steel&tube

STRONGER IN EVERYWAY

Stronger Together

Annual Report 2012

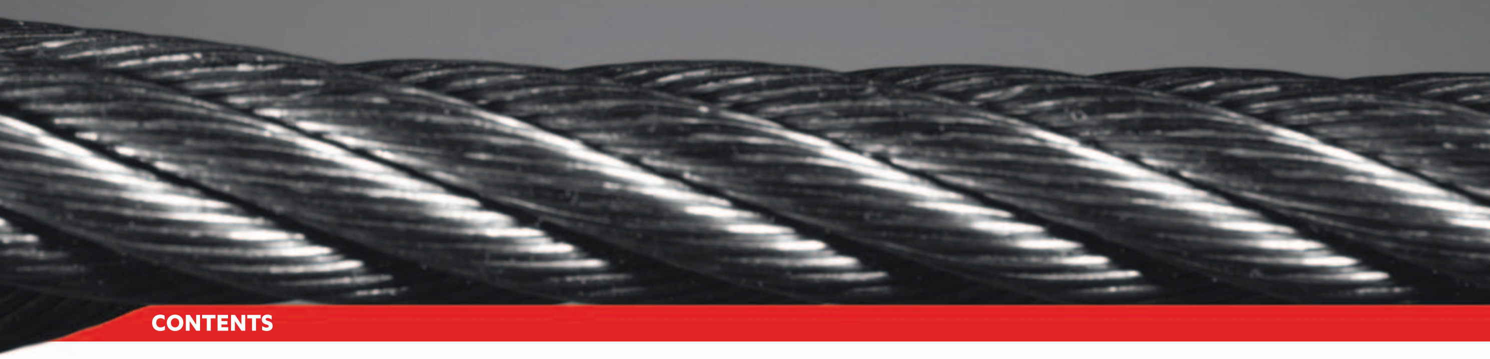
Stronger Together:

This year, we gained significant traction with embedding our new One Company values, brand and operating model into the fundamental culture of the business.

We have found more effective ways to reinforce our supply chain and offer the benefits of One Company to a wider range of customers. These changes have made the organisation stronger and improved almost every aspect of what we do.

We have now completed several projects that demonstrate our new operating model works well and can offer tangible benefits to customers, on real projects. These achievements are important milestones that mark our progress as we move towards reinvigorating every aspect of the organisation, and we will maintain that momentum as the process of improvement continues into 2013.

The journey will take time but, thanks to our efforts this year, the organisation is stronger than ever.



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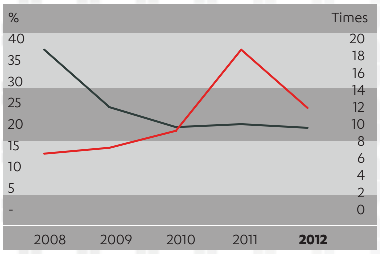
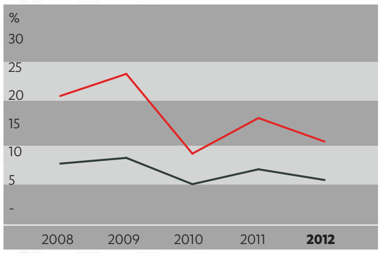
Highlights

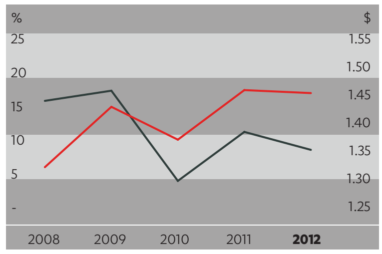
— GEARING RATIO
— INTEREST COVER



— OPERATING MARGIN
— RETURN ON FUNDS EMPLOYED



— RETURN ON EQUITY
— NET TANGIBLE ASSETS PER SHARE



Increased Sales:

In a subdued market, sales increased by 5% on the prior year.

$4.9M

IMPROVED CASH FLOW

CASH FLOW FROM OPERATING ACTIVITIES WAS $18.8M COMPARED WITH $13.9M LAST YEAR.

$19.6M

IMPROVED SALES

SALES INCREASED FROM $385.8M TO $405.4M IN THE CURRENT YEAR.

$36.3M

NET DEBT

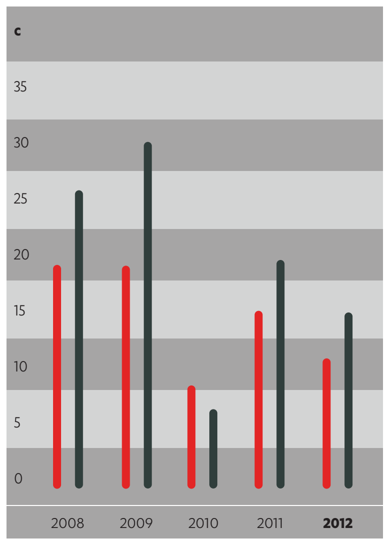
REDUCED BY $1.5M TO $36.3M, DEBT TO EQUITY RATIO OF 19.2%.

New Products

NEW PRODUCTS DEVELOPED

COMMERCIAL ROOFING PROFILE: ST963
SEISMIC MESH RANGE: SEISMIC SE

— DIVIDENDS PER SHARE
— EARNINGS PER SHARE



Board of Directors

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1. Dean Pritchard BE, FIEAust, CPEng, FAICD

Chairman and Non-independent Director

Appointed a Director and elected Chairman on 20 May 2005, Mr Pritchard is a former Chief Executive Officer of Baulderstone Hornibrook, Chairman of ICS Global and Director of Zinifex, Rail Corporation New South Wales (RailCorp), Eraring Energy and Spotless Group. He is currently a Director of OZ Minerals and Arrium.

2. Dave Taylor B.Sc

Chief Executive Officer and Non-independent Director

Appointed Chief Executive Officer and a Director on 5 October 2009, Mr Taylor was previously General Manager of the Australian Reinforcing Company, a subsidiary of OneSteel.

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. Mr Taylor is a Director of all subsidiary companies in Steel & Tube Holdings.

3. Janine Smith B.Com, M.Phil (1st Class Hons)

Independent Director

Appointed a Director on 22 September 2010, Ms Smith is a former Chair of McLarens Young New Zealand, Director of BNZ, Kordia Group and Airways Corporation, and Trustee of Venture Taranaki Trust. Her executive roles have included General Manager/Chief Executive Officer and Executive Director at Arnott's New Zealand and Executive Director at Telecom Directories.

Ms Smith is currently Chair of AsureQuality, a Director of The Warehouse and Kensington Swan Legal, and Principal of The Boardroom Practice.

4. Rosemary Warnock BA, MAICD

Non-independent Director

Appointed a Director on 22 September 2010, Ms Warnock has held senior executive positions in the BP Group in Australia, the United Kingdom and Singapore, including as Chief Executive for Castrol Asia Pacific. Ms Warnock is currently Principal of The Adelante Group, a partnership that provides executive mentoring services, Chair of Thinc Group Holdings Pty, a project management company focused on major capital works, and a Director of Arrium.

5. Sir John Anderson KBE, FACA

Independent Director

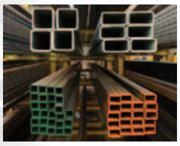
Appointed a Director on 10 November 2011, Sir John Anderson has had a distinguished career in business and has steered several top-tier commercial organisations in senior executive and governance capacities. Formerly Chief Executive of the ANZ National Bank, Sir John Anderson is currently Chair of the New Zealand Venture Investment Fund, PGG Wrightson and NPT, and a Director of Commonwealth Bank of Australia, the New Zealand Institute of Economic Research, Turners & Growers and several community trusts.

6. Steve Hamer BEng (Hons), FAICD

Non-independent Director

Appointed a Director on 10 November 2011, Mr Hamer has spent his career in the Australian steel industry, in a broad range of technical, functional and business management positions. Mr Hamer became responsible for OneSteel's reinforcing business in 2001, assumed the role of Executive General Manager, Steel in Concrete in 2007, and was appointed Chief Executive Distribution in 2010. Mr Hamer is currently Chair of BOSFA and the Steel Reinforcing Institute of Australia, and a Director of the Australian Steel Institute.

STEEL SECTIONS



As Green Star-rated steel buildings and seismic steel sections become a normal requirement, Steel & Tube is well positioned to provide a comprehensive range of steel sections that meet the requirements of new building designs.

PLATE PROCESSING

Steel & Tube's new Peddinghaus high-speed plate processor offers plasma or oxy-fuel cut components, plus drilling, threading, part marking, countersinking, milling and several other services.

The machine's common line cutting and efficient nesting techniques decrease cutting time, minimise scrap and reduce the cost to customers.

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 2012.

Group Results

For the year ended 30 June 2012, Steel & Tube Holdings Limited reported a Group net profit after tax of $13.1 million. This result compares with a profit last year of $17.0 million after tax, and represents a decrease of 23 per cent. Earnings per share for the year ended 30 June 2012 were 14.9 cents, compared with 19.4 cents for the year prior.

As at 30 June 2012, total equity increased by $0.7 million to $152.7 million. Total assets decreased by $1.1 million to $230.4 million, compared with $231.5 million in the year prior.

The Group's debt-to-equity ratio of 19 per cent 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 6.5 cents per share, payable on 30 September 2012 to holders of fully paid ordinary shares recorded on 14 September 2012. This brings the total dividend for the year to 11 cents. The final dividend payable is $5.75 million.

Executive Share Plan

A total of 122,652 shares were purchased for the Executive Share Plan. Conversion of the rights to these shares is subject to achieving Board-approved targets. During the year, rights were exercised to 34,307 shares within the Executive Share Plan (refer to note 22(b) in the financial statements). In 2009, the New Zealand Exchange (NZX) granted a waiver to the Company under listing rule 7.6.4(b)(iii), to permit the provision of financial assistance to the Chief Executive Officer, Mr Taylor, in his capacity as a Director of the Company. He was therefore offered the opportunity to participate in the Executive Share Plan on the same terms as those offered to other senior employees. Non-executive Directors do not participate in the Executive Share Plan.

Auditors

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

Directors

The retirements of Mr Bakewell and Mr Dineen were announced at the 2011 annual meeting.

Sir John Anderson and Mr Hamer were elected as Directors at last year's annual meeting, filling the vacancies created by the retirements of Mr Bakewell and Mr Dineen.

In accordance with the Company's Constitution, Ms Smith and Ms Warnock will retire by rotation. Ms Smith and Ms Warnock both make themselves available for re-election.

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 the annual report.

Personnel

The Board wishes to acknowledge the contributions and commitment from all staff as the Company continues to make changes to the way it operates. 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

9 August 2012

REINFORCING

Steel & Tube is one of the largest suppliers of fabricated reinforcing steel for use in the New Zealand building and construction industry.

SEISMIC MESH

The new-generation Seismic SE Grade 500E ductile reinforcing mesh was developed using micro alloy steel, and fully complies with AS/NZS 4671:2001 and New Zealand requirements.

Chief Executive's Review

Despite a challenging economic environment, volatile offshore steel prices and increased competition in the key construction, manufacturing and rural markets, Steel & Tube performed well and ends the year in a sound financial position. This result is partly due to the success of the One Company initiative, which continued to gain traction throughout the year.

Overview

The key industry sectors important to Steel & Tube have shown little improvement, and although there has been a pick-up in Christchurch, national demand for steel has seen only a marginal increase year-on-year. This has resulted in a very competitive environment, with significant pressure on margins.

Our One Company approach has prompted significant change in the Company during the year. The customer-centric and employee-focused programme involves a comprehensive transformation of our operations and processes, which will provide greater efficiencies, better practices and end-to-end solutions for our customers. This continues to be an exciting journey for the Company, and we have made good progress in a number of key areas.

Financial Results

In a subdued but slowly improving market, sales for the year have increased by 5 per cent to $405 million, an increase of $19.6 million.

Group profit after tax for the full year to 30 June 2012 was $13.1 million, compared with $17.0 million in the previous year. This reduction is due to margin pressure, reflecting the low growth, particularly for products aligned to the construction sector.

The second half of the year marginally improved on the previously announced results for the six months to 31 December 2011. Revenue was consistent in both halves, $202.9 million and $202.5 million respectively. Net profit after tax increased slightly in the second half to $6.7 million, giving a total of $13.1 million.

Operating cash flow at $18.8 million is an increase of $4.9 million (35 per cent) from the previous year.

A final dividend of 6.5 cents per share was declared.

Trading Environment

The three key industry sectors (construction, manufacturing and rural) have seen minimal growth over the year. However, monthly and regional variations are becoming increasingly apparent, notably in the following areas.

Activity levels were low in Auckland in the first half of the year. This was mainly during September and October, with some recovery evident in November. Auckland's economy now appears to have entered another period of subdued activity.

Wellington has progressively deteriorated throughout the 12-month period, with little sign of improvement.

New Plymouth is seeing increased activity in the oil and gas sector and, as anticipated, there are early signs the rebuild is underway in Christchurch.

The construction sector is slowly improving, with residential consents by value improving 12.1 per cent to June 2012, from 40-year lows in 2011. However, the more critical market for Steel & Tube is the non-residential market. This sector has seen a marginal improvement of only 0.2 per cent to June 2012, again from a very low base.

Excluding meat and dairy, manufacturing remained flat up to the March 2012 quarter. Increases in manufacturing of metal products were offset by decreases in machinery and equipment manufacturing.

Rural commodity prices continued to soften through the period, but these were offset by improved volumes. Farmer confidence was relatively high, providing solid activity either side of the half year. Weakening prices and concern about economic conditions in Europe and China have influenced sentiment and led to reduced activity by the year end.

The consequence of the ongoing subdued economic environment is

STAINLESS STEEL

Steel & Tube offers a comprehensive portfolio of stainless steel products, including coil, sheet, plate, pipe, valves, RHS, hygienic tube and associated fittings, and a variety of structural bar, handrail and architectural products for use in the construction, dairy, water, food processing, energy and manufacturing sectors.

HURRICANE PRODUCTS

In 2012, we celebrate 80 years of manufacturing and distributing the iconic Hurricane range of reinforcing, fencing, fence panels, wire, gates and nail products for use in the rural and building sectors.

Chief Executive's Review (continued)

that New Zealand's total steel demand for remains suppressed. While there has been a marginal increase for the year, the estimated consumption of approximately 665,000 tonnes is still significantly down on the peak of 970,000 tonnes in 2005. Therefore, competition remains intense and continues to inhibit margins throughout the industry.

Global steel pricing volatility, accentuated by variations in the New Zealand dollar, has proved challenging, both in terms of sourcing product and working with customers to provide certainty for their projects.

Stronger in Everyway

Company Performance

The Company is approaching the second anniversary of its reinvigoration journey under the One Company structure. Much has been achieved during that time, including the introduction of a new operating model, a new and inspiring brand that is represented by a distinctive new logo and tagline (*Stronger in Everyway*), the commencement of new supply chain processes, and extensive training and development to support these initiatives and upskill our people.

Pleasingly, as the initiatives under One Company continue to gain traction, overall sales increased by $19.6 million (5 per cent), due to increased pricing and volume. Market shares remained steady, with some products showing marginal improvement. However, margins were impacted as customers and contractors leveraged their positions through the supply chain and competition chased what activity there was.

Our processing business, comprising roofing products, reinforcing, wire and mesh products, is primarily aligned to construction and, despite the marginal improvement in this sector, margins have been under intense pressure.

The Company change plans have seen expenses reduce by $12.5 million since 2009. In the current year, the Company is investing in people capability, product capacity (particularly in Christchurch) and the establishment of much-improved supply-chain processes. This investment, along with increased price pressure from insurance premiums, has seen expenses increase by $2.3 million.

Pleasingly, the Company balance sheet and cash management remain strong. Our focus on supply chain has seen inventory reduce by $6.0 million, and this trend is expected to continue as the full impact of the supply-chain initiatives gain momentum in the next year. Higher sales revenue has resulted in higher receivables, increasing by $6.0 million. Customer credit remains a concern in this trading environment and we are pleased with our overall management of credit.

Christchurch

Our attention in Christchurch is on supporting our people, as well as being prepared to maximise opportunities provided by the projected rebuild. Additional staff have been recruited to all levels, and plant and equipment have been reviewed to ensure we will have the capability to maximise the opportunities at the various stages of the rebuild.

Early in the year, we introduced a new and complete range of earthquake seismic-ductile meshes for residential and commercial markets. This was consistent with the Department of Building and Housing's new codes issued for use of reinforcing meshes in house slabs.

Maximising the One Company platform, we introduced the Steel & Tube Residential Offer, initially for Christchurch, to encompass all of the products within our comprehensive range, including the new seismic meshes for residential buildings.

One Company

Our People, Our Values

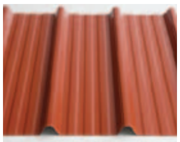
United, Open, Trusted, Integrity and Accountable

With input from approximately 100 staff, refreshed core values were developed in support of the One Company approach. These values were shared with all staff across the Company during the second half year. We also conducted an employee survey early in the year. As would be expected, there are areas for improvement, which are being addressed, but overall it is pleasing to see One Company principles being embraced by our employees for the full benefit of our customers.

ROOFING, CLADDING & RAINWATER

As a major manufacturer and supplier of profiled metal roofing, cladding and rainwater products, Steel & Tube offers 17 profile shapes in a range of thicknesses, materials and finishes to satisfy every customer's need and preference.

COMMERCIAL ROOFING PROFILE



The new ST963 medium-rib metal roofing profile was developed using computer-modelling technology, backed up by real-world testing, to provide superior strength, buckling resistance and market-leading economy.

> "The Company is investing in people capability, product capability and establishing much-improved supply chain processes."

Dave Taylor Chief Executive Officer

Our Customers

We are encouraged by our customers' feedback to One Company and now have several examples where the One Company approach has resulted in the supply of all steel requirements for new facilities. A recent example has been the supply of steel for a specialist structural fabricator on the outskirts of Christchurch, as that business itself prepares for the rebuild.

The Company continues to explore ways to improve the suite of products, services and technical specialist support available to all of our customers.

We look forward to continuing the One Company journey with our customers and demonstrating our continued commitment to excellent performance and service.

Our Commitment to Health and Safety

Steel & Tube remains committed to the health and safety of all of its employees, as well as contractors and others who visit our facilities. We have increased resources within the health and safety function to provide greater support for front-line operations.

This year, the Company improved on all lead indicators, which are measures of the activities undertaken that support our health and safety programme. However, we slipped back in the number of lost-time and medical incidents, with a total of 15 incidents. All of the incidents except one were minor in nature.

Our goal remains to address those high-risk activities with the potential to cause significant injury to our people, as well as driving behavioural changes across the organisation towards following appropriate and safe practices at all times.

Outlook

It remains difficult to formulate a clear perspective on the economic outlook. Factors external to New Zealand are likely to continue to overshadow local issues and drive sentiment.

On a positive note, there are signs the rebuild in Christchurch is underway, albeit slowly. It is being led by the residential sector and by the infrastructure and preparatory activities of companies in readiness for the rebuild. Similarly, residential activity in Auckland is picking up, while oil and gas activities continue in the Taranaki region.

However, demand and activity levels outside these sectors are expected to remain subdued in the short to medium term. The lack of non-residential activity is of concern and is likely to continue to challenge margins through the supply chain in that sector.

Rural sentiment has cooled recently, with further deterioration in commodity prices and a stubbornly high New Zealand dollar. While investment in dairy conversions is strengthening, investment in existing farming platforms is expected to slow.

The global supply and demand balance for steel is expected to see global steel prices become more volatile, as uncertainty continues in response to the debt crisis in Europe and a slowing Chinese economy. This impact, coupled with a variable New Zealand dollar, will lead to volatility in domestic steel pricing.

Despite this, the Company's internal initiatives are progressing well. These initiatives continue to help reposition Steel & Tube 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.

PURLINS

With more than 16 variants, our high-strength galvanised cold-formed steel purlins provide a complete system, suitable for supporting a wide range of roofing and cladding materials.

FASTENERS

Steel & Tube stocks a wide range of metal fastening solutions to suit almost any application, including construction, manufacturing, general engineering, fabrication and the retail sector.

Senior Management Team

1. Dave Taylor B.Sc

Chief Executive Officer and Non-independent Director

Appointed Chief Executive Officer and a Director on 5 October 2009, Mr Taylor was previously General Manager of the Australian Reinforcing Company and has held a number of senior executive positions with the BOC Group, including President BOC Gases Korea and Managing Director Process Gas Solutions South Pacific.

2. Janie Elrick CA

Chief Financial Officer and Company Secretary

Ms Elrick joined the Company on 9 January 2012. She is a former Chief Financial Officer at Livestock Improvement Corporation, Synlait and Zespri, and General Manager Corporate Finance with the New Zealand Dairy Group of Companies and Fonterra. Ms Elrick has also held governance roles in the health and food research industries.

3. Mark Winnard B.Com, CA

General Manager Distribution, Northern

Mr Winnard joined the Company in 1999, following the acquisition of BHP Steel Building Products New Zealand. He was appointed Executive General Manager Manufacturing and Executive General Manager Distribution before assuming his current role.

4. Andy Millard DipMtg, B.Bus, MCA, MInstD

General Manager Distribution, Central and Southern

Mr Millard joined the Company on 14 June 2010 as General Manager Marketing. He started his career in the steel industry in 1982, but left to establish a successful career in marketing and general management in Australia and New Zealand. On 1 August 2011, Mr Millard was appointed to his current role.

5. Roger O'Neill

General Manager Processing

Mr O'Neill joined the Company in 1972 in the Reinforcing Division. Since then, he has held senior positions in the distribution and processing operations, and was appointed General Manager Reinforcing and later Acting Executive General Manager Manufacturing, before taking up his current role.

6. Dennis Boyle DipBusAdm, PGDipL&SCM

General Manager Supply Chain

Mr Boyle joined the Company on 26 January 2011. He has held supply chain leadership roles in the pharmaceutical and chemical industries, and has been involved in successful change management projects and developed competitive supply chains from strategy design through to execution.

7. Dave Clegg MBA

General Manager Human Resources

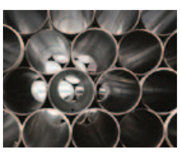
Mr Clegg joined the Company on 1 June 2010. He has more than 20 years' experience in human resources management, including consulting to a New Zealand corporate as Acting General Manager Human Resources and as Change Manager for a major enterprise transformation project.

8. Brett Douglas MA (Hons), PhD

General Manager Marketing

Dr Douglas joined the Company on 28 November 2011. He has held international sales and marketing positions with an NZX Top 50 company, and several roles in New Zealand and overseas for the New Zealand Government. More recently, he was a Senior Manager at a South Island-based exporter of building materials for the Japanese market.

PIPING



With more than 10,000 individual products, Steel & Tube is one of the largest stockists of pipes, valves and fittings, and supplies New Zealand's petrochemical, power generation, mining, irrigation, fire protection, building services, water and wastewater industries.

SIKLA PIPE SUPPORTS

Sikla's pipe support systems offer innovative support solutions for use in commercial and industrial building applications. Used in 35 countries, Sikla support products are well known for their quality, innovation, ease of installation and advantage over traditional support.

Strength Through Unity

Our brand is a symbol of our strength.

The four directional arrows converge to represent the changes that brought us together as One Company, with separate strands of the organisation joining to create a stronger and more unified whole.

We've profoundly altered the way we do business and our brand is a clear visual cue to our customers and the wider industry that we're now *Stronger in Everyway*.

Market-leading Products and Services

We strive to deliver effective solutions that meet the changing needs of the New Zealand market.

Sikla Pipe Support Systems

We introduced several leading products and services this year, including a high-performance pipe support system, new-generation concrete reinforcing, and a stronger and more economical metal roofing profile.

Sikla's commercial and heavy-load pipe support solutions offer a major technological advantage over one-off welded structures. The modular systems can be installed or removed in a fraction of the time required to prepare, pre-assemble and mount traditional pipe supports. These are available in several formats, including sliding, guided and fixed-point clamps.

Commercial Roofing Profile: ST963

Our new ST963 metal roofing profile fulfils an opportunity for an effective commercial roofing product with stronger rib design, greater buckling resistance and a wider cover-to-strength character than any comparable profile on the market.

Seismic Mesh Range: Seismic SE

We developed Seismic SE ductile reinforcing mesh in response to demand for a stronger reinforcing solution following the Canterbury earthquakes. This new-generation product range fully complies with the new legislation and is an exact match to the specifications in the New Zealand steel reinforcing standard.

Focus on Health and Safety

Health and safety is a key focus for Steel & Tube, and we are constantly vigilant to ensure our staff, contractors and customers stay safe.

At Steel & Tube, we believe health and safety is the single-most important aspect of what we do. We put a great deal of time and energy into maintaining our focus in this area.

Encouraging a stronger health and safety culture has been a primary activity for the organisation throughout 2012. Following the successful introduction of our health and safety programme iCare, we have launched a new initiative, *Stop & Take²*.

Stop & Take² is a simple concept, designed to help staff stay safe. The programme teaches staff to stop and take two minutes to think about their actions whenever they encounter a new or unfamiliar task in the workplace. It enables them to independently identify hazards and put safe systems in place before they begin any activity.

Our Killers and Lifesavers programme, which highlights activities with significant risks and how to avoid them, has also been rolled out to all Steel & Tube sites nationwide.

CHAIN & RIGGING

Steel & Tube provides a comprehensive range of chain and rigging design, manufacturing and certification services, and lifting and transport solutions that fully comply with New Zealand standards.

MOBILE TESTING

Steel & Tube offers a nationwide, onsite chain and rigging testing and sales service, with the added convenience of automated compliance reminders. This service includes lifting, lashing and height safety equipment.


STOP
&
TAKE2

Supporting the Christchurch Recovery

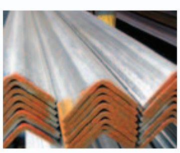
We have been involved with Christchurch for almost 60 years and we're committed to helping the city recover.

Following the earthquakes, we have added significant resources to our Canterbury operations, supporting both immediate remediation and the long-term rebuild. Our stronger product offering and efficient supply chain supports local businesses as construction gears up and demand for materials increases.

For example, the Pegasus Engineering Building is a 5,000 square metre commercial property in the Izone Southern Business Hub, located in the Rolleston industrial park on the outskirts of Christchurch. The project uses a complex array of steel products and we were able to supply the project with everything from the foundation reinforcing steel, structural steel and purlins to the profile metal roofing and cladding.

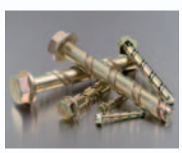
The project demonstrates our commitment to the Canterbury recovery and illustrates how our stronger organisation and greater focus benefits our customers.

DURAGAL PLATINUM PRODUCTS



DuraGal Platinum is an in-line hot-dip zinc aluminium protective coating, offering a minimum of 75g/m² average coating mass. By adding 12 per cent aluminium, it significantly exceeds the durability of standard zinc coatings.

EXCALIBUR SCREWBOLTS



Excalibur Screwbolts are a highly regarded range of fixings for use in construction, formwork, scaffolding, railway maintenance, tunnelling and security applications. They combine greater shear and tensile strength with shallower embedment, and allow the use of smaller-diameter bolts for the same anchor performance.

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 the Group's value 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 (NZX) 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 non-independent because of their positions as Directors or Senior Executives in the ultimate parent company, Arrium Limited (previously Onesteel Limited). The profiles of the Company's Directors are located in the section titled "Board of Directors" in the 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 the 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 Occupational 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.

Non-executive Directors	Audit	Governance and Remuneration	Nominations	Occupational Health, Safety and Environment
Mr D A Pritchard, Non-independent		●	●	
Sir J A Anderson, Independent	●	●	●	
Mr S H Hamer, Non-independent	●			●
Ms J L Smith, Independent	●	●	●	●
Ms R Warnock, Non-independent				●

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.

Occupational Health, Safety and Environment Committee

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

Risk Management and Legal Compliance

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

Shareholder Relations

Shareholders are responsible for voting on the appointment and 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, and announcements to the NZX 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 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 Arrium Limited (previously called OneSteel Limited) and its subsidiaries are related party transactions, with details provided in note 24(a) of the financial statements.

Details of matters entered by individual Directors in the interests register 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 2012 were as follows:

Directors	$000
Mr D A Pritchard	126
Mr D W Taylor	988[1]
Sir J A Anderson	53[3]
Mr R C Bakewell	23[4]
Mr B M J Dineen	127[2]
Mr S H Hamer	40[3]
Ms J L Smith	63
Ms R Warnock	63

1 Mr Taylor's remuneration package includes the $194,000 apportionment of a long-term incentive plan that would be payable provided certain performance hurdles are achieved over three-year periods.

2 Mr Dineen retired from the Board on 10 November 2011 and included in his total remuneration was an approved retirement allowance of $104,500 (fixed and provided for since 1 May 2004).

3 Sir John Anderson and Mr Hamer were appointed Directors on 10 November 2011.

4 Mr Bakewell retired from the Board on 10 November 2011.

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 2012 were within the following bands:

Remuneration Range $000	No. of Employees
100 - 110	20
110 - 120	14
120 - 130	10
130 - 140	5
140 - 150	5
150 - 160	2
160 - 170	4
170 - 180	1
180 - 190	1
190 - 200	1
200 - 210	1
210 - 220	3
230 - 240	1
290 - 300	1
310 - 320	1

Directors' Shareholdings

	At 30 June 2012			At 30 June 2011		
	Beneficial	Non-beneficial	Associated persons	Beneficial	Non-beneficial	Associated persons
Mr D A Pritchard	10,000	-	44,504,814[2]	10,000	-	44,504,814[2]
Mr D W Taylor	15,000	257,360[1]	-	15,000	257,360[1]	-
Sir J A Anderson	15,000[3]	-	-	-	-	-
Mr S H Hamer	-	-	44,504,814[2]	-	-	-
Ms J L Smith	10,000	-	-	10,000	-	-
Ms R Warnock	2,500[3]	-	44,504,814[2]	-	-	44,504,814[2]

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

2 Ms Warnock and Mr Pritchard and Mr Hamer are associated persons of Arrium Limited (previously OneSteel Limited) by virtue of their positions as Directors or employees of certain of its related companies.

3 For the year ended 30 June 2012, the following Directors purchased shares in the Company:
- Sir John Anderson purchased 15,000 shares at a cost of $34,075; and
- Ms Warnock purchased 2,500 shares at a cost of $6,300.

Shareholder Information

Census of shareholders

As at 31 July 2012

Size of holdings	Number of holders	Number of shares	% of issued shares
1 - 999	1,987	823,425	0.93
1,000 - 4,999	3,581	8,086,486	9.13
5,000 - 9,999	1,180	7,491,466	8.46
10,000 - 49,999	941	15,624,558	17.65
50,000 +	73	56,503,305	63.82
	7,762	**88,529,240**	**100.00**

Top twenty shareholders

As at 10 August 2012

OneSteel NZ Holdings Limited	44,504,814	50.27
Accident Compensation Corporation*	1,192,637	1.35
Custodial Services Limited - a/c 3	880,592	0.99
FNZ Custodians Limited	710,447	0.80
Custodial Services Limited - a/c 18	553,578	0.63
Citibank Nominees (New Zealand) Limited*	467,007	0.53
ASB Nominees Limited - a/c 208747 ML	417,508	0.47
Investment Custodial Services Limited - a/c C	413,848	0.47
CRS Nominees Limited	378,447	0.43
NZPT Custodians (Grosvenor) Limited	360,027	0.41
Custodial Services Limited - a/c 2	337,736	0.38
National Nominees New Zealand Limited*	319,989	0.36
Custodial Services Limited - a/c 4	283,075	0.32
Forsyth Barr Custodians Limited - a/c 1-33	239,698	0.27
Dorothy Izabella Plenzler & Leszek Andrzes Plenzler & Lynne Reindler Trustees Limited	212,000	0.24
David William Taylor, Janie Elizabeth Elrick, John Anthony Anderson (Steel & Tube Co Ltd Staff Scheme)	193,200	0.22
Forsyth Barr Custodians Limited - a/c 1-17.5	186,915	0.21
ASB Nominees Limited - a/c 129244 ML	180,000	0.20
David Grindell	168,000	0.19
Custodial Services Limited - a/c 16	160,487	0.18
	52,160,005	**58.92**

* 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 10 August 2012.

OneSteel NZ Holdings Limited	**44,504,814 shares**

Issued shares in the Company comprise:	
Ordinary shares fully paid	88,427,240
Ordinary shares partly paid (no voting rights)^	102,000
	88,529,240

^ Shares issued in the Senior Executives Share Scheme 1993.

Financial Statements 2012

Statements of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Group 2012 $000	Group 2011 $000 Restated	Parent 2012 $000	Parent 2011 $000 Restated
Sales revenue		**405,362**	385,752	**405,362**	385,751
Cost of sales	4	**(324,446)**	(300,443)	**(324,446)**	(300,443)
Gross profit		**80,916**	85,309	**80,916**	85,308
Other operating income		**800**	465	**782**	442
Selling expenses	4	**(25,536)**	(24,484)	**(25,536)**	(24,484)
Administration expenses	4	**(17,281)**	(15,953)	**(17,281)**	(15,953)
Other operating expenses	4	**(18,968)**	(19,077)	**(18,943)**	(18,965)
Operating earnings before financing costs		**19,931**	26,260	**19,938**	26,348
Interest income		**55**	41	**55**	41
Interest expense		**(1,726)**	(1,453)	**(1,726)**	(1,453)
Profit before tax		**18,260**	24,848	**18,267**	24,936
Tax expense - operating income	5	**(5,133)**	(7,518)	**(5,128)**	(7,511)
Tax expense - tax legislation changes	5	**-**	(289)	**-**	(289)
Profit after tax		**13,127**	17,041	**13,139**	17,136
Other comprehensive income - hedging reserve	21	**306**	(838)	**306**	(838)
Total comprehensive income		**13,433**	16,203	**13,445**	16,298
Basic earnings per share (cents)	17	**14.9**	19.4	**15.0**	19.5
Diluted earnings per share (cents)	17	**14.9**	19.3	**14.9**	19.5

The accompanying notes form part of these financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

	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 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 - net	19	-	-	-	(495)	-	(495)
Balance at 30 June 2011		71,252	82,311	(614)	(1,367)	389	151,971
Balance at 1 July 2011		**71,252**	**82,311**	**(614)**	**(1,367)**	**389**	**151,971**
Comprehensive income							
Profit after tax		**-**	**13,127**	**-**	**-**	**-**	**13,127**
Other comprehensive income - hedging reserve		**-**	**-**	**306**	**-**	**-**	**306**
Transactions with owners							
Dividends paid	18	**-**	**(12,750)**	**-**	**-**	**-**	**(12,750)**
Proceeds from partly paid shares	16	**271**	**-**	**-**	**-**	**-**	**271**
Granted during the year		**-**	**-**	**-**	**-**	**53**	**53**
Purchase of own shares - net	19	**-**	**-**	**-**	**(294)**	**-**	**(294)**
Balance at 30 June 2012		**71,523**	**82,688**	**(308)**	**(1,661)**	**442**	**152,684**
Parent							
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
Balance at 1 July 2011		**71,252**	**82,375**	**(614)**	**-**	**389**	**153,402**
Comprehensive income							
Profit after tax		**-**	**13,139**	**-**	**-**	**-**	**13,139**
Other comprehensive income - hedging reserve		**-**	**-**	**306**	**-**	**-**	**306**
Transactions with owners							
Dividends paid	18	**-**	**(12,822)**	**-**	**-**	**-**	**(12,822)**
Proceeds from partly paid shares	16	**271**	**-**	**-**	**-**	**-**	**271**
Granted during the year		**-**	**-**	**-**	**-**	**53**	**53**
Balance at 30 June 2012		**71,523**	**82,692**	**(308)**	**-**	**442**	**154,349**

The accompanying notes form part of these financial statements.

Balance Sheets

AS AT 30 JUNE 2012

		Group		Parent	
	Notes	2012 $000	2011 $000	2012 $000	2011 $000
Current assets					
Cash and cash equivalents	6	**3,680**	3,023	**3,669**	3,001
Trade and other receivables	7	**74,317**	68,313	**74,091**	68,035
Inventories	8	**82,705**	88,735	**82,705**	88,735
Assets held for sale	10	**508**	508	**508**	508
Derivative financial instruments	21	**108**	-	**108**	-
		161,318	160,579	**161,081**	160,279
Non-current assets					
Trade and other receivables	7	**-**	-	**1,895**	1,721
Property, plant and equipment	9	**48,201**	51,060	**48,201**	51,060
Intangibles	11	**20,899**	19,903	**20,899**	19,903
		69,100	70,963	**70,995**	72,684
Total assets		**230,418**	231,542	**232,076**	232,963
Current liabilities					
Borrowings - on call	13	**2,500**	-	**2,500**	-
Trade and other payables	12	**32,482**	33,444	**32,482**	33,444
Borrowings - term loans	13	**37,500**	41,000	**37,500**	41,000
Provisions	14	**844**	795	**844**	795
Derivative financial instruments	21	**216**	853	**216**	853
Income tax payable		**1,507**	845	**1,500**	835
		75,049	76,937	**75,042**	76,927
Non-current liabilities					
Deferred tax	5	**1,771**	2,040	**1,771**	2,040
Derivative financial instruments	21	**320**	-	**320**	-
Employee benefits	15	**594**	594	**594**	594
		2,685	2,634	**2,685**	2,634
Equity					
Share capital	16	**71,523**	71,252	**71,523**	71,252
Retained earnings		**82,688**	82,311	**82,692**	82,375
Hedging reserve	21(a)	**(308)**	(614)	**(308)**	(614)
Treasury shares	19	**(1,661)**	(1,367)	**-**	-
Share-based payments		**442**	389	**442**	389
		152,684	151,971	**154,349**	153,402
Total equity and liabilities		**230,418**	231,542	**232,076**	232,963

These financial statements and the accompanying notes were authorised by the Board on 9 August 2012.

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 2012

	Notes	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Cash flows from operating activities					
Customer receipts		**403,829**	378,895	**403,829**	378,894
Interest receipts		**55**	41	**55**	41
Payments to suppliers and employees		**(378,791)**	(357,274)	**(378,836)**	(356,985)
Income tax payments		**(4,856)**	(6,313)	**(4,848)**	(6,311)
Interest payments		**(1,485)**	(1,453)	**(1,485)**	(1,453)
Net cash inflow from operating activities		**18,752**	13,896	**18,715**	14,186
Cash flows from investing activities					
Property, plant and equipment disposals		**145**	404	**145**	404
Transactions with controlled entities		**-**	-	**(174)**	(737)
Property, plant and equipment purchases		**(4,467)**	(6,165)	**(4,467)**	(6,165)
Net cash outflow from investing activities		**(4,322)**	(5,761)	**(4,496)**	(6,498)
Cash flows from financing activities					
Share capital		**271**	-	**271**	-
Treasury shares	19	**(294)**	(495)	**-**	-
Borrowings		**(3,500)**	12,000	**(3,500)**	12,000
Dividends paid	18	**(12,750)**	(9,675)	**(12,822)**	(9,721)
Net cash (outflow)/inflow from financing activities		**(16,273)**	1,830	**(16,051)**	2,279
Net (decrease)/increase in cash and cash equivalents		**(1,843)**	9,965	**(1,832)**	9,967
Cash and cash equivalents at the beginning of the year		**3,023**	(6,942)	**3,001**	(6,966)
Cash and cash equivalents at the end of the year		**1,180**	3,023	**1,169**	3,001
Represented by:					
Cash and cash equivalents		**3,680**	3,023	**3,669**	3,001
Borrowings - on call		**(2,500)**	-	**(2,500)**	-
		1,180	3,023	**1,169**	3,001
Reconciliation of profit after tax to cash flows from operating activities					
Profit after tax		**13,127**	17,041	**13,139**	17,136
Non-cash adjustments:					
Depreciation and amortisation		**6,206**	6,282	**6,206**	6,282
Deferred tax		**(269)**	986	**(269)**	985
Gain on items classified as investing activities:					
Gain on property, plant and equipment disposals		**(19)**	(64)	**(19)**	(64)
		19,045	24,245	**19,057**	24,339
Movements in working capital:					
Income tax		**662**	149	**665**	144
Inventories		**6,030**	(4,508)	**6,030**	(4,508)
Trade and other receivables		**(6,004)**	(6,627)	**(6,056)**	(6,426)
Trade and other payables, including derivatives		**(981)**	637	**(981)**	637
Net cash inflow from operating activities		**18,752**	13,896	**18,715**	14,186

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

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 value 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 2012

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.

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 that it is probable future taxable profits will offset temporary differences.

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(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 weighted average cost basis or standard cost 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 receivables

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.

(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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(l) Financial assets (continued)

(ii) Fair values (continued)

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 the 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 is impaired. A financial asset or group of financial assets is 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 includes:

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

(m) Derivatives

(i) Cash flow 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.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(m) Derivatives (continued)

(i) Cash flow hedge (continued)

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 and motor vehicles	3 - 10 years
Equipment, furniture and fittings	2 - 10 years

(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 are used to calculate the present value of expected cash flows of the cash-generating units. The major inputs and assumptions used in the models, which 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(p) Impairment of non-financial assets

Assets that have indefinite useful lives 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)

These 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.

(t) Leases

Leases in which a significant portion of the risks and rewards of ownership is 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

(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 beneficially 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.

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 is settled and a corresponding entry to liabilities where cash is 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

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

(i) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2011 and have been adopted in these financial statements:

NZ IAS 24 (revised), Related Party Disclosures
The revised standard simplifies the definition of related party and clarifies the intended meaning of the definition. The revised standard has not had any impact on the Group financial statements.

FRS 44, New Zealand Additional Disclosures
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 standard has not had an impact on the Group's financial statements.

Harmonisation Amendments
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 IFRS as adopted in Australia and New Zealand. These changes have not had a material impact on the Group financial statements.

(ii) Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods for which the Group has not early adopted. The standards relevant to the Group are as follows:

NZIFRS 9, Financial Instruments (effective from 1 January 2015)
The standard specifies the classification and measurement criteria for financial assets and is designed to replace NZIAS 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 assets. 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.

NZIFRS 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. NZIFRS 10 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 an 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.

NZIFRS 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZIFRS 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 2012

	Group and Parent 2012 $000	2011 $000
4. Operating expenses		
Included in operating activities:		
Inventories expensed in cost of sales	**(306,430)**	(283,696)
Inventory written down	**(238)**	(301)
Bad debts	**(529)**	(1,605)
Depreciation and amortisation	**(6,206)**	(6,282)
Operating leases	**(8,769)**	(8,894)
Directors' fees	**(390)**	(397)
Employee benefits	**(44,421)**	(42,685)
Auditors' fees - audit services	**(200)**	(197)
- tax compliance and consulting	**(24)**	(21)
Donations	**(10)**	(4)

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

Restated comparatives

The company has gone through a restructure phase. This has resulted in some current year expenditure being incurred in different areas of the business from the prior period. The comparative figures in the Statements of Comprehensive Income have been restated to reflect the restructure changes and to align with the current year's expenditure to ensure a consistency of reporting. The table below reflects the changes:

	Group		Parent	
	2011 $000 Restated	2011 $000 Prior year	2011 $000 Restated	2011 $000 Prior year
Cost of sales	(300,443)	(300,694)	(300,443)	(300,694)
Selling expenses	(24,484)	(25,409)	(24,484)	(24,409)
Administration expenses	(15,953)	(14,423)	(15,953)	(14,423)
Other operating expenses	(19,077)	(19,431)	(19,965)	(19,319)

	Group		Parent	
	2012 $000	2011 $000	**2012 $000**	2011 $000
5. Income and deferred tax				
Profit before tax	**18,260**	24,848	**18,267**	24,936
Non-deductible expenditure	**72**	213	**48**	101
Tax legislation change adjustments	**-**	963	**-**	963
	18,332	26,024	**18,315**	26,000
Tax at 28% (2011: 30%)	**5,133**	7,807	**5,128**	7,800
	5,133	7,807	**5,128**	7,800
Represented by:				
Current tax	**5,402**	6,821	**5,397**	6,814
Deferred tax	**(269)**	986	**(269)**	986
	5,133	7,807	**5,128**	7,800

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
5. Income and deferred tax (continued)				
Tax legislation adjustments				
Re-measurement of deferred tax				
Company tax rate change from 30% to 28%	-	(289)	-	(289)
	-	(289)	-	(289)

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 prior periods.

	Opening balance $000	Recognised in income $000	Recognised in equity $000	Closing balance $000
Deferred tax				
Group 2012				
Property, plant and equipment	**(4,169)**	**156**	**-**	**(4,013)**
Employee benefits	**1,257**	**171**	**-**	**1,428**
Provisions	**633**	**61**	**-**	**694**
Cash flow derivative reserve	**239**	**(209)**	**90**	**120**
	(2,040)	**179**	**90**	**(1,771)**
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)	(1,320)	334	(2,040)
Parent 2012				
Property, plant and equipment	**(4,169)**	**156**	**-**	**(4,013)**
Employee benefits	**1,257**	**171**	**-**	**1,428**
Provisions	**633**	**61**	**-**	**694**
Cash flow hedging reserve	**239**	**(209)**	**90**	**120**
	(2,040)	**179**	**90**	**(1,771)**
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)	(1,320)	334	(2,040)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	Group		Parent	
	2012 $000	2011 $000	**2012 $000**	2011 $000
5. Income and deferred tax (continued)				
Represented by:				
Deferred tax asset recovery within 1 year	**1,959**	1,963	**1,959**	1,963
Deferred tax asset recovery after 1 year	**(3,730)**	(4,003)	**(3,730)**	(4,003)
	(1,771)	(2,040)	**(1,771)**	(2,040)

	Group and Parent	
	2012 $000	2011 $000
Imputation credit account		
Balance at the beginning of the year	**19,176**	16,930
Tax payments	**4,801**	6,373
Credits attached to dividends paid	**(5,447)**	(4,127)
Balance at the end of the year	**18,530**	19,176

	Group		Parent	
	2012 $000	2011 $000	**2012 $000**	2011 $000
6. Cash and cash equivalents				
Cash and cash equivalents	**3,680**	3,023	**3,669**	3,001
	3,680	3,023	**3,669**	3,001

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	Group		Parent	
	2012 $000	2011 $000	**2012 $000**	2011 $000
7. Trade and other receivables				
Trade receivables	**69,802**	68,403	**69,802**	68,403
Provision for impairment	**(1,485)**	(1,224)	**(1,485)**	(1,224)
	68,317	67,179	**68,317**	67,179
Prepayments and sundry receivables	**6,000**	1,134	**5,774**	856
Controlled entities (note 24b)	**-**	-	**1,895**	1,721
	74,317	68,313	**75,986**	69,756
Non-current portion-controlled entities	**-**	-	**(1,895)**	(1,721)
	74,317	68,313	**74,091**	68,035

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 $0.5 million (2011: $1.6 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 2012, trade receivables of $5.5 million (2011: $4.5 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:

	Group and Parent	
	2012 $000	2011 $000
Within 1 month	**-**	79
Within 1 to 3 months	**4,779**	3,133
Beyond 3 months	**748**	1,241
	5,527	4,453

(b) Provision for impairment

At 30 June 2012, trade receivables of $5.1 million (2011: $3.5 million) were considered to be impaired and the amount of the provision was $1.5 million (2011: $1.2 million). The impaired receivables were from a number of customers who were in unexpectedly difficult economic situations. It was assessed that a portion of the receivables are expected to be recovered.

Balance at the beginning of the year	**1,224**	2,871
Recognised during the year	**1,067**	154
Written off during the year as uncollectible	**(806)**	(1,801)
Balance at the end of the year	**1,485**	1,224

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
8. Inventories				
Finished goods at cost	83,305	89,020	83,305	89,020
Provision for write-down	(600)	(285)	(600)	(285)
	82,705	88,735	**82,705**	88,735

Group and Parent	Land & buildings $000	Machinery & vehicles $000	Furniture, fittings & equipment $000	Total $000
9. Property, plant and equipment				
2012				
Opening cost	30,772	64,950	18,182	113,904
Opening accumulated depreciation	(5,890)	(42,845)	(14,109)	(62,844)
Opening net book value	24,882	22,105	4,073	51,060
Additions	86	2,344	985	3,415
Disposals	-	(87)	(37)	(124)
Depreciation	(504)	(4,523)	(1,123)	(6,150)
Closing net book value	**24,464**	**19,839**	**3,898**	**48,201**
Comprised of:				
Cost	30,858	67,207	19,130	117,195
Accumulated depreciation	(6,394)	(47,368)	(15,232)	(68,994)
	24,464	**19,839**	**3,898**	**48,201**
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	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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	Group and Parent 2012 $000	Group and Parent 2011 $000
10. Assets held for sale		
Balance at the beginning of the year	508	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 2012, the date for completion of the sale had passed and negotiations with the intended purchaser failed. The Group is actively pursuing potential buyers for the property.

	Group and Parent Goodwill $000	Licences $000	Other $000	Total $000
11. Intangibles				
2012				
Opening cost	19,856	3,323	-	23,179
Opening accumulated amortisation	-	(3,276)	-	(3,276)
Opening net book value	19,856	47	-	19,903
Additions	-	854	198	1,052
Amortisation charge	-	(53)	(3)	(56)
Closing net book value	**19,856**	**848**	**195**	**20,899**
Comprised of:				
Cost	19,856	4,177	198	24,231
Accumulated amortisation	-	(3,329)	(3)	(3,332)
	19,856	**848**	**195**	**20,899**
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

Licences are amortised over their estimated useful lives of three to five years. Amortisation charges are included in other operating costs.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

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 2015. 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 2015 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% (2011: 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 13.9% to 16.0% (2011: 14.7% to 17%). The pre-tax discount rates derived are based on using a post-tax weighted average cost of capital for the Group of 10.0% (2011: 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 2012.

	Group and Parent	
	2012 $000	2011 $000
Carrying value of goodwill:		
Hurricane Wire Products	**11,419**	11,419
Distribution	**4,897**	4,897
Roofing Products	**3,540**	3,540
	19,856	19,856

12. Trade and other payables

Trade payables	**22,221**	20,466
Accrued expenses	**6,616**	7,799
Employee benefits	**3,645**	4,754
	32,482	33,019

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 2012

	Group		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
13. Bank borrowings				
Current				
On call	**(2,500)**	-	**(2,500)**	-
Term loans	**(37,500)**	(41,000)	**(37,500)**	(41,000)
	(40,000)	(41,000)	**(40,000)**	(41,000)

The effective interest rate on the call borrowings was 4.1% (2011: 3.6%). Credit facilities arranged with the banks can be drawn at any time, subject to meeting the Group's Deed of Negative Pledge conditions. Interest rates on these facilities are variable. The carrying value of the current borrowings is equivalent to the fair value.

The effective interest rate on the fixed rate term loans was 4.3% (2011: 3.4%). 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 $90 million (2011: $110 million). These facilities have a mix of fixed and revolving terms. Unless earlier extended, $30 million (2011: $30 million) has an expiry date of September 2014 (2011: March 2012), $30 million (2011: $30 million) has an expiry date of January 2015 (2011: March 2012), $30 million (2011: $25 million) has an expiry date of February 2015 (2011: December 2013), $Nil (2011: $10 million expiry 31 December 2011), and $Nil (2011: $15 million expiry 31 March 2013).

	Group and Parent	
	2012 $000	2011 $000
14. Provisions		
Current		
Balance at the beginning of the year	**795**	445
Movement during the year	**49**	350
Balance at the end of the year	**844**	795

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

	Group and Parent		
	Service benefits $000	Incentive benefits $000	Total $000
15. Employee benefits			
2012			
Balance at the beginning of the year	471	123	594
Accrued/(used) during the year	(47)	88	41
Reversed/(unused)	-	(41)	(41)
Balance at the end of the year	**424**	**170**	**594**
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

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. The final non-executive Director retirement benefit was paid during the year ending 30 June 2012. 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) for 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 NZIFRS 2, the non-cash rights of incentive benefits (principally Company shares) were reclassified as equity in the year ending 30 June 2011 (including comparatives). This reclassification did not affect profit.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	Group and Parent			
	2012 $000	2011 $000	**2012 Shares**	2011 Shares
16. Share capital				
Fully paid:				
Balance at the beginning of the year	**71,251**	71,251	**88,372,240**	88,372,240
Proceeds from partly paid shares	**271**	-	**55,000**	-
Balance at the end of the year	**71,522**	71,251	**88,427,240**	88,372,240
Partly paid:				
Balance at the beginning of the year	**1**	1	**157,000**	157,000
Transfer to fully paid shares	**-**	-	**(55,000)**	-
Balance at the end of the year	**1**	1	**102,000**	157,000
Total balance at the end of the year	**71,523**	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.

	Group		Parent	
	2012 $000	2011 $000	**2012 $000**	2011 $000
17. Earnings per share (EPS)				
Profit after tax	**13,127**	17,041	**13,139**	17,136
Weighted average number of shares for basic EPS	**87,882**	87,935	**87,882**	87,935
Weighted average number of shares for diluted EPS	**87,984**	88,092	**87,984**	88,092
Basic earnings per share (cents)	**14.9**	19.4	**15.0**	19.5
Diluted earnings per share (cents)	**14.9**	19.3	**14.9**	19.5

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 2012

	Group		Parent	
	2012 $000	2011 $000	**2012 $000**	2011 $000
18. Dividends				
2012 interim: 5.5 cents per share (2011: 6 cents)	**4,864**	5,302	**4,864**	5,302
2011 final: 9 cents per share (2010: 5 cents)	**7,958**	4,419	**7,958**	4,419
Treasury shares	**(72)**	(46)	**-**	-
	12,750	9,675	**12,822**	9,721

Dividends paid are fully imputed and the Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $0.05 million (2011: $0.04 million).

Declared post balance date and not recognised as a liability:		
2012 final: 6.5 cents per share (2011: 9 cents).	**5,748**	7,954

	2012 $000	2011 $000	**2012 Shares**	2011 Shares
19. Treasury shares				
Balance at the beginning of the year	**1,367**	872	**436,999**	214,021
Purchases	**317**	507	**122,652**	223,528
Used in share schemes	**(73)**	(46)	**(18,037)**	(16,370)
Withdrawals	**50**	34	**24,545**	15,820
Balance at the end of the year	**1,661**	1,367	**566,159**	436,999

Treasury shares are unallocated Company shares held by the Trustees of share-based schemes and are recognised as a reduction in shareholders' funds of the Group. The Treasury shares purchased during the year had a weighted average price of $2.59 (2011: 2.25).

20. Operating segments

Operating segments of the Group as at 30 June 2012 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.

NZIFRS 8: Operating Segments permits the aggregation of operating segments into reportable segments. This has been adopted as the operating segments have similar economic characteristics, and 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

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

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or value of its holding in financial instruments. The objective of market risk is to manage risk within acceptable levels.

Interest rate risk

The Group's main interest risk arises from floating rate borrowings drawn down under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating to fixed interest rate swaps. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. The Group qualifies for hedge accounting and all gains and losses from its interest rate swap are taken to equity.

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.

	Group and Parent	
	2012 $000	2011 $000
Cash flow hedging reserve:		
Balance at the beginning of the year	**-**	-
Interest rate swap fair value	**(320)**	-
Tax effect of interest rate swap	**90**	-
Balance at the end of the year	**(230)**	-

During the year the Group entered into a $20 million interest rate swap with an interest rate of 3.5% and a termination date of September 2014. The fair value of the interest rate swap shown represents the amount of unrealised losses, whereas the principal amount is an aggregate exposure value of the contract.

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 $0.4 million (2011: $0.3 million) higher/lower respectively. There is no effect on term borrowings, as these are arranged at fixed rates of interest and on fixed terms.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

21. Financial risk management (continued)

(a) Market risk (continued)

Foreign exchange 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 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	
	2012 $000	2011 $000
Cash flow hedging reserve:		
Balance at the beginning of the year	**(614)**	224
(Loss)/gain taken to equity	**(108)**	(853)
Tax effect on hedging	**30**	256
Tax adjustment for change in tax rate	**-**	(17)
Transfer to inventory	**853**	(319)
Transfer to tax	**(239)**	95
Balance at the end of the year	**(78)**	(614)

The fair value of the foreign currency forward exchange contracts ($0.1 million) (2011: ($0.9 million)) arranged with the banks to hedge the purchases of inventory from overseas suppliers 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 would be to equity +/- $0.6 million (2011: +/- $1.1 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

21. Financial risk management (continued)

(c) Liquidity risk (continued)

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

	6 months or less $000	6 to 12 months $000	1 to 2 years $000	2 to 5 years $000	Total $000
Group 2012					
Borrowings	**40,108**	**-**	**-**	**-**	**40,108**
Trade and other payables	**25,945**	**-**	**-**	**-**	**25,945**
Cash flow hedging of derivatives:					
Outflow	**12,743**	**347**	**700**	**121**	**13,911**
Inflow	**(12,282)**	**-**	**-**	**-**	**(12,282)**
Group 2011					
Borrowings	38,109	-	-	-	38,109
Trade and other payables	25,698	-	-	-	25,698
Cash flow hedging of derivatives:					
Outflow	18,116	-	-	-	18,116
Inflow	(17,262)	-	-	-	(17,262)
Parent 2012					
Borrowings	**40,108**	**-**	**-**	**-**	**40,108**
Trade and other payables	**25,945**	**-**	**-**	**-**	**25,945**
Cash flow hedging of derivatives:					
Outflow	**12,743**	**347**	**700**	**121**	**13,911**
Inflow	**(12,282)**	**-**	**-**	**-**	**(12,282)**
Parent 2011					
Borrowings	38,109	-	-	-	38,109
Trade and other payables	25,698	-	-	-	25,698
Cash flow hedging of derivatives:					
Outflow	18,116	-	-	-	18,116
Inflow	(17,262)	-	-	-	(17,262)

Interest rate risk

The Group uses short-term floating and long-term fixed rate borrowings to fund its operations. The carrying value of 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

21. Financial risk management (continued)

(c) Liquidity risk (continued)

Interest rate risk (continued)

	Group and Parent		
	At call $000	Term loans $000	Total $000
2012			
Within 1 year	**2,500**	**37,500**	**40,000**
	2,500	**37,500**	**40,000**
2011			
Within 1 year	-	41,000	41,000
	-	41,000	41,000

(d) Financial instruments by category

	Liabilities at amortised cost $000	Loans and receivables $000	Derivatives for hedging $000
Group 2012			
Assets per balance sheet			
Cash and cash equivalents	**3,680**	**-**	**-**
Trade and other receivables excluding prepayments	**68,317**	**-**	**-**
Derivative financial instruments	**-**	**108**	**-**
Liabilities per balance sheet			
Borrowings	**-**	**-**	**40,000**
Trade and other payables	**-**	**-**	**25,945**
Derivative financial instruments	**-**	**536**	**-**
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	-
Parent 2012			
Assets per balance sheet			
Cash and cash equivalents	**3,669**	**-**	**-**
Trade and other receivables excluding prepayments	**68,317**	**-**	**-**
Derivative financial instruments	**-**	**108**	**-**
Liabilities per balance sheet			
Borrowings	**-**	**-**	**40,000**
Trade and other payables	**-**	**-**	**25,945**
Derivative financial instruments	**-**	**536**	**-**
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	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

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)

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 2012				
Assets				
Foreign currency exchange contracts	-	108	-	108
Total assets	**-**	**108**	**-**	**108**
Liabilities				
Foreign currency exchange contracts	-	216	-	216
Interest rate derivatives	-	320	-	320
Total liabilities	**-**	**536**	**-**	**536**
Group and Parent 2011				
Liabilities				
Foreign currency exchange contracts	-	853	-	853
Total liabilities	-	853	-	853

(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% (2011: 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.

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 2011 at an issue price of $2.19 (2011: $1.95).

	Group	
	2012 Shares	2011 Shares
Balance at the beginning of the year	**257,360**	101,610
Purchases	**80,000**	181,330
Vested in employees	**(57,150)**	(25,580)
Balance at the end of the year	**280,210**	257,360

(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 122,652 shares were purchased during the year for the Executive Share Plan. During the year, 34,072 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	
	2012 Shares	2011 Shares
Balance at the beginning of the year	**421,534**	198,006
Purchases	**122,652**	223,528
Vested in employees	**(34,307)**	-
Balance at the end of the year	**509,879**	421,534

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

	Group		Parent	
	2012 $000	2011 $000	2012 $000	2011 $000
23. Commitments and contingencies				
(a) Lease commitments on non-cancellable leases				
Within 1 year	**7,608**	7,796	**7,413**	7,601
Within 1 to 5 years	**17,197**	19,629	**16,417**	18,849
Beyond 5 years	**5,541**	7,634	**2,924**	4,823
	30,346	35,059	**26,754**	31,273

The Group occupies a number of warehouse and office premises under operating leases. The leases have varying terms and renewal rights. During the year $8.8 million (2011: $8.9 million) was recognised as an expense in the Statement of Comprehensive Income.

(b) Capital commitments

The Group has committed $1.5 million (2011: $0.7 million) for property extensions and the purchase of plant and equipment.

(c) Contingent liabilities

Guarantees on contracts at balance date were $0.5 million (2011: $0.4 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	
	2012 $000	2011 $000
(a) Transactions with related entities of the Group		
Purchases during the year	**39,507**	29,148
Percentage of related party purchases	**9.7%**	7.6%

Arrium Limited (formerly OneSteel Limited) of Australia, through its subsidiary OneSteel NZ Holdings Limited, owns 50.3% (2011: 50.3%) of the Company's issued shares. All transactions are on commercial terms. Included in trade creditors is an amount of $4.2 million (2011: $2.8 million) owed to Arrium Limited at balance date.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

24. Related parties (continued)

	Parent	
	2012 $000	2011 $000
(b) Loans with controlled entities		
Loans to share schemes	**1,591**	1,417
Loans to subsidiaries	**304**	304
	1,895	1,721

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:

Subsidaries	2012 Holding	2011 Holding	Principal activity
Steel & Tube New Zealand Limited	100%	100%	Asset holding
Stube Industries Limited	100%	100%	Property

Other entities

Trustees in the Steel and Tube Holdings Limited Staff Share Plan
Trustees of the Steel & Tube Group Employee Share Purchase Scheme

During the year the following subsidiaries were formally removed from the Companies Office register:

Subsidaries	2012 Holding	2011 Holding	Removed
Certified Roofing Specialists Limited	0%	100%	27 September 2011
Emco Group Limited	0%	100%	27 September 2011
NZMC Limited	0%	100%	27 September 2011
David Crozier Limited	0%	100%	27 September 2011

	Group and Parent	
	2012 $000	2011 $000
(c) Transactions with key Management personnel		
Short-term benefits	**2,643**	2,770
Share-based benefits	**109**	-
Termination benefits	**-**	20
	2,752	2,790

The key Management personnel are the Directors and Executive Management. Included in short-term benefits are Directors' fees of $390,269 (2011: $396,707).

25. Subsequent event

On 9 August 2012, the Board declared a fully imputed dividend of 6.5 cents per share ($5.75 million) and a supplementary dividend to non-resident shareholders of 1.15 cents per share. The dividends will be paid to shareholders on 28 September 2012.

Independent Auditors' Report

FOR THE YEAR ENDED 30 JUNE 2012

pwc

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

TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

We have audited the financial statements of Steel & Tube Holdings ("the Company") Limited on pages 20 to 51, which comprise the balance sheets as at 30 June 2012, the Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows 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 2012 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 the 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 the 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 20 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 position of the Company and the Group as at 30 June 2012, 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 2012:

(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.

PricewaterhouseCoopers

Chartered Accountants
Wellington
9 August 2012

Comparative Review

	2012 $000	2011 $000	2010 $000	2009 $000	2008 $000
Financial Performance					
Sales	**405,362**	385,752	379,993	484,482	503,880
EBITDA	**26,137**	32,542	22,405	49,931	45,660
Depreciation and amortisation	**(6,206)**	(6,282)	(6,486)	(6,697)	(6,094)
EBIT	**19,931**	26,260	15,919	43,234	39,566
Net interest expense	**(1,671)**	(1,412)	(1,710)	(5,928)	(5,988)
Profit before tax	**18,260**	24,848	14,209	37,306	33,578
Tax expense - operating income	**(5,133)**	(7,518)	(4,306)	(11,177)	(11,032)
Tax expense - tax legislation changes	**-**	(289)	(4,189)	-	-
Profit after tax	**13,127**	17,041	5,714	26,129	22,546
Funds Employed					
Equity	**152,684**	151,971	145,914	150,143	141,834
Non-current liabilities	**2,685**	2,634	1,661	6,045	26,469
	155,369	154,605	147,575	156,188	168,303
Comprises:					
Current assets	**161,318**	160,579	146,740	158,071	187,863
Current liabilities	**(75,049)**	(76,937)	(70,584)	(78,937)	(99,224)
Working capital	**86,269**	83,642	76,156	79,134	88,639
Non-current assets	**69,100**	70,963	71,419	77,054	79,664
	155,369	154,605	147,575	156,188	168,303

Statistics

Dividends per share (cents)	**12.0**	15.0	8.5	19	19
Earnings per share (cents)	**14.9**	19.4	6.5	29.6	25.6
Return on sales	**3.2%**	4.4%	1.5%	5.4%	4.5%
Return on equity	**8.6%**	11.2%	3.9%	17.4%	15.9%
Working capital (times)	**2.1**	2.1	2.0	2.0	1.9
Net tangible assets per share	**$1.49**	$1.49	$1.42	$1.47	$1.38
Equity to total assets	**66.3%**	65.6%	66.9%	63.9%	53.0%
Gearing (debt to debt plus equity)	**19.2%**	20.0%	19.8%	24.0%	37.1%
Net interest cover (times)	**11.9**	18.6	9.3	7.3	6.6
Ordinary shareholders	**7,754**	7,663	7,693	7,675	7,790
Employees	**676**	692	711	787	835

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

Business Areas

Registered Office

15-17 Kings Crescent, Lower Hutt 5010, New Zealand
PO Box 30543, Lower Hutt 5040, New Zealand
Ph: +64 4 570 5000 Fax: +64 4 569 4218
Email: info@steelandtube.co.nz
Website: www.steelandtube.co.nz

Trading Operations

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

Share Registry

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142, New Zealand
Ph: +64 9 488 8777 Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz
Website: www.computershare.co.nz

Maintaining Momentum:

Looking forward, Steel & Tube will continue to consolidate its industry-leading position and maintain its positive momentum as it focuses on developing new solutions for changing New Zealand markets.

STRONGER IN EVERYWAY

steel&tube