One Company: One Future

Annual Report 2011

One Company: This year we have made major changes to the way we operate, consolidating and optimising our operations, reorganising our structure and moving away from the product by product approach we've taken historically. By broadening our product availability through our extensive distribution footprint, streamlining our approach and focusing each relationship through a single point of contact, we have improved how we work and made it easier for our customers to do business with us.

One Future: For many years, Steel & Tube has been a nationally based NZX50 company, with strong relationships and a diverse and quality range of steel products. New leadership has brought a reinvigoration of the Company with the intention of providing returns consummate to shareholders' expectations despite the ongoing economic environment.

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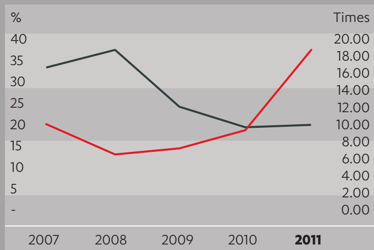
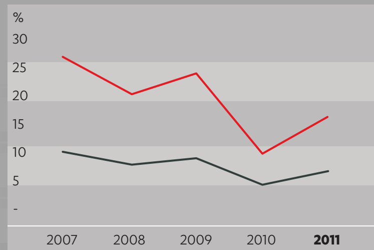
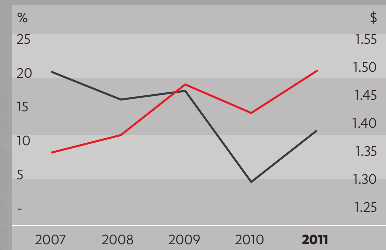
— GEARING RATIO
— INTEREST COVER



— OPERATING MARGIN
— RETURN OF FUNDS EMPLOYED



— RETURN ON EQUITY
— NET TANGIBLE ASSETS PER SHARE



Improving Returns: While market conditions have remained challenging, underlying profit climbed significantly this year.

198%

REPORTED PROFIT AFTER TAX

INCREASED BY 198% FROM THE PREVIOUS YEAR.

33%

REDUCED MTIFR

MEDICAL TREATMENT INJURY FREQUENCY RATIO REDUCED BY 33% FROM THE PREVIOUS YEAR.

20%

DEBT TO EQUITY

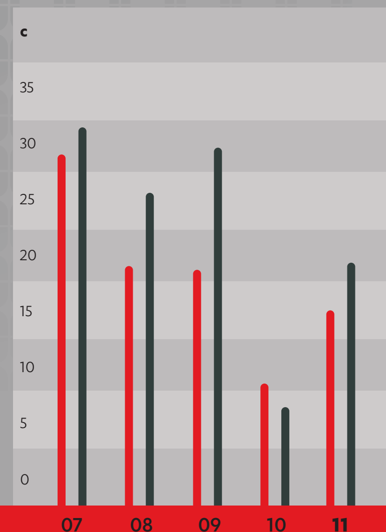
THE GROUP'S DEBT TO EQUITY RATIO REMAINS AT 20%, ENABLING LEVERAGING.

57yrs

FOR OVER 57 YEARS

STEEL & TUBE HAS SUPPORTED THE DEVELOPMENT OF SOME OF NEW ZEALAND'S BIGGEST INFRASTRUCTURE PROJECTS.

— DIVIDENDS PER SHARE
— EARNINGS PER SHARE



Board of Directors

1. Dean Pritchard BE, FIE Aust, CP Eng, FAICD

Chairman and Non-independent Director

Appointed a Director and elected as Chairman on 20 May 2005, Dean was Chief Executive Officer of Baulderstone Hornibrook, Chairman of ICS Global Limited and a Director of Zinifex Limited, Railcorp and Eraring Energy. He is currently a Director of OZ Minerals Limited, OneSteel Limited and Spotless Group Limited.

2. Dave Taylor B.Sc

Chief Executive Officer and Non-independent Director

Appointed the Chief Executive Officer and a Director on 5 October 2009, Dave was previously General Manager of the Australian Reinforcing Company, a subsidiary of OneSteel Limited. In 22 years at The BOC Group, he held a number of senior executive positions, initially in the United Kingdom and more recently as President BOC Gases Korea, based in Seoul and Managing Director Process Gas Solutions South Pacific, based in Sydney. Dave is a Director of all subsidiary companies in Steel & Tube Holdings Limited.

3. Robert Bakewell CA, B.Comm

Non-independent Director

Appointed a Director on 24 June 2010, Robert has more than 25 years experience in executive, financial and commercial roles, including 16 years spent with ABB Limited in Asia, United Kingdom and Europe, most recently as Group Senior Vice-President, Chief Financial Officer, Power Products division. He is currently Chief Financial Officer of OneSteel Limited where he is responsible for accounting, tax, risk management, treasury and business planning.

4. Barry Dineen LLB

Independent Director

Appointed a Director in 1994, Barry is a former Chairman and Managing Director of the Shell companies in New Zealand and Past President of the Institute of Directors in New Zealand.

5. Janine Smith B.Comm

Independent Director

Appointed a Director on 22 September 2010, Janine's executive roles have included General Manager/Chief Executive Officer and Executive Director positions at Arnott's New Zealand Limited and Executive Director at Telecom Directories Limited. She has also been a Director of BNZ and Airways Corporation and a Trustee of Venture Taranaki. The Principal of The Boardroom Practice Limited, Janine is also Chairman of McLarens Young New Zealand Limited, a major loss adjusting company in New Zealand, Chairman of AsureQuality Limited and a Director of The Warehouse Group Limited.

6. Rosemary Warnock BA, MAICD

Non-independent Director

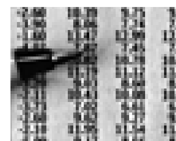
Appointed a Director on 22 September 2010, Rosemary has held senior executive positions in the BP Group in Australia, United Kingdom and Singapore, including Chief Executive for Asia Pacific Lubricants. Principal of The Adelante Group, a partnership that provides executive mentoring services, she is currently Chairman of Thinc Group Holdings Pty Limited, an international company focused on capital works projects, and a Director of OneSteel Limited.

1953

The Formation

Steel & Tube was formed by merging the interests of companies: Stewarts & Lloyds of New Zealand Limited, The Iron & Steel Company of New Zealand Limited, McLean & Todd Limited.

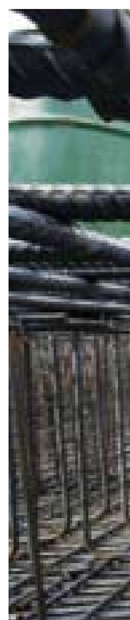
1967



A Public Company

Steel & Tube become a public company and listed on the New Zealand Stock Exchange.

Directors' Report



The Directors are pleased to present the annual report and audited financial statements of the Company and its subsidiaries for the year ended 30 June 2011.

Group Results

For the year ended 30 June 2011 Steel & Tube Holdings Limited reported a Group net profit after tax of $17.0 million. This result compares to a profit of $5.7 million after tax last year, an increase of 198%. Earnings per share for the year ended 30 June 2011 were 19.4 cents compared to 6.5 cents for the prior year.

As at 30 June 2011 total equity increased by $6.1 million to $152.0 million and total assets by $13.4 million to $231.5 million, compared to $218.1 million in the prior year.

The Group's debt to equity ratio of 20% continues to be at a level that enables the Group to leverage against its assets if required. The Company is in a sound position.

Dividends

The Company has declared a fully imputed dividend of 9 cents per share payable on 30 September 2011 to holders of fully paid ordinary shares recorded on 16 September 2011. This brings the total dividends for the year to 15 cents. The final dividend payable is $7.95 million.

Executive Share Plan

A total of 223,528 shares were purchased for the Executive Share Plan. No rights to shares within the Executive Share Plan were exercised during the year. Refer to note 22(b) to the financial statements. In 2009 the NZX granted a waiver to the Company under listing rule 7.6.4(b)(iii) to permit the provision of financial assistance to the CEO Mr Dave 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 senior 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

The retirement of Dr Eileen Doyle and Mr Ian Lindsay was announced at the 2010 annual meeting.

In September 2010 Ms Janine Smith and Ms Rosemary Warnock were appointed Directors filling the vacancies created by the retirement of Dr Eileen Doyle and Mr Ian Lindsay and were subsequently elected at last year's annual meeting.

In accordance with the Company's constitution, Mr Barry Dineen and Mr Robert Bakewell will retire by rotation. Neither Mr Barry Dineen nor Mr Robert Bakewell will be seeking re-election.

1970s

Expanding Activities

Embarked on a business growth strategy expanding Steel & Tube's field of activities, leading to the creation of Steel & Tube Holdings Limited.

Acquired a number of well known companies of the time.

1980

Fletcher Metals

Fletcher Metals Limited became the largest shareholder in 1980 when it acquired 24.92% of Steel & Tube from British Steel Corporation.

"The Board wishes to acknowledge the contributions and commitment from all staff in what has been a year of significant change and improvement for the Company."

Dean Pritchard Chairman

Steel & Tube has provided steel products to these and other major projects in the last financial year:

Auckland Rail Electrification

Benmore HVDC Pole 3 Project

Christchurch Southern Motorway

Claudlands Arena

Fisher & Paykel Building 3

Fonterra Darfield Powder Project

Newmarket Viaduct

Te Mehi Steamfield Development

Victoria Park Tunnel Piles

Wellington Indoor Sports Centre

The Board wishes to acknowledge their contributions particularly that of Mr Barry Dineen who has served as a Director of Steel & Tube for the last 17 years.

As previously announced Sir John Anderson and Mr Steve Hamer will join the Board in November and offer themselves for election at the annual meeting.

Director certificates covering entries in the Interests Register in respect of remuneration, dealing in Company shares, insurance indemnities and other interests have been disclosed in the statutory information section of this annual report.

Personnel

The Board wishes to acknowledge the contributions and commitment from all staff in what has been a year of significant change and improvement for the Company. With staff based throughout New Zealand, the Board recognises the efforts of each team member to make Steel & Tube stronger in everyway.

Dean Pritchard Chairman

Dave Taylor Chief Executive Officer

11 August 2011

1985

Australian Interest

Tubemakers of Australia entered into the Company's share registry in 1985 when it acquired 8.8%.

Mid 1980s

Diversified Activities

Growth strategy that significantly diversified activities away from Steel & Tube's core business.

Investments:

New Zealand Motor Corporation Limited, a retailer, importer and assembler of motor vehicles.

Domtrac Equipment, specialising in sales of heavy machinery and trucks.

Healing Industries, a manufacturer of paint, chemicals, cycles and rubber tyres.

25% ownership: New Zealand Steel Limited.

Chief Executive's Review

Steel & Tube rebounded strongly this year, in a tough economic climate. A rebranding programme and the instigation of a 'One Company' philosophy, signalled a new era for the Company.

At year end, despite continuing market pressures and the terrible events in Christchurch, the sentiment is of a Company that is proud of its traditions and determined to secure its future.

Review of Operations

Group profit after tax for the full year was $17.0 million compared to $5.7 million for the previous year. This included a minor one-off tax expense of $289,000 compared to last year's one-off tax expense of $4.2 million, both related to tax legislation changes announced in the New Zealand Government's May 2010 Budget.

Underlying profit at $17.3 million is an increase of $7.4 million or 75% when compared to the previous year's underlying profit. Sales at $386 million were $6.0 million higher on slightly increased volumes.

Previously announced results for the six months to 31 December 2010 were sales revenue of $190.5 million and underlying net profit after tax of $8.4 million. For the second half, sales were $195.5 million and underlying net profit after tax was $8.9 million.

A final dividend of 9.0 cents per share was declared.

Overview

The economic environment was slow and subdued, in line with the Company's expectations outlined in last year's outlook statement, with little upside from a trading perspective. The earthquakes and ongoing aftershocks in Christchurch required significant time and resources to assist staff through a challenging and traumatic period.

In addition, the Company embraced a significant change programme to reinvigorate the organisation and to prepare for the future. The new and exciting brand is a visual demonstration of this.

Against this backdrop, it is pleasing to report improved business performance and profitability for the last financial year ending 30 June 2011.

Market Conditions

As anticipated, the New Zealand economy struggled to gain momentum throughout the first half of the reporting period and although the March quarter GDP result of 0.8% suggested an improving economic foundation, from the Company's perspective several key sectors continued to deteriorate thereby offsetting those sectors showing signs of recovery.

Consequently, subdued performance in key sectors for most of the period led to ongoing low demands, with the continuation of competitive pressures and squeezed margins.

The construction sector in particular continued to deteriorate throughout the period. Residential construction remained at historical lows and despite a slight recovery in housing turnover, building consents by value declined 14% compared to the previous year.

Similarly, non-residential construction deteriorated year on year with building consents by value reducing a further 4% for the year ending June 2011. This is on top of the 18% reduction in the prior year. The commercial and industrial construction sectors weakened further, with reductions in consents of 29% and 12% respectively.

Manufacturing started the year slowly, with most sectors under pressure. However, the second half improved, particularly in transport, machinery and equipment manufacturing. Like the previous year, export manufacturing was buoyed by the favourable exchange rate, with exporters to Australia enjoying increased demand. The rural sector started to recover with record commodity prices across almost all sectors and particularly strong demand for dairy within emerging Asia. There is still significant debt to be repaid, however, increasing confidence produced increased activity levels in the second half of the reporting period.

1988

A Return to Core Business

Economic Downturn resulted in a financial loss.

Strategic direction re-evaluated which saw a return to core business: the distribution of steel and allied products and base metal manufacturing.

Late 1980s

One of New Zealand's Largest Industrial Businesses

By the late 1980s Steel & Tube Holdings Limited became one of the largest industrial businesses in New Zealand, employing approximately 4,400 people, with annual sales in the vicinity of $NZ670 million.

"Group profit after tax for the full year was $17.0 million compared to $5.7 million the previous year."

Dave Taylor Chief Executive Officer

In other major sectors oil and gas projects were reasonably strong in the first half of the reporting period but as two large onshore projects concluded, the second half was relatively quiet. World steel production increased 13% from July 2010 to June 2011, with almost half of the growth coming from China. Raw material prices have all significantly increased within the period at an average of approximately 40%, pushed up further by the Queensland floods limiting coal output used to make coking coal. As a consequence, finished goods prices increased in the second half of the reporting period, offset to some degree in New Zealand by the strength of the New Zealand dollar.

Christchurch

Christchurch featured significantly throughout the period as staff both in Christchurch and elsewhere worked hard to deal with the situation. Pleasingly, all 120 staff and the six facilities came through the September and February earthquakes relatively unscathed. Sadly, one employee lost his partner and our thoughts and support continue to be with him and his family.

Many employees' families have been impacted owing to property damage and the ongoing stresses of the situation and the Company has continued to find ways to support staff.

Disruptions to business operations were minimal owing to the commitment, resilience and the continued focus by staff on supporting the business. Our systems and standards employed in the warehousing and handling of steel products resulted in relatively minor damage to product and facilities.

In addition to the support offered to staff, we positioned the Company to assist in the rebuild with many of the organisations involved.

Company Performance

The total domestic demand for steel for the 12 months to June 2011 increased marginally by 4%, however, it still remains 20-25% below the highs of three years ago. In contrast, demand for steel distribution products was flat year on year.

Despite the low demand environment, Steel & Tube has again 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 reporting period.

Distribution, comprising steel, stainless steel, fastenings, piping systems, wire and industrial products, in aggregate had increased sales revenue of 1.5% on 3% more volume over the full year. Like the prior year, piping systems and stainless product groups performed relatively well, reflecting the completion of major projects in the oil and gas sector, as well as internal initiatives starting to generate benefits.

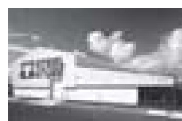
Processing, comprising roofing products, reinforcing, wire and mesh products, in aggregate had marginally increased sales revenue on a marginal increase in volume over the full year.

Government infrastructure projects continued to generate much needed work. In Auckland several projects have continued, including the Rail Electrification, the Newmarket Viaduct Replacement and a further phase of the Victoria Park Tunnel. In Christchurch, the Southern Motorway upgrade commenced and all continued to positively impact Reinforcing activities.

The operating expense gains made in the prior year ($11.8 million) were maintained and enhanced by almost $1 million despite increasing corporate resources to address the 'One Company' initiative.

Cash management and the balance sheet remain a key focus and are actively managed. Trade receivables and inventory costs both increased in line with increasing steel prices. Actual inventory reduced and the Company's exposure to potential customer insolvency continues to be vigilantly managed. Interest rate reductions, combined with reduced borrowings for capital management improvements, saw interest costs reduce by around $0.5 million.

1993



All Stock Under Cover

Steel & Tube purpose-designed building in Napier. The structure put all stock under cover and afforded time efficiencies owing to easy access for truck loading and unloading.

1988-1995

Acquisition

Restructuring programme and non-core business sold.

Return to core business being: the distribution of steel and allied products and base metal manufacturing.

Acquired:

1989 Cable Price Steel, a national distributor of steel products.

1990 Acorn Pacific Corporation, consisted of Wellington Steel, Fastenings Supplies and Metal Sales.

1992 Stewart Steel, a steel distributor.

1992 GW Taylor Industries, a manufacturer and distributor of longrun roofing and rainwater products.

Chief Executive's Review (continued)

'One Company'

The Company has undergone significant changes within this last 12 months to leverage key differentiating strengths and reposition it for the future. Several initiatives have progressed based on internal and external stakeholder reviews under the banner of 'One Company'.

The most visible change is our brand. We have refreshed our logo so that it is modern, vibrant and exciting. We have a positioning statement 'Stronger in Everyway' reflecting that Steel & Tube is the leading New Zealand steel distributor and will deliver to the customer in every possible way. The new brand is the visible sign, both internally and externally, that we have changed.

At the heart of the changes is a new operating model. It is a model that centres on delivering to the customer all of their steel and service requirements in a coordinated manner at the local level through the grouping of geographic businesses. Product specialisation remains a key strength and has been enhanced with additional planning resources.

There are several other initiatives at varying stages of progression but all are aimed at positioning Steel & Tube to be without question, the leading steel distributor in New Zealand and 'Stronger in Everyway'.

One of the outcomes of the 'One Company' approach is the ongoing rationalisation of our facilities. New Plymouth's new facility opened in December 2010 substantially increasing the Company's ability to service the Taranaki region while delivering a more cost-efficient operation.

The 1,800m^2 warehouse extension of the Company's Stonedon Drive operation in East Tamaki, Auckland was completed on time and under budget.

Several other smaller facilities were closed, with the operations consolidated into existing larger locations within the same geography to improve alignment and coordination to service customers while reducing costs.

Commitment to Health and Safety

Steel & Tube remains committed to the health and safety of employees, contractors and others who visit our facilities. Last year we modified the safety performance reporting to include contractors and rebased the prior year statistics to include contractor incidents. This year's health and safety performance continues to show further improvement, reflecting the Company's 'zero harm' focus. Inclusive of contractors, there was one Lost Time Injury (LTI), compared to one LTI in the prior year and seven Medical Treatment Injuries (MTIs) compared to 10 MTIs in the prior year.

1995

Overseas Expansion Plan

Steel & Tube embarked on an overseas expansion plan resulting in the purchase of a Canadian-based steel distribution business, jointly with major shareholder, Tubemakers (now OneSteel Limited). The investment was sold in 2001 following a change in strategic direction.

"The Company has undergone significant changes within this last 12 months to leverage key differentiating strengths and reposition it for the future."

Dave Taylor Chief Executive Officer

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.

Outlook

The economy is starting to show some encouraging signs that the recovery is gaining momentum and appears sustainable this time around. Retail spending is lifting, exports are strong and commodity prices remain high despite some pullback in recent months. The latest GDP data was surprisingly on the upside and confidence indices confirm high business sentiment. The recent market volatility and uncertainties caused by the United States downgrade, and ongoing issues in Europe, will undoubtedly impact local confidence and possibly the broader New Zealand economy.

Construction, a key market for Steel & Tube, continues to remain weak, with consents and gross capital formation forecasts suggesting further decline in the short to medium term.

Residential construction is at historical lows, consents by value are weak and net migration is now negative, as more people leave the country. However, there are indications of a slowly improving housing market, particularly in Auckland, and with some certainty for at least 5,000 Christchurch households, there will be a substantial pick up in housing demand in the future. The question is when, and it may be later rather than sooner, possibly impacting the latter stages of this financial year.

Non-residential construction remains a concern, with most forecasts suggesting further decline until mid 2012. Clearly at some stage the Canterbury rebuild will start to positively impact, however, we expect non-residential construction to recover only slowly.

Manufacturing was impacted significantly by the global financial crisis (GFC) and although activity and exports have lifted in recent months, particularly to Australia and Asia, to what extent the sector recovers is still in debate. The New Zealand dollar will play a mixed role, most likely aiding exports to the Australian economy but potentially limiting exports to Asia owing to its strength.

The rural sector shows promise, with strong exports and relatively high prices all indicating that this sector will strengthen further as those paying debt move to increased investment.

From a global steel perspective the industry continues to struggle to match production to demand, as it has consistently since the GFC. Raw material costs remain high, squeezing margins for the steel mills. Consequently, pricing remains volatile and volume dependent.

The new financial year has started slowly and may be further compounded by recent global events undermining local sentiment, resulting in lower demands for steel products. Regardless, competitive pressures on both volume and prices will persist for some time as the industry struggles to off-set further deterioration in the construction sectors, with some limited growth in manufacturing and rural.

The second half of the reporting period may be boosted to a degree by the Christchurch residential rebuild possibly commencing early in 2012.

The internal initiatives continue to progress well and will help reposition the organisation to maximise returns from a mixed external environment.

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

1999

Company Restructure Finally Completed

Company restructure which commenced in 1988, finally completed when the engineering businesses of Robt Stone & Company Limited and Southern Cross Engineering were sold.

2000

Move to Electronic Commerce

Steel & Tube became the first steel distribution business anywhere to operate solely through electronic commerce.

Senior Management Team

1

2

3

4

5

6

1. Dave Taylor B.Sc

Chief Executive Officer and Non-independent Director

Appointed the Chief Executive Officer and a Director on 5 October 2009, Dave was previously General Manager of the Australian Reinforcing Company, a subsidiary of OneSteel Limited. In 22 years at The BOC Group, he held a number of senior executive positions, initially in the United Kingdom and more recently as President BOC Gases Korea, based in Seoul and Managing Director Process Gas Solutions South Pacific, based in Sydney. Dave is a Director of all subsidiary companies in Steel & Tube Holdings Limited.

2. Dennis Boyle DipBusAdm

General Manager Supply Chain

Dennis joined the Company on 26 January 2011. Previously, he has held supply chain leadership roles in multi-national organisations in the pharmaceutical and chemical industries. Dennis has been involved in many successful change management projects and has enjoyed considerable success in developing competitive supply chains from strategy design through to execution.

3. Dave Clegg MBA

General Manager Human Resources

Dave joined the Company on 1 June 2010. He has more than 20 years experience in human resources management. Prior to this role, Dave spent three years consulting to a major New Zealand corporate as acting General Manager Human Resources and Change Manager for a major enterprise transformation project.

4. Andy Millard Dip Mtg, B.Bus, MCA, MInstD

General Manager Marketing

Andy joined the Company on 14 June 2010. He started his career in the steel industry in 1981 as a management trainee for Tubemakers of Australia, later leaving to establish a successful track record in marketing and general management roles in both Australia and New Zealand, including a stint in social marketing for the New Zealand Government. On 1 August 2011 Andy was appointed General Manager Distribution, Central and Southern.

5. Roger O'Neill

General Manager Processing

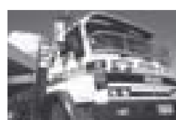
Roger joined the Company in 1972 as a Detailer in the Reinforcing Division and has held various senior management positions in the distribution and processing operations over the last 30 years. He was appointed General Manager Reinforcing in 1990 and later Acting Executive General Manager Manufacturing before taking up his current role.

6. Mark Winnard CA, B.Com

General Manager Distribution, Northern

Mark joined the Company in 1999 as General Manager of the Roofing operations. He had started out in the steel industry in 1992 as a financial accountant with BHP New Zealand and took up the role at Steel & Tube following the Company's acquisition of BHP Steel Building Products NZ Limited. Mark was appointed Executive General Manager Manufacturing in March 2007 and later Executive General Manager Distribution before taking up his current role.

2003



50 Years in Business

50 years in business since incorporation in December 1953.

2009

New Leadership

New CEO Dave Taylor commenced his role on 5 October 2009.

CEO Nick Calavrias stepped down in April 2009 after 19 years leading the Company.

2010...

Stronger in Everyway

Rebranding the Company this year has sent a visual signal to our customers and the market that we have significantly changed the way we look in line with our new 'One Company' operating model.

It captures the way we do business and the energy of the Company, while 'Stronger in Everyway' reflects Steel & Tube's position as the leading New Zealand steel distributor and our commitment to delivering to our customers in every possible way.

MAINTAINING THE SAFETY OF EMPLOYEES AND CONTRACTORS

Our people and contractors work in what can be a dangerous work environment. Acknowledging that, we strive to achieve 'safety leadership' in everything we do.

'iCare' is our health and safety programme and underpins everything we are working to achieve with our continued focus on safety across our business.

We have expanded our health and safety team and are in the process of introducing new initiatives to remove significant risk. For example, the 'Killers and Lifesavers' programme highlights those risks with significant consequences and how to avoid them.

We recognise the importance of encouraging positive safety behaviour and have commenced the Behavioural Safety journey.

iCare

ORGANISING OUR OPERATIONS AND FACILITIES: THINKING LIKE ONE COMPANY

The decision to integrate our product offer has also prompted a rethink of how we organise and manage our operations and facilities.

One cornerstone of the ongoing consolidation initiative saw some of the separate production sites move into single sites, achieving operational efficiencies and sharing of resources.

Under our 'One Company' model, the ongoing rationalisation of our facilities also ensures a coordinated approach and increased ability to service our customers more effectively, while reducing operating costs.

Now our customers can expect more efficient and easier access to all products that meet their steel requirements, no matter where they are in the country.

THINKING LIKE ONE COMPANY

CHRISTCHURCH – ACKNOWLEDGING THE RESILIENCE OF PEOPLE THROUGH TOUGH TIMES

We have 120 staff on the ground in Canterbury out of a total workforce of 700, so events in the city over the last year have had a huge impact.

Having initiated the Company's Crisis Team, the first priority was looking after our people, supporting them day to day as they struggled under adverse conditions and with tragedy. Our systems and standards proved as robust as our colleagues and in a relatively short period of time our business operations were up and running.

Such responses show how well we cope with pressure, and the resilience of our people as they worked with spirit and determination to keep things going in the face of enormous challenges. It shows the true character of Steel & Tube's staff.

Governance Statement

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

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

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

Structure and Activities

The Board currently comprises five non-executive Directors 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. The profiles of the Company's Directors are located in the section titled 'Board of Directors' in this annual report. 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 senior executives to the Board are also scheduled for these meetings.

Shareholders approve the aggregate amount available for Directors' fees at the Annual Meetings. The remuneration of Directors and their shareholdings in the Company are located in the section titled 'Statutory Information' in this annual report. The Board is subject to regular performance appraisals in which appropriate strategies and action plans for improvement are agreed.

Committees

There are four standing committees within the Board to assist Directors in the execution of their responsibilities and to allow detailed consideration of issues. They are Audit, Governance and Remuneration, Nominations, and Health, Safety and Environment. All committee members comprise non-executive Directors with senior executives attending by invitation.

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

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.

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 of the Board 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.

Non-executive Directors	Audit	Governance & Remuneration	Nominations	Health, Safety & Environment
Dean Pritchard, Non-independent		●	●	
Barry Dineen, Independent	●	●	●	
Robert Bakewell, Non-independent	●			
Janine Smith, Independent	●	●	●	●
Rosemary Warnock, Non-independent				●

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 reappointment 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 can be viewed on the Company's website www.steelandtube.co.nz.

Statutory Information

Indemnification and Insurance of Directors and Officers

The Company's Constitution provides for the Company 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 24(a) to 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 2011 were:

Directors	$000
D A Pritchard	126
D W Taylor	1,035[1]
B M J Dineen	63
R Bakewell	63
I K Lindsay	62[2]
J L Smith	49[3]
R Warnock	49[3]
E J Doyle	23[4]

1 Mr Taylor's remuneration package includes a $108,000 apportionment of a long-term incentive plan that would be payable provided certain performance hurdles are achieved over three-year periods.

2 Mr Lindsay retired from the Board on 11 November 2010 included in his total remuneration was an approved retirement allowance of $39,159 (fixed and provided for since 1 May 2004).

3 Ms Smith and Ms Warnock were appointed Directors on 22 September 2010.

4 Dr Doyle retired from the Board on 11 November 2010.

Use of Company Information

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

Remuneration of Employees

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2011 were within the following bands:

Remuneration Range $000	No. of Employees
100 – 110	11
110 – 120	15
120 – 130	8
130 – 140	5
140 – 150	9
150 – 160	3
170 – 180	2
180 – 190	2
190 – 200	2
200 – 210	1
210 – 220	1
240 – 250	2
300 – 310	1
340 – 350	1

Directors' Shareholdings

	At 30 June 2011			At 30 June 2010		
	Beneficial	Non-beneficial	Associated Persons	Beneficial	Non-Beneficial	Associated Persons
D W Taylor	15,000[3]	257,360[1]	–	–	101,610[1]	–
B M J Dineen	40,000	257,360[1]	–	40,000	101,610[1]	–
D A Pritchard	10,000	–	44,504,814[2]	10,000	–	44,504,814[2]
R Bakewell	1,000[3]	–	44,504,814[2]	–	–	44,504,814[2]
R Warnock	–	–	44,504,814[2]	–	–	44,504,814[2]
J L Smith	10,000[3]	–	–		–	–

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

2 Ms Warnock 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.

3 For the year ended 30 June 2011, the following Directors purchased shares in the Company.
- Mr Taylor and his spouse jointly purchased 15,000 shares at a cost of $39,100;
- Ms Smith purchased 10,000 shares at a cost of $23,800; and
- Mr Bakewell purchased 1,000 shares at a cost of $2,700.

Shareholder Information

at 31 July 2011

Census of Shareholders

Size of Holdings	Number of holders	Number of shares	% of issued shares
1 – 999	2,009	831,812	0.94
1,000 – 4,999	3,576	8,094,248	9.14
5,000 – 9,999	1,125	7,123,906	8.05
10,000 – 49,999	868	14,527,545	16.41
50,000 +	72	57,951,729	65.46
	7,650	**88,529,240**	**100.00**

Top Twenty Shareholders

OneSteel NZ Holdings Limited	44,504,814	50.27
Accident Compensation Corporation*	2,093,519	2.36
FNZ Custodians Limited	1,061,989	1.20
Custodial Services Limited – a/c 3	712,062	0.80
Citibank Nominees (New Zealand) Limited*	528,375	0.60
Custodial Services Limited – a/c 18	472,861	0.53
Investment Custodial Services Limited – a/c C	371,953	0.42
Custodial Services Limited – a/c 2	320,812	0.36
ASB Nominees Limited – a/c 208747 ML	315,408	0.36
Forsyth Barr Custodians Limited – a/c 1-17.5	269,117	0.30
Barry Michael Joseph Dineen*David William Taylor (Steel & Tube Co Ltd Staff Scheme)	257,360	0.29
NZPT Custodians (Grosvenor) Limited	254,329	0.29
Forsyth Barr Custodians Limited – a/c 1-33	246,095	0.28
Guardian Trust Investment Nominees (RWT) Limited*	243,248	0.27
BT NZ Unit Trust Nominees Limited – NZCSD – BTUT90*	239,522	0.27
Custodial Services Limited – a/c 4	235,245	0.27
Trevor Jeffrey Corfield & Marilyn Margaret Corfield	222,506	0.25
Dorothy Izabella Plenzler & Leszek Andrzes Plenzler & Lynne Reindler Trustees Limited	212,000	0.24
New Zealand Superannuation Fund Nominees Limited*	203,859	0.23
FNZ Custodians Limited (non-resident a/c)	202,900	0.23
	52,967,974	**59.83**

* 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 2011.

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 Executives Share Scheme 1993.

Financial Statements 2011

Statements of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
Sales revenue		**385,752**	379,993	**385,751**	379,993
Cost of sales	4	**(300,694)**	(304,488)	**(300,694)**	(304,488)
Gross profit		**85,058**	75,505	**85,057**	75,505
Other operating income		**465**	511	**442**	511
Selling expenses	4	**(25,409)**	(25,596)	**(25,409)**	(25,596)
Administration expenses	4	**(14,423)**	(14,619)	**(14,423)**	(14,619)
Other operating expenses	4	**(19,431)**	(19,882)	**(19,319)**	(19,882)
Operating earnings before financing costs		**26,260**	15,919	**26,348**	15,919
Interest income		**41**	232	**41**	232
Interest expense		**(1,453)**	(1,942)	**(1,453)**	(1,942)
Profit before tax		**24,848**	14,209	**24,936**	14,209
Tax expense – operating income	5	**(7,518)**	(4,306)	**(7,511)**	(4,306)
Tax expense – tax legislation changes	5	**(289)**	(4,189)	**(289)**	(4,189)
Profit after tax		**17,041**	5,714	**17,136**	5,714
Other comprehensive income – hedging reserve	21(a)	**(838)**	668	**(838)**	668
Total comprehensive income		**16,203**	6,382	**16,298**	6,382
Basic earnings per share (cents)	17	**19.4**	6.5	**19.5**	6.5
Diluted earnings per share (cents)	17	**19.3**	6.5	**19.5**	6.5

The accompanying notes form part of these financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Share capital $000	Retained earnings $000	Hedging reserve $000	Treasury shares $000	Share-based payments $000	Total equity $000
Group							
Balance at 1 July 2009		71,252	80,249	(444)	(914)	370	150,513
Comprehensive income							
Profit after tax		–	5,714	–	–	–	5,714
Other comprehensive income – hedging reserve		–	–	668	–	–	668
Transactions with owners							
Dividends paid	18	–	(11,018)	–	–	–	(11,018)
Granted during the year		–	–	–	–	22	22
Lapsed or forfeited during the year		–	–	–	–	(27)	(27)
Withdrawal of own shares	19	–	–	–	42	–	42
Balance at 30 June 2010		71,252	74,945	224	(872)	365	145,914
Balance at 1 July 2010		**71,252**	**74,945**	**224**	**(872)**	**365**	**145,914**
Comprehensive income							
Profit after tax		**–**	**17,041**	**–**	**–**	**–**	**17,041**
Other comprehensive income – hedging reserve		**–**	**–**	**(838)**	**–**	**–**	**(838)**
Transactions with owners							
Dividends paid	18	**–**	**(9,675)**	**–**	**–**	**–**	**(9,675)**
Granted during the year		**–**	**–**	**–**	**–**	**271**	**271**
Lapsed or forfeited during the year		**–**	**–**	**–**	**–**	**(247)**	**(247)**
Purchase of own shares	19	**–**	**–**	**–**	**(495)**	**–**	**(495)**
Balance at 30 June 2011		**71,252**	**82,311**	**(614)**	**(1,367)**	**389**	**151,971**
Parent							
Balance at 1 July 2009		71,252	80,292	(444)	–	370	151,470
Comprehensive income							
Profit after tax		–	5,714	–	–	–	5,714
Other comprehensive income – hedging reserve		–	–	668	–	–	668
Transactions with owners							
Dividends paid	18	–	(11,046)	–	–	–	(11,046)
Granted during the year		–	–	–	–	22	22
Lapsed or forfeited during the year		–	–	–	–	(27)	(27)
Balance at 30 June 2010		71,252	74,960	224	–	365	146,801
Balance at 1 July 2010		**71,252**	**74,960**	**224**	**–**	**365**	**146,801**
Comprehensive income							
Profit after tax		**–**	**17,136**	**–**	**–**	**–**	**17,136**
Other comprehensive income – hedging reserve		**–**	**–**	**(838)**	**–**	**–**	**(838)**
Transactions with owners							
Dividends paid	18	**–**	**(9,721)**	**–**	**–**	**–**	**(9,721)**
Granted during the year		**–**	**–**	**–**	**–**	**271**	**271**
Lapsed or forfeited during the year		**–**	**–**	**–**	**–**	**(247)**	**(247)**
Balance at 30 June 2011		**71,252**	**82,375**	**(614)**	**–**	**389**	**153,402**

The accompanying notes form part of these financial statements.

Balance Sheets

AS AT 30 JUNE 2011

	Notes	Group 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
Current assets					
Cash & cash equivalents	6	**3,023**	–	**3,001**	–
Trade and other receivables	7	**68,313**	61,686	**68,035**	61,609
Inventories	8	**88,735**	84,227	**88,735**	84,227
Assets held for sale	10	**508**	508	**508**	508
Derivative financial instruments	21(d)	–	319	**–**	319
		160,579	146,740	**160,279**	146,663
Non-current assets					
Trade and other receivables	7	**–**	–	**1,721**	983
Property, plant and equipment	9	**51,060**	51,458	**51,060**	51,458
Intangibles	11	**19,903**	19,961	**19,903**	19,961
		70,963	71,419	**72,684**	72,402
Total assets		**231,542**	218,159	**232,963**	219,065
Current liabilities					
Borrowings – on call	13	**–**	6,942	**–**	6,966
Trade and other payables	12	**33,444**	33,501	**33,444**	33,501
Borrowings – term loans	13	**41,000**	29,000	**41,000**	29,000
Provisions	14	**795**	445	**795**	445
Derivative financial instruments	21(d)	**853**	–	**853**	–
Income tax payable		**845**	696	**835**	691
		76,937	70,584	**76,927**	70,603
Non-current liabilities					
Deferred tax	5	**2,040**	1,054	**2,040**	1,054
Employee benefits	15	**594**	607	**594**	607
		2,634	1,661	**2,634**	1,661
Equity					
Share capital	16	**71,252**	71,252	**71,252**	71,252
Retained earnings		**82,311**	74,945	**82,375**	74,960
Hedging reserve	21(a)	**(614)**	224	**(614)**	224
Treasury shares	19	**(1,367)**	(872)	**–**	–
Share-based payments		**389**	365	**389**	365
		151,971	145,914	**153,402**	146,801
Total equity and liabilities		**231,542**	218,159	**232,963**	219,065

These financial statements and the accompanying notes were authorised by the Board on 11 August 2011.

For the Board

Dean Pritchard
Chairman

Dave Taylor
Chief Executive Officer

The accompanying notes form part of these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Group		Parent	
		2011 $000	2010 $000	2011 $000	2010 $000
Cash flows from operating activities					
Customer receipts		**378,895**	385,559	**378,894**	385,559
Interest receipts		**41**	232	**41**	232
Payments to suppliers and employees		**(357,274)**	(351,926)	**(356,985)**	(352,043)
Income tax payments		**(6,313)**	(5,026)	**(6,311)**	(5,026)
Interest payments		**(1,453)**	(1,986)	**(1,453)**	(1,986)
Net cash inflow from operating activities		**13,896**	26,853	**14,186**	26,736
Cash flows from investing activities					
Property, plant and equipment disposals		**404**	395	**404**	395
Transactions with controlled entities		**–**	–	**(737)**	285
Property, plant and equipment purchases		**(6,165)**	(4,712)	**(6,165)**	(4,712)
Net cash outflow from investing activities		**(5,761)**	(4,317)	**(6,498)**	(4,032)
Cash flows from financing activities					
Treasury shares	19	**(495)**	42	**–**	–
Borrowings		**12,000**	(11,000)	**12,000**	(11,000)
Dividends paid	18	**(9,675)**	(11,018)	**(9,721)**	(11,046)
Net cash inflow/(outflow) from financing activities		**1,830**	(21,976)	**2,279**	(22,046)
Net increase in cash and cash equivalents		**9,965**	560	**9,967**	658
Cash and cash equivalents at the beginning of the year		**(6,942)**	(7,502)	**(6,966)**	(7,624)
Cash and cash equivalents at the end of the year		**3,023**	(6,942)	**3,001**	(6,966)
Represented by:					
Cash and cash equivalents		**3,023**	–	**3,001**	–
Borrowings – on call		**–**	(6,942)	**–**	(6,966)
		3,023	(6,942)	**3,001**	(6,966)
Reconciliation of profit after tax to cash flows from operating activities					
Profit after tax		**17,041**	5,714	**17,136**	5,714
Non-cash adjustments:					
Depreciation and amortisation		**6,282**	6,486	**6,282**	6,486
Deferred tax		**986**	4,155	**985**	4,155
Gain on items classified as investing activities:					
Gain on property, plant and equipment disposals		**(64)**	(145)	**(64)**	(145)
		24,245	16,210	**24,339**	16,210
Movements in working capital:					
Income tax		**149**	(400)	**144**	(400)
Inventories		**(4,508)**	6,610	**(4,508)**	6,610
Trade and other receivables		**(6,627)**	5,548	**(6,426)**	5,431
Trade and other payables, including derivatives		**637**	(1,115)	**637**	(1,115)
Net cash inflow from operating activities		**13,896**	26,853	**14,186**	26,736

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

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) and other applicable Financial Reporting Standards, 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. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies, below including derivative financial instruments, long-term service benefits and long-term incentive benefits. Preparation of the financial statements requires Management to exercise judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and of income and expenses. The accounting policies have been applied consistently to all periods presented in these financial statements.

(c) Basis of consolidation

Subsidiaries are all entities over which the Group has control, that is, 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 subsidiary entities are included in the Group financial statements from the date control commences until the date control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition – related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Statement of Comprehensive Income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(d) Foreign currency

(i) Functional and presentation currency

Items presented in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Group's financial statements are presented in New Zealand dollars, which is the Company's functional and 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.

(e) Segment reporting

An operating segment is a component of an entity that engages in business activities that earn revenue and incur 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 the CODM monitors in making decisions about operating matters. Such components have been identified on the basis of internal reports the CODM reviews regularly to allocate resources and to assess the performance of the entity.

A description of each operating segment within the Group is outlined in note 20.

(f) 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.

(g) 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 liability method to provide for temporary differences between the carrying amounts of assets and liabilities and their tax base. Deferred tax is not provided for if it arises from the following temporary differences: goodwill not deductible for tax purposes, initial recognition of assets and liabilities in a transaction other than a business combination that affects neither accounting nor taxable profit and investments in subsidiaries where the timing of the reversal of the temporary difference is controlled by the Group 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 or substantively enacted tax rates expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent it is probable future taxable profits will offset temporary differences.

2. Summary of significant accounting policies (continued)

(h) 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 Statement of Cash Flows.

(i) Trade and other receivables

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

(j) 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.

(k) Assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated as the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable.

(l) Financial assets

The Group classifies its financial assets as loans and receivables. 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.

(i) Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Balance Sheet, 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(l) Financial assets (continued)

(ii) 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.

(iii) Impairment of financial assets

At the end of each reporting period the Group assesses whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria the Group uses to determine there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- granting of concessions to borrowers, for economic or legal reasons relating to the borrowers financial difficulty; and
- national or local economic conditions that correlate with borrower defaults.

(m) Derivatives

(i) Fair value hedge

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. However, derivatives that do not qualify as hedging instruments for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into. Subsequent to initial recognition, derivatives are re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

For derivatives that are not designated as hedging instruments, the gain or loss on re-measurement to fair value is recognised in the Statement of Comprehensive Income in other gains and losses.

2. **Summary of significant accounting policies** (continued)

(m) Derivatives (continued)

(ii) Cash flow hedge

The Group designates certain derivatives as hedges of a highly probable forecast transaction (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 in other gains and losses.

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 the hedged item 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 is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the Statement of Comprehensive Income within other gains/(losses).

Derivative financial instruments are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(n) 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 cost less accumulated depreciation and impairment except for land, which is stated at cost less impairment. Assets are tested annually for indicators of impairment and adjusted if required.

(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 2011

2. Summary of significant accounting policies (continued)

(o) Intangible assets

(i) Goodwill

All business combinations are accounted for using the acquisition 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 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.

(p) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(q) 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 and subsequently measured at amortised cost using the effective interest method.

(r) 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 Inland Revenue is included within these categories.

(s) Borrowings and borrowing costs

Borrowings are recognised initially at fair value and net of transaction costs incurred. Borrowings 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.

Borrowing costs are expensed, except for costs incurred for the construction of any qualifying asset, which are capitalised during the period of time required to complete and prepare the asset for its intended use.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(t) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating 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.

(u) 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.

(v) 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 of the present value of the estimated future cash flows.

(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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(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 fair value 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. These shares are held benefically by the Trustees until they vest and are recognised as treasury shares.

Cash plan

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2. Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

(iv) Long-term incentives (continued)

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 entry to the reserve in equity where equity settled and a corresponding entry to liabilities where this is cash settled. Shares purchased in this plan are recognised as treasury shares until they are distributed.

(w) 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.

(x) Adoption status of relevant new financial reporting standards and interpretations

(i) There were no new standards and amendments to standards which affected the Company for the financial year beginning 1 July 2010:

(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. An additional presentational requirement has been added for liabilities designated at fair value through profit and loss. The Group will adopt the standard for the interim period ending 31 December 2013 and the year ending 30 June 2014. The adoption of this standard is not expected to materially impact the Group's recognition of financial assets or liabilities.

NZ IFRS 10 Consolidated Financial Statements (effective from 1 January 2013)

The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities and supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation Special Purpose Entities. NZ IFRS requires an entity that is a parent to present consolidated financial statements, defines the principle of control and sets out how to apply the principle of control to identify whether an investor controls and investee. The Group will adopt the standard for the interim period ending 31 December 2013 and the year ending 30 June 2014. The standard is not expected to have a material impact on the financial statements.

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

The standard defines fair value, sets out a single framework for measuring fair value and requires disclosure about fair value measurements. The standard explains how to measure fair value for financial reporting. The standard is not expected to have a material impact on the Group financial statements. The Group will adopt the standard for the interim period ending 31 December 2013 and the year ending 30 June 2014.

2. Summary of significant accounting policies (continued)

(x) Adoption status of relevant new financial reporting standards and interpretations (continued)

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 on 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.

FRS 44, New Zealand Additional Disclosures (effective from 1 July 2011)
The standard sets out New Zealand specific disclosures for entities that have adopted New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs). The standard supports the objective of harmonising financial reporting standards in Australia and New Zealand. The Group will adopt the standard for the period ending 31 December 2011 and the year ending 30 June 2012. The standard is not expected to have a material impact on the financial statements.

Harmonisation Amendments (effective from 1 July 2011)
The Accounting Standards Review Board issued the Harmonisation Amendments for the purpose of harmonising Australian and New Zealand Standards with source IFRSs to eliminate many of the differences between the Standards for profit-orientated entities applying IFRSs as adopted in Australia and New Zealand. It is likely that changes will affect the disclosure requirements of the Group financial statements. The Group will adopt the standard for the period ending 31 December 2011 and the year ending 30 June 2012.

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 (note 11) and when events or circumstances indicate the carrying value may not be recoverable, in accordance with the accounting policy stated in (note 2 o(i)).

Intangible assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable (note 11).

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).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	Group and Parent	
	2011	2010
	$000	$000
4. Operating activities		
Included in operating activities:		
Inventories expensed in cost of sales	**(283,696)**	(281,401)
Inventory written down	**(301)**	(1,793)
Bad debts	**(1,605)**	(1,324)
Depreciation and amortisation	**(6,280)**	(6,486)
Operating leases	**(8,894)**	(9,260)
Directors' fees	**(397)**	(343)
Employee benefits	**(42,014)**	(41,983)
Auditors' fees – audit services	**(197)**	(192)
– tax compliance and consulting	**(21)**	(25)
Donations	**(4)**	(15)

Inventory written down is shown in cost of sales and bad debts are shown in other operating expenses.

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
5. Income and deferred tax				
Profit before tax	**24,848**	14,209	**24,936**	14,209
Non-deductible expenditure	**213**	145	**101**	145
Tax legislation change adjustments	**963**	13,963	**963**	13,963
	26,024	28,317	**26,000**	28,317
Tax at 30%	**7,807**	8,495	**7,800**	8,495
	7,807	8,495	**7,800**	8,495
Represented by:				
Current tax	**6,821**	4,340	**6,814**	4,340
Deferred tax	**986**	4,155	**986**	4,155
	7,807	8,495	**7,800**	8,495

On 20 May 2010, the company tax rate reduced from 30% to 28% and tax depreciation on buildings with an estimated useful life of 50 years or more reduced to 0%. The changes were substantively enacted on 21 May 2010 and were 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 accounted for in the financial statements.

	Group		Parent	
	2011 $000	2010 $000	**2011 $000**	2010 $000

5. Income and deferred tax (continued)

Tax legislation adjustments				
Re-measurement of deferred tax:				
Removal of depreciation of buildings	**–**	(4,447)	**–**	(4,447)
Company tax rate change from 30% to 28%	**(289)**	258	**(289)**	258
	(289)	(4,189)	**(289)**	(4,189)

	Opening balance $000	Recognised in income $000	Closing balance $000
Deferred tax			
Group 2011			
Property, plant and equipment	**(3,895)**	**(274)**	**(4,169)**
Employee benefits	**1,602**	**(345)**	**1,257**
Provisions	**1,334**	**(701)**	**633**
Cash flow hedging reserve	**(95)**	**334**	**239**
	(1,054)	**(986)**	**(2,040)**
Group 2010			
Property, plant and equipment	370	(4,265)	(3,895)
Employee benefits	1,581	21	1,602
Provisions	970	364	1,334
Cash flow hedging reserve	180	(275)	(95)
	3,101	(4,155)	(1,054)
Parent 2011			
Property, plant and equipment	**(3,895)**	**(274)**	**(4,169)**
Employee benefits	**1,602**	**(345)**	**1,257**
Provisions	**1,334**	**(701)**	**633**
Cash flow hedging reserve	**(95)**	**334**	**239**
	(1,054)	**(986)**	**(2,040)**
Parent 2010			
Property, plant and equipment	370	(4,265)	(3,895)
Employee benefits	1,581	21	1,602
Provisions	970	364	1,334
Cash flow hedging reserve	180	(275)	(95)
	3,101	(4,155)	(1,054)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
5. Income and deferred tax (continued)				
Represented by:				
Deferred tax recovery within 1 year	**1,963**	2,688	**1,963**	2,688
Deferred tax recovery after 1 year	**(4,003)**	(3,742)	**(4,003)**	(3,742)
	(2,040)	(1,054)	**(2,040)**	(1,054)

	Group and Parent	
	2011	2010
	$000	$000
Imputation credit account		
Balance at the beginning of the year	**16,930**	17,204
Tax payments	**6,373**	4,417
Credits attached to dividends paid	**(4,127)**	(4,691)
Balance at the end of the year	**19,176**	16,930

	Group		Parent	
	2011	2010	**2011**	2010
	$000	$000	**$000**	$000
6. Cash and cash equivalents				
Cash and cash equivalents	**3,023**	–	**3,001**	–
	3,023	–	**3,001**	–

This consists of both interest and non-interest bearing balances denominated in various currencies.

	Group		Parent	
	2011 $000	2010 $000	**2011 $000**	2010 $000
7. Trade and other receivables				
Trade receivables	**68,403**	63,571	**68,403**	63,571
Provision for impairment	**(1,224)**	(2,871)	**(1,224)**	(2,871)
	67,179	60,700	**67,179**	60,700
Prepayments and sundry receivables	**1,134**	986	**856**	909
Controlled entities (note 24b)	**–**	–	**1,721**	983
	68,313	61,686	**69,756**	62,592
Non-current portion – controlled entities	**–**	–	**(1,721)**	(983)
	68,313	61,686	**68,035**	61,609

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 $1.6 million (2010: $1.3 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 2011, trade receivables of $4.5 million (2010: $4.7 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 these trade receivables is as follows:

	2011	2010
Within 1 month	**79**	2,848
Within 1 to 3 months	**3,133**	463
Beyond 3 months	**1,241**	1,376
	4,453	4,687

(b) Provision for impairment

At 30 June 2011, trade receivables of $3.5 million (2010: $4.9 million) were considered to be impaired and the amount of the provision was $1.2 million (2010: $2.9 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 are expected to be recovered.

	2011	2010
Balance at the beginning of the year	**2,871**	2,578
Recognised during the year	**154**	1,785
Written off during the year as uncollectible	**(1,801)**	(1,492)
Balance at the end of the year	**1,224**	2,871

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
8. Inventories				
Finished goods at cost	**89,020**	84,953	**89,020**	84,953
Provision for write-down	**(285)**	(726)	**(285)**	(726)
	88,735	84,227	**88,735**	84,227

	Group and Parent			
	Land & buildings $000	Machinery & vehicles $000	Furniture, fittings & equipment $000	Total $000
9. Property, plant and equipment				
2011				
Opening cost	**29,075**	**64,080**	**18,086**	**111,241**
Opening accumulated depreciation	**(5,406)**	**(40,105)**	**(14,272)**	**(59,783)**
Opening net book value	**23,669**	**23,975**	**3,814**	**51,458**
Additions	**1,699**	**3,025**	**1,441**	**6,165**
Disposals	**(2)**	**(294)**	**(45)**	**(341)**
Depreciation	**(484)**	**(4,601)**	**(1,137)**	**(6,222)**
Closing net book value	**24,882**	**22,105**	**4,073**	**51,060**
Comprised of:				
Cost or deemed cost	**30,772**	**64,950**	**18,182**	**113,904**
Accumulated depreciation	**(5,890)**	**(42,845)**	**(14,109)**	**(62,844)**
	24,882	**22,105**	**4,073**	**51,060**
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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	Group and Parent	
	2011	2010
	$000	$000
10. Assets held for sale		
Balance at the beginning of the year	**508**	–
Transfer from property, plant and equipment	–	508
Balance at the end of the year	**508**	508

The Group entered into a conditional sale and purchase agreement to sell a property during the year ended 30 June 2010. As at 30 June 2011, the date for completion of the sale had passed. The Group has entered into negotiations with the intended purchaser, at balance date these negotiations were still continuing.

	Group and Parent		
	Goodwill	Licences	Total
	$000	$000	$000
11. Intangibles			
2011			
Opening cost	**19,856**	**3,321**	**23,177**
Opening accumulated amortisation	**–**	**(3,216)**	**(3,216)**
Opening net book value	**19,856**	**105**	**19,961**
Additions	**–**	**2**	**2**
Amortisation charge	**–**	**(60)**	**(60)**
Closing net book value	**19,856**	**47**	**19,903**
Comprised of:			
Cost	**19,856**	**3,323**	**23,179**
Accumulated amortisation	**–**	**(3,276)**	**(3,276)**
	19,856	**47**	**19,903**
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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

11. **Intangibles** (continued)

Impairment test on goodwill

Goodwill is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from the business combination. 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 2014. 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 2014 are extrapolated for a further two years based on year three 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% (2010: 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 14.7% to 17% (2010: 14% to 16.3%). The pre-tax discount rates derived are based on using a post-tax weighted average cost of capital for the Group of 10.3% (2010: 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 2011.

	Group and Parent	
	2011	2010
	$000	$000
Carrying value of goodwill:		
Hurricane Wire Products	**11,419**	11,419
CGUs without significant goodwill	**8,437**	8,437
	19,856	19,856

12. **Trade and other payables**

	2011	2010
Trade payables	**20,891**	21,435
Accrued expenses	**7,799**	8,414
Employee benefits	**4,754**	3,652
	33,444	33,501

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

13. Bank borrowings

	Group		Parent	
	2011 $000	2010 $000	**2011 $000**	2010 $000
Current				
On call	**–**	6,942	**–**	6,966
Term loans	**41,000**	29,000	**41,000**	29,000
	41,000	35,942	**41,000**	35,966

The effective interest rate on the call borrowings was 3.6% (2010: 4.2%). 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 3.4% (2010: 4.4%). 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 $110 million (2010: $135 million). These facilities have a mix of fixed and revolving terms. Unless earlier extended, $10 million (2010: $10 million) has an expiry date of December 2011, $60 million (2010: $60 million) has an expiry date of March 2012, $15 million (2010: $15 million) has an expiry date of March 2013 and $25 million (2010: $25 million) has an expiry date of December 2013 (2010: June 2012).

14. Provisions

	Group and Parent	
	2011 $000	2010 $000
Current		
Balance at the beginning of the year	**445**	500
Accrued/(used) during the year	**350**	(55)
Balance at the end of the year	**795**	445

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

15. Employee benefits

Non-current	Service benefits	Incentive benefits	Total
2011			
Balance at the beginning of the year	**482**	**125**	**607**
Accrued/(used) during the year	**(11)**	**75**	**64**
Reversed (unused)	**–**	**(77)**	**(77)**
Balance at the end of the year	**471**	**123**	**594**
2010			
Balance at the beginning of the year	564	111	675
Accrued/(used) during the year	–	14	14
Reversed (unused)	(82)	–	(82)
Balance at the end of the year	482	125	607

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 cash portion of the long-term incentive plans (dividends received attached to shares in scheme) 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 22b).

In prior years, the non-cash rights of incentive benefits were recorded as a liability. In accordance with Share-based Payment NZ IFRS 2 the non-cash rights of incentive benefits (principally Company shares) have been reclassified as equity. The adjustment to the prior period is that the employee benefit liability has decreased by $365,000 and the share-based payment reserve in equity has increased by $365,000. There has been no effect on profit.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

16. Share capital

	2011 $000	2010 $000	2011 Shares	2010 Shares
Fully paid:				
Balance at the beginning of the year	**71,251**	71,251	**88,372,240**	88,372,240
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**	1	**157,000**	157,000
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.

17. Earnings per share (EPS)

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Profit after tax	**17,041**	5,714	**17,136**	5,714
Weighted average number of shares for basic EPS	**87,935**	88,158	**87,935**	88,158
Weighted average number of shares for diluted EPS	**88,092**	88,315	**88,092**	88,315
Basic earnings per share (cents)	**19.4**	6.5	**19.5**	6.5
Diluted earnings per share (cents)	**19.3**	6.5	**19.5**	6.5

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of fully paid shares less treasury shares. Diluted earnings per share includes partly paid shares (note 16).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	Group		Parent	
	2011 $000	2010 $000	**2011 $000**	2010 $000
18. Dividends				
2011 interim: 6 cents per share (2010: 3.5 cents)	**5,302**	3,092	**5,302**	3,092
2010 final: 5 cents per share (2009: 9 cents)	**4,419**	7,954	**4,419**	7,954
Treasury shares	**(46)**	(28)	**–**	–
	9,675	11,018	**9,721**	11,046

Dividends paid are fully imputed and the Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $0.04 million (2010: $0.7 million).

	2011 $000	2010 $000
Declared post balance date and not recognised as a liability: 2011 final: 9 cents per share (2010: 5 cents).	**7,954**	4,419

	2011 $000	2010 $000	**2011 Shares**	2010 Shares
19. Treasury shares				
Balance at the beginning of the year	**872**	914	**214,021**	221,410
Purchases	**507**	–	**223,528**	–
Used in share schemes	**(46)**	(60)	**(16,370)**	(14,069)
Withdrawals	**34**	18	**15,820**	6,680
Balance at the end of the year	**1,367**	872	**436,999**	214,021

Treasury shares are unallocated Company shares held by the Trustees of share-based schemes and are recognised as a reduction in shareholders' funds. The Treasury shares purchased during the year had a weighted average price of $2.25 (2010: Nil).

20. Operating segments

Operating segments of the Group as at 30 June 2011 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, 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 in the distribution channels for these products and services. Based on this analysis, no additional 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.

21. 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.

	Group and Parent	
	2011	2010
	$000	$000
Cash flow hedging reserve:		
Balance at the beginning of the year	**224**	(444)
(Loss)/gain taken to equity	**(853)**	319
Tax effect on hedging	**256**	(95)
Tax adjustment for change in tax rate	**(17)**	–
Transfer to inventory	**(319)**	624
Transfer to tax	**95**	(180)
Balance at the end of the year	**(614)**	224

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 and all hedges are 100% effective at balance date. The effect will be to equity +/- $1.1 million (2010: +/- $0.9 million) respectively.

(b) Credit risk

Credit risk exposure arises from cash and cash equivalents, trade debtors, and transactions with financial institutions. The maximum exposure is the total value of these balances. 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 on the following page analyses the Group's financial liabilities and derivative financial instruments into maturity groupings based on the remaining period from balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

21. Financial risk management (continued)

(c) Liquidity risk (continued)

	0 to 6 months	Total
Group 2011		
Borrowings	**38,109**	**38,109**
Trade and other payables	**25,698**	**25,698**
Cash flow hedging of forward foreign exchange contracts:		
Outflow	**18,116**	**18,116**
Inflow	**(17,262)**	**(17,262)**
Group 2010		
Borrowings	29,125	29,125
Trade and other payables	28,041	28,041
Cash flow hedging of forward foreign exchange contracts:		
Outflow	17,587	17,587
Inflow	(17,906)	(17,906)
Parent 2011		
Borrowings	**38,109**	**38,109**
Trade and other payables	**25,698**	**25,698**
Cash flow hedging of forward foreign exchange contracts:		
Outflow	**18,116**	**18,116**
Inflow	**(17,262)**	**(17,262)**
Parent 2010		
Borrowings	29,125	29,125
Trade and other payables	28,041	28,041
Cash flow hedging of forward foreign exchange contracts:		
Outflow	17,587	17,587
Inflow	(17,906)	(17,906)

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 $0.03 million (2010: $0.08 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.

21. Financial risk management (continued)

(c) Liquidity risk (continued)

Interest-rate risk (continued)

	At call $000	Term loans $000	Total $000
2011			
Within 1 year	**–**	**41,000**	**41,000**
	–	**41,000**	**41,000**
2010			
Within 1 year	6,942	29,000	35,942
	6,942	29,000	35,942

(d) Financial instruments by category

	Loans and receivables	Derivatives for hedging	Liabilities at amortised cost
Group 2011			
Assets per balance sheet			
Cash and cash equivalents	**3,023**	**–**	**–**
Trade and other receivables excluding prepayments	**67,457**	**–**	**–**
Liabilities per balance sheet			
Borrowings	**–**	**–**	**41,000**
Trade and other payables	**–**	**–**	**25,698**
Derivative financial instruments	**–**	**853**	**–**
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	–	–	28,041
Parent 2011			
Assets per balance sheet			
Cash and cash equivalents	**3,001**	**–**	**–**
Trade and other receivables excluding prepayments	**67,179**	**–**	**–**
Liabilities per balance sheet			
Borrowings	**–**	**–**	**41,000**
Trade and other payables	**–**	**–**	**25,698**
Derivative financial instruments	**–**	**853**	**–**
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	–	–	28,041

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

21. Financial risk management (continued)

(e) Fair value estimation

Financial instruments that are measured in the balance sheet at fair value are required to be disclosed 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 and liabilities measured at fair value in the balance sheet.

	Level 1 $000	Level 2 $000	Level 3 $000	Total balance $000
Group and Parent 2011				
Liabilities				
Financial assets at fair value through profit and loss				
Derivatives used for hedging	**–**	**853**	**–**	**853**
Total liabilities	**–**	**853**	**–**	**853**
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 for managing capital are to safeguard the Group's ability to continue as a going concern 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 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 tangible net worth 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 22% (2010: 22%) 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

22. Share schemes

(a) Employee Share Purchase Scheme 1983

The Employee Share Purchase Scheme provides financial assistance, to a maximum of $2,340 per eligible employee in any three-year period, to enable staff to purchase Company shares in accordance with sections DC12 to 15 of the Income Tax Act 2007. Directors are not eligible to participate in this scheme. Shares allocated to employees at grant date do not vest until a minimum of three years has elapsed and the loan has been repaid. All shares allocated are held beneficially by the Trustees until they vest. Dividends received on these shares are paid directly to employees. The shares offered to employees are at a discount to market price approved by the Board. Employees may withdraw from the scheme at any time, with the repurchased shares recognised as treasury shares. An offer was made to employees in October 2010 at an issue price of $1.95 (2010: Nil).

	Group	
	2011 Shares	2010 Shares
Balance at the beginning of the year	**101,610**	131,140
Purchases	**181,330**	–
Vested in employees	**(25,580)**	(29,530)
Balance at the end of the year	**257,360**	101,610

(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. A total of 223,528 shares were purchased during the year for the Executive Share Plan. During the year, 93,412 rights to shares were forfeited by employees in accordance with the rules of the share plan. The distribution was independently verified and based on total shareholder returns achieved.

	Group	
	2011 Shares	2010 Shares
Balance at the beginning of the year	**198,006**	211,900
Purchases	**223,528**	–
Vested in employees	**–**	(13,894)
Balance at the end of the year	**421,534**	198,006

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	Group		Parent	
	2011 $000	2010 $000	**2011 $000**	2010 $000
23. Commitments and Contingencies				
(a) Lease commitments on non-cancellable leases				
Within 1 year	**7,796**	7,968	**7,601**	7,968
Within 1 to 5 years	**19,629**	18,645	**18,849**	18,645
Beyond 5 years	**7,634**	6,378	**4,823**	6,378
	35,059	32,991	**31,273**	32,991

The Group occupies a number of warehouse and office premises under operating leases. The leases have varying terms and renewal rights. During the year $8.9 million (2010: $9.3 million) was recognised as an expense in the Statement of Comprehensive Income.

(b) Capital commitments

The Group has committed $0.7 million (2010: $4.1 million) for property extensions and the purchase of plant and equipment.

(c) Contingent liabilities

Guarantees on contracts at balance date were $0.4 million (2010: $0.2 million) and were transacted in the ordinary course of business.

24. Related parties

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

	Group and Parent	
	2011 $000	2010 $000
(a) Transactions with related entities of Group		
Purchases during the year	**29,148**	30,549
Percentage of related party purchases	**7.6%**	10.4%

OneSteel Limited of Australia, through its subsidiary OneSteel NZ Holdings Limited, owns 50.3% (2010: 50.3%) of the Company's issued shares. All transactions are on commercial terms. Included in trade creditors is an amount of $2.8 million (2010: $1.6 million) owed to OneSteel at balance date.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

24. Related parties (continued)

	Parent only	
	2011	2010
	$000	$000
(b) Loans with controlled entities		
Loans to share schemes	**1,417**	679
Loans to subsidiaries	**304**	304
	1,721	983

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 22).

The subsidiaries in the Group are:

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

	Group and Parent	
	2011	2010
	$000	$000
(c) Transactions with key Management personnel		
Short-term benefits	**2,770**	2,590
Share-based benefits	**–**	60
Termination benefits	**20**	–
	2,790	2,650

The key Management personnel are the Directors and Executive Management. Included in short-term benefits are Directors' fees of $396,707 (2010: $343,076).

25. Subsequent event

On 11 August 2011, the Board declared a fully imputed dividend of 9.0 cents per share ($7.95 million) and a supplementary dividend to non-resident shareholders of 1.59 cents per share. The dividends will be paid to shareholders on 30 September 2011.

Independent Auditors' Report

FOR THE YEAR ENDED 30 JUNE 2011

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TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

We have audited the financial statements of Steel & Tube Holdings Limited on pages 21 to 51, which comprise the balance sheets as at 30 June 2011, the statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2011 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors and tax advisors we have no relationship with, or interests in, Steel & Tube Holdings Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 21 to 51:

(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 positions of the Company and the Group as at 30 June 2011, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2011:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

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 work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an 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 opinions we have formed.

Chartered Accountants Wellington
11 August 2011

Comparative Review

	2011 $000	2010 $000	2009 $000	2008 $000	2007 $000
Financial Performance					
Sales	**385,752**	379,993	484,482	503,880	466,316
EBITDA	**32,542**	22,405	49,931	45,660	52,532
Depreciation and amortisation	**(6,282)**	(6,486)	(6,697)	(6,094)	(6,177)
EBIT	**26,260**	15,919	43,234	39,566	46,355
Net Interest expense	**(1,412)**	(1,710)	(5,928)	(5,988)	(4,605)
Profit before tax	**24,848**	14,209	37,306	33,578	41,750
Tax expense – operating income	**(7,518)**	(4,306)	(11,177)	(11,032)	(13,975)
Tax expense – tax legislation changes	**(289)**	(4,189)	–	–	–
Profit after tax	**17,041**	5,714	26,129	22,546	27,775
Funds Employed					
Equity	**151,971**	145,914	150,143	141,834	138,780
Non-current liabilities	**2,634**	1,661	6,045	26,469	16,264
	154,605	147,575	156,188	168,303	155,044
Comprises:					
Current assets	**160,579**	146,740	158,071	187,863	177,615
Current liabilities	**(76,937)**	(70,584)	(78,937)	(99,224)	(92,938)
Working capital	**83,642**	76,156	79,134	88,639	84,677
Non-current assets	**70,963**	71,419	77,054	79,664	70,367
	154,605	147,575	156,188	168,303	155,044
Statistics					
Dividends per share (cents)	**15**	8.5	19	19	29
Earnings per share (cents)	**19.4**	6.5	29.6	25.6	31.5
Return on sales	**4.4%**	1.5%	5.4%	4.5%	6.0%
Return on equity	**11.2%**	3.9%	17.4%	15.9%	20.0%
Working capital (times)	**2.1**	2.0	2.0	1.9	1.9
Net tangible assets per share	**$1.49**	$1.42	$1.47	$1.38	$1.35
Equity to total assets	**65.6%**	66.9%	63.9%	53.0%	56.0%
Gearing (debt to debt plus equity)	**20.0%**	19.8%	24.0%	37.1%	33.4%
Net interest cover (times)	**18.6**	9.3	7.3	6.6	10.1
Ordinary shareholders	**7,663**	7,693	7,675	7,790	8,022
Employees	**692**	711	787	835	881

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

Business Areas

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Trading Operations

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Industrial Products
Fastening Systems
Piping Systems
Reinforcing
Stainless Steel
Roofing
Wire Processing

Share Registry

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One Future: Steel & Tube is in a strong position to meet the challenges of a recovering New Zealand economy and the long term rebuild of the Canterbury region.

STRONGER IN EVERYWAY

steel&tube