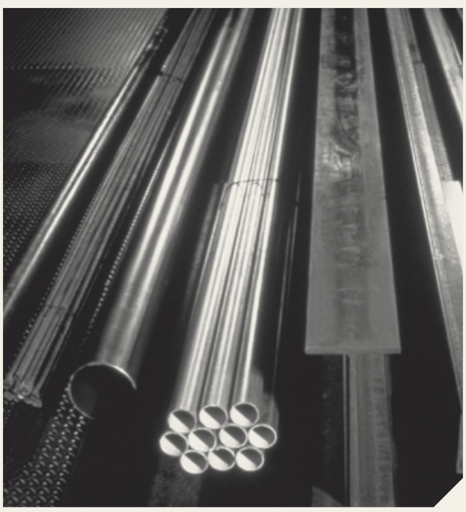
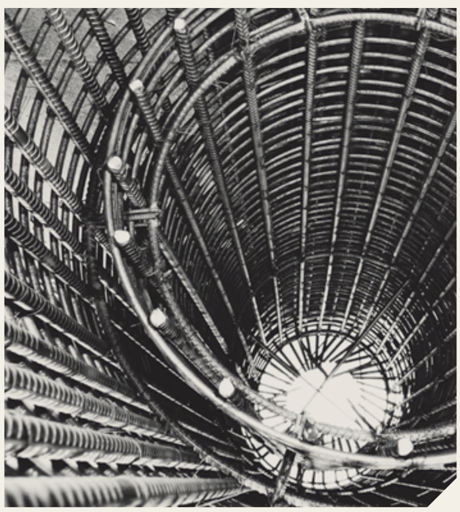
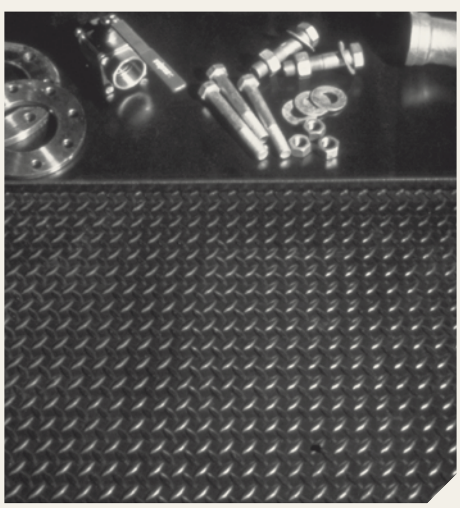
STEEL&TUBE

ANNUAL REPORT 2009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BOARD OF DIRECTORS

Dean Pritchard I
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 OZ Minerals 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 Zinifex Limited and of Railcorp.

Tony Candy I
Acting Chief Executive Officer, Chief Financial Officer and 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. He is a Director of all subsidiary companies of Steel & Tube Holdings Limited and is currently the Acting Chief Executive Officer.

Barry Dineen I
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. He is Past President of the Institute of Directors in New Zealand.

Dr Eileen Doyle I
Non-independent Director

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

Ian Lindsay I
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 I
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, investor relations, legal function and company secretarial matters. He was formerly Chief Financial Officer of Orica's worldwide explosives business and prior to that Director of Finance and Information Technology for ICI's international polyester business.

DIRECTORS' REPORT

The Directors present the annual report and financial statements of the Company and its subsidiaries for the year ended 30 June 2009. The accounts have been audited and comply with the New Zealand Equivalents to International Financial Reporting Standards and the International Financial Reporting Standards.

Results

The financial result for the year was an after tax profit of $26.1 million. This compares with the $22.5 million result of the previous year.

Dividends

Directors have declared a fully imputed dividend of 9 cents per share payable on 30 September 2009 to holders of fully paid ordinary shares registered at 11 September 2009. The amount payable is $7.95 million. The total dividends for the year of 19 cents compares to the previous year's ordinary dividends of 19 cents per share.

Financial Position

Shareholders' equity of $150.1 million compares with $141.8 million the previous year. Borrowings during the year have decreased by $36.3 million to $47.5 million. The gearing ratio (debt to debt plus shareholders' equity) is 24%. The Company continues to be in a sound position.

In August and September 2008, a total of 64,975 shares were purchased on-market for a consideration of $217,150 by the Trustee of the Executive Share Plan. Conversion of the rights to these shares is subject to achieving Board-approved targets. These shares are recognised as treasury stock in the financial statements. There are no Directors participating in this plan. During the year, rights to 16,365 shares vested with employees. Refer to notes 13 and 16b in the financial statements for details.

Auditors

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

Directors

The former Chief Executive Officer and Director Nick Calavrias left Steel & Tube on 30 April 2009 after 19 years with the Company. The Directors wish to acknowledge his great commitment and the excellent contribution that he has made to the Company, its staff and the Board and to thank him sincerely.

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

Organisational Change

The Chief Financial Officer, Tony Candy, was appointed Acting Chief Executive Officer while the Company searched for a permanent replacement following the departure of Nick Calavrias. Dave Taylor, currently the General Manager of OneSteel Limited's Australian Reinforcing Company, has been appointed Chief Executive Officer effective from 5 October 2009.

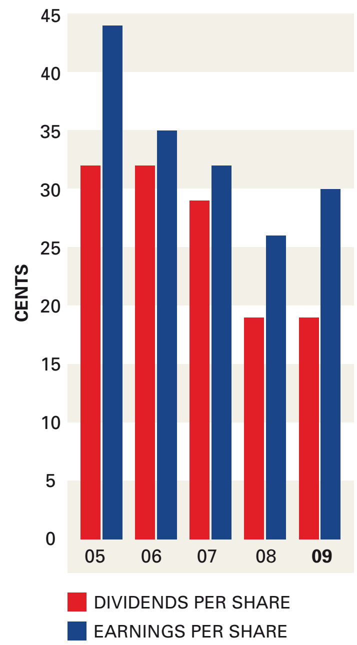
Personnel

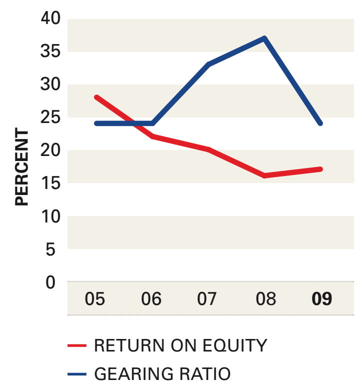
The Directors wish to acknowledge the contribution made by all staff in what has been a challenging year for the Company.

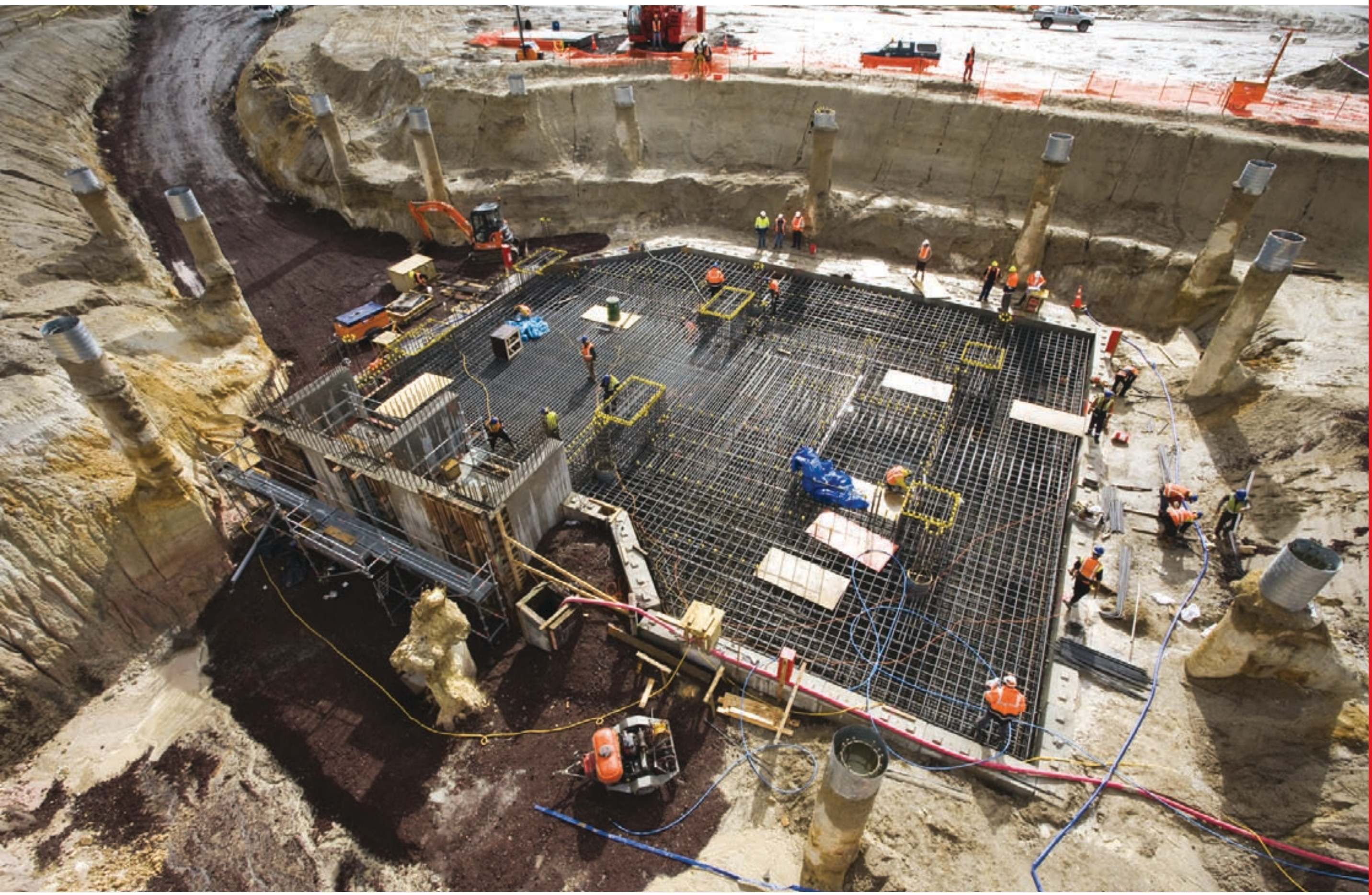
Dean Pritchard | Chairman

Barry Dineen | Director

13 August 2009







NGA AWA PURUA GEOTHERMAL POWER STATION

Steel & Tube Reinforcing, as sub-contractor to Hawkins Construction, supplied, fabricated and placed 800 tonnes of reinforcing steel at the 132MW Nga Awa Purua Geothermal power station at Rotokawa near Taupo. The power station is a joint venture between Mighty River Power and Tauhara North No. 2 Trust.

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ACTING CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

Tony Candy
Acting Chief Executive Officer

The Company announced a full year after tax result of $26.1 million. This is an increase of $3.6 million or 15.9%, when compared with the previous year's result. Sales at $484 million were $20 million lower than last year. This full year result comprises two very different half-year performances, which reflect the market conditions described below.

Previously announced results for the six months to 31 December 2008 were sales revenue of $274 million and net profit after tax of $20.8 million. For the second half of the financial year, the sales revenue was $210 million and net profit after tax was $5.3 million.

A final dividend of 9 cents per share was declared.

The Company's result represents an EBIT return on year end total funds employed of 21.9% and an after tax return on average shareholders' funds of 17.9%.

Market Conditions

The Company saw considerable volatility in market conditions in the period under review as residential building consent issuance was down across the whole year, finishing with the lowest annual number of consents issued since these records began in 1965. Commercial construction activity, as measured by the value of consents issued, rose by 7.6%, which was not enough to offset the decline in the residential sector. The overall reduction in value of building consents issued was $1.9 billion or 16%.

The first half of the financial year was characterised by substantial shortages of product owing to world demand. Suppliers implemented stock allocation policies at that time and prices rose significantly. The Company's response to these trading conditions was to withdraw from high volume low margin indent business and to be more focused on the higher margin mix of products.

Local demand was mixed as the volume of product consumed in commercial building activity declined, even though the value of building consents increased. Volume to the manufacturing sector declined as the year progressed, while demand in the rural segment of the market was strong in the early part of the year.

Although tax cuts and interest rate reductions helped to ease the plight of the retail sector in the face of rising unemployment, the second half of the financial year also saw the manufacturing and rural sectors under increasing pressure, with a volatile currency, softening demand and reductions in commodity prices.

The second half also saw a substantial drop off in steel demand, leading to removal of allocations by suppliers. Lower demand available from the domestic market also saw a contraction in margins. Profitability of the Company's businesses declined sharply and bad debt write offs increased, as the slowdown in the construction sector took hold.

The international price of steel reduced in line with reductions in world-wide demand, however, a drop in the New Zealand currency meant this effect was not so apparent in the local market.

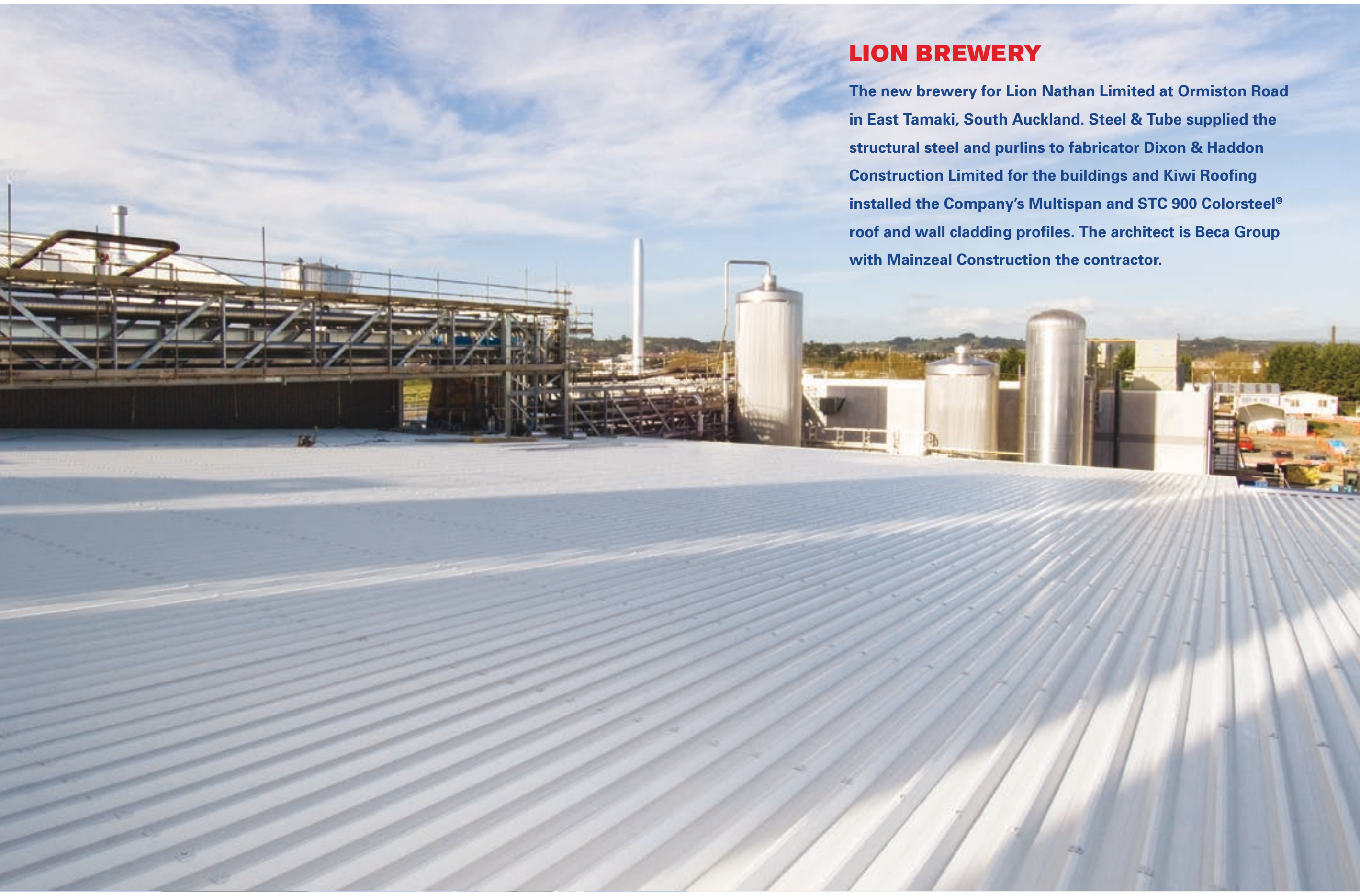
Performance

Health and safety performance showed continuing improvement during the year, with no lost time injuries recorded and the number of medical treatment injuries reduced by seven, to a total of ten for the 12 months. The results achieved in this area of the business are something which all staff can take credit for and be very proud.

The Distribution business, comprising Steel Distribution, Stainless Steel, Fastening Systems, Piping Systems, Wholesale and Industrial Products, in aggregate saw a reduction in sales revenue of around 4% over the full year. Pricing volatility of replacement inventory and supplier allocations saw an increase in sales and margins occur in the early part of the year, with a subsequent reduction in sales and margins when prices declined and replacement inventory became abundant later in the year.

The Manufacturing business, comprising Roofing Products, Reinforcing and Fabrication and Hurricane Wire Products, was generally also affected by the same conditions with a reduction in sales revenue of 4%. The Reinforcing operation posted improved results owing to a favourable mix of commercial contracts and strong demand from infrastructure projects. Hurricane also had an improved result overall but suffered from the slowdown in the rural sector in the latter part of the financial year. Roofing operations were able to replace some lost revenue from the residential housing sector with higher sales to the light commercial sector and farm shed market. Its result, however, was lower than the previous year.

The overall reduction in volumes led to a no staff replacement policy being applied to the businesses and in combination with some redundancies, saw the workforce reduced by 50 between January and June.



LION BREWERY

The new brewery for Lion Nathan Limited at Ormiston Road in East Tamaki, South Auckland. Steel & Tube supplied the structural steel and purlins to fabricator Dixon & Haddon Construction Limited for the buildings and Kiwi Roofing installed the Company's Multispan and STC 900 Colorsteel® roof and wall cladding profiles. The architect is Beca Group with Mainzeal Construction the contractor.

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REVIEW OF OPERATIONS continued

Inventory values increased significantly in the first half of the year when prices increased considerably. When demand stalled, a concerted effort to reduce inventory holdings across all businesses saw a reduction in inventory value of $43 million in the second six months, at a time when sales volumes fell below expected levels. This reduction, when combined with lower accounts receivable, contributed to a reduction in borrowings of $36 million in the year.

Outlook

There is considerable uncertainty as to when the New Zealand economy will emerge from recession. Unemployment continues to rise and commodity prices have weakened, while inflation has reduced, house prices have fallen and interest rates are near historic lows.

The economy has been in a recessionary state since early 2008 and this has continued throughout the 2009 year to date. Dairy farmers' incomes will drop again in the coming year. Based on forecasts from Fonterra, returns from dairying will be $4 billion less than those achieved in 2007/08 and this will eventually flow through to the overall economy. Returns for beef and sheep farmers are expected to increase, although volumes processed will be lower as a result of earlier drought conditions.

Exporters of other products and services will continue to struggle until the New Zealand dollar drops back to the lows seen late in 2008. Lower demand for imports from our trading partners flowing from global financial market turmoil will also impact adversely on the exporting sector.

Construction projects associated with the Rugby World Cup will help to sustain commercial construction in the immediate future but there has been a noticeable drop off in the number of square metres of new construction projects approved. There is an expectation that infrastructure projects, initiated by the Government, will assist volumes later in 2010 and beyond.

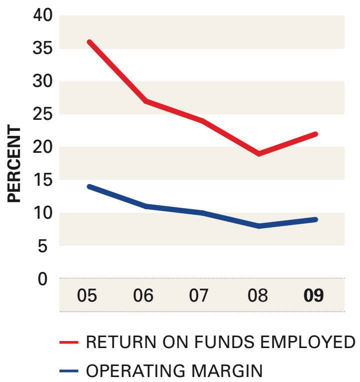
Residential construction has fallen to lows not seen since the early 1960s. Migration inflows have started to increase with fewer people leaving the country and arrivals increasing. The increased inflows, will over time, result in a boost to housing starts, which will also be assisted by lower mortgage interest rates.

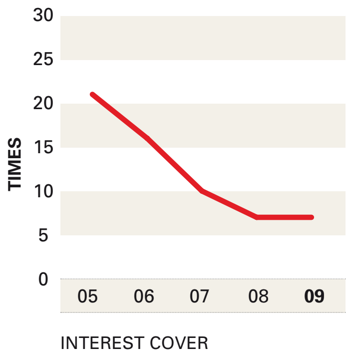
International steel prices have seen considerable volatility over recent years. This, when combined with substantial exchange rate movements and sudden shifts in demand and supply, has resulted in fluctuating profit margins. There are signs that international steel prices are beginning to increase at the same time that production volumes are stabilising. The currency, however, remains at levels above where the Reserve Bank appears to be comfortable.

In the first half of the new financial year, the Company expects to see a continuation of the current soft volumes and resultant pressure on margins.

A number of initiatives to maintain profitability have been taken. These include freezing management salaries and Directors' fees, changing incentive programmes, reviewing human resources requirements, reducing working capital usage, lowering capital expenditure, relocating businesses and introducing targeted product growth programmes.

Although there is a large degree of uncertainty as to the timing, there is some prospect of an improvement in 2010 if, as economic forecasters predict, the country emerges from recession and demand picks up.





MANAGEMENT STRUCTURE

Tony Candy |
Acting Chief Executive and Chief Financial Officer

Tony joined the Company as Financial Controller of the Steel Distribution Division in 1988 and is the Company Secretary and Chief Financial Officer. He was appointed Acting Chief Executive in May 2009 while retaining his other roles in the Group.

Mark Winnard |
Executive General Manager Distribution

Mark commenced his career in the steel industry in 1992 as a financial accountant with BHP New Zealand. He was previously General Manager of the Roofing operations in 1999 following the acquisition of BHP Steel Building Products NZ Limited. He was appointed Executive General Manager Distribution in May 2009 and was previously Executive General Manager Manufacturing.

Terry Carter |
General Manager Steel Products

Terry commenced his career with the Company in 1977 in a sales position. Having gained extensive sales and management experience in the metals industry, he rejoined Steel & Tube after a gap of four years through the acquisition of Acorn Pacific Corporation in August 1990. Terry has been General Manager Steel Products since March 2007.

Steve Kubala |
General Manager Stainless Products

Steve originally joined Steel & Tube in 1985 in a sales position. After a 12-year gap, where he gained extensive sales and management experience in the metals industry, he rejoined Steel & Tube as General Manager Steel & Tube Stainless Products in March 2007.

Roger O'Neill |
General Manager Reinforcing

Roger joined the Company in 1972 as a Detailer in the Reinforcing Division. He held various management positions in both the Steel Distribution and Reinforcing operations before his appointment as General Manager Reinforcing in 1990. Roger is also responsible, in an acting capacity, for the manufacturing operations.

Roger Gabites |
General Manager Hurricane Wholesale

Roger joined Steel & Tube in 2003 when the Company acquired Hurricane Wire Products. He has 17 years' experience with Hurricane holding various sales and management positions. Roger was appointed General Manager of Hurricane Wholesale in July 2008 and was previously General Manager Hurricane Wire Products.

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GOVERNANCE STATEMENT

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

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

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

Structure and activities

The Board currently comprises five non-executive Directors. Barry Dineen and Ian Lindsay are the two independent Directors. 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. 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 executives attend by invitation.

Each standing committee has a charter 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 that are adopted, the remuneration of non-executive Directors, the remuneration packages of the Chief Executive Officer and senior executives and the provision of advice to the Board on incentive performance packages and succession planning.

Nominations committee

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

Occupational Health, Safety and Environment committee

The responsibilities of the members of the occupational health, safety and environment committee are to review the adequacy of management systems and processes relating to compliance with statutory regulations and best practice codes and other significant issues with respect to health, safety and the environment.

Risk management and legal compliance

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

Shareholder relations

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

STATUTORY INFORMATION

Indemnification and Insurance of Directors and Officers

The Company's Constitution provides for the Company 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 with OneSteel Limited are related party transactions with details provided in note 18a of the financial statements.

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

Directors' Remuneration

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2009 were:

Directors	$000
D A Pritchard	126
N Calavrias	2,939[1]
B M J Dineen	63
I K Lindsay	63
A J Reeves	63
E J Doyle	63

[1] Mr Calavrias resigned on 30 April 2009 and his remuneration included a termination benefit of $1.1 million and a long-term incentive plan payment of $0.7 million.

WATER TREATMENT PLANT

The Kapiti Coast District Council's water treatment UV upgrade plant located on the Kapiti Coast near Wellington. The stainless 600NB Spiraweld pipes and Table D flanges were supplied by Steel & Tube Stainless to Kapiti District Council.

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Use of Company Information

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

Remuneration of Employees

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2009 were within the following bands:

Remuneration Range $000	Number of Employees
100 – 110	20
110 – 120	15
120 – 130	11
130 – 140	4
140 – 150	5
150 – 160	1
160 – 170	3
180 – 190	2
190 – 200	3
280 – 290	2
340 – 350	1
390 – 400	2

Directors' Shareholding

	At 30 June 2009			At 30 June 2008		
	Beneficial	Non-beneficial	Associated Persons	Beneficial	Non-beneficial	Associated Persons
N Calavrias[1]	–	–	–	160,000[1]	120,820[2]	555,000
B M J Dineen	40,000	131,140[2]	–	40,000	120,820[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 Mr Calavrias resigned on 30 April 2009. The partly paid shares of 160,000 in the Senior Executive Share Scheme 1993 were held beneficially at 30 April 2009 and were paid in full on 28 May 2009 for a consideration of $614,869, in accordance with the rules of the scheme. Ordinary shares held by associated persons of 555,000 were disposed of in March and April 2009 for a consideration of $1,467,662.

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.

Directors' Share Dealings

There were no share dealings by Directors during the year ended 30 June 2009, other than disclosed above.

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SHAREHOLDER INFORMATION AT 31 JULY 2009

Census of shareholders

Size of holdings	Number of holders	Number of shares	% of issued shares
1 – 999	1,981	812,665	0.92
1,000 – 4,999	3,663	8,242,292	9.31
5,000 – 9,999	1,123	7,094,443	8.01
10,000 – 49,999	855	14,255,541	16.10
50,000 +	53	58,124,299	65.66
	7,675	88,529,240	100.00

Top twenty shareholders

Onesteel NZ Holdings Limited	44,504,814	50.27
FNZ Custodians Limited	1,868,934	2.11
Accident Compensation Corporation*	1,747,403	1.97
Investment Custodial Services Limited – a/c C	1,343,735	1.52
Custodial Services Limited – a/c 3	784,774	0.89
NZPT Custodians (Grosvenor) Limited	706,590	0.80
Investment Custodial Services Limited – a/c R	518,677	0.59
Citibank Nominees (New Zealand) Limited*	480,915	0.54
Forsyth Barr Custodians Limited – a/c 1M	454,360	0.51
New Zealand Superannuation Fund Nominees Limited*	420,971	0.48
Guardian Trust Investment Nominees (RWT) Limited*	347,864	0.39
National Nominees New Zealand Limited*	299,624	0.34
Custodial Services Limited – a/c 2	285,121	0.32
Forsyth Barr Custodians Limited – a/c 1L	279,182	0.32
Superlife Trustee Limited – a/c NZ Equity Fund	235,000	0.27
Dorothy Izabella Plenzler & Leszek Andrzes Plenzler & Lynne Reindler Trustees Limited	212,000	0.24
ANZ Nominees Limited*	172,804	0.20
James Michael Hannan & Helen Anne Hannan & Neville Gordon Low	140,000	0.16
Custodial Services Limited – a/c 4	139,251	0.16
Barry Michael Joseph Dineen & Anthony Charles Candy & Gabriel Pang – Trustees of Steel & Tube Group Employee Share Purchase Scheme	131,140	0.15
	55,073,159	62.21

* 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 31 July 2009.

Onesteel NZ Holdings Limited 44,504,814 shares

Issued shares in the Company comprise:

Ordinary shares fully paid	88,372,240
Ordinary shares partly paid (no voting rights)^	157,000
	88,529,240

^ Shares issued in the Senior Executive Share Scheme 1993

FINANCIAL STATEMENTS 2009

Income Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Group 2009 $000	Group 2008 $000	Parent 2009 $000	Parent 2008 $000
Sales revenue		484,482	503,880	484,482	503,880
Cost of sales	1	(370,042)	(400,120)	(370,042)	(400,120)
Gross profit		114,440	103,760	114,440	103,760
Other operating income		655	750	1,033	750
Selling expenses	1	(30,285)	(26,002)	(30,285)	(26,002)
Administration expenses	1	(16,435)	(18,420)	(16,435)	(18,420)
Other operating expenses	1	(25,141)	(20,522)	(25,076)	(20,524)
Operating earnings before financing costs		43,234	39,566	43,677	39,564
Interest income		544	651	535	638
Interest expense		(6,472)	(6,639)	(6,472)	(6,639)
Profit before tax		37,306	33,578	37,740	33,563
Tax expense	2	(11,177)	(11,032)	(11,264)	(11,036)
Profit after tax		26,129	22,546	26,476	22,527
Basic earnings per share (cents)	3	29.6	25.6	30.0	25.6
Diluted earnings per share (cents)	3	29.6	25.5	30.0	25.5

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Group 2009 $000	Group 2008 $000	Parent 2009 $000	Parent 2008 $000
Equity at beginning of year		141,834	138,780	142,365	139,243
Net profit for the year		26,129	22,546	26,476	22,527
Hedging reserve	14a	(714)	884	(714)	884
Total recognised income and expenses		25,415	23,430	25,762	23,411
Proceeds from partly paid shares	12	615	–	615	–
Treasury shares	13	(128)	(132)	–	–
Dividends paid	4	(17,593)	(20,244)	(17,642)	(20,289)
Total transactions with equity holders		(17,106)	(20,376)	(17,027)	(20,289)
Equity at end of year		150,143	141,834	151,100	142,365

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Balance Sheets

AT 30 JUNE 2009

	Notes	Group 2009 $000	Group 2008 $000	Parent 2009 $000	Parent 2008 $000
Current assets					
Inventories	5	**90,837**	87,841	**90,837**	87,841
Trade and other receivables	6	**67,234**	100,022	**67,040**	99,870
		158,071	187,863	**157,877**	187,711
Non-current assets					
Property, plant and equipment	7	**53,883**	56,520	**53,883**	56,142
Intangibles	8	**20,070**	20,228	**20,070**	20,228
Trade and other receivables	6	**–**	–	**1,268**	1,197
Deferred tax	2	**3,101**	2,916	**3,101**	3,005
		77,054	79,664	**78,322**	80,572
Total assets		**235,125**	267,527	**236,199**	268,283
Current liabilities					
Borrowings	9	**7,502**	53,828	**7,624**	54,053
Borrowings – term loans	9	**35,000**	5,000	**35,000**	5,000
Trade and other payables including derivatives	10	**34,839**	40,058	**34,839**	40,058
Provisions	11	**500**	272	**500**	272
Income tax payable		**1,096**	66	**1,091**	66
		78,937	99,224	**79,054**	99,449
Non-current liabilities					
Borrowings	9	**5,000**	25,000	**5,000**	25,000
Provisions	11	**1,045**	1,469	**1,045**	1,469
		6,045	26,469	**6,045**	26,469
Equity					
Share capital	12	**71,252**	70,637	**71,252**	70,637
Treasury shares	13	**(914)**	(786)	**–**	–
Hedging reserve	14a	**(444)**	270	**(444)**	270
Retained earnings	15	**80,249**	71,713	**80,292**	71,458
		150,143	141,834	**151,100**	142,365
Total equity and liabilities		**235,125**	267,527	**236,199**	268,283

These financial statements and the accompanying notes were authorised by the Board on 13 August 2009.

For the Board

Dean A Pritchard

DEAN PRITCHARD
CHAIRMAN

BARRY DINEEN
DIRECTOR

Cash Flow Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Group 2009 $000	Group 2008 $000	Parent 2009 $000	Parent 2008 $000
Operating activities					
Receipts from customers		**514,505**	493,356	**514,505**	493,356
Interest receipts		**544**	651	**535**	638
Payments to suppliers and employees		**(441,222)**	(456,293)	**(441,115)**	(456,348)
Income tax payments		**(10,332)**	(9,817)	**(10,335)**	(9,812)
Interest payments		**(6,472)**	(6,639)	**(6,472)**	(6,639)
		57,023	21,258	**57,118**	21,195
Investing activities					
Property, plant and equipment disposals		**1,367**	2,461	**1,367**	2,461
Transactions with controlled entities		**–**	–	**(71)**	(22)
Property, plant and equipment purchases		**(4,958)**	(17,500)	**(4,958)**	(17,500)
		(3,591)	(15,039)	**(3,662)**	(15,061)
Financing activities					
Share capital	12	**615**	–	**615**	–
Treasury shares	13	**(128)**	(132)	**–**	–
Borrowings		**10,000**	15,000	**10,000**	15,000
Dividends paid	4	**(17,593)**	(20,244)	**(17,642)**	(20,289)
		(7,106)	(5,376)	**(7,027)**	(5,289)
Net movement in cash and cash equivalents		**46,326**	843	**46,429**	845
Balance at beginning of year		**(53,828)**	(54,671)	**(54,053)**	(54,898)
Balance at end of year		**(7,502)**	(53,828)	**(7,624)**	(54,053)
Reconciliation of profit after tax to cash flows from operating activities					
Profit after tax		**26,129**	22,546	**26,476**	22,527
Non-cash adjustments:					
Gain on property, plant and equipment disposals		**(311)**	(620)	**(689)**	(620)
Depreciation and amortisation		**6,697**	6,094	**6,697**	6,094
Deferred tax		**(185)**	268	**(96)**	277
Working capital changes:					
Income tax		**1,030**	947	**1,025**	947
Inventories		**(2,996)**	3,362	**(2,996)**	3,362
Trade and other receivables		**32,788**	(13,610)	**32,830**	(13,663)
Trade and other payables		**(6,129)**	2,271	**(6,129)**	2,271
		57,023	21,258	**57,118**	21,195

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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 Company is a limited liability company incorporated and domiciled in New Zealand, and the Group comprises Steel & Tube Holdings Limited and its subsidiaries. The Group's principal activities relate to the distribution, processing and fabrication of steel and allied products.

The registered office of the Company is at 15-17 Kings Crescent, Lower Hutt, New Zealand.

Significant accounting policies

(a) Statement of compliance

The Group is a profit-oriented entity and its consolidated financial statements have been prepared in accordance with, and comply with, the New Zealand Equivalents to International Financial Reporting Standards (NZIFRS), the International Financial Reporting Standards (IFRS), 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, which are stated at fair value. 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.

Notes to the Financial Statements

(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 fair value and, subsequent to initial recognition, are re-measured at fair value. The gain or loss on re-measurement 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.

The fair value of hedging derivatives is classified as a current asset or liability when the maturity of the hedged item is less than 12 months and as a non-current asset or liability when the maturity is greater than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognised in equity. The gain or loss in the ineffective portion is recognised in the Income Statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated or exercised, any cumulative gain or loss previously recognised in equity remains in equity until the forecast transaction occurs. When the hedged item is a non-financial asset (for example, inventory or fixed assets), the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to the Income Statement in the same period that the hedged item is recognised in the Income Statement.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost (expenditure directly attributable to the purchase of items) or deemed cost less accumulated depreciation and impairment except for land, which is stated at cost less impairment.

(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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(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 below.

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 (note 8).

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

(j) 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) Capital

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

(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 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. No expenses have been incurred in the current or previous years.

(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. The shares are repurchased by the Trustees and 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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 assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of the assets at the initial recognition and re-evaluates the designation at each reporting date.

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

The Group assesses at each balance date whether there is objective evidence that financial assets are impaired.

(i) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception. Classification in this category is applied if the assets are acquired principally for the purpose of selling in the short term or if designated by management. Derivatives are in this category unless they are designated as hedges. The assets are classified as current assets if they are either held for trading or are expected to be realised within 12 months from balance date. The Group holds no such assets.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are recognised initially at fair value and subsequently at amortised cost less any impairment. They are included in current assets unless their maturities are greater than twelve months from balance date. Loans and receivables are included in 'trade and other receivables' in the Balance Sheet.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group has the intention and ability to hold to maturity. The Group holds no such assets.

(iv) Available-for-sale financial assets
Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of these assets within 12 months from balance date. The Group holds no such assets.

(v) Fair values
The carrying amounts of assets and liabilities at balance date approximate their fair values.

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

Fair value in inactive or unquoted markets: the fair value of financial assets and liabilities not traded in active markets is determined using valuation techniques. These techniques include use of recent arm's length market transactions, reference to current fair value of substantially similar instruments, discounted cash flow or any other valuation techniques that provide a reliable estimate of prices. Where discounted cash flow techniques are used, the estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at balance date applicable for instruments with similar terms and conditions.

The fair value of trade receivables and payables is approximately equal to their carrying amount.

(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.

The Group operates in one industry in New Zealand and its activities relate to the distribution, fabrication and processing of steel and allied products.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(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 to which the Group has not early adopted. The standards relevant to the Group are as follows:

NZIAS 1 – Presentation of Financial Statements (revised and effective from 1 January 2009)
The revised standard introduces a "Total Comprehensive Income" concept where changes in equity, other than those resulting from transactions with owners, are presented in either a "Statement of Comprehensive Income" or an "Income Statement and Statement of Comprehensive Income". It also prohibits presenting components of comprehensive income in the Statement of Changes in Equity. The Group will adopt the revised standard for the interim period ended 31 December 2009 and the year ended 30 June 2010, which will change the Group's presentation of these statements.

NZIFRS 2 – Share-based Payment: Vesting and Cancellations (amendment effective from 1 January 2009)
The definition of vesting conditions has been amended to clarify that vesting conditions are limited to service and performance conditions only. It also includes requirements for the treatment of non-vesting conditions and cancellations. The amendment is not expected to have a material impact on the financial statements and the Group will adopt the amendment for the interim period ended 31 December 2009 and the year ended 30 June 2010.

NZIFRS 7 – Financial Instruments: Disclosures (amendment effective from 1 January 2009)
The amendment increases clarity and provides additional guidance by introducing a three-level hierarchy for fair value measurement disclosures. It requires entities to provide additional disclosures about the relative reliability of fair value measurements and also clarifies and enhances the existing requirements for the disclosure of liquidity risk. The amendment is not expected to have a material impact on the financial statements and the Group will adopt the amendment for the interim period ended 31 December 2009 and the year ended 30 June 2010.

NZIFRS 8 – Operating Segments (effective from 1 January 2009)
The standard requires disclosure of segments that are focused on information provided to the chief operating decision-maker. It sets out the requirements for related disclosures about products and services, geographical areas and major customers and includes consequential amendments to NZIAS 34 – Interim Financial Reporting. The Group will adopt the standard for the interim period ended 31 December 2009 and the year ended 30 June 2010, which will increase the number of reportable segments presented.

	Group and Parent	
	2009	2008
	$000	$000

1. Operating activities

Included in operating activities:		
Inventories expensed in cost of sales	**(349,213)**	(373,895)
Employee benefits	**(46,303)**	(46,967)
Termination benefits	**(1,311)**	–
Auditors' fees – audit services	**(204)**	(198)
– tax compliance and consulting	**(28)**	(20)
Donations	**(26)**	(18)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000

2. Income and deferred taxes

	2009 $000	2008 $000	**2009 $000**	2008 $000
Profit before tax	**37,306**	33,578	**37,740**	33,563
Non-deductible expenditure	**(50)**	(633)	**(194)**	(633)
	37,256	32,945	**37,546**	32,930
Tax at 30% (2008: 33%)	**11,177**	10,872	**11,264**	10,867
Tax rate change	**–**	160	**–**	169
	11,177	11,032	**11,264**	11,036
Represented by:				
Current tax	**11,362**	10,764	**11,360**	10,759
Deferred tax	**(185)**	268	**(96)**	277
	11,177	11,032	**11,264**	11,036

Deferred tax assets

	Group ($000)			Parent ($000)		
	Opening Balance	Recognised in Income	Closing Balance	Opening Balance	Recognised in Income	Closing Balance
2009						
Property, plant and equipment	**504**	**(134)**	**370**	**593**	**(223)**	**370**
Employee benefits	**1,122**	**15**	**1,137**	**1,122**	**15**	**1,137**
Provisions	**743**	**227**	**970**	**743**	**227**	**970**
Cash flow hedging reserve	**–**	**180**	**180**	**–**	**180**	**180**
Other items	**547**	**(103)**	**444**	**547**	**(103)**	**444**
	2,916	**185**	**3,101**	**3,005**	**96**	**3,101**
2008						
Property, plant and equipment	631	(127)	504	729	(136)	593
Employee benefits	1,204	(82)	1,122	1,204	(82)	1,122
Provisions	784	(41)	743	784	(41)	743
Cash flow hedging reserve	–	–	–	–	–	–
Other items	565	(18)	547	565	(18)	547
	3,184	(268)	2,916	3,282	(277)	3,005

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Represented by:				
Deferred tax asset recovery within 1 year	**2,618**	2,082	**2,618**	2,082
Deferred tax asset recovery after 1 year	**483**	834	**483**	923
	3,101	2,916	**3,101**	3,005

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Group and Parent	
	2009	2008
	$000	$000
Imputation credit account		
Balance at beginning of year	**15,802**	14,867
Tax payments	**8,500**	9,000
Credits attached to dividends paid	**(7,098)**	(8,065)
Balance at end of year	**17,204**	15,802

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000

3. Earnings per share (EPS)

Profit after tax	**26,129**	22,546	**26,476**	22,527
Weighted average number of shares for basic EPS	**88,151**	88,036	**88,151**	88,036
Weighted average number of shares for diluted EPS	**88,308**	88,353	**88,308**	88,353
Basic earnings per share (cents)	**29.6**	25.6	**30.0**	25.6
Diluted earnings per share (cents)	**29.6**	25.5	**30.0**	25.5

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of fully paid shares less treasury shares. Diluted earnings per share includes partly paid shares (note 12).

4. Dividends

2009 interim: 10 cents per share (2008: 9 cents)	**8,821**	7,939	**8,821**	7,939
2008 final: 10 cents per share (2007: 14 cents)	**8,821**	12,350	**8,821**	12,350
Treasury shares	**(49)**	(45)	**–**	–
	17,593	20,244	**17,642**	20,289

Dividends paid are fully imputed and the Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $1.6 million (2008: $1.9 million).

Declared post balance date and not recognised as a liability: 2009 final: 9 cents per share (2008: 10 cents).	**7,954**	8,804

5. Inventories

Finished goods at cost	**91,030**	88,035	**91,030**	88,035
Provision for writedown	**(193)**	(194)	**(193)**	(194)
	90,837	87,841	**90,837**	87,841

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000

6. Trade and other receivables

Trade receivables	**68,957**	99,359	**68,957**	99,359
Provision for impairment	**(2,578)**	(1,239)	**(2,578)**	(1,239)
	66,379	98,120	**66,379**	98,120
Prepayments and sundry receivables	**855**	1,902	**661**	1,750
Controlled entities (note 18b)	**–**	–	**1,268**	1,197
	67,234	100,022	**68,308**	101,067
Non-current portion – controlled entities	**–**	–	**(1,268)**	(1,197)
	67,234	100,022	**67,040**	99,870

No concentration of credit risk exists with trade receivables as the Group has a large number of customers. Bad debts written off during the year amounted to $6.6 million (2008: $2.2 million). The carrying values of trade 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.

(a) Past due but not impaired

At 30 June 2009, trade receivables of $15.4 million (2008: $12.6 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of the trade receivables is as follows:

Within 1 month	**7,133**	4,555
Within 1 to 3 months	**3,259**	3,291
Beyond 3 months	**5,010**	4,725
	15,402	12,571

(b) Provision for impairment

At 30 June 2009, trade receivables of $3.3 million (2008: $1.6 million) were considered to be impaired and the amount of the provision was $2.6 million (2008: $1.2 million). The impaired receivables were from a number of customers who were in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

Opening balance	**1,239**	1,488
Recognised during the year	**7,900**	1,949
Written off during the year as uncollectable	**(6,561)**	(2,198)
Closing balance	**2,578**	1,239

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

7. Property, plant and equipment

	Land & Buildings $000	Machinery & Vehicles $000	Furniture, Fittings & Equipment $000	Total $000
Group 2009				
Opening cost	30,708	59,211	18,686	108,605
Opening accumulated depreciation	(5,011)	(33,143)	(13,931)	(52,085)
Opening net book value	25,697	26,068	4,755	56,520
Additions	–	4,120	838	4,958
Disposals	(802)	(235)	(19)	(1,056)
Depreciation	(479)	(4,697)	(1,363)	(6,539)
Closing net book value	**24,416**	**25,256**	**4,211**	**53,883**
Comprised of:				
Cost or deemed cost	29,602	62,113	17,711	109,426
Accumulated depreciation	(5,186)	(36,857)	(13,500)	(55,543)
	24,416	**25,256**	**4,211**	**53,883**
Group 2008				
Opening cost	25,015	54,588	16,662	96,265
Opening accumulated depreciation	(4,693)	(31,401)	(13,207)	(49,301)
Opening net book value	20,322	23,187	3,455	46,964
Additions	6,206	8,291	2,786	17,283
Disposals	(392)	(1,393)	(57)	(1,842)
Depreciation	(439)	(4,017)	(1,429)	(5,885)
Closing net book value	25,697	26,068	4,755	56,520
Comprised of:				
Cost or deemed cost	30,708	59,211	18,686	108,605
Accumulated depreciation	(5,011)	(33,143)	(13,931)	(52,085)
	25,697	26,068	4,755	56,520

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Land & Buildings $000	Machinery & Vehicles $000	Furniture, Fittings & Equipment $000	Total $000
Parent 2009				
Opening cost	30,330	59,211	18,686	108,227
Opening accumulated depreciation	(5,011)	(33,143)	(13,931)	(52,085)
Opening net book value	25,319	26,068	4,755	56,142
Additions	–	4,120	838	4,958
Disposals	(424)	(235)	(19)	(678)
Depreciation	(479)	(4,697)	(1,363)	(6,539)
Closing net book value	**24,416**	**25,256**	**4,211**	**53,883**
Comprised of:				
Cost or deemed cost	29,602	62,113	17,711	109,426
Accumulated depreciation	(5,186)	(36,857)	(13,500)	(55,543)
	24,416	**25,256**	**4,211**	**53,883**
Parent 2008				
Opening cost	24,538	54,588	16,662	95,788
Opening accumulated depreciation	(4,594)	(31,401)	(13,207)	(49,202)
Opening net book value	19,944	23,187	3,455	46,586
Additions	6,206	8,291	2,786	17,283
Disposals	(392)	(1,393)	(57)	(1,842)
Depreciation	(439)	(4,017)	(1,429)	(5,885)
Closing net book value	25,319	26,068	4,755	56,142
Comprised of:				
Cost or deemed cost	30,330	59,211	18,686	108,227
Accumulated depreciation	(5,011)	(33,143)	(13,931)	(52,085)
	25,319	26,068	4,755	56,142

8. Intangibles

	Group and Parent ($000)					
	Goodwill	Licences	2009 Total	Goodwill	Licences	2008 Total
Opening Cost	**19,856**	**3,310**	**23,166**	19,856	3,190	23,046
Opening accumulated amortisation	–	**(2,938)**	**(2,938)**	–	(2,827)	(2,827)
Opening net book value	**19,856**	**372**	**20,228**	19,856	363	20,219
Additions	–	–	–	–	218	218
Amortisation charge	–	**(158)**	**(158)**	–	(209)	(209)
Closing net book value	**19,856**	**214**	**20,070**	19,856	372	20,228
Comprised of:						
Cost	**19,856**	**3,308**	**23,164**	19,856	3,310	23,166
Accumulated amortisation	–	**(3,094)**	**(3,094)**	–	(2,938)	(2,938)
	19,856	**214**	**20,070**	19,856	372	20,228

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

8. Intangibles (continued)

Impairment test on goodwill

Goodwill is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from the business combination. 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 10.3%. The estimated growth rate for the terminal value is 1.5% and does not exceed the average long-term growth rate for the relevant markets. At balance date no impairment of goodwill had occurred.

	2009 $000	2008 $000
Carrying value of goodwill:		
Hurricane Wire Products	**11,419**	11,419
CGUs without significant goodwill	**8,437**	8,437
	19,856	19,856

	Group		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000

9. Borrowings

	Group 2009 $000	Group 2008 $000	Parent 2009 $000	Parent 2008 $000
Current				
Bank and at call	**7,502**	53,828	**7,624**	54,053
Bank term loans	**35,000**	5,000	**35,000**	5,000

The effective interest rate on the call borrowings was 4.0% (2008: 9.1%). Credit facilities arranged with the banks can be drawn at any time, subject to meeting the Group's Deed of Negative Pledge conditions. Interest rates on these facilities are variable. The carrying value of the short-term borrowings is equivalent to the fair value.

	Group 2009 $000	Group 2008 $000	Parent 2009 $000	Parent 2008 $000
Non-current				
Bank term loans	**5,000**	25,000	**5,000**	25,000

The effective interest rate on the fixed rate term loans was 6.98% (2008: 7.9%). As the effective interest rate on the borrowings approximates the market rates for the term to maturity, the carrying amount approximates the fair value. The Group has committed bank borrowing facilities at balance date of $160 million (2008: $100 million). These facilities have a mix of fixed and revolving terms. Unless earlier extended, $40 million (2008: $80 million) has a repayment date of March 2010, $10 million (2008: nil) has a repayment date of December 2011, $25 million (2008: nil) has a repayment date of March 2011, $60 million (2008: $20 million) has a repayment date of March 2012, and $25 million (2008: nil) has a repayment date of June 2012.

10. Trade and other payables

	Group 2009 $000	Group 2008 $000	Parent 2009 $000	Parent 2008 $000
Trade payables	**18,811**	23,338	**18,811**	23,338
Accrued expenses	**9,817**	12,063	**9,817**	12,063
Derivative financial instruments	**624**	(269)	**624**	(269)
Employee benefits	**5,587**	4,926	**5,587**	4,926
	34,839	40,058	**34,839**	40,058

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The derivative financial instruments are the fair value of the foreign currency forward exchange contracts arranged with the banks to hedge the purchases of inventory from overseas suppliers and are recognised in equity, as the Group qualifies for hedge accounting (note 14a). The carrying amounts of the above items are equivalent to their fair values, and trade payables denominated in a foreign currency are not significant in the current and previous years.

11. Provisions

Current	Group and Parent	
	2009	2008
	$000	$000
Opening balance	**272**	300
Used during the year	**228**	(28)
Closing balance	**500**	272

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

Non-current	Service Benefits	Incentive Benefits	Total
2009			
Opening balance	**572**	**897**	**1,469**
Accrued	**–**	**390**	**390**
Used	**(8)**	**(772)**	**(780)**
Reversed (unused)	**–**	**(34)**	**(34)**
Closing balance	**564**	**481**	**1,045**
2008			
Opening balance	530	734	1,264
Accrued	42	602	644
Used	–	(306)	(306)
Reversed (unused)	–	(133)	(133)
Closing balance	572	897	1,469

Service benefits comprise the long-service leave benefit for employees and the retirement benefit for Non-executive Directors. An independent actuary, Melville Jessup Weaver, performed an actuarial calculation of the unvested long-service leave benefit. 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 this benefit.

Incentive benefits comprise 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 16b).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	2009 $000	2008 $000	2009 Shares	2008 Shares

12. Share capital

	2009 $000	2008 $000	2009 Shares	2008 Shares
Fully paid:				
Balance at beginning of year	**70,634**	70,634	**88,212,240**	88,212,240
Proceeds from partly paid shares	**615**	–	**160,000**	–
Transfer from partly paid shares	**2**	–	–	–
Balance at end of year	**71,251**	70,634	**88,372,240**	88,212,240
Partly paid:				
Balance at beginning of year	**3**	3	**317,000**	317,000
Transfer to fully paid shares	**(2)**	–	**(160,000)**	–
Balance at end of year	**1**	3	**157,000**	317,000
	71,252	70,637	**88,529,240**	88,529,240

The holders of ordinary shares are entitled to receive dividends declared from time to time and to one vote per share at meetings of the Company. Ordinary shares issued and partly paid to 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. Ordinary shares do not have a par value.

13. Treasury shares

	2009 $000	2008 $000	2009 Shares	2008 Shares
Balance at beginning of year	**786**	654	**176,120**	142,034
Purchases	**217**	242	**64,975**	53,660
Used in share schemes	**(130)**	(157)	**(33,575)**	(32,404)
Withdrawals	**41**	47	**13,890**	12,830
Balance at end of year	**914**	786	**221,410**	176,120

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

14. Financial risk management

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

(a) Market risk

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Group and Parent	
	2009	2008
	$000	$000
Cash flow hedging reserve:		
Opening balance	**270**	(614)
Gain/(loss) taken to equity	**(804)**	270
Tax effect on hedging	**(180)**	–
Transfer to inventory	**270**	614
Closing balance	**(444)**	270

If the NZ dollar had weakened/strengthened by 5% against the US dollar at balance date, there would be no impact on the Income Statement as the Group qualifies for hedge accounting. The effect will be to equity at +/- $0.3 million (2008: +$0.7 million/-$0.6 million) respectively.

(b) Credit risk

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

(c) Liquidity risk

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Within 1 year	Within 1-2 years	Total
Group 2009			
Borrowings	**44,191**	**5,057**	**49,248**
Trade and other payables	**34,839**	**–**	**34,839**
Cash flow hedging of forward foreign exchange contracts:			
Outflow	**6,816**	**–**	**6,816**
Inflow	**6,192**	**–**	**6,192**
Group 2008			
Borrowings	65,978	25,851	91,829
Trade and other payables	40,058	–	40,058
Cash flow hedging of forward foreign exchange contracts:			
Outflow	13,532	–	13,532
Inflow	13,802	–	13,802
Parent 2009			
Borrowings	**44,313**	**5,057**	**49,370**
Trade and other payables	**34,839**	**–**	**34,839**
Cash flow hedging of forward foreign exchange contracts:			
Outflow	**6,816**	**–**	**6,816**
Inflow	**6,192**	**–**	**6,192**
Parent 2008			
Borrowings	66,246	25,851	92,097
Trade and other payables	40,058	–	40,058
Cash flow hedging of forward foreign exchange contracts:			
Outflow	13,532	–	13,532
Inflow	13,802	–	13,802

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

Interest-rate risk

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

If the interest rate on short-term borrowings had increased/decreased by 100 basis points at balance date, the effect on post-tax profit/equity would have been $0.06 million (2008: $0.4 million) higher/lower respectively. There is no effect on long-term borrowings as these are arranged at fixed rates of interest and on fixed terms.

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

	At Call $000	Term Loans $000	Total $000
2009			
Within 1 year	**7,502**	**35,000**	**42,502**
Within 1-2 years	–	**5,000**	**5,000**
	7,502	**40,000**	**47,502**
2008			
Within 1 year	53,828	5,000	58,828
Within 1-2 years	–	25,000	25,000
	53,828	30,000	83,828

(d) Financial instruments by category

	Loans and Receivables	Derivatives for Hedging	Liabilities at Amortised Cost
Group 2009			
Assets per balance sheets			
Trade and other receivables excluding prepayments	**66,576**	–	–
Liabilities per balance sheets			
Borrowings	–	–	**47,502**
Trade and other payables	–	–	**34,215**
Derivative financial instruments	–	**624**	–
Group 2008			
Assets per balance sheets			
Trade and other receivables excluding prepayments	99,256	–	–
Derivative financial instruments	–	269	–
Liabilities per balance sheets			
Borrowings	–	–	83,828
Trade and other payables	–	–	40,327

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Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Loans and receivables	Derivatives for hedging	Liabilities at amortised cost
Parent 2009			
Assets per balance sheets			
Trade and other receivables excluding prepayments	**67,650**	–	–
Liabilities per balance sheets			
Borrowings	–	–	**47,624**
Trade and other payables	–	–	**34,215**
Derivative financial instruments	–	**624**	–
Parent 2008			
Assets per balance sheets			
Trade and other receivables excluding prepayments	100,301	–	–
Derivative financial instruments	–	269	–
Liabilities per balance sheets			
Borrowings	–	–	84,053
Trade and other payables	–	–	40,327

(e) Capital risk management

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

Monitoring of capital is on the basis of the gearing ratio. This ratio is calculated as net debt divided by the sum of total equity and net debt, where net debt is total borrowings less cash and cash equivalent assets. The policies in respect of capital management and allocation are reviewed regularly by the Directors. The gearing ratio for this year is 24% (2008: 37%) and is below the benchmark of 55% in the Group's Deed of Negative Pledge. The Group is not subject to any externally imposed capital requirements and there has been no material change in the management of capital during the year.

	Group		Parent	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000

15. Retained Earnings

Opening balance	**71,713**	69,411	**71,458**	69,220
Net profit for the year	**26,129**	22,546	**26,476**	22,527
Dividends paid	**(17,593)**	(20,244)	**(17,642)**	(20,289)
Closing balance	**80,249**	71,713	**80,292**	71,458

16. Share schemes

(a) Employee Share Purchase Scheme 1983

The Employee Share Purchase Scheme provides financial assistance, to a maximum of $2,340 per eligible employee in any three-year period, to enable staff to purchase Company shares, in accordance with sections DC12 to 15 of the Income Tax Act 2007. Directors are not eligible to participate in this scheme. Shares allocated to employees at grant date do not vest until a minimum of three years has elapsed and the loan has been repaid. All shares allocated are held beneficially by the Trustees until they vest. Dividends received on these shares are paid directly to employees. The shares offered to employees are at a discount to market price approved by the Board. Employees may withdraw from the scheme at any time with the repurchased shares recognised as treasury shares. An offer was made to employees in October 2008 at an issue price of $2.88 per share.

	Group	
	2009	2008
	Shares	Shares
Balance at beginning of year	**120,820**	105,050
Purchases	**60,710**	18,870
Vested in employees	**(50,390)**	(3,100)
Balance at end of year	**131,140**	120,820

(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 and September 2008, shares were purchased on-market at an average price of $3.34 per share. During the year 16,365 rights to shares from the 2004 and 2005 allocations were vested in employees. The distribution was independently verified and based on total shareholder returns achieved.

	Group	
	2009	2008
	Shares	Shares
Balance at beginning of year	**163,290**	132,734
Purchases	**64,975**	53,660
Vested in employees	**(16,365)**	(23,104)
Balance at end of year	**211,900**	163,290

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Group		Parent	
	2009 $000	2008 $000	2009 Shares	2008 Shares

17. Commitments and Contingencies

(a) Lease commitments on non-cancellable leases				
Within 1 year	**7,279**	8,478	**7,198**	8,438
Within 1-5 years	**18,007**	20,921	**18,007**	20,921
Beyond 5 years	**3,600**	8,576	**3,600**	8,576
	28,886	37,975	**28,805**	37,935

The Group occupies a number of warehouse and office premises under operating leases. The leases have varying terms and renewal rights. During the year $8.9 million (2008: $8.7 million) was recognised as an expense in the Income Statement.

(b) Capital commitments

The Group has committed $0.4 million (2008: $0.5 million) for the purchase of property, plant and equipment.

(c) Contingent liabilities

Guarantees on contracts at balance date were $0.8 million (2008: $0.6 million) and were transacted in the ordinary course of business.

18. Related parties

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

	Group and Parent	
	2009 $000	2008 $000
(a) Transactions with parent company		
Purchases during the year	**44,682**	47,583
Percentage of related party purchases	**12.5%**	12.2%

OneSteel Limited of Australia, through its subsidiary Tubemakers of New Zealand Limited, owns 50.3% (2008: 50.3%) of the Company's issued shares. All transactions are on commercial terms. Included in trade creditors is an amount of $1.5 million (2008: $5.3 million) owed to OneSteel at balance date.

	Parent only	
	2009 $000	2008 $000
(b) Loans with controlled entities		
Loans to share schemes	**964**	893
Loans to subsidiaries	**304**	304
	1,268	1,197

Controlled entities are wholly owned and incorporated in New Zealand with a balance date of 30 June. They do not trade and loans provided to them are free of interest and repayable on demand. Loans provided to the share schemes are for the purchase of Company shares (note 16).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

The subsidiaries in the Group are:

Steel & Tube New Zealand Limited	Emco Group Limited
Stube Industries Limited	NZMC Limited
Certified Roofing Specialists Limited	David Crozier Limited

	Group and Parent	
	2009	2008
	$000	$000
(c) Transactions with key management personnel		
Short-term benefits	**3,339**	2,737
Long-term benefits	**1,094**	282
Share-based benefits	**134**	179
Termination benefits	**1,311**	–
	5,878	3,198

The key management personnel are the Directors and Executive Management. Included in short-term benefits are Directors' fees of $378,000 (2008: $335,000).

19. Subsequent event

On 13 August 2009 the Board declared a fully imputed dividend of 9 cents per share ($7.95 million) and a supplementary dividend to non-resident shareholders of 1.588 cents per share. The dividends will be paid to shareholders on 30 September 2009.

Auditors' Report

TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

PRICEWATERHOUSECOOPERS

We have audited the financial statements on pages 13 to 37. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 16 to 22.

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 2009 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 13 to 37:

  (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 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 13 August 2009 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Wellington

Comparative Review

	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Financial Performance					
Sales	**484,482**	503,880	466,316	439,342	437,427
EBITDA	**49,931**	45,660	52,532	54,903	66 513
Depreciation and amortisation	**(6,697)**	(6,094)	(6,177)	(5,636)	(5,740)
EBIT	**43,234**	39,566	46,355	49,267	60,773
Interest expense – net	**(5,928)**	(5,988)	(4,605)	(3,163)	(2,848)
Profit before tax	**37,306**	33,578	41,750	46,104	57,925
Tax	**(11,177)**	(11,032)	(13,975)	(15,280)	(19,196)
Profit after tax	**26,129**	22,546	27,775	30,824	38,729
Funds Employed					
Equity	**150,143**	141,834	138,780	139,136	136,454
Non-current liabilities	**6,045**	26,469	16,264	16,246	10,842
	156,188	168,303	155,044	155,382	147,296
Comprises:					
Current assets	**158,071**	187,863	177,615	157,145	154,868
Current liabilities	**(78,937)**	(99,224)	(92,938)	(68,412)	(70,918)
Working capital	**79,134**	88,639	84,677	88,733	83,950
Non-current assets	**77,054**	79,664	70,367	66,649	63,346
	156,188	168,303	155,044	155,382	147,296
Statistics					
Dividends per share (cents)	**19**	19	29	32	32
Earnings per share (cents)	**29.6**	25.6	31.5	35.1	44.0
Return on sales	**5.4%**	4.5%	6.0%	7.0%	8.9%
Return on equity	**17.4%**	15.9%	20.0%	22.2%	28.4%
Working capital (times)	**2.0**	1.9	1.9	2.3	2.2
Net tangible assets per share	**$1.47**	$1.38	$1.35	$1.35	$1.33
Equity to total assets	**63.9%**	53.0%	56.0%	62.2%	62.5%
Gearing (debt to debt plus equity)	**24.0%**	37.1%	33.4%	24.4%	24.3%
Net interest cover (times)	**7.3**	6.6	10.1	15.6	21.3
Ordinary shareholders	**7,675**	7,790	8,022	8,253	8,360
Employees	**787**	835	881	907	787

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

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BUSINESS LOCATIONS

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Trading Operations:

Steel Distribution & Processing
Industrial Products
Fastening Systems
Piping Systems
Reinforcing
Stainless Steel
Roofing Products
Hurricane Manufacturing, Wholesale

Share Registry

Computershare Investor Services Limited
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Ph: 09 488 8777 Fx: 09 488 8787
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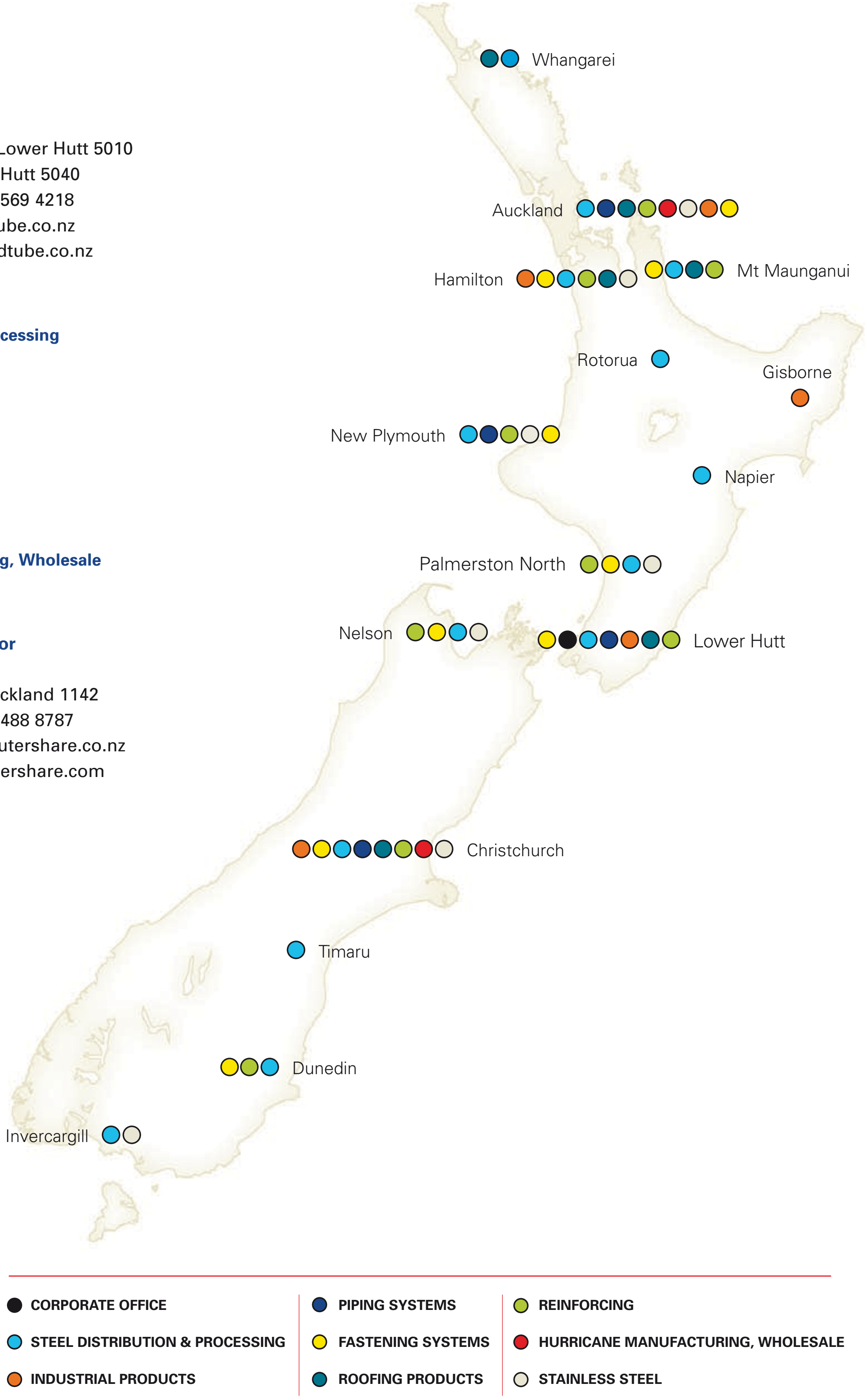
Website: www.computershare.com



Steel & Tube Holdings Limited
15-17 Kings Crescent, Lower Hutt
Private Box 30-543, Lower Hutt
www.steelandtube.co.nz

Works Laser is 100% recycled paper, made up of 30% pre-consumer printer and converting waste and 70% post-consumer waste from old milk cartons. The recycled pulp is elemental chlorine free.