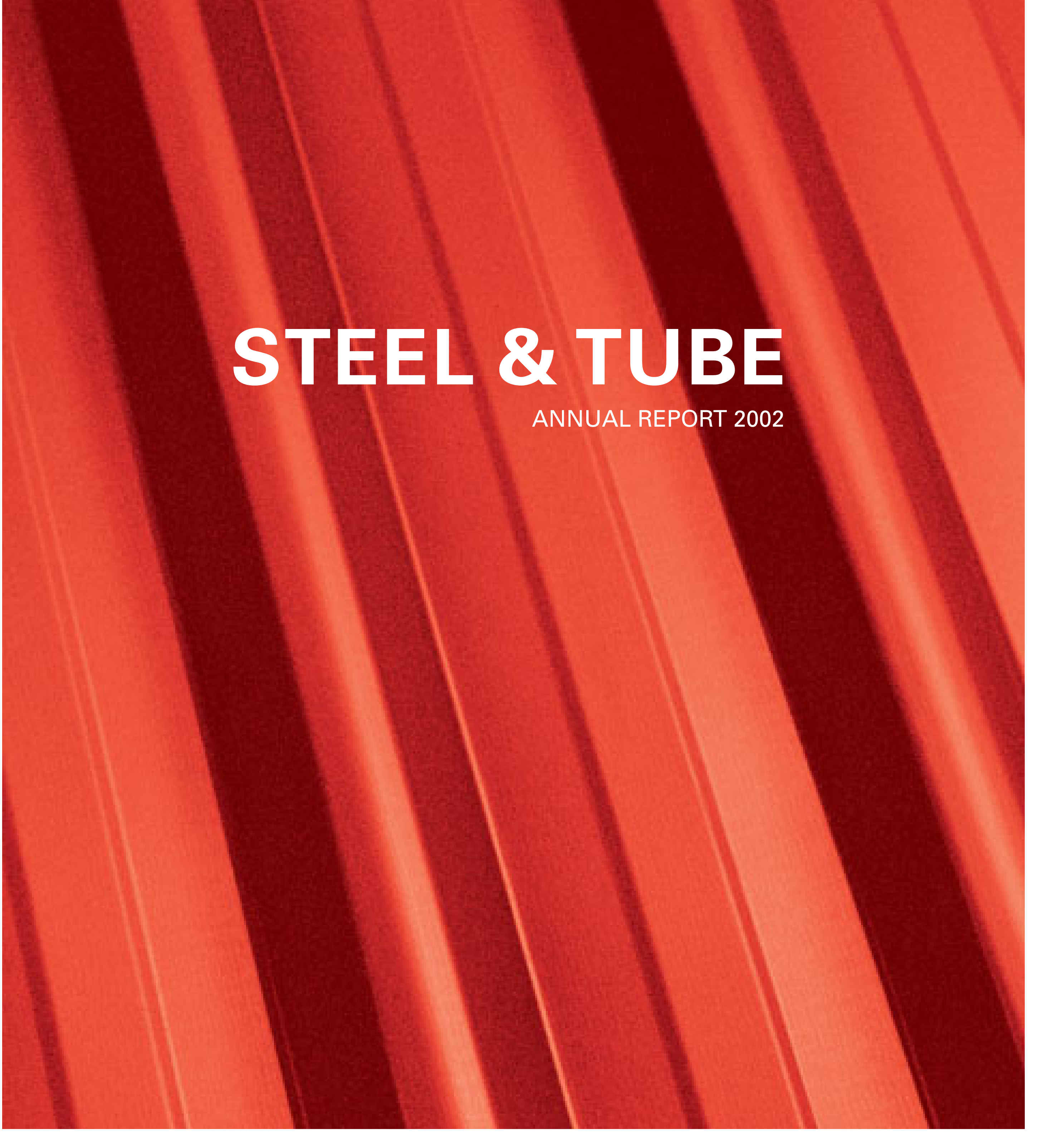






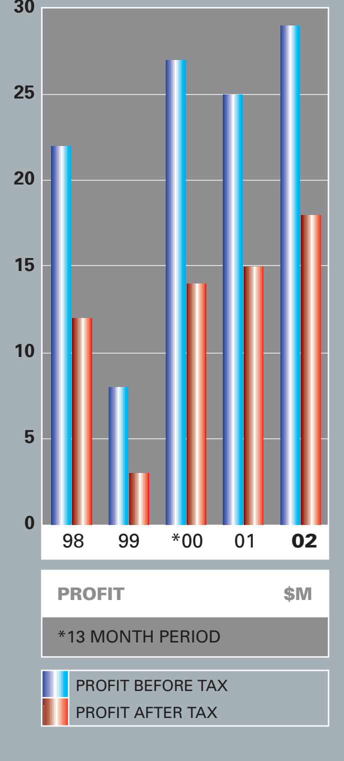
STEEL & TUBE

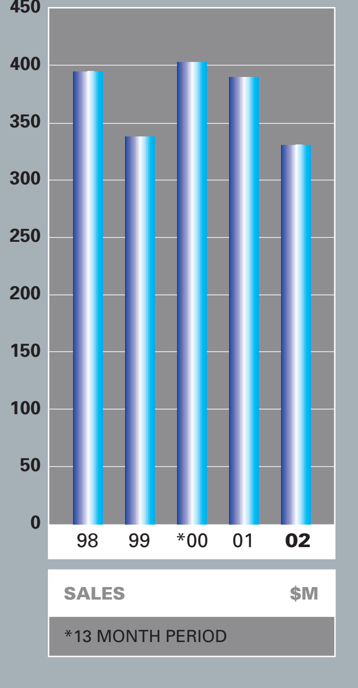
ANNUAL REPORT 2002

HIGHLIGHTS 2002

+ **HIGHLIGHTS 2002**

Net profit after tax increased by 22.8% to $18.3 million. **Earnings** per share increased by 22.4% to 20.8 cents. An 81% increase to 29 cents in **dividends** per share inclusive of special dividend. 25% increase in **cash flows** from trading activities within New Zealand. **Acquisition** of Pipeline Supplies New Zealand Limited. **Zero** lost time injuries.





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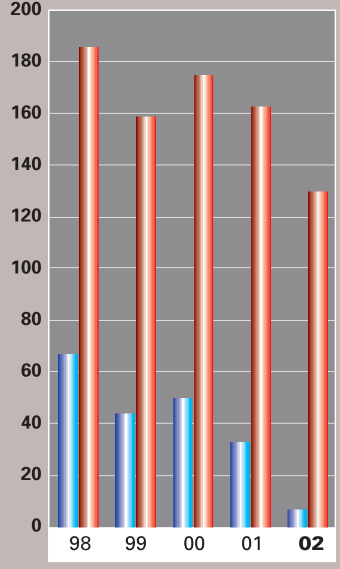
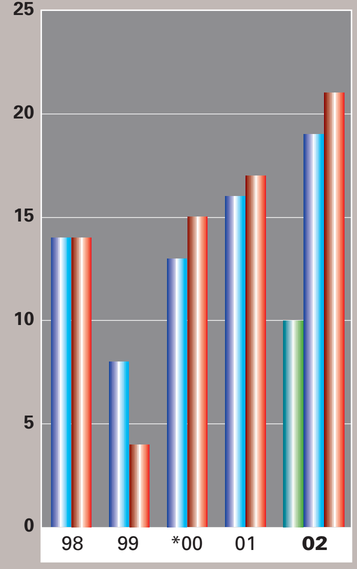


GEARING $M

DEBT
DEBT + SHAREHOLDERS' FUNDS



DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)

*(ANNUALISED)

DPS
EPS
SPECIAL

+ **BOB EVERY**
CHAIRMAN

+ **NICK CALAVRIAS**
CHIEF EXECUTIVE OFFICER

+ **BARRY DINEEN**
DIRECTOR

STEEL AND TUBE HOLDINGS LIMITED BOARD OF DIRECTORS

→ **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.

→ **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 and Tecpak Industries Limited. He is currently President of the Institute of Directors in New Zealand and Chairman New Zealand Business & Parliament Trust.

The new cycle and pedestrian lane for the Wanganui State Highway Three Cobham Bridge constructed by Fulton Hogan Ltd for Transit New Zealand. Steel & Tube supplied 128 tonnes of sections to the fabricator, Wheeldon Engineering Ltd, Wanganui.

+ **ROBIN FREEMAN**
DIRECTOR

+ **IAN LINDSAY**
DIRECTOR

+ **TONY REEVES**
DIRECTOR

+ **TONY CANDY**
COMPANY SECRETARY

→ **ROBIN FREEMAN** | Appointed a Director on 17 August 2001, Mr Freeman is Executive General Manager 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 was formerly Director of Finance Asia Pacific for the BOC Group plc. Prior to this he had been Chairman and Managing Director of BOC Gases New Zealand Limited.

→ **TONY REEVES** | Appointed a Director in November 2001, Mr Reeves is Chief Financial Officer of OneSteel Limited. He was formerly Chief Financial Officer of Orica's worldwide explosives business and prior to that Director Finance and Information Technology for ICI's international polyester business.

→ **TONY CANDY** | 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.

Britomart underground rail station, one of the largest infrastructure projects ever undertaken by local government in New Zealand.
Steel and Tube will supply 5,400 tonne of fabricated reinforcing steel to the contractor, Downer Construction Ltd, during the course of construction.

DIRECTORS' REPORT

The Base Club

The Base Club at Viaduct Basin in Auckland occupies a unique position on the new Western Viaduct Wharf at the entrance to the America's Cup Harbour. The steel frame building was constructed by Econo Built Systems Ltd for corporate hospitality providers Travel & More New Zealand Ltd.

THE DIRECTORS

Present the Annual Report together with the financial statements of the Company and its subsidiaries for the year ended 30 June 2002.

McDonald's new Head Office under construction in Freeman's Bay, Auckland. The 3000 sq m, 3 level building was designed by ASC Architects, constructed by Mainzeal and project managed by Landplan Property Group Ltd. Steel & Tube supplied all steel sections and purlins to the fabricator, Dixon & Haddon Structural Steel Ltd.

RESULTS

The financial result for the year was an after tax profit of $18.284 million. This compares favourably with the $14.887 million recorded in the previous year ended 30 June 2001.

DIVIDENDS

The Directors have declared a dividend of 10 cents per share which will be paid on 6 September 2002 to holders of fully paid ordinary shares registered at 30 August 2002. The amount payable is $8.8 million. This dividend carries full imputation credits and makes a total distribution for the year of 29 cents per share, inclusive of a special dividend of 10 cents per share. This compares favourably to the previous year's total distribution of 16 cents per share resulting in an increase of 81%.

FINANCIAL POSITION

Shareholders' equity decreased to $123.5 million from $130.3 million in the previous year. During the year borrowings reduced by $26.4 million to $6.6 million. The gearing ratio (debt:debt plus shareholders' equity) is 0.05:1. The Company continues to be in a sound position.

In June 2002, 88,700 new shares were issued under the employee share purchase scheme, details of which are disclosed in note 20 of the financial statements.

ACQUISITION AND DISPOSAL

Pipeline Supplies New Zealand Limited, a distributor of steel pipes, valves and fittings, was acquired in May 2002 for $11.5 million. This was a purchase from a related party and is disclosed in note 14 of the financial statements.

In October 2001, the company disposed of its 51% interest in A J Forsyth & Company Limited of British Columbia, Canada. After deducting costs associated with the sale, taxes, minority interest, and exchange fluctuations, a profit after tax of NZ$279,000 was achieved.

AUDITORS

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

DIRECTORS

Mr Bernard Carrasco retired from the Board during the year. His dedicated service and contribution to the Company are acknowledged.

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

Mr Tony Reeves, 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

MR NICK CALAVRIAS
Chief Executive Officer

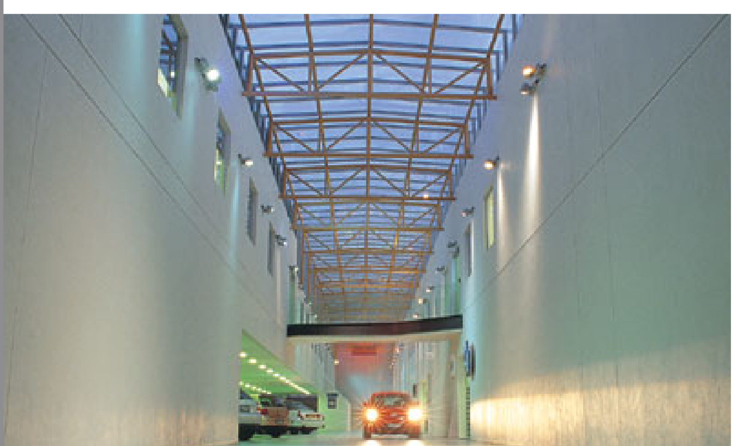
16 August 2002

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Giltrap Prestige

Exposed steelwork features prominently in the new vehicle showroom of Giltrap Prestige. The complex, in Auckland Central, was designed by Premium Commercial Design Ltd and constructed by Dominion Constructors Ltd.

Structural steelwork was fabricated by Dixon & Haddon with supply of all steel sections, reinforcing and purlins by Steel & Tube.



Steel & Tube now offer nationwide mobile chain & rigging testing facilities. The fleet of specially fitted vans with fully trained, professional technicians has provided a unique on-site service to the industry.

The Company benefited from a strong rural economy and a buoyant residential construction sector.

Although sales were lower as a result of the sale of the Canadian joint venture distribution business A J Forsyth & Company Limited in October 2001, net profit improved by $3.397 million or 23% to $18.284 million when compared with last year.

Annualised earnings per share increased by 3.8 cents to 20.8 cents while the dividends per share increased by 13 cents to 29 cents including the 10 cent per share special dividend.

STEEL DISTRIBUTION AND PROCESSING

The demand for our goods and services from the rural economy once again provided growth opportunities for our Steel Distribution and Processing operations.

This allowed the Company to increase volume in all the rural regions.

Although there was strong underlying support for steel products from Wellington and Christchurch, there was a decline in volumes from Auckland resulting in an overall national volume growth for the Company of 2% compared to last year.

During the year an initiative to increase sales and market share in chain and rigging saw the formation of a fleet of six specially fitted vans that carry out full testing of product at the customer's premises and supply replacement product as required. This initiative has been extremely successful and is expected to grow further in the new year.

The company has supported the formation of the Steel Construction Industry New Zealand (SCI-NZ) whose purpose is to promote the benefits of using more steel in the design of buildings and infrastructure projects. This initiative has already resulted in some success with SCI-NZ converting during the year a number of projects requiring 2,000 tonnes in total of construction steel, that were originally designed for construction in concrete. Further substantial project conversions are expected to take place in the new year.

A number of cost reduction measures were undertaken during the year and further reductions were obtained in inventory.

There was a substantial increase in the world prices for hot rolled coil and slab in May 2002. This price increase will eventually flow through to all steel products and increase the value of our inventory next year by about 10%.

In May 2002 the Company acquired Pipeline Supplies New Zealand Limited. This company is a distributor of steel pipe, valves and fittings, to the construction, petrochemical, energy and water works sectors and will strengthen Steel & Tube's existing presence in this market sector.

REINFORCING AND FABRICATION

Although the volume of reinforcing steel processed by the Reinforcing operations increased by about 10% when compared with last year, the financial results were considerably less.

To be profitable on a sustainable basis, this business is reliant on there being a continuous stream of projects on a nationwide basis that require in excess of 500 tonnes per project. During the year, these opportunities were very limited with only four such projects available to it.

Of those, we were able to obtain the two largest contracts. These were the Britomart Transport Centre requiring 5,400 tonnes and the Hyatt Hotel extensions requiring 750 tonnes. Both contracts are located in Auckland. These contracts commenced in October 2001 and are expected to be completed in October / November 2002.

ROOFING PRODUCTS

The boost in the construction of residential housing and a steady demand from the rural and light construction sectors for storage buildings assisted the Roofing Products operations to post a record result.

The development and introduction of two new industrial roofing and cladding profiles to the market also assisted the business to increase its earnings and market share.

The business also benefited from a tight control on expenses and inventory.

AJ FORSYTH & COMPANY LIMITED

During the year the Company reviewed its investment in the Canadian steel distribution business A J Forsyth & Company and determined that it was unlikely to meet our required investment returns over the business cycle.

As a consequence of this decision, Steel & Tube and our joint venture partner in this investment, OneSteel Limited, Australia, sold A J Forsyth to Russel Metals Inc., Mississauga, Ontario, Canada, in October 2001, for C$21.8 million which was in excess of book value. After deducting costs associated with the sale, taxes, minority interests and exchange fluctuations, a profit after tax of NZ$279,000 was achieved.

GENERAL MARKET CONDITIONS

The New Zealand economy remained relatively robust during the year under review, but the rate of growth slowed when compared to the previous year primarily due to the events surrounding 11 September 2001 and the subsequent slowdown in world trade.

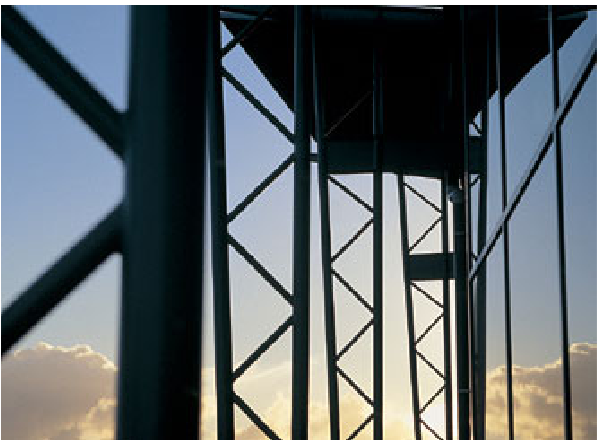
The combined benefits of favourable agricultural production conditions, a weak New Zealand Dollar and strong world prices for many of the country's key agricultural commodities benefited the country.

The provincial regions once again led the growth in domestic demand. As the year progressed however, an increase in household incomes due in the main to the lowering of interest rates caused a surge in the construction of residential housing.

Commercial construction on the other hand progressively declined from September 2001 to end the year at similar levels to last year.

New premises for Hertz Fleetlease at Mt. Wellington, Auckland, developed by Redwood Group Ltd and constructed by Canam Construction Ltd. Steel & Tube supplied all structural steel and purlins to the fabricator, George Grant Engineering.

Hertz Fleetlease



STANDING: Roger O'Neill | General Manager Reinforcing & Fabrication; **Jon Gousmett** | General Manager Central & Southern Region Steel Distribution & Processing; **Mark Winnard** | General Manager Roofing Products; **Terry Carter** | General Manager Northern Region Steel Distribution & Processing

SEATED: Jim Peterson | General Manager Fastening Systems; **Nick Calavrias** | Executive General Manager Steel Distribution & Chief Executive Officer; **Guy Manning** | General Manager Piping Systems; **Tony Candy** | Company Secretary

Garry Wilson, Chief Executive of Accident Compensation Corporation, presenting the inaugural award for excellence in safety to Nick Calavrias.

HEALTH AND SAFETY

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

This strong commitment by all concerned has resulted in the Company achieving its target of zero lost time work incidents for the twelve months ending June 2002 and in the process being awarded the inaugural award from the Accident Compensation Corporation for excellence in achieving a safer workplace.

OUTLOOK

The economic outlook is expected to remain steady with the economies of our major trading countries recovering, although agricultural commodity prices have weakened.

The construction of new residential housing is running at levels substantially ahead of last year and this, together with the strong increase in domestic consumer spending, means the economy may withstand any expected reduction in farm incomes.

Although it is too early to pick a trend for commercial construction activity, signs are encouraging that this sector will also improve over last year.

MR NICK CALAVRIAS
Chief Executive Officer

The new base at Viaduct Basin for Mascalzone Latino, one of the America's Cup 2003 challengers, was constructed by Econo Built Systems Ltd. Structural steel and purlins were supplied by Steel & Tube and fabricated by George Grant Engineering.

Mascalzone Latino

GOVERNANCE STATEMENT

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 defined delegation to the Chief Executive Officer who is charged with the day-to-day leadership and management of the Group.

BOARD MEMBERSHIP, MEETINGS AND COMMITTEES

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 operates in accordance with the broad principles set out in its charter.

The Board has nine scheduled meetings a year and will also meet as and when required on specific matters that arise. Presentations by general 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.

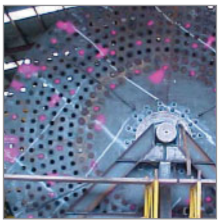
The Board has two standing committees to assist in the execution of its duties and to allow detailed consideration of complex issues. All committees are comprised of non-executive Directors.

Audit Committee

The audit committee consists of the following non-executive Directors:

Mr Tony Reeves (Chairman), Mr Barry Dineen and Mr Ian Lindsay.

This committee meets twice a year and is charged with the review of the annual report, the half year financial report and other financial information released to the market, and consideration of 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.



One of two 5.2m diameter cascade evaporator wheels built for Carter Holt Harvey Tasman Kawerau Mill. Steel & Tube supplied cut plate to the fabricator, Mt Maunganui Engineering 2000 Ltd, and tubes direct to the mill.

Governance and Remuneration Committee

The governance and remuneration committee is comprised of the following non-executive Directors:

Dr Bob Every (Chairman), Mr Barry Dineen and Mr Ian Lindsay.

The main responsibilities of this committee are the review of the corporate governance procedures of the Company, recommending new nominees for membership to the main board, the remuneration of non-executive Directors and the Chief Executive Officer, and the approval of the recommendations of the Chief Executive Officer in respect to remuneration packages of senior management.

REMUNERATION OF DIRECTORS

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

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 18 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 2002 were:

	$000
R L Every	57
N Calavrias	648
B L Carrasco	10
B M J Dineen	33
R W Freeman	28
I K Lindsay	33
A J Reeves	20

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 2002 were within the following bands:

REMUNERATION RANGE	NUMBER OF EMPLOYEES
$100,000 - $109,999	2
$110,000 - $119,999	2
$130,000 - $139,999	1
$150,000 - $159,999	2
$180,000 - $189,999	1
$190,000 - $199,999	2
$200,000 - $209,999	2

DIRECTORS' SHAREHOLDINGS

	AS AT 30 JUNE 2002			AS AT 30 JUNE 2001		
	BENEFICIAL	NON-BENEFICIAL	ASSOCIATED PERSON	BENEFICIAL	NON-BENEFICIAL	ASSOCIATED PERSON
N Calavrias	440,000 (1)	114,900 (2)	525,000	440,000 (1)	26,200 (2)	525,000
B M J Dineen	40,000	114,900 (2)	–	40,000	–	–
R L Every	6,000	–	44,507,240 (3)	6,000	–	44,507,240 (3)
R W Freeman	–	–	44,507,240 (3)	–	–	–
I K Lindsay	20,000	–	–	20,000	–	–
A J Reeves	2,000	–	44,507,240 (3)	–	–	–

(1) Includes shares partly paid up to 1 cent held under the Senior Executives' Share Scheme 1993.

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

(3) Messrs Every, Freeman and Reeves 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 Reeves acquired 2,000 shares on 30 April 2002 for a consideration of $5,840.

SHAREHOLDER STATISTICS

CENSUS OF SHAREHOLDERS AT 8 AUGUST 2002

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	NO. OF SHARES	PERCENTAGE
1 – 499	1,168	233,622	0.26
500 – 999	916	603,287	0.68
1,000 – 4,999	3,593	8,254,583	9.32
5,000 – 9,999	1,171	7,416,521	8.38
10,000 – 49,999	947	15,314,149	17.30
50,000 – 99,999	40	2,849,631	3.22
Over 100,000	28	53,862,273	60.84
	7,863	88,534,066	100.00

TWENTY LARGEST SHAREHOLDERS

The twenty largest shareholders at 8 August 2002 are as follows:

Tubemakers of New Zealand Limited	44,507,240	50.27
National Nominees New Zealand Limited*	1,644,166	1.86
Accident Compensation Corporation*	1,550,000	1.75
Forbar Custodians Limited	687,354	0.78
AMP Superannuation Tracker Fund*	600,057	0.68
Nicholas Calavrias & Mariana Calavrias & Leonidas Gambitsis	525,000	0.59
The Trustees Executors and Agency Company of New Zealand*	500,000	0.56
Citibank Nominees (New Zealand) Limited*	485,409	0.55
Yarrow Consulting Limited	241,700	0.27
TEA Custodians Limited – NZ Mid Cap Index Fund*	219,171	0.24
Leszek Andrzej Plenzler	212,000	0.24
Westpac Banking Corporation – Client Assets No. 2*	200,454	0.23
ANZ Nominees Limited*	200,000	0.22
Guardian Trust Investment Nominees (RWT) Limited*	176,047	0.20
Regent Holdings Limited	162,000	0.18
Douglas Richard Leyser & Robyn Jan Leyser	159,475	0.18
Elsie Winifred Leyser	157,325	0.18
David Grindell	140,000	0.16
James Michael Hannan & Helen Anne Hannan & Neville Gordon Low	140,000	0.16
Tracker Nominees – AMP Investments*	133,365	0.15
	52,640,763	59.46

* Shares held in the name of New Zealand Central Securities Depository Limited.

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 8 August 2002 are as follows:

	FULLY PAID ORDINARY SHARES HELD	PERCENTAGE HOLDING
Tubemakers of New Zealand Limited	44,507,240	50.27

SECURITIES ON ISSUE COMPRISE

Fully paid ordinary shares carrying full voting rights	87,865,066
Senior Executives' shares partly paid to one cent	669,000

2002 FINANCIAL STATEMENTS

FINANCIAL **CONTENTS**

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and the Group as at 30 June 2002 and its financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept, which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate the compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Board of Directors of Steel & Tube Holdings Limited authorised these financial statements for issue on 16 August 2002.

The Directors are pleased to present the financial statements of Steel & Tube Holdings Limited and its subsidiaries for the year ended 30 June 2002.

For and on behalf of the Board

DR BOB EVERY
CHAIRMAN

MR NICK CALAVRIAS
CHIEF EXECUTIVE OFFICER

16 AUGUST 2002

STATEMENT OF FINANCIAL PERFORMANCE

OF STEEL & TUBE HOLDINGS LIMITED AND SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Sales					
Continuing activities		**301,320**	278,898	**299,165**	278,898
Discontinued activities		**29,234**	111,060	-	-
		330,554	389,958	**299,165**	278,898
Earnings before interest and tax					
Continuing activities		**29,775**	23,406	**28,321**	23,421
Discontinued activities		**162**	4,675	-	-
		29,937	28,081	**28,321**	23,421
Interest income		**196**	185	**175**	153
Interest expense		**(1,626)**	(2,875)	**(697)**	(1,485)
Profit before tax	3	**28,507**	25,391	**27,799**	22,089
Tax expense	4	**(10,400)**	(9,529)	**(9,644)**	(7,741)
Profit after tax		18,107	15,862	18,155	14,348
Minority interest in loss/(profit) of subsidiary		**177**	(975)	-	-
Profit attributable to the shareholders of the Parent Company		**18,284**	14,887	**18,155**	14,348

STATEMENT OF MOVEMENTS IN EQUITY

OF STEEL & TUBE HOLDINGS LIMITED AND SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Equity at beginning of year		**148,103**	140,631	**130,305**	125,565
Net profit for the year		**18,284**	14,887	**18,155**	14,348
Assets revaluation reserve movement	9	-	-	**(739)**	2,617
Foreign currency translation reserve movement	9	**(5,520)**	2,078	-	-
Amalgamation of subsidiary	14	-	-	**183**	-
Total recognised revenue and expenses		**12,764**	16,965	**17,599**	16,965
Transfer of foreign currency translation reserve to retained earnings	9	**4,805**	-	-	-
(Decrease)/Increase in minority interest		**(17,798)**	2,732	-	-
Increase in paid up share capital	8	**236**	60	**236**	60
Dividends paid to shareholders	6	**(24,578)**	(12,285)	**(24,578)**	(12,285)
Equity at end of year		**123,532**	148,103	**123,562**	130,305

STATEMENT OF FINANCIAL POSITION

OF STEEL & TUBE HOLDINGS LIMITED AND SUBSIDIARIES
AS AT 30 JUNE 2002

		Group		Parent	
	Notes	**2002**	2001	**2002**	2001
		$000	$000	**$000**	$000
Equity					
Paid up share capital	8	**69,637**	69,401	**69,637**	69,401
Reserves	9	**-**	5,520	**9,128**	9,867
Retained earnings		**53,895**	55,384	**44,797**	51,037
Shareholders' funds		**123,532**	130,305	**123,562**	130,305
Minority interest		**-**	17,798	**-**	-
		123,532	148,103	**123,562**	130,305
Non-current liabilities	10	**-**	14,584	**19,657**	-
Current liabilities					
Borrowings	11	**6,626**	18,472	**6,626**	17,991
Payables and accruals	12	**29,221**	34,035	**29,195**	23,644
		35,847	52,507	**35,821**	41,635
		159,379	215,194	**179,040**	171,940
Non-current assets					
Fixed assets	13	**38,098**	65,823	**37,720**	38,201
Investments	14	**-**	194	**19,824**	20,563
Goodwill		**11,030**	9,109	**11,030**	7,051
Future income tax benefit	5	**4,152**	1,365	**4,128**	3,281
Long term receivables	15	**-**	1,059	**434**	434
		53,280	77,550	**73,136**	69,530
Current assets					
Receivables and prepayments	16	**58,473**	72,834	**58,278**	55,318
Inventories		**47,626**	64,810	**47,626**	47,092
		106,099	137,644	**105,904**	102,410
		159,379	215,194	**179,040**	171,940

STATEMENT OF CASH FLOWS

OF STEEL & TUBE HOLDINGS LIMITED AND SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Cash flows from operating activities					
Cash was provided from/(applied to):					
Receipts from customers		**331,055**	386,236	**298,850**	273,750
Interest received		**196**	185	**175**	153
Payments to suppliers and employees		**(284,237)**	(338,818)	**(256,493)**	(238,859)
Income taxes paid		**(10,982)**	(10,113)	**(10,358)**	(8,377)
Interest paid		**(1,626)**	(2,875)	**(697)**	(1,485)
Other taxes paid	14	**(766)**	-	**-**	-
Net cash flow from operating activities		**33,640**	34,615	**31,477**	25,182
Cash flows from investing activities					
Cash was provided from/(applied to):					
Sale of fixed assets		**896**	428	**896**	391
Proceeds from disposal of subsidiary	14	**16,795**	-	**-**	-
Purchase of subsidiary	14	**(11,547)**	(2,272)	**(11,547)**	(2,272)
Purchase of fixed assets		**(5,717)**	(5,018)	**(4,943)**	(3,141)
Net cash flow from/(to) investing activities		**427**	(6,862)	**(15,594)**	(5,022)
Cash flows from financing activities					
Cash was provided from/(applied to):					
Borrowings		**(4,360)**	(25,192)	**(10,000)**	(19,000)
Loan from subsidiary		**-**	-	**19,824**	-
Share capital paid up		**236**	60	**236**	60
Minority interest share of dividends from disposed subsidiary		**(3,519)**	-	**-**	-
Dividends paid to parent shareholder		**(12,463)**	(6,203)	**(12,463)**	(6,203)
Dividends paid to other shareholders		**(12,115)**	(6,082)	**(12,115)**	(6,082)
Net cash flow to financing activities		**(32,221)**	(37,417)	**(14,518)**	(31,225)
Net cash flow		**1,846**	(9,664)	**1,365**	(11,065)
Cash at beginning of year		**(8,472)**	1,192	**(7,991)**	3,074
Cash at end of year		**(6,626)**	(8,472)	**(6,626)**	(7,991)
Cash is comprised of:					
Bank overdraft/call borrowings	11	**(6,626)**	(8,472)	**(6,626)**	(7,991)

STATEMENT OF CASH FLOWS (CONTINUED)

OF STEEL & TUBE HOLDINGS LIMITED AND SUBSIDIARIES
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Reconciliation of profit after tax to cash flow from operating activities					
Profit after tax		18,107	15,862	18,155	14,348
Add/(less) items classified as investing or financing activities:					
Gain on sale of fixed assets		(41)	(81)	(41)	(81)
Gain on disposal of subsidiary	14	(1,422)	-	-	-
		(1,463)	(81)	(41)	(81)
Add/(less) non-cash items:					
Depreciation		5,613	6,969	5,030	5,081
Bad debts written off		1,544	937	321	760
Amortisation of goodwill		1,377	1,659	1,244	1,197
Shares from demutualisation		-	(194)	-	-
Increase in future income tax benefit		(944)	(47)	(616)	(297)
		7,590	9,324	5,979	6,741
Movements in working capital items:					
Decrease in income tax payable		(404)	(622)	(98)	(446)
Increase in receivables and prepayments		(704)	(3,291)	(1,454)	(4,649)
Increase in payables and accruals		3,688	1,562	5,961	3,714
Decrease in inventories		5,139	9,240	3,354	3,879
Movements in working capital classified as investing or financing activities		1,687	2,621	(379)	1,676
		9,406	9,510	7,384	4,174
Net cash flow from operating activities		**33,640**	34,615	**31,477**	25,182

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

Reporting entities

Steel & Tube Holdings Limited is a company registered under the Companies Act 1993 and is listed on the New Zealand Stock Exchange. Steel & Tube Holdings Limited is an issuer for the purposes of the Financial Reporting Act 1993.

The Group comprises Steel & Tube Holdings Limited and its subsidiaries.

The financial statements of the Parent Company and the Group have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Measurement base

The financial statements have been prepared on the historical cost method, modified by the revaluation of certain assets.

Accounting policies

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below:

(a) Basis of consolidation

The consolidated financial statements are prepared from the financial statements of the Parent Company and its subsidiaries using the purchase method. All significant intercompany transactions are eliminated on consolidation.

(b) Sales

Sales shown in the Statement of Financial Performance comprise the amounts received and receivable by the Group for goods and services supplied to customers in the ordinary course of business.

(c) Goodwill

The excess of cost over the fair value of the net assets acquired is capitalised as goodwill and is amortised to the Statement of Financial Performance over a period of 10 years.

(d) Fixed assets

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use.

Until 1991 land and buildings were revalued to 90% of the market value for existing use or at a lesser value as considered appropriate by the Directors. Since 1992 land and buildings purchased have been carried at cost.

(e) Depreciation

Depreciation is charged on a straight line basis to write off the cost or valuation of the fixed assets over their estimated useful life as follows:

Buildings	Average 50 years
Motor vehicles	4 to 8 years
Plant and machinery	3 to 10 years

Land and capital work in progress are not depreciated.

(f) Investments

Investments in subsidiaries are revalued to reflect the Parent Company's share of their net underlying assets. Other investments are at valuation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(g) Inventories

Stock is valued at the lower of cost and net realisable value. Cost is established principally on the average cost method which approximates actual cost determined on a first in first out basis.

Manufactured goods are valued at direct costs of labour, materials and overheads. Full provision is made for all defective, obsolete and slow moving stock.

Long term contracts are valued by application of the percentage of completion method reduced by progress payments received or receivable. Other work in progress is valued at direct cost plus related overheads. Where losses have been identified full provision is made in respect of the estimated loss on the entire contract.

(h) Debtors

Debtors are recorded at the estimated realisable value after providing for doubtful debts.

(i) Taxation

The liability method of accounting for deferred tax is used. The tax charged against the profit for the period is the estimated total liability in respect of that profit calculated at the present rate of company tax after allowance for permanent differences. The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax.

Future income tax benefits from timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the tax benefits or losses are able to be utilised by the Group.

(j) Lease commitments

Operating lease payments are charged as expenses in the periods in which they are incurred.

(k) Foreign currencies

Transactions

Foreign currency transactions, including those of foreign operations, are recorded at the exchange rates at the transaction date except where foreign currency forward exchange contracts have been taken out to cover forward currency commitments. Where foreign currency forward exchange contracts have been taken out, the transactions are translated at the rates contained in the contracts.

Monetary assets and liabilities arising from trading transactions are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance.

Foreign operations

Revenue and expenses of independent foreign operations are translated to New Zealand dollars at the exchange rate in effect at the end of each month. Assets and liabilities are converted to New Zealand dollars at the rates of exchange ruling at balance date.

Exchange differences arising from the translation of independent foreign operations are recognised in the foreign currency translation reserve.

(l) Financial instruments

Recognised

Financial instruments carried on the Statement of Financial Position include cash and bank balances, investments, receivables, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Unrecognised

Foreign currency forward exchange contracts entered into as hedges of foreign exchange assets and liabilities are valued at exchange rates prevailing at year end. Any unrealised gains or losses are offset against foreign exchange gains and losses on the related asset or liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(m) Goods and services tax (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

(n) Statement of cash flows

The following are the definitions of the terms used in the Statement of Cash Flows:

(i) Cash is considered to be cash on hand, call deposits, call borrowings, current accounts in banks, and bank overdrafts.

(ii) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.

(iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

(iv) Operating activities include all transactions and other events that are not investing or financing activities.

Changes in accounting policies

There have been no changes in accounting policies.

2. BUSINESS ACTIVITIES DURING THE YEAR

The business activities of the Group during the year were the processing, fabrication and distribution of steel products.

	Group		Parent	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000
3. PROFIT BEFORE TAX				
Profit before tax is stated after charging/(crediting):				
Amortisation of goodwill	**1,377**	1,659	**1,244**	1,197
Auditors' remuneration - audit services	**317**	270	**240**	231
- other assurance services	**249**	267	**184**	259
Bad debts written off	**1,544**	937	**321**	760
Increase/(decrease) in estimated doubtful debts	**(324)**	129	**157**	48
Depreciation	**5,613**	6,969	**5,030**	5,081
Directors' fees	**181**	155	**181**	155
Donations	**7**	6	**7**	6
Net gain on sale of assets	**(41)**	(81)	**(41)**	(81)
Rent and leasing costs	**4,083**	4,912	**3,820**	3,874

Included in bad debts written off in the Group of $1.5 million above is an amount of $1.1 million relating to the disposed subsidiary A J Forsyth & Company Limited. A gross recovery of $0.6 million has occurred post balance date (refer notes 14 and 23).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Parent	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000
4. TAX EXPENSE				
Profit before tax	**28,507**	25,391	**27,799**	22,089
Tax at 33% (2001: 33%)	**9,407**	8,379	**9,174**	7,289
Add/(less) tax effect of:				
Non-deductible expenditure	**972**	793	**469**	438
Under/(over) provision in prior year	**1**	(29)	**1**	14
Overseas tax rate adjustment	**20**	386	**-**	-
	10,400	9,529	**9,644**	7,741
The tax expense is represented by:				
Tax payable in respect of current year	**11,344**	9,576	**10,260**	8,038
Transfer to future income tax benefit	**(944)**	(47)	**(616)**	(297)
	10,400	9,529	**9,644**	7,741
5. FUTURE INCOME TAX BENEFIT				
Balance at beginning of year	**1,365**	1,318	**3,281**	2,984
Acquisition of subsidiary	**231**	-	**231**	-
Disposal of subsidiary	**1,612**	-	**-**	-
Transfer from tax expense	**944**	47	**616**	297
Balance at end of year	**$4,152**	$1,365	**$4,128**	$3,281

	Group and Parent	
	2002	2001
	$000	$000
6. DIVIDENDS PAID		
Interim dividend of 9 cents per share (2001: 7 cents)	**7,900**	6,143
Special dividend of 10 cents per share	**8,778**	-
2001 final dividend of 9 cents per share (2000: 7 cents)	**7,900**	6,142
	24,578	12,285

Dividends paid are fully imputed. Supplementary dividends of $2.4 million (2001: $1.2 million) were paid to non-resident shareholders for which the Group received a foreign investor tax credit entitlement.

7. IMPUTATION CREDIT ACCOUNT

	Group and Parent 2002 $000	2001 $000
Balance at beginning of year	**4,597**	2,315
Income tax paid	**8,000**	7,167
Imputation credits attached to dividends paid	**(9,743)**	(4,885)
Balance at end of year	**2,854**	4,597

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group and Parent	
	2002	2001
	$000	$000

8. PAID UP SHARE CAPITAL

	2002 $000	2001 $000
Balance at beginning of year	**69,401**	69,341
Issued to employee share purchase scheme	**236**	-
Call on senior executives' share scheme	-	60
Balance at end of year	**69,637**	69,401
Shares issued:		
Fully paid ordinary shares	**87,865,066**	87,776,366
Senior executives' shares paid to one cent	**669,000**	669,000
Ordinary shares issued at end of year	**88,534,066**	88,445,366

All ordinary shares rank equally with one vote attached to each fully paid ordinary share. Shares issued under the senior executives' share scheme qualify for bonus and cash issues but do not have dividend or voting entitlements until the shares are fully paid.

	Group		Parent	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000

9. RESERVES

	Group **2002**	Group 2001	Parent **2002**	Parent 2001
Assets revaluation reserve:				
Balance at beginning of year	-	-	**9,867**	7,250
Movements during the year	-	-	**(739)**	2,617
Balance at end of year	**-**	-	**9,128**	9,867
Foreign currency translation reserve:				
Balance at beginning of year	**5,520**	3,442	-	-
Movements during the year	**(715)**	2,078	-	-
Release on disposal of subsidiary	**(4,805)**	-	-	-
Balance at end of year	**-**	5,520	-	-
Total reserves at end of year	**-**	5,520	**9,128**	9,867

The foreign currency translation reserve has been transferred to retained earnings on disposal of a subsidiary, A J Forsyth & Company Limited (refer note 14).

10. NON-CURRENT LIABILITIES

	Group **2002**	Group 2001	Parent **2002**	Parent 2001
Bank term loans	-	19,584	-	5,000
Amount due within one year (note 11)	-	(5,000)	-	(5,000)
Loan from subsidiary	-	-	**19,657**	-
	-	14,584	**19,657**	-

The bank term loans in the prior year had an average interest rate of 7%. The loan from the subsidiary is free of interest and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Parent	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000

11. SHORT TERM BORROWINGS

Bank overdraft/call borrowings	**6,626**	8,472	**6,626**	7,991
Bank loans	**-**	5,000	**-**	5,000
Term loans due within one year (note 10)	**-**	5,000	**-**	5,000
	6,626	18,472	**6,626**	17,991

Interest rates during the year on the bank loans ranged from 5% to 7% (2001: 5% to 7%). The credit facilities provided by the banks can be drawn down at any time subject to the conditions of the Group's Deed of Negative Pledge. Interest rates are variable on the facilities.

12. PAYABLES AND ACCRUALS

Trade creditors	**20,528**	25,143	**20,528**	16,736
Accrued expenses	**6,865**	6,520	**6,839**	5,484
Employee entitlements	**1,828**	2,372	**1,828**	1,424
	29,221	34,035	**29,195**	23,644

13. FIXED ASSETS

Freehold land				
At cost	**3,265**	3,245	**3,184**	3,164
At Directors' valuation	**1,602**	1,926	**1,602**	1,602
	4,867	5,171	**4,786**	4,766
Leasehold land				
At cost	**-**	1,267	**-**	29
At Directors' valuation	**81**	4,904	**81**	81
	81	6,171	**81**	110
Buildings				
At cost	**16,696**	29,181	**16,300**	16,289
Less accumulated depreciation	**(2,479)**	(8,317)	**(2,380)**	(2,027)
	14,217	20,864	**13,920**	14,262
At Directors' valuation	**2,605**	6,616	**2,605**	2,605
Less accumulated depreciation	**(583)**	(988)	**(583)**	(533)
	2,022	5,628	**2,022**	2,072
Plant and equipment				
At cost	**47,990**	66,944	**47,990**	44,462
Less accumulated depreciation	**(31,079)**	(38,955)	**(31,079)**	(27,471)
	16,911	27,989	**16,911**	16,991
	38,098	65,823	**37,720**	38,201

Directors' valuation for the New Zealand properties was at 31 March 1991. Directors estimate that the fair values of the Group's properties are at least equal to their net book values at 30 June 2002.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Parent	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000
14. INVESTMENTS				
Shares in subsidiaries	-	-	**19,824**	20,563
Other investments	-	194	-	-
	-	194	**19,824**	20,563

The principal operating subsidiaries are:	Country of Incorporation	Percentage Shareholding	Principal Activities
David Crozier Limited	New Zealand	100%	Finance company
EMCO Group Limited	New Zealand	100%	Finance company
NZMC Limited	New Zealand	100%	Investment company
Steel & Tube New Zealand Limited	New Zealand	100%	Investment company
Stube Industries Limited	New Zealand	100%	Property company

All subsidiaries have a balance date of 30 June.

Acquisition of subsidiary

On 14 May 2002, Pipeline Supplies New Zealand Limited was acquired for a cash consideration of $11.5 million. This subsidiary was amalgamated with the parent company at 30 June 2002 and the subsequent adjustment on amalgamation has been recognised in the Statement of Movements in Equity. Pipeline Supplies New Zealand Limited was a subsidiary of the OneSteel group and this purchase is a related party transaction (refer note 18).

	Group
	2002
	$000
Net assets acquired:	
Net current assets	6,020
Non-current assets	304
	6,324
Goodwill on acquisition	5,223
Net cash impact of acquisition	**11,547**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Disposal of subsidiary

On 14 October 2001, the Group disposed of its 51% interest in A J Forsyth & Company Limited of British Columbia, Canada. The disposal of the subsidiary gave rise to a profit of $0.4 million after taxes and disposal costs have been deducted and represents a discontinued activity of the Group.

	Group 2002 $000
Net assets disposed:	
Net current assets	17,026
Non-current assets	29,537
Non-current liabilities	(15,565)
	30,998
Less minority interest	(15,189)
Less exchange rate movements	(436)
	15,373
Gain on disposal (refer below)	1,422
Net cash impact of disposal	**16,795**
Gain on disposal	1,422
Less overseas taxes paid	(766)
Less other disposal costs	(212)
Net gain to the Group	**444**

The overseas taxes paid represent the capital gains tax from the sale of the subsidiary and the non-resident dividend withholding tax on dividends received from the subsidiary prior to the sale. These taxes and the other disposal costs are not deductible for New Zealand income tax purposes. Subsequent to balance date, a bad debt written off during the sale of the subsidiary has resulted in a recovery that has provided an additional net gain on disposal estimated to be approximately $0.3 million after tax inclusive of minority interest (refer notes 3 and 23).

	Group		Parent	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000

15. LONG TERM RECEIVABLES

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Advances to subsidiaries	-	-	**434**	434
Other advances	-	1,059	-	-
	-	1,059	**434**	434

Advances to subsidiaries are free of interest and repayable on demand.

16. RECEIVABLES AND PREPAYMENTS

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Trade debtors	**56,941**	70,323	**56,941**	53,881
Tax refund/(provision for tax)	**2**	274	**1**	(42)
Prepayments and other receivables	**1,530**	2,237	**1,336**	1,479
	58,473	72,834	**58,278**	55,318

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. COMMITMENTS

(a) Operating lease commitments

The Group leases premises with lease terms in excess of one year with the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no options to purchase in respect of these operating leases.

The aggregate lease commitments are as follows:

	Group		Parent	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000
(i) Within 1 year	**4,075**	4,716	**4,060**	3,859
(ii) Within 1-2 years	**3,362**	3,798	**3,301**	3,456
(iii) Within 2-5 years	**7,768**	9,311	**7,584**	8,877
(iv) Beyond 5 years	**1,391**	4,610	**1,242**	3,954
	16,596	22,435	**16,187**	20,146

(b) Capital commitments

The Group has capital commitments of $1.3 million (2001: $0.9 million).

18. RELATED PARTY TRANSACTIONS

Steel & Tube Holdings Limited is a 50.3% (2001: 50.3%) subsidiary of Tubemakers of New Zealand Limited with the latter controlled by OneSteel Limited of Australia.

The Group sourced 15.6 % (2001: 28.4%) of its purchases from the OneSteel group of companies. At 30 June 2002 the Group owed OneSteel $2.9 million (2001: $3.9 million) paid in July and August 2002. All transactions with OneSteel are conducted on an arm's length basis and at normal commercial terms.

Pipeline Supplies New Zealand Limited, a previous subsidiary of OneSteel, was acquired by the Group in May 2002 for $11.5 million (refer note 14).

19. CONTINGENT LIABILITIES

Guarantees under contracts and other contingent liabilities of the Group total $3.0 million (2001: $0.9 million). These have been entered into in the ordinary course of business.

20. EMPLOYEE SHARE PURCHASE SCHEME

The Employee Share Purchase Scheme was established in June 1983 to offer shares to employees on terms consistent with the provisions of section DF7 of the Income Tax Act 1994.

The Scheme is available to all full-time permanent employees who have completed at least 12 months of continuous service with the Company. Directors are not eligible to participate in the Scheme. Eligible employees are able to purchase shares to a total value of $2,340 per employee on an interest-free basis for a period of three years. The shares allocated to eligible employees will not be vested until the expiry of the later of the three year period or the full repayment of the loan by the employees. The Trustees, pursuant to a Trust Deed, administer the shares in the Scheme until ownership of the shares is vested with the employee.

The Trustees of the Scheme are Mr N Calavrias, Mr B M J Dineen and Mr A C Candy who were appointed by the Board of Directors. On 7 June 2002, the Scheme acquired 88,700 shares at a price of $2.66 per share which was funded by an interest free loan from Steel & Tube Holdings Limited. The Trustees held 114,900 shares (2001: 26,200) at 30 June 2002.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. SEGMENT INFORMATION

(i) Geographical segments

	New Zealand processing, fabrication and distribution of steel products		Canadian processing, fabrication and distribution of steel products (discontinued activities)		Group	
	2002	2001	**2002**	2001	**2002**	2001
	$000	$000	**$000**	$000	**$000**	$000
Total sales	**301,320**	278,898	**29,234**	111,060	**330,554**	389,958
EBIT	**29,775**	23,406	**162**	4,675	**29,937**	28,081
Net interest expense					**(1,430)**	(2,690)
Taxation					**(10,400)**	(9,529)
Total unallocated expenses					**(11,830)**	(12,219)
Profit after taxation					**18,107**	15,862
Minority interest					**177**	(975)
Profit for the year attributable to shareholders					**18,284**	14,887
Segment assets	**159,379**	151,675	**-**	63,519	**159,379**	215,194

(ii) Canadian segment in Canadian dollars (discontinued activities)

	Canadian processing, fabrication and distribution of steel products (discontinued activities)	
	2002	2001
	CAD$000	CAD$000
Total sales	**18,756**	70,573
EBIT	**126**	2,947
Segment assets	**-**	39,197

22. FINANCIAL INSTRUMENTS

(a) Currency and interest rate risk

Nature of activities and management policies with respect to financial instruments.

(i) Foreign Exchange

The Group undertakes transactions denominated in foreign currencies from time to time and, resulting from these activities, exposures in foreign currency arise. It is the Group's policy to hedge foreign currency risks as they arise by using forward and spot foreign exchange contracts.

The net notional amount of the foreign currency forward exchange contracts of the Group outstanding at 30 June 2002 is $4.2 million (2001: $2.6 million).

(ii) Interest Rate Risk

The Group uses both short term floating and long term fixed rate borrowings to fund ongoing activities.

Repricing analysis

The following tables identify the periods in which the interest rates on these borrowings are subject to review, and provide the current weighted average interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Effective interest rates	Current $000	1-2 years $000	2-5 years $000	Total $000
			Group - 2002		
Bank loans	5.2%	6,626	-	-	6,626
Bank term loans		-	-	-	-
		6,626	-	-	**6,626**

	Effective interest rates	Current $000	1-2 years $000	2-5 years $000	Total $000
			Group - 2001		
Bank loans	6.2%	13,472	-	-	13,472
Bank term loans	7.3%	5,000	14,584	-	19,584
		18,472	14,584	-	33,056

(iii) Concentration of Credit Risk

In the normal course of its business the Group incurs credit risk from trade debtors and transactions with financial institutions. The Group has a credit policy which is used to manage this exposure to credit risk. As part of this policy limits on exposures have been set and are monitored on a regular basis. In some instances, the Group secures collateral from trade debtors in the form of charges over their assets in order to mitigate the risk of loss as a result of default of their obligations.

The Group has no significant concentrations of credit risk, and does not require any collateral or security to support financial instruments held with financial institutions due to the quality of the institutions dealt with.

(b) Fair Values

The estimated fair values of the Group's financial assets and liabilities which differ from their carrying value are noted below:

	2002 Carrying Value $000	2002 Fair Value $000	2001 Carrying Value $000	2001 Fair Value $000
Parent company				
Foreign exchange contracts	-	(96)	-	21
Group				
Bank term loans	-	-	14,584	14,827
Forward exchange contracts	-	(96)	-	(6)

The following methods and assumptions were used to estimate the fair values for each class of financial instrument:

Cash, accounts receivable, bank overdraft, accounts payable, short term loans, and loans from subsidiaries

The carrying values of these items are equivalent to the fair values, and therefore are excluded from the above table.

Unlisted investments

The fair value is estimated to be the net asset backing.

Bank term loans

The fair value is estimated on current market rates available to the Group for debt of similar maturities.

Foreign currency forward exchange contracts

The fair value is estimated on the quoted market prices for these instruments.

23. SUBSEQUENT EVENT

On 16 August 2002 the Board of Directors declared a dividend of 10 cents per share and the amount payable is $8.8 million. This dividend is fully imputed and a supplementary dividend of 1.76 cents per share will be paid to non-resident shareholders. With reference to notes 3 and 14, a recovery of a bad debt from the disposed subsidiary has resulted in an additional net gain to the Group of approximately $0.3 million after tax inclusive of minority interest.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

PRICEWATERHOUSECOOPERS

We have audited the financial statements on pages 19 to 33. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2002 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 23 to 25.

Directors' Responsibilities
The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2002 and their financial performance and cash flows for the year ended on that date.

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

Basis of Opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

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

Our firm carries out other assignments on behalf of the Company and its subsidiaries in the area of taxation and other assurance services. Other than in these capacities and in our capacity as auditors under the Companies Act 1993, we have no relationship with or interests in the Company or any of its subsidiaries.

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

In our opinion:
(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
(b) the financial statements on pages 19 to 33
    (i) comply with generally accepted accounting practice in New Zealand; and
    (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 2002 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 16 August 2002 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers.

Chartered Accountants
Wellington

COMPARATIVE REVIEW

	2002 12 months $000	2001 12 months $000	2000 13 months $000	1999 12 months $000	1998 12 months $000
Financial Performance					
Sales	**330,554**	389,958	403,094	337,901	395,215
EBITDA	**36,927**	36,709	40,320	19,881	35,606
Depreciation	**(5,613)**	(6,969)	(7,637)	(6,807)	(6,547)
Amortisation	**(1,377)**	(1,659)	(1,969)	(1,850)	(2,047)
EBIT	**29,937**	28,081	30,714	11,224	27,012
Net interest expense	**(1,430)**	(2,690)	(3,750)	(3,497)	(5,089)
Profit before tax	**28,507**	25,391	26,964	7,727	21,923
Tax	**(10,400)**	(9,529)	(10,835)	(4,019)	(8,580)
Profit after tax	**18,107**	15,862	16,129	3,708	13,343
Minority interest	**177**	(975)	(1,864)	(344)	(1,406)
Group profit after tax	**18,284**	14,887	14,265	3,364	11,937
Dividends	**(24,578)**	(12,285)	(5,265)	(7,019)	(12,279)
Transfer of foreign currency translation reserve	**4,805**	-	-	-	-
Increase/(decrease) in retained earnings	**(1,489)**	2,602	9,000	(3,655)	(342)
Funds Employed					
Shareholders' funds	**123,532**	130,305	125,565	114,456	118,329
Term liabilities	-	14,584	5,000	27,657	10,000
	123,532	144,889	130,565	142,113	128,329
Represented by					
Current assets	**106,099**	137,644	145,558	128,912	148,123
Current liabilities	**(35,847)**	(52,507)	(77,249)	(45,653)	(85,315)
Working capital	**70,252**	85,137	68,309	83,259	62,808
Non-current assets	**53,280**	77,550	77,322	70,218	76,809
Minority interest	-	(17,798)	(15,066)	(11,364)	(11,288)
	123,532	144,889	130,565	142,113	128,329

Statistics	Notes	2002	2001	2000	1999	1998
Dividends per share (cents)		29	16	13	8	14
Times dividend covered		0.7	1.1	1.3	0.5	0.9
Earnings per share (cents)	(1) & (2)	20.8	17.0	15.0	3.8	13.6
Return on sales		5.5%	3.8%	3.5%	1.0%	3.0%
Return on shareholders' funds	(1)	14.8%	11.4%	10.5%	2.9%	10.1%
Working capital ratio		3.0:1	2.6:1	1.9:1	2.8:1	1.7:1
Net assets per share	(2)	$1.41	$1.48	$1.43	$1.30	$1.35
Shareholders' funds to total assets		77.5%	60.6%	56.3%	57.5%	52.6%
Debt to debt plus shareholders' funds		0.05:1	0.20:1	0.28:1	0.28:1	0.36:1
Net interest cover (times)		20.9	10.4	8.2	3.2	5.3
Number of ordinary shareholders		7,863	7,559	6,860	6,855	5,898
Number of employees at period end		591	700	736	648	1,042

Notes:

(1) The earnings per share and return on shareholders' funds have been annualised for the period ended 30 June 2000.
(2) Fully paid up shares have been used in the calculation of earnings per share and net assets per share.

STEEL & TUBE HOLDINGS LIMITED
15-17 Kings Crescent, Lower Hutt
Private Box 30-543, Lower Hutt
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Company Secretary: Tony Candy
Website: http://www.steelandtube.co.nz

STEEL & TUBE DISTRIBUTION & PROCESSING
15-17 Kings Crescent, Lower Hutt
Private Box 30-543, Lower Hutt
Executive General Manager and
Chief Executive Officer: Nick Calavrias
General Manager Northern Region: Terry Carter
General Manager Central & Southern Region: Jon Gousmett

STEEL & TUBE FASTENING SYSTEMS
15-17 Kings Crescent, Lower Hutt
Private Box 30-543, Lower Hutt
General Manager: Jim Peterson

STEEL & TUBE PIPING SYSTEMS
2B Fisher Crescent, Mt Wellington, Auckland
P O Box 14-450, Panmure, Auckland
General Manager: Guy Manning

STEEL & TUBE REINFORCING & FABRICATION
15-17 Kings Crescent, Lower Hutt
P O Box 38-887, Wellington Mail Centre
General Manager: Roger O'Neill

STEEL & TUBE ROOFING PRODUCTS
68 Stonedon Drive, East Tamaki, Auckland
P O Box 259-019, Greenmount, Auckland
General Manager: Mark Winnard

SHARE REGISTRY
Computershare Investor Services Limited
Private Bag 92-119, Auckland

AUDITORS
PricewaterhouseCoopers

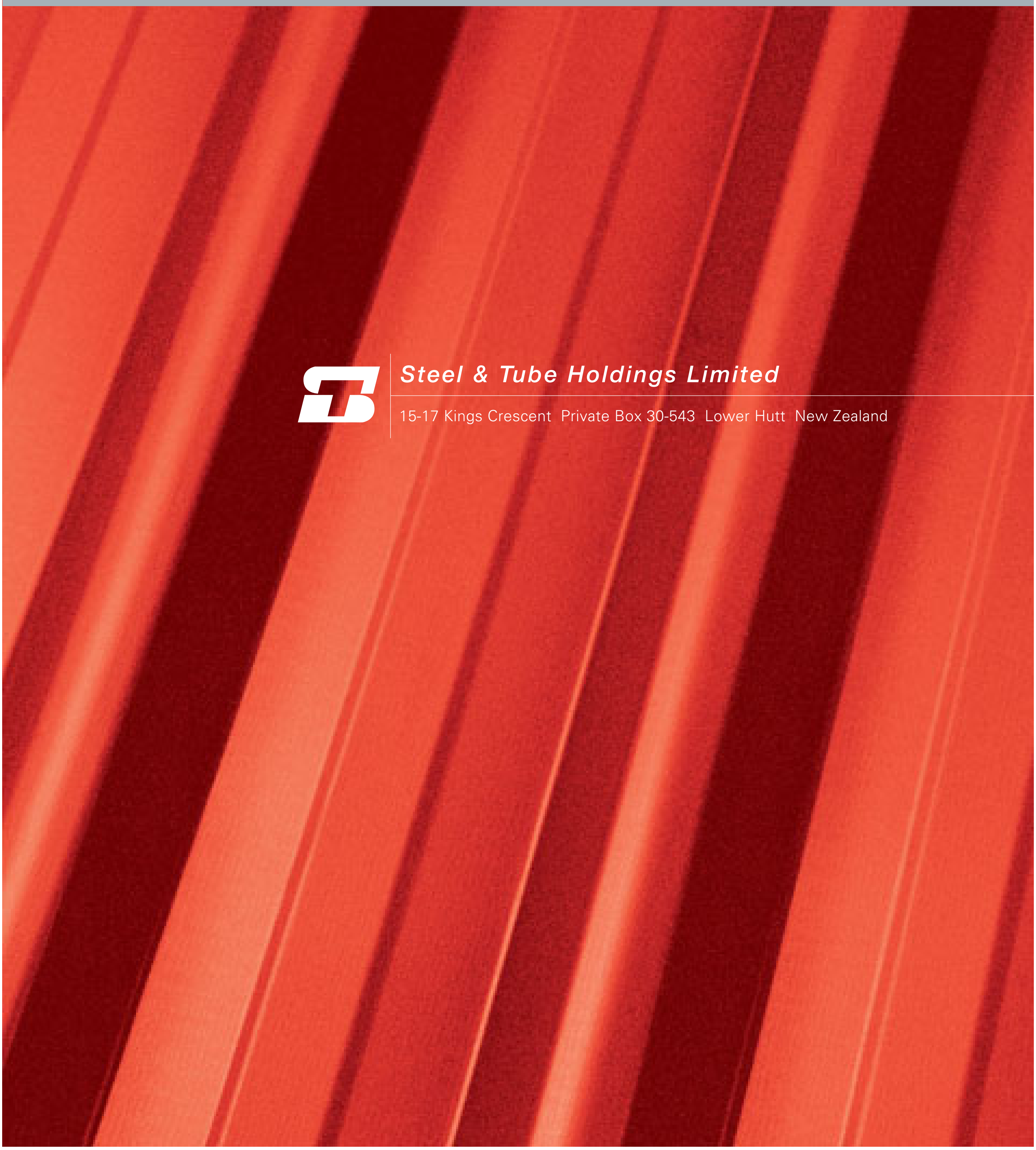
BANKERS
ANZ Banking Group (New Zealand) Limited
The National Bank of New Zealand Limited

BUSINESS LOCATIONS

NEW ZEALAND

BUSINESS LOCATIONS

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



Steel & Tube Holdings Limited

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