STEEL&TUBE

ANNUAL REPORT 2010

STEEL&TUBE QUALITY

OUR GOAL IS TO DELIVER VALUE AND QUALITY TO AN INDUSTRY FOCUSED ON RELIABILITY AND RELATIONSHIPS.
WE SUPPORT BETTER OUTCOMES AND LOOK FOR OPPORTUNITIES TO DO THIS IN EVERY PROJECT WE ARE INVOLVED WITH.
AT STEEL&TUBE, WE ARE RENOWNED FOR OUR QUALITY OF PRODUCT BUT MORE SO FOR THE QUALITY OF OUR PEOPLE AND THE RELATIONSHIPS THAT THEY HOLD WITH OUR CUSTOMERS. OUR CUSTOMERS ARE OUR FOCUS.

CONTENTS

BOARD OF DIRECTORS

Dean Pritchard

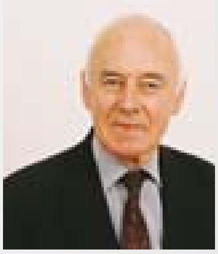
Chairman and Non-independent Director

Appointed a Director and elected as Chairman on 20 May 2005. Mr Pritchard BE, FIE Aust, CP Eng, FAICD is also a Director of 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.

Dave Taylor

Chief Executive Officer and Non-independent Director

Appointed the Chief Executive Officer and a Director on 5 October 2009, Mr Taylor B.Sc was previously the General Manager of the Australian Reinforcing Company, a subsidiary of Onesteel Limited. Prior to this, he was with The BOC Group over a 22-year period where he held a number of senior executive positions initially in the UK and more recently as President BOC Gases Korea based in Seoul, and Managing Director Process Gas Solutions South Pacific based in Sydney. Mr Taylor is a Director of all subsidiary companies in Steel & Tube Holdings Limited.



Barry Dineen

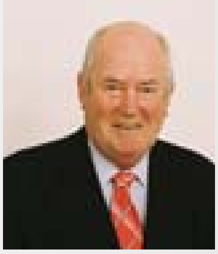
Independent Director

Appointed a Director in 1994, Mr Dineen LLB was formerly Chairman and Managing Director of the Shell Companies in New Zealand. He is a 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 a Director of OneSteel Limited, Commonwealth Science and Industry Research Organisation, Boral Limited, GPT Group and Ross Human Directions Limited.



Ian Lindsay

Independent Director

Appointed a Director on 15 February 2001, Mr Lindsay CA, FNZIM, AFIOD 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.

Robert Bakewell

Non-independent Director

Appointed a Director on 24 June 2010, Mr Bakewell CA, B.Comm is Chief Financial Officer of OneSteel Limited where he is responsible for accounting, tax, risk management, treasury, business planning, legal and company secretarial matters. He has more than 25 years professional experience in executive, financial and commercial roles and most recently was Group Senior Vice-President, Chief Financial Officer, Power Products division of ABB Limited. Mr Bakewell spent more than 16 years with ABB Limited in a variety of executive group level financial roles in Asia, UK and Europe.

Tony Candy

Chief Financial Officer and Company Secretary

Appointed Chief Financial Officer and Company Secretary in February 1992, Mr Candy CA, BCA 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.

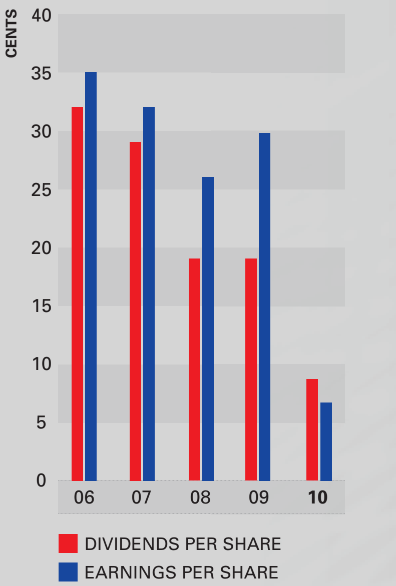
FONTERRA'S EDENDALE DRYER 4, SOUTHLAND

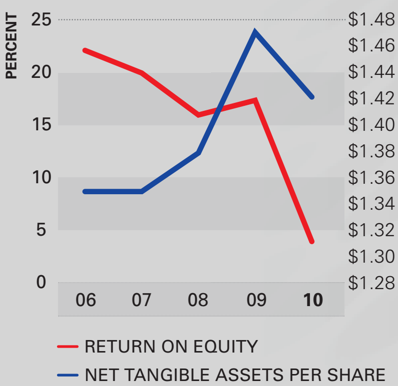
Edendale Dryer 4 expansion brought Edendale to the fore, placing it as Fonterra's largest milk-processing plant in New Zealand. Steel & Tube Stainless supplied all the stainless tube and fittings to the main contractor Tetra Pak (New Zealand) Limited. Steel and Tube Piping Systems and Steel and Tube Distribution also supplied product for this project.

DIRECTORS' REPORT

THE DIRECTORS PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE YEAR ENDED 30 JUNE 2010.

The annual accounts have been audited and comply with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and New Zealand Generally Accepted Accounting Practice.





Results

The financial result for the year was an after tax profit of $5.7 million compared to $26.1 million the previous year. Included in the result is a one-off charge in tax expense of $4.2 million relating to the budget announcement in May 2010 and in particular to the removal of tax depreciation on buildings. This expense is a non-cash adjustment that has no effect on the Company's underlying profitability, dividends or cash flows for the year ended 30 June 2010.

Shareholders' equity of $145.5 million compares with $150.1 million the previous year. Total borrowings during the year have decreased by $11.6 million to $35.9 million with the gearing ratio (debt to debt plus shareholders' equity) at 19.8%. The Company continues to be in a very sound position.

Dividends

Directors have declared a fully imputed dividend of 5.0 cents per share payable on 30 September 2010 to holders of fully paid ordinary shares recorded on 17 September 2010. The amount payable is $4.42 million and the total dividends for the year are 8.5 cents.

Executive Share Plan

During the year, rights to 13,894 shares in the Executive Share Plan were exercised by employees upon achieving Board-approved targets. Refer to note 20b in the financial statements.

On 5 October 2009 Dave Taylor was appointed Chief Executive Officer and Director. The NZX has granted a waiver to the Company under listing rule 7.6.4(b)(iii) to permit the provision of financial assistance to Mr Taylor in his capacity as a Director of the Company. He was therefore offered the opportunity of participating in the Plan on the same terms as those offered to other employees. Non-executive Directors do not participate in the Plan.

Auditors

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

Directors

Tony Reeves resigned from the Board on 14 December 2009.

Robert Bakewell was appointed a Director on 24 June 2010 and, being eligible, offers himself for election. In accordance with the Company's Constitution, Dean Pritchard will retire by rotation and, being eligible, offers himself for re-election.

Personnel

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

Dean A Pritchard

Dean Pritchard | Chairman

Dave Taylor | Chief Executive Officer

12 August 2010

MARISCO VINEYARDS

Marisco Vineyards' development is a new wonder amongst New Zealand's viticulture industry. Steel & Tube Stainless were pleased to be involved in the project supplying a large quantity of stainless wire, as well as all the tubes and fittings to Stainless Systems (NZ) Limited and Pumps & Filters Marlborough.

CHIEF EXECUTIVE'S

REVIEW OF OPERATIONS

MARKET CONDITIONS CONTINUED TO BE CHALLENGING THIS YEAR, AFFECTING PROFITABILITY. PERFORMANCE IMPROVED IN THE SECOND HALF AS WE LOOKED FOR WAYS TO COUNTER A TOUGH YEAR.

Dave Taylor
Chief Executive Officer

Group profit after tax for the full year was $5.7 million compared to $26.1 million the previous year. This included a $4.2 million one-off charge in tax expense related to the removal of tax depreciation on buildings as announced in the New Zealand Government's May 2010 budget.

Underlying profit at $9.9 million is a decrease of $16.2 million or 62% when compared to the previous year. Sales at $380 million were $104 million lower than last year primarily due to lower steel prices.

Previously announced results for the six months to 31 December 2009 were sales revenue of $191 million and net profit after tax of $3.2 million. For the second half, sales were $189 million and underlying net profit after tax was $6.7 million.

A final dividend of 5 cents per share was declared.

New Chief Executive

I have joined Steel & Tube at a challenging time for the Company and the New Zealand steel market. Steel & Tube is a strong Company with significant potential and with the market showing signs of recovery, albeit slow and perhaps somewhat uncertain, the Company is ready for a fresh perspective, and is motivated to meet the challenge.

Market Conditions

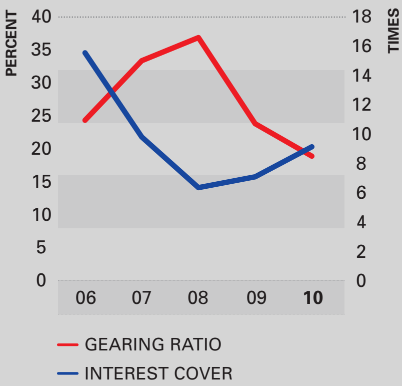
Market conditions for the period continued to decline with many sectors deeply affected by the continued impact of the Global Economic Crisis. The New Zealand steel industry was no exception. This financial year has been one of the most difficult trading years in Steel & Tube's history, yet despite this and a poor first half result, initiatives employed by the Company to manage through these tough times generated an improved second half result.

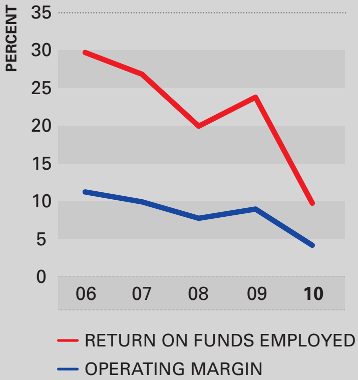
Although the New Zealand economy produced a slight recovery in the latter half of 2009 and early 2010, the flow-on effects of this recovery did not significantly impact those industries important to Steel & Tube. Many sectors continued to struggle with market volatility, competitive pressures and reduction in demand.

The construction industry continued to be affected by weakness in property markets and the property development sector in particular. Non-residential construction for the 12 months to June 2010 was down 18%. Major segments of the construction sector were down on the previous year's consent figures with office construction down a significant 42%. The exception to the decline was the contribution from construction projects associated with the Rugby World Cup 2011 and government infrastructure, including hospitals, education facilities and major roading projects.

The residential market has shown signs of recovery but from a very low base, and certainly not to the extent expected earlier in the year.

Although parts of the manufacturing sector remain under pressure, slightly increased demand was seen late in the period for those selling into the Australian market. Conversely, manufacturing for local demand continued to find market conditions





tough and tightening of credit facilities contributed to an overall contraction of the sector.

Rural industries continued to demonstrate a slow recovery. The sector experienced a period of significant volatility and stress, driven by volatile dairy prices, a tightening in credit conditions and drought affecting some farming regions. Dairy prices rebounded strongly in the latter half of 2009.

In other major sectors, oil and gas projects were reasonably strong and will remain so for the next few years. Development in the Taranaki Basin continues to yield solid and steady business for the Company.

World steel production increased 14% from July 2009 to June 2010 as steel mills restarted production in the belief that market demand would grow during the period. As a consequence, supply of steel products was much improved on the previous year and with increasing raw material prices, international steel prices increased in the second half of the year.

SUPREME COURT, WELLINGTON

Wellington Supreme Court is New Zealand's new legal centre, with the court building communicating a sense of transparency into the legal system with its transparent courtroom wall design. The new building is also iconised as New Zealand's new heritage site and is expected to serve New Zealand for the next 100 years. Steel & Tube Reinforcing were proud to supply the reinforcing steel to the main contractor Mainzeal Construction Limited.

Company Performance

The domestic demand for steel products for the 12 months to June 2010 was down by 6% on the previous year and 26% from the highs of two years ago. Despite the subdued market conditions, Steel & Tube has maintained a steady market share position in its core products. Strong competition saw margins impacted, although they recovered to some degree in the second half of the year.

Distribution comprising Steel, Stainless Steel, Fastening Systems, Piping Systems and Wholesale, in aggregate saw a reduction in sales revenue of 25%, on 2% less volume over the full year. Piping Systems and Stainless product groups performed relatively well in the period, reflecting the completion of major projects in the dairy processing and oil and gas sectors. Fire protection was also an influential segment for the Piping Systems product range, assisted through several Rugby World Cup 2011 projects and a number of major hospital redevelopments throughout the country.

Processing, comprising Roofing Products, Reinforcing, Fabrication and Hurricane Wire Products, in aggregate saw a reduction in sales revenue of 16%, on 5% less volume over the full year. Government infrastructure projects continued to generate much needed work particularly with major roading projects in Auckland. Notably, the Newmarket Viaduct Replacement and the Victoria Park Tunnel projects positively impacted Steel & Tube's reinforcing product range during the period and will continue to do so into the future.

As part of the facilities rationalisation, the Roofing and Purlins Auckland operations moved into a new purpose built facility in Highbrook. Development of New Plymouth's new facility commenced during the year.

Planned to open late 2010, the facility will substantially increase the business capacity for the Taranaki region and offer a more cost efficient operation. Steel & Tube's Stonedon Drive operation in East Tamaki, Auckland is undergoing further expansion to add 1,800m^2 of warehouse space for the Steel Processing operation.

Commitment to Health & Safety

Steel & Tube remains committed to the health and safety of our employees. This year's health and safety performance showed further improvement on the previous year's result, reflecting the Company's 'zero harm' focus. No Lost Time Injuries (LTIs) occurred and Medical Treatment Injuries (MTIs) reduced to 7 compared to 10 MTIs in the prior year.

The Company continues to work to improve the health and safety performance and care for its employees and contractors through the Company's iCare programme.

Managing for the times

The decline in market conditions generated a number of initiatives within Steel & Tube to ensure that the business was 'right sized' for the period and beyond. Many initiatives were undertaken to reduce overheads within the business and to strengthen the balance sheet.

These initiatives have seen the rationalisation of premises with four sites merged into other locations and plans for a further consolidation. Operating expenses reduced by $11.8 million compared to the prior year including approximately $5.6 million in labour force reductions over the course of the year.

In strengthening the balance sheet, focus has again been applied to cash management which has seen the Company's exposure to debtors reduced, and further inventory reductions during the year. Steel & Tube has continued to actively manage debtors to minimise exposure to potential customer insolvency. Interest rate reductions combined with reduced borrowings for capital management improvements saw interest costs reduce by around $4.5 million.

The full extent of some cost reductions and cash management initiatives will continue to flow into the business over the following year, as some of the measures were initiated later in the period.

Listening to our Customers

In early 2010, Steel & Tube conducted a comprehensive survey of steel and allied product customers. The aim of the survey was to establish the key drivers of the relationship with those customers and their attitude to Steel & Tube's performance.

Overall, Steel & Tube fared well against all drivers when compared to other competitors in the market and were the most preferred choice of supplier of the customers surveyed. The results are being used to improve our service levels and performance to maintain our leadership in the New Zealand steel market.

Outlook

Although the economy has now entered its second year of recovery and should be gaining momentum, the economic outlook from a Company perspective remains subdued, with growth expected to be slow and gradual, with a degree of uncertainty in some sectors.

Business confidence has fallen sharply from the highs in February across virtually every sector. Households remain cautious and consumer spending is restrained.

Housing, although recovering from 40 year lows, continues to remain sluggish with house prices still under downward pressure. This is compounded by reducing net migration inflows.

Of particular concern is the lack of private investment in the non-residential construction market and the commercial construction sector, with the potential for further retraction over the next 12 months.

Government infrastructure spending is providing some relief by partially filling the construction gaps created following completion of several of the world cup projects.

Although the rural sector had started to show some signs of recovery on the back of strengthening global dairy wholesale prices, recent price declines may lead to further caution by farmers.

Manufacturing and exports have continued to gather pace, particularly to Australia, aided by the exchange rate and to China. This is expected to continue.

Global steel demand has continued to recover from the early 2009 lows, led predominantly by China. However, the industry continues to wrestle with matching production to demand, leading to temporary product surpluses or deficits. This coupled with shorter term raw material contracts, is prolonging international steel pricing volatility.

In the first half of the new financial year, the Company expects to see continued pressure on volumes with the declines in non-residential construction being offset by gradual increases in other sectors.

The recent domestic steel price increases flowing on from rising global steel pricing in the first half of 2010, may come under more pressure if global prices now continue to soften, squeezing margins again.

Imminent tax changes for both individuals and companies should provide stimulus to the retail sector, assist a recovery in business investment, enhance profitability and encourage economic growth.

We have continued to reposition the business to reflect the current and foreseeable economic environment in addition to progressing key elements of our revised strategy.

The Company remains in very good shape, with strong cash flows and a strong balance sheet, and is well positioned for the future.

CHRISTCHURCH AIRPORT CONTROL TOWER

Christchurch Airport Control Tower, 45-metres in height, is an icon for Christchurch and the airport, showcasing structural ingenuity with its unique chalice shape. Steel & Tube supplied reinforcing steel and mesh, reinforcing steel for precasting of wall panels and stairs, the structural steel and stainless steel for hand railing. The products were supplied to the main contractor Hawkins Construction Limited, precast contractor Bradford Precast Limited and Steel fabricator contractor Steel Solutions Limited. The Control Tower won commercial building of the year for Canterbury and also the NZ Institute of Builders excellence award for projects in the $5m to $25m bracket.

MANAGEMENT STRUCTURE

Tony Candy

Chief Financial Officer

Tony, CA, BCA, MInstD, joined the company as Financial Controller of the Merchandising Division in 1988. He took up his current roles in February 1992. Prior to the appointment of the current Chief Executive, Tony was also Acting Chief Executive from May 2009 to October 2009.

Roger O'Neill

General Manager Processing

Roger is a quantity surveyor by trade and has been an active participant in various construction associations at executive and board level.

He joined the company in 1972 as a Detailer in the Reinforcing Division. Over the last 30 years he has held various senior management positions in the distribution and processing operations.

Roger was appointed General Manager Reinforcing in 1990. Later he was appointed Executive General Manager Manufacturing in an acting capacity, before taking up his current role.

Dave Clegg

General Manager Human Resources

Dave, MBA, joined the company on 1 June 2010. He has more than 20 years' experience in Human Resource Management, across diverse sectors, and has held senior HR management roles in New Zealand and internationally. Prior to taking up his current role, Dave spent 3 years consulting to one of the largest NZX top 50 companies as both acting GM HR and as Change Manager for a major enterprise transformation project.

Mark Winnard

General Manager Distribution

Mark, CA, B.Com, started out in the steel industry in 1992 as a financial accountant with BHP New Zealand. He became General Manager of the Roofing operations in 1999, following the company's acquisition of BHP Steel Building Products NZ Limited.

He was appointed Executive General Manager Manufacturing in March 2007. Later he was appointed Executive General Manager Distribution before taking up his current role.

Andy Millard

General Manager Marketing

Andy, Dip Mtg, B.Bus, MCA, MInstD, commenced his career in the steel industry in 1981 as a management trainee for Tubemakers of Australia. After 14 successful years with Tubemakers, Andy left the sector to establish a successful track record in marketing and general management roles in both Australia and New Zealand encompassing both B2B and B2C environments. Andy has specialised in strategic and tactical marketing, general management and organisational strategy during more than 25 years in blue chip and market leading companies, including a stint in social marketing for the New Zealand government.

ONTRACK WAIRARAPA LINE UPGRADE

The Wairarapa line upgrade is part of the greater Wellington region rail improvement programme. Steel & Tube supplied duplex stainless reinforcing bar, the bars were cut and bent and then trucked to Humes Pipeline Systems to be cast into pre-cast box culverts and then supplied to the project. Steel & Tube are pleased to be associated with the project, as this is only the second time stainless reinforcing bar has been used in New Zealand and is consistent with an international drive towards sustainability.

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 and one executive Director, the Chief Executive Officer. The Company considers that two of the five non-executive Directors are independent directors while the remaining three Directors are considered as non-independent because of their positions as directors or senior executives in the ultimate parent company Onesteel Limited.

For profiles of the Directors, refer to page 2. 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. This charter and the charters relating to each of the standing committees of the Board can be viewed on the Company's website www.steelandtube.co.nz.

Directors meet at least nine times a year at various locations to enable them to interact with management, staff, customers and suppliers. The 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 remuneration of Directors and their shareholdings in the Company are located in the Annual Report section titled 'Statutory Information'. 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

Non-executive Directors	Audit	Governance & Remuneration	Nominations	Occupational Health, Safety & Environment
Dean Pritchard, non-independent		•	•	
Barry Dineen, independent	•	•	•	
Eileen Doyle, non-independent				•
Ian Lindsay, independent	•	•	•	•
Robert Bakewell, non-independent	•			

of complex issues. They are Audit, Governance and Remuneration, Nominations, and Occupational Health, Safety and Environment. All committee members comprise non-executive Directors and senior executives attend by invitation.

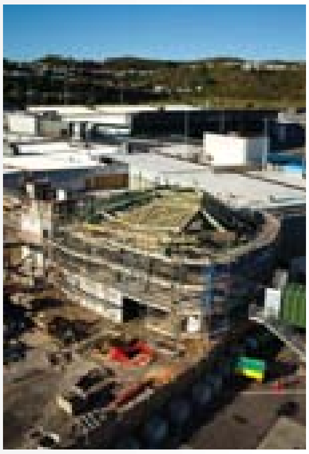
Each standing committee has a charter setting out the composition of members and the terms of reference. The table on the previous page outlines the membership of these committees.

Audit committee

The audit committee is chaired by an independent director and meets four times a year. Its main 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.

INTERNATIONAL PASSENGER TERMINAL 'THE ROCK' WELLINGTON



International Passenger Terminal "The Rock" is one of the most exciting elements of the overall Wellington International Airport upgrade. The Rock will be exemplary in design efficiency and environmental sustainability, whilst showcasing Wellington's individuality and creativity through its unique features. Steel & Tube Reinforcing were proud to supply the reinforcing steel to the main contractor Mainzeal Construction Limited.

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. The committee is chaired by the Chairman of the Board.

Nominations committee

The nominations committee is chaired by the Chairman and 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.

Health, Safety and Environment committee

The responsibilities of the members of the health, safety and environment committee are to review the adequacy of management systems and processes relating to compliance with statutory regulations, best practice codes and other significant issues with respect to health, safety and the environment. The committee is chaired by a non-independent director.

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, advice is sought from external sources. The Group has various programmes in place to assist management and 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 will be available shortly on the Company's website www.steelandtube.co.nz.

WELLINGTON COMMUNITY SPORTS STADIUM

The Wellington Community Sports Stadium project, at the Cobham Park site, will allow for a 12-court facility, addressing the city's increased demand for indoor sports activity. The project is run by main contractor Mainzeal Construction Limited. Steel & Tube were pleased to supply to the main engineer MJH Engineering, with Steel & Tube Distribution supplying structural product, purlins and bracing. Steel & Tube Reinforcing supplied the reinforcing steel.


SAFE

STEEL&TUBE SAFETY

WE WANT OUR PEOPLE TO BE EMPOWERED TO STAY SAFE. STEEL & TUBE'S SAFETY PROGRAMME 'iCARE' IS ALL ABOUT KEEPING THOSE WHO WORK HERE FREE FROM HARM. THE PROGRAMME FOCUSES ON THREE SIMPLE IDEAS: 'iCARE' ABOUT MY SAFETY; 'iCARE' ABOUT THE SAFETY OF MY MATES; AND 'iCARE' ABOUT THE SAFETY OF OTHERS ON SITE. IT IS SUPPORTED BY THE CEO'S SAFETY AWARD, WHICH IS PRESENTED EVERY MONTH TO AN EMPLOYEE WHO HAS PROVEN THROUGH THEIR ACTIONS THAT THEY DO CARE.

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STATUTORY INFORMATION

Indemnification and Insurance of Directors and Officers

The Company's Constitution provides for the Company and 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 and its subsidiaries are related party transactions with details provided in note 22a 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 entities.

Directors' Remuneration

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2010 were:

Directors	$000
D A Pritchard	126
D W Taylor	593[1]
B M J Dineen	63
I K Lindsay	63
E J Doyle	63
R Bakewell	–[2]
A J Reeves	28[3]

1 Mr Taylor was appointed Chief Executive Officer on 5 October 2009 and his remuneration package includes a $32 thousand apportionment of a long-term incentive plan that would be payable provided certain performance hurdles are achieved over three-year periods.

2 Mr Bakewell was appointed a Director on 24 June 2010.

3 Mr Reeves resigned as a Director on 11 December 2009.

Use of Company Information

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

Directors' Shareholdings

	At 30 June 2010 Beneficial	Non-beneficial	Associated Persons	At 30 June 2009 Beneficial	Non-beneficial	Associated Persons
D W Taylor	–	101,610[1]	–	–	–	–
B M J Dineen	40,000	111,610[1]	–	40,000	131,140[1]	–
I K Lindsay	20,000	–	–	20,000	–	–
D A Pritchard	10,000	–	44,504,814[2]	10,000	–	44,504,814[2]
E J Doyle	2,000	–	44,504,814[2]	2,000	–	44,504,814[2]
R Bakewell	–	–	44,504,814[2]	–	–	44,504,814[2]

1 Shares held as Trustees of the Employee Share Purchase Scheme 1983.

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

There were no share transactions by Directors during the year ended 30 June 2010.

Remuneration of Employees

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2010 were within the following bands:

Remuneration Range $000	No. of Employees
100 – 110	15
110 – 120	17
120 – 130	6
130 – 140	6
140 – 150	2
150 – 160	2
160 – 170	2
180 – 190	1
190 – 200	1
240 – 250	1
280 – 290	1
380 – 390	1
500 – 510	1

SHAREHOLDER INFORMATION

AT 31 JULY 2010

Census of shareholders

Size of holdings	Number of holders	Number of shares	% of issued shares
1 – 999	1,996	822,470	0.93
1,000 – 4,999	3,661	8,239,666	9.31
5,000 – 9,999	1,118	7,068,400	7.98
10,000 – 49,999	853	14,271,596	16.12
50,000 +	65	58,127,108	65.66
	7,693	88,529,240	100.00

Top twenty shareholders

Onesteel NZ Holdings Limited	44,504,814	50.27
FNZ Custodians Limited	2,325,035	2.63
Accident Compensation Corporation*	2,054,724	2.32
Custodial Services Limited – a/c 3	990,531	1.12
NZPT Custodians (Grosvenor) Limited	654,350	0.74
Citibank Nominees (New Zealand) Limited*	547,168	0.62
New Zealand Superannuation Fund Nominees Limited*	434,652	0.49
Investment Custodial Services Limited – a/c C	387,618	0.44
Guardian Trust Investment Nominees (RWT) Limited*	300,715	0.34
Custodial Services Limited – a/c 2	269,347	0.30
FNZ Custodians Limited (non-resident a/c)	252,592	0.29
Dorothy Izabella Plenzler & Leszek Andrzes Plenzler & Lynne Reindler Trustees Limited	212,000	0.24
Custodial Services Limited – a/c 4	197,875	0.22
Forsyth Barr Custodians Limited – a/c 1M	178,654	0.20
Trevor Jeffrey Corfield & Marilyn Margaret Corfield	160,393	0.18
HSBC Nominees (New Zealand) Limited* – a/c State Street	152,200	0.17
ASB Nominees Limited – a/c 129244 ML	150,000	0.17
Asset Custodian Nominees Limited	149,787	0.17
Forsyth Barr Custodians Limited – a/c 1L	147,166	0.17
James Michael Hannan & Helen Anne Hannan & Neville Gordon Low	140,000	0.16
	54,209,621	61.23

* 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 2010.

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 2010

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Sales revenue		**379,993**	484,482	**379,993**	484,482
Cost of sales	4	**(304,488)**	(370,042)	**(304,488)**	(370,042)
Gross profit		**75,505**	114,440	**75,505**	114,440
Other operating income		**511**	655	**511**	1,033
Selling expenses	4	**(25,596)**	(30,285)	**(25,596)**	(30,285)
Administration expenses	4	**(14,619)**	(16,435)	**(14,619)**	(16,435)
Other operating expenses	4	**(19,882)**	(25,141)	**(19,882)**	(25,076)
Operating earnings before financing costs		**15,919**	43,234	**15,919**	43,677
Interest income		**232**	544	**232**	535
Interest expense		**(1,942)**	(6,472)	**(1,942)**	(6,472)
Profit before tax		**14,209**	37,306	**14,209**	37,740
Tax expense – operating income	5	**(4,306)**	(11,177)	**(4,306)**	(11,264)
Tax expense – tax legislation changes	5	**(4,189)**	–	**(4,189)**	–
Profit after tax		**5,714**	26,129	**5,714**	26,476
Other comprehensive income – hedging reserve	19(a)	**668**	(714)	**668**	(714)
Total comprehensive income		**6,382**	25,415	**6,382**	25,762
Basic earnings per share (cents)	15	**6.5**	29.6	**6.5**	30.0
Diluted earnings per share (cents)	15	**6.5**	29.6	**6.5**	30.0

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Share capital $000	Retained earnings $000	Hedging reserve $000	Treasury shares $000	Total equity $000
Group						
Balance at 1 July 2008		70,637	71,713	270	(786)	141,834
Comprehensive income						
Profit after tax		–	26,129	–	–	26,129
Other comprehensive income – hedging reserve		–	–	(714)	–	(714)
Transactions with owners						
Dividends paid	16	–	(17,593)	–	–	(17,593)
Proceeds from partly paid shares	14	615	–	–	–	615
(Purchase)/withdrawal of own shares	17	–	–	–	(128)	(128)
Balance at 30 June 2009		71,252	80,249	(444)	(914)	150,143
Balance at 1 July 2009		71,252	80,249	(444)	(914)	150,143
Comprehensive income						
Profit after tax		–	5,714	–	–	5,714
Other comprehensive income – hedging reserve		–	–	668	–	668
Transactions with owners						
Dividends paid	16	–	(11,018)	–	–	(11,018)
(Purchase)/withdrawal of own shares	17	–	–	–	42	42
Balance at 30 June 2010		**71,252**	**79,945**	**224**	**(872)**	**145,549**
Parent						
Balance at 1 July 2008		70,637	71,458	270	–	142,365
Comprehensive income						
Profit after tax		–	26,476	–	–	26,476
Other comprehensive income – hedging reserve		–	–	(714)	–	(714)
Transactions with owners						
Dividends paid	16	–	(17,642)	–	–	(17,642)
Proceeds from partly paid shares	14	615	–	–	–	615
Balance at 30 June 2009		71,252	80,292	(444)	–	151,100
Balance at 1 July 2009		71,252	80,292	(444)	–	151,100
Comprehensive income						
Profit after tax		–	5,714	–	–	5,714
Other comprehensive income – hedging reserve		–	–	668	–	668
Transactions with owners						
Dividends paid	16	–	(11,046)	–	–	(11,046)
Balance at 30 June 2010		**71,252**	**74,960**	**224**	**–**	**146,436**

The accompanying notes form part of these financial statements.

Balance Sheet

AS AT 30 JUNE 2010

	Notes	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Current assets					
Trade and other receivables	6	**61,686**	67,234	**61,609**	67,040
Inventories	7	**84,227**	90,837	**84,227**	90,837
Assets held for sale	9	**508**	–	**508**	–
Derivative financial instruments	19(d)	**319**	–	**319**	–
		146,740	158,071	**146,663**	157,877
Non-current assets					
Trade and other receivables	6	**–**	–	**983**	1,268
Property, plant and equipment	8	**51,458**	53,883	**51,458**	53,883
Intangibles	10	**19,961**	20,070	**19,961**	20,070
Deferred tax	5	**–**	3,101	**–**	3,101
		71,419	77,054	**72,402**	78,322
Total assets		**218,159**	235,125	**219,065**	236,199
Current liabilities					
Trade and other payables	11	**33,501**	34,215	**33,501**	34,215
Borrowings	12	**6,942**	7,502	**6,966**	7,624
Borrowings – term loans	12	**29,000**	35,000	**29,000**	35,000
Provisions	13	**445**	500	**445**	500
Derivative financial instruments	19(d)	**–**	624	**–**	624
Income tax payable		**696**	1,096	**691**	1,091
Deferred tax	5	**1,054**	–	**1,054**	–
		71,638	78,937	**71,657**	79,054
Non-current liabilities					
Borrowings – term loans	12	**–**	5,000	**–**	5,000
Provisions	13	**972**	1,045	**972**	1,045
		972	6,045	**972**	6,045
Equity					
Share capital	14	**71,252**	71,252	**71,252**	71,252
Retained earnings		**74,945**	80,249	**74,960**	80,292
Hedging reserve	19(a)	**224**	(444)	**224**	(444)
Treasury shares	17	**(872)**	(914)	**–**	–
		145,549	150,143	**146,436**	151,100
Total equity and liabilities		**218,159**	235,125	**219,065**	236,199

These financial statements and the accompanying notes were authorised by the Board on 12 August 2010.

For the Board

Dean A Pritchard

DEAN PRITCHARD
CHAIRMAN

DAVE TAYLOR
CHIEF EXECUTIVE OFFICER

The accompanying notes form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Cash flows from operating activities					
Customer receipts		385,559	514,505	385,559	514,505
Interest receipts		232	544	232	535
Payments to suppliers and employees		(351,926)	(441,222)	(352,043)	(441,115)
Income tax payments		(5,026)	(10,332)	(5,026)	(10,335)
Interest payments		(1,986)	(6,472)	(1,986)	(6,472)
Net cash inflow from operating activities		26,853	57,023	26,736	57,118
Cash flows from investing activities					
Property, plant and equipment disposals		395	1,367	395	1,367
Transactions with controlled entities		–	–	285	(71)
Property, plant and equipment purchases		(4,712)	(4,958)	(4,712)	(4,958)
Net cash (outflow) from investing activities		(4,317)	(3,591)	(4,032)	(3,662)
Cash flows from financing activities					
Share capital	14	–	615	–	615
Treasury shares	17	42	(128)	–	–
Borrowings		(11,000)	10,000	(11,000)	10,000
Dividends paid	16	(11,018)	(17,593)	(11,046)	(17,642)
Net cash (outflow) from financing activities		(21,976)	(7,106)	(22,046)	(7,027)
Net increase in cash and cash equivalents		560	46,326	658	46,429
Cash and cash equivalents at the beginning of the year		(7,502)	(53,828)	(7,624)	(54,053)
Cash and cash equivalents at the end of the year		(6,942)	(7,502)	(6,966)	(7,624)
Represented by:					
Borrowings		(6,942)	(7,502)	(6,966)	(7,624)
Reconciliation of profit after tax to cash flows from operating activities					
Profit after tax		5,714	26,129	5,714	26,476
Non-cash adjustments:					
Depreciation and amortisation		6,486	6,697	6,486	6,697
Deferred tax		4,155	(185)	4,155	(96)
(Gain)/loss items classified as investing activity:					
Gain on property, plant and equipment disposals		(145)	(311)	(145)	(689)
		16,210	32,330	16,210	32,388
Movements in working capital:					
Income tax		(400)	1,030	(400)	1,025
Inventories		6,610	(2,996)	6,610	(2,996)
Trade and other receivables		5,548	32,788	5,431	32,830
Trade and other payables including derivatives		(1,115)	(6,129)	(1,115)	(6,129)
Net cash inflow from operating activities		26,853	57,023	26,736	57,118

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

1. General information

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.

2. Summary of 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, New Zealand Generally Accepted Accounting Practice (NZ GAAP), New Zealand Equivalents to International Financial Reporting Standards (NZIFRS), the International Financial Reporting Standards (IFRS), the Financial Reporting Act 1993 and the Companies Act 1993.

(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) Adoption status of relevant new financial reporting standards and interpretations
(i) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2009 and have been adopted in these financial statements:

NZ IAS 1 (revised), Presentation of Financial Statements
The revised standard prohibits the presentation of items of income and expenses in the Statement of Changes in Equity that are not related to transactions with equity holders acting as owners. These non-owner items are to be presented in either a single Statement of Comprehensive Income or as two statements, a Statement of Income and a Statement of Comprehensive Income. The Group has elected to present a single Statement of Comprehensive Income.

NZ IFRS 8, Operating Segments, NZ IFRS 8 replaces NZ IAS 14, Segment Reporting
The standard requires a 'management approach' for segment information to be presented on the same basis as used for internal reporting and for operating segments to be reported in a manner consistent with the internal reporting to the chief operating decision-maker (CODM).

NZ IFRS 7, Financial Instruments, Disclosures (amendment)
The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurement by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on profit.

NZ IFRS 2 (revised), Share-based Payments
The amendment relates to the definition of vesting conditions that are now limited to service and performance conditions. It also includes guidance on the treatment of non-vesting conditions and cancellations. The adoption of the amendment does not impact the annual financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

(ii) 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:

NZ IFRS 9, Financial Instruments (effective from 1 January 2013)
The standard specifies the classification and measurement criteria for financial assets and is designed to replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZIFRS 9 requires an entity to classify financial assets at either amortised cost or fair value on the basis of; the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Group will adopt the standard for the interim period ending 31 December 2013 and the year ending 30 June 2014.

NZ IAS 24, Related Party Disclosures (revised, effective from 1 January 2011)
The revised standard simplifies the definition of related party and clarifies the intended meaning of the definition. The revised standard is not expected to have any impact in the Group financial statements. The Group will adopt the standard for the interim period ending 31 December 2011 and the year ending 30 June 2012.

(d) 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. 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 Statement of Comprehensive Income.

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 there is no evidence of impairment. The accounting policies of controlled entities have been amended where required to ensure consistency with Group policies.

(e) 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 Group's 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 Statement of Comprehensive Income except when deferred in equity as qualifying cash flow hedges.

2. Summary of significant accounting policies (continued)

(iii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investing 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated or is 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 property, plant and equipment), 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 Statement of Comprehensive Income in the same period that the hedged item is recognised in the Statement of Comprehensive Income.

(f) Segment reporting

An operating segment is a component of an entity that engages in business activities that earns revenue and incurs expenses and for which the Chief Operating Decision-Maker (CODM) reviews the operating results on a regular basis and makes decisions on resource allocations. The Chief Executive Officer has been identified as the CODM.

The operating segments of the Group have been determined based on the components of the Group that the CODM monitors in making decisions about operating matters. Such components have been identified on the basis of internal reports the CODM reviews regularly in order to allocate resources and to assess the performance of the entity.

A description of each operating segment within the Group is outlined in note 18.

(g) 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.

Interest shall be recognised using the effective interest method.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

2. Summary of significant accounting policies (continued)

(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 12 months from balance date. Loans and receivables are included in 'trade and other receivables' in the Balance Sheet.

(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
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. The discount rate used is a market rate at balance date applicable for instruments with similar terms and conditions.

(m) 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. Assets are tested annually for indicators of 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 Statement of Comprehensive Income 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 2010

2. Summary of significant accounting policies (continued)

(n) 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. Goodwill is allocated to cash-generating units, tested annually for impairment, or more frequently if events or circumstances indicate that it may be impaired, and is carried at cost less accumulated impairment losses. Negative goodwill arising on acquisition and any impairment losses are recognised in the Statement of Comprehensive Income.

In determining the recoverable amount of goodwill, valuation models to calculate the present value of expected cash flows of the cash-generating units are used. The major inputs and assumptions used in the models that require management judgement include: forecasts of sales volumes and revenues, future prices and costs, terminal values and discount rates.

(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.

(o) Trade and other payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are recognised initially at fair value and are unsecured.

(p) Goods and Services Tax (GST)

The financial statements have been prepared so that all components are stated exclusive of GST except where the GST is not recoverable. Trade and other receivables and payables are stated GST inclusive. The net amount of GST recoverable from or payable to the Inland Revenue Department (IRD) is included within these categories.

(q) 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 Statement of Comprehensive Income over the period of the borrowings using the effective interest method. The net movement in borrowings is shown in the Statement of Cash Flows. Borrowings are classified as current liabilities if settlement is within 12 months.

(r) Leases

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

(s) 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.

2. Summary of significant accounting policies (continued)

(t) 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 Statement of Comprehensive Income as incurred.

(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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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.

(u) 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and 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. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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 intangible assets
Intangible assets with indefinite useful lives are not subject to amortisation. The Group tests annually for impairment and when events or circumstances indicate the carrying value may not be recoverable, in accordance with the accounting policy stated in (note 2 n(i)).

Intangible assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable (note 10).

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 Statement of Comprehensive Income. 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).

	Group and Parent	
	2010 $000	2009 $000
4. Operating activities		
Included in operating activities:		
Inventories expensed in cost of sales	(281,401)	(348,514)
Inventory written down	(1,793)	(699)
Bad debts	(1,324)	(5,809)
Depreciation and amortisation	(6,486)	(6,697)
Operating leases	(9,260)	(8,922)
Directors' fees	(343)	(378)
Employee benefits	(41,983)	(46,303)
Termination benefits	–	(1,311)
Auditors' fees – audit services	(192)	(204)
– tax compliance and consulting	(25)	(28)
Donations	(15)	(26)

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
5. Income and deferred tax				
Profit before tax	**14,209**	37,306	**14,209**	37,740
Non-deductible expenditure	**145**	(50)	**145**	(194)
Tax legislation change adjustments	**13,963**	–	**13,963**	–
	28,317	37,256	**28,317**	37,546
Tax at 30%	**8,495**	11,177	**8,495**	11,264
	8,495	11,177	**8,495**	11,264
Represented by:				
Current tax	**4,340**	11,362	**4,340**	11,360
Deferred tax	**4,155**	(185)	**4,155**	(96)
	8,495	11,177	**8,495**	11,264

On 20 May 2010, the Government announced that the company tax rate will reduce from 30% to 28% and tax depreciation on buildings with an estimated useful life of 50 years or more will reduce to 0%. The changes were substantively enacted on 21 May 2010 and are effective for years beginning on or after 1 April 2011. The effect of these changes on the re-measurement of deferred tax balances has been brought to account in the financial statements for the year ended 30 June 2010.

	Group and Parent	
	2010	2009
	$000	$000
Tax legislation adjustments:		
Re-measurement of deferred tax – removal of depreciation on buildings	**(4,447)**	–
Re-measurement of deferred tax – company tax rate change from 30% to 28%	**258**	–
	(4,189)	–

Deferred tax assets

	Opening balance $000	Recognised in income $000	Closing balance $000
Group 2010			
Property, plant and equipment	**370**	**(4,265)**	**(3,895)**
Employee benefits	**1,137**	**(199)**	**938**
Provisions	**970**	**214**	**1,184**
Cash flow hedging reserve	**180**	**(275)**	**(95)**
Other items	**444**	**370**	**814**
	3,101	**(4,155)**	**(1,054)**
Group 2009			
Property, plant and equipment	504	(134)	370
Employee benefits	1,122	15	1,137
Provisions	743	227	970
Cash flow hedging reserve	–	180	180
Other items	547	(103)	444
	2,916	185	3,101

Notes to the Financial Statements

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5. Income and deferred tax (continued)

	Opening balance $000	Recognised in income $000	Closing balance $000
Parent 2010			
Property, plant and equipment	**370**	**(4,265)**	**(3,895)**
Employee benefits	**1,137**	**(199)**	**938**
Provisions	**970**	**214**	**1,184**
Cash flow hedging reserve	**180**	**(275)**	**(95)**
Other items	**444**	**370**	**814**
	3,101	**(4,155)**	**(1,054)**
Parent 2009			
Property, plant and equipment	593	(223)	370
Employee benefits	1,122	15	1,137
Provisions	743	227	970
Cash flow hedging reserve	–	180	180
Other items	547	(103)	444
	3,005	96	3,101

	Group		Parent	
	2010 $000	2009 $000	**2010 $000**	2009 $000
Represented by:				
Deferred tax asset recovery within 1 year	**2,688**	2,618	**2,688**	2,618
Deferred tax asset recovery after 1 year	**(3,742)**	483	**(3,742)**	483
	(1,054)	3,101	**(1,054)**	3,101

	Group and Parent	
	2010 $000	2009 $000
Imputation credit account		
Balance at the beginning of the year	**17,204**	15,802
Tax payments	**4,417**	8,500
Credits attached to dividends paid	**(4,691)**	(7,098)
Balance at the end of the year	**16,930**	17,204

	Group		Parent	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000

6. Trade and other receivables

	2010 $000	2009 $000	**2010 $000**	2009 $000
Trade receivables	**63,571**	68,957	**63,571**	68,957
Provision for impairment	**(2,871)**	(2,578)	**(2,871)**	(2,578)
	60,700	66,379	**60,700**	66,379
Prepayments and sundry receivables	**986**	855	**909**	661
Controlled entities (note 22b)	**–**	–	**983**	1,268
	61,686	67,234	**62,592**	68,308
Non-current portion – controlled entities	**–**	–	**(983)**	(1,268)
	61,686	67,234	**61,609**	67,040

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 $1.3 million (2009: $5.8 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 2010, trade receivables of $4.7 million (2009: $15.4 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:

	2010 $000	2009 $000
Within 1 month	**2,848**	7,133
Within 1 to 3 months	**463**	3,259
Beyond 3 months	**1,376**	5,010
	4,687	15,402

(b) Provision for impairment

At 30 June 2010, trade receivables of $4.9 million (2009: $3.3 million) were considered to be impaired and the amount of the provision was $2.9 million (2009: $2.6 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.

	2010 $000	2009 $000
Balance at the beginning of the year	**2,578**	1,239
Recognised during the year	**1,785**	7,900
Written off during the year as uncollectible	**(1,492)**	(6,561)
Balance at the end of the year	**2,871**	2,578

7. Inventories

	2010 $000	2009 $000	**2010 $000**	2009 $000
Finished goods at cost	**84,953**	91,030	**84,953**	91,030
Provision for write-down	**(726)**	(193)	**(726)**	(193)
	84,227	90,837	**84,227**	90,837

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

8. Property, plant and equipment

	Group and Parent			
	Land & buildings $000	Machinery & vehicles $000	Furniture, fittings & equipment $000	Total $000
2010				
Opening cost	29,602	62,113	17,711	109,426
Opening accumulated depreciation	(5,186)	(36,857)	(13,500)	(55,543)
Opening net book value	24,416	25,256	4,211	53,883
Additions	233	3,558	909	4,700
Disposals	–	(227)	(24)	(251)
Depreciation	(472)	(4,612)	(1,282)	(6,366)
Transferred to assets held for sale	(508)	–	–	(508)
Closing net book value	**23,669**	**23,975**	**3,814**	**51,458**
Comprised of:				
Cost or deemed cost	29,075	64,080	18,086	111,241
Accumulated depreciation	(5,406)	(40,105)	(14,272)	(59,783)
	23,669	**23,975**	**3,814**	**51,458**
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

9. Assets held for sale

	Group and Parent	
	2010 $000	2009 $000
Balance at the beginning of the year	–	–
Transfer from property, plant and equipment	508	–
Balance at the end of the year	**508**	–

The Group entered into a sale and purchase agreement to sell one of its properties. The contract is conditional and has been transferred from property, plant and equipment to assets held for sale.

10. Intangibles

	Group and Parent		
	Goodwill $000	Licences $000	Total $000
2010			
Opening cost	**19,856**	**3,310**	**23,166**
Opening accumulated amortisation	**–**	**(3,096)**	**(3,096)**
Opening net book value	**19,856**	**214**	**20,070**
Additions	**–**	**11**	**11**
Amortisation charge	**–**	**(120)**	**(120)**
Closing net book value	**19,856**	**105**	**19,961**
Comprised of:			
Cost	**19,856**	**3,321**	**23,177**
Accumulated amortisation	**–**	**(3,216)**	**(3,216)**
	19,856	**105**	**19,961**
2009			
Opening cost	19,856	3,310	23,166
Opening accumulated amortisation	–	(2,938)	(2,938)
Opening net book value	19,856	372	20,228
Amortisation charge	–	(158)	(158)
Closing net book value	19,856	214	20,070
Comprised of:			
Cost	19,856	3,310	23,166
Accumulated amortisation	–	(3,096)	(3,096)
	19,856	214	20,070

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. Goodwill is tested annually for impairment or when there are indications goodwill may be impaired.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow forecasts based on financial budgets prepared by management and approved by the Board to 30 June 2013. The forecasts are based on past performance, adjusted for expectations of future events, including expectations of future market conditions. The cash flow forecasts to 30 June 2013 are extrapolated for a further two years based on the average of the three-year forecasts. In arriving at the forecast cash flows, management has made key assumptions about sales revenue growth, steel prices, margin levels and foreign exchange fluctuations.

The estimated growth rate for the terminal value is 1.5% (2009: 1.5%). This rate does not exceed the average long-term growth rate for relevant markets. The pre-tax discount rates applied to the cash flow forecasts range from 14% to 16.3% (2009: 14.6% to 16.1%). The pre-tax discount rates derived are based on using a post-tax weighted average cost of capital for the Group of 10.3% (2009: 10.3%) through a capital asset pricing model taking into account the current cost of debt and equity. The post-tax discount rate has been derived using externally sourced market data specific to the industry in which the Group operates.

Management does not expect that a reasonable change in key assumptions would reduce the recoverable amount of any CGU below its carrying amount.

Based on the calculations completed there is no indication of impairment as at 30 June 2010.

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	Group and Parent	
	2010	2009
	$000	$000

10. Intangibles (continued)

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

11. Trade and other payables

Trade payables	**21,435**	18,811
Accrued expenses	**8,414**	9,817
Employee benefits	**3,652**	5,587
	33,501	34,215

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.

	Group		Parent	
	2010	2009	2010	2009
	$000	$000	$000	$000

12. Bank borrowings

Current				
Bank and at call	**6,942**	7,502	**6,966**	7,624
Bank term loans	**29,000**	35,000	**29,000**	35,000
Non-current				
Bank term loans	**–**	5,000	**–**	5,000

The effective interest rate on the call borrowings was 4.2% (2009: 4.0%). 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 current borrowings is equivalent to the fair value.

The effective interest rate on the fixed rate term loans was 4.4% (2009: 6.98%). 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 $135 million (2009: $160 million). These facilities have a mix of fixed and revolving terms. Unless earlier extended, $25 million (2009: $25 million) has an expiry date of March 2011, $10 million (2009: $10 million) has an expiry date of December 2011, $60 million (2009: $60 million) has an expiry date of March 2012, $25 million (2009: $25 million) has an expiry date of June 2012, and $15 million (2009: $Nil) has an expiry date of March 2013.

	Group and Parent	
	2010	2009
	$000	$000

13. Provisions

Current		
Balance at the beginning of the year	**500**	272
Used during the year	**(55)**	228
Balance at the end of the year	**445**	500

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

Non-current	Service benefits	Incentive benefits	Total
2010			
Balance at the beginning of the year	**564**	**481**	**1,045**
Accrued/used during the year	**–**	**36**	**36**
Reversed (unused)	**(82)**	**(27)**	**(109)**
Balance at the end of the year	**482**	**490**	**972**
2009			
Balance at the beginning of the year	572	897	1,469
Accrued/used during the year	(8)	(382)	(390)
Reversed (unused)	–	(34)	(34)
Balance at the end of the year	564	481	1,045

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 20b).

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	2010 $000	2009 $000	2010 Shares	2009 Shares

14. Share capital

	2010 $000	2009 $000	2010 Shares	2009 Shares
Fully paid:				
Balance at the beginning of the year	**71,251**	70,634	**88,372,240**	88,212,240
Proceeds from partly paid shares	–	615	–	160,000
Transfer from partly paid shares	–	2	–	–
Balance at the end of the year	**71,251**	71,251	**88,372,240**	88,372,240
Partly paid:				
Balance at the beginning of the year	**1**	3	**157,000**	317,000
Transfer to fully paid shares	–	(2)	–	(160,000)
Balance at the end of the year	**1**	1	**157,000**	157,000
	71,252	71,252	**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 one 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.

15. Earnings per share (EPS)

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Profit after tax	**5,714**	26,129	**5,714**	26,476
Weighted average number of shares for basic EPS	**88,158**	88,151	**88,158**	88,151
Weighted average number of shares for diluted EPS	**88,315**	88,308	**88,315**	88,308
Basic earnings per share (cents)	**6.5**	29.6	**6.5**	30.0
Diluted earnings per share (cents)	**6.5**	29.6	**6.5**	30.0

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 14).

16. Dividends

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
2010 interim: 3.5 cents per share (2009: 10 cents)	**3,092**	8,821	**3,092**	8,821
2009 final: 9 cents per share (2008: 10 cents)	**7,954**	8,821	**7,954**	8,821
Treasury shares	**(28)**	(49)	–	–
	11,018	17,593	**11,046**	17,642

Dividends paid are fully imputed and the Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $0.7 million (2009: $1.6 million).

	Group 2010 $000	Group 2009 $000
Declared post balance date and not recognised as a liability:		
2010 final: 5 cents per share (2009: 9 cents).	**4,419**	7,954

	2010 $000	2009 $000	2010 Shares	2009 Shares
17. Treasury shares				
Balance at the beginning of the year	**914**	786	**221,410**	176,120
Purchases	**–**	217	**–**	64,975
Used in share schemes	**(60)**	(130)	**(14,069)**	(33,575)
Withdrawals	**18**	41	**6,680**	13,890
Balance at the end of the year	**872**	914	**214,021**	221,410

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

18. Operating segments

Operating segments of the Group as at 30 June 2010 have been determined based on separate financial information that is regularly reviewed by the CODM. The Group's operating segments comprise steel distribution and processing, roofing products, reinforcing, hurricane wire and stainless businesses.

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

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

19. 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 its foreign exchange exposure are taken to equity.

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	Group and Parent	
	2010	2009
	$000	$000

19. Financial risk management (continued)

Cash flow hedging reserve:		
Balance at the beginning of the year	(444)	270
Gain/(loss) taken to equity	319	(624)
Tax effect on hedging	(95)	180
Transfer to inventory	624	(385)
Transfer to tax	(180)	115
Balance at the end of the year	**224**	(444)

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.

If the NZ dollar had weakened/strengthened by 5% against the US dollar at balance date, there would be no impact on the Statement of Comprehensive Income, as the Group qualifies for hedge accounting. The effect will be to equity +/- $0.9 million (2009: +/- $0.3 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 prior 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 below 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.

	1 year	Within 1-2 years	Within Total
19. Financial risk management (continued)			
Group 2010			
Borrowings	**29,125**	–	**29,125**
Trade and other payables	**33,501**	–	**33,501**
Cash flow hedging of forward foreign exchange contracts:			
Outflow	**17,587**	–	**17,587**
Inflow	**(17,906)**	–	**(17,906)**
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)
Parent 2010			
Borrowings	**29,125**	–	**29,125**
Trade and other payables	**33,501**	–	**33,501**
Cash flow hedging of forward foreign exchange contracts:			
Outflow	**17,587**	–	**17,587**
Inflow	**(17,906)**	–	**(17,906)**
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)

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 $0.08 million (2009: $0.06 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 on the following page reflect the maturity periods of the borrowings at balance date.

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	At call $000	Term loans $000	Total $000

19. Financial risk management (continued)

	At call $000	Term loans $000	Total $000
2010			
Within 1 year	6,942	29,000	35,942
	6,942	**29,000**	**35,942**
2009			
Within 1 year	7,502	35,000	42,502
Within 1 – 2 years	–	5,000	5,000
	7,502	40,000	47,502

(d) Financial instruments by category

	Loans and receivables	Derivatives hedging	Liabilities at amortised cost
Group 2010			
Assets per balance sheet			
Trade and other receivables excluding prepayments	60,781	–	–
Derivative financial instruments	–	319	–
Liabilities per balance sheet			
Borrowings	–	–	35,942
Trade and other payables	–	–	33,501
Group 2009			
Assets per balance sheet			
Trade and other receivables excluding prepayments	66,576	–	–
Liabilities per balance sheet			
Borrowings	–	–	47,502
Trade and other payables	–	–	34,215
Derivative financial instruments	–	624	–
Parent 2010			
Assets per balance sheet			
Trade and other receivables excluding prepayments	60,704	–	–
Derivative financial instruments	–	319	–
Liabilities per balance sheet			
Borrowings	–	–	35,966
Trade and other payables	–	–	33,501
Parent 2009			
Assets per balance sheet			
Trade and other receivables excluding prepayments	67,650	–	–
Liabilities per balance sheet			
Borrowings	–	–	47,624
Trade and other payables	–	–	34,215
Derivative financial instruments	–	624	–

(e) Fair value estimation

Effective 1 July 2009, the Group adopted the amendment to IFRS7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurements hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The following table presents the Group's assets that are measured at fair value in the Balance Sheet as at 30 June 2010.

	Level 1 $000	Level 2 $000	Level 3 $000	Total balance $000
Group and Parent 2010				
Assets				
Financial assets at fair value through profit and loss				
Derivatives used for hedging	–	319	–	319
Total assets	**–**	**319**	**–**	**319**

(f) 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 20% (2009: 24%) 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.

20. 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. No offer was made to employees in the current financial year. (2009: offer at issue price of $2.88 per share.)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

	Group 2010 Shares	Group 2009 Shares

20. Share schemes (continued)

	Group 2010 Shares	Group 2009 Shares
Balance at the beginning of the year	**131,140**	120,820
Purchases	–	60,710
Vested in employees	**(29,530)**	(50,390)
Balance at the end of the year	**101,610**	131,140

(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. No shares were purchased during the year for the Executive Share Plan. During the year 13,894 rights to shares from the 2004, 2005 and 2006 allocations were exercised by employees. The distribution was independently verified and based on total shareholder returns achieved.

	Group 2010 Shares	Group 2009 Shares
Balance at the beginning of the year	**211,900**	163,290
Purchases	–	64,975
Vested in employees	**(13,894)**	(16,365)
Balance at the end of the year	**198,006**	211,900

21. Commitments and Contingencies

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
(a) Lease commitments on non-cancellable leases				
Within 1 year	**7,968**	7,279	**7,968**	7,198
Within 1 to 5 years	**18,645**	18,007	**18,645**	18,007
Beyond 5 years	**6,378**	3,600	**6,378**	3,600
	32,991	28,886	**32,991**	28,805

The Group occupies a number of warehouse and office premises under operating leases. The leases have varying terms and renewal rights. During the year, $9.3 million (2009: $8.9 million) was recognised as an expense in the Statement of Comprehensive Income.

(b) Capital commitments

The Group has committed $4.1 million (2009: $0.4 million) for property extensions and the purchase of plant and equipment.

(c) Contingent liabilities

Guarantees on contracts at balance date were $0.2 million (2009: $0.8 million) and were transacted in the ordinary course of business.

22. Related parties

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

	Group and Parent	
	2010	2009
	$000	$000
(a) Transactions with parent company		
Purchases during the year	**30,549**	44,682
Percentage of related party purchases	**10.4%**	12.5%

OneSteel Limited of Australia, through its subsidiary OneSteel NZ Holdings Limited, owns 50.3% (2009: 50.3%) of the Company's issued shares. All transactions are on commercial terms. Included in trade creditors is an amount of $1.6 million (2009: $1.5 million) owed to OneSteel at balance date.

	Parent only	
	2010	2009
	$000	$000
(b) Loans with controlled entities		
Loans to share schemes	**679**	964
Loans to subsidiaries	**304**	304
	983	1,268

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 20).

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	
	2010	2009
	$000	$000
(c) Transactions with key management personnel		
Short-term benefits	**2,590**	3,339
Long-term benefits	**–**	710
Share-based benefits	**60**	134
Termination benefits	**–**	1,311
	2,650	5,494

The key management personnel are the Directors and Executive Management. Included in short-term benefits are Directors' fees of $343,076 (2009: $378,000).

23. Subsequent event

On 12 August 2010, the Board declared a fully imputed dividend of 5 cents per share ($4.42 million) and a supplementary dividend to non-resident shareholders of 0.882 cents per share. The dividends will be paid to shareholders on 30 September 2010.

Auditors' Report

PRICEWATERHOUSECOOPERS

TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

PricewaterhouseCoopers
113-119 The Terrace
PO Box 243
Wellington 6140
New Zealand
www.pwc.com/nz
Telephone +64 4 462 7000
Facsimile +64 4 462 7001

We have audited the financial statements on pages 21 to 47. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2010 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 25 to 31.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205 (1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

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 2010 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.

PRICEWATERHOUSECOOPERS

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 21 to 47:

- (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 2010 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 13 August 2010 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants　　　　Wellington

This audit report relates to the financial report of Steel & Tube Holdings Limited for the year ended 30 June 2010 included on the Company's website. The Company's Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial report since it was initially presented on the website.

Comparative Review

	2010 $000	2009 $000	2008 $000	2007 $000	2006 $000
Financial Performance					
Sales	**379,993**	484,482	503,880	466,316	439,342
EBITDA	**22,406**	49,931	45,660	52,532	54,903
Depreciation and amortisation	**(6,486)**	(6,697)	(6,094)	(6,177)	(5,636)
EBIT	**15,919**	43,234	39,566	46,355	49,267
Net Interest expense	**(1,710)**	(5,928)	(5,988)	(4,605)	(3,163)
Profit before tax	**14,209**	37,306	33,578	41,750	46,104
Tax expense – operating income	**(4,306)**	(11,177)	(11,032)	(13,975)	(15,280)
Tax expense – tax legislation changes	**(4,189)**	–	–	–	–
Profit after tax	**5,714**	26,129	22,546	27,775	30,824
Funds Employed					
Equity	**145,549**	150,143	141,834	138,780	139,136
Non-current liabilities	**972**	6,045	26,469	16,264	16,246
	146,521	156,188	168,303	155,044	155,382
Comprises:					
Current assets	**146,740**	158,071	187,863	177,615	157,145
Current liabilities	**(71,638)**	(78,937)	(99,224)	(92,938)	(68,412)
Working capital	**75,102**	79,134	88,639	84,677	88,733
Non-current assets	**71,419**	77,054	79,664	70,367	66,649
	146,521	156,188	168,303	155,044	155,382

Statistics

Dividends per share (cents)	**8.5**	19	19	29	32
Earnings per share (cents)	**6.5**	29.6	25.6	31.5	35.1
Return on sales	**1.5%**	5.4%	4.5%	6.0%	7.0%
Return on equity	**3.9%**	17.4%	15.9%	20.0%	22.2%
Working capital (times)	**2.0**	2.0	1.9	1.9	2.3
Net tangible assets per share	**$1.42**	$1.47	$1.38	$1.35	$1.35
Equity to total assets	**66.7%**	63.9%	53.0%	56.0%	62.2%
Gearing (debt to debt plus equity)	**19.8%**	24.0%	37.1%	33.4%	24.4%
Net interest cover (times)	**9.3**	7.3	6.6	10.1	15.6
Ordinary shareholders	**7,693**	7,675	7,790	8,022	8,253
Employees	**711**	787	835	881	907

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

BUSINESS LOCATIONS

Registered Office

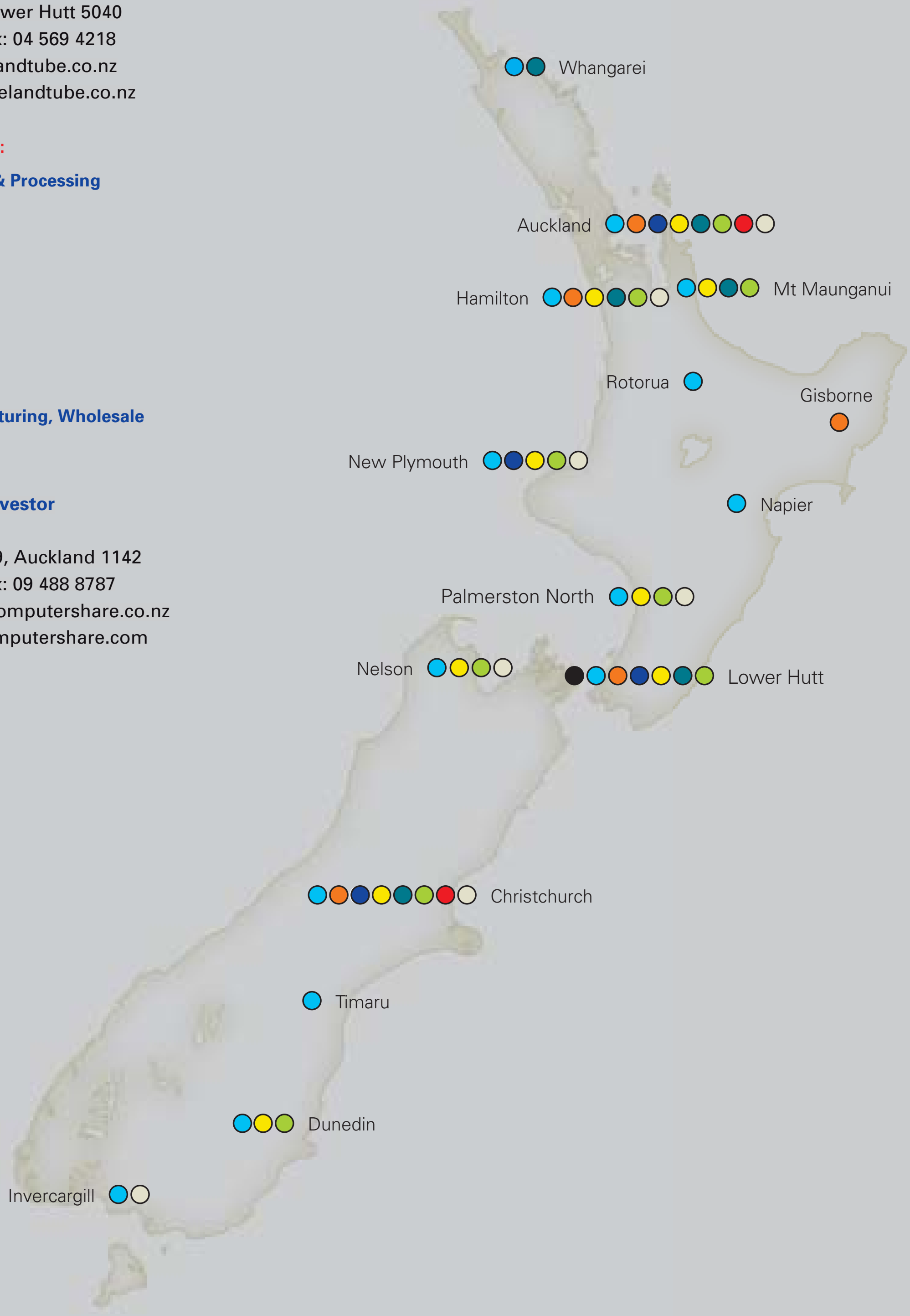
15-17 Kings Crescent, Lower Hutt 5010
PO Box 30-543, Lower Hutt 5040
Ph: 04 570 5000 Fx: 04 569 4218
Email: info@steelandtube.co.nz
Website: www.steelandtube.co.nz

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



- NATIONAL SUPPORT CENTRE
- STEEL DISTRIBUTION & PROCESSING
- INDUSTRIAL PRODUCTS
- PIPING SYSTEMS
- FASTENING SYSTEMS
- ROOFING PRODUCTS
- REINFORCING
- HURRICANE MANUFACTURING, WHOLESALE
- STAINLESS STEEL

FOR OVER 50 YEARS STEEL & TUBE HAVE SUPPORTED SOME OF THE BIGGEST PROJECTS IN DEVELOPING NEW ZEALAND'S INFRASTRUCTURE. OUR ABILITY TO MEET THE CHALLENGES OF LAST YEAR HAS CREATED A SOLID BUSINESS PLATFORM, AND WE ARE EXCITED ABOUT THE FUTURE AND ROAD AHEAD.

Steel & Tube Holdings Limited

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

www.steelandtube.co.nz