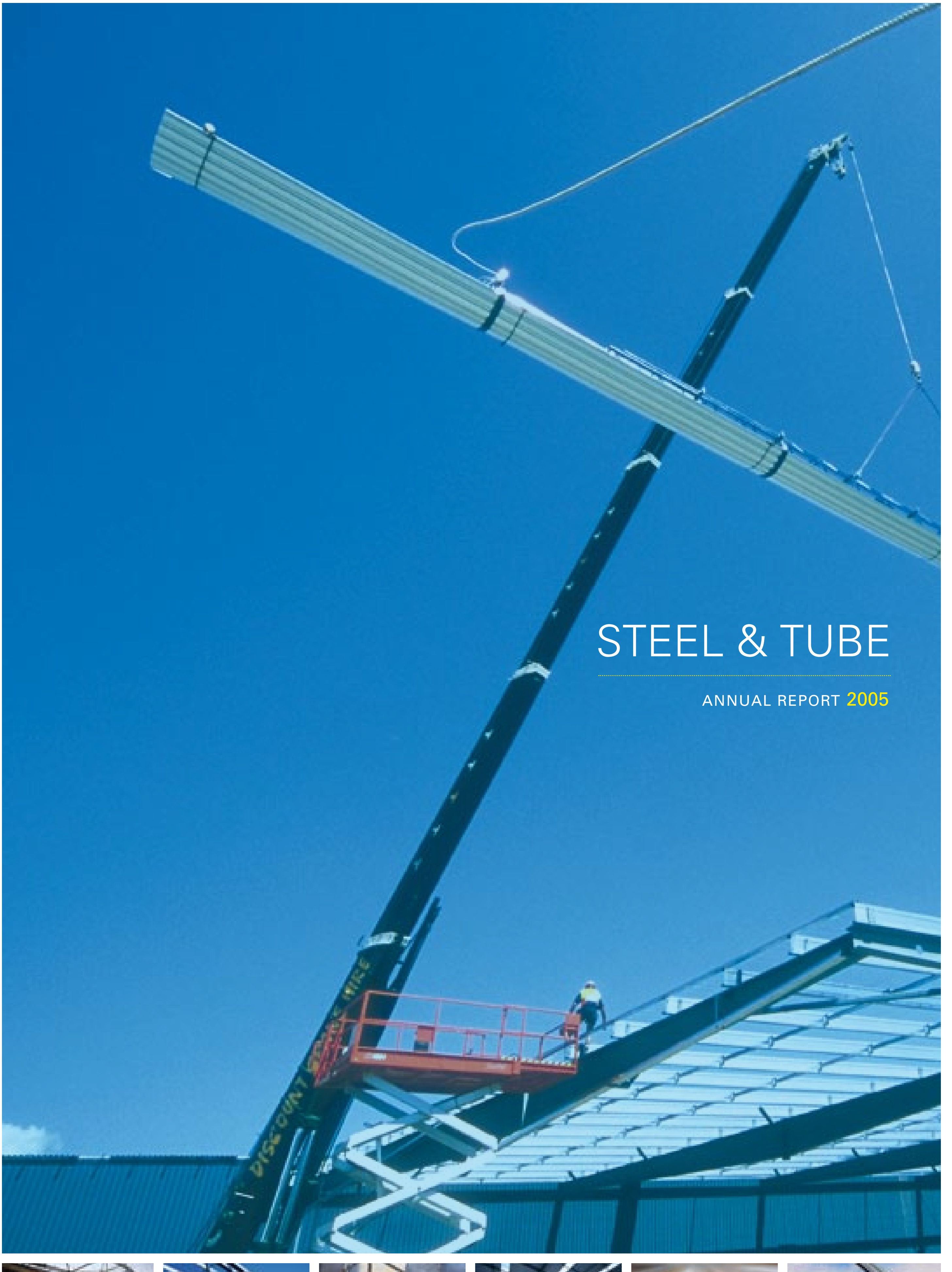
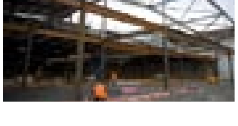
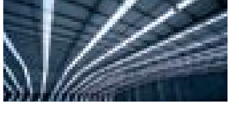
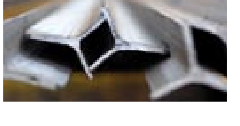
STEEL & TUBE

ANNUAL REPORT 2005









STEEL & TUBE HOLDINGS LIMITED

HIGHLIGHTS 2005

RECORD PROFIT

Increase of 27% – in EBIT to $58 million and net profit to $36 million

SHAREHOLDERS' RETURNS INCREASED

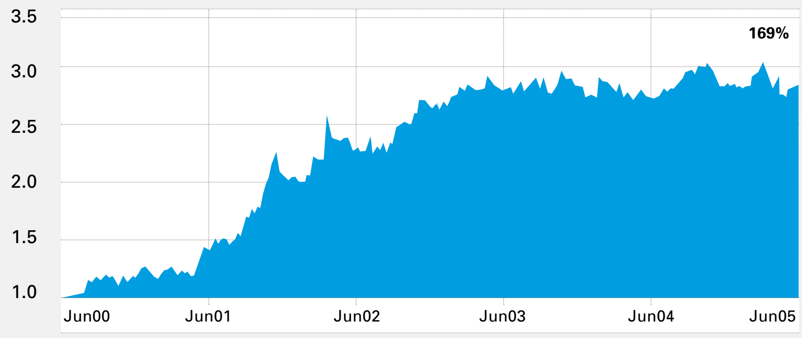
- earnings per share increase of 27% to 41 cents
- ordinary dividends per share increased by 5 cents to 32 cents
- return on equity 26.8% up from 22.7%

SAFETY RECORD

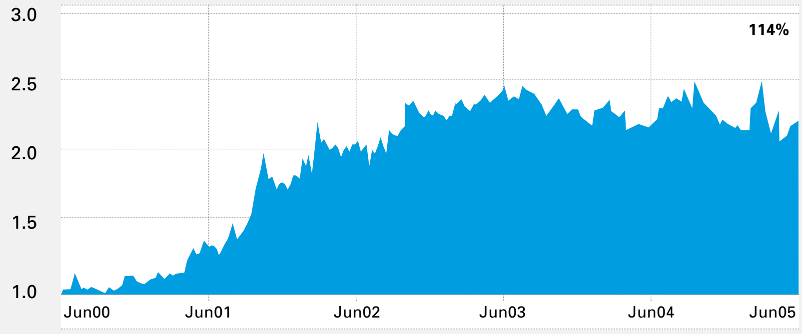
- zero lost time injuries for the year
- Hurricane Wire Products awarded the COMPETENZ Workplace Safety Award for 2004

CONTENTS

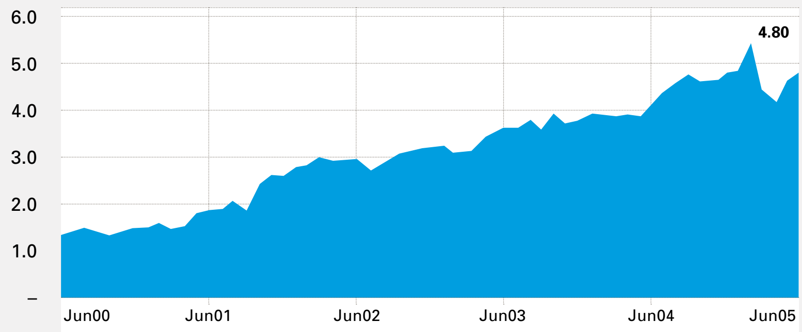
STEEL & TUBE (GROSS) VS NZSX 50 INDEX
Relative Performance

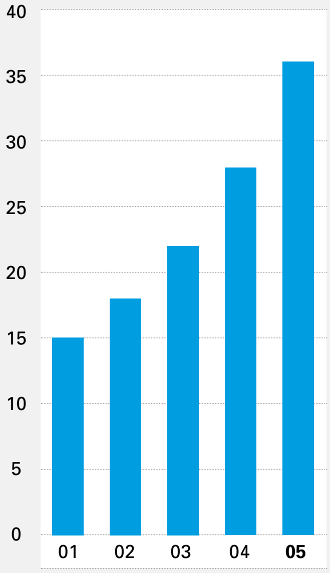


STEEL & TUBE (GROSS) VS NZSX SMALL CAP INDEX
Relative Performance

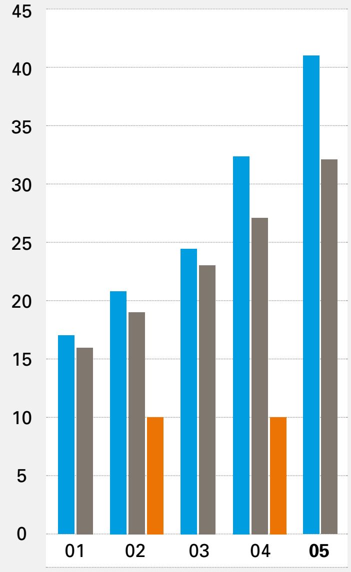


STEEL & TUBE SHARE PRICE



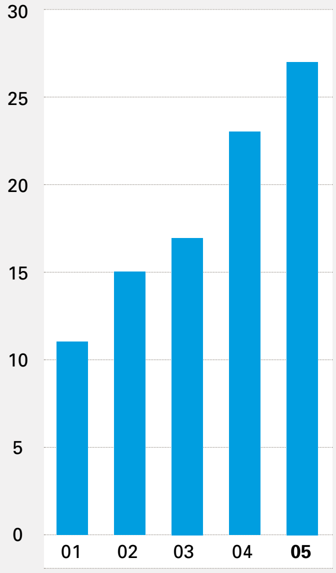


PROFIT AFTER TAX $M



DIVIDENDS AND EARNINGS PER SHARE (CENTS)

EPS DPS Special dividend



RETURN ON EQUITY %

STEEL & TUBE HOLDINGS LIMITED

BOARD OF DIRECTORS

QUEENSGATE

Pictured top and bottom far right – sectional view of the Westfield Limited redevelopment of Queensgate Shopping Centre in Lower Hutt. 2,320 tonnes of structural steel sections and purlins were supplied to sub-contractor Dixon & Haddon Steel Construction Limited by the Distribution and Processing operations. Pictured from left – Mike Sullivan of Dixon & Haddon with Jon Gousmett, Steel Distribution & Processing's Northern Region GM.

Dean Pritchard | Chairman and Non-independent Director

Appointed a Director and elected as Chairman on 20 May 2005, Mr Pritchard BE, FIE Aust, CP Eng, FAICD, is also Chairman of ICS Global Limited and a Director of Zinifex Limited, OneSteel Limited and Eraring Energy. He was previously Chief Executive Officer of Baulderstone Hornibrook.

Nick Calavrias | CEO and Non-independent Director

In September 1990 Mr Calavrias was appointed Executive Director following the acquisition of the Acorn Pacific Corporation Group of which he was Managing Director. He was appointed Chief Executive Officer of the Group from 1 July 1991 and is a Director of all subsidiary companies of Steel & Tube Holdings Limited. Mr Calavrias is a member of the Institute of Directors, the New Zealand Business Roundtable and a Fellow of the New Zealand Institute of Management. He is a Director of Rangatira Limited and Contract Resources Limited.

Barry Dineen | Independent Director

Appointed a Director in 1994, Mr Dineen was formerly Chairman and Managing Director of the Shell Companies in New Zealand. He is currently a Director of Todd Corporation Limited, Rangatira Limited, Tecpak Industries Limited, Heller Tasty Limited and Contract Resources Limited. He is Chairman of the New Zealand Business & Parliament Trust and Past President of the Institute of Directors in New Zealand.

Dr Eileen Doyle | Non-independent Director

Appointed a Director on 15 July 2005, Dr Doyle Ph.D, FAICD is also Chair of Port Waratah Coal Services and a Director of State Super Financial Services, OneSteel Limited and Ross Human Directors Limited.

Ian Lindsay | Independent Director

Appointed a Director on 15 February 2001, Mr Lindsay was formerly Director of Finance Asia Pacific for the BOC Group plc. Prior to this he had been Chairman and Managing Director of BOC Gases New Zealand Limited. He is currently a Director of Liquigas Limited and Prime Finance Limited.

Tony Reeves | Non-independent Director

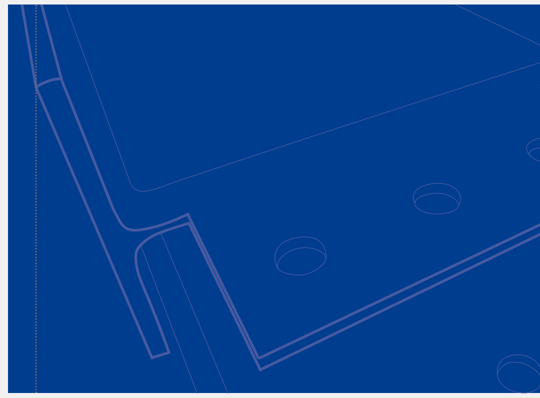
Appointed a Director in November 2001, Mr Reeves is Chief Financial Officer of OneSteel Limited. He was formerly Chief Financial Officer of Orica's worldwide explosives business and prior to that Director Finance and Information Technology for ICI's international polyester business.

Tony Candy | Company Secretary

Mr Candy was appointed Company Secretary and Chief Financial Officer in February 1992, and is a Director of all subsidiary companies of Steel & Tube Holdings Limited. He joined the Company as Financial Controller of the Merchandising Division in 1988.

STEEL & TUBE HOLDINGS LIMITED

DIRECTORS' REPORT



RESULTS

The financial result for the year was an after tax profit of $36.06 million. This compares favourably with the $28.46 million recorded in the previous year.

DIVIDENDS

Directors have declared a fully imputed dividend of 17 cents per share payable on 9 September 2005 to holders of fully paid ordinary shares registered at 2 September 2005. The amount payable is $14.97 million. The total dividends for the year of 32 cents per share compares favourably to the previous year's ordinary dividends of 27 cents per share, resulting in an increase of 18.5%. The previous year's special dividend of 10 cents per share has been excluded for the purpose of comparison.

FINANCIAL POSITION

Shareholders' equity of $134.7 million compares to $125.2 million the previous year. Borrowings during the year increased by $11.1 million to $43.9 million. The gearing ratio (debt:debt plus shareholders' equity) is 0.25:1. The Company continues to be in a sound position.

SHARE CAPITAL

During the year 37,000 shares in the Senior Executives' Share Scheme 1993 were paid in full for a consideration of $49,000. These shares were previously paid to 1 cent. Refer note 3 in the financial statements for details.

In August and September 2004, 50,000 shares were purchased on-market for a consideration of $228,500 by the Trustee of the Executive Share Plan 2003. Vesting of rights to these shares is subject to a performance hurdle. These shares are recognised as treasury stock in the financial statements. There are no Directors, including the Chief Executive Officer, participating in this plan. Refer notes 4 and 14b in the financial statements for details.

AUDITORS

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

DIRECTORS

Bob Every resigned from the Board in May 2005 and Rob Freeman in July 2005. Their dedicated service and contribution to the Company are acknowledged.

Bob was an Executive Director and Chief Executive Officer in the period from 1988 to 1991. He has been a Non-executive Director since 1991 and was elected Chairman in 1996. During this time he made a significant contribution to Steel & Tube's consistent commercial success.

The Directors present the annual report and financial statements of the Company and its subsidiaries for the year ended 30 June 2005.

In accordance with the Company's Constitution Ian Lindsay will retire by rotation and, being eligible, offers himself for re-election. OneSteel nominees, Bob Every and Rob Freeman, were replaced by Dean Pritchard and Eileen Doyle respectively and will be offered for election.

PERSONNEL

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

Dean Pritchard	**Nick Calavrias**
Chairman	Chief Executive Officer
15 August 2005	

THE GATE D3

Steel & Tube Distribution supplied 233 tonnes of structural steel and purlins to Auckland Steel 2000 Limited for the construction of the Gate D3 in Penrose, Auckland. Haydn and Rollett Construction Limited was the main contractor.

OUTGOING DIRECTORS

Bob Every

Chairman 1996-2005.

Non-executive Director 1991-2005.

Executive Director and CEO 1988-1991.

Rob Freeman

Non-executive Director 2001-2005.

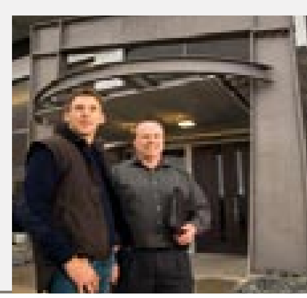
STEEL & TUBE HOLDINGS LIMITED

REVIEW OF **OPERATIONS**

AUCKLAND STEEL

Pictured top and bottom right – the purpose-built Auckland Steel 2000 Limited premises at Wiri, Auckland. 586 tonnes of structural steel and purlins were supplied by the Distribution & Processing operations with the cladding and roof supplied by the Roofing Division.

Pictured far right, from left – Tim Watkins of Auckland Steel with Distribution's Auckland Area Sales Manager John Leach.



Standing from left:
Roger O'Neill
GM, Reinforcing & Fabrication
Mark Winnard
GM, Roofing Products
Jim Peterson
GM, Piping Systems
Stuart Spittle
GM, Hurricane Wire Products
Terry Carter
GM, Fastening Systems
Jon Gousmett
GM, Northern Region
Steel Distribution & Processing

Seated from left:
Graham Purvis
GM, Central & Southern Region
Steel Distribution & Processing
Nick Calavrias
CEO Steel & Tube Holdings Ltd
Executive GM
Steel Distribution & Processing
Tony Candy
Company Secretary and
Chief Financial Officer

Against the backdrop of what has been a tumultuous year in the steel industry, the Company achieved another record profit result.

Sales increased by $50.19 million, or 12.9%, to $437.98 million while net profit after tax of $36.06 million was an improvement of $7.6 million or 26.7%, when compared with the previous year.

Earnings per share increased by 8.7 cents to 41 cents. A final dividend of 17 cents per share was declared, which together with the interim dividend, amounted to 32 cents for the year. This represents a net profit payout ratio of 78%.

The Company earned a very creditable return of 26.8% after tax on shareholders' funds.

MARKET CONDITIONS

Global steel demand, led by China's economic expansion, caused shortages of some key steel products during the year. This, in conjunction with an increase in the input costs for steelmakers, had the effect of driving up prices to levels not seen for many years.

The economy on the domestic front was more buoyant than expected with high employment rates and relatively low interest rates continuing to assist strong consumer spending throughout the year.

Although consents for the construction of new residential housing were less than the previous year, total construction grew substantially on the back of a 30% increase in commercial construction activity.

Manufacturers were adversely affected by the strength of the New Zealand dollar, as was the rural sector.

Overall, however, the demand for the Company's goods and services was similar to last year with revenue growth mainly attributable to raw material price increases.

OPERATIONS

Demand for **Steel Distribution and Processing's** goods and services remained relatively strong throughout the year, assisting the Division to post a record profit.

Volume, however, was comparable to the previous period as disruptions in the supply chain, brought about by the rapid increase in world demand for steel products, restricted growth.

This disruption caused the price of replacement inventory to escalate, and order lead times to lengthen, with supply of some products being allocated for part of the year by steel producers in the Australasian and Asian regions.

The Division's response was to withdraw from the high volume, low margin export business to the Pacific Islands for a period of time, and to be more selective in the mix of products sold on the domestic market.

STEEL & TUBE HOLDINGS LIMITED

REVIEW OF **OPERATIONS**

CONTINUED

Demand from the commercial construction sector for our goods and services grew as the construction of new factories and steel-framed buildings intensified. This was offset by a decline in the manufacturing and rural sectors.

Energy and infrastructure projects once again assisted the Piping Systems business to post improved results. The Fastening operations ended the year at similar levels to last year.

The **Roofing Products** operations continued to benefit from the strong demand in the housing sector, which was more resilient than expected, and the continued growth in the light commercial sector. These factors, together with the buoyant re-roof market, contributed to the Division posting a record profit.

A strong forward order commitment at the commencement of the year, growth in infrastructure spending, and a buoyant construction sector, allowed the **Reinforcing and Fabrication Division** to increase its volumes and to post a profit result considerably ahead of last year.

Hurricane Wire Products was unable to repeat last year's excellent result due in part to the large price increases it had encountered for its raw materials near the end of the previous financial year. The timing and quantum of these price increases resulted in customers bringing forward some of their requirements, which had the effect of reducing the volume of orders placed in the first quarter of the financial year. In addition to this, the Hurricane Division was unable to recover the full effect of the raw material price increases.

INVENTORY

Inventory values increased by $24 million compared with the prior year as a result of the substantial increase in the price of steel, coupled with the higher volumes on hand at year-end.

To ensure continuity of supply to our customers, inventory volumes were increased during the year to combat the uncertainty of supply and to smooth out any disruptions to the supply chain. The success of this strategy is reflected in the higher returns obtained.

As the disruption to the supply chain has now eased, we have embarked on a process to reduce the volume on hand to more normal levels.

HEALTH AND SAFETY

For the year under review the Company achieved its target of zero lost time work injuries and Hurricane Wire Products was awarded the COMPETENZ Workplace Safety Award for 2004.

The strong focus on making the workplace safer and on reducing the number of work-related injuries has enabled the Company to achieve and maintain world-class results these past few years. This commitment is shared with our employees who participate in training, identification of hazards, auditing, and the development of safe work procedures.

Record after tax profit of $36.06 million was an improvement of $7.6 million or 26.7% compared with the previous year.

KIWI ROOFING

Top and middle left – a load of ST900 profile roofing sheets leaving Steel & Tube Roofing's Auckland warehouse enroute to Kiwi Roofing for the installation of Bunnings' retail store in East Tamaki, Auckland.

Middle right – unloading of roofing sheets, supplied by Roofing Division, on the purlins framed structure (supplied by Steel Distribution) at the Watercare building in Auckland. The building was developed by Euroclass and installed by Kiwi Roofing.

Pictured right, from left – Roofing Division's Auckland Branch Manager, Stuart Hill and Paul Connell of Kiwi Roofing.

STEEL & TUBE HOLDINGS LIMITED

REVIEW OF **OPERATIONS**

CONTINUED

POST YEAR-END

The Company made a small "bolt on" acquisition and purchased the trading assets of Allrig Limited, a distributor of chain and rigging products, valued at $1.3 million. This acquisition will form the basis for further growth and complement our existing sales for this product range within the Steel Distribution business.

OUTLOOK

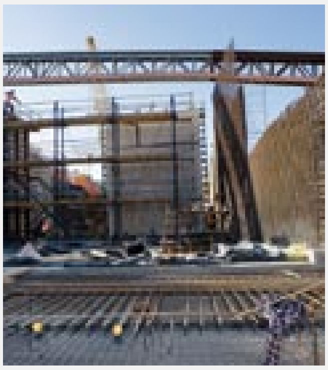
After four years of strong economic growth averaging approximately 4% p.a., the rate of growth for the New Zealand economy is slowing.

Although net migration has reduced considerably recently, easing demand for new housing, consumer spending is still strong assisted by the low rate of unemployment.

Spending in the commercial construction and infrastructure sectors remains at record levels, with the expectation that this level of spending will remain strong for some time.

The manufacturing and rural sectors have continued to suffer as the appreciating New Zealand dollar adversely affected incomes. However, the currency is expected to weaken, which will provide some timely assistance.

Taking the above factors into consideration, and providing that there is no significant change to the economy or further volatility in international steel prices, there is an expectation that the Company will be able to post another solid result next year.



BYPASS

600 tonnes of fabricated reinforcing steel were supplied by the Reinforcing Division to Fulton Hogan Limited Civil for the inner city bypass currently under construction in Wellington.

Pictured opposite, top right from left – Duncan Mundell of Fulton Hogan with Roger O'Neill, GM Reinforcing Division.

For the year under review the Company achieved its target of Zero lost time work injuries and Hurricane Wire Products was awarded the COMPETENZ Workplace Safety Award for 2004.

BYPASS

STEEL & TUBE HOLDINGS LIMITED

GOVERNANCE STATEMENT

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

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

The Group's corporate governance policies and processes are regularly reviewed with the Board and committee charters last revised in February 2004. These policies and processes do not materially differ from the New Zealand Exchange listing rule on corporate governance and the Securities Commission governance principles and guidelines.

STRUCTURE AND ACTIVITIES

The Board comprises five non-executive Directors and the Chief Executive Officer. Two of the five non-executive Directors are independent Directors, namely, Barry Dineen and Ian Lindsay. The policies and guidelines for the operation of the Board are documented in the Company's Constitution, and the Board operates in accordance with the broad principles set out in its charter.

Directors schedule nine meetings each year at various Company locations to enable them to interact with management, staff and customers. Directors also meet as and when required on specific matters that arise. Presentations from general managers to the Board are also scheduled for these meetings.

Shareholders approve the aggregate amount available for Directors' fees at annual meetings with fees payable only to non-executive Directors. The Board is subject to regular performance appraisal in which appropriate strategies and action plans for improvement are agreed.

COMMITTEES

There are four standing committees within the Board to assist Directors in the execution of their responsibilities and to allow detailed consideration of complex issues. They are audit, governance and remuneration, nominations, and occupational health, safety and environment. All committee members are non-executive Directors and senior management attends by invitation.

There is a charter for each committee setting out its composition and terms of reference. The table below outlines the membership of these committees.

Non-executive Directors	Audit	Governance & remuneration	Nominations	Occupational health, safety & environment
Dean Pritchard		●	●	
Barry Dineen	●	●	●	
Eileen Doyle[1]				●
Ian Lindsay	●	●	●	●
Tony Reeves	●			

[1] Eileen Doyle was appointed a Director in July 2005.

Audit committee

The audit committee meets four times a year and its responsibilities are:

- the oversight of all matters relating to the financial accounting and reporting of the Company;
- the establishment and oversight of the risk management and control framework including the internal audit and control processes; and
- the appointment and monitoring of the performance and independence of the external and internal auditors.

Governance and remuneration committee

The main duties of the governance and remuneration committee are to review the governance policies and processes adopted, the remuneration of non-executive Directors, the remuneration packages of the Chief Executive Officer and senior executives, and the provision of advice to the Board on incentive performance packages and succession planning.

Nominations committee

The nominations committee is responsible for the review of the Board composition to ensure an appropriate mix of expertise and experience, and the selection of suitable candidates where a vacancy exists. The establishment of a programme to monitor the performance of Directors is also with this committee.

Occupational health, safety and environment committee

The responsibilities of the members of the occupational health, safety and environment committee are to review the adequacy of management systems and processes relating to compliance with statutory regulations and best practice codes, and other significant issues with respect to health, safety and the environment.

RISK MANAGEMENT AND LEGAL COMPLIANCE

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

SHAREHOLDER RELATIONS

Shareholders are responsible for voting on the appointment of Directors. The Board aims to ensure that shareholders are properly informed of all major developments affecting the business activities of the Group. Information is communicated in interim and annual reports, notices and announcements to the New Zealand Exchange, and at annual meetings. The Company has a website www.steelandtube.co.nz where announcements, notices and financial reports are posted.

STEEL & TUBE HOLDINGS LIMITED

STATUTORY INFORMATION

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

INTERESTED TRANSACTIONS

All transactions conducted by the Group with OneSteel Limited are related party transactions with details provided in note 19 of the financial statements.

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

REMUNERATION OF DIRECTORS

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2005 were:

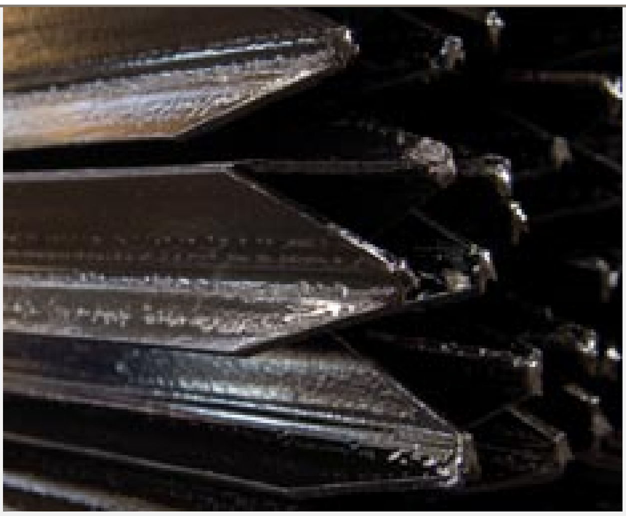
DIRECTORS	$000
N Calavrias	961[1]
B M J Dineen	44
R L Every	78[2]
R W Freeman	44
I K Lindsay	44
D A Pritchard	10
A J Reeves	44

[1] The remuneration for Mr Calavrias includes a $129,000 apportionment of a long-term incentive plan. This has not been paid but may be payable if certain performance hurdles are achieved over three-year periods.

[2] Dr Every resigned from the Board in May 2005.

USE OF COMPANY INFORMATION

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



REMUNERATION OF EMPLOYEES

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2005 were within the following bands:

Remuneration range $000	Number of employees
100 – 110	9
110 – 120	10
120 – 130	6
130 – 140	8
150 – 160	1
160 – 170	1
170 – 180	2
200 – 210	1
240 – 250	3
270 – 280	1
280 – 290	1
330 – 340	1

WARATAHS

Pictured above left – process worker Dan Wilson overseeing the bundling of Waratahs.

Pictured above right – black enamel-coated Waratah produced in the factory at Christchurch awaiting distribution.

Pictured below from left – Manager of the Waratah operation Andrew Riley with Alan Malaquin, Hurricane Division's Technical Services Manager.

DIRECTORS' SHAREHOLDING

	At 30 June 2005			At 30 June 2004		
	Beneficial	Non-beneficial	Associated Person	Beneficial	Non-beneficial	Associated Person
N Calavrias	190,000[1]	65,600[2]	775,000	440,000[1]	154,400[2]	525,000
B M J Dineen	40,000	65,600[2]	–	40,000	154,400[2]	–
R W Freeman	2,000	–	44,504,814[3]	2,000	–	44,504,814[3]
I K Lindsay	20,000	–	–	20,000	–	–
D A Pritchard	–	–	44,504,814[3]	–	–	–
A J Reeves	4,000	–	44,504,814[3]	4,000	–	44,504,814[3]

1 Comprise 190,000 shares paid to 1 cent held under the Senior Executives' Share Scheme 1993 at 30 June 2005. Partly paid shares do not have dividend or voting entitlements until fully paid. At 30 June 2004, 250,000 fully paid shares were held beneficially and subsequently transferred on 3 March 2005 to associated persons for a consideration of $1,225,000.

2 Shares held as trustees of the Employee Share Purchase Scheme 1983.

3 Messrs Freeman, Reeves and Pritchard are associated persons of OneSteel Limited by virtue of their positions as Directors or employees of certain of its related companies.

STEEL & TUBE HOLDINGS LIMITED

SHAREHOLDER INFORMATION

AT 3 AUGUST 2005

CENSUS OF SHAREHOLDERS

Size of holdings	Number of holders	Number of shares	% of issued shares
1 to 999	2,104	891,254	1.01
1,000 to 4,999	4,016	9,082,946	10.26
5,000 to 9,999	1,219	7,702,477	8.70
10,000 to 49,999	956	15,910,289	17.97
50,000 +	65	54,942,274	62.06
	8,360	88,529,240	100.00

TOP TWENTY SHAREHOLDERS

Tubemakers of New Zealand Limited	44,504,814	50.27
Accident Compensation Corporation*	1,972,614	2.23
Nicholas Calavrias & Mariana Calavrias & Leonidas Angelo Gambitsis	775,000	0.88
TEA Custodians Limited – o/a TEAC40*	580,325	0.66
Forbar Custodians Limited – PPM Medium a/c	484,211	0.55
Citibank Nominees (New Zealand) Limited*	469,427	0.53
Forbar Custodians Limited – PPM Low a/c	324,749	0.37
Guardian Trust Investment Nominees (RWT) Limited*	294,269	0.33
First NZ Capital Custodians Limited	251,767	0.28
Custodial Services Limited – a/c 3	245,414	0.28
Custodial Services Limited – a/c 9 MDZ	215,099	0.24
Asset Custodian Nominees Limited	212,001	0.24
Dorothy Izabella Plenzler & Leszek Andrzes Plenzler & Lynne Reindler Trustees Limited	212,000	0.24
National Nominees New Zealand Limited*	165,000	0.19
Regent Holdings Limited	162,000	0.18
AMP Superannuation Tracker Fund*	158,133	0.18
James Michael Hannan & Helen Anne Hannan & Neville Gordon Low	140,000	0.16
Graham Coutts Nevill	120,000	0.14
Custodial Services Limited – a/c 2	117,750	0.13
ANZ Nominees Limited*	107,718	0.12
	51,512,291	58.19

* Shares held in New Zealand Central Securities Depository (NZCSD)

SUBSTANTIAL SECURITY HOLDER

In accordance with section 26 of the Securities Amendment Act 1988, the following shareholder is a substantial security holder of the voting securities in the Company at 3 August 2005.

Tubemakers of New Zealand Limited	44,504,814 shares

Issued shares in the Company comprise:

Ordinary shares fully paid	88,055,240
Senior executives' shares paid to 1 cent (no voting rights)	474,000
	88,529,240

STEEL & TUBE HOLDINGS LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS 2005

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STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

		Group		Parent	
	Notes	**2005 $000**	2004 $000	**2005 $000**	2004 $000
Sales		**437,979**	387,787	**437,979**	387,787
Earnings before interest and tax	1	**58,106**	45,777	**58,109**	45,767
Interest income		**114**	101	**114**	101
Interest expense		**(2,962)**	(1,902)	**(2,962)**	(1,902)
Profit before tax		**55,258**	43,976	**55,261**	43,966
Tax expense	2	**(19,196)**	(15,514)	**(19,196)**	(15,506)
Profit after tax		**36,062**	28,462	**36,065**	28,460

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2005

		Group		Parent	
	Notes	**2005 $000**	2004 $000	**2005 $000**	2004 $000
Net profit for the year		**36,062**	28,462	**36,065**	28,460
Share capital	3	**49**	251	**49**	251
Employee share scheme on consolidation		**–**	25	**–**	–
Treasury stock	4	**(271)**	(220)	**–**	–
Dividends paid	5	**(26,372)**	(29,883)	**(26,407)**	(29,893)
Movements during the year		**9,468**	(1,365)	**9,707**	(1,182)
Equity at beginning of year		**125,232**	126,597	**125,462**	126,644
Equity at end of year		**134,700**	125,232	**135,169**	125,462

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2005

	Notes	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
Equity					
Share capital	3	**69,933**	69,884	**69,933**	69,884
Treasury stock	4	**(491)**	(220)	**–**	–
Retained earnings		**65,258**	55,568	**65,236**	55,578
		134,700	125,232	**135,169**	125,462
Non-current liabilities	6	**10,000**	5,000	**10,000**	5,000
Current liabilities					
Borrowings	7	**33,890**	27,743	**33,945**	27,798
Payables and accruals	8	**36,777**	33,594	**36,777**	33,594
		70,667	61,337	**70,722**	61,392
		215,367	191,569	**215,891**	191,854
Non-current assets					
Property, plant and equipment	9	**40,205**	40,515	**39,827**	40,137
Future income tax benefit	10	**4,254**	3,636	**4,254**	3,636
Goodwill	11	**16,934**	19,556	**16,934**	19,556
Investments	12	**–**	–	**1,008**	927
		61,393	63,707	**62,023**	64,256
Current assets					
Inventories		**76,960**	55,520	**76,960**	55,520
Receivables and prepayments	13	**77,014**	72,342	**76,908**	72,078
		153,974	127,862	**153,868**	127,598
		215,367	191,569	**215,891**	191,854

These financial statements and the accompanying notes were authorised by the Board on 15 August 2005.

For the Board

DEAN PRITCHARD
CHAIRMAN

NICK CALAVRIAS
CHIEF EXECUTIVE OFFICER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
Net cash flows from/(used in) operating activities					
Customer receipts		433,668	379,117	433,668	379,117
Interest receipts		114	101	114	101
Suppliers and employees payments		(390,219)	(332,393)	(390,374)	(332,139)
Income tax payments		(19,897)	(15,667)	(19,897)	(15,667)
Interest payments		(2,962)	(1,902)	(2,962)	(1,902)
		20,704	29,256	20,549	29,510
Net cash flows from/(used in) investing activities					
Property, plant and equipment disposals		320	377	320	377
Capital return from subsidiary		–	–	–	19,977
Advances to subsidiaries		–	–	(81)	(20,471)
Employee share scheme		–	25	–	–
Treasury stock purchases	4	(271)	(220)	–	–
Property, plant and equipment purchases		(5,577)	(5,307)	(5,577)	(5,307)
		(5,528)	(5,125)	(5,338)	(5,424)
Net cash flows from/(used in) financing activities					
Borrowings		5,000	–	5,000	–
Share capital		49	251	49	251
Dividend payments to majority shareholder		(13,377)	(15,142)	(13,377)	(15,142)
Dividend payments to other shareholders		(12,995)	(14,741)	(13,030)	(14,751)
		(21,323)	(29,632)	(21,358)	(29,642)
Decrease in cash		(6,147)	(5,501)	(6,147)	(5,556)
Cash at beginning of year		(22,743)	(17,242)	(22,798)	(17,242)
Cash at end of year comprises overdraft/call borrowings	7	(28,890)	(22,743)	(28,945)	(22,798)
Reconciliation of profit after tax to net cash inflows from operating activities					
Profit after tax		36,062	28,462	36,065	28,460
Classified as investing/financing activities:					
Gain on property, plant and equipment disposals		(173)	(58)	(173)	(58)
Non-cash items:					
Depreciation		5,740	5,635	5,740	5,635
Goodwill amortisation		2,622	2,770	2,622	2,770
Future income tax benefit		(618)	(313)	(618)	(321)
		7,744	8,092	7,744	8,084
Working capital movements:					
Provision for tax		(83)	161	(83)	161
Receivables and prepayments		(4,589)	(9,487)	(4,747)	(9,223)
Payables and accruals		3,183	2,671	3,183	2,671
Inventories		(21,440)	(585)	(21,440)	(585)
		(22,929)	(7,240)	(23,087)	(6,976)
Net cash inflows from operating activities		20,704	29,256	20,549	29,510

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2005

Reporting entities

Steel & Tube Holdings Limited is registered under the Companies Act 1993 and is an issuer on the New Zealand Stock Exchange for the purposes of the Financial Reporting Act 1993. The Group comprises Steel & Tube Holdings Limited and its subsidiaries.

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

Measurement base

The financial statements have been prepared using the historical cost method, modified by the revaluation of land and buildings.

Accounting policies

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

(a) Consolidation basis

Consolidated financial statements are prepared from the accounts of the Parent and subsidiaries using the purchase method, and all significant intercompany transactions are eliminated. Treasury stock represents shares in the Company that are held by subsidiaries, and dividends received from these shares are reduced from dividends paid to shareholders.

(b) Goodwill

Goodwill is represented by the excess of cost over the fair value of the acquired net assets and amortised over 10 years.

(c) Property, plant and equipment

The cost of purchasing property, plant and equipment is the value of the consideration given to acquire the assets plus the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended use.

Land and buildings were revalued in 1991 to 90% of market value with subsequent property purchases carried at cost.

(d) Depreciation

Depreciation on property, plant and equipment is charged on a straight line basis to allocate the cost or valuation over their estimated useful lives. Land and capital work in progress are not depreciated. Estimated useful lives are as follows:

Buildings	average 50 years
Leasehold improvements	3 to 10 years
Plant and machinery	3 to 10 years
Motor vehicles	4 to 8 years
Equipment, furniture and fittings	2 to 10 years

(e) Investments

Investments in subsidiaries are revalued to reflect the Parent Company's share of the net underlying assets.

(f) Inventories

Stock is valued at the lower of cost and net realisable value. Cost is established principally on the average cost method which approximates actual cost determined on a first in first out basis. Processed stock and work in progress are valued at direct costs of labour, materials and overheads. Full provision is made for all defective, obsolete and slow moving stock.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2005

(g) Debtors

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

(h) Taxation

Deferred tax is calculated using the liability method. Tax charged against profit is the estimated total liability in respect of that profit and based on the current company tax rate after allowance for permanent differences. Timing differences between accounting and taxable income are recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax.

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

(i) Lease commitments

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

(j) Foreign currencies

Transactions covered by forward foreign currency contracts are translated at the exchange rate specified in those contracts. Other foreign currency transactions are translated at the exchange rates at the dates of the transactions. Foreign currency monetary assets and liabilities at balance date are translated at the balance date exchange rate. Gains and losses from these transactions are included in the Statement of Financial Performance.

(k) Financial instruments

Recognised

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

Unrecognised

Forward foreign currency contracts designated as hedges of foreign exchange assets and liabilities are valued at exchange rates prevailing at balance date. Unrealised gains or losses are offset against the related asset or liability.

(l) Goods and Services Tax (GST)

The Statement of Financial Performance and the Statement of Cash Flows are reported exclusive of GST. All items in the Statement of Financial Position are stated exclusive of GST except for receivables and payables, which are GST inclusive.

(m) Statement of Cash Flows

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

(i) Cash is cash on hand, call deposits and borrowings, bank current accounts, and overdrafts.
(ii) Investing activities relate to the acquisition, holding and disposal of property, plant and equipment, and investments. Investments include securities not falling within the definition of cash.
(iii) Financing activities relate to the size and composition of the Group's capital structure and include both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in these activities.
(iv) Operating activities include all transactions that are not investing or financing activities.

Changes in accounting policies

There have been no changes in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

1. Earnings before interest and tax (EBIT)

EBIT is reported after charging/(crediting):

		Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
Depreciation	– buildings	**384**	375	**384**	375
	– leasehold improvements	**142**	169	**142**	169
	– motor vehicles	**911**	831	**911**	831
	– equipment, furniture and fittings	**1,688**	1,618	**1,688**	1,618
	– plant and machinery	**2,615**	2,642	**2,615**	2,642
		5,740	5,635	**5,740**	5,635
Goodwill amortisation		**2,622**	2,770	**2,622**	2,770
Auditors' remuneration	– audit services	**171**	171	**171**	171
	– other assurance services	**25**	74	**25**	74
Bad debts written off		**278**	229	**278**	229
Doubtful debts provision		**(339)**	–	**(339)**	–
Directors' fees		**264**	228	**264**	228
Donations		**10**	6	**10**	6
Property, plant and equipment disposals		**(173)**	(58)	**(173)**	(58)
Rent and leasing costs		**5,488**	5,276	**5,488**	5,276

2. Tax expense

	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
Profit before tax	**55,258**	43,976	**55,261**	43,966
Permanent differences	**2,913**	3,070	**2,910**	3,080
Taxable income	**58,171**	47,046	**58,171**	47,046
Tax at 33% (2004: 33%)	**19,196**	15,525	**19,196**	15,525
Over provided in prior year	–	(11)	–	(19)
Income tax expense	**19,196**	15,514	**19,196**	15,506
Represented by:				
Estimated current year tax assessment	**19,814**	15,827	**19,814**	15,827
Future income tax benefit	**(618)**	(313)	**(618)**	(321)
	19,196	15,514	**19,196**	15,506

Imputation credit account

	Group and Parent 2005	Group and Parent 2004
Balance at beginning of year	**5,983**	4,939
Tax payments	**17,450**	12,900
Credits attached to dividends paid	**(10,562)**	(11,856)
Balance at end of year	**12,871**	5,983

	Group		Parent	
	2005	2004	**2005**	2004
	$000	$000	**Shares**	Shares
3. Share capital				
Paid in full:				
Balance at beginning of year	**69,879**	69,626	**88,018,240**	87,868,240
Senior Executives' Share Scheme	**49**	251	**37,000**	150,000
Transfer from shares paid to 1 cent	**–**	2	**–**	–
Balance at end of year	**69,928**	69,879	**88,055,240**	88,018,240
Paid to 1 cent:				
Balance at beginning of year	**5**	7	**511,000**	661,000
Transfer to shares fully paid	**–**	(2)	**(37,000)**	(150,000)
Balance at end of year	**5**	5	**474,000**	511,000
Total issued and paid up capital	**69,933**	69,884	**88,529,240**	88,529,240

Ordinary shares rank equally, with one vote attached to each share. Shares issued and paid to 1 cent in the Senior Executives' Share Scheme 1993 do not have dividend or voting entitlements until the shares are paid in full but qualify for bonus and cash issues.

	Group only			
	$000	$000	**Shares**	Shares
4. Treasury stock				
Unallocated shares	**443**	215	**107,280**	57,280
Shares forfeited by staff	**48**	5	**16,550**	1,850
Balance at end of year	**491**	220	**123,830**	59,130

Treasury stock represents unallocated ordinary shares held by the trustees in the employees share schemes (note 14).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	Group		Parent	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
5. Dividends paid				
2005 interim – 15 cents per share (2004: 12 cents)	**13,205**	10,562	**13,205**	10,562
2004 special dividend of 10 cents per share	**–**	8,787	**–**	8,787
2004 final – 15 cents per share (2003: 12 cents)	**13,203**	10,544	**13,203**	10,544
Dividends received from treasury stock	**(35)**	(10)	**–**	–
	26,372	29,883	**26,407**	29,893

Dividends paid are fully imputed and the Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $2.4 million (2004: $2.9 million).

	Group 2005	Group 2004	Parent 2005	Parent 2004
6. Non-current liabilities				
Bank term loans	**10,000**	5,000	**10,000**	5,000

Average interest rate on the loans is 6.9% (2004: 6.2%).

	Group 2005	Group 2004	Parent 2005	Parent 2004
7. Short term borrowings				
Overdraft and call borrowings	**28,890**	22,743	**28,945**	22,798
Bank term loan due within one year	**5,000**	5,000	**5,000**	5,000
	33,890	27,743	**33,945**	27,798

The average interest rate on borrowings during the year was 6.8% (2004: 5.6%). The banks' credit facilities can be drawn at any time subject to meeting the Group's Deed of Negative Pledge conditions. Interest rates on these facilities are variable.

	Group 2005	Group 2004	Parent 2005	Parent 2004
8. Payables and accruals				
Trade creditors	**26,235**	25,288	**26,235**	25,288
Accrued expenses	**7,711**	5,963	**7,711**	5,963
Employee entitlements	**2,831**	2,343	**2,831**	2,343
	36,777	33,594	**36,777**	33,594

	Group		Parent	
	2005	2004	2005	2004
	$000	$000	$000	$000
9. Property, plant and equipment				
Freehold land				
– cost	2,795	2,795	2,795	2,795
– valuation	1,640	1,640	1,640	1,640
Leasehold land				
– valuation	162	162	81	81
	4,597	4,597	4,516	4,516
Buildings				
– cost	16,475	16,436	16,475	16,436
– accumulated depreciation on cost	(3,073)	(2,742)	(3,073)	(2,742)
– valuation	3,072	3,072	2,676	2,676
– accumulated depreciation on valuation	(852)	(798)	(753)	(699)
	15,622	15,968	15,325	15,671
Leasehold improvements				
– cost	1,416	1,389	1,416	1,389
– accumulated depreciation	(885)	(743)	(885)	(743)
	531	646	531	646
Plant and machinery				
– cost	35,612	33,961	35,612	33,961
– accumulated depreciation	(23,313)	(21,029)	(23,313)	(21,029)
	12,299	12,932	12,299	12,932
Vehicles				
– cost	5,318	4,786	5,318	4,786
– accumulated depreciation	(2,602)	(2,728)	(2,602)	(2,728)
	2,716	2,058	2,716	2,058
Equipment, furniture and fittings				
– cost	16,717	16,033	16,717	16,033
– accumulated depreciation	(13,949)	(12,554)	(13,949)	(12,554)
	2,768	3,479	2,768	3,479
Capital work in progress	1,672	835	1,672	835
Property, plant and equipment	**40,205**	40,515	**39,827**	40,137

Directors' valuation for the properties was at 31 March 1991 and they estimate that the fair values of the Group's properties are at least equal to their net book values at balance date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	Group		Parent	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
10. Future income tax benefit				
Balance at beginning of year	**3,636**	3,323	**3,636**	3,315
Tax expense transfer (note 2)	**618**	313	**618**	321
Balance at end of year	**4,254**	3,636	**4,254**	3,636

	Group and Parent	
	2005	2004
	$000	$000
11. Goodwill		
Balance at beginning of year	**42,908**	42,908
Accumulated amortisation	**(25,974)**	(23,352)
Balance at end of year	**16,934**	19,556

	Group		Parent	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
12. Investments				
Advances to subsidiaries	**–**	–	**1,008**	927

Subsidiaries are all incorporated in New Zealand, wholly owned, and non-trading with a balance date of 30 June. Advances to subsidiaries are interest-free and repayable on demand. Investments in subsidiaries are held at nominal value.

Subsidiaries:

David Crozier Limited
EMCO Group Limited
Fastening Supplies Limited
Hurricane Wire Products Limited
NZMC Limited
Steel & Tube New Zealand Limited
Steel & Tube Reinforcing Limited
Steel & Tube Roofing Products Limited
Steel Warehouse Limited
Stewart Steel Limited
Stube Industries Limited

13. Receivables and prepayments				
Trade debtors	**76,213**	71,363	**76,213**	71,363
Tax refund/(payable)	**15**	(68)	**15**	(68)
Prepayments and other receivables	**786**	1,047	**680**	783
	77,014	72,342	**76,908**	72,078

14. Employee share schemes

(a) Employee Share Purchase Scheme 1983

The Employee Share Purchase Scheme is administered by a trust to provide financial assistance, to a maximum of $2,340 per eligible employee in any three-year period, to enable staff to purchase Company shares in accordance with section DC11 of the Income Tax Act 2004. Directors cannot participate in this scheme. The qualifying period between grant and vesting date is a minimum of three years to a maximum of five years. Advances to the trustees for the purchase of shares are interest-free and repayable on demand. Shares repurchased by the trustees are at the lower of market and issue price and recognised as treasury stock (note 4). The Board appoints the trustees who beneficially own the shares until they are vested in the employees. In June 2005 employees who had repaid their loans in full from an issue in 2002 were vested with the shares.

	Group only	
	2005 Shares	2004 Shares
Allotted to staff	**152,550**	112,200
On-market purchase	**–**	45,250
Vested with staff	**(86,950)**	(3,050)
Forfeited and repurchased by trustees	**(16,550)**	(1,850)
Held beneficially for employees	**49,050**	152,550
Treasury stock (note 4)	**16,550**	1,850
Total shares held by trustees	**65,600**	154,400

(b) Executive Share Plan 2003

This is a long term incentive plan for senior management which provides for the grant of rights to shares and is administered by a trust. The shares are held by the trustee until vested in the participant. Vesting is subject to the Company achieving a performance hurdle after a three-year qualifying period from grant date. The performance hurdle is the Company's total shareholder return measured against the NZSX 50 gross index excluding Telecom.

The Board appoints the trustee who own the shares until vested. No Directors participate in the scheme, and advances to the trustee for the purchase of shares are interest-free and repayable on demand. Shares were purchased on-market in August and September 2004 at an average per share price of $4.57 and expensed over the qualifying period. These shares are recognised as treasury stock (note 4).

	Group only	
	2005 Shares	2004 Shares
Balance at beginning of year	**57,280**	–
On-market purchase	**50,000**	57,280
Balance at end of year	**107,280**	57,280

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

15. Commitments

(a) Lease commitments

Amounts due on non-cancellable leases are as follows:

	Group		Parent	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
(i) Within 1 year	**5,723**	5,417	**5,662**	5,356
(ii) Within 1-2 years	**4,897**	4,985	**4,836**	4,925
(iii) Within 2-5 years	**6,574**	8,902	**6,412**	8,720
(iv) Beyond 5 years	**2,775**	3,993	**2,775**	3,968
	19,969	23,297	**19,685**	22,969

(b) Capital commitments

The Group has commitments of $1.2 million (2004: $1.3 million) for the purchase of property, plant and equipment.

16. Segment reporting

The Group operates in one industry in New Zealand and its activities comprise the distribution, fabrication and processing of steel products.

17. Financial instruments

(a) (i) Currency risk

Exposures arise from transactions in foreign currencies and it is the Group's policy to hedge these risks by using forward and spot foreign exchange contracts. The value of the contracts purchased is $3.4 million (2004: $4.8 million) at balance date.

(ii) Interest rate risk

The Group uses both short term floating and long term fixed rate borrowings to fund its operations. The tables below reflect the maturity periods of the borrowings and their effective interest rates.

	Effective interest rate	Current $000	1-2 years $000	2-5 years $000	Total $000
Group 2005					
Bank overdraft/call borrowings	**7.1%**	**28,890**	**–**	**–**	**28,890**
Bank term loans	**6.9%**	**5,000**	**–**	**10,000**	**15,000**
		33,890	**–**	**10,000**	**43,890**
Group 2004					
Bank overdraft/call borrowings	6.1%	22,743	–	–	22,743
Bank term loans	6.2%	5,000	5,000	–	10,000
		27,743	5,000	–	32,743

(iii) Credit risk

Credit risk exposure arises from trade debtors and transactions with financial institutions. The Group's credit policy to manage this exposure is monitored regularly. In some instances collateral is secured from trade debtors in the form of charges over their assets to mitigate the risk of loss in the event of default of their obligations. There are no significant concentrations of credit risk and any collateral or security to support financial instruments transacted with financial institutions is not required due to the quality of the institutions dealt with.

(b) Fair values

The fair values of financial instruments which differ from their carrying values are noted below.

	Group and Parent			
	2005		2004	
	Carrying value $000	Fair value $000	Carrying value $000	Fairy value $000
Bank term loans	**15,000**	**15,233**	10,000	9,934
Forward exchange contracts	**–**	**92**	–	8

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

Cash, receivables, payables, short term borrowings, and advances to subsidiaries.
The carrying values of these items are equivalent to their fair values.

Term loans
Fair value is based on current market rates available to the Group for debt of similar maturities.

Foreign currency forward exchange contracts
Fair value is based on the quoted market prices for these instruments.

18. New Zealand Equivalents to International Financial Reporting Standards (NZIFRS)

The Accounting Standards Review Board (ASRB) announced in December 2002 that reporting entities will be required to adopt the New Zealand equivalents to International Financial Reporting Standards (NZIFRS) for financial periods commencing on or after 1 January 2007 with early adoption permitted for balance dates commencing on or after 1 January 2005. Subsequent to the announcement a stable platform of NZIFRS was approved in November 2004.

The Group has decided to proceed with early adoption from 1 July 2005 with its first NZIFRS compliant financial statements to be presented for the half year ending 31 December 2005. The expected impact of adopting NZIFRS has been identified and reported in the table below. In conforming with NZIFRS at the transition date, certain exemptions have been granted under NZIFRS 1 and the resulting adjustments have been taken to retained earnings.

The expected adjustments reported below may differ from its actual impact when adoption to NZIFRS occurs as continuing promulgations and revisions to standards are announced by the ASRB.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

Reconciliation of Equity, Liabilities and Assets from NZ GAAP to NZIFRS at 30 June 2005

	Notes	Equity $000	Liabilities $000	Assets $000
Reported under NZ GAAP/NZ FRS		134,700	80,667	215,367
Adjustments under NZIFRS:				
Deferred tax	a	(669)	–	(669)
Financial Instruments	b	92	–	92
Goodwill	c	2,622	–	2,622
Employee benefits	d	(291)	307	16
		136,454	80,974	217,428

(a) Deferred tax

The calculation under NZIFRS recognises all temporary differences between accounting and tax values for each asset and liability. This method differs from the current NZ GAAP recognition of timing differences between accounting and tax profit. As a result an adjustment is required to recognise the tax effect on the Directors' valuation amount in the Group's building assets, the fair value of forward exchange contracts per note (b) and the employee benefits per note (d).

(b) Financial instruments

The Group's accounting policy is to hedge its exposure to movements in foreign currency exchange rates through purchasing forward and spot exchange contracts for its overseas purchases. The fair value of these contracts are reported in note 17b under existing NZ GAAP. NZIFRS requires the fair value to be recognised in the balance sheet. The Group considers the specific requirements for hedge accounting to be too onerous and not cost-effective and has decided that changes in fair values will be taken to the Income Statement.

(c) Goodwill

Goodwill is not permitted to be amortised under NZIFRS. Instead, an impairment test is performed annually with any impairment taken directly to the Income Statement. There is no impairment of goodwill from the test conducted and the adjustment is for the add-back of goodwill expensed in the Statement of Financial Performance (note 1).

(d) Employee benefits

The adjustment relates to long service leave where previously it was recognised when the leave vested. It is required to be accrued as it is earned using an actuarial valuation to determine its liability. The calculation has been performed by an independent actuary. Shares allotted to employees under the Employee Share Purchase Scheme 1983 are at a discount to the on-market purchase price. This was previously expensed but is required to be apportioned over the vesting period.

19. Related party transactions

OneSteel Limited of Australia, through its subsidiary Tubemakers of New Zealand Limited, owns 50.3% (2004: 50.3%) of the Company. Purchases from OneSteel accounted for 10.5% (2004: 13.1%) of total purchases and were transacted at commercial terms. At balance date $2.7 million (2004: $3.7 million) is owed and included in trade creditors.

20. Contingent liabilities

Guarantees on contracts total $1.3 million (2004: $1.2 million) and were transacted in the ordinary course of business.

21. Subsequent event

The Board declared a fully imputed dividend of 17 cents per share on 15 August 2005 equating to $15 million, and a supplementary dividend of 3 cents per share payable to non-resident shareholders. This will be paid to shareholders on 9 September 2005.

The Company purchased the business assets of chain and rigging specialists Allrig Limited. The acquisition became effective 1 August 2005 and cost approximately $1.3 million.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

PRICEWATERHOUSECOOPERS

We have audited the financial statements on pages 17 to 30. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2005 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 20 and 21.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2005 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

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

Basis of Opinion

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

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

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

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors and taxation advisors.

Unqualified Opinion

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

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 17 to 30:

  (i) comply with generally accepted accounting practice in New Zealand; and

  (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 2005 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 15 August 2005 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Wellington

COMPARATIVE REVIEW

	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
Financial Performance					
Sales	**437,979**	387,787	327,957	330,554	389,958
EBITDA	**66,468**	54,182	41,289	36,927	36,709
Depreciation	**(5,740)**	(5,635)	(5,250)	(5,613)	(6,969)
Amortisation	**(2,622)**	(2,770)	(1,755)	(1,377)	(1,659)
EBIT	**58,106**	45,777	34,284	29,937	28,081
Net interest expense	**(2,848)**	(1,801)	(839)	(1,430)	(2,690)
Profit before tax	**55,258**	43,976	33,445	28,507	25,391
Tax	**(19,196)**	(15,514)	(11,923)	(10,400)	(9,529)
Profit after tax	**36,062**	28,462	21,522	18,107	15,862
Minority interest	**–**	–	–	177	(975)
Profit after tax and minority interest	**36,062**	28,462	21,522	18,284	14,887
Funds Employed					
Equity	**134,700**	125,232	126,597	123,532	130,305
Term liabilities	**10,000**	5,000	10,000	–	14,584
	144,700	130,232	136,597	123,532	144,889
Comprising:					
Current assets	**153,974**	127,862	117,951	106,099	137,644
Current liabilities	**(70,667)**	(61,337)	(48,165)	(35,847)	(52,507)
Working capital	**83,307**	66,525	69,786	70,252	85,137
Non-current assets	**61,393**	63,707	66,811	53,280	77,550
Minority interest	**–**	–	–	–	(17,798)
	144,700	130,232	136,597	123,532	144,889

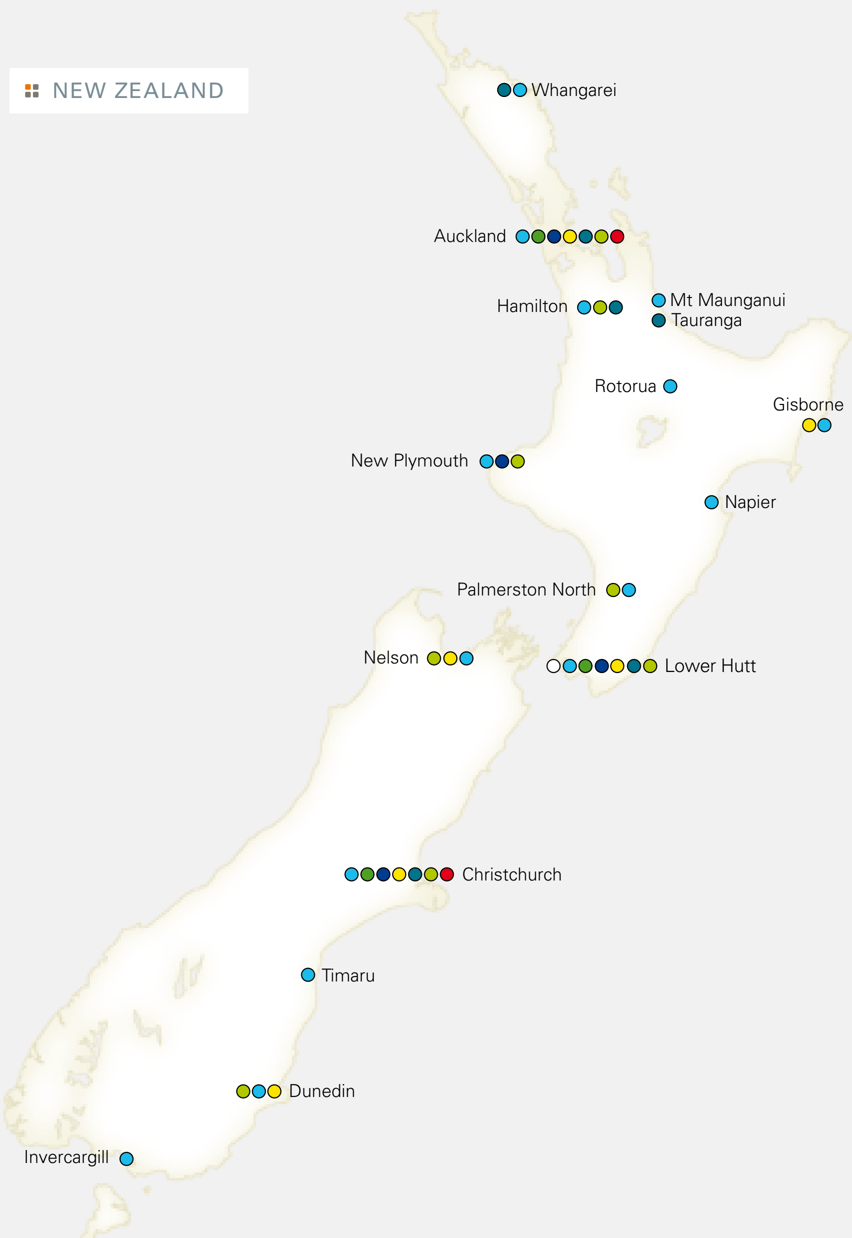
Statistics	Notes					
Dividends per share (cents)	1	**32**	37	23	29	16
Dividend cover (times)		**1.4**	1.0	1.2	0.7	1.2
Earnings per share (cents)	2	**41.0**	32.3	24.5	20.8	17.0
Return on sales		**8.2%**	7.3%	6.6%	5.5%	3.8%
Return on equity		**26.8%**	22.7%	17.0%	14.8%	11.4%
Working capital (times)		**2.2**	2.1	2.4	3.0	2.6
Net tangible assets per share	2	**$1.34**	$1.20	$1.19	$1.28	$1.38
Equity to total assets		**62.5%**	65.4%	68.5%	77.5%	60.6%
Gearing (debt to debt plus equity)		**24.6%**	20.7%	17.7%	5.1%	20.2%
Net interest cover (times)		**20.4**	25.4	40.9	20.9	10.4
Ordinary shareholders		**8,360**	8,163	7,892	7,863	7,559
Employees		**787**	762	736	591	700

Notes:
(1) Dividends declared for the financial year.
(2) Based on shares paid in full.

STEEL & TUBE HOLDINGS LIMITED

BUSINESS LOCATIONS & DIRECTORY

NEW ZEALAND



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

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Steel & Tube Distribution & Processing

Steel & Tube Fastening Systems

Steel & Tube Piping Systems

Steel & Tube Reinforcing & Fabrication

Steel & Tube Roofing Products

Hurricane Wire Products

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Website: www.computershare.com

Auditors
PricewaterhouseCoopers

Bankers
ANZ National Bank Limited
Bank of New Zealand Limited

Steel & Tube Holdings Limited

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