



Sumitomo Corporation of America

Annual Report 2011

For the year ended March 31, 2011



PRESIDENT'S MESSAGE

Despite the challenges of continued uncertainty in the global business environment throughout 2010, our results for the fiscal year ending March 31, 2011, exceeded expectations, closing the year with a consolidated net income of \$238 million (\$185 million excluding non-controlling interests). Our decisive actions during a downturned economy helped us refocus and invest in a way that leveraged opportunities that not only achieved positive financial results, but will also strengthen our corporate fortitude going forward. As the economic recovery gradually strengthens, we are in good position to maintain the sustainability of our performance by remaining strategically active.

In 2010, our Company transitioned to International Financial Reporting Standards (IFRS); the same standards that were adopted by our parent company, Sumitomo Corporation. The financial statements contained in this report are presented based on IFRS.

During volatile times like these, we are able to rely on the strength of our balanced and integrated business model to help us through cyclical business peaks and valleys. Although there was no substantial economic recovery in 2010, I think we did fairly well because of our diversified businesses and geographies.

Our outstanding performers last year were businesses and related subsidiaries in oil and gas, steel products, chemical and retail tire industries. We also made several investments and acquisitions that expand strategic alliances within our vertical business lines.

The Tubular Products group experienced higher income compared to the prior fiscal year due to increased sales and improved margins, as the increased price of oil brought on an increase in production. This led to a \$73.4 million increase in income for the group.

The Chemicals and Electronics group's consolidated subsidiary, The Hartz Mountain Corporation, a manufacturer and distributor of pet supplies and treats, continued to enjoy another year of income growth over the prior fiscal year. In addition, the Life Science unit had a gain on the sale of a portion of their interest in a former subsidiary; helping the group achieve a \$24.5 million increase in income during the most recent fiscal year.

The Steel and Non-Ferrous Metal group continued to recover from the economic down turn. The Specialty Steel unit and Flat Rolled Products unit enjoyed stronger results compared to the fiscal year ended March 31, 2010.

Our Machinery and Power group had lower income for the most recent fiscal year due to the Automotive Business unit, which continues to be negatively impacted by the economic downturn, and the Power and Telecom Business unit, which had an impairment charge related to a cogeneration power plant. In addition, the Transportation unit faced a tough year, including an impairment within our rail-leasing business.

On the positive side, the Power and Telecom Business unit made new investments in renewable energy projects, such as wind farms, to form a platform for future income growth. We continue to aggressively look for opportunities in high-quality, renewable energy projects in the advanced development or construction stage as a long term strategic investor. We also remain focused on acquiring generation assets in conventional power through acquisitions or by developing new power plants (that is, greenfield development).

The Living-Related Business group's consolidated subsidiary, TBC Corporation, a wholesale and retail tire business, increased its income last year, as the company built upon previous successes. The Real Estate unit's commercial real estate investments significantly reduced the

losses experienced in the prior fiscal year. These improvements were partially offset by impairments taken in the current fiscal year by the Real Estate unit's residential real estate investments; as the United States housing markets remained slow to recover from the economic downturn.

TBC Corporation and the overall performance of the Real Estate unit enabled the Living-Related Business group to enjoy a \$38.8 million increase in income during the fiscal year ended March 31, 2011.

We remain cautiously optimistic that the U.S. housing markets will start to recover, and that the instability in the global marketplace will start to calm down. We look forward to seeing improvements that will bring confidence back to business, investors and consumers and lead us on a road to economic recovery.

In the meantime, we will seek business opportunities in energy related sectors, including new shale gas and oil projects. We also intend to continue investment in developing markets outside the U.S. like Mexico, Brazil and others.

The ending of this fiscal year cannot be recalled without remembering the terrible devastation and nuclear problems that Japan experienced after the March 11, 2011 earthquake and subsequent tsunami hit the coast of northeast Japan. The tragedy and loss of life and property is overwhelming and it will take years to recover. The Company responded immediately with monetary donations and will continue to support the efforts to rebuild the region.

As we proceed in 2011, we anticipate continued challenges in both the U.S. and global business environments. We will remain focused on our strategic objectives and concentrate on being cost competitive and providing the best added-value to our customers and partners no matter the business or the geography.



Our ability to maintain our financial strength during times of economic turmoil confirms the importance of having excellent people who have Vision; can adapt to Change and be Innovative; act with Speed and Enthusiasm; and maintain Professionalism and Commitment when achieving their goals. These represent the Corporate Values of our company and makes it possible to ensure we always operate with Integrity and Sound Management and Integrated Corporate Strength.

I am very proud of all the employees who contributed to the strong results of the most recent fiscal year and look forward to leading this team as we take on the challenges that lie ahead.

A handwritten signature in black ink, appearing to read 'T. Kano', written in a cursive style.

Takashi Kano
Sumitomo Corporation of America
President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousands of U.S. Dollars)

	Note	March 31, 2011	March 31, 2010	April 1, 2009
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 136,945	\$ 185,287	\$ 156,989
Accounts receivable, net of allowance for doubtful accounts of \$29,603, \$26,713 and \$30,863, respectively		947,259	857,618	872,063
Finance receivables, net of allowance for doubtful accounts of \$3,197, \$1,833 and \$0, respectively	6	96,324	187,706	171,938
Inventories	5	1,889,089	1,422,796	1,833,045
Advance payments to suppliers		38,681	72,848	111,839
Current tax assets		18,388	24,021	33,708
Prepaid expenses and other current assets		58,012	27,815	47,060
Total current assets		3,184,698	2,778,091	3,226,642
Long-term receivables:				
Third party		43,296	78,937	62,600
Finance receivables, net of allowance for doubtful accounts of \$2,132, \$2,750 and \$5,314, respectively	6	333,940	116,919	208,048
Related parties		257,448	169,442	220,653
Property and equipment	9	400,494	382,096	360,925
Investment property	10	360,333	371,693	428,777
Investments accounted for using the equity method	7	1,101,339	879,829	804,601
Goodwill	11	588,799	562,080	547,900
Other intangible assets	11	474,182	484,416	512,125
Other assets		56,546	52,970	50,707
Total non-current assets		3,616,377	3,098,382	3,196,336
Total assets		\$6,801,075	\$5,876,473	\$6,422,978
LIABILITIES AND EQUITY				
Current liabilities:				
Commercial paper	12	\$ 656,075	\$ 679,000	\$ 756,762
Notes payable:				
Third party	12	119,751	173,960	576,162
Related parties	12	850,004	150,000	350,000
Current portion of long-term debt:				
Third party	13	165,182	147,394	310,459
Related party	13	150,000	300,000	100,000
Accounts payable:				
Third party		541,194	413,429	401,335
Related parties	8	158,457	15,849	159,435
Advances received		3,119	5,969	47,066
Accrued expenses and other current liabilities		325,457	274,053	304,735
Total current liabilities		2,969,239	2,159,654	3,005,954
Long-term liabilities:				
Long-term debt:				
Third party	13	1,123,363	777,690	632,302
Related party	13	310,000	810,000	750,000
Other long-term liabilities		103,568	101,863	113,561
Deferred income taxes	16	100,642	90,671	82,808
Total non-current liabilities		1,637,573	1,780,224	1,578,671
Equity:				
Common stock, no par value. Authorized 300,000 shares; issued and outstanding 187,650 shares		411,000	411,000	411,000
Additional paid-in capital		(11,753)	(22,424)	(18,389)
Retained earnings		1,136,080	987,823	941,130
Other components of equity	17	57,756	42,201	(3,095)
Equity attributable to SGMA		1,593,083	1,418,600	1,330,646
Non-controlling interests		601,180	517,995	507,707
Total equity		2,194,263	1,936,595	1,838,353
Total liabilities and equity		\$6,801,075	\$5,876,473	\$6,422,978

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of U.S. Dollars)

	Note	Years Ended March 31,	
		2011	2010
Revenues		\$6,440,238	\$5,348,348
Cost of sales		(4,763,620)	(3,900,354)
Gross profit		1,676,618	1,447,994
Selling, general and administrative expenses	24	(1,360,344)	(1,292,723)
Interest expense (net of interest income of \$30,262 and \$11,920, respectively)		(30,171)	(66,375)
Other income	14	49,672	18,177
Equity in earnings of affiliates	7	49,125	24,323
Income before income taxes		384,900	131,396
Income taxes	15	(146,576)	(56,502)
Net income		238,324	74,894
Other comprehensive income:			
Foreign currency translation differences for foreign operation		25,837	65,474
Net gain on equity securities transferred to retained earnings		1,140	—
Effective portion of changes in fair value of cash flow hedges		2,040	4,368
Net change in fair value of equity securities		(4,405)	5,617
Defined benefit pension plan actuarial losses		(2,450)	(964)
Income tax on other comprehensive income		(2,175)	(9,950)
Other comprehensive income, net of income tax		19,987	64,545
Total comprehensive income		\$ 258,311	\$ 139,439
Net income attributable to:			
SGMA		\$ 185,007	\$ 47,657
Non-controlling interests		53,317	27,237
Net income		\$ 238,324	\$ 74,894
Total comprehensive income attributable to:			
SGMA		\$ 199,252	\$ 91,989
Non-controlling interests		59,059	47,450
Total comprehensive income		\$ 258,311	\$ 139,439

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of U.S. Dollars)

Years Ended March 31, 2011 and 2010

	Sumitomo Corporation of America stockholder's equity								
	Common stock	Additional paid-in capital	Retained earnings	Other components of equity			Total stockholder's equity	Non-controlling interests	Total equity
				Translation reserve	Hedging reserve	Fair value reserve			
Balance – April 1, 2009	\$411,000	\$(18,389)	\$941,130	\$ —	\$ (4,726)	\$ 1,631	\$1,330,646	\$507,707	\$1,838,353
Comprehensive income:									
Net income	—	—	47,657	—	—	—	47,657	27,237	74,894
Changes in other comprehensive income (net of tax):									
Net change in fair value of available-for-sale securities	—	—	—	—	—	3,022	3,022	—	3,022
Effective portion of changes in fair value of cash flow hedges ..	—	—	—	—	3,232	—	3,232	138	3,370
Defined benefit plan actuarial loss ..	—	—	(964)	—	—	—	(964)	—	(964)
Foreign currency translation differences	—	—	—	39,042	—	—	39,042	20,075	59,117
Total comprehensive income							91,989	47,450	139,439
Purchases and other changes in non-controlling interests	—	(4,035)	—	—	—	—	(4,035)	(37,162)	(41,197)
Balance – March 31, 2010	411,000	(22,424)	987,823	39,042	(1,494)	4,653	1,418,600	517,995	1,936,595
Cumulative effect of the adoption of IFRS 9	—	—	12,570	—	—	—	12,570	—	12,570
Balance – April 1, 2010	411,000	(22,424)	1,000,393	39,042	(1,494)	4,653	1,431,170	517,995	1,949,165
Comprehensive income:									
Net income	—	—	185,007	—	—	—	185,007	53,317	238,324
Changes in other comprehensive income (net of tax):									
Net gain on equity securities transferred to retained earnings	—	—	1,140	—	—	—	1,140	—	1,140
Net change in fair value of equity securities ..	—	—	—	—	—	(2,571)	(2,571)	—	(2,571)
Effective portion of changes in fair value of cash flow hedges	—	—	—	—	1,339	—	1,339	(115)	1,224
Defined benefit plan actuarial loss	—	—	(2,450)	—	—	—	(2,450)	—	(2,450)
Foreign currency translation differences ..	—	—	—	16,787	—	—	16,787	5,857	22,644
Total comprehensive income							199,252	59,059	258,311
Dividend paid to SGMA	—	—	(48,010)	—	—	—	(48,010)	—	(48,010)
Purchases and other changes in non-controlling interests	—	10,671	—	—	—	—	10,671	24,126	34,797
Balance – March 31, 2011	\$411,000	\$(11,753)	\$1,136,080	\$55,829	\$(155)	\$2,082	\$1,593,083	\$601,180	\$2,194,263

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of U.S. Dollars)

	Years Ended March 31,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 238,324	\$ 74,894
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	123,396	112,902
Impairment of investment property	—	50,878
Goodwill Impairment	5,973	—
Income tax expense	143,990	62,130
Undistributed earnings of affiliates	9,755	29,888
Net realized gains on investments	(13,688)	(7,153)
Net interest expense	23,816	64,745
Interest received	30,262	11,920
Cumulative effect of the application of IFRS 9	12,570	—
Other noncash items	289	(3,247)
Changes in operating assets and liabilities:		
Accounts and notes receivable	31,258	32,288
Inventories	(428,288)	440,269
Advance payments to suppliers	34,326	41,109
Prepaid expenses and other assets	(52,825)	18,806
Accounts payable	229,495	(145,852)
Advances received	(2,883)	(42,285)
Accrued expenses and other liabilities	61,677	(58,562)
Other long-term liabilities	30,324	2,628
Cash generated from operating activities	477,771	685,358
Income tax paid	(142,068)	(42,791)
Interest paid	(54,078)	(76,665)
Net cash provided by operating activities	281,625	565,902
Cash flows from investing activities:		
Payments for purchases of:		
Other investments	(18,316)	(11,005)
Property and equipment	(77,992)	(82,576)
Investment property	(3,211)	(7,736)
Investments in associated companies	(223,966)	(84,326)
Businesses acquired, net of cash acquired	(80,291)	(17,988)
Proceeds from sales of:		
Available-for-sale investments	22,529	9,317
Other investments	7,534	8,616
Property and equipment	147	5,455
Increase in long-term receivables	(409,810)	(77,868)
Principal collections on long-term receivables	134,319	188,870
Net cash used in investing activities	(649,057)	(69,241)
Cash flows from financing activities:		
Decrease in commercial paper	(22,925)	(77,762)
Increase (decrease) in short-term notes payable	645,795	(602,194)
Issuance of long-term debt	557,560	693,255
Principal payments on long-term debt and other long-term liabilities	(848,818)	(451,834)
Distributions from (to) non-controlling interests	24,125	(37,162)
Distributions to SGMA	(48,010)	—
Acquisitions of non-controlling interests	10,671	(4,035)
Net cash provided by (used in) financing activities	318,398	(479,732)
Effect of changes in exchange rates on cash and cash equivalents	692	11,369
Net (decrease) increase in cash and cash equivalents	(48,342)	28,298
Cash and cash equivalents – beginning of year	185,287	156,989
Cash and cash equivalents – end of year	\$ 136,945	\$ 185,287

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011 and 2010 and April 1, 2009 (In Thousands of U.S. Dollars)

1. REPORTING ENTITY

Sumitomo Corporation of America (the Company) is a corporate entity in the United States and an indirect, wholly owned subsidiary of Sumitomo Corporation, Japan (SC). SC's ownership of the Company is through Summit Global Management of America, Inc. (SGMA), which is a wholly owned subsidiary of SC. SGMA has an ownership interest in certain SC investments in the United States.

The Company, which is headquartered at 600 Third Avenue, New York City, NY, is an integrated global trading company with diversified investments in businesses involved in manufacturing and marketing of consumer products, providing financing for customers and suppliers, coordination and operation of urban and industrial infrastructure products, providing transportation and logistics services, developing natural resources, distribution of steel and other products and developing and managing real estate. The Company's target markets include North America, South America and Southeast Asia. A significant portion of the Company's transactions are with SC.

2. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. These are the Company's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-Time Adoption of International Financial Reporting Standards* (IFRS 1) has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Company is provided in note 26.

The Board of Directors of the Company authorized the consolidated financial statements for publication on June 30, 2011.

The consolidated financial statements of the Company are presented in United States Dollars (\$), which is the Company's functional currency. All amounts presented in United States Dollars are rounded to the nearest thousand.

(a) Measurement - The consolidated financial statements have been prepared on the historical cost basis with the exception of the following items in the Consolidated Statement of Financial Position:

- Financial instruments at fair value through income are measured at fair value;
- Financial instruments at fair value through other comprehensive income are measured at fair value;
- Derivatives are measured at fair value;
- Liabilities for cash-settled share-based payment arrangements are measured at fair value; and
- Defined benefit liabilities are the present value of the defined benefit obligation less the fair value of plan assets.

(b) Use of Estimates and Judgments - The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimate are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments and estimates made by management in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Note 3 (b) – Revenue recognition
- Note 3 (f) – Valuation of investment property

The following notes include information related to uncertainties in judgments and estimates which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

- Note 3 (h) – Impairment
- Note 3 (o) – Provisions
- Note 16 – Deferred tax assets and liabilities

(c) Changes in Accounting Policy - The Company initially applied IFRS 9 *Financial Instruments* (IFRS 9) effective April 1, 2010. The standard's required effective date is for annual periods beginning on or after January 1, 2013.

In accordance with the short-term exemptions to the early application of IFRS 9, the financial statements as of March 31, 2010 and the date of transition to IFRS are not restated and are prepared on the basis of United States of America generally accepted accounting principles (U.S. GAAP). Accordingly, any difference between the carrying amounts under U.S. GAAP and the carrying amounts under IFRS 9 at the beginning of the current period is accounted for as an adjustment to the retained earnings as at April 1, 2010.

IFRS 9 requires the classification and measurement for financial assets and liabilities, based on the Company's business model and the characteristics of the contractual cash flows. The financial assets are measured initially at fair value.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The asset is held within the Company's business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost is measured by the effective interest method and financial assets measured at amortized cost are assessed for impairment at the end of each reporting period if there is objective evidence of impairments.

The Company believes that is impracticable to retrospectively apply the effective interest rate method to the financial assets that are measured at amortized cost and, therefore, has prospectively apply it from April 1, 2010 in accordance with short-term exemptions to the early application of IFRS 9.

Financial assets that do not meet the conditions above are measured at fair value.

Under IFRS 9, it is acceptable to make an irrevocable election at the initial adoption of IFRS 9 to present changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income. On disposal of such financial assets measured at fair value through other comprehensive income (FVTOCI), the accumulated amount of other components of comprehensive income recognized in equity during the holding period are reclassified directly to retained earnings, and are not recycled to profit or loss. Financial assets at FVTOCI are not tested for impairment. The Company has elected to account for certain of its other investments in equity securities as financial assets at FVTOCI.

The Company has decided to classify equity instruments, which are held in order to make profits from the rise in fair value and counted for performance assessment, into financial assets measured at fair value through income (FVTPL).

Financial liabilities are measured at amortized cost.

The change in accounting policy has been applied for financial instruments that were held as of the date of initial application of IFRS 9 (April 1, 2010) and acquired after that date. Financial instruments disposed on or before March 31, 2010 were accounted for in accordance with U.S. GAAP. The Company has classified the financial instruments that were held at the date of initial application into appropriate categories according to their status on that date in compliance with short-term exemptions to early application of IFRS 9.

The impact of the application of IFRS 9 on the consolidated statement of changes in equity is as follows:

- \$12,570 has been recognized as the cumulative effect of the adoption of IFRS 9 and reflected as an increase to the March 31, 2010 retained earnings amount in determining the April 1, 2010 retained earnings amount.
- \$1,140 has been recognized as the net gain on disposed equity instruments and transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below, except as described in "Note 2 Basis of presentation, (c) Changes in Accounting Policy", have been applied consistently to all periods for which the consolidated financial statements, including the consolidated statement of financial position at the date of transition to IFRSs, are prepared.

(a) Basis of Consolidation -

1. Subsidiaries - Subsidiaries are those entities controlled by the Company.

The financial statements of subsidiaries are included in the accompanying consolidated financial statements from the date that control commences until the date that control ceases. All intercompany profits, transactions and balances between the Company and its subsidiaries have been eliminated.

The accounting policies of subsidiaries have been adjusted when necessary to ensure consistency with the accounting policies adopted by the Company.

Annual financial statements of three subsidiaries that are used in the preparation of the consolidated financial statements of the Company are prepared as of December, which is different from the reporting date of the Company's financial statements. It is impracticable for those subsidiaries, due to the characteristics of the local business, to have a unified closing date with the Company. Adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Company's financial statements.

A disposal of ownership interests in a subsidiary that does not result in the Company's relinquishment of control over the subsidiary is accounted for as an equity transaction. Any difference between the carrying amount of the ownership interests and the fair value of the consideration received is recognized directly in equity as equity attributable to SGMA.

2. Investments accounted for using the equity method (Associates) -

Associates are entities which the Company has significant influence but does not have control over the financial and operating policies of the investee. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. This presumption can be overcome based on specific facts and circumstances that demonstrate that the ability to exercise significant influence is restricted. In addition, for equity investments in which the Company has less than a 20 percent ownership interest, the Company considers other facts and circumstances in assessing the ability to exercise significant influence over the investee. Investments in associates are accounted for using the equity method of accounting and recognized initially at cost.

The Company's share of the income and expenses of the equity method associates and changes in the Company's share in equity are included in the consolidated financial statements from the date significant influence commences until the date that it ceases. The Company generally recognizes its share of an investee's income and expenses and other changes in equity based on the percentage of equity interests owned. When the Company's share of losses exceeds its interest in an associate the carrying amount of that interest, including any other long-term investments in the associate, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee. For certain investees with complex and variable capital structures that provide for differing allocations of income and expense, cash flows from operations and cash flows from liquidation, it can be difficult to accurately determine the Company's equity income by simply applying a specific percentage to the net income of the investee. In those situations, the Company employs a Hypothetical Liquidation at Book Value (HLBV) method to calculate its equity method share of income and expenses of the investee. HLBV is a balance sheet approach that estimates the Company's share of ownership interests in the investee at any point in time. The increase or decrease in the book value of the underlying ownership interests are used to determine the Company's equity income from the investee.

Annual financial statements of some associates included in the consolidated financial statements are prepared as of dates different from that of the Company, and it is impracticable for those associates (which are preparing annual financial statements at the end of December) to unify the closing date with that of the Company. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements.

3. Accounting for business combinations

Acquisitions before March 31, 2009 - The Company has elected not to apply IFRS 3 *Business Combinations* (as revised in 2008) (IFRS 3), retrospectively to business combinations which occurred prior to the date of transition to IFRS (April 1, 2009). Goodwill relating to acquisitions prior to the transition date is recorded in accordance with U.S. GAAP.

Acquisitions on or after April 1, 2009 - The Company has applied IFRS 3 and International Accounting Standard (IAS) 27 *Consolidated and Separate Financial Statements (as revised in 2008)* to all business combinations that occurred on or after April 1, 2009. The Company has applied these standards to business combinations disclosed in note 4.

Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing the existence of control, potential voting rights that are currently exercisable are considered. The acquisition date is the date on which control is transferred to the Company.

Goodwill is measured at the fair value of the consideration transferred, including the recognized amount of any non-controlling interests in the acquiree at the date of acquisition, less the net recognized amount of the identifiable assets acquired and the liabilities assumed at the acquisition-date measured at fair value. The consideration transferred includes the fair value of the assets, liabilities and equity interest transferred from the Company to the former owners, including the fair value of contingent consideration. Contingent liabilities of the acquiree are recognized in the business combinations if they are present obligations that arose from past events and their fair value can be measured with sufficient reliability. The Company measures non-controlling



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
 March 31, 2011 and 2010 and April 1, 2009 (In Thousands of U.S. Dollars)

interests in the acquiree at the non-controlling interests' proportionate share of the acquiree's identifiable net assets for each business combination.

The identifiable assets acquired, the liabilities and contingent liabilities assumed in accordance with the recognition principles of IFRS 3 are measured at their fair value at the acquisition date, except:

- Assets and liabilities related to deferred taxes or to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively; and
- Noncurrent assets and discontinued operations that are classified as held for sale or disposal measured in accordance with IFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the initial accounting for business combinations is incomplete by the end of the reporting period in which the combinations occur, the Company reports provisional amounts of the items for which the accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period, during which additional assets or liabilities may be recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. The measurement period does not exceed one year.

Acquisition-related costs incurred by the Company in connection with business combinations such as finder's fees, legal, due diligence and other professional or consulting fees are recognized as an expense when incurred.

Acquisitions of additional ownership interests in a subsidiary company are accounted for as equity transactions. Any difference between the fair value of the consideration paid and the underlying net book value of the ownership interests acquired is recognized directly in equity as equity attributable to SGMA.

4. Business combinations of entities under common control

A business combination or deconsolidation of a subsidiary arising from a transfer of interests in entities that are under the control of SC are accounted for as if they had occurred at the beginning of the earliest comparative period presented or, if later, the date that common control was established. The assets and liabilities are recognized or derecognized at the carrying amounts previously reported in the Company's controlling shareholder's consolidated financial statements.

In September 2010, the Company and SC invested approximately \$18 million and \$21 million, respectively, in an indirect subsidiary of the Company. These investments had the effect of diluting the Company's ownership interest that resulted in the Company's relinquishment of control over the indirect subsidiary. Before and after these investments, SC controlled the indirect subsidiary. The ownership percentage of the Company and SC in the indirect subsidiary after the investments is 48.5979% and 51.3994%, respectively. The amounts previously reported were revised to reflect the deconsolidation of the indirect subsidiary as if it had occurred at the beginning of the earliest period presented.

(b) Revenue Recognition

Revenue from the sale of goods or rendering of services in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: (a) the Company has transferred to the buyer the significant risks and rewards of ownership of goods, (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, (c) the amount of revenue can

be measured reliably, (d) it is probable that the economic benefits associated with the transaction will flow to the Company and (e) the costs incurred or to be incurred with respect to the transaction can be measured reliably.

Revenue from the rendering of services is recognized when all the following conditions are satisfied: (a) the amount of revenue can be measured reliably, (b) it is probable that the economic benefits associated with the transaction will flow to the Company, (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably, and (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

In the ordinary course of business, the Company frequently acts as an intermediary or agent in executing transactions with third parties. In these arrangements, the Company determines whether to report revenue based on the "gross" amount billed to the ultimate customer for goods or services provided or on the "net" amount received from the customer after commissions and other payments to third parties. However, the amounts of gross profit and profit for the year attributable to the Company are not affected by whether revenue is reported on a gross or net basis.

Determining whether revenue should be reported gross or net is based on an assessment of whether the Company is acting as a "principal" or an "agent" in a transaction. Accordingly, to the extent that the Company is acting as a principal in a transaction, the Company reports revenue on a gross basis and to the extent that the Company is acting as an agent in a transaction, the Company reports revenue on a net basis. The determination of whether the Company is acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement with respect to the significant risks and rewards related to sale of goods and rendering of services.

Indicators that the Company acts as a principal, and thus recognizes revenue on a gross basis include: (a) the Company has the primary responsibility for providing the goods or services to the customer or for fulfilling the orders, (b) the Company has inventory risk before or after the customer order, during shipping or return, (c) the Company has latitude in establishing prices, either directly or indirectly, (d) the Company bears the customer's credit risk for the amount receivable from the customer.

Indicators that the Company acts as an agent, and thus recognizes revenue on a net basis relative to the goods or services offered include: (a) the amount the Company earns is a fixed fee per transaction or (b) a stated percentage of the amount billed to the customer.

In addition to the general policies previously described above, the following are the specific revenue recognition policies for each major category of revenue. Approximately 98% of revenues and 94% of gross profits of the Company are generated by sales of products.

1. Revenue from sales of products - The Company recognizes revenue from sales of goods in connection with the Company's wholesale, retail and manufacturing operations when legal title and significant risks and rewards of ownership have been transferred to the customer. Depending upon the terms of the contract, this may occur at the time of delivery or shipment or upon the attainment of customer acceptance. The conditions of acceptance are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specifications are not recognized as revenue until the attainment of customer acceptance. The Company's policy is not to accept product returns unless the products are defective. Such losses are recognized when probable and estimable. The amounts of trade discounts and volume rebates are excluded from revenue. The amounts of trade discounts and volume rebates are not material.

2. Revenue from rendering services- The Company also generates revenue from rendering of services in connection with direct financing and operating leases of railcars and commercial real estate.

Revenue from finance leases and loans is recognized using the effective interest method over the terms of the leases or loans. Revenue from operating leases is recognized in profit or loss on a straight-line basis over the lease term

(c) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized as the Company becomes a party to the contractual provisions of the financial instrument. The Company applied U.S. GAAP to the accounting for financial instruments for the year ended March 31, 2010 and IFRS 9 for the year ended March 31, 2011.

Non-derivative financial assets for the year ended March 31, 2010 - The Company accounts for non-derivative financial assets for the year ended March 31, 2010 in accordance with U.S. GAAP as permitted by the short-term exemptions to the early application of IFRS 9.

1. Trade and finance receivables - Trade and finance receivables are initially recorded at cost. The Company performs ongoing credit evaluations of its customers and maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance is based on review of the overall condition of receivable balances and review of significant past due accounts. Receivables determined to be uncollectible are charged against the allowance.

Non-derivative financial assets for the year ended March 31, 2011 - The Company recognizes trade and other receivables when the underlying sales of goods or rendering of services occurs.

All other financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument.

The following is a summary of the classification and measurement model of the non-derivative financial assets which the Company held on, or acquired after, April 1, 2010 (the date of initial application of IFRS 9).

1. Financial Assets measured at amortized cost - Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value, plus directly attributable transaction costs. Subsequently, the carrying amount of the financial asset is measured at amortized cost, calculated using the effective interest method and less impairment loss, if any.

2. Financial assets measured at FVTPL - Financial assets that do not meet the amortized cost criteria, other than certain equity instruments, are measured at FVTPL. Financial assets held for trading are measured at FVTPL. Investments in equity instruments are measured at fair value with gains or losses on re-measurement recognized in net income, unless the Company makes an irrevocable election to measure investments in equity instruments as at FVTOCI on initial recognition.

Financial assets at FVTPL are initially measured at fair value and transaction costs are recognized in net income when they occur.

3. Financial assets measured at FVTOCI - On initial recognition, the Company may make an irrevocable election to measure investments in equity instruments as at FVTOCI. The election is made only for an equity investment other than those held for trading and is made on an instrument-by-instrument basis.

Financial assets at FVTOCI are initially measured at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value and gains and losses arising from changes in fair value are recognized in other comprehensive income. The amount of other components of equity is transferred directly to retained earnings, not to net income, when the equity investment is derecognized.

Dividends on financial assets measured at FVTOCI are recognized in net income as other income.

Derecognition of financial assets - The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company transfers the contractual rights to such cash flows to another entity in transactions that transfer substantially all the risks and rewards of ownership of the asset. The Company recognizes any interests in transferred assets that are either created or continue to be held as separate assets or liabilities.

Cash and cash equivalents - Cash and cash equivalents include cash and highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash. Cash balances are held with financial institutions that have high credit ratings. The Company has not experienced any losses with respect to bank balances in excess of government provided insurance.

Finance receivables - Finance receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans receivable are measured at amortized cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities - Debt securities issued are initially recognized on the issue date. All other financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes financial liabilities when the contractual obligations are discharged by payment or for other reasons.

The Company has borrowings, long-term debt, commercial paper, notes payable, trade payables and other payables as non-derivative financial liabilities, and initially measures them at fair value less directly attributable transaction costs.

The Company initially measures the financial liabilities at fair value. After the initial recognition, the Company measures the financial liabilities at amortized cost using the effective interest method.

Derivatives and hedge accounting - The Company reports all derivative instruments in the accompanying consolidated statement of financial position at their fair value. The Company utilizes derivative instruments to manage interest rate risk and foreign currency risk. The primary derivative instruments used by the Company include foreign exchange forward contracts, currency swaps and interest rate swaps. The Company does not hold or issue any significant amount of derivative instruments for speculative purposes.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge



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transactions, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring effectiveness and ineffectiveness.

At the inception of the hedge and on an ongoing basis, the Company assesses whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. To qualify as a cash flow hedge of a forecasted transaction, the transaction must be highly probable.

Derivatives are initially recognized at fair value with transaction costs being recognized in net income when they occur. If the requirements for hedge accounting are met, the Company designates and documents the relationship between the hedging instrument and the hedged item from the date a derivative contract is entered into as either a fair value or a cash flow hedge. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is hedged. In a cash flow hedge, the variability of cash flows to be received or paid related to a recognized asset or liability or a highly probable forecasted transaction is hedged. Subsequently, derivatives are measured at fair value, and gains and losses arising from changes in the fair values are accounted for as follows:

Fair value hedges - The changes in the fair value of the hedging instrument are recognized in earnings. The carrying amounts of the hedged item are measured at fair value and gains and losses on the hedged items attributable to the hedged risks are recognized in net income.

Cash flow hedges - When derivatives are designated as an instrument to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities or a highly probable forecasted transaction that could affect net income, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income and included in hedging reserve, as an other component of equity. When the cash flows of the hedged transaction affect net income, the balance of the related hedging instrument is reclassified to net income from other comprehensive income in the same line item of the consolidated statement of comprehensive income as the hedged transaction. Any gain or loss relating to the ineffective portion is recognized immediately in earnings.

Hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting or when the hedging instrument, expires or is sold, terminated, or exercised, or the designation is revoked.

When hedge accounting is discontinued, the balances of cash flow hedges remain in equity until the forecasted transaction affects net income. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in net income.

Presentation for financial assets and financial liabilities - Financial instruments in the form of financial assets and financial liabilities are offset and net amounts presented in the consolidated statement of financial position only when the Company has legally enforceable rights to set off and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(d) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories in the ordinary course of business less any estimated cost of completion and the estimated costs necessary to make the sale. The Company does not acquire inventories for the purpose of generating profit from short-term fluctuations in price.

Inventories of the Company's Tubular Products group are generally valued using the specific-identification method as such inventories are not ordinarily interchangeable and are primarily segregated for specific customers and customer projects based on customer specifications. Although the Company's inventory levels vary from period to period, approximately one-half of its inventories are valued under the specific identification method. The inventories for the remainder of the Company are valued using a moving average basis.

(e) Property and Equipment

Property and equipment consist of retail, manufacturing, distribution and administrative facilities and rail cars and are measured at cost less accumulated depreciation or amortization and accumulated impairment losses. The Company elected to measure certain items of property and equipment at fair value at the date of transition to IFRS as their deemed cost, see note 26. Property and equipment under finance leases are stated at the lower of present value of the minimum lease payments or fair value less the respective accumulated depreciation and any accumulated impairment losses. At each reporting date, the Company assesses whether there is any indication that an asset may be impaired and if such an indication exists, estimates the assets recoverable amount (higher of the asset's fair value less costs to sell and its value in use). If the recoverable amount is less than the asset carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized.

Depreciation and amortization are determined by applying the straight-line method over the estimated useful lives of the related assets. The asset lives vary and are dependent on the type of facility or equipment, its location and the estimated remaining life at the time of purchase. When the useful life of each part of an item of property and equipment varies, it is treated as a separate item of property and equipment. The straight-line method is used because it is considered to most closely approximate the pattern in which the asset's future economic benefits are expected to be consumed by the Company. Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. The range of estimated useful lives is as follows:

Buildings	20 – 40 years
Leasehold improvements	Lesser of useful life of asset or lease term
Machinery and equipment	2 – 39 years
Office fixtures and equipment	3 – 10 years
Automobiles and trucks	3 – 8 years

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and updated, if necessary. Costs of repairs and maintenance of property and equipment are recognized in net income as incurred.

(f) Investment Property

Investment property consists of commercial office buildings held to earn rental income or for capital appreciation or both. Property held for sale in the ordinary course of business, or use in the production or supply of goods or services or for administrative purposes is not included as investment property. Investment property is measured at cost less any accumulated depreciation and accumulated impairment losses, see note 3 (e) regarding useful lives, depreciation methods and impairment assessments.

The Company elected to measure certain items of investment property at fair value at the date of transition to IFRS as their deemed cost, see note 26.

(g) Goodwill and Other Intangible Assets

Goodwill - Goodwill is carried at cost less accumulated impairment losses. For investments accounted for using the equity method, the carrying amount of goodwill is included in the carrying amount of the investment and impairment loss on such an investment is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investments accounted for under the equity method.

Other Intangibles

Capitalized software costs - The Company incurs certain costs to purchase or develop software for internal use. Capitalized software costs are measured at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets acquired in a business combination - Intangible assets that are acquired in a business combination include trademarks, customer relationships, franchise agreements, vendor relationships and above-market leases, are recognized separately from goodwill, and are initially recognized at fair value at acquisition date.

Subsequently, intangible assets acquired in a business combination are measured at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized on a straight-line-basis over their estimated useful lives. The straight-line method is used because it is considered to most closely approximate the pattern in which the intangible assets' future economic benefits are expected to be consumed by the Company. The estimated useful lives for the current and comparable periods are as follows:

Tradenames	5 – 30 years
Customer relationships	3 – 18 years
Franchise agreements	18 years
Vendor relationships	9 – 15 years
Software	3 – 5 years
Above-market leases and other	3 – 15 years

The amortization period for intangible assets with finite useful lives is reviewed at least annually and updated, if necessary. Changes in expected useful lives are treated as changes in accounting estimates.

(h) Impairment

Non-derivative financial assets for the year ended March 31, 2010 - Non-derivative financial assets for the prior year are accounted for in accordance with U.S. GAAP.

Trade and finance receivables - The carrying amount of trade and finance receivables is reduced through the use of an allowance account. An allowance account is maintained at the level which, in the judgment of management, is adequate to provide for losses that can be reasonably estimated. Management considers individual customers' risk factors such as historical performance, recent developments, changes in original terms, internal risk-ratings, industry trends, and other specific factors applicable to the customer as well as general risk factors.

The Company maintains a specific allowance for impaired loans. Pursuant to U.S. GAAP, a loan is determined to be impaired if it is probable that the Company will not collect the entire principal and interest due. A specific allowance is measured as the difference between the loan's carrying amount and either the present value of estimated future cash flows discounted at the loan's effective interest rate, or the loan's market price if available. When the

loan is collateralized, it is measured as the difference between the loan's carrying amount and the fair value of its collateral. In addition to the specific allowance, an allowance is established for probable losses that are not individually identified but are expected to occur that are inherent in portfolios of similar loans. This allowance for losses is based on relevant observable data that includes, but is not limited to, historical experience, delinquency, loan stratification by portfolio, and when applicable, geography, collateral type and size of the loan balance.

Recoverability of the past due balances is determined individually. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Non-derivative financial assets for the year ended March 31, 2011

Financial assets measured at amortized cost are assessed on a quarterly basis to determine whether there is objective evidence that the asset may be impaired. Financial assets are considered to be impaired when there is objective evidence which indicates loss events have occurred after the initial recognition of the assets, and when it is reasonably anticipated that the loss events have a negative impact on the estimated future cash flows of the assets.

Objective evidence of impairment for financial assets measured at amortized cost includes: a default or delinquency of the borrower, granting the borrower a concession that the Company would not otherwise consider, indications for bankruptcy of the issuer or obligor, the disappearance of active markets.

The Company assesses whether evidence of impairment exists individually or collectively for financial assets measured at amortized cost. An individually significant financial asset is individually assessed for impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet reported. Financial assets that are not individually significant are collectively assessed for impairment in a group of financial assets with similar risk characteristics.

In assessing collective impairment, the Company evaluates historical trends of the probability of default, timing of recoveries and the amount of loss incurred. In addition, the adjustment is made to reflect management judgment on whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

For financial assets measured at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, and the impairment loss is recognized in net income. Interest on the impaired assets continues to be recognized through unwinding of the discount. When the amount of the impairment loss decreases after the impairment loss was recognized, the reversal of the impairment loss is recognized in net income.

Non-financial assets - At each reporting date, the Company assesses whether there is an indication that an asset may be impaired, except for goodwill which is evaluated annually as of September 30th to permit adequate time to complete the impairment test and related analyses prior to the fiscal year end. If a potential triggering event occurs at any time during the reporting period, an impairment test would be required. If an indication of impairment exists, the Company estimates the recoverable amount of the asset. The recoverable amount is determined for each individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets (cash-generating units). The recoverable amount is the greater of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or group of assets.

A cash generating unit is the smallest group of assets, which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purposes of impairment testing for goodwill, each of the Company's cash-generating units or groups of cash-generating units, to which the goodwill is allocated, is aggregated in a manner that impairment is tested reflecting the lowest level in the Company at which the goodwill is monitored for internal management purposes. Such lowest level may not be larger than an operating segment. Goodwill acquired in a business combination is allocated to each unit or group of units that is expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate cash inflows independently. If there is an indication that corporate assets may be impaired, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate assets belong.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets within the scope of IAS 36 *Impairment of Assets* in the group on a pro rata basis.

An impairment loss in respect of goodwill is not reversed in subsequent periods. For assets other than goodwill, impairment losses recognized in prior periods are assessed as each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortization, if no loss had been recognized.

Goodwill that forms part of the carrying value of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is an objective indication that the investment may be impaired.

(i) Income Taxes

The Company, SGMA and eligible subsidiaries file a consolidated federal income tax return in the United States. Certain subsidiaries file separate federal income tax returns in the United States. In addition, the Company and subsidiaries also file income tax returns in state, local and foreign jurisdictions as required. Provisions for current income tax liabilities are calculated on income and expense amounts expected to be included in the income tax returns for the current year.

Income taxes in the consolidated statements of comprehensive income include currently payable and deferred taxes that are recognized in net income for the year.

Current taxes are the expected taxes payable (or recoverable) related to taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to taxes payable in respect to prior years.

Deferred tax assets and liabilities are recognized on temporary differences between the accounting carrying amounts of assets and liabilities and the corresponding tax bases. Such deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax liabilities are not recognized if the taxable temporary difference arises from goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates. However, if the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred taxes are not recognized except for currency translation adjustment differences. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(j) Foreign Currency Transactions and Translation

Transactions in foreign currencies are translated at the relevant foreign exchange rates prevailing at the transaction date. Subsequent gains and losses from the remeasurement of financial assets and liabilities denominated in foreign currencies are recognized in earnings.

The assets and liabilities of foreign subsidiaries for which the functional currency is not the United States Dollar are translated into United States Dollars using exchange rates prevailing at the end of the reporting period. Foreign currency exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income as translation reserve. The Company chose to deem all cumulative exchange differences for foreign operations to be zero at the date of transition to IFRS. Income and expenses are translated into United States Dollars using average exchange rates during each reporting period.

On the disposal of the entire interest in a foreign operation, and on the partial disposal of an interest involving loss of control, significant influence or joint control, the cumulative amount of the exchange differences is reclassified to net income for the year as a part of gains or losses on disposal.

(k) Supplemental Cash Flow Information

Upon acquisition, the businesses acquired during the year ended March 31, 2011 resulted in an increase in the Company's consolidated statement of financial position of \$136,865 in noncash assets and an increase of \$54,573 in

accounts payable, long-term debt and other long-term liabilities. Upon acquisition, the businesses acquired during the year ended March 31, 2010 resulted in an increase in the Company's consolidated statement of financial position of \$19,692 in noncash assets and an increase of \$1,704 in accounts payable, long-term debt and other long-term liabilities.

(l) Leases

Leases are classified as finance leases when they transfer substantially all the risks and rewards of the underlying asset to the Company. Leased assets are initially recognized at fair value or, if lower, at the present value of minimum lease payments. Subsequent to initial recognition, the leased assets are accounted for in accordance with the applicable accounting policies of the underlying assets.

All other leases are classified as operating leases.

Some of the Company's operating leases contain predetermined fixed escalations of the minimum rentals during the term of the lease. For these leases, the Company recognizes the related rental expense on a straight-line basis over the life of the lease.

At inception of any arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specific asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in net income for the year in which they are incurred.

(n) Other Long-term Liabilities

Other long-term liabilities include the derivative liability related to interest rate and currency swaps, rent abatement liabilities, deferred revenues related to unfavorable leases of real estate acquired, and accrued pension and other long-term compensation liabilities.

(o) Provisions

Provisions are recognized when the Company has present obligations legally or constructively as the result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. Provisions are discounted using future cash flow estimates that reflect current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense. Provisions are recorded in other long-term liabilities on the accompanying statement of financial position.

(p) Employee Benefits

Defined contribution plan - A defined contribution plan is a post-retirement benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the period during which services are rendered by employees.

Defined benefit plan - A defined benefit plan is a post-retirement benefit plan under which the Company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value using a discount rate based on quality, fixed income investments and actuarial estimates and assumptions such as timing of retirement and compensation.

The Company recognizes all actuarial gains and losses arising from the defined benefit plan in other comprehensive income.

(q) New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended March 31, 2011 and have not been applied in preparing these consolidated financial statements, except as mentioned in note 2(c). The Company has not yet completed the process of evaluating the impact of each of the following new standards, amendments to standards and interpretations, but does not expect them to have a significant effect on the financial statements of the Company:

- Amendment to IFRS 1, planned application for the year ended March 31, 2012
- Amendment to IFRS 3, planned application for the year ended March 31, 2012
- Amendment to IFRS No. 7, *Financial Instruments: Disclosures*, planned application for the years ended March 31, 2012 and 2013
- IFRS No. 10, *Consolidated Financial Statements*, planned application for the year ended March 31, 2014
- IFRS No. 11, *Joint Arrangements*, planned application for the year ended March 31, 2014
- IFRS No. 12, *Disclosure of Interests in Other Entities*, planned application for the year ended March 31, 2014
- IFRS No. 13, *Fair Value Measurements*, planned application for the year ended March 31, 2014
- Amendment to IAS No. 12 *Income Taxes*, planned application for the year ended March 31, 2013
- Amendment to IAS No. 24 *Related Party Disclosures*, planned application for the year ended March 31, 2012
- Amendment to IAS No. 34 *Interim Financial Reporting*, planned application for the year ended March 31, 2013
- International Financial Reporting Interpretations Committee Update (IFRIC) No. 13 *Customer Loyalty Programmes*, planned application for the year ended March 31, 2012
- IFRIC No. 14 IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, planned application for the year ended March 31, 2012
- IFRIC No. 19 *Extinguishing Financial Liabilities with Equity Instruments*, planned application for the year ended March 31, 2012

4. ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) Business combinations

On October 1, 2010, TBC Corporation (TBC), a 60% owned subsidiary of the Company, acquired 21 retail store locations through three separate asset purchase agreements for \$26,536 in cash.

On September 1, 2010, TBC obtained controlling interest in TBC de Mexico via dilution of the previous held interest of two shareholders. Upon completion of

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the transaction, TBC owned 75.17% of TBC de Mexico by acquiring shares from treasury for \$13,810. The total consideration of approximately \$55,000, to acquire TBC de Mexico includes the cash consideration for the treasury shares, the fair value of the previously held equity investment and the fair value of the non-controlling interests. TBC de Mexico is primarily a wholesaler of tires and has 25 wholesale branches throughout Mexico. The Company recognized a gain upon obtaining control of approximately \$10,289.

During the year ended March 31, 2010, TBC acquired 22 former franchise locations and 9 retail store locations through asset purchases for approximately \$16,084.

On April 3, 2009, a subsidiary of the Company acquired a distributor of stainless steel pipe, valves and fittings, as a means of establishing a west coast branch, for approximately \$1,904.

The acquisitions by the Company fit the strategic objective of the Company to grow its business. The results of operations of the Company's business acquisitions have been included in the consolidated statements of comprehensive income from their acquisition dates.

Identifiable assets acquired and liabilities assumed - The determination of the purchase prices for the Company's business acquisitions were made on the basis of, among other things, the revenues, profitability and projected growth rates of the acquired companies. The Company is in the process of finalizing purchase price adjustments related to the current year acquisitions. The net purchase price of all of the Company's acquisitions during the years ended March 31, 2011 and 2010 was \$80,291 and \$17,988, respectively. The Company allocated these amounts as follows:

	2011	2010
Working capital, other than cash	\$25,179	\$ 1,685
Property and equipment acquired	17,603	4,028
Identifiable intangible assets	21,851	1,730
Goodwill	32,657	10,921
Other non-current assets	159	104
Long-term debt and other long-term liabilities	(17,158)	(480)
Purchase price, net of cash received	<u>\$80,291</u>	<u>\$17,988</u>

(b) Acquisitions of non-controlling interest - In March 2011, a subsidiary of the Company invested approximately \$137,500 for 22.5% ownership interest in a wind power project in Oregon. The Company owns 60% of the subsidiary with SC owning the remaining 40%.

In January 2011, the Company purchased 29.54% of a manufacturer of flat rolled metal products in Ohio for \$14,700.

In August 2010, the Company invested approximately \$5,300 for a 25% ownership interest in a cosmetics manufacturer in New Jersey, increasing its total ownership interest to 45%.

In June 2010, the Company purchased 30% ownership in a limited liability company that invests in natural gas leases and related contracts for \$28,650.

5. INVENTORIES

Inventories consist of the following:

	March 31, 2011	March 31, 2010	April 1, 2009
Finished goods	\$1,826,397	\$1,376,320	\$1,770,013
Raw materials	55,864	44,258	57,319
Work in process	6,828	2,218	5,713
Total	<u>\$1,889,089</u>	<u>\$1,422,796</u>	<u>\$1,833,045</u>

The Company reports inventories net of allowances for slow moving and obsolete inventory of \$14,688, \$15,185 and \$21,493 at March 31, 2011 and 2010 and April 1, 2009, respectively. In addition, the Company reduced inventory to the lower of cost or net realizable value by recording reductions in inventory values of \$3,920 and \$6,047 and \$18,639 at March 31, 2011 and 2010 and April 1, 2009, respectively.

6. FINANCE RECEIVABLES

	March 31, 2011	March 31, 2010	April 1, 2009
Finance receivables	\$435,593	\$309,208	\$385,300
Allowance for bad debts	(5,329)	(4,583)	(5,314)
Less current portion	(96,324)	(187,706)	(171,938)
	<u>\$333,940</u>	<u>\$116,919</u>	<u>\$208,048</u>

Finance receivables generally mature in three to five years and accrue interest at fixed rates ranging from 7.75% to 17.33%. The finance receivables are primarily generated by Oxford Finance Corporation (Oxford), an 80% owned subsidiary based in the United States, which provides debt capital primarily to public and private healthcare companies in the form of term loans and revolving credit facilities.

The finance receivables from loans to healthcare companies were \$421,730 and \$253,691 and \$319,628 of gross receivables at March 31, 2011 and 2010 and April 1, 2009, respectively.

Future net minimum payments related to finance receivables are as follows:

	March 31, 2011	March 31, 2010	April 1, 2009
Less than one year	\$ 96,324	187,706	\$171,938
Between one and five years	333,940	116,597	\$208,048
More than five years	—	322	—
	<u>\$430,264</u>	<u>304,625</u>	<u>\$379,986</u>

On April 22, 2011, the Company restructured its ownership interests in Oxford whereby Oxford was converted to a limited liability company and Oxford obtained additional equity from an investor, unrelated to the Company, resulting in the Company's relinquishment of control over Oxford. The Company deconsolidated Oxford from its consolidated financial statements in April 2011, retained a 48.75% equity interest accounted for as an investment accounted for using the equity method and adjusted the carrying amount of the retained interest to fair value, resulting in a pre-tax gain of \$9,916.

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Company has investments in associated companies that are accounted for using the equity method of accounting. The Company's share of income from associated companies amounted to \$49,125 and \$24,323, for the years ended March 31, 2011 and 2010, respectively. For the years ended March 31, 2011 and 2010, the Company received dividends from affiliates of \$58,972 and \$54,883, respectively. At March 31, 2011 and 2010 and April 1, 2009, accounts payable to related parties, net includes amounts payable to associated companies aggregating \$139,009 and \$20,460 and \$13,728, respectively.

The summarized combined financial information of associated companies accounted for by the equity method is presented below:

	March 31, 2011	March 31, 2010	April 1, 2009
Current assets	\$4,870,057	\$4,103,908	\$3,653,917
Non-current assets	3,258,404	3,230,986	2,111,697
Total assets	<u>\$8,128,461</u>	<u>\$7,334,894</u>	<u>\$5,765,614</u>
Current liabilities	\$3,308,185	\$2,907,885	\$2,625,059
Non-current liabilities	650,113	735,104	654,176
Total liabilities	<u>3,958,298</u>	<u>3,642,989</u>	<u>3,279,235</u>
Total stockholders' equity	<u>4,170,163</u>	<u>3,691,905</u>	<u>2,486,379</u>
Total liabilities and stockholders' equity	<u>\$8,128,461</u>	<u>\$7,334,894</u>	<u>\$5,765,614</u>

	2011	2010
Net sales	\$11,023,866	\$8,931,105
Gross profit	1,311,867	796,261
Net income	421,635	192,428

As of March 31, 2011 and 2010 and April 1, 2009, the excess of cost over the Company's share of net assets of equity method investees amounted to \$71,990, \$76,528 and \$71,588, respectively. Such excess was allocated to underlying assets as follows:

	March 31, 2011	March 31, 2010	April 1, 2009
Property and equipment, net	\$ 4,397	\$ 7,539	\$ 9,277
Equity-method goodwill	43,932	45,073	36,461
Other intangible assets, net	23,661	23,916	25,850
Total	<u>\$71,990</u>	<u>\$76,528</u>	<u>\$71,588</u>

The significant associated companies accounted for by the equity method, which are included in the above summarized combined financial information, are:

Segment	Company	Place of incorporation and operation	Ownership percentage		
			March 31, 2011	March 31, 2010	April 1, 2009
Chemicals and electronics	Cantex, Inc.	Fort Worth, TX, USA	45.000%	45.000%	45.000%
Machinery and power	SMS International Corporation	Plant City, FL, USA	30.000	30.000	30.000
	SMS Construction and Mining Systems, Inc.	Acheson, AB, Canada	21.840	21.840	21.840
	Perennial Power Holdings, Inc.	New York, NY, USA	49.990	49.990	49.990
	Stanton Wind Energy, LLC	Chicago, IL, USA	31.875	31.875	—
Mineral resources and energy	Wolverine Assemblies, LLC	Wixom, MI, USA	49.000	—	—
	Pacific Summit Energy LLC	The Woodlands, TX, USA	30.000	30.000	30.000
	SC Minerals America, Inc.	Denver, CO, USA	15.250	15.250	15.250
	Summit Discovery Resources, LLC	Houston, TX, USA	30.000	30.000	—
Steel and nonferrous metal	Summit Discovery Resources II, LLC	Houston, TX, USA	30.000	—	—
	Servilamina Summit Mexicana, S.A. de C.V.	Queretaro, QRO, Mexico	27.000	27.000	27.000
	Arkansas Steel Associates, LLC	Newport, AR, USA	20.000	20.000	20.000
	Summit Stainless Steel, LLC	North Brunswick, NJ, USA	50.000	50.000	50.000
	International Crankshaft, Inc.	Georgetown, KY, USA	9.000	9.000	9.000
	SMI Crankshaft, LLC	Fostoria, OH, USA	16.000	16.000	16.000
	Leavitt Tube Company, LLC	Chicago, IL, USA	35.000	35.000	40.000
	AMTB Summit, S. de R.L. de C.V.	Silao Guanajuato, Mexico	27.500	27.500	27.500
Tubular products	V&M Star, LP	Houston, TX, USA	13.629	13.629	13.629
	Eryngium Limited	Glasgow, Scotland	40.000	38.920	36.000
	VAM USA LLC	Houston, TX, USA	11.100	11.100	—
Other	Sumitomo Corporation Global Commodities Limited	London, England	15.000	15.000	15.000

8. RELATED PARTIES

In addition to the related party transactions included in long-term debt referenced in notes 12 and 13, the Company is involved in a significant number of sales and purchase transactions with SC and its affiliates. Included in total revenues are sales to SC and its affiliates for the years ended March 31, 2011 and 2010 of \$1,122,476 and \$1,003,413, respectively. The Company made approximately \$1,134,425 and \$902,854 in purchases from SC and its affiliates during the years ended March 31, 2011 and 2010, respectively. The Company pays a guarantee fee to SC based on the Company's outstanding third party debt. Such fee was approximately \$1,800 for each of the years ended March 31, 2011 and 2010.

As of March 31, 2011 and 2010 and April 1, 2009, accounts payable to related parties, net consists of the following:

	March 31, 2011	March 31, 2010	April 1, 2009
Accounts receivable from:			
SC	\$ 49,917	\$ 52,658	\$ 43,851
SC subsidiaries	580,303	529,510	505,375
Associated companies of SC and the Company	19,573	17,473	17,985
Accounts payable to:			
SC	(356,625)	(326,812)	(387,689)
SC subsidiaries	(407,394)	(264,539)	(313,032)
Associated companies of SC and the Company	(44,231)	(24,139)	(25,925)
	<u>\$(158,457)</u>	<u>\$(15,849)</u>	<u>\$(159,435)</u>

Compensation of the executive officers of the Company, which was substantially all in the form of short-term employee benefits, totaled \$5,267 and \$5,509 for the years ended March 31, 2011 and 2010, respectively.

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9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Land	Buildings and improvements	Machinery and equipment	Office furniture and fixtures	Automobiles and trucks	Construction in progress	Total
Cost or deemed cost:							
Balance at April 1, 2009	\$24,630	\$182,125	\$288,151	\$50,308	\$10,597	\$25,123	\$580,934
Additions	550	14,059	37,062	8,217	1,491	24,221	85,600
Reclassifications	—	15,752	23,778	372	—	(39,902)	—
Disposals	(204)	(2,775)	(2,587)	(719)	(725)	—	(7,010)
Other changes	41	464	2,162	(1,109)	61	(222)	1,397
Balance at March 31, 2010	25,017	209,625	348,566	57,069	11,424	9,220	660,921
Additions	3,743	17,555	32,416	7,758	3,857	31,198	96,527
Reclassifications	—	3,004	19,134	387	—	(22,525)	—
Disposals	(1,873)	(1,667)	(8,709)	(1,593)	(848)	(2)	(14,692)
Other changes	(14)	(385)	(2,518)	(714)	(84)	(112)	(3,827)
Balance at March 31, 2011	\$26,873	\$228,132	\$388,889	\$62,907	\$14,349	\$17,779	\$738,929
Accumulated depreciation and amortization:							
Balance at April 1, 2009	\$ —	\$ 64,862	\$121,498	\$27,707	\$ 5,942	\$ —	\$220,009
Additions	—	14,120	40,226	7,061	1,785	—	63,192
Disposals	—	(2,091)	(1,852)	(604)	(606)	—	(5,153)
Other changes	—	347	208	194	28	—	777
Balance at March 31, 2010	—	77,238	160,080	34,358	7,149	—	278,825
Additions	—	18,713	46,334	9,067	1,648	—	75,762
Disposals	—	(1,457)	(7,772)	(1,432)	(815)	—	(11,476)
Other changes	—	(1,900)	(1,903)	(795)	(78)	—	(4,676)
Balance at March 31, 2011	\$ —	\$ 92,594	\$196,739	\$41,198	\$ 7,904	\$ —	\$338,435
Carrying amount at:							
April 1, 2009	\$24,630	\$117,263	\$166,653	\$22,601	\$4,655	\$25,123	\$360,925
March 31, 2010	25,017	132,387	188,486	22,711	4,275	9,220	382,096
March 31, 2011	26,873	135,538	192,150	21,709	6,445	17,779	400,494

The Company had assets under finance leases with a cost basis of \$11,676 and \$11,678 and \$11,671 at March 31, 2011 and 2010 and April 1, 2009, respectively. The accumulated depreciation related to these assets amounted to \$9,889 and \$6,785 and \$5,606 at March 31, 2011 and 2010 and April 1, 2009, respectively. The assets under finance leases were substantially all classified as buildings and improvements.

10. INVESTMENT PROPERTY

	2011	2010
Cost or deemed cost:		
Balance at April 1,	\$436,513	\$428,777
Additions	3,269	7,736
Disposals	(1,854)	—
Balance at March 31,	\$437,928	\$436,513
Accumulated depreciation and impairment losses:		
Balance at April 1,	\$ 64,820	\$ —
Depreciation	14,629	13,942
Disposals	(1,854)	—
Impairment loss	—	50,878
Balance at March 31,	\$ 77,595	\$ 64,820

Investment property includes four office buildings located in Arizona, California, Florida and Washington, D.C., which are leased to third parties. Lease terms and subsequent renewals are negotiated with the lessees. See note 23(a) for further information.

	Carrying amount	Fair value
As of April 1, 2009	\$428,777	\$428,777
As of March 31, 2010	\$371,693	\$383,400
As of March 31, 2011	\$360,333	\$385,857

As of March 31, 2011, fair value is primarily based on a discounted cash flow approach using discount rates obtained from a registered independent appraiser. Fair values as of March 31, 2010 and April 1, 2009 have been derived based on a valuation performed as of those dates by a registered independent appraiser having an appropriate professional qualification and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The only restrictions on the realization of the investment property or the remittance of income and proceeds of disposal are mortgage loans in place on the California and Florida properties totaling approximately \$254,000.

11. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill consist of the following:

	Other Intangible Assets							Total
	Goodwill	Trade-names	Customer relationships	Franchise agreements	Vendor relationships	Software	Above market leases & other	
Acquisition cost:								
Balance at April 1, 2009	\$583,339	\$335,122	\$207,160	\$94,000	\$38,306	\$31,180	\$30,345	\$736,113
Additions	—	—	—	134	—	4,044	1,491	5,669
TBC acquisitions	13,742	—	—	—	—	—	—	—
Disposals	—	(1,400)	(1,690)	—	(22,602)	(17)	(3,645)	(29,354)
Other	438	—	—	—	—	—	121	121
Balance at March 31, 2010	597,519	333,722	205,470	94,134	15,704	35,207	28,312	712,549
Additions	35	14	—	—	—	1,280	925	2,219
TBC acquisitions	32,657	(6)	21,650	(8)	—	—	(552)	21,084
Disposals	—	(486)	(460)	—	—	(1,926)	(197)	(3,069)
Other	—	17	318	—	—	1,321	(612)	1,044
Balance at March 31, 2011	\$630,211	\$333,261	\$226,978	\$94,126	\$15,704	\$35,882	\$27,876	\$733,827
Amortization and impairment losses:								
Balance at April 1, 2009	\$ 35,439	\$40,252	\$101,573	\$17,647	\$26,125	\$23,883	\$14,508	\$223,988
Additions	—	11,476	8,653	5,244	961	4,247	2,918	33,499
Disposals	—	(1,400)	(1,690)	—	(22,602)	(17)	(3,645)	(29,354)
Balance at March 31, 2010	35,439	50,328	108,536	22,891	4,484	28,113	13,781	228,133
Additions	5,973	11,627	9,280	5,253	1,064	2,884	2,955	33,063
Disposals	—	(486)	(460)	—	—	(808)	(186)	(1,940)
Other	—	(1)	179	1	—	205	5	389
Balance at March 31, 2011	\$ 41,412	\$61,468	\$117,535	\$28,145	\$5,548	\$30,394	\$16,555	\$259,645
Carrying amount at								
April 1, 2009	\$547,900	\$294,870	\$105,587	\$76,353	\$12,181	\$7,297	\$15,837	\$512,125
March 31, 2010	562,080	283,394	96,934	71,243	11,220	7,094	14,531	484,416
March 31, 2011	588,799	271,793	109,443	65,981	10,156	5,488	11,321	474,182

The significant carrying amounts of trade-names as of March 31, 2011 and 2010 and April 1, 2009 were those related to TBC of \$196,997 and \$204,997 and \$213,002, respectively, and those related to The Hartz Mountain Corporation (Hartz), a 59.413% owned subsidiary, of \$71,131 and \$74,035 and \$76,937, respectively. The weighted average remaining useful lives as of March 31, 2011 was 25 years.

The significant carrying amounts of customer relationships as of March 31, 2011 and 2010 and April 1, 2009 were those related to TBC of \$76,775 and \$60,046 and \$64,459, respectively, and those related to Hartz of \$16,728 and \$18,886 and \$21,045, respectively. The weighted average remaining useful lives as of March 31, 2011 was 12 years.

The carrying amounts of franchise agreements as of March 31, 2011 and 2010 and April 1, 2009 were those related to TBC with weighted average remaining useful lives as of March 31, 2011 of 13 years.

12. COMMERCIAL PAPER AND NOTES PAYABLE

Commercial paper borrowings outstanding at March 31, 2011 and 2010 and April 1, 2009 had weighted average maturities of 51 and 61 and 25 days, respectively, and interest rates averaging 0.35% and 0.39% and 1.19%, respectively. Under a support agreement between SC and the Company, so long as any of the commercial paper is outstanding and unpaid, SC has agreed to advance the sums in the form of capital contributions such that the Company's shareholders equity shall not fall below \$110,000.

Interest rates on notes payable to third party (which averaged approximately 0.52% and 0.51% and 1.40% at March 31, 2011 and 2010 and April 1, 2009, respectively) fluctuate based upon certain Eurodollar rates. At March 31, 2011, the Company has \$550,004 of notes payable, with interest rates ranging from 0.48% to 0.56%, to SC and \$300,000 of notes payable, with interest rates ranging from 0.33% to 0.59% to its affiliate Sumitomo Corporation Europe Limited (SCEU). At March 31, 2010, the Company has a \$150,000 note payable, with an interest rate of 0.575% to SC. At April 1, 2009, the Company has \$250,000 in notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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payable, with interest rates of 4.39% and 1.11%, to SC and \$100,000 in notes payable, with an interest rate of 0.85%, to its SCEU.

13. LONG-TERM DEBT

	March 31, 2011	March 31, 2010	April 1, 2009
Loans payable:			
Due to SC:			
2009, fixed rate 5.14%	\$ —	\$ —	\$ 100,000
2010, fixed rates 5.18% to 5.19%	—	300,000	300,000
2011, floating rates 0.67% to 0.74%	150,000	250,000	250,000
2012, fixed and floating rates 1.03% to 2.45%	310,000	510,000	200,000
2014, floating rate 0.84%	—	50,000	—
Total due to SC	460,000	1,110,000	850,000
Third party term and revolver loans:			
2009, fixed and floating rates 2.80% to 5.01%	—	—	216,211
2010, floating rates 0.48% to 2.85%	—	57,000	57,000
2011, floating rates 0.40% to 3.14%	120,000	170,000	170,000
2011, working capital revolver loans with fixed and floating rates 2.70% to 6.93%	17,267	326	201
2012, 6.25% fixed rate mortgage	170,000	170,000	170,000
2013, fixed and floating rates 0.63% to 2.97%	130,000	130,000	—
2014, fixed and floating rates 0.84% to 3.26%	200,000	100,000	—
2015, fixed and floating rates 0.57% to 2.69%	195,000	—	—
2015, 4.88% fixed rate mortgage	83,597	85,008	86,352
2016, fixed and floating rates 0.70% to 2.94%	150,000	—	—
2017, floating rate 0.94%	100,000	—	—
Total third party	1,165,864	712,334	699,764
Medium term notes:			
2009, fixed rates 4.42% to 5.21%	—	—	94,247
2010, fixed and floating rates 0.57% to 5.11%	—	90,069	90,069
2011, fixed rates 1.48% to 1.78%	26,480	26,480	26,480
2012, fixed rates 1.38%	23,834	23,834	23,834
2013, fixed rate 1.75%	8,367	8,367	8,367
2014, fixed and floating rates 0.70% to 0.71%	64,000	64,000	—
Total medium term notes	122,681	212,750	242,997
	1,748,545	2,035,084	1,792,761
Less current portion:			
Due to SC	(150,000)	(300,000)	(100,000)
Third party	(165,182)	(147,394)	(310,459)
	\$1,433,363	\$1,587,690	\$1,382,302

Principal payments on long-term debt for the fiscal years subsequent to March 31, 2010 are as follows:

	Loans payable -SC	Loans payable - third party	Medium- term loans	Total
Year ending March 31:				
2012	\$ 150,000	\$ 138,702	\$ 26,480	\$ 315,182
2013	310,000	171,553	23,834	505,387
2014	—	131,630	8,367	139,997
2015	—	201,707	64,000	265,707
2016	—	272,272	—	272,272
Thereafter	—	250,000	—	250,000
	\$ 460,000	\$ 1,165,864	\$ 122,681	\$ 1,748,545

The Company has Japanese-yen-denominated liabilities, which are included in long-term debt (U.S. dollar equivalent of \$58,681 and \$175,950 and \$370,640 at March 31, 2011 and 2010 and April 1, 2009, respectively). The Company has entered into foreign currency and interest rate swap agreements in order to economically hedge its currency and interest-rate risks.

The Company participates in the Euro Medium Term Note Programme (the Programme) along with three related parties. Funds borrowed under the Programme are included in medium term loans. The total borrowing limit under the Programme is \$3,000,000, of which approximately \$753,827 is outstanding as of March 31, 2011. The Programme is updated and renewed annually in September. Payment of the borrowings under the Programme is guaranteed by SC.

At March 31, 2011, the Company was contingently liable on unused letters of credit in the amount of \$200,833.

At March 31, 2011 and 2010 and April 1, 2009, the Company was in compliance with all covenants.

14. OTHER INCOME

Other income in the consolidated statements of comprehensive income for the year ended March 31, 2011 includes a \$29,370 gain on the Company's sale of a 40.8% ownership interest in a subsidiary resulting in the Company's relinquishment of control over that subsidiary, a \$7,280 gain related to the retained 12% ownership interest and the \$10,289 gain related to TBC's acquisition of a controlling interest in TBC de Mexico, see note 4 (a). For the year ended March 31, 2010, other income included \$9,257 of gains from the sales of investment securities, \$4,038 of gains on sale of property and equipment and \$2,535 of income from a customer contract termination payment.

15. INCOME TAX EXPENSE

Total income tax expense includes income taxes on the consolidated statements of comprehensive income and the Company's share of income tax amounts included in equity in earnings of affiliates for the years ended March 31, 2011 and 2010, as follows:

	2011	2010
Current:		
Federal	\$120,404	\$43,922
State	6,418	5,244
Foreign	7,021	9,902
	133,843	59,068
Deferred:		
Federal	11,701	(2,861)
State	1,032	1,439
Foreign	—	(1,144)
	12,733	(2,566)
Income tax expense	146,576	56,502
Share of income tax in equity in earnings of affiliates	10,605	(637)
Total income tax expense	\$157,181	\$55,865

Net income excluding total income tax for the years ended March 31, 2011 and 2010 is as follows:

	2011	2010
Net income for the period	\$238,324	\$ 74,894
Total income tax expense	157,181	55,865
Net income excluding total income tax expense	\$395,505	\$130,759

Net income excluding total income tax summarized by region for the years ended March 31, 2011 and 2010 is as follows:

	2011	2010
United States	\$367,806	\$ 93,418
Foreign	27,699	37,341
Net income excluding total income tax expense	\$395,505	\$130,759

The reconciliations between the U.S. federal statutory tax rate and the Company's effective tax rate for the years ended March 31, 2010 and 2010 are as follows:

	2011	2010
Statutory U.S. federal income tax rate	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	1.3	3.2
Nondeductible items	2.8	1.4
Foreign source items	0.2	0.8
Other, net	0.4	2.3
Effective income tax rate	39.7%	42.7%

16. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets (liabilities) are attributable to the following:

	March 31, 2011	March 31, 2010	April 1, 2009
Acquired intangibles	\$ (151,006)	\$(152,540)	\$ (154,863)
Fixed assets	(42,210)	(25,667)	(31,347)
Other comprehensive income ..	(20,810)	(10,028)	(8,257)
Unremitted earnings	(16,246)	(12,966)	(14,009)
Inventory adjustments	3,646	7,632	17,364
Federal benefit, state taxes ..	4,094	6,476	5,147
Post-retirement obligations ..	8,468	13,355	11,314
Tax loss and carryforwards ...	38,236	45,163	43,250
Accruals and reserves	58,735	27,374	34,836
Other	16,451	10,530	13,757
Net deferred tax liabilities ..	\$ (100,642)	\$ (90,671)	\$ (82,808)

Deferred tax assets and deferred tax liabilities are offset as the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority or if there is the right to set off current tax assets against current tax liabilities. In the statement of financial position, the deferred tax assets and liabilities are not classified into current and non-current segments.

At March 31, 2011, the Company and a subsidiary, which is not included in the Company's consolidated tax returns, have federal and state NOL carryforwards of approximately \$124,958, which begin to expire in 2020, if unused, and fully expire through 2029. These NOL carryforwards are available to offset future federal and state taxable income. The Company has determined that it is likely that the federal and most state NOL carryforwards will be utilized before expiration. Taxes on approximately \$92,857 and \$84,641 of undistributed earnings of foreign subsidiaries have not been provided for at March 31, 2011 and 2010, respectively, because these earnings are expected to be indefinitely invested in those operations. The Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future. It is not practical to estimate the amount of taxable temporary differences for these undistributed earnings.

The Company accrues interest and penalties related to unrecognized tax benefits as components of the income tax provision. The liability for such unrecognized tax benefits, including interest and penalties, is recorded in accrued expenses and other current liabilities on the consolidated statement of financial position.

The following table summarizes the activity related to the Company's unrecognized tax benefits (exclusive of interest):

	2011	2010
Balance at beginning of year	\$7,024	\$4,715
Additions based on tax positions related to the current year	983	—
Additions (reductions) for tax positions of prior years	(3,243)	2,409
Settlements	(483)	(100)
Unrecognized tax benefits balance at end of year	\$4,281	\$7,024

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 March 31, 2011 and 2010 and April 1, 2009 (In Thousands of U.S. Dollars)

As of March 31, 2011, the Company had \$4,281 of the unrecognized tax benefits, of which \$2,170 represents the amount that, if recognized, would impact the Company's effective tax rate in future periods. As of March 31, 2011 and 2010, the Company had \$543 and \$812 of accrued interest, net of tax benefit, related to unrecognized tax benefits.

17. EQUITY

(a) Additional paid in capital

During 2010, the Company sold certain non-controlling interests in subsidiaries that resulted in an increase in to equity attributable to SGMA of \$10,671.

During 2009, the Company acquired certain non-controlling interests in subsidiaries that resulted in a reduction to equity attributable to SGMA of \$4,035.

(b) Other components of equity

Translation reserve - The translation reserve includes all foreign currency differences arising from the translation of the financial statements of foreign operations, including the Company's investments in associated companies.

Hedging reserve - The hedging reserve includes the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred.

Fair value reserve - The fair value reserve includes the cumulative net change in the fair value of financial assets designated as FVTOCI (formerly available-for-sale securities) until the investments are derecognized or impaired.

(c) Dividends

In September of 2010, the Company paid a dividend to SGMA of \$48,010, which is approximately 50% of prior year net income (as measured under previous U.S. GAAP), in accordance with SC's dividend guidelines.

The following table shows the changes in reserves directly recognized in equity:

Balance – April 1, 2009, net of taxes of \$1,313	\$(3,095)
Unrealized appreciation of securities available for sale, net of taxes of \$1,346	3,022
Unrealized gains on derivatives, net of taxes of \$2,247	3,232
Foreign currency translation adjustment, net of taxes of \$6,356	39,042
Balance – March 31, 2010, net of taxes of \$8,636	42,201
Unrealized depreciation of securities available for sale, net of taxes of \$1,834	(2,571)
Unrealized gains on derivatives, net of taxes of \$816	1,339
Foreign currency translation adjustment, net of taxes of \$3,193	16,787
Balance – March 31, 2011, net of taxes of \$10,811	<u>\$57,756</u>

18. EMPLOYEE BENEFIT PLANS

(a) TBC – Defined Benefit Pension Plans

TBC provides unfunded supplemental retirement plans for certain of its key executives to provide benefits in excess of amounts permitted to be paid by its other retirement plans under current tax law. Expenses recorded for supplemental retirement benefits totaled \$1,600 and \$2,700 for the years ended March 31, 2011 and 2010, respectively. As of March 31, 2011 and 2010 and April 1, 2009, TBC had recorded an defined benefit obligation of \$14,400 and \$9,400 and \$5,100, respectively, based upon measurement dates of March 31, 2011 and 2010 and April 1, 2009, respectively, computed using a 2.05% and 4.00% and 4.75% – 5.50% discount rate, respectively, depending on the plan, and 5.0% expected increase in future compensation.

(b) Defined Contribution Savings Plans

The Company and certain of its subsidiaries sponsor defined contribution 401(k) savings plans (the Savings Plans) for eligible employees. The Company at its discretion matches employees' contributions up to specific limitations. For the years ended March 31, 2011 and 2010, employer contributions to the Savings Plans amounted to approximately \$7,494 and \$6,181, respectively.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

For the Company's financial instruments classified as current in the consolidated statement of financial position (cash and cash equivalents, accounts receivable, finance receivables, commercial paper, notes payable, current portion of long-term debt and accounts payable), the carrying values approximate fair value based on the relatively short period of time between the origination of the instruments, their expected realization or the frequent repricing of the instrument to market price.

Changes in the market interest rates affect the fair value of the Company's fixed rate notes, but do not affect the Company's financial position, results of operations or cash flows related to these instruments.

The following table presents the carrying amounts and estimated fair values of the Company's long-term receivables and long-term debt at March 31, 2011 and 2010 and April 1, 2009:

	March 31, 2011		March 31, 2010		April 1, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets – Long-term receivables	\$634,684	\$636,414	\$365,298	\$366,630	\$491,301	\$485,231
Financial liabilities – Long-term debt	1,433,363	1,391,594	1,587,690	1,565,565	1,382,520	1,397,228

The fair values of the financial instruments shown in the above table as of March 31, 2011 and 2010 and April 1, 2009 represent the amounts that would be received from sale those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at those dates.

The fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk adjusted discount rates, available observable and unobservable inputs.

The tables below include financial instruments carried at fair value. The Company applied the exemption of IFRS 1 that permits an entity to exclude fair value hierarchy information for periods ending before March 31, 2010.

The fair value hierarchy consists of three levels: Level 1 fair values are valuations based on quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access; Level 2 fair values are those valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and Level 3 fair values are valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

	Level 1	Level 2	Level 3
At March 31, 2011:			
Derivative assets	\$ —	\$ 26,615	\$ —
Derivative liabilities	—	\$(11,312)	\$ —
	<u>\$ —</u>	<u>\$ 15,303</u>	<u>\$ —</u>
At March 31, 2010:			
Derivative assets	\$ —	\$ 54,177	\$ —
Derivative liabilities	—	\$(31,362)	\$ —
	<u>\$ —</u>	<u>\$ 22,815</u>	<u>\$ —</u>

20. DERIVATIVES AND HEDGE ACCOUNTING

Derivative financial instruments not designated as hedges

In the normal course of business, the Company is exposed to foreign exchange rate fluctuation risks due to transactions originally denominated in foreign currencies. To manage these risks, the Company routinely enters into foreign currency forward contracts. The change in fair value of these foreign currency forward contracts is recorded as income (loss) in the Company's consolidated statements of comprehensive income.

As of March 31, 2011 and 2010 and April 1, 2009, respectively, the Company held certain cross-currency swaps and cross-currency interest rate swaps that did not qualify as hedges for accounting purposes. These swaps are used to manage interest rate and foreign currency exposures. Gains and losses for changes in the fair value of these derivatives, which were recorded as income (loss) in the Company's consolidated statements of comprehensive income, were not significant.

Derivative financial instruments designated as hedges

Fair value hedges - The Company enters into cross-currency and interest swaps in order to convert its fixed-rate debt, which is denominated primarily in Japanese Yen, to a United States dollar floating-rate basis. The Company designates these derivatives as fair value hedges. Gains and losses resulting from changes in the fair market value of these derivatives were recorded as income (loss) in the Company's consolidated statements of comprehensive income.

Cash flow hedges - The Company enters into interest rate swap agreements that effectively convert fixed and variable-rate debt denominated in Japanese Yen to a United States dollar fixed rate. The Company designates these derivatives as cash flow hedges. These swaps are used to manage interest rate and cross-currency exposures. For the years ended March 31, 2011 and 2010, there was no significant hedge ineffectiveness.

The following table presents the Company's outstanding derivative contracts:

	March 31, 2011		March 31, 2010		April 1, 2009	
	Notional amount	Carrying amount at fair value	Notional amount	Carrying amount at fair value	Notional amount	Carrying amount at fair value
Derivative assets:						
Cross-currency and interest rate swaps ..	\$58,681	\$25,176	\$214,605	\$51,643	\$451,436	\$65,692
Foreign currency forward contracts ..	170,319	1,439	195,805	1,932	245,288	10,361
Derivative liabilities:						
Cross-currency and interest rate swaps ..	\$51,627	\$(5,101)	\$149,099	\$(19,053)	\$70,048	\$(21,244)
Foreign currency forward contracts ..	278,452	(6,211)	214,351	(11,966)	86,566	(3,819)

The current and long-term portions of derivative assets are recorded in accounts receivable and long-term receivables, respectively, and the current and long-term portions liabilities are recorded in accrued expenses and other current liabilities and other long-term liabilities, respectively, in the accompanying consolidated statement of financial position. Gains and losses are included in gross profit and interest expense in the accompanying consolidated statements of comprehensive income.

21. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The Company's capital management philosophy is guided by SC policies. The fundamental principles of SC's capital management are to maintain appropriate capital levels by optimizing debt and equity balances to manage business risks in order to maintain management soundness and efficiency and to promote continuous growth. The key metrics used for capital management are risk-adjusted assets and equity balances along with a net debt-to-equity ratio.

Management reviews the strategies for earnings and investments and the metrics on a semi-annual planning and assessment basis.

(b) Financial risk management

The Company's operations expose it to the risk of changes in foreign exchange rates and interest rates. Derivative financial instruments are used by the Company to reduce these risks. The Company assesses foreign currency exchange rate risk and interest rate risk by continuously monitoring changes in these exposures and by evaluating hedging opportunities. The Company is also exposed to credit related losses in the event of non-performance by counterparties to financial assets, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions. The Company's basic policy for fund raising activities is to secure stable, short to long-term funds and liquidity for our operations.

1. Foreign currency exchange rate risk - The Company operates internationally and is exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the U.S. dollar. The Company's strategy to manage foreign currency risks is mainly to preserve the economic value of cash flows in its functional currency by using foreign currency forward contracts, cross-currency swaps, considering the netting effect of foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments. The net of foreign currency risk exposure as of March 31, 2011 and 2010 are as follows. A positive balance represents a receivable position and a negative balance represents a payable position.

	March 31, 2011						
	Japanese Yen	Euro	Canadian Dollar	Mexican Peso	British Pound	Other	Total
U.S. Dollars	\$2	\$676	\$1,494	\$34,794	\$(1,430)	\$(201)	\$35,335
Local currency	141	476	1,441	430,812	(893)	—	—

	March 31, 2010						
	Japanese Yen	Euro	Canadian Dollar	Mexican Peso	British Pound	Other	Total
U.S. Dollars	\$85	\$(1)	\$703	\$9,099	\$(878)	\$20	\$9,028
Local currency	7,883	(1)	716	112,426	(582)	—	—

The following table represents the Company's sensitivity analysis for foreign currency risk exposures. The analysis shows a hypothetical impact on income before

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
 March 31, 2011 and 2010 and April 1, 2009 (In Thousands of U.S. Dollars)

income taxes as reported in the consolidated statements of comprehensive income that would result from 1% appreciation of the U.S. Dollar against all foreign currencies for the end of the year. The analysis is based on the assumption that other factors such as outstanding balance and interest rates are constant.

	2011	2010
Income before income taxes	\$353	\$90

2. Interest rate risk management - The Company is exposed to risks arising from changes in interest rates while financing its business activities. In particular, interest rate fluctuations affect borrowing costs because a major part of the outstanding debt instruments are floating rate instruments and short-term borrowings are refinanced from time to time.

However, the impact on borrowing costs are partially offset by returns on certain assets which may also be impacted by interest rate fluctuations. In addition, the Company is engaged in financing activities, which could be affected by interest rate fluctuations. The Company monitors interest rate risk arising from its assets and liabilities and the Company's risk management structure utilizes derivative contracts, such as interest rate swaps, to manage fluctuations of earnings or losses due to the fluctuations of interest rates.

The following table represents the hypothetical impact on the Company's income before income taxes that is attributable to financial instruments exposed to the fluctuation risk of interest rates in the case where interest rates would increase by 1%. The analysis is calculated by multiplying 1% by the net amounts of floating rate interest bearing financial assets and liabilities as of March 31, 2011 and 2010, without considering changes in balances, currency fluctuations and the dispersing effect for floating rate borrowings derived from the timing differences to refund and revise the rate in the future and is based on the assumption that other variable factors are held constant.

A sensitivity analysis to fluctuations of market interest rates is performed for the potential cash flow exposures from interest rate bearing debt and loans with a floating rate. The floating rate loans include those with fixed rates, which are converted to floating rate with interest rate swap contracts.

	2011	2010
Income before income taxes	\$(8,489)	\$(10,805)

3. Credit risk management - The Company's receivables are from a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of accounts receivable.

4. Liquidity risk management - The Company's basic policy for financing operations is to secure stable short to long-term funds and sufficient liquidity for its

operations. The Company secures liquidity from the cash flows from operations, borrowing from financial institutions and issuance of commercial paper. The Company deposits these funds at highly creditable financial institutions to which generally high credit ratings are given by the credit rating agencies.

22. SEGMENT AND RELATED INFORMATION

The Company's reportable business segments are organized in a manner that reflects how management views those business activities. The Company reports for each segment a measure of segment profit or loss, certain specific revenue and expense items and segment assets. The Company's principal business activities have been classified into the following reportable segments:

The Tubular products segment supplies a wide variety of high grade oil country tubular goods, line pipe and specialty tubing to companies in the oil, gas, petrochemical, automobile, and boiler manufacturing industries.

The Steel and nonferrous metal segment supplies carbon and specialty steel including a wide spectrum of steel products such as sheets, plates and bars.

The Machinery and power segment activities include marketing aerospace and defense products and technologies to government agencies, airlines, and other industries, supplying parts to the automotive industry, providing financing for construction equipment, operating dealerships and distributorships for automobiles and construction equipment, investing in and operating electric generation assets and delivering and installing commuter rail cars and other transportation systems.

The Chemicals and electronics segment activities include trade dealings in petrochemicals, plastics, fine/specialty chemicals, functional chemicals and inorganic chemicals. The Chemicals segment includes Hartz, which manufactures, purchases and distributes pet supplies, treats and small animal edibles and accessories.

The Living-related business segment includes commodities, concepts and products with industrial, commercial, residential and consumer applications. The Living-related business segment includes commercial and residential real estate and TBC, an independent marketer of tires for the automotive replacement market.

The Mineral resources and energy segment includes investment, trading and marketing activities of nonferrous metals, petroleum and carbon products, including precious metals, base metals, crude oil and natural gas.

The Treasury and corporate segment includes finance-related activities such as derivatives transactions and consumer and business financing and logistics services. Also included, are the Company's interests in Sumitomo Canada Limited, Sumitomo Corporation de Mexico and Sumitomo Corporation do Brazil.

The Company evaluates segment performance based on net income attributable to the Company. Information on the Company's reportable segments as of and for the years ended March 31, 2011 and 2010, respectively, is as follows:

	Tubular Products	Steel & Non-Ferrous Metal	Machinery & Power	Chemicals & Electronics	Living-Related Business	Mineral Resources & Energy	Treasury & Corporate	Inter-Segment Eliminations	Total
March 31, 2011									
Revenues	\$2,060,934	\$379,314	\$37,245	\$535,705	\$3,051,044	\$8,701	\$405,111	\$(37,816)	\$6,440,238
Gross profit	218,922	46,856	26,089	151,560	1,127,712	5,625	101,140	(1,286)	1,676,618
Net income (loss)	96,543	15,960	(27,528)	31,353	29,909	10,528	28,242	—	185,007
Segment assets	1,780,959	673,327	855,348	646,236	2,773,783	98,861	2,377,474	(2,404,913)	6,801,075
March 31, 2010									
Revenues	\$1,487,220	\$377,325	\$56,217	\$519,642	\$2,631,403	\$7,183	\$295,533	\$(26,175)	\$5,348,348
Gross profit	81,036	43,968	53,276	160,943	1,012,635	4,879	93,650	(2,393)	1,447,994
Net income (loss)	23,139	8,850	2,105	6,826	(8,877)	2,918	12,696	—	47,657
Segment assets	1,565,773	555,404	720,649	628,367	2,572,526	103,842	1,781,081	(2,051,169)	5,876,473

Changes in the carrying amount of goodwill for the years ended March 31, 2011 and 2010 are as follows:

	Tubular Products	Steel & Non-Ferrous Metal	Machinery & Power	Chemicals & Electronics	Living-Related Business	Mineral Resources & Energy	Treasury & Corporate	Inter-Segment Eliminations	Total
April 1, 2009	\$34,979	\$2,719	\$2,931	\$89,662	\$411,244	\$ —	\$6,365	\$ —	\$547,900
Goodwill acquired during the year	—	—	—	—	10,921	—	—	—	10,921
Purchase price adjustment	—	—	—	—	2,821	—	—	—	2,821
Other net changes	—	20	418	—	—	—	—	—	438
March 31, 2010	34,979	2,739	3,349	89,662	424,986	—	6,365	—	562,080
Goodwill acquired during the year	—	—	35	—	32,657	—	—	—	32,692
Impairment	—	(2,704)	(3,269)	—	—	—	—	—	(5,973)
March 31, 2011	<u>\$34,979</u>	<u>\$35</u>	<u>\$115</u>	<u>\$89,662</u>	<u>\$457,643</u>	<u>\$ —</u>	<u>\$6,365</u>	<u>\$ —</u>	<u>\$588,799</u>

Interest expense is allocated to each segment based on an internal borrowing rate applied to the net assets of each segment.

A significant portion of the Company's sales occur with customers within the United States and Japan. For the years ended March 31, 2011 and 2010, 81% and 80%, respectively, of sales occurred with customers in the United States and 9% and 10%, respectively, occurred with customers in Japan.

23. COMMITMENTS AND CONTINGENCIES

(a) Operating Leases

The Company rents various facilities and office space under long-term leases. Certain lease agreements include escalation clauses and, as such, these increases have been factored into the Company's straight-line rent calculation. Future minimum annual rental payments (net of noncancelable sublease payments) under these leases are as follows:

	March 31, 2011	March 31, 2010	April 1, 2009
Less than one year	\$ 143,261	\$ 138,086	\$ 129,068
Between one and five years ..	488,721	454,646	424,901
More than five years	820,492	738,024	690,767
	<u>\$1,452,474</u>	<u>\$1,330,756</u>	<u>\$1,244,736</u>

The Company has contracted for future sublease rentals of \$20,769, which range from \$4,125 to \$2,709 over the next five years.

Rent expense for the years ended March 31, 2011 and 2010 was \$161,619 and \$154,562, respectively.

The Company leases out its investment property and railcars under long-term operating leases. The railcars leased under these agreements are included in machinery and equipment with cost and accumulated depreciation of \$54,275 and \$6,617, respectively, at March 31, 2011. The minimum annual rentals for the next five years and thereafter are as follows:

	March 31, 2011	March 31, 2010	April 1, 2009
Less than one year	\$ 50,513	\$ 49,072	\$ 49,002
Between one and five years ..	173,267	147,674	150,962
More than five years	172,365	183,014	109,838
	<u>\$396,145</u>	<u>\$379,760</u>	<u>\$309,802</u>

(b) Indemnification and Guarantee Agreements

The Company has entered into the following indemnification and guarantee agreements associated with its continuing operations.

The Company also has outstanding guarantees for credit facilities of certain associated companies for up to \$2,026,131, of which \$241,130 of liabilities were outstanding at March 31, 2011.

In the normal course of business, the Company secures certain obligations with Performance and Labor, and Material Bonds (performance bonds). In certain situations, the ability to obtain performance bonds is directly related to the Company's credit rating. As such, the Company may arrange for issuance of performance bonds through third parties. As of March 31, 2011 and 2010 and April 1, 2009, the Company had \$1,059,000 and \$525,000 and \$582,000, respectively, of such performance bonds outstanding, of which \$290,000 and \$37,350 and \$58,000, respectively, were at risk in ongoing projects. These amounts are expected to decrease over time as the Company completes the work in process or transfers ownership to other companies.

The Company believes that it is not reasonably likely that it will be required to perform under the performance bonds or that any performance requirement would have a material impact on its consolidated financial statements. As a result, the estimated fair value of these agreements is considered to be immaterial to the consolidated financial statements.

(c) Litigation

The Company is a defendant in several lawsuits incidental to its business. In the opinion of management, the outcome of the litigation facing the Company will not have a material adverse effect on the financial position, cash flows or operating results of the Company.

(d) SC Dividend Guideline

SC implemented a dividend guideline for overseas subsidiaries that required the Company to pay a dividend to SGMA in 2010. The Company may be required to pay a dividend, based on 50% of prior year net income attributable to the Company, in future periods. The ultimate dividend amount will be subject to adjustment depending on the effects of taxation as well as equity and asset levels.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
March 31, 2011 and 2010 and April 1, 2009 (In Thousands of U.S. Dollars)

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The components of selling, general and administrative expenses are as follows for the year ended March 31:

	2011	2010
Employee benefits expenses	\$ 701,315	\$ 642,361
Rent expense	161,616	153,595
Depreciation and amortization	88,639	80,424
Impairment of investment property	—	49,153
Advertising expenses	77,420	72,430
Travel and communication expenses	66,946	62,464
Service fees	65,522	52,915
Taxes, other than income taxes	32,118	36,363
Other	166,768	143,018
Selling, general and administrative expenses	<u>\$1,360,344</u>	<u>\$1,292,723</u>

25. SIGNIFICANT SUBSIDIARIES

The Company's significant subsidiaries are as follows:

Segment	Company	Place of incorporation and operation	Ownership percentage		
			March 31, 2011	March 31, 2010	April 1, 2009
Chemicals and electronics	Diversified CPC International, Inc.	Channahon, IL, USA	80.000%	80.000%	80.000%
	The Hartz Mountain Corporation	Secaucus, NJ, USA	59.413	59.413	59.413
Living-related business	TBC Corporation	Palm Beach Gardens, FL, USA	60.000	60.000	60.000
	Atlantic Hills Corporation	Atlanta, GA, USA	80.000	80.000	80.000
	SCOA Residential, LLC	New York, NY, USA	100.000	100.000	100.000
	201 Biscayne, LLC	Miami, FL, USA	100.000	100.000	100.000
	1750 K Street LLC	Washington, D.C., USA	100.000	100.000	100.000
	HF Lakeside II LLC	Tempe, AZ, USA	100.000	100.000	100.000
	123 Mission, LLC	San Francisco, CA, USA	100.000	100.000	100.000
Machinery and power	Summit Wind Energy, Inc.	New York, NY, USA	60.000	—	—
Steel and non-ferrous metal	SteelSummit Holdings Inc.	Nashville, TN, USA	80.000	80.000	80.000
	SteelSummit International, Inc.	New York, NY, USA	100.000	100.000	100.000
	Katana Summit, LLC	Columbus, NE, USA	32.500	32.500	32.500
Tubular products	Global Stainless Supply, Inc	Houston, TX, USA	80.000	80.000	80.000
	Tubular Solutions Alaska, LLC	Anchorage, AK, USA	100.000	100.000	100.000
	Pipeco Services, Inc.	Houston, TX, USA	70.000	70.000	61.600
	Unique Machine, LLC	Anchorage, AK, USA	70.000	70.000	70.000
	Premier Pipe, LLC	Houston, TX, USA	87.500	87.500	87.500
Other	Sumisho Global Logistics (USA) Corporation	New Hyde Park, NY, USA	80.000	80.000	80.000
	Sumitomo Canada Limited	Toronto, Ontario, Canada	51.000	51.000	51.000
	Oxford Finance Corporation	Alexandria, VA, USA	80.000	80.000	80.000
	Sumitomo Corporation de Mexico S.A. de C.V.	Mexico City, Mexico	89.170	89.170	89.170

26. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2, these are the Company's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended March 31, 2011, the comparative information presented in these financial statements for the year ended March 31, 2010 and in the preparation of an opening IFRS statement of financial position at April 1, 2009 (the Company's date of transition).

Exemptions under IFRS 1

In general, IFRS requires full retrospective application of IFRS for the first time adopters. However, IFRS 1 provides certain mandatory exceptions and voluntary exemptions from full retrospective application. The adjustments resulting from the initial application of IFRS are recognized directly in retained earnings

and other components of equity at the date of transition to IFRS. The exemptions the Company elected are as follows:

• **Business combinations:** IFRS 3 may be applied retrospectively or prospectively. Under retrospective application, it is required to restate all business combinations that occurred prior to the transition date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to the transition date and such business combinations will not be restated. Any goodwill arising from business combinations that occurred before the transition date will not be restated from the carrying value previously determined under U.S. GAAP. In addition, the Company performed an impairment test as of the transition date regardless of an indication that the asset may be impaired.

• **Fair value as deemed cost:** IFRS 1 allows the use of the fair value at the date of transition to IFRS as deemed cost as of that date for items of property, plant and equipment and investment properties. The Company elected to use the cost model for property, plant and equipment and investment property under IFRS, thus the revaluation model is not applied. Further, the Company elected to use the fair value at the date of transition to IFRS as deemed cost as of the reporting date for certain items of property, plant and equipment and investment properties.

• **Employee benefits:** The Company has applied the exemption in IFRS 1 which allows the cumulative unrecognized actuarial gains and losses related to the retirement benefit plans to be recorded in retained earnings at the date of transition to IFRS. Accordingly, all unrecognized actuarial gains and losses were recognized in retained earnings at the date of transition to IFRS. In addition, the Company has prospectively elected to report all actuarial gains and losses in other comprehensive income in accordance with IAS 19.

• **Foreign currency exchange differences:** IFRS 1 permits cumulative exchange differences to be reset to zero at the transition date. Alternatively, IFRS 1 allows exchange differences to be recalculated in accordance with IFRS from the date a subsidiary or associate was formed or acquired. The Company elected to reset all cumulative translation gains and losses to zero at the transition date.

• **Restatement of comparative information under IFRS 9:** IFRS 1 does not require a first-time adopter to restate comparative information in its first IFRS consolidated financial statements in accordance with IFRS 9 if an entity early adopts IFRS in the fiscal year beginning before January 1, 2012 and permits the use of previous GAAP for comparative information. The Company applied this exemption in the recognition and measurement in the consolidated financial statements for the comparative years in accordance with previous GAAP, which is U.S. GAAP.

Mandatory exceptions under IFRS 1

IFRS 1 enforces some mandatory exceptions to retrospective application of IFRS: estimates, derecognition of financial assets and financial liabilities, hedge accounting, accounting for changes in estimates, non-controlling interests. The Company applied IFRS requirements on these items prospectively.

Reconciliation of U.S. GAAP to IFRS

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with U.S. GAAP (previous GAAP). An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Assets	Note	As of March 31, 2010			As of April 1, 2009		
		Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
Current assets:							
Cash and cash equivalents		\$ 185,287	\$ —	\$ 185,287	\$ 156,989	\$ —	\$ 156,989
Accounts receivables, net		857,618	—	857,618	872,063	—	872,063
Finance receivables, net		187,706	—	187,706	171,938	—	171,938
Inventories	f	1,425,100	(2,304)	1,422,796	1,835,442	(2,397)	1,833,045
Advance payments to suppliers		72,848	—	72,848	111,839	—	111,839
Current tax assets		24,021	—	24,021	33,708	—	33,708
Prepaid expenses and other current assets	i	83,622	(55,807)	27,815	124,756	(77,696)	47,060
Total current assets		2,836,202	(58,111)	2,778,091	3,306,735	(80,093)	3,226,642
Long-term receivables:							
Third party		78,937	—	78,937	62,600	—	62,600
Finance receivables, net		116,919	—	116,919	208,048	—	208,048
Related parties, net		169,442	—	169,442	220,653	—	220,653
Property and equipment, net	a, b, c, d	899,921	(517,825)	382,096	890,856	(529,931)	360,925
Investment property	c	—	371,693	371,693	—	428,777	428,777
Investments accounted for using the equity method	a, d, e	882,655	(2,826)	879,829	808,592	(3,991)	804,601
Goodwill		562,080	—	562,080	547,900	—	547,900
Other intangible assets, net	a, b, c	525,996	(41,580)	484,416	559,835	(47,710)	512,125
Other assets	h, j	53,189	(219)	52,970	50,897	(190)	50,707
Total assets		\$6,125,341	\$(248,868)	\$5,876,473	\$6,656,116	\$(233,138)	\$6,422,978

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

March 31, 2011 and 2010 and April 1, 2009 (In Thousands of U.S. Dollars)

Liabilities and Equity	Note	As of March 31, 2010			As of April 1, 2009		
		Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
Current liabilities:							
Commercial paper		\$ 679,000	\$ —	\$ 679,000	\$ 756,762	\$ —	\$ 756,762
Notes payable		323,960	—	323,960	926,162	—	926,162
Current portion of long-term debt		447,394	—	447,394	410,459	—	410,459
Accounts payable		429,278	—	429,278	560,770	—	560,770
Advances received		5,969	—	5,969	47,066	—	47,066
Accrued expenses and other current liabilities		274,150	(97)	274,053	305,215	(480)	304,735
Total current liabilities		2,159,751	(97)	2,159,654	3,006,434	(480)	3,005,954
Long-term liabilities:							
Long-term debt		1,587,690	—	1,587,690	1,382,302	—	1,382,302
Other long-term liabilities	a, b, c	119,673	(17,810)	101,863	134,835	(21,274)	113,561
Deferred income taxes	h, i, j	202,179	(111,508)	90,671	199,918	(117,110)	82,808
Equity:							
Common stock		411,000	—	411,000	411,000	—	411,000
Additional paid-in capital		(22,424)	—	(22,424)	(18,389)	—	(18,389)
Retained earnings		1,137,386	(149,563)	987,823	1,063,665	(122,535)	941,130
Other components of equity	g	6,771	35,430	42,201	(36,833)	33,738	(3,095)
Equity attributable to SGMA		1,532,733	(114,133)	1,418,600	1,419,443	(88,797)	1,330,646
Non-controlling interests	a, d, f	523,315	(5,320)	517,995	513,184	(5,477)	507,707
Total equity		2,056,048	(119,453)	1,936,595	1,932,627	(94,274)	1,838,353
Total liabilities and equity		\$6,125,341	\$(248,868)	\$5,876,473	\$6,656,116	\$(233,138)	\$6,422,978

	Note	Year ended March 31, 2010		
		Previous GAAP	Effect of transition to IFRS	IFRS
Revenues		\$5,348,809	\$ (461)	\$5,348,348
Cost of sales	a, f	(3,907,016)	6,662	(3,900,354)
Gross profit		1,441,793	6,201	1,447,994
Selling, general and administrative expenses	a, b, d	(1,241,662)	(51,061)	(1,292,723)
Interest expense, net		(66,360)	(15)	(66,375)
Other income	a, d	18,056	121	18,177
Equity in earnings of affiliates	a, d, e	23,158	1,165	24,323
Income before income taxes		174,985	(43,589)	131,396
Income taxes		(73,699)	17,197	(56,502)
Net income		101,286	(26,392)	74,894
Other comprehensive income:				
Foreign currency translation differences for foreign operations		63,176	2,298	65,474
Net change in fair value of equity securities		4,368	—	4,368
Effective portion of changes in fair value of cash flow hedges		5,617	—	5,617
Defined benefit plan actuarial losses		—	(964)	(964)
Income tax on other comprehensive income		(9,950)	—	(9,950)
Other comprehensive income, net of tax		63,211	1,334	64,545
Total comprehensive income		\$164,497	\$(25,058)	\$139,439
Net income attributable to:				
SGMA		\$ 73,721	\$(26,064)	\$47,657
Non-controlling interests		27,565	(328)	27,237
Net income		\$101,286	\$(26,392)	\$74,894
Total comprehensive income attributed to:				
SGMA		\$117,327	\$(25,338)	\$91,989
Non-controlling interests		47,170	280	47,450
Total comprehensive income		\$164,497	\$(25,058)	\$139,439

Material adjustments to the statement of cash flows for the year ended March 31, 2010

There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous GAAP.

(a) Deemed cost

The Company elected to use the exemption to measure certain items of land, office buildings and machinery and equipment at the date of transition to IFRS at fair value as their deemed cost.

The impact arising from the change is summarized as follows:

	March 31, 2010	April 1, 2009
Consolidated statement of comprehensive income:		
Cost of sales	\$ 6,742	
Trading and administrative expenses	1,315	
Equity in earnings of affiliates	715	
Other income, net	145	
Adjustment before income tax	\$ 8,917	
Consolidated statement of financial position:		
Property and equipment, net	\$(112,413)	\$(118,650)
Other intangible assets, net	(7,717)	(10,957)
Investments accounted for using the equity method	(6,114)	(6,829)
Related net tax effect	46,662	49,330
Other long-term liabilities	(4,381)	(5,656)
Non-controlling interests	(3,744)	(4,311)
Adjustment to retained earnings	\$ (71,457)	\$ (77,139)

(b) Impairment

Under U.S. GAAP, when assessing a long-lived asset for potential impairment, undiscounted future cash flows are used to determine the recoverable amount that is compared to the asset carrying amount. Under IFRS, discounted future

cash flows are used to determine the recoverable amount. As of March 31, 2010, the Company prepared cash flow forecasts for each of the four office buildings based on IFRS, which indicated impairment for three of the four office buildings. Under previous GAAP, no indication of impairment existed.

The impact arising from the change is summarized as follows:

	March 31, 2010	April 1, 2009
Consolidated statement of comprehensive income:		
Trading and administrative expenses	\$(49,153)	
Adjustment before income tax	\$(49,153)	
Consolidated statement of financial position:		
Property and equipment, net	\$ (48,081)	\$ —
Other intangible assets, net	(1,333)	—
Related net tax effect	19,661	—
Other long-term liabilities	(261)	—
Adjustment to retained earnings	\$ (29,492)	\$ —

(c) Investment property

Upon transition to IFRS, the Company reclassified office buildings along with land, machinery and equipment and favorable and unfavorable leases related to these buildings as investment property. Under previous GAAP, investment property was not presented separately from property and equipment.

The impact arising from the change is summarized as follows:

	March 31, 2010	April 1, 2009
Consolidated statement of comprehensive income:		
Adjustment before income tax	\$ —	
Consolidated statement of financial position:		
Property and equipment, net	\$(352,331)	\$(407,642)
Other intangible assets, net	(32,530)	(36,753)
Other long-term liabilities	(13,168)	(15,618)
Investment property	371,693	428,777
Adjustment to retained earnings	\$ —	\$ —

(d) Component accounting

Under previous GAAP, the Company did not allocate the costs initially recognized with respect to an item of property and equipment to significant component parts and depreciate each part separately. Upon transition to IFRS, property and equipment was identified where component accounting for significant items was required.

The impact arising from the change is summarized as follows:

	March 31, 2010	April 1, 2009
Consolidated statement of comprehensive income:		
Trading and administrative expenses	\$(1,361)	
Equity in earnings of affiliates	(2)	
Other income, net	15	
Adjustment before income tax	\$(1,348)	
Consolidated statement of financial position:		
Property and equipment, net	\$(4,792)	\$(3,446)
Investments accounted for using the equity method	(175)	(173)
Related net tax effect	1,799	1,296
Noncontrolling interests	(1,192)	(850)
Adjustment to retained earnings	\$ (1,976)	\$ (1,473)

(e) Tax recognition on investments accounted for using the equity method (equity method associates)

Under previous GAAP, the Company recognized deferred tax assets for deductible temporary differences arising from equity method associates to the extent that the realization of the tax benefit was more likely than not. Under IFRS, deferred tax assets for deductible temporary differences arising from equity method associates are only recognized to the extent that it is probable that they are expected to reverse in the foreseeable future. Also under previous GAAP, deferred tax liabilities recognized for taxable temporary differences arising from equity method associates were measured using the tax rates based on the method of reversal currently available, such as disposal of the investment. Under IFRS, deferred tax liabilities recognized for taxable temporary differences arising from equity method associates are measured using the tax rates based on the method those differences are expected to reverse, such as distribution of dividends. In addition, under previous GAAP, tax effects arising from the elimination of intercompany unrealized gains were recognized as pre-paid taxes using the sellers' tax amounts. Under IFRS, these tax effects are recognized as deferred tax assets using the purchasers' tax rates and the temporary differences that arose related from the purchasers' amounts.

The impact arising from these changes is summarized as follows:

	March 31, 2010	April 1, 2009
Consolidated statement of comprehensive income:		
Equity in earnings of affiliates	\$ 598	
Adjustment before income tax	\$ 598	
Consolidated statement of financial position:		
Investments accounted for using the equity method	\$3,420	\$2,822
Related net tax effect	(739)	(2,078)
Adjustment to retained earnings	\$4,159	\$4,900

(f) Inventories

Under IFRS, inventory should be valued using the same cost formula as long as the inventory has a similar nature and use to the Company. Under previous GAAP, the same cost formula was not applied to inventories with a similar nature and use to the Company.

The impact arising from the change is summarized as follows:

	March 31, 2010	April 1, 2009
Consolidated statement of comprehensive income:		
Cost of sales	\$ (477)	
Adjustment before income tax	\$ (477)	
Consolidated statement of financial position:		
Inventories	\$(2,168)	\$(1,864)
Related net tax effect	808	695
Noncontrolling interests	(544)	(468)
Adjustment to retained earnings	\$ (816)	\$ (701)

(g) Foreign currency translation

The Company has elected the exemption to adjust the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS.

The impact arising from the change is summarized as follows:



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
March 31, 2011 and 2010 and April 1, 2009 (In Thousands of U.S. Dollars)

The impact arising from these changes is summarized as follows:

	March 31, 2010	April 1, 2009
Consolidated statement of comprehensive income:		
Adjustment before income tax	\$ —	
Consolidated statement of financial position:		
Translation reserves	\$28,948	\$28,948
Related net tax effect	14,168	14,168
Adjustment to retained earnings	<u>\$43,116</u>	<u>\$43,116</u>

(h) Deferred tax assets and liabilities

The above changes increased (decreased) deferred tax assets and liabilities as follows based on a tax rate of 40%, except for revisions related to associate companies where deferred tax liabilities for undistributed earnings was calculated using a tax rate between 7% and 10.5%:

	March 31, 2010	April 1, 2009
Deferred tax asset noncurrent:		
Note a	\$40,998	\$43,696
Note b	19,661	—
Note d	1,787	1,284
Note f	808	695
Total deferred tax asset noncurrent change	<u>\$63,254</u>	<u>\$45,675</u>
Deferred tax liability noncurrent:		
Note a	\$(5,664)	\$(5,634)
Note d	(12)	(12)
Note e	(739)	(2,078)
Note g	14,168	14,168
Total deferred tax liability noncurrent change	<u>\$ 7,753</u>	<u>\$ 6,444</u>

(i) Deferred tax asset current – net presentation

In accordance with IAS 1 *Presentation of Financial Statements*, deferred tax assets and liabilities are to be presented as noncurrent on a classified statement of financial position.

The impact arising from the change is summarized as follows:

	March 31, 2010	April 1, 2009
Consolidated statement of financial position:		
Deferred tax asset current	\$ (55,906)	\$ (79,318)
Deferred tax asset noncurrent	55,906	79,318
Adjustment to retained earnings	<u>\$ —</u>	<u>\$ —</u>

(j) Deferred tax asset non-current – net presentation

In accordance with IAS 12 *Income Taxes*, the offsetting of deferred tax assets and deferred tax liabilities on the statement of financial position is acceptable.

The impact arising from the change is summarized as follows:

	March 31, 2010	April 1, 2009
Consolidated statement of financial position:		
Deferred tax asset noncurrent	\$ (119,254)	\$(125,070)
Deferred tax liability noncurrent	(119,254)	(125,070)
Adjustment to retained earnings	<u>\$ —</u>	<u>\$ —</u>

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of Sumitomo Corporation of America

We have audited the accompanying consolidated statements of financial position of Sumitomo Corporation of America (an indirect wholly owned subsidiary of Sumitomo Corporation) and subsidiaries (collectively, the Company) as of March 31, 2011 and 2010 and April 1, 2009 and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended March 31, 2011 and 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Corporation of America and subsidiaries as of March 31, 2011 and 2010 and April 1, 2009, and the results of their operations and their cash flows for the years ended March 31, 2011 and 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

New York, NY
June 30, 2011

MAJOR BUSINESSES

Services	Business Groups	Major Subsidiaries and Affiliated Companies	
<p>SCOA provides North American clients with a unique suite of services. We assist our clients in the implementation of their strategic domestic and international growth plans. Demonstrated core competencies are:</p> <ul style="list-style-type: none"> • Domestic and International Trade • Import and Export Expertise • Supply-Chain Management, Logistics and Insurance • Investments and Joint Ventures • Financing Capabilities • Project Management • Distribution • Research and Marketing • Technology Transfer • Leasing 	Chemicals and Electronics	Diversified CPC International, Inc. Channahon, IL The Hartz Mountain Corporation Secaucus, NJ	Cantex, Inc. Fort Worth, TX
	Living-Related Business	TBC Corporation Palm Beach Gardens, FL SCOA Residential, LLC New York, NY 1750 K Street LLC Washington, D.C. 123 Mission, LLC San Francisco, CA	Atlantic Hills Corporation Atlanta, GA 201 Biscayne, LLC Miami, FL HF Lakeside II LLC Tempe, AZ
	Machinery & Power	Perennial Power Holdings, Inc. New York, NY Stanton Wind Energy, LLC Chicago, IL Summit Motor Management Costa Mesa, CA	SMS International Corporation Rosemont, IL SMS Construction and Mining Systems, Inc. Mississauga, ON Wolverine Assemblies, LLC Wixom, MI
	Mineral Resources & Energy	Pacific Summit Energy LLC The Woodlands, TX Summit Discovery Resources, LLC Houston, TX	SC Minerals America, Inc. Denver, CO Summit Discovery Resources II, LLC Houston, TX
	Steel and Non-Ferrous Metal	SteelSummit Holdings Inc. Nashville, TN SteelSummit International, Inc. New York, NY Summit Stainless Steel, LLC North Brunswick, NJ Katana Summit, LLC Columbus, NE Leavitt Tube Company, LLC Chicago, IL	Servilamina Summit Mexicana, S.A. de C.V. Querétaro, QRO, Mexico Arkansas Steel Associates, LLC Newport, AR International Crankshaft, Inc. Georgetown, KY SMI Crankshaft, LLC Fostoria, OH AMTB Summit, S. de R.L. de C.V. Silao Guanajuato, Mexico
	Tubular Products	Global Stainless Supply, Inc. Houston, TX Pipeco Services, Inc. Houston, TX Premier Pipe, LLC Houston, TX Eryngium Limited (HOWCO Group) Glasgow, Scotland	Tubular Solutions Alaska, LLC Anchorage, AK Unique Machine, LLC Anchorage, AK V&M Star, LP Houston, TX VAM USA Houston, TX
	Other Businesses	Sumisho Global Logistics (USA) New Hyde Park, NY Oxford Finance Corporation Alexandria, VA	Sumitomo Canada Limited Toronto, Ontario Sumitomo Corporation de Mexico S.A. de C.V. Mexico City, Mexico

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