



STEEL & TUBE

ANNUAL REPORT 2001

2001

On a comparative basis, **net profit** per share increased by 13% to 1 by 23% to 16 cents. Coil processing of DJ Agencies. **\$9 million** reduction in profit contribution from steel

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STEEL AND TUBE HOLDINGS LIMITED BOARD OF **DIRECTORS**

New offices and warehousing for Hellmann

Worldwide Logistics at Mangere, designed and built by Broadway Developments Ltd.

Steel was supplied by Steel & Tube and fabricated by George Grant Engineering.



NEW OFFICES AND WAREHOUSING: HELLMANN WORLDWIDE LOGISTICS LIMITED

+ **DR BOB EVERY**
CHAIRMAN



+ **MR NICK CALAVRIAS**
CHIEF EXECUTIVE OFFICER



+ **MR BERNARD CARRASCO**
DIRECTOR



- **BOB EVERY** | Dr Every was appointed Chairman of the Board on 18 October 1996. He was appointed to the Board from Tubemakers of Australia Limited as an Executive Director in 1988 and was Chief Executive Officer of Steel & Tube Holdings Limited from 1 August 1989 until 30 June 1991. He was appointed Managing Director of Tubemakers of Australia Limited on 1 January 1996, Group General Manager and Chief Executive Officer of BHP Steel Products in 1997 and President of BHP Steel in January 1999. Dr Every is currently Managing Director and Chief Executive Officer of OneSteel Limited, and is a member of the Business Council of Australia.
- **NICK CALAVRIAS** | In September 1990 Mr Calavrias was appointed Executive Director following the acquisition of the Acorn Pacific Corporation Group of which he was Managing Director. He was appointed Chief Executive Officer of the Group from 1 July 1991 and is a Director of all subsidiary companies of Steel & Tube Holdings Limited. Mr Calavrias is a member of the New Zealand Business Roundtable.
- **BERNARD CARRASCO** | Mr Carrasco was appointed a Director on 30 March 1998. He is Chief Financial Officer of OneSteel Limited and was formerly Vice President Finance, BHP Steel. Mr Carrasco is a Director of A J Forsyth & Company Limited, and a number of subsidiary companies of OneSteel Limited.

+ **MR BARRY DINEEN**
DIRECTOR



+ **MR ROBIN FREEMAN**
DIRECTOR



+ **MR IAN LINDSAY**
DIRECTOR



+ **MR TONY CANDY**
COMPANY SECRETARY



- **BARRY DINEEN** | Appointed a Director in 1994, Mr Dineen was formerly Chairman and Managing Director of the Shell Companies in New Zealand. He is currently a Director of the National Bank of New Zealand Limited, Todd Corporation Limited, Rangatira Limited, Tru Test Corporation Limited and Danaflex Packaging Corporation Limited, and a member of the Board of New Zealand Cricket. He is currently President of the Institute of Directors in New Zealand.
- **ROBIN FREEMAN** | Appointed a Director on 17 August 2001, Mr Freeman is President Distribution, OneSteel Limited. He joined OneSteel in April 2001 after spending two years as Chief Financial Officer of Email Limited. Prior to that Mr Freeman was General Manager - Commercial with CSR Limited.
- **IAN LINDSAY** | Appointed a Director on 15 February 2001, Mr Lindsay recently returned from Australia where he was Director of Finance Asia Pacific for the BOC Group plc. Prior to this he had been Chairman and Managing Director of BOC Gases New Zealand Limited.
- **TONY CANDY** | Appointed Company Secretary in February 1992, Mr Candy joined the Company as Financial Controller of the Merchandising Division in 1988 and is a Director of all subsidiary companies of Steel & Tube Holdings Limited.

DIRECTORS' REPORT

Rosmini College Hall



Zinalume Custom Orb cladding on the new Rosmini College Hall in Takapuna designed by Orgias Cornthwaite Architects.



THE DIRECTORS

Present the Annual Report together with the Financial Statements of the Company and its Subsidiaries for the twelve months ended 30 June 2001.

1.



RESULTS

The financial result for the year was an after tax profit of \$14.9 million. This compares favourably with the \$14.3 million recorded in the thirteen months ending 30 June 2000.

DIVIDENDS

Directors declared a dividend of 9 cents per share which will be paid on 7 September 2001 to holders of fully paid ordinary shares registered at 31 August 2001. The amount payable was \$7.9 million. This dividend carries full imputation credits and makes a total distribution for the year of 16 cents, which compares with an amount of 13 cents per share for the previous period.

FINANCIAL POSITION

Shareholders' equity increased to \$130.3 million from \$125.6 million in the previous period. During the year borrowings reduced by \$16.7 million to \$33.0 million. The gearing ratio (debt:debt plus shareholders' equity) is 0.20:1. The Company continues to be in a sound position.

AUDITORS

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

DIRECTORS

Messrs Alex Paterson and Peter Muller retired from the Board during the year. Mr Bernard Carrasco will be retiring at the Company's annual meeting and will not seek re-election. Their dedicated service and contribution to the Company are acknowledged.

In accordance with the Company's Constitution, Dr Bob Every will retire by rotation and, being eligible, offers himself for re-election.

Messrs Ian Lindsay and Robin Freeman, having been appointed during the year, will be proposed for election.

PERSONNEL

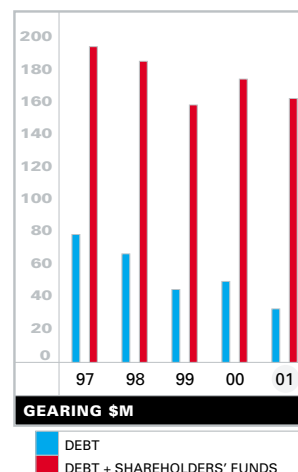
The Directors wish to acknowledge the contribution made by all staff to what has been a successful year for the Company. The achievement of the objectives set for the Company at the beginning of the year is something of which all staff can be proud.

DR BOB EVERY
Chairman

17 August 2001

MR NICK CALAVRIAS
Chief Executive Officer

1. A 112m wide Steltech frame fabricated by Auckland Steel at "The Gate", a 13.8 hectare site in Penrose under development by Willis Bond & Co. Stage 1 of the complex, being constructed by Haydn & Rollett, is due for completion early 2002 and will provide 33,000sqm of warehousing space, a third of the site potential.



REVIEW OF OPERATIONS

Dairy Farm



A significant boost to the rural sector has led to an increased demand for pipe and duragal sections.





+ MR NICK CALAVRIAS
CHIEF EXECUTIVE OFFICER

The Company benefited from a strong rural and export sector and from cost saving initiatives by management.

Net profit after tax of \$14.89 million is an improvement of \$0.62 million when compared with the previous result which was for a thirteen month period.

On a comparative basis for the twelve months to June 2000, this year's net profit increased by \$1.55 million or 11.6%, on a sales revenue increase of 4%.

Annualised earnings per share increased by 2 cents to 17 cents while the dividends per share increased by 23% to 16 cents.

STEEL DISTRIBUTION AND PROCESSING

Increased demand for steel products and services assisted the Steel Distribution and Processing operation to improve its earnings before tax for the 12 months ended 30 June 2001 by 25% when compared with the corresponding period last year.

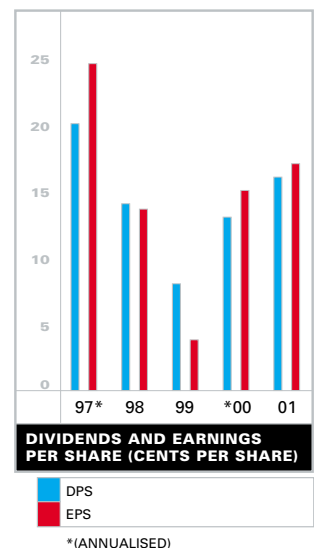
Although domestic demand was similar to last year's, the Company was able to benefit from the strong growth in demand from the rural sector and export focused manufacturers of elaborately manufactured products.

Further operational efficiencies and cost reductions were achieved during the year and substantial reductions were achieved in inventory.

In April an arrangement was made to acquire the Auckland based coil processing business of D J Agencies. This business will complement our existing coil processing operation by increasing the range of product that we can offer our customers. It is planned to merge these two businesses at our Bowden Road location, Auckland in November 2001.

REINFORCING AND FABRICATION

The commercial building sector was slightly more buoyant this year. However, the lack of suitable medium to large scale projects resulted in the Division processing 12% less reinforcing steel than last year. This reduced volume plus increased competitive pressures adversely affected the financial results of the operation.





+ **MR TERRY CARTER**
GENERAL MANAGER
NORTHERN REGION
STEEL DISTRIBUTION



+ **MR JON GOUSMETT**
GENERAL MANAGER
CENTRAL & SOUTHERN REGION
STEEL DISTRIBUTION



+ **MR ROGER O'NEILL**
GENERAL MANAGER
REINFORCING, FABRICATION
& ROOFING



+ **MR DUNCAN THOMAS**
PRESIDENT
A J FORSYTH &
COMPANY LIMITED

ROOFING AND CLADDING

Although residential housing demand was 17% down on last year, the increased activity in the light commercial sector enabled this business to report a similar sales and profit result to last year.

This business also benefited from an increased focus on inventory management which enabled the business to reduce its ongoing inventory levels.

A J FORSYTH & COMPANY LIMITED

A decline in steel consumption in British Columbia brought about by a weakening North American economy resulted in a 13% decrease in sales.

During the year it was decided to close the Kamloops branch and to service its customers from Kelowna.

Although steps were taken to reduce operating costs and inventory during this period, it was not sufficient to offset the decline in profit.

HEALTH AND SAFETY

Work related injuries can be very traumatic on individuals, families and the Company.

It is for this reason that Steel & Tube has adopted an overriding commitment to ensuring that its employees are advised of and trained in the area of risk and hazard management, and continually searches for opportunities to improve this aspect of its operations.

Health and safety in the workplace are the responsibility of the Company, its employees and its contractors. It is through this joint effort that we have seen a continued improvement in the Company's safety record and at the same time obtain greater productivity and cost reductions.

OUTLOOK

The economic outlook is for a slight improvement with some downside possible if the economies of our major trading partners do not improve in the near future.

We expect the strong demand for our products and services from the rural sector to continue. However, we also need a strong domestic market to achieve sustainable growth. At this point in time the signals that we are receiving from the market place are rather mixed and inconclusive and as such it is difficult to predict the short to medium term demand for our products and services.

The economy in British Columbia is expected to be soft in the first half of this year and then to recover slowly.

MR NICK CALAVRIAS
Chief Executive Officer

Steel & Tube supplies components for agricultural equipment to Pearson Engineering, Matamata, New Zealand's largest manufacturer and exporter of front end loaders.

Pearson Engineering - Matamata



The Board of Directors is elected by the shareholders to provide leadership and strategic insight that will enhance value and enable the Group to grow.

ROLE OF THE BOARD

The Board is responsible for the proper direction and control of the Group's activities.

The Board establishes the Group's objectives and the overall policy and control framework through which the Group's business is conducted, and monitors management's performance with respect to these matters. This responsibility includes such areas of stewardship as the identification and control of business risks, the integrity of the management information systems and reporting to shareholders.

In practice the Board achieves its role through the selection of the Chief Executive Officer who is charged with the day-to-day leadership and management of the Group.

BOARD MEMBERSHIP, MEETINGS AND COMMITTEE

The Board comprises five non-executive Directors and one executive Director. The Company's Constitution sets out the policies and guidelines for the operation of the Board including the appointment and removal of Directors.

The Board has nine scheduled meetings a year and will also meet as and when required on specific matters that arise. Presentations by senior managers of the Group's divisions are also made to the Directors during the meetings. Meetings are held at various locations to enable Directors to interact with management, staff and customers.

The Board has a formal audit committee which meets twice a year and is comprised of three non-executive Directors who are charged with the review of the financial statements and to consider matters associated with the internal and external audit. The Committee also promotes effective risk management policies and ensures that proper internal control systems are in place to provide the Board with assurance that the Group's assets are safeguarded and that the Company has complied with its statutory requirements.

REMUNERATION OF DIRECTORS

Shareholders approve Directors' fees at annual meetings and the fees are applicable to non-executive Directors. The Chief Executive Officer is remunerated as an executive of the Company and as such is not entitled to the Directors' fees.

1.



2.



1. 1,000 tonnes of reinforcing bar supplied to Project Waikato for treated water supply from the Waikato River to Wastecare Services in Auckland.

2. The new Christchurch Art Gallery with 1,100 tonnes of reinforcing steel supplied to C Lund & Son.

PERFORMANCE APPRAISAL

The Board as a whole and individual Directors are subject to performance appraisals through the application of a corporate governance best practice model in conjunction with an external facilitator. The appraisal is designed to measure performance through peer review and self-assessment. The Chairman initiates a review with each Director and a collective review of the Board is also conducted. Appropriate strategies for individual and collective improvement are then agreed and actioned.

RISK MANAGEMENT AND LEGAL COMPLIANCE

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

ENVIRONMENT, HEALTH AND SAFETY

All business units are required to comply with the statutory and legal obligations relating to the environment and to health and safety in their operations. Management reports to the Board on compliance with these policies and procedures have been set to ensure that all employees are committed to a safe and healthy work environment.

SHAREHOLDER RELATIONS

Shareholders are responsible for voting on the appointment of Directors. The Board aims to ensure that shareholders are informed of all major developments affecting the business activities of the Group. Information is communicated in interim and annual reports, notices and announcements to the New Zealand Stock Exchange, notices and memoranda of annual meetings, the Company's internet website at www.steelandtube.co.nz and media releases. Prior years' annual reports can also be found on the website.

STATUTORY INFORMATION

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Constitution of the Company provides for the Company or any related company to indemnify every Director and Officer out of the assets of the Company to the maximum extent permitted at law. The Group has taken out Directors' and Officers' Liability Insurance which ensures that the individuals concerned will incur no monetary loss as a result of actions undertaken by them in good faith in performing their normal duties.

INTERESTED TRANSACTIONS

All transactions conducted by the Group with OneSteel Limited are interested transactions. Details of these are given in Note 19 of the financial statements.

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

REMUNERATION OF DIRECTORS

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2001 were:

	\$000
R L Every	47
N Calavrias	508
B L Carrasco	28
B M J Dineen	28
I K Lindsay	12
P L Muller	27
A S Paterson*	104

*Inclusive of a retiring allowance paid in accordance with clause 32.8 of the Company's Constitution.

USE OF COMPANY INFORMATION

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

REMUNERATION OF EMPLOYEES

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2001 were within the following bands:

REMUNERATION RANGE FOR EMPLOYEES	NO. OF EMPLOYEES IN EACH BAND	
	GROUP 2001	PARENT 2001
\$100,000 - \$109,999	2	2
\$110,000 - \$119,999	1	1
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	1	1
\$150,000 - \$159,999	1	1
\$160,000 - \$169,999	3	2
\$170,000 - \$179,999	1	1
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	1	-
\$360,000 - \$369,999	1	-

DIRECTORS' SHAREHOLDINGS

	AS AT 30 JUNE 2001			AS AT 30 JUNE 2000		
	BENEFICIAL	NON BENEFICIAL	ASSOCIATED PERSON	BENEFICIAL	NON BENEFICIAL	ASSOCIATED PERSON
N Calavrias	440,000 ⁽¹⁾	25,500 ⁽²⁾	525,000	340,000 ⁽¹⁾	25,500 ⁽²⁾	450,000
B L Carrasco	10,000	-	44,507,240 ⁽³⁾	-	-	44,107,240 ⁽³⁾
B M J Dineen	40,000	-	-	40,000	-	-
R L Every	6,000	-	44,507,240 ⁽³⁾	6,000	-	44,107,240 ⁽³⁾
I K Lindsay	20,000	-	-	-	-	-

(1) Includes shares partly paid up to 1 cent held under the Senior Executives' Share Scheme 1993 of which 100,000 were issued during the year following shareholder approval at the Annual Meeting.

(2) Shares held in a non-beneficial capacity as Trustee of the Employee Share Purchase Scheme.

(3) Messrs Carrasco and Every are associated persons of OneSteel Limited by virtue of their positions as Directors or employees of certain of its related companies.

SHARE DEALINGS BY DIRECTORS

Mr Calavrias acquired through his family trust 75,000 shares on 1 September 2000 for a consideration of \$112,500. Mr Carrasco acquired 10,000 shares on 14 September 2000 for a consideration of \$14,600.

Messrs Carrasco, Dineen and Every have disclosed that they hold shares and/or options in OneSteel Limited.

Mr Calavrias through his family trust acquired on market 20,000 OneSteel shares at A\$1.07 in October 2000.

SHAREHOLDER STATISTICS

CENSUS OF SHAREHOLDERS AT 9 AUGUST 2001

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	NO. OF SHARES	PERCENTAGE
1 - 499	1,145	225,661	0.26
500 - 999	881	583,374	0.66
1,000 - 4,999	3,337	7,697,772	8.70
5,000 - 9,999	1,161	7,292,078	8.24
10,000 - 49,999	971	15,545,701	17.58
50,000 - 99,999	46	3,058,717	3.46
Over 100,000	18	54,042,063	61.10
	7,559	88,445,366	100.00

TWENTY LARGEST SHAREHOLDERS

The twenty largest shareholders holding 59.85% of the issued shares at 9 August 2001 are as follows:

Tubemakers of New Zealand Limited	44,507,240	50.32
Accident Rehabilitation and Compensation Insurance Corporation	1,906,000	2.16
National Nominees New Zealand Limited	1,461,424	1.65
AMP Superannuation Tracker Fund	855,520	0.97
Forbar Custodians Limited	650,374	0.74
ANZ Nominees Limited	527,500	0.60
Nicholas and Mariana Calavrias	525,000	0.59
Citibank Nominees (New Zealand) Limited	413,194	0.47
Astley Trading Limited	250,000	0.28
Salvation Army Property New Zealand Trust Board	250,000	0.28
Leszek Andrzej Plenzler	212,000	0.24
TEA Custodians Limited - NZ Mid Cap Index Fund	182,176	0.21
Tracker Nominees - AMP Investments	177,307	0.20
Guardian Trust Investment Nominees (RWT) Limited	174,968	0.20
Regent Holdings Limited	162,000	0.18
Elsie Winifred Leyser	145,700	0.16
David Grindell	140,000	0.16
James Michael Hannan & Helen Anne Hannan & Neville Gordon Low	140,000	0.16
Nicholas Calavrias	130,000	0.15
Rauhine Jeffery	120,000	0.14

SUBSTANTIAL SECURITY HOLDERS

According to the file kept by the Company in terms of section 25 of the Securities Amendment Act 1988, the names of persons who are substantial security holders and the number of voting securities in which they have a relevant interest at 9 August 2001 are as follows:

	FULLY PAID ORDINARY SHARES HELD	PERCENTAGE HOLDING
Tubemakers of New Zealand Limited	44,507,240	50.32

SECURITIES ON ISSUE COMPRISE

Fully paid ordinary shares carrying full voting rights	87,776,366
Senior Executives' shares partly paid to 1 cent	669,000

New premises for Veterinary Specialist Group located at Unitec Institute of Technology feature Steel & Tube Trimline roofing and horizontal Custom Orb colorsteel cladding.

1. Unitec Veterinary Hospital - Carrington Road, Auckland



2. "Dominator" garage door system

Prepainted sheet metal and other steel sections are supplied to Advanced Doors Systems of Christchurch who manufacture the "Dominator" range of garage door systems.

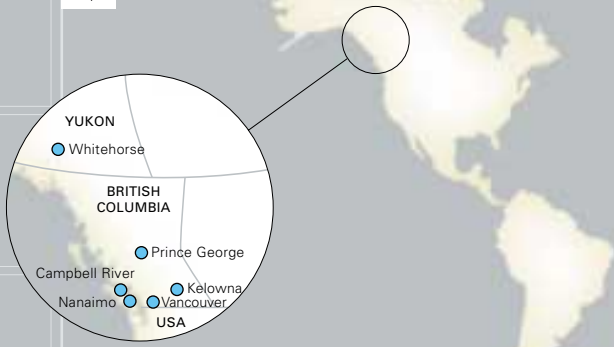
The "Audi hangar" in Newmarket for Continental Car Services - a German design dealership facility. This is the largest of six Audi hangars in Australasia and the first in NZ. Steel was supplied by Steel & Tube and fabricated by Dixon & Haddon for the contractor, Canam Construction Ltd.

Continental Car Services



BUSINESS LOCATIONS

CANADA



BUSINESS LOCATIONS

- CORPORATE OFFICE
- ROOFING PRODUCTS
- REINFORCING & FABRICATION
- STEEL DISTRIBUTION & PROCESSING
- FASTENING SUPPLIES

1.



2.



3.



NEW ZEALAND



1. Floating fish farm pen in the Georgia Strait for the farming of salmon. The pen is fabricated by Nanaimo Shipyards on Vancouver Island with processed plate and tubing products supplied by Forsyth's Nanaimo Branch.
2. The "SwitchHitter", a new and innovative multi-purpose trailer designed and built by International Steelworks Industries of Kelowna, British Columbia using square tubing and plate products supplied from Forsyth's Kelowna Branch.
3. Another "Dominator" garage door system (see page 15).



Steel & Tube Holdings Limited

15-17 Kings Crescent Private Box 30-543 Lower Hutt New Zealand

