financial result in the first full year of ownership.

A substantial part of our inventory is purchased domestically from Pacific Steel and New Zealand Steel in NZ dollars. The prices paid for these products, however, follow the global price trends for imported product as if they were purchased in US dollars.

The NZ dollar depreciated substantially in the first half of calendar 2006 causing a rise in the replacement cost for the majority of our steel products at the commencement of our financial year. Inventory values then progressively decreased in value as the dollar strengthened during the latter part of the year, and this had the effect of putting downward pressure on selling prices and margins at a time of soft domestic demand.

Manufacturing business; comprising Roofing Products, Reinforcing & Fabrication and Hurricane Wire, did not perform as well as the previous year.

The Roofing operation posted another solid result against the backdrop of strong demand for rain water and cladding products from both the light commercial construction and new residential property sectors.

The Reinforcing and Hurricane Wire businesses, however, suffered from a decline in margins due to soft demand from the construction sector.

Hurricane Wire was also affected by the general downturn in rural spending by farmers.

Health and Safety

The continuing strong focus to make the workplace safer, and to reduce the number of work-related injuries, has enabled the Company to achieve and maintain excellent results these past few years.

This year we improved our medical treatment injury frequency rate by 30% compared with last year, achieving a frequency rate of 5.6 per 1 million hours worked, which is a great outcome by world standards.

The Company was once again recognised externally for its excellent safety record when it was awarded the Wellington Region Gold Safety Award for 2007.

Senior Management

A significant change was made to the senior management structure during the year bringing together all operations into two divisions.

Steve Davies and Mark Winnard were appointed to the new Executive General Manager positions for Distribution and Manufacturing respectively.

This new structure reduces the number of direct reports to the Chief Executive and is consistent with the objective of increasing focus on the strategic growth of the Company.

Outlook

The New Zealand economy is expected to stay soft in the near term as business activity copes with the increased costs of doing business, high interest charges, and a volatile currency.

The recent rapid increase in world commodity prices for dairy products has resulted in Fonterra announcing a record payout to dairy farmers for the 2007/08 season, some 40% higher than the previous year. This is expected to pump $2 billion extra into the rural economy.

Conditions for beef and sheep farmers will most likely continue to be difficult. However, if world prices for grain gather momentum on the back of alternate fuel demand, incomes could recover because of the natural advantage that New Zealand has with grass-fed livestock production.

Commercial construction activity and infrastructure projects relating to the 2011 Rugby World Cup are likely to commence early 2008, providing a welcome boost to this sector. The construction of residential housing, however, is expected to suffer as the lower levels of net migration and the impact of servicing higher interest costs begin to take effect.

International steel prices and supply volatility have been key issues that have affected the Company's financial results these past few years. World demand for raw materials, led by the industrialisation of China, is expected to remain strong for some time yet, causing a long term upward trend on pricing but with continued price volatility in the short to medium term.

In summary, trading conditions are expected to remain tough, with some upside prospect in calendar year 2008.

New premises for Roofing Wellington

Management Structure

Nick Calavrias [1]
Chief Executive Officer

Nick Calavrias joined the steel industry in 1966 and has held a variety of sales and managerial positions covering all aspects of the business. He joined Steel & Tube in August 1990 following the acquisition of Acorn Pacific Corporation of which he was Managing Director and a major shareholder.

Nick was appointed a Director of Steel & Tube Holdings Limited in September 1990 and Chief Executive Officer of the Group in July 1991.

Tony Candy [2]
Chief Financial Officer

Tony Candy joined the Company as Financial Controller of the Steel Distribution Division in 1988.

Tony was appointed Company Secretary and Chief Financial Officer in February 1992.

Steve Davies [3]
Executive General Manager Distribution

Steve Davies commenced his career in the steel industry in 1980 as a marketing cadet for BHP New Zealand.

Since then he has had extensive experience in the Australasian metals industry joining Steel & Tube through the acquisition of the NZ Fasteners Group in April 2006 where he was its CEO.

Steve was appointed Executive General Manager Distribution in March 2007.

Mark Winnard [4]
Executive General Manager Manufacturing

Mark Winnard commenced his career in the steel industry in 1992 as a financial accountant with BHP New Zealand.

Mark was appointed General Manager of the Roofing operations in 1999 following the acquisition of BHP Steel Building Products NZ Limited.

Mark was appointed Executive General Manager Manufacturing in March 2007.

Terry Carter [5]
General Manager Steel Products

Terry Carter commenced his career with the Company in 1977 in a sales position.

Terry has gained extensive sales and management experience in the metals industry rejoining Steel & Tube after a gap of 4 years through the acquisition of Acorn Pacific Corporation in August 1990.

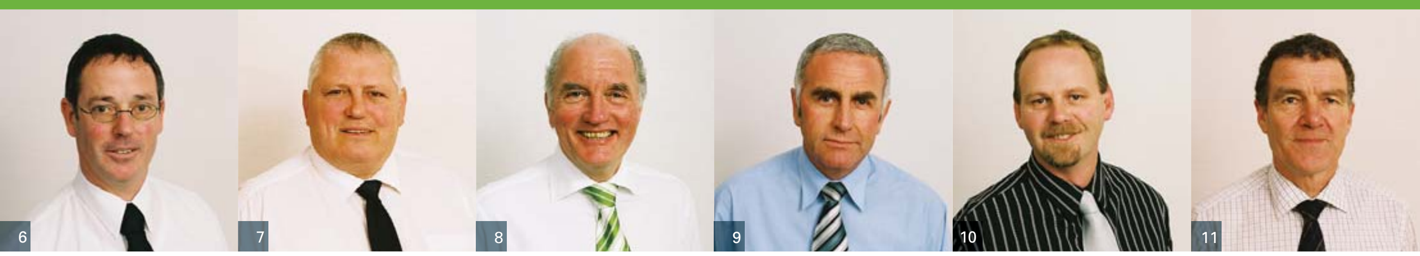
Terry was appointed to his current position as General Manager Steel Products in March 2007.

Steve Kubala [6]
General Manager Stainless Products

Steve Kubala commenced his career with the Company in September 1985 in a sales position.

Steve has gained extensive sales and management experience in the metals industry rejoining Steel & Tube after a gap of 12 years.

Steve was appointed to his current position as General Manager Steel & Tube Stainless Products in March 2007.



Graham Purvis [7]
General Manager Industrial Products

Graham Purvis held senior management positions with industrial products companies prior to joining Steel & Tube in 2003 as General Manager Piping Systems.

Graham has had a number of senior positions with the Company since that time.

Graham was appointed to his current position as General Manager Industrial Products in July 2006.

Roger O'Neill [8]
General Manager Reinforcing

Roger O'Neill joined the Company in 1972 as a Detailer in the Reinforcing Division. Roger has held various management positions in both the Steel Distribution and Reinforcing Divisions before being appointed to the position of General Manager Reinforcing in 1990.

Roger Gabites [9]
General Manager Hurricane Wire

Roger Gabites joined Steel & Tube in 2003 when the Company acquired Hurricane Wire Products.

Roger has 17 years experience with Hurricane Wire Products holding various sales and management positions and was appointed General Manager Hurricane Wire Products in March 2007.

Andy Stevens [10]
General Manager Roofing Products

Andy Stevens commenced his career in the steel industry in 1994 in a sales position with BHP New Zealand.

Andy joined the Company following the acquisition of BHP Steel Building Products NZ Limited in 1999 and has held a number of sales and management positions.

Andy was appointed General Manager Steel & Tube Roofing Products in August 2007.

Jim Peterson [11]
Divisional Manager Piping Systems

Jim Peterson joined the Company in an administration position in 1974. Since that time he has held a number of senior management positions.

Jim rejoined Steel & Tube in 2001, after a gap of eight years, as General Manager Fastening Systems.

Jim was appointed to his current position as Divisional Manager Piping Systems in 2004.

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 comply in all material respects with the New Zealand Exchange listing rule on corporate governance and the Securities Commission governance principles and guidelines.

Structure and activities

The Board comprises five non-executive Directors and the Chief Executive Officer. Two of the five non-executive Directors are independent Directors, namely, Barry Dineen and Ian Lindsay. 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.

Directors schedule nine meetings each year at various locations to enable them to interact with management, staff and customers. Directors also meet as and when required on specific matters that arise. Presentations from general managers to the Board are also scheduled for these meetings.

Shareholders approve the aggregate amount available for Directors' fees at annual meetings, with fees payable only to non-executive Directors. The Board is subject to regular performance appraisal 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 complex issues. They are Audit, Governance and Remuneration, Nominations, and Occupational Health, Safety and Environment. All committee members are non-executive Directors and senior management attends by invitation.

There is a charter for each committee setting out the composition of members and the terms of reference. The table below outlines the membership of these committees.

Non-executive Directors	Audit	Governance & Remuneration	Nominations	Occupational Health, Safety & Environment
Dean Pritchard		●	●	
Barry Dineen	●	●	●	
Eileen Doyle				●
Ian Lindsay	●	●	●	●
Tony Reeves	●			

Audit committee

The audit committee meets four times a year and its 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 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.

Nominations committee

The nominations committee is responsible for the review of Directors' performance, the review of Board composition to ensure an appropriate mix of expertise and experience, 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 and best practice codes, and other significant issues with respect to health, safety and the environment.

Table of Directors' Meetings

	Board	Audit Committee	Governance & Remuneration Committee	Nominations Committee	Occupational Health, Safety & Environment Committee
Number of meetings held	9	4	3	1	3
Attendance at meetings					
Dean Pritchard	9		3	1	
Nick Calavrias	9				
Barry Dineen	9	4	3	1	
Eileen Doyle	9				3
Ian Lindsay	9	4	3	1	3
Tony Reeves	9	4			

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 place to effectively manage legal compliance and other business risks and exposures. The Board reviews the policies and procedures and, where appropriate, advice will be obtained from external sources. The Group has in place programmes to assist managers and employees to achieve and maintain compliance.

Shareholder relations

Shareholders are responsible for voting on the 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 is communicated in interim and annual reports, notices and announcements to the New Zealand Exchange, and at annual meetings. The Company has a website: www.steelandtube.co.nz where announcements, notices and financial reports are posted.

Statutory Information

Indemnification and Insurance of Directors and Officers

The Company's Constitution provides for the Company or 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 that 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 by the Group with OneSteel Limited are related party transactions with details provided in note 17 of the financial statements.

Details of matters that have been entered in the Interests Register by individual Directors are outlined in the Director profiles and the accompanying sections below. Where a Director has declared an interest in a particular entity, the declaration serves as notice that the Director may benefit from any transactions between the Parent or Group and the identified entities.

Remuneration of Directors

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2007 were:

DIRECTORS	$000
D A Pritchard	103.0
N Calavrias	1,139.0[1]
B M J Dineen	51.5
I K Lindsay	51.5
A J Reeves	51.5
E J Doyle	51.5

[1] The remuneration of Mr Calavrias includes a $271,000 apportionment of a long-term incentive plan. This has not been paid but may be payable if certain performance hurdles are achieved over three-year periods.

Use of Company Information

There were no notices from Directors requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

Stainless

'Dots Lucido', an Italian textured stainless steel product manufactured by Steel Color and supplied by Steel & Tube Stainless to designer Crosby Stainless for installation in a Newmarket Auckland apartment.

Remuneration of Employees

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2007 were within the following bands:

Remuneration Range $000	Number of Employees
100 – 110	14
110 – 120	11
120 – 130	7
130 – 140	4
140 – 150	3
150 – 160	5
160 – 170	3
190 – 200	2
230 – 240	1
270 – 280	1
280 – 290	1
290 – 300	1
310 – 320	2
330 – 340	1

Directors' Shareholding

	At 30 June 2007			At 30 June 2006		
	Beneficial	Non-beneficial	Associated Person	Beneficial	Non-beneficial	Associated Person
N Calavrias	190,000[1]	105,050[2]	525,000	190,000[1]	111,570[2]	525,000
B M J Dineen	40,000	105,050[2]	–	40,000	111,570[2]	–
I K Lindsay	20,000	–	–	20,000	–	–
D A Pritchard	10,000	–	44,504,814[3]	10,000	–	44,504,814[3]
A J Reeves	4,000	–	44,504,814[3]	4,000	–	44,504,814[3]
E J Doyle	2,000	–	44,504,814[3]	2,000	–	44,504,814[3]

[1] Comprise 160,000 shares paid to 1 cent held under the Senior Executives' Share Scheme 1993 at 30 June 2007 and 30,000 fully paid ordinary shares. Partly paid shares do not have dividend or voting entitlements until fully paid.

[2] Shares held as Trustees of the Employee Share Purchase Scheme 1983.

[3] Dr Doyle and Messrs Reeves and Pritchard are associated persons of OneSteel Limited by virtue of their positions as Directors or employees of certain of its related companies.

Share Dealings By Directors

There were no share dealings by Directors during the year ended 30 June 2007.

Shareholder Information

AT 6 AUGUST 2007

Census of shareholders

Size of holdings	Number of holders	Number of shares	% of issued shares
1 to 999	2,019	840,369	0.95
1,000 to 4,999	3,878	8,781,431	9.92
5,000 to 9,999	1,168	7,358,899	8.31
10,000 to 49,999	896	14,799,496	16.72
50,000 +	61	56,749,045	64.10
	8,022	88,529,240	100.00

Top twenty shareholders

Tubemakers of New Zealand Limited	44,504,814	50.27
FNZ Custodians Limited	1,612,624	1.82
Accident Compensation Corporation*	1,213,434	1.37
Investment Custodial Services Limited	969,525	1.10
Asset Custodian Nominees Limited	547,770	0.62
Custodial Services Limited – a/c 3	536,030	0.61
Nicholas Calavrias & Mariana Calavrias & Leonidas Angelo Gambitsis	525,000	0.59
Citibank Nominees (New Zealand) Limited*	491,698	0.56
National Nominees New Zealand Limited*	357,356	0.40
Guardian Trust Investment Nominees (RWT) Limited*	328,443	0.37
Forsyth Barr Custodians Limited – a/c 1M	253,260	0.29
Forsyth Barr Custodians Limited – a/c 1L	250,030	0.28
Custodial Services Limited – a/c 2	221,089	0.25
Dorothy Izabella Plenzler & Leszek Andrzes Plenzler & Lynne Reindler Trustees Limited	212,000	0.24
Custodial Services Limited – a/c 9 MDZ	202,385	0.23
Hubbard Churcher Trust Management Limited	175,400	0.20
NZ Superannuation Fund Nominees Limited*	174,730	0.20
PHP Bayly Limited	170,000	0.19
TEA Custodians Limited*	151,185	0.17
James Michael Hannan & Helen Anne Hannan & Neville Gordon Low	140,000	0.16
	53,036,773	59.91

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

Substantial security holder

In accordance with section 26 of the Securities Amendment Act 1988, the following shareholder is a substantial security holder of the voting securities in the Company at 6 August 2007.

Tubemakers of New Zealand Limited	44,504,814 shares

Issued shares in the Company comprise:

Ordinary shares fully paid	88,212,240
Ordinary shares paid to 1 cent (no voting rights)*	317,000
	88,529,240

* Shares issued in the Senior Executive Share Scheme 1993

Steel & Tube Holdings Limited and Subsidiaries

Financial Statements 2007

Income Statement

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Sales revenue		**466,316**	439,342	**466,316**	439,342
Cost of sales	1	**(361,422)**	(338,922)	**(361,422)**	(338,922)
Gross profit		**104,894**	100,420	**104,894**	100,420
Other operating income		**321**	433	**321**	433
Selling expenses	1	**(24,868)**	(21,725)	**(24,868)**	(21,725)
Administration expenses	1	**(17,725)**	(15,420)	**(17,725)**	(15,420)
Other operating expenses	1	**(16,267)**	(14,441)	**(16,317)**	(14,438)
Operating earnings before financing costs		**46,355**	49,267	**46,305**	49,270
Interest income		**223**	100	**215**	94
Interest expense		**(4,828)**	(3,263)	**(4,828)**	(3,263)
Profit before tax		**41,750**	46,104	**41,692**	46,101
Tax expense	2	**(13,975)**	(15,280)	**(13,955)**	(15,278)
Profit after tax		**27,775**	30,824	**27,737**	30,823
Basic earnings per share (cents)	3	**31.5**	35.1	**31.5**	35.1
Diluted earnings per share (cents)	3	**31.4**	34.9	**31.4**	34.9

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Equity at beginning of year		**139,136**	136,454	**139,738**	136,923
Net profit for the year		**27,775**	30,824	**27,737**	30,823
Share capital	12	**588**	116	**588**	116
Treasury shares	13	**52**	(215)	**-**	-
Hedging reserve	14	**(614)**	-	**(614)**	-
Dividends paid	4	**(28,157)**	(28,043)	**(28,206)**	(28,124)
Equity at end of year		**138,780**	139,136	**139,243**	139,738

Balance Sheet

AT 30 JUNE 2007

	Notes	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Current assets					
Inventories		**91,203**	79,492	**91,203**	79,492
Trade and other receivables	5	**86,412**	77,342	**86,207**	77,261
Income tax refund		**881**	311	**881**	311
		178,496	157,145	**178,291**	157,064
Non-current assets					
Property, plant and equipment	6	**46,964**	42,994	**46,586**	42,616
Intangibles	7	**20,219**	20,227	**20,219**	20,227
Trade and other receivables	5	**-**	-	**1,175**	1,115
Deferred tax	8	**3,184**	3,428	**3,282**	3,526
		70,367	66,649	**71,262**	67,484
Total assets		**248,863**	223,794	**249,553**	224,548
Current liabilities					
Borrowings	9	**54,671**	29,994	**54,898**	30,146
Trade and other payables	10	**38,848**	37,854	**38,848**	37,854
Provisions	11	**300**	564	**300**	564
		93,819	68,412	**94,046**	68,564
Non-current liabilities					
Borrowings	9	**15,000**	15,000	**15,000**	15,000
Provisions	11	**1,264**	1,246	**1,264**	1,246
		16,264	16,246	**16,264**	16,246
Equity					
Share capital	12	**70,637**	70,049	**70,637**	70,049
Treasury shares	13	**(654)**	(706)	**-**	-
Hedging reserve	14	**(614)**	-	**(614)**	-
Retained earnings		**69,411**	69,793	**69,220**	69,689
		138,780	139,136	**139,243**	139,738
Total equity and liabilities		**248,863**	223,794	**249,553**	224,548

These financial statements and the accompanying notes were authorised by the Board on 16 August 2007.

For the Board

DEAN PRITCHARD
CHAIRMAN

NICK CALAVRIAS
CHIEF EXECUTIVE OFFICER

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Operating activities					
Receipts from customers		459,456	441,017	459,456	441,017
Interest receipts		223	100	215	94
Payments to suppliers and employees		(427,710)	(376,496)	(427,806)	(376,348)
Income tax payments		(14,301)	(15,419)	(14,281)	(15,515)
Interest payments		(4,828)	(3,263)	(4,828)	(3,263)
		12,840	45,939	12,756	45,985
Investing activities					
Property, plant and equipment disposals		319	244	319	244
Purchases of business assets		-	(11,051)	-	(11,051)
Transactions with controlled entities		-	-	110	(277)
Treasury shares	13	52	(215)	-	-
Property, plant and equipment purchases		(10,319)	(8,094)	(10,319)	(8,094)
		(9,948)	(19,116)	(9,890)	(19,178)
Financing activities					
Share capital	12	588	116	588	116
Dividends paid	4	(28,157)	(28,043)	(28,206)	(28,124)
		(27,569)	(27,927)	(27,618)	(28,008)
Net movement in cash and cash equivalents		(24,677)	(1,104)	(24,752)	(1,201)
Balance at beginning of year		(29,994)	(28,890)	(30,146)	(28,945)
Balance at end of year		(54,671)	(29,994)	(54,898)	(30,146)

Reconciliation of profit after tax to cash flows from operating activities

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Profit after tax before adjustments for:	27,775	30,824	27,737	30,823
Gain on property, plant and equipment disposals	(143)	(83)	(143)	(83)
Depreciation and amortisation	6,177	5,636	6,177	5,636
Deferred tax	244	157	244	59
	34,053	36,534	34,015	36,435
Changes in:				
Income tax	(570)	(296)	(570)	(296)
Inventories	(11,711)	7,615	(11,711)	7,615
Trade and other receivables	(9,070)	596	(9,116)	741
Trade and other payables	138	1,490	138	1,490
	12,840	45,939	12,756	45,985

Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2007

Steel & Tube Holdings Limited is registered under the Companies Act 1993 and is an issuer on the New Zealand Exchange for the purposes of the Financial Reporting Act 1993. The Group comprises Steel & Tube Holdings Limited and its subsidiaries.

Significant accounting policies

(a) Statement of compliance

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

(b) Basis of preparation

These financial statements are presented in New Zealand dollars and rounded to the nearest thousand. The historical cost basis has been used in the preparation of the financial statements except for the following: derivative financial instruments, long-term service benefits and long-term incentive benefits are stated at fair value, and property, plant and equipment is stated at deemed cost. 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

Controlled entities are all entities over which the Group has 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 controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the net assets acquired, the difference is recognised directly in the Income Statement.

Intragroup transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. The accounting policies of controlled entities have been amended where required to ensure consistency with Group policies.

(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 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 Income Statement except when deferred in equity as qualifying cash flow hedges.

Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2007

(iii) Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at cost and, subsequent to initial recognition, are stated at fair value. The gain or loss on remeasurement to fair value is recognised in the Income Statement for those derivatives that do not qualify for hedge accounting. Recognition of any gain or loss on derivatives that qualify for hedge accounting is dependent on the nature of the hedged item.

(e) Property, plant and equipment

(i) Owned assets
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment except for land, which is stated at cost less impairment. Land and buildings are stated at deemed cost, which is the fair value on or prior to 1 July 2004 (transition date to NZIFRS).

(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 Income Statement 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	3 – 10 years
Motor vehicles	4 – 8 years
Equipment, furniture and fittings	2 – 10 years

(f) Intangible assets

(i) Goodwill
All business combinations are accounted for using the purchase 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. It is allocated to cash-generating units, tested annually for impairment, and stated at cost less accumulated impairment losses. Negative goodwill arising on acquisition is recognised in the Income Statement.

(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.

(g) Critical accounting estimates and judgements
Estimates and judgements are continually evaluated. They 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 and the resulting accounting estimates will, by definition, seldom equal the related actual results. 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 as follows:

Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2007

(i) Estimated impairment of non-current assets
Assets with indefinite useful lives are not subject to amortisation. They are tested annually for impairment, and when events or circumstances indicate that the carrying value may not be recoverable. Assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

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 Income Statement. 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).

(h) Inventories
Inventories are stated at the lower of cost and net realisable value, with cost determined on a first-in first-out 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 and work in progress includes a share of overheads based on normal operating capacity.

(i) Trade and other receivables
Trade and other receivables are stated at cost less the provision for doubtful debts.

(j) 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 purposes of the Statement of Cash Flows.

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

(l) Income tax and deferred tax
Income tax comprises both current and deferred tax. 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 balance sheet liability method to provide for temporary differences between the carrying amounts of assets and liabilities and their tax base. The following temporary differences are not provided for: goodwill not deductible for tax purposes, initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and investments in subsidiaries 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 tax rates. Deferred tax assets are recognised to the extent that it is probable future taxable profits will offset temporary differences.

(m) Employee benefits
(i) Long-term service benefit
The Group's net obligation for long-term service benefit is the amount of future benefit that employees have earned in return for their services in the current and prior periods, and is calculated using an independent actuarial valuation.

(ii) Defined contribution plans
Obligations for defined contribution plans are recognised as an expense in the Income Statement as incurred.

Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2007

(iii) Short-term incentives
The Group recognises a liability and an expense for short-term incentives.

(iv) 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 discount 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 and the shares repurchased by the Trustees are recognised as treasury shares.

Cash plan
A cash incentive plan may be offered to key management personnel as approved by the Board. The terms and conditions of an offer are similar to the share-based incentive plan described below. The cost associated with the plan is expensed in the Income Statement over the vesting period with a corresponding liability in the Balance Sheet.

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 Income Statement over the vesting period, with a corresponding liability in employee benefits in the Balance Sheet. Shares purchased in this plan are recognised as treasury shares until they are distributed.

(n) Provisions
Provisions are recognised in the Balance Sheet when the Group has a legal or constructive obligation from past events and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are management's best estimate of the expenditure required to settle the obligation.

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

(p) Leases
Payments made under operating leases are charged to the Income Statement on a straight-line basis over the term of the lease.

(q) 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.

Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2007

(i) Market risk
In accordance with its treasury policy, the Group uses derivative financial instruments to hedge its exposure to foreign exchange risks from its operational, financing and investment activities. These derivatives are classified at fair value, and gains and losses are recognised in the Income Statement for those derivatives that do not qualify for hedge accounting.

(ii) Credit risk
Credit risk exposure arises from trade debtors, and transactions with financial institutions. 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 financial institutions owing to the quality of the institutions the Group deals with. There are no significant concentrations of credit risk.

(iii) 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.

(iv) Cash flow and fair value interest-rate risk
The Group's operating cash flows are substantially independent of changes in market interest rates. 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 and expose the Group to fair value interest-rate risk.

(r) Segment reporting
A business segment is a group of assets and operations engaged in the provision of products and services that are subject to risks and returns different from those of other business segments. A geographical segment represents a particular economic environment where the risks and returns are different from other economic environments.

Segment reporting is not appropriate because the Group operates in one industry in New Zealand. The Group's activities are the distribution, fabrication and processing of steel products.

(s) Borrowing costs
Borrowing costs are recognised as expenses in the period in which they are incurred.

(t) Standards, interpretations and amendments to published accounts that are not yet adopted
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods, beginning on or after 1 January 2007 or later periods to which the Group has not early adopted. The standards relevant to the Group are as follows:

NZIFRS 7 Financial Instruments: Disclosures, and a complementary amendment to NZIAS 1 Presentation of Financial Statements – Capital Disclosures.

The standards apply to all entities reporting under NZIFRS. They require the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments specifying minimum disclosures about credit, liquidity and market risks including sensitivity analysis to market risk. It replaces NZIAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and the disclosure requirements in NZIAS 32, Financial Instruments: Disclosure and Presentation. The amendment to NZIAS 1 introduces disclosures about the level of an entity's capital and how it manages it. The Group will apply NZIFRS 7 and the amendment to NZIAS 1 for the year ended 30 June 2008.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	Group and Parent 2007 $000	Group and Parent 2006 $000
1. Operating activities		
Included in operating activities:		
Inventories expensed in cost of sales	(337,190)	(317,872)
Payroll costs	(43,896)	(39,796)
Auditors' fees - audit services	(195)	(190)
- other assurance services	-	(25)
- tax compliance and consulting	(58)	(32)
Donations	(16)	(9)

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
2. Income tax expense				
Profit before tax	41,750	46,104	41,692	46,101
Permanent differences	211	200	211	197
	41,961	46,304	41,903	46,298
Tax at 33% (2006: 33%)	13,847	15,280	13,827	15,278
Tax rate change	128	-	128	-
	13,975	15,280	13,955	15,278
Represented by:				
Current tax	13,731	15,123	13,711	15,219
Deferred tax	244	157	244	59
	13,975	15,280	13,955	15,278

Following the Budget announcement in May 2007, the income tax rate has been reduced to 30% with effect from 1 April 2008. Some deferred tax items that are not expected to reverse in the next financial year have been adjusted for the 3% tax rate differential, resulting in an increase in tax expense and a corresponding decrease in deferred tax.

	Group & Parent 2007 $000	Group & Parent 2006 $000
Imputation credit account		
Balance at beginning of year	14,399	12,871
Tax payments	11,750	12,800
Credits attached to dividends paid	(11,282)	(11,272)
Balance at end of year	14,867	14,399

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	Group		Parent	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000

3. Earnings per share (EPS)

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Profit after tax	**27,775**	30,824	**27,737**	30,823
Weighted average number of shares for basic EPS ('000)	**88,070**	87,924	**88,070**	87,924
Weighted average number of shares for diluted EPS ('000)	**88,387**	88,368	**88,387**	88,368
Basic earnings per share (cents)	**31.5**	35.1	**31.5**	35.1
Diluted earnings per share (cents)	**31.4**	34.9	**31.4**	34.9

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 the partly paid shares (note 12).

4. Dividends

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
2007 interim: 15 cents per share (2006: 15 cents)	**13,232**	13,213	**13,232**	13,213
2006 final: 17 cents per share (2005: 17 cents)	**14,974**	14,974	**14,974**	14,974
Forfeited from prior years	-	(63)	-	(63)
Treasury shares	**(49)**	(81)	-	-
	28,157	28,043	**28,206**	28,124

Dividends paid are fully imputed and the Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $2.6 million (2006: $2.6 million).

	Group 2007 $000	Group 2006 $000
Declared post balance date and not recognised as a liability:		
2007 final: 14 cents per share (2006: 17 cents)	**12,330**	14,974

5. Trade and other receivables

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Trade receivables	**85,387**	76,404	**85,387**	76,404
Provision for doubtful debts	**(1,488)**	(1,364)	**(1,488)**	(1,364)
	83,899	75,040	**83,899**	75,040
Prepayments and sundry receivables	**2,513**	2,302	**2,308**	2,051
Controlled entities (note 17)	-	-	**1,175**	1,285
	86,412	77,342	**87,382**	78,376
Non-current portion – controlled entities	-	-	**(1,175)**	(1,115)
	86,412	77,342	**86,207**	77,261

No concentration of credit risk exists with trade receivables as the Group has a large number of customers. The provision for doubtful debts has increased by $124,000 (2006: $15,000), and bad debts amounted to $340,000 (2006: $384,000). The carrying values of trade receivables, prepayments and other receivables are equivalent to their fair values.

Loan transactions with controlled entities are free of interest and repayable on demand. The carrying values are equivalent to their fair values.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	Land & Buildings $000	Machinery & Vehicles $000	Furniture, Fittings & Equipment $000	Total $000
6. Property, plant and equipment				
Group 2007				
Opening net book value	19,883	19,965	3,146	42,994
Additions	824	7,480	1,700	10,004
Disposals	-	(149)	(39)	(188)
Depreciation	(385)	(4,109)	(1,352)	(5,846)
Closing net book value	**20,322**	**23,187**	**3,455**	**46,964**
Comprised of:				
Cost or deemed cost	25,015	54,588	16,662	96,265
Accumulated depreciation	(4,693)	(31,401)	(13,207)	(49,301)
	20,322	**23,187**	**3,455**	**46,964**
Group 2006				
Opening net book value	20,220	16,194	3,274	39,688
Additions	48	7,105	722	7,875
Acquisitions	-	428	431	859
Disposals	-	(132)	(25)	(157)
Depreciation	(385)	(3,630)	(1,256)	(5,271)
Closing net book value	19,883	19,965	3,146	42,994
Comprised of:				
Cost or deemed cost	24,191	48,640	16,156	88,987
Accumulated depreciation	(4,308)	(28,675)	(13,010)	(45,993)
	19,883	19,965	3,146	42,994
Parent 2007				
Opening net book value	19,505	19,965	3,146	42,616
Additions	824	7,480	1,700	10,004
Disposals	-	(149)	(39)	(188)
Depreciation	(385)	(4,109)	(1,352)	(5,846)
Closing net book value	**19,944**	**23,187**	**3,455**	**46,586**
Comprised of:				
Cost or deemed cost	24,538	54,588	16,662	95,788
Accumulated depreciation	(4,594)	(31,401)	(13,207)	(49,202)
	19,944	**23,187**	**3,455**	**46,586**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	Land & Buildings $000	Machinery & Vehicles $000	Furniture, Fittings & Equipment $000	Total $000
Parent 2006				
Opening net book value	19,842	16,194	3,274	39,310
Additions	48	7,105	722	7,875
Acquisitions	-	428	431	859
Disposals	-	(132)	(25)	(157)
Depreciation	(385)	(3,630)	(1,256)	(5,271)
Closing net book value	19,505	19,965	3,146	42,616
Comprised of:				
Cost or deemed cost	23,714	48,640	16,156	88,510
Accumulated depreciation	(4,209)	(28,675)	(13,010)	(45,894)
	19,505	19,965	3,146	42,616

7. Intangibles

	Group and Parent ($000)					
			2007			2006
	Goodwill	Licences	Total	Goodwill	Licences	Total
Opening net book value	**19,856**	**371**	**20,227**	19,556	517	20,073
Additions	-	**324**	**324**	-	219	219
Business assets acquired	-	-	-	300	-	300
Amortisation charge	-	**(332)**	**(332)**	-	(365)	(365)
Closing net book value	**19,856**	**363**	**20,219**	19,856	371	20,227
Comprised of:						
Cost	**19,856**	**3,190**	**23,046**	19,856	3,104	22,960
Accumulated amortisation	-	**(2,827)**	**(2,827)**	-	(2,733)	(2,733)
	19,856	**363**	**20,219**	19,856	371	20,227

Licences are amortised over their estimated useful lives of three to five years.

Impairment test on goodwill

Goodwill is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from the business combination. It is tested annually for impairment or when there are indications that goodwill may be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations. These calculations are based on the Board-approved budgeted cash flow forecasts for the next three years and are extrapolated for a further two years. The forecast cash flows are discounted to present value at a rate of 11%. The estimated growth rate for the terminal value ranges from 1% to 2% and does not exceed the average long-term growth rate for the relevant markets. At balance date no impairment of goodwill has occurred.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	2007 $000	2006 $000
Carrying value of goodwill:		
Hurricane Wire Products Division	**11,419**	11,419
CGUs without significant goodwill	**8,437**	8,437
	19,856	19,856

8. Deferred tax assets

	Group ($000)			Parent ($000)		
	Opening Balance	Recognised in Income	Closing Balance	Opening Balance	Recognised in Income	Closing Balance
2007						
Property, plant and equipment	**802**	**(171)**	**631**	**900**	**(171)**	**729**
Employee benefits	**1,077**	**127**	**1,204**	**1,077**	**127**	**1,204**
Provisions	**956**	**(172)**	**784**	**956**	**(172)**	**784**
Other items	**593**	**(28)**	**565**	**593**	**(28)**	**565**
	3,428	**(244)**	**3,184**	**3,526**	**(244)**	**3,282**
2006						
Property, plant and equipment	851	(49)	802	851	49	900
Employee benefits	1,116	(39)	1,077	1,116	(39)	1,077
Provisions	1,139	(183)	956	1,139	(183)	956
Other items	479	114	593	479	114	593
	3,585	(157)	3,428	3,585	(59)	3,526

	Group		Parent	
	2007 $000	2006 $000	**2007 $000**	2006 $000

9. Borrowings

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Current				
Bank and at call	**54,671**	29,994	**54,898**	30,146

The effective interest rate on borrowings was 7.7% (2006: 7.5%). Credit facilities arranged with the banks can be drawn at any time subject to meeting the Group's Deed of Negative Pledge conditions, and interest rates on these facilities are variable. The carrying value of the short-term borrowings is equivalent to the fair value.

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Non-current				
Bank term loans	**15,000**	15,000	**15,000**	15,000

The effective interest rate was 7.1% (2006: 7.1%). The fair value of the loans was $14.6 million (2006: $15.0 million) and is based on the effective interest rates available to the Group for debts of similar maturities.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

Interest-rate risk

The Group uses both short-term floating and long-term fixed rate borrowings to fund its operations. The tables below reflect the maturity periods of the borrowings.

	At call $000	Term loans $000	Total $000
2007			
Within 1 year	**54,671**	-	**54,671**
Within 1 – 2 years	-	**5,000**	**5,000**
Within 2 – 3 years	-	**10,000**	**10,000**
	54,671	**15,000**	**69,671**
2006			
Within 1 year	29,994	-	29,994
Within 2 – 3 years	-	5,000	5,000
Within 3 – 4 years	-	10,000	10,000
	29,994	15,000	44,994

	Group and Parent	
	2007 $000	2006 $000

10. Trade and other payables

Trade payables	**23,041**	23,470
Accrued expenses	**10,934**	9,420
Employee benefits	**4,873**	4,964
	38,848	37,854

The carrying values of the above items are equivalent to their fair values.

11. Provisions

Current		
Customer claims:		
Opening balance	**564**	1,160
Additional amounts	-	24
Used during the year	**(264)**	(620)
Closing balance	**300**	564

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 2007

	Group and Parent		
Non-current	Service Benefits	Incentive Benefits	Total
2007			
Opening balance	**533**	**713**	**1,246**
Accrued	-	**484**	**484**
Used	-	**(398)**	**(398)**
Reversal	**(3)**	**(65)**	**(68)**
Closing balance	**530**	**734**	**1,264**
2006			
Opening balance	477	365	842
Accrued	56	447	503
Reversal	-	(99)	(99)
Closing balance	533	713	1,246

Service benefits comprise the long service leave benefit for employees and the retirement benefit for Non-executive Directors. Mercer Human Resource Consulting performed an actuarial calculation of the unvested long service leave benefit. Leave vested at balance date is reported under employee benefits in trade and other payables. The provision for long service leave decreased by $3,000 (2006: $56,000 increase) and was recognised in the Income Statement. The Non-executive Directors' retirement benefit was fixed for those Directors in office at 1 May 2004. Directors appointed subsequent to that date do not qualify as the benefit was discontinued. Executive Directors are not entitled to the benefit.

The incentive benefits relate to the long-term incentive plans of cash or rights to Company shares that are offered to key management personnel. The plan is measured at fair value at grant date and expensed over the vesting period with a corresponding liability in the Balance Sheet (note 15(b)).

	2007 $000	2006 $000	**2007 Shares**	2006 Shares
12. Share capital				
Fully paid:				
Balance at beginning of year	**70,045**	69,928	**88,085,240**	88,055,240
Senior Executives' Share Scheme	**588**	116	**127,000**	30,000
Transfer from shares paid to 1 cent	**1**	1	**-**	-
Balance at end of year	**70,634**	70,045	**88,212,240**	88,085,240
Partly paid:				
Balance at beginning of year	**4**	5	**444,000**	474,000
Transfer to fully paid shares	**(1)**	(1)	**(127,000)**	(30,000)
Balance at end of year	**3**	4	**317,000**	444,000
	70,637	70,049	**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 paid to 1 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

	Group and Parent			
	2007	2006	**2007**	2006
	$000	$000	**Shares**	Shares
13. Treasury shares				
Balance at beginning of year	**706**	491	**160,990**	123,830
Purchases	**88**	241	**20,000**	48,000
Used in share schemes	**(175)**	(48)	**(48,256)**	(16,550)
Withdrawals	**35**	22	**9,300**	5,710
Balance at end of year	**654**	706	**142,034**	160,990

Treasury shares are unallocated Company shares held by the Trustees of share-based schemes, and is a reduction in shareholders' funds.

14. Hedging reserve

	2007 $000	2006 $000
Cash flow hedge	**(614)**	-
Notional amounts of foreign exchange contracts not recognised	**10,175**	4,183

The Group purchases forward and spot contracts to hedge its foreign currency exposures. Changes in fair values of the cash flow hedging instruments are reflected in the hedging reserve as a reduction in shareholders' funds, and are related to hedged transactions that have not been realised at balance date. Previously the fair value gain in the comparative year of $76,000 was recognised in the Income Statement. The Company changed the treatment of accounting for derivatives in the current year, as permitted in its accounting policies [note (d)(iii)], to reduce the volatility in the Income Statement from the movement in foreign exchange rates.

15. Share schemes

(a) Employee Share Purchase Scheme 1983

The 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 section DC11 of the Income Tax Act 2004. 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 have 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 prior to vesting date with the repurchased shares recognised as treasury shares. In October 2006 an offer was made to employees to subscribe for Company shares at an issue price of $3.87 per share.

	Group	
	2007	2006
	Shares	Shares
Balance at beginning of year	**111,570**	65,600
Purchases	**28,110**	46,570
Vested in employees	**(34,630)**	(600)
Balance at end of year	**105,050**	111,570

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

(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. In August 2006 shares were purchased on-market at an average price of $4.40 per share. In January 2007 rights to shares from the December 2003 plan vested with employees. The vesting was independently verified and was based on total shareholder returns achieved since December 2003.

Balance at beginning of year	**155,280**	107,280
Purchases	**20,000**	48,000
Vested in employees	**(42,546)**	-
Balance at end of year	**132,734**	155,280

	Group		Parent	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
16. Commitments and Contingencies				
(a) Lease commitments on non-cancellable leases				
Within 1 year	**7,775**	6,880	**7,714**	6,819
Between 1 to 5 years	**18,444**	11,523	**18,343**	11,422
Beyond 5 years	**8,475**	3,037	**8,475**	3,037
	34,694	21,440	**34,532**	21,278

The Group occupies a number of warehouse and office premises under operating leases. The leases have varying terms and renewal rights. During the year $7.7 million (2006: $6.3 million) was recognised as an expense in the Income Statement.

(b) Capital commitments

The Group has committed $10.9 million (2006: $0.8 million) for the purchases of property, plant and equipment of which $8.6 million is related to the construction of a new warehouse/office and additional plant and equipment in Christchurch.

(c) Contingent liabilities

Guarantees on contracts at balance date were $0.5 million (2006: $0.3 million) and were transacted in the ordinary course of business.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

17. Related parties

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

(a) Transactions with parent company

Purchases during the year	**46,063**	33,429
Percentage of related party purchases	**12.3%**	10.1%

OneSteel Limited of Australia, through its subsidiary Tubemakers of New Zealand Limited, owns 50.3% (2006: 50.3%) of the Company's issued shares. All transactions are on commercial terms. Included in trade creditors is an amount of $4.6 million (2006: $4.1 million) owed to the OneSteel Group at balance date.

(b) Transactions with controlled entities

Loans to share schemes	**871**	952
Loans to subsidiaries	**304**	333
	1,175	1,285

Controlled entities are wholly owned and incorporated in New Zealand with a balance date of 30 June. They do not trade and the loans provided to them are free of interest and repayable on demand. Loans to the share schemes are for the purchase of Company shares (note 15).

(c) Transactions with key management personnel

Short-term benefits	**2,907**	2,536
Long-term benefits	**305**	291
Share-based benefits	**289**	228
	3,501	3,055

Included in short-term benefits are Directors' fees of $309,000 (2006: $264,000).

18. Subsequent event

On 16 August 2007 the Board declared a fully imputed dividend of 14 cents per share ($12.3 million) and a supplementary dividend to non-resident shareholders of 2.5 cents per share. The dividends will be paid to shareholders on 28 September 2007.

Auditors' report

TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

PRICEWATERHOUSECOOPERS

We have audited the financial statements on pages 17 to 34. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 20 to 24.

Directors' Responsibilities
The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2007 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities
We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:
(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and tax advisors.

Unqualified Opinion
We have obtained all the information and explanations we have required.

In our opinion:
(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
(b) the financial statements on pages 17 to 34:
  (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 Group as at 30 June 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 16 August 2007 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Wellington

Comparative Review

Figures reported in the 2005 to 2007 years conform with NZIFRS reporting, while the 2003 and 2004 years were reported under the previous NZ FRS.

	2007 $000	2006 $000	2005 $000	2004 $000	2003 $000
Financial Performance					
Sales	**466,316**	439,342	437,427	387,787	327,957
EBITDA	**52,532**	54,903	66,513	54,182	41,289
Depreciation and amortisation	**(6,177)**	(5,636)	(5,740)	(8,405)	(7,005)
EBIT	**46,355**	49,267	60,773	45,777	34,284
Interest expense – net	**(4,605)**	(3,163)	(2,848)	(1,801)	(839)
Profit before tax	**41,750**	46,104	57,925	43,976	33,445
Tax	**(13,975)**	(15,280)	(19,196)	(15,514)	(11,923)
Profit after tax	**27,775**	30,824	38,729	28,462	21,522
Funds Employed					
Equity	**138,780**	139,136	136,454	125,232	126,597
Non-current liabilities	**16,264**	16,246	10,842	5,000	10,000
	155,044	155,382	147,296	130,232	136,597
Current assets	**178,496**	157,145	154,868	127,862	117,951
Current liabilities	**(93,819)**	(68,412)	(70,918)	(61,337)	(48,165)
Non-current assets	**70,367**	66,649	63,346	63,707	66,811
	155,044	155,382	147,296	130,232	136,597

Statistics					
Dividends per share (cents)	**29**	32	32	37	23
Earnings per share (cents)	**31.5**	35.1	44.0	32.3	24.5
Return on sales	**6.0%**	7.0%	8.9%	7.3%	6.6%
Return on equity	**20.0%**	22.2%	28.4%	22.7%	17.0%
Working capital (times)	**1.9**	2.3	2.2	2.1	2.4
Net tangible assets per share	**$1.35**	$1.35	$1.33	$1.20	$1.19
Equity to total assets	**55.8%**	62.2%	62.5%	65.4%	68.5%
Gearing (debt to debt plus equity)	**33.4%**	24.4%	24.3%	20.7%	17.7%
Interest cover (times)	**10.1**	15.6	21.3	25.4	40.9
Ordinary shareholders	**8,022**	8,253	8,360	8,163	7,892
Employees	**881**	907	787	762	736

Business Locations & Directory

New Zealand

- CORPORATE OFFICE
- STEEL DISTRIBUTION
- STEEL PROCESSING
- INDUSTRIAL PRODUCTS
- PIPING SYSTEMS
- FASTENING SYSTEMS
- ROOFING PRODUCTS
- REINFORCING & FABRICATION
- HURRICANE WIRE PRODUCTS
- STAINLESS STEEL

Registered Office

15-17 Kings Crescent, Lower Hutt
Private Box 30-543, Lower Hutt
Ph: 04 570 5000 Fx: 04 569 4218
Email: info@steelandtube.co.nz
Website: www.steelandtube.co.nz

Steel & Tube Distribution & Processing

Steel & Tube Industrial Products

Steel & Tube Fastening Systems

Steel & Tube Piping Systems

Steel & Tube Reinforcing & Fabrication

Steel & Tube Stainless

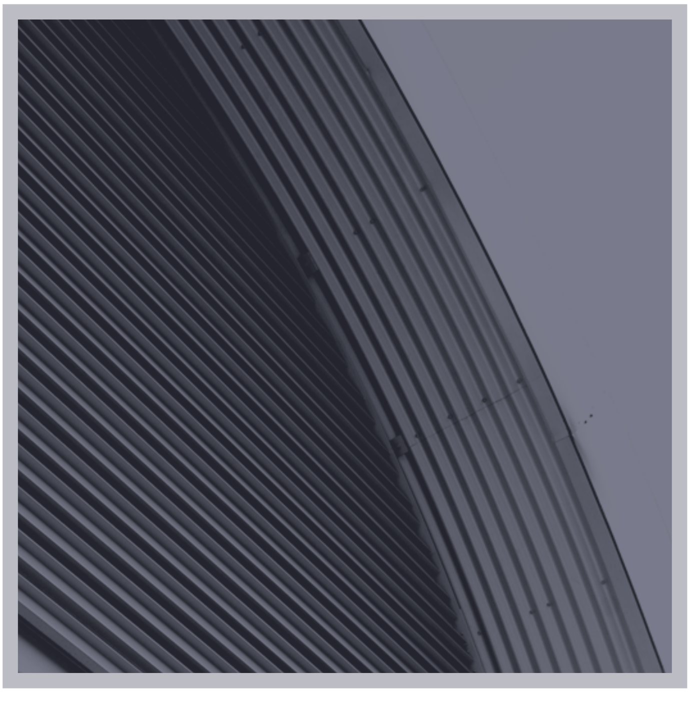
Steel & Tube Roofing Products

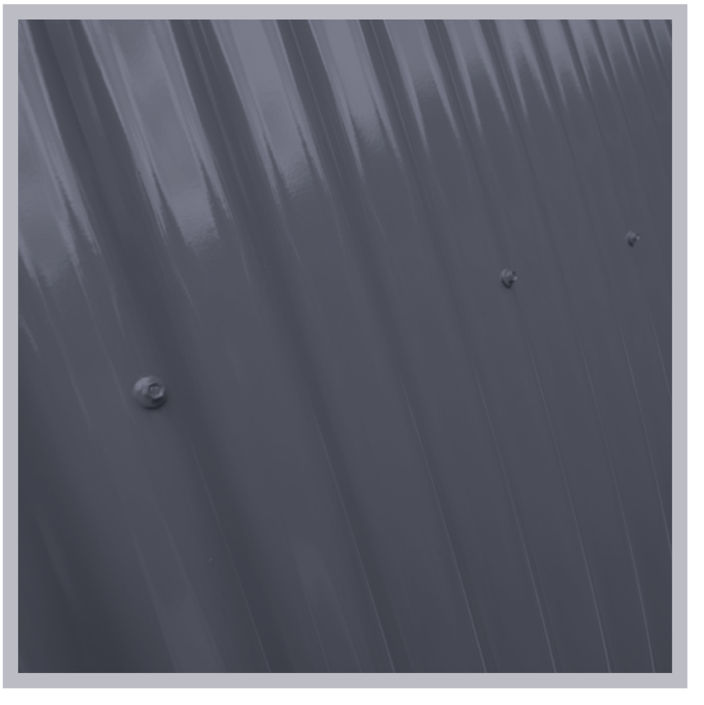
Hurricane Wire Products

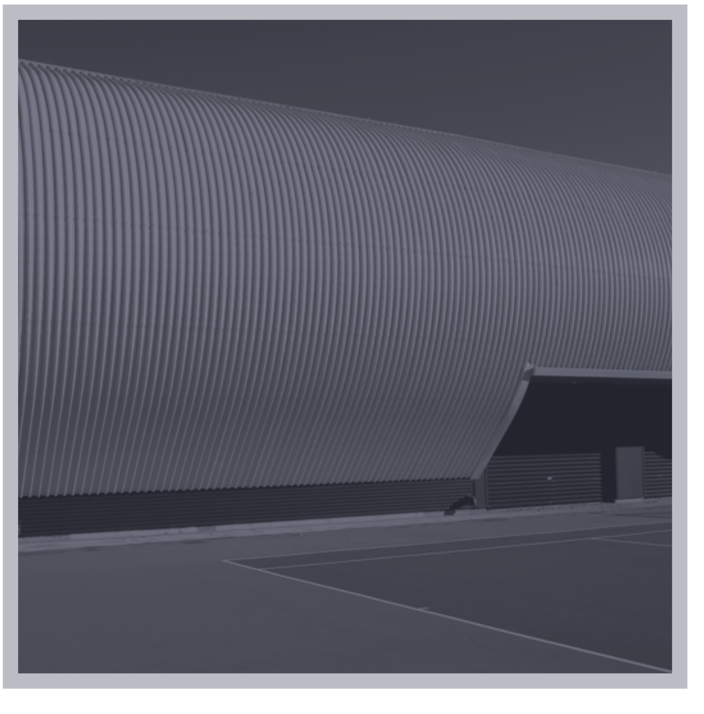
Share Registry
Computershare Investor
Services Limited
Private Bag 92-119, Auckland 1142
Ph: 09 488 8777 Fx: 09 488 8787
Email: enquiry@computershare.co.nz
Website: www.computershare.com

Auditors
PricewaterhouseCoopers

Bankers
ANZ National Bank Limited
Bank of New Zealand Limited







Steel & Tube Holdings Limited

15-17 Kings Crescent, Lower Hutt
Private Box 30-543, Lower Hutt

www.steelandtube.co.nz