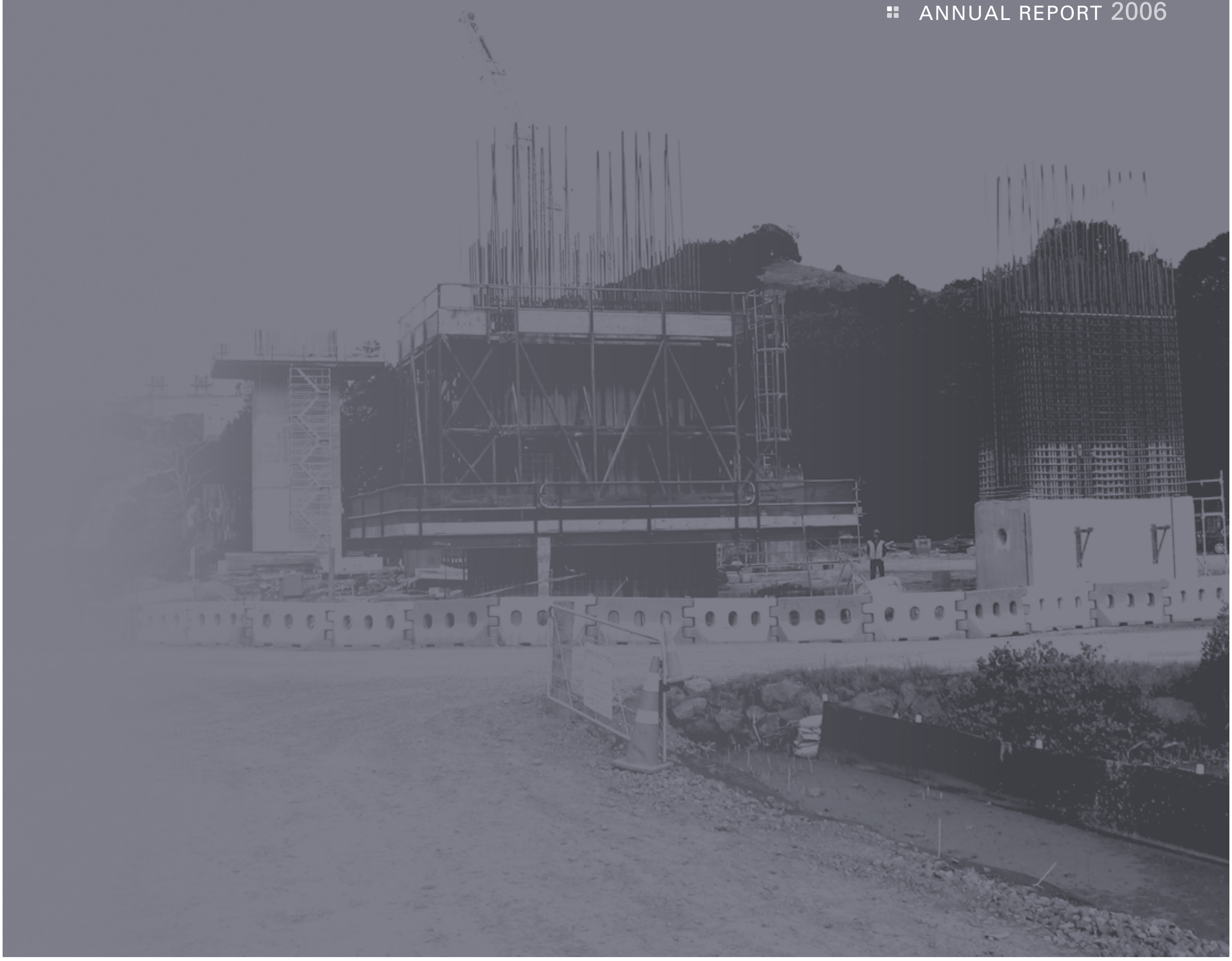
STEEL&TUBE

ANNUAL REPORT 2006



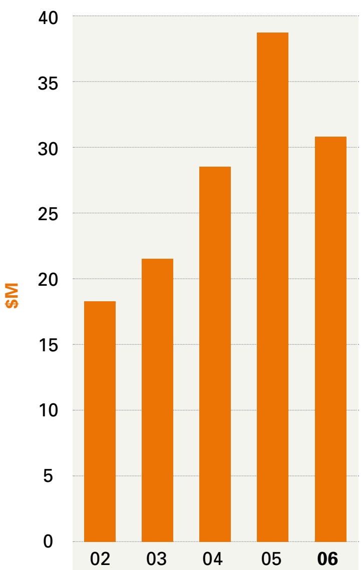
STEEL & TUBE HOLDINGS LIMITED

HIGHLIGHTS 2006

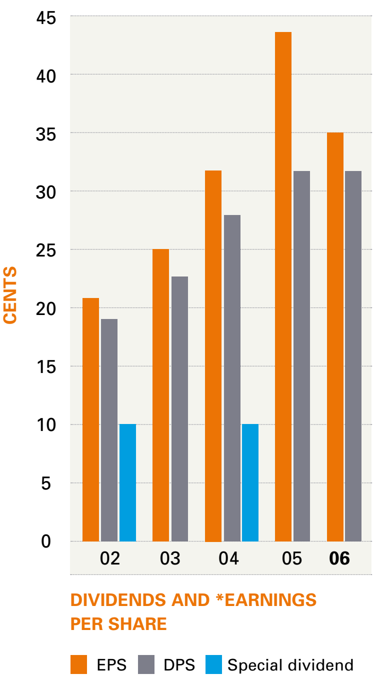
- Dividends maintained at 32 cents per share
- Increase of $25 million in operating cash flows
- Early adoption of NZIFRS
- Chain and Rigging business acquired August 2005
- Stainless Steel Distribution business acquired April 2006
- 2005 COMPETENZ Award for outstanding Occupational Health & Safety practices

CONTENTS

* Calculated under NZIFRS for 2005 and 2006 years while the earlier years were calculated under the previous NZ FRS.
Note: Does not apply to dividends and special dividends.



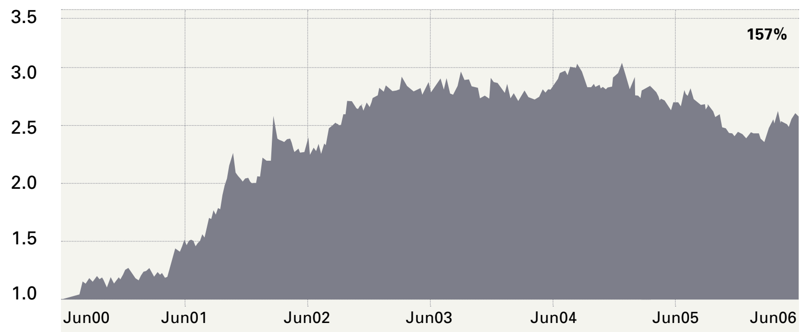
*PROFIT AFTER TAX



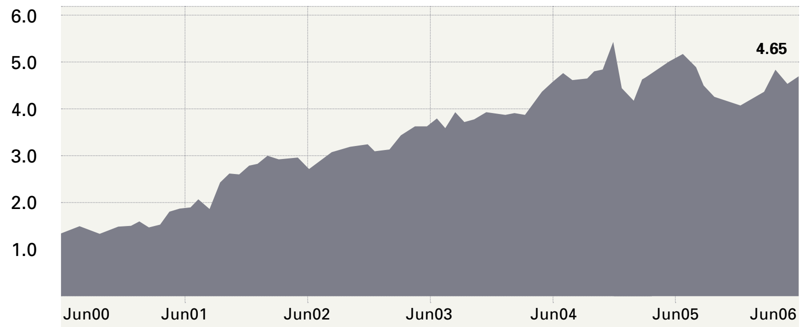
DIVIDENDS AND *EARNINGS PER SHARE

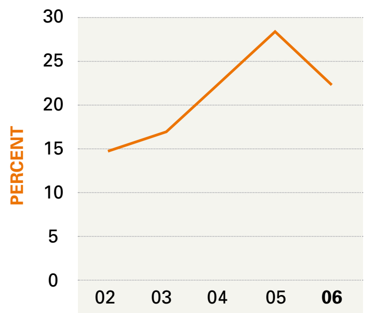
TRENDS IN KEY OPERATING AND FINANCIAL RATIOS

STEEL & TUBE GROSS RELATIVE PERFORMANCE AGAINST NZX 50 INDEX

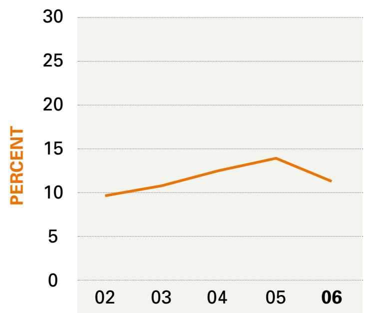


STEEL & TUBE SHARE PRICE

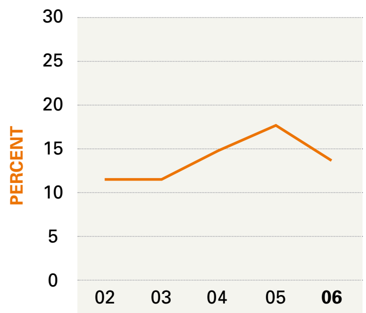




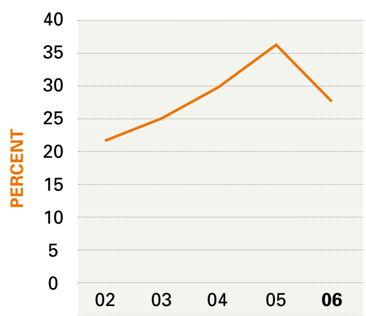
***RETURN ON EQUITY**



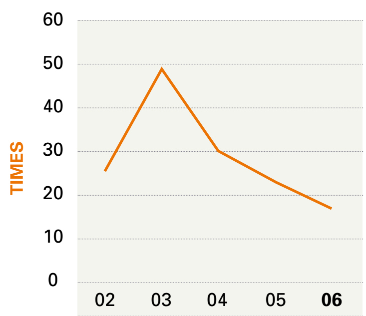
***SALES MARGIN**



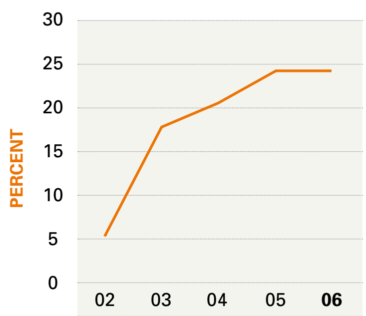
***RETURN ON ASSETS**



***ROFE**



***INTEREST COVER**
EBITDA/Interest



***GEARING**

STEEL & TUBE HOLDINGS LIMITED

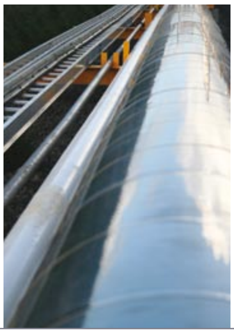
BOARD OF DIRECTORS

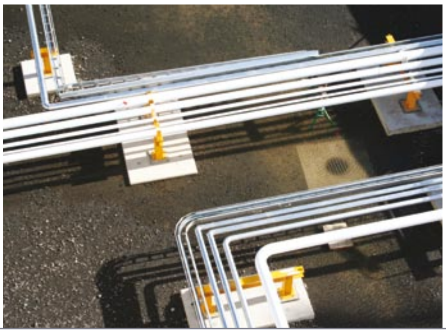
POHOKURA

Clockwise from top: **Pohokura Production Station Main Pipe Rack and Separating Units; Chemical Transport Lines; On-shore Wellheads to Production Station Insulated Main Pipeline with Supporting Lines.**

Carbon and stainless steel pipes, fittings, flanges, studbolts and gaskets to the value of $6 million were supplied by Piping Systems to sub-contractors on behalf of Fletcher Construction/Transfield Worley for the construction of the Pohokura On-shore Production Station in New Plymouth. The owner of the station is Shell Todd Oil Services.

Photos courtesy of Fletcher Construction





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

Mr Calavrias was appointed Executive Director in September 1990 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 Australia, OneSteel Limited, Commonwealth Science and Industry Research Organisation 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.

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

The accounts have been prepared in accordance with New Zealand Accounting Standards which comply with International Financial Reporting Standards. Comparatives have been restated accordingly.

RESULTS

The financial result for the year was an after tax profit of $30.82 million. This compares with the $38.73 million record result of the previous year.

DIVIDENDS

Directors have declared a fully imputed dividend of 17 cents per share payable on 8 September 2006 to holders of fully paid ordinary shares registered at 1 September 2006. The amount payable is $14.97 million. The total dividends for the year of 32 cents compares to the previous year's ordinary dividends of 32 cents per share.

FINANCIAL POSITION

Shareholders' equity of $139.1 million compares with $136.5 million the previous year. Borrowings during the year increased by $1.1 million to $45.0 million. The gearing ratio (debt:debt plus shareholders' equity) is 0.24:1. The Company continues to be in a sound position.

SHARE CAPITAL

During the year 30,000 shares in the Senior Executives Share Scheme 1993 were paid in full for a consideration of $116,000. These shares were previously paid to 1 cent. Refer note 12 for details.

In August and September 2005, 48,000 shares were purchased on-market for a consideration of $241,000 by the Trustee of the Executive Share Plan 2003. Vesting of rights to these shares is subject to Board-approved targets. 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 13 and 14b for details.

AQUISITIONS

In August 2005 the business assets of Allrig were acquired for a cash consideration of $1.3 million. Allrig has 17 employees with branches in Auckland and Hamilton.

In April 2006 the business assets of the New Zealand Fasteners Stainless Group were acquired for a cash consideration of $9.7 million. The business has eight distribution branches throughout the country employing 85 staff.

The Directors present the annual report and financial statements of the Company and its subsidiaries for the year ended 30 June 2006.

AUDITORS

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

DIRECTORS

Mr Rob Freeman resigned from the Board in July 2005.

Dr Doyle was appointed to the Board in July 2005 and elected a Director at the Annual Meeting in October 2005.

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

PERSONNEL

The Directors wish to acknowledge the contribution made by all staff to what has been another successful year and to thank them for their ongoing commitment to the goals of the Company.

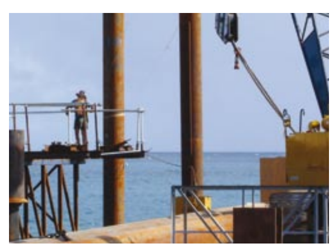
Dean Pritchard
Chairman
14 August 2006

Nick Calavrias
Chief Executive Officer

BUA

Steel & Tube Export supplied 850 tonnes of steel pipe piling to McConnell Dowell Constructors Limited for the Bua Integrated Port project on the northern island of Vanua Levu, Fiji.

Photos courtesy of McConnell Dowell



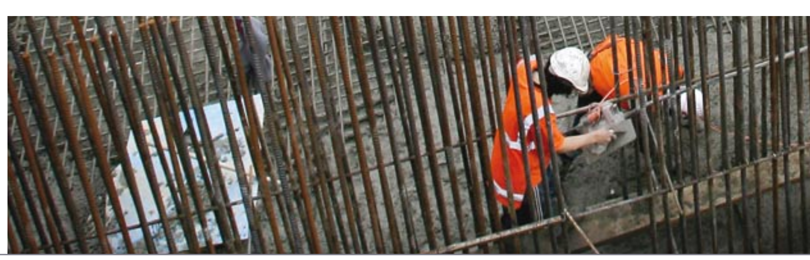
STEEL & TUBE HOLDINGS LIMITED

CHIEF EXECUTIVE'S **REVIEW OF OPERATIONS**

WELLINGTON MOTORWAY BYPASS

The Reinforcing operations supplied 600 tonnes of fabricated reinforcing steel to Fulton Hogan Limited Civil for the construction of the inner city bypass.

Photos courtesy of photographer Kent Blechynden, Dominion Post



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, Steel Products

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

Inset:
Steve Davies
GM, Stainless Products

FINANCIAL PERFORMANCE

For the year ending June 2006 the Company achieved a profit of $30.82 million after tax. This was a decrease of $7.9 million or 20% when compared with the previous year's result.

Sales, at $439.34 million, were up slightly from $437.42 million in the previous year. However, this included sales from Allrig and NZF Stainless which were acquired part way through the year. After adjusting for these acquisitions sales were $9.5 million lower.

Operating cash flow improved considerably during the year by $25.23 million.

Despite an earnings reduction of 9 cents per share, Directors declared a 17 cents per share final dividend, which maintained the previous full year dividend payment of 32 cents per share.

MARKET CONDITIONS

Although less than last year's record result, the Company's performance was an excellent outcome, achieved in a volatile market that was in retreat for much of the trading year.

The adverse impacts of a strong currency for much of the year, increasing energy costs, and high interest rates slowed the economy considerably during the year under review.

Economic growth for the twelve months ending June 2006 is estimated at 1.2% per annum compared to 2.8% in the preceding twelve months.

Commercial construction activity remained at last year's levels as did the construction value of new houses. Consents for new houses and apartments, however, reduced by 2% and 28% respectively.

The manufacturing and rural sectors were adversely affected by the strong New Zealand dollar. Export receipts were diluted in local currency terms while domestic-based manufacturers had to contend with lower-cost imports replacing locally manufactured product.

Considerable market volatility was also encountered in the global steel market causing steel prices to fluctuate substantially throughout the year.

The combination of a slowing economy, reduced domestic steel consumption and fluctuating steel prices had a detrimental effect on the Company, preventing the passing on of cost increases in a timely fashion, and causing margin compression.

PERFORMANCE

Steel Distribution, comprising Steel Distribution, Piping Systems, Fasteners and Chain & Rigging, produced another solid result, given the difficulties encountered during the year.

STEEL & TUBE HOLDINGS LIMITED

CHIEF EXECUTIVE'S **REVIEW OF OPERATIONS**

CONTINUED

Demand for steel products from the construction sector was strong for the first half of the year, but then as customers encountered unexpected delays between projects, volume sold to this sector was affected.

Steel volume to the manufacturing and rural sectors was also down on last year reflecting the difficulty that this sector encountered, especially in the first half of the year.

Considerable price volatility was also encountered. The replacement cost of steel reduced in the first half of the year, as steel mills internationally faced a market correction following unsustainable world demand in the previous year. This put downward pressure on selling prices and margins at a time of declining domestic steel consumption.

The **Roofing Products** operation continued its strong performance of recent years on the back of strong demand for steel roofing and cladding products from both the light commercial construction and residential property sectors. The **Reinforcing Operations** also posted another excellent result in a more competitive environment, albeit down from the previous year's record.

The combination of reduced commodity prices and the high dollar caused sheep and beef average farm incomes to reduce by around 30%. The resulting drop in farm spending and the consolidation of the rural supplies sector prevented **Hurricane Wire Products** from recovering the full cost increases for raw material during the year, resulting in a squeeze on margins.

ACQUISITIONS

During the year two acquisitions were made, amounting to $11 million.

Allrig, a small Hamilton-based chain and rigging business, was purchased in August 2005 to complement the product range currently sold through the Steel Distribution network. It is planned to expand this part of our business and to operate stand-alone chain and rigging operations in areas where the market can support this.

NZF Stainless was acquired in April 2006. This business is predominantly a distributor of stainless steel products including pipe, sections, sheet and coil, architectural products and fasteners, and has eight locations nationwide. This operation is now trading as Steel & Tube Stainless and was purchased to provide an avenue of growth in a new market segment.

Although there was minimal contribution from these acquisitions to Group profit in the year under review, this is expected to improve as inventory becomes more balanced, and the expected Group synergies are achieved.

INVENTORY

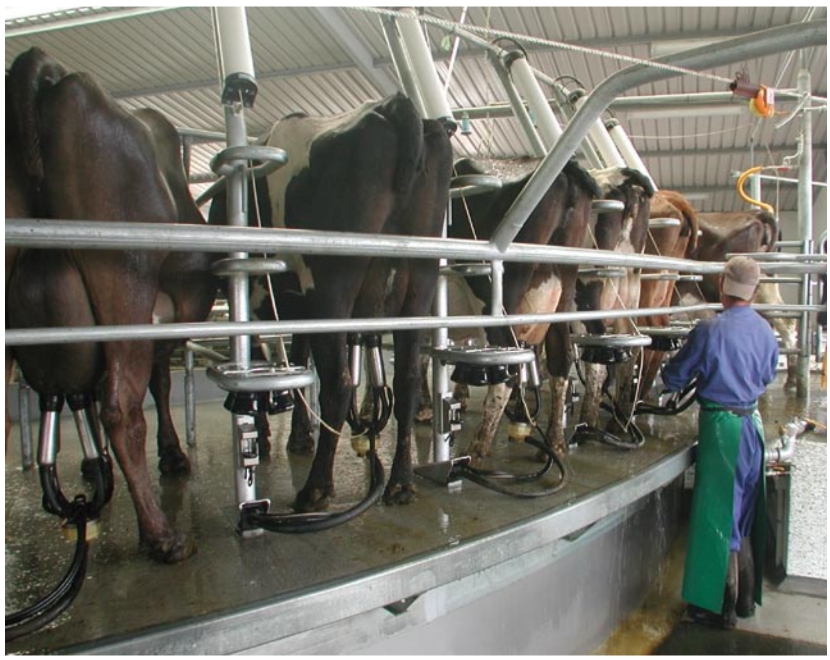
In the previous year, inventory volumes had been increased to combat the uncertainty of supply and to smooth out any disruptions to the supply chain. The success of this strategy was reflected in the higher returns obtained.

Dividends maintained at 32 cents per share. An increase of $25 million in operating cash flows.

ELITE 50 BAIL ROTARY PLATFORM

Right and below: **One of several systems designed and manufactured by Rotary Platforms NZ Limited of Matamata. Steel & Tube Distribution supplied the galvanised pipes, universal beams and Duragal channels and flats used in the platform.**

Photos courtesy of Rotary Platforms



Left and above: **Steel & Tube Stainless supplied the food-grade tubing and fittings, structural tubes, fastenings, pipes and fittings to the Open Country Cheese Factory at Waharoa.**

Photos courtesy of Open Country Cheese

CHEESE FACTORY

STEEL & TUBE HOLDINGS LIMITED

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

CONTINUED

Towards the end of this year however, the disruption to the supply chain had eased giving us comfort to reduce inventory volumes to more normal operating levels.

This action achieved savings of $11.5 million after adjusting for the two acquisitions made during the year.

HEALTH AND SAFETY

Steel & Tube Holdings was recognised during the year for its excellent safety record when it was awarded the COMPETENZ Workplace Safety Award for 2005.

The continuing strong focus to make the work place safer and to reduce the number of work-related injuries has enabled the Company to achieve and maintain excellent results these past few years. This commitment is shared with our employees who are trained in the identification of hazards, site auditing and the development of safe work procedures.

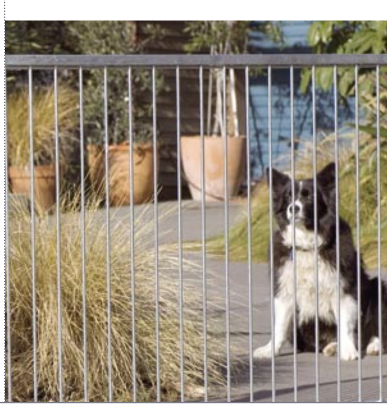
OUTLOOK

The New Zealand economy is expected to stay soft over the short term as it copes with the side effects of higher inflation, interest rates and energy costs. It is then expected to recover gradually over the next 12 to 18 months as the benefits of the weakened currency flow through to the export and manufacturing sectors.

Although the outlook for commercial construction and infrastructure spending is for activity to remain at current levels, the rural and manufacturing sectors will continue to be under pressure in the short term. A slowing in consumer spending is also expected to adversely affect the demand for new housing.

International steel prices and supply volatility have been key ingredients that have impacted on the Company's financial results these past few years. Global demand for raw materials led by the industrialisation of China, is once again outstripping production capacity causing upward pressure on pricing. This pricing pressure is now flowing through the supply chain with substantial increases applying to all steel products.

A combination of these pricing increases, with the likelihood of softening demand in some sectors, indicates that trading in the year ahead will continue to be challenging.



HURRICANE WIRE PRODUCTS

Far left: **Balustrade panel fence**

Left: **Residential panel fence and gate**

Fencing and gate products designed and produced by Hurricane Wire Products.

Received the '2005 COMPETENZ Award' in recognition for outstanding Occupational Health & Safety practices.

WAIWERA VIADUCT

One of fourteen 50 tonne pile caps, 9.6m x 9.1m x 2.5m high, at Waiwera Viaduct, part of the 8,500 tonnes of reinforcing steel sub-contract at present being carried out by Steel & Tube Reinforcing on the Albany to Puhoi Motorway extension.

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 by the board. 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 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 the composition of members and the 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				●
Ian Lindsay	●	●	●	●
Tony Reeves	●			

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 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.

Table of Directors' Meetings

	Board	Audit Committee	Governance & Remuneration Committee	Nominations Committee	Occupational Health, Safety & Environment Committee
Number of meetings held	9	4	1	1	3
Number of meetings attended					
Dean Pritchard	9		1	1	
Nick Calavrias	9				
Barry Dineen	9	4	1	1	
Eileen Doyle*	7				2
Ian Lindsay	9	4	1	1	2
Tony Reeves	9	4			
Rob Freeman*	1				1

* In July 2005 Dr Eileen Doyle was appointed to replace Mr Rob Freeman who resigned.

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

INTERESTED TRANSACTIONS

All transactions conducted by the Group with OneSteel Limited are related party transactions with details provided in note 17 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.

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 at 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.

REMUNERATION OF DIRECTORS

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2006 were:

DIRECTORS	$000
D A Pritchard	88
N Calavrias	978 [1]
B M J Dineen	44
R W Freeman	2
I K Lindsay	44
A J Reeves	44
E J Doyle	42

[1] The remuneration of Mr Calavrias includes a $219,000 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.

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.

DELEGAT'S WINE ESTATE

Far left and left: **Steel & Tube Distribution supplied 200 tonnes of structural steel and 120 tonnes of circular and rectangular hollow sections to fabricator John Jones Steel for the stage 1 development of Delegat's Wine Estate in Blenheim.**

Photos courtesy of John Jones Steel

REMUNERATION OF EMPLOYEES

Total remuneration and benefits received, or due and receivable, for the year ended 30 June 2006 were within the following bands:

Remuneration Range $000	Number of Employees
100 – 110	13
110 – 120	10
120 – 130	5
130 – 140	3
140 – 150	3
150 – 160	2
160 – 170	1
180 – 190	1
220 – 230	2
240 – 250	1
250 – 260	2
270 – 280	1

DIRECTORS' SHAREHOLDING

	At 30 June 2006			At 30 June 2005		
	Beneficial	Non-beneficial	Associated Person	Beneficial	Non-beneficial	Associated Person
N Calavrias	190,000 [1, 6]	111,570 [2]	525,000 [7]	190,000 [1]	65,600 [2]	775,000
B M J Dineen	40,000	111,570 [2]	–	40,000	65,500 [2]	–
I K Lindsay	20,000	–	–	20,000	–	–
D A Pritchard	10,000 [4]	–	44,504,814 [3]	–	–	44,504,814 [3]
A J Reeves	4,000	–	44,504,814 [3]	4,000	–	44,504,814 [3]
E J Doyle	2,000 [5]	–	44,504,814 [3]	–	–	–

1 Comprise 160,000 shares paid to 1 cent held under the Senior Executives Share Scheme 1993 at 30 June 2006 and 30,000 fully paid ordinary shares. Partly paid shares do not have dividend or voting entitlements until fully paid. At 30 June 2005 the beneficial holding was 190,000 shares paid to 1 cent.

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

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

4 Dean Pritchard acquired 10,000 shares on 17 August 2005 for a consideration of $49,800.

5 Eileen Doyle acquired 2,000 shares on 25 August 2005 for a consideration of $10,245.

6 Nick Calavrias paid up 30,000 shares in the Senior Executives Share Scheme for a consideration of $116,000 on 19 August 2005. These shares were previously paid to 1 cent.

7 The family trust of Nick Calavrias sold 250,000 shares for a consideration of $1,234,100 on 19 and 22 August 2005.

STEEL & TUBE HOLDINGS LIMITED

SHAREHOLDER INFORMATION

AT 1 AUGUST 2006

CENSUS OF SHAREHOLDERS

Size of holdings	Number of holders	Number of shares	% of issued shares
1 to 999	2,065	868,231	0.98
1,000 to 4,999	4,000	9,021,573	10.19
5,000 to 9,999	1,196	7,538,490	8.52
10,000 to 49,999	922	15,315,269	17.30
50,000 +	70	55,785,677	63.01
	8,253	88,529,240	100.00

TOP TWENTY SHAREHOLDERS

Tubemakers of New Zealand Limited	44,504,814	50.27
Accident Compensation Corporation*	1,870,296	2.11
First NZ Capital Custodians Limited	938,217	1.06
Asset Custodian Nominees Limited	545,030	0.62
Nicholas Calavrias & Mariana Calavrias & Leonidas Angelo Gambitsis	525,000	0.59
Citibank Nominees (New Zealand) Limited*	448,198	0.51
Custodial Services Limited - a/c 3	397,619	0.45
Forbar Custodians Limited - PPM Medium a/c	353,875	0.40
Guardian Trust Investment Nominees (RWT) Limited*	292,738	0.33
TEA Custodians Limited - o/a TEAC40*	260,000	0.29
Forbar Custodians Limited - PPM Low a/c	255,580	0.29
National Nominees New Zealand Limited*	224,307	0.25
Custodial Services Limited - a/c 2	217,475	0.25
Dorothy Izabella Plenzler & Leszek Andrzes Plenzler & Lynne Reindler Trustees Limited	212,000	0.24
Custodial Services Limited - a/c 9 MDZ	193,708	0.22
Hubbard Churcher Trust Management Limited	175,400	0.20
James Michael Hannan & Helen Anne Hannan & Neville Gordon Low	140,000	0.16
Regent Holdings Limited	137,000	0.15
AMP Superannuation Tracker Fund*	131,833	0.15
NZ Superannuation Fund Nominees Limited*	117,310	0.13
	51,940,400	58.67

* 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 1 August 2006.

Tubemakers of New Zealand Limited	44,504,814 shares

Issued shares in the Company comprise:

Ordinary shares fully paid	88,085,240
Senior executives' shares paid to 1 cent (no voting rights)	444,000
	88,529,240

STEEL & TUBE HOLDINGS LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS 2006

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INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Sales revenue		**439,342**	437,427	**439,342**	437,427
Cost of sales	1	**(338,922)**	(329,777)	**(338,922)**	(329,777)
Gross profit		**100,420**	107,650	**100,420**	107,650
Other operating income	1	**433**	314	**433**	314
Selling expenses	1	**(21,725)**	(19,709)	**(21,725)**	(19,709)
Administration expenses	1	**(15,420)**	(14,974)	**(15,420)**	(14,974)
Other operating expenses	1	**(14,441)**	(12,508)	**(14,438)**	(12,505)
Operating earnings before financing costs		**49,267**	60,773	**49,270**	60,776
Interest income		**100**	114	**94**	114
Interest expense		**(3,263)**	(2,962)	**(3,263)**	(2,962)
Profit before tax		**46,104**	57,925	**46,101**	57,928
Tax expense	2	**(15,280)**	(19,196)	**(15,278)**	(19,196)
Profit after tax		**30,824**	38,729	**30,823**	38,732
Basic earnings per share (cents)	3	**35.1**	44.0	**35.1**	44.0
Diluted earnings per share (cents)	3	**34.9**	43.8	**34.9**	43.8

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Equity at beginning of year		**136,454**	124,319	**136,923**	124,549
Net profit for the year		**30,824**	38,729	**30,823**	38,732
Transactions with equity holders:					
Share capital	12	**116**	49	**116**	49
Treasury shares	13	**(215)**	(271)	**–**	–
Dividends paid	4	**(28,043)**	(26,372)	**(28,124)**	(26,407)
Equity at end of year		**139,136**	136,454	**139,738**	136,923

BALANCE SHEET

AT 30 JUNE 2006

	Notes	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Current assets					
Inventories		**79,492**	76,960	**79,492**	76,960
Trade and other receivables	5	**77,342**	77,893	**77,261**	77,852
Income tax refund		**311**	15	**311**	15
		157,145	154,868	**157,064**	154,827
Non-current assets					
Property, plant and equipment	6	**42,994**	39,688	**42,616**	39,310
Intangibles	7	**20,227**	20,073	**20,227**	20,073
Trade and other receivables	5	**–**	–	**1,115**	943
Deferred tax assets	8	**3,428**	3,585	**3,526**	3,585
		66,649	63,346	**67,484**	63,911
Total assets		**223,794**	218,214	**224,548**	218,738
Current liabilities					
Borrowings	9	**29,994**	33,890	**30,146**	33,945
Trade and other payables	10	**37,854**	35,868	**37,854**	35,868
Provisions	11	**564**	1,160	**564**	1,160
		68,412	70,918	**68,564**	70,973
Non-current liabilities					
Borrowings	9	**15,000**	10,000	**15,000**	10,000
Provisions	11	**1,246**	842	**1,246**	842
		16,246	10,842	**16,246**	10,842
Equity					
Share capital	12	**70,049**	69,933	**70,049**	69,933
Treasury shares	13	**(706)**	(491)	**–**	–
Retained earnings		**69,793**	67,012	**69,689**	66,990
		139,136	136,454	**139,738**	136,923
Total equity and liabilities		**223,794**	218,214	**224,548**	218,738

These financial statements and the accompanying notes were authorised by the Board on 14 August 2006.

For the Board

DEAN PRITCHARD
CHAIRMAN

NICK CALAVRIAS
CHIEF EXECUTIVE OFFICER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Operating activities					
Receipts from customers		441,612	433,668	441,612	433,668
Interest receipts		100	114	94	114
Payments to suppliers and employees		(377,091)	(390,219)	(376,943)	(390,374)
Income tax payments		(15,419)	(19,897)	(15,515)	(19,897)
Interest payments		(3,263)	(2,962)	(3,263)	(2,962)
		45,939	20,704	45,985	20,549
Investing activities					
Property, plant and equipment disposals		244	320	244	320
Purchases of business assets	7	(11,051)	–	(11,051)	–
Loans to controlled entities		–	–	(277)	(81)
Treasury shares purchases	13	(215)	(271)	–	–
Property, plant and equipment purchases		(8,094)	(5,577)	(8,094)	(5,577)
		(19,116)	(5,528)	(19,178)	(5,338)
Financing activities					
Borrowings		–	5,000	–	5,000
Share capital	12	116	49	116	49
Dividends paid	4	(28,043)	(26,372)	(28,124)	(26,407)
		(27,927)	(21,323)	(28,008)	(21,358)
Net movement in cash and cash equivalents		(1,104)	(6,147)	(1,201)	(6,147)
Balance at beginning of year		(28,890)	(22,743)	(28,945)	(22,798)
Balance at end of year		(29,994)	(28,890)	(30,146)	(28,945)
Reconciliation of profit after tax to cash flows from operating activities					
Profit after tax		30,824	38,729	30,823	38,732
Classified as investing/financing activities:					
Gain on property, plant and equipment disposals		(83)	(173)	(83)	(173)
Non-cash items:					
Depreciation and amortisation		5,636	5,740	5,636	5,740
Long-term employee benefits		314	324	314	324
Deferred tax		157	(618)	59	(618)
		6,024	5,273	5,926	5,273
Working capital movements:					
Income tax		(296)	(83)	(296)	(83)
Inventories		7,615	(21,440)	7,615	(21,440)
Trade and other receivables		605	(4,682)	750	(4,840)
Trade and other payables		1,167	2,907	1,167	2,907
		9,091	(23,298)	9,236	(23,456)
Cash flows from operating activities		45,939	20,704	45,985	20,549

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2006

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

Significant accounting policies

(a) Statement of compliance

The Group is a profit-oriented entity and its consolidated financial statements have been prepared in accordance, and comply, with the New Zealand Equivalents to International Financial Reporting Standards (NZIFRS), the Financial Reporting Act 1993, the Companies Act 1993 and New Zealand Generally Accepted Accounting Practice. These are the Group's first NZIFRS financial statements for the year ended 30 June 2006 and NZIFRS 1, First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, has been applied. The transition to NZIFRS and the reconciliation from the previous NZ FRS is explained in Note 18.

(b) Basis of preparation

These financial statements are presented in New Zealand Dollars and rounded to the nearest thousand. The historical cost basis has been used in the preparation of the financial statements except for the following: derivative financial instruments, long-term service benefits and long-term incentive benefits are stated at fair value, and property, plant and equipment is stated at deemed cost where deemed cost approximates fair value on or prior to 1 July 2004 (the transition date to NZIFRS). The Group has utilised the exemptions available under NZIFRS 1. Preparation of the financial statements requires management to exercise judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, and of income and expenses.

The accounting policies have been applied consistently to all periods presented in these financial statements. They have also been applied in preparing the opening NZIFRS balance sheet at 1 July 2004, the transition date. The impact of the transition from previous NZ FRS is explained in Note 18.

(c) Basis of consolidation

Controlled entities are all entities over which the Group has the power, directly or indirectly, to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued, and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the net assets acquired, the difference is recognised directly in the income statement.

Intragroup transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. The accounting policies of controlled entities have been amended where required to ensure consistency with Group policies.

(d) Foreign currency

(i) Functional and presentation currency

Items presented in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Group's financial statements are presented in New Zealand Dollars which is the Company's functional and presentation currency.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2006

(ii) Foreign currency transactions
Foreign currency transactions are translated using foreign currency exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions, and from translation of monetary assets and liabilities at balance date, are recognised in the income statement except when deferred in equity as qualifying cash flow hedges.

(iii) Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at cost and subsequent to initial recognition are stated at fair value. The gain or loss on remeasurement to fair value is recognised in the income statement for those derivatives that do not qualify for hedge accounting. Recognition of any gain or loss on derivatives that qualify for hedge accounting is dependent on the nature of the hedged item.

(e) Property, plant and equipment

(i) Owned assets
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment except for land, which is stated at cost less impairment. Land and buildings revalued to fair value on or prior to 1 July 2004, the transition date to NZIFRS, are stated at deemed cost which is the revalued amount at the date of that revaluation.

(ii) Subsequent costs
Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement as expenses.

(iii) Depreciation
Depreciation is charged on a straight-line basis over the estimated useful lives of the assets with the exception of land and capital work in progress, which is not depreciated. The residual values and useful lives are reviewed annually. The estimated useful lives are as follows:

Buildings	50 years
Plant and machinery	3 – 10 years
Motor vehicles	4 – 8 years
Equipment, furniture and fittings	2 – 10 years

(f) Intangible assets

(i) Goodwill
All business combinations are accounted for using the purchase method. Goodwill is recognised on acquisitions of subsidiaries or purchases of business assets and represents the excess of the acquisition cost over the fair value of the acquired net assets. It is stated at cost less accumulated impairment losses and tested annually for impairment. Goodwill is no longer amortised and is allocated to cash-generating units for impairment testing. Negative goodwill arising on acquisition is recognised in the income statement.

(ii) Licences
Licences are capitalised on the basis of costs incurred to acquire and use the specific licences and are amortised over their estimated useful lives of 3 to 5 years.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2006

(g) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future and the resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are disclosed below.

(i) Estimated impairment of non-current assets

Assets with indefinite useful lives are not subject to amortisation. They are tested annually for impairment and for when events or circumstances indicate that the carrying value may not be recoverable. Assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

An impairment loss is recognised for the excess of the carrying value of an asset or cash-generating unit over its recoverable amount and is charged to the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At 1 July 2004, the transition date to NZIFRS, and at 30 June 2005, the adoption date, there was no impairment of goodwill.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value, with cost determined on a first-in first-out basis, and include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The cost of finished inventories and work in progress includes a share of overheads based on normal operating capacity.

(i) Trade and other receivables

Trade and other receivables are stated at their cost less the provision for doubtful debts.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts and call borrowings repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Share capital

Ordinary shares are classified as equity. Where any controlled entities purchase Company shares that have not been allotted, the consideration paid, including directly attributable costs, is deducted from equity and classified as treasury shares.

(l) Income tax and deferred tax

Income tax comprises both current and deferred tax. Current tax is the expected tax payable on the taxable income for the period, using enacted tax rates, and any adjustment to tax payable in respect of prior periods.

Deferred tax uses the balance sheet liability method to provide for temporary differences between the carrying amounts of assets and liabilites and their tax base. The following temporary differences are not provided for: goodwill not deductible for tax purposes, initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using enacted tax rates.

Deferred tax assets are recognised to the extent that it is probable future taxable profits will offset temporary differences.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2006

(m) Employee benefits

(i) Long-term service benefit
The Group's net obligation for long-term service benefit is the amount of future benefit that employees have earned in return for their services in the current and prior periods and is calculated using an independent actuarial valuation.

(ii) Defined contribution plans
Obligations for defined contribution plans are recognised as an expense in the income statement as incurred.

(iii) Short-term incentives
The Group recognises a liability and an expense for bonuses.

(iv) Long-term incentives

Employee Share Purchase Scheme
An opportunity is provided for employees to acquire Company shares when an offer is made. Directors are not eligible to participate in the scheme. The scheme is operated as a Trust with the Trustees appointed by the Board. Eligibility is based on having completed one year of employment at the time of the offer. The shares are offered at a discount to market price (approved by the Board) and the discount is recognised at grant date and expensed over the vesting period. An interest-free loan is available to employees to purchase Company shares when an offer is made. Shares are allotted to the employees and do not vest until a minimum of three years from grant date has elapsed and the loan from the employee has been repaid. All shares allotted to the employees are held beneficially by the Trustees until they vest and dividends received on these shares are paid directly to the employees. The employees may withdraw from the scheme prior to the vesting date and the shares repurchased by the Trustees are recognised as treasury shares.

Cash plan
A cash incentive plan may be offered to key management personnel as approved by the Board. The terms and conditions of an offer are similar to the share-based incentive plan described below. The cost associated with the plan is expensed in the income statement over the vesting period with a corresponding liability in the balance sheet.

Share-based plan
This is a long-term incentive plan that offers key management personnel an opportunity to subscribe for rights to Company shares as directed by the Board. The Board appoints a trustee to administer the plan. Vesting of the rights occurs upon achieving Board-approved targets after a minimum of three years to a maximum of five years from grant date. Any rights not vested after the expiry of five years are cancelled. The cost associated with this plan is measured at fair value at grant date and is recognised as an expense in the income statement over the vesting period with a corresponding liability in employee benefits in the balance sheet. Shares purchased in this plan are recognised as treasury shares until they are distributed.

(n) Provisions
Provisions are recognised in the balance sheet when the Group has a legal or constructive obligation from past events and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are management's best estimate of the expenditure required to settle the obligation.

(o) Revenue recognition
Revenue comprises the fair value of sales of goods and services net of Goods and Services Tax, rebates and discounts, and after elimination of sales within the Group. It is recognised when the significant risks and rewards of ownership have been transferred to the customer.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2006

(p) Leases
Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

(q) Financial risk management
The Group's activities are exposed to a variety of financial risks: market risk, credit risk, liquidity risk, cash flow risk, and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects by hedging exposures through derivative financial instruments.

(i) Market risk
In accordance with its treasury policy, the Group uses derivative financial instruments to hedge its exposure to foreign exchange risks from its operational, financing and investment activities. These derivatives are classified at fair value, and gains and losses are recognised in the income statement.

(ii) Credit risk
Credit risk exposure arises from trade debtors, and transactions with financial institutions. The Group's credit policy is monitored regularly. In some circumstances, collateral of security over assets may be obtained from trade debtors to mitigate the risk of default. Security over assets is not required from financial institutions owing to the quality of the institutions the Group deals with. There are no significant concentrations of credit risk.

(iii) Liquidity risk
Prudent liquidity risk management means maintaining availability of sufficient cash and funding via an adequate amount of committed credit facilities. Owing to the nature of the underlying business, the Group aims to maintain funding flexibility through committed credit lines.

(iv) Cash flow and fair value interest-rate risk
The Group's operating cash flows are substantially independent of changes in market interest rates. Cash flow interest-rate risk arises mainly from borrowings of both short-term and long-term advances. Long-term borrowings are arranged at fixed rates and expose the Group to fair value interest-rate risk.

(r) Segment reporting
A business segment is a group of assets and operations engaged in the provision of products and services that are subject to risks and returns different from those of other business segments. A geographical segment represents a particular economic environment where the risks and returns are different from other economic environments.

Segment reporting is not appropriate because the Group operates in one industry in New Zealand. The Group's activities are the distribution, fabrication and processing of steel products.

(s) Borrowing costs
Borrowing costs are recognised as expenses in the period in which they are incurred.

(t) Standards, interpretations and amendments to published accounts that are not yet effective
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods to which the Group has not early adopted. The standards relevant to the Group are as follows:

NZIFRS 7 Financial Instruments: Disclosures, and a complementary amendment to NZIAS 1 Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007).

The standards apply to all entities reporting under NZIFRS. They require the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments specifying minimum disclosures about credit, liquidity and market risks including sensitivity analysis to market risk. It replaces NZIAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and the disclosure requirements in NZIAS 32, Financial Instruments: Disclosure and Presentation. The amendment to NZIAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group will apply NZIFRS 7 and the amendment to NZIAS 1 for the year ended 30 June 2008.

	Group and Parent	
	2006 $000	2005 $000
1. Operating activities		
Included within operating activities:		
Inventories expensed in cost of sales	(317,872)	(312,393)
Profit from disposals of property, plant and equipment	83	173
Payroll costs	(39,796)	(35,570)
Auditors' fees – audit services	(190)	(171)
– other assurance services	(25)	–
– tax compliance and consulting	(32)	(25)
Donations	(9)	(10)

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
2. Income tax expense				
Profit before tax	**46,104**	57,925	**46,101**	57,928
Permanent differences	**200**	245	**197**	242
	46,304	58,170	**46,298**	58,170
Tax at 33% (2005: 33%)	**15,280**	19,196	**15,278**	19,196
Represented by:				
Current tax	**15,123**	19,814	**15,219**	19,814
Deferred tax	**157**	(618)	**59**	(618)
	15,280	19,196	**15,278**	19,196

Imputation credit account (Group and Parent)		
Balance at beginning of year	**12,871**	5,983
Tax payments	**12,800**	17,450
Credits attached to dividends paid	**(11,272)**	(10,562)
Balance at end of year	**14,399**	12,871

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

3. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of fully paid shares at balance date and excludes treasury shares. Diluted earnings per share includes the conversion of partly paid shares to fully paid shares. Refer to note 12 on share capital for the weighted average number of shares.

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Profit after tax	**30,824**	38,729	**30,823**	38,732
Weighted average number of shares for basic EPS ('000)	**87,924**	87,931	**87,924**	87,931
Weighted average number of shares for diluted EPS ('000)	**88,368**	88,405	**88,368**	88,405

4. Dividends

2006 interim: 15 cents per share (2005: 15 cents)	**13,213**	13,205	**13,213**	13,205
2005 final: 17 cents per share (2004: 15 cents)	**14,974**	13,202	**14,974**	13,202
Forfeited from prior years	**(63)**	–	**(63)**	–
Treasury shares	**(81)**	(35)	–	–
	28,043	26,372	**28,124**	26,407

Dividends paid are fully imputed. The Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $2.6 million (2005: $2.4 million).

Declared post balance date and not recognised as a liability: 2006 final: 17 cents per share (2005: 17 cents).	**14,974**	14,974

5. Trade and other receivables

Trade receivables	**76,404**	77,562	**76,404**	77,562
Provision for doubtful debts	**(1,364)**	(1,349)	**(1,364)**	(1,349)
	75,040	76,213	**75,040**	76,213
Prepayments and sundry receivables	**2,302**	1,680	**2,051**	1,574
Loans to controlled entities (note 17)	–	–	**1,285**	1,008
	77,342	77,893	**78,376**	78,795
Non-current portion – loans to controlled entities	–	–	**(1,115)**	(943)
	77,342	77,893	**77,261**	77,852

There is no concentration of credit risk with trade receivables as the Group has a large number of customers. The increase in the provision for doubtful debts of $15,000 (2005: $339,000 reduction) has been recognised in the current year. Bad debts recognised in the current year amounted to $384,000 (2005: $278,000). The carrying values of trade receivables and prepayments and other receivables are equivalent to their fair values.

Loans to controlled entities are provided free of interest and are repayable on demand. The carrying value is equivalent to its fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

6. Property, plant and equipment

	Land & Buildings $000	Machinery & Vehicles $000	Furniture Fittings & Equipment $000	Total $000
Group 2006				
Opening net book value	20,220	16,194	3,274	39,688
Additions	48	6,478	722	7,248
Acquisitions	–	428	431	859
Disposals	–	(132)	(25)	(157)
Depreciation expense	(385)	(3,630)	(1,256)	(5,271)
Capital work in progress	–	627	–	627
Closing net book value	**19,883**	**19,965**	**3,146**	**42,994**
Comprised of:				
Cost or deemed cost	24,191	48,640	16,156	88,987
Accumulated depreciation	(4,308)	(28,675)	(13,010)	(45,993)
	19,883	**19,965**	**3,146**	**42,994**
Group 2005				
Opening net book value	20,565	15,584	3,850	39,999
Additions	39	3,653	820	4,512
Disposals	–	(130)	(16)	(146)
Depreciation expense	(384)	(3,527)	(1,601)	(5,512)
Capital work in progress	–	614	221	835
Closing net book value	20,220	16,194	3,274	39,688
Comprised of:				
Cost or deemed cost	24,143	42,108	15,990	82,241
Accumulated depreciation	(3,923)	(25,914)	(12,716)	(42,553)
	20,220	16,194	3,274	39,688
Parent 2006				
Opening net book value	19,842	16,194	3,274	39,310
Additions	48	6,478	722	7,248
Acquisitions	–	428	431	859
Disposals	–	(132)	(25)	(157)
Depreciation expense	(385)	(3,630)	(1,256)	(5,271)
Capital work in progress	–	627	–	627
Closing net book value	**19,505**	**19,965**	**3,146**	**42,616**
Comprised of:				
Cost or deemed cost	23,714	48,640	16,156	88,510
Accumulated depreciation	(4,209)	(28,675)	(13,010)	(45,894)
	19,505	**19,965**	**3,146**	**42,616**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Land & Buildings $000	Machinery & Vehicles $000	Furniture Fittings & Equipment $000	Total $000
Parent 2005				
Opening net book value	20,187	15,584	3,850	39,621
Additions	39	3,653	820	4,512
Disposals	–	(130)	(16)	(146)
Depreciation expense	(384)	(3,527)	(1,601)	(5,512)
Capital work in progress	–	614	221	835
Closing net book value	19,842	16,194	3,274	39,310
Comprised of:				
Cost or deemed cost	23,666	42,108	15,990	81,764
Accumulated depreciation	(3,824)	(25,914)	(12,716)	(42,454)
	19,842	16,194	3,274	39,310

7. Intangibles

	Group and Parent ($000)					
			2006			2005
	Goodwill	**Licences**	**Total**	Goodwill	Licences	Total
Opening net book value	**19,556**	**517**	**20,073**	19,556	516	20,072
Additions	**–**	**219**	**219**	–	230	230
Business assets acquired	**300**	**–**	**300**	–	–	–
Amortisation charge	**–**	**(365)**	**(365)**	–	(229)	(229)
Closing net book value	**19,856**	**371**	**20,227**	19,556	517	20,073
Comprised of:						
Cost	**19,856**	**3,104**	**22,960**	19,556	2,634	22,190
Accumulated amortisation	**–**	**(2,733)**	**(2,733)**	–	(2,117)	(2,117)
	19,856	**371**	**20,227**	19,556	517	20,073

Licences are amortised over their estimated useful lives of three to five years.

Purchases of business assets

In August 2005 certain business assets and liabilities were purchased from Allrig Limited for a cash consideration of $1.3 million. In April 2006 certain business assets and liabilities were acquired from NZ Fasteners Group for a cash consideration of $9.7 million.

	Group and Parent 2006 $000
Inventory	10,147
Plant and equipment	859
Prepayments	72
Sundry creditors	(148)
Employee benefits	(179)
	10,751
Goodwill acquired	300
	11,051

The anticipated future operating synergies and customer relationships expected from the purchase do not meet the criteria for intangible assets and is recognised as goodwill.

Impairment test on goodwill

Goodwill is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from the business combination. It is tested annually for impairment or when there are indications that goodwill may be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations. These calculations are based on the Board-approved budgeted cash flow forecasts for the next three years and is extrapolated for a further two years. The forecast cash flows are discounted to present value at a rate of 11%. The estimated growth rate for the terminal value is 1% and does not exceed the average long-term growth rate for the relevant markets. At balance date no impairment of goodwill has occurred.

	2006 $000	2005 $000
Carrying value of goodwill:		
Hurricane Wire Products Division	11,419	11,419
CGUs without significant goodwill	8,437	8,137
	19,856	19,556

8. Deferred tax assets

	Group ($000)			Parent ($000)		
	Opening Balance	Recognised in Income	Closing Balance	Opening Balance	Recognised in Income	Closing Balance
2006						
Property, plant and equipment	851	(49)	802	851	49	900
Employee benefits	1,116	(39)	1,077	1,116	(39)	1,077
Provisions	1,139	(183)	956	1,139	(183)	956
Other items	479	114	593	479	114	593
	3,585	**(157)**	**3,428**	**3,585**	**(59)**	**3,526**
2005						
Property, plant and equipment	876	(25)	851	876	(25)	851
Employee benefits	916	200	1,116	916	200	1,116
Provisions	1,032	107	1,139	1,032	107	1,139
Other items	143	336	479	143	336	479
	2,967	618	3,585	2,967	618	3,585

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Group		Parent	
	2006	2005	**2006**	2005
	$000	$000	**$000**	$000
9. Borrowings				
Current				
Call borrowings	**29,994**	28,890	**30,146**	28,945
Bank term loan due within one year	**–**	5,000	**–**	5,000
	29,994	33,890	**30,146**	33,945

The effective interest rate on call borrowings was 7.5% (2005: 7.1%). 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. The carrying value of the short-term borrowings are equivalent to the fair value.

	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Non-current				
Bank term loans	**15,000**	10,000	**15,000**	10,000

The effective interest rate was 7.1 % (2005: 6.9%). The fair value of the term borrowings was $15.0 million (2005: $15.2 million) and is based on the effective interest rates available to the Group for debts of similar maturities.

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.

	Call Borrowings $000	Term Loans $000	Total $000
2006			
Within 1 year	**29,994**	**–**	**29,994**
Within 2-3 years	**–**	**5,000**	**5,000**
Within 3-4 years	**–**	**10,000**	**10,000**
	29,994	**15,000**	**44,994**
2005			
Within 1 year	28,890	5,000	33,890
Within 4-5 years	–	10,000	10,000
	28,890	15,000	43,890

	Group and Parent	
	2006	2005
	$000	$000

10. Trade and other payables

Trade payables	**23,470**	21,147
Accrued expenses	**9,420**	9,519
Employee benefits	**4,964**	5,202
	37,854	35,868

The carrying value of the above items are equivalent to their fair values.

11. Provisions

Current		
Customer claims:		
Opening balance	**1,160**	579
Additional amounts	**24**	724
Used during the year	**(620)**	(143)
Closing balance	**564**	1,160

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

Non-current	Service Benefits	Incentive Benefits	Total
2006			
Opening balance	**477**	**365**	**842**
Additional amounts	**56**	**447**	**503**
Reversed during the year	**–**	**(99)**	**(99)**
Closing balance	**533**	**713**	**1,246**
2005			
Opening balance	437	78	515
Additional amounts	40	287	327
Closing balance	477	365	842

Service benefits comprise the long service leave benefit for employees and the retirement benefit for Non-Executive Directors. Mercer Human Resource Consulting performed an actuarial calculation on the long service leave benefits that were not vested at balance date. Leave vested at balance date is reported under employee benefits in trade and other payables. The increase in the provision for long service leave of $56,000 (2005: $40,000) was expensed in the income statement. The retirement benefit for Non-Executive Directors was fixed for those Directors who were in office at 1 May 2004. Subsequent to that date newly appointed Directors do not qualify as the benefit was discontinued. Executive Directors are not entitled to the benefit.

Long-term incentive plans of cash or rights to Company shares are offered to key management personnel. The cost of the plan is measured at fair value at grant date and expensed over the vesting period with a corresponding liability in the balance sheet. Refer to note 14(b) for the plan details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

12. Share capital

	Group and Parent			
	2006 $000	2005 $000	**2006 Shares**	2005 Shares
Fully paid:				
Balance at beginning of year	**69,928**	69,879	**88,055,240**	88,018,240
Senior Executives Share Scheme	**116**	49	**30,000**	37,000
Transfer from shares paid to 1 cent	**1**	–	**–**	–
Balance at end of year	**70,045**	69,928	**88,085,240**	88,055,240
Paid to 1 cent:				
Balance at beginning of year	**5**	5	**474,000**	511,000
Transfer to fully paid shares	**(1)**	–	**(30,000)**	(37,000)
Balance at end of year	**4**	5	**444,000**	474,000
	70,049	69,933	**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.

13. Treasury shares

	Group			
Balance at beginning of year	**491**	220	**123,830**	57,280
Purchases	**241**	223	**48,000**	50,000
Used in share schemes	**(48)**	–	**(16,550)**	–
Withdrawals	**22**	48	**5,710**	16,550
Balance at end of year	**706**	491	**160,990**	123,830

Unallotted Company shares held by the Trustees of share-based schemes.

14. Share schemes

(a) Employee Share Purchase Scheme 1983

The scheme provides financial assistance, to a maximum of $2,340 per eligible employee in any three-year period, to enable staff to purchase Company shares in accordance with section DC11 of the Income Tax Act 2004. Directors are not eligible to participate in this scheme. Shares allotted to employees at grant date do not vest until a minimum of three years has elapsed and the loan has been repaid. All the shares allotted are held beneficially by the Trustees until they vest. The dividends received on these shares are paid directly to employees. The shares offered to employees are at a discount to market price approved by the Board. Employees may withdraw from the scheme prior to vesting date and the shares repurchased are recognised as treasury shares. In October 2005 an offer was made to employees to subscribe for Company shares at an issue price of $4.32.

	Group	
	2006	2005
Held beneficially by Trustees:	**Shares**	Shares
Balance at beginning of year	**65,600**	152,550
Purchase of shares	**46,570**	–
Vested in employees	**(600)**	(86,950)
Balance at end of year	**111,570**	65,600

(b) **Executive Share Plan 2003**

This plan offers key management personnel an opportunity to subscribe for rights to Company shares as directed by the Board. Vesting of the rights occurs upon achieving Board-approved targets, based on total shareholder returns, after a minimum of three years to a maximum of five years from grant date. Shares purchased in this Plan are recognised as treasury shares until they are distributed. In August 2005 shares were purchased on-market at a price of $5.02 per share.

Balance at beginning of year	**107,280**	57,280
Purchase of shares	**48,000**	50,000
Balance at end of year	**155,280**	107,280

	Group		Parent	
	2006	2005	**2006**	2005
	$000	$000	**$000**	$000
15. Commitments and Contingencies				
(a) Lease commitments on non-cancellable leases				
Within 1 year	**6,880**	5,723	**6,819**	5,662
Between 1 to 5 years	**11,523**	11,471	**11,422**	11,249
Beyond 5 years	**3,037**	2,775	**3,037**	2,775
	21,440	19,969	**21,278**	19,685

The Group occupies a number of warehouse and office premises under operating leases. The leases have varying terms and renewal rights. During the year $6.3 million (2005: $5.5 million) was recognised as an expense in the income statement.

(b) **Capital commitments**

The Group has commitments of $0.8 million (2005: $1.2 million) for the purchases of property, plant and equipment.

(c) **Contingent liabilities**

Guarantees on contracts at balance date were $0.3 million (2005: $1.3 million) and were transacted in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Group and Parent	
	2006	2005
	$000	$000

16. Financial instruments

Foreign exchange contracts not recognised (notional amounts)	**4,183**	3,429

The Group purchases forward and spot contracts to hedge its foreign currency exposures. Changes in fair value of $76,000 (2005: $92,000) are recognised in the income statement. No hedge accounting was applied to the contracts.

17. Related parties

The Group has related party relationships with its controlled entities, its overseas parent shareholder and with key management personnel.

(a) Transactions with OneSteel Group

	2006	2005
Purchases during the year	**33,429**	35,853
Percentage of related party purchases	**10.1%**	10.5%

OneSteel Limited of Australia through its subsidiary Tubemakers of New Zealand Limited owns 50.3% (2005: 50.3%) of the Company's shares. All transactions are on commercial terms. Included in trade creditors is an amount of $4.1 million (2005: $2.7 million) owed to the OneSteel Group at balance date.

(b) Transactions with controlled entities

	2006	2005
Loans to share schemes	**952**	577
Loan to subsidiary	**333**	431
	1,285	1,008

Controlled entities are wholly-owned and incorporated in New Zealand with a balance date of 30 June. They do not trade and the loans provided to them are free of interest and repayable on demand. Loans to the share schemes are for the purchase of Company shares (refer to note 14).

(c) Transactions with key management personnel

	2006	2005
Short-term benefits	**2,536**	2,763
Long-term benefits	**291**	201
Share-based-payments	**228**	148
	3,055	3,112

Included in short-term benefits are Directors' fees of $264,000 (2005: $264,000).

18. Transition to NZIFRS

These are the Group's first consolidated annual financial statements prepared in accordance with NZIFRS. The accounting policies reported above have been applied in the preparation of the financial statements for the year ended 30 June 2006, the comparative year ended 30 June 2005, and the opening balance sheet at 1 July 2004 (transition date).

In transitioning to NZIFRS, the Group has applied the exemptions available under NZIFRS 1 and adjusted the amounts reported in the financial statements prepared under the old NZ FRS. The tables below reflect these adjustments.

Reconciliation of Equity – Group

	Notes	Previous NZ FRS 30 Jun 04	Adjustments 1 Jul 04	NZIFRS 1 Jul 04	Previous NZ FRS 30 Jun 05	Adjustments 30 Jun 05	NZIFRS 30 Jun 05
Current assets							
Inventories		55,520	–	55,520	76,960	–	76,960
Trade and other receivables	a	72,410	32	72,442	77,785	108	77,893
Income tax refund		–	–	–	15	–	15
		127,930	32	127,962	154,760	108	154,868
Non-current assets							
Property, plant and equipment		39,999	–	39,999	39,688	–	39,688
Intangibles	b	20,072	–	20,072	17,451	2,622	20,073
Deferred tax assets	c	3,636	(678)	2,958	4,254	(669)	3,585
		63,707	(678)	63,029	61,393	1,953	63,346
Total assets		191,637	(646)	190,991	216,153	2,061	218,214
Current liabilities							
Borrowings		27,743	–	27,743	33,890	–	33,890
Trade and other payables		32,767	–	32,767	35,868	–	35,868
Income tax		68	–	68	–	–	–
Provisions		579	–	579	1,160	–	1,160
		61,157	–	61,157	70,918	–	70,918
Non-current liabilities							
Borrowings		5,000	–	5,000	10,000	–	10,000
Provisions	d	248	267	515	535	307	842
		5,248	267	5,515	10,535	307	10,842
Equity							
Share capital		69,884	–	69,884	69,933	–	69,933
Treasury shares		(220)	–	(220)	(491)	–	(491)
Retained earnings	e	55,568	(913)	54,655	65,258	1,754	67,012
		125,232	(913)	124,319	134,700	1,754	136,454
Total equity and liabilities		191,637	(646)	190,991	216,153	2,061	218,214

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

Reconciliation of Equity – Parent

	Notes	Previous NZ FRS 30 Jun 04	Adjustments 1 Jul 04	NZIFRS 1 Jul 04	Previous NZ FRS 30 Jun 05	Adjustments 30 Jun 05	NZIFRS 30 Jun 05
Current assets							
Inventories		55,520	–	55,520	76,960	–	76,960
Trade and other receivables	a	72,146	32	72,178	77,744	108	77,852
Income tax refund		–	–	–	15	–	15
		127,666	32	127,698	154,719	108	154,827
Non-current assets							
Property, plant and equipment		39,621	–	39,621	39,310	–	39,310
Intangibles	b	20,072	–	20,072	17,451	2,622	20,073
Trade and other receivables		927	–	927	943	–	943
Deferred tax assets	c	3,636	(678)	2,958	4,254	(669)	3,585
		64,256	(678)	63,578	61,958	1,953	63,911
Total assets		191,922	(646)	191,276	216,677	2,061	218,738
Current liabilities							
Borrowings		27,798	–	27,798	33,945	–	33,945
Trade and other payables		32,767	–	32,767	35,868	–	35,868
Income tax		68	–	68	–	–	–
Provisions		579	–	579	1,160	–	1,160
		61,212	–	61,212	70,973	–	70,973
Non-current liabilities							
Borrowings		5,000	–	5,000	10,000	–	10,000
Provisions	d	248	267	515	535	307	842
		5,248	267	5,515	10,535	307	10,842
Equity							
Share capital		69,884	–	69,884	69,933	–	69,933
Retained earnings	e	55,578	(913)	54,665	65,236	1,754	66,990
		125,462	(913)	124,549	135,169	1,754	136,923
Total equity and liabilities		191,922	(646)	191,276	216,677	2,061	218,738

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

Reconciliation of profit for the year ended 30 June 2005

		Group			Parent		
		Previous NZ FRS	Adjustments	NZIFRS	Previous NZ FRS	Adjustments	NZIFRS
	Notes	30 Jun 05	30 Jun 05	30 June 05	30 Jun 05	30 Jun 05	30 Jun 05
Sales revenue		437,427	–	437,427	437,427	–	437,427
Cost of sales		(329,777)	–	(329,777)	(329,777)	–	(329,777)
Gross profit		107,650	–	107,650	107,650	–	107,650
Other operating income		314	–	314	314	–	314
Selling expenses		(19,709)	–	(19,709)	(19,709)	–	(19,709)
Administration expenses		(14,974)	–	(14,974)	(14,974)	–	(14,974)
Other operating expenses	a,b,c	(15,175)	2,667	(12,508)	(15,172)	2,667	(12,505)
Operating earnings before financing costs		58,106	2,667	60,773	58,109	2,667	60,776
Interest income		114	–	114	114	–	114
Interest expense		(2,962)	–	(2,962)	(2,962)	–	(2,962)
Profit before tax		55,258	2,667	57,925	55,261	2,667	57,928
Tax expense		(19,196)	–	(19,196)	(19,196)	–	(19,196)
Profit after tax		36,062	2,667	38,729	36,065	2,667	38,732

Explanations of the adjustments to previous NZ FRS

Figures have been restated to conform with reporting under NZIFRS.

(a) Trade and other receivables

NZIAS 39 requires derivative financial instruments to be recognised at fair value in the balance sheet. The effect of the adjustment is a gain of $92,000 in the income statement for the 2005 year.

Share purchased by the Trustees in the Employee Share Scheme were allotted to employees at a discount to the on-market purchase price. Under previous NZ FRS the discount was expensed in total to the income statement. NZIFRS 2 requires benefits to be recognised over the vesting period with the resulting adjustment of $16,000 credited back to the income statement in 2005. No adjustment was made for the discount on shares allotted to employees on or before 7 November 2002 that were not vested by 1 January 2005 as the Group applied the exemption permitted under NZIFRS 2. The adjustment to the balance sheet at 1 July 2004 was $8,000.

(b) Intangibles

Goodwill is not amortised under NZIFRS 3. The expense of $2,622,000 has been reversed in 2005.

Software licences were previously reported in property, plant and equipment and have been reclassified to intangibles under NZIFRS 3. The reclassified amount was $517,000 at 30 June 2005 and $516,000 at 1 July 2004.

(c) Deferred tax assets

Deferred tax on the Directors' valuation of the buildings was not recognised under NZ FRS. NZIAS 12 uses the balance sheet approach to recognise the deferred tax on temporary differences between the carrying amount of assets and liabilities and their tax bases. The effect is a reduction in the deferred tax asset of $669,000 at 30 June 2005 and $680,000 at 1 July 2004.

(d) Provisions

The entitlement to long service leave was recognised under NZ FRS when vested. NZIAS 19 requires obligations to provide long-term benefits to be fair valued. The Group has recognised the unvested amount of the long service leave obligation using an actuarial calculation. The effect is a charge to the 2005 income statement of $40,000 and the recognition in the balance sheet of $307,000 at 30 June 2005 and $267,000 at 1 July 2004.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

(e) Retained earnings

The effect of the above adjustments is as follows:

	1 Jul 04	30 Jun 05
Derivative financial instruments, discount on employee shares	8	108
Goodwill reversal	–	2,622
Deferred tax on building revaluations	(680)	(669)
Employee benefits	(243)	(307)
	(915)	1,754

19. Subsequent event

On 14 August 2006 the Board declared a fully imputed dividend of 17 cents per share ($14.97 million) and a supplementary dividend to non-resident shareholders of 3 cents per share. The dividends will be paid to shareholders on 8 September 2006.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF STEEL & TUBE HOLDINGS LIMITED

PRICEWATERHOUSECOOPERS

We have audited the financial statements on pages 17 to 38. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2006 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 20 to 25.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2006 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 38:
   - (i) comply with generally accepted accounting practice in New Zealand;
   - (ii) comply with International Reporting Standards; and
   - (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 2006 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 14 August 2006 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Wellington

COMPARATIVE REVIEW

Figures stated in the 2005 and 2006 years conform with NZIFRS reporting while the 2002 to 2004 years were reported under the previous NZ FRS.

	2006 $000	2005 $000	2004 $000	2003 $000	2002 $000
Financial Performance					
Sales	**439,342**	437,427	387,787	327,957	330,554
EBITDA	**54,903**	66,513	54,182	41,289	36,927
Depreciation and Amortisation	**(5,636)**	(5,740)	(5,635)	(5,250)	(5,613)
Amortisation of Goodwill	–	–	(2,770)	(1,755)	(1,377)
EBIT	**49,267**	60,773	45,777	34,284	29,937
Net interest expense	**(3,163)**	(2,848)	(1,801)	(839)	(1,430)
Profit before tax	**46,104**	57,925	43,976	33,445	28,507
Tax	**(15,280)**	(19,196)	(15,514)	(11,923)	(10,400)
Profit after tax	**30,824**	38,729	28,462	21,522	18,107
Minority interest	–	–	–	–	177
Profit after tax and minority interest	**30,824**	38,729	28,462	21,522	18,284
Funds Employed					
Equity	**139,136**	136,454	125,232	126,597	123,532
Non-current liabilities	**16,246**	10,842	5,000	10,000	–
	155,382	147,296	130,232	136,597	123,532
Comprises:					
Current assets	**157,145**	154,868	127,862	117,951	106,099
Current liabilities	**(68,412)**	(70,918)	(61,337)	(48,165)	(35,847)
Working capital	**88,733**	83,950	66,525	69,786	70,252
Non-current assets	**66,649**	63,346	63,707	66,811	53,280
	155,382	147,296	130,232	136,597	123,532

Statistics

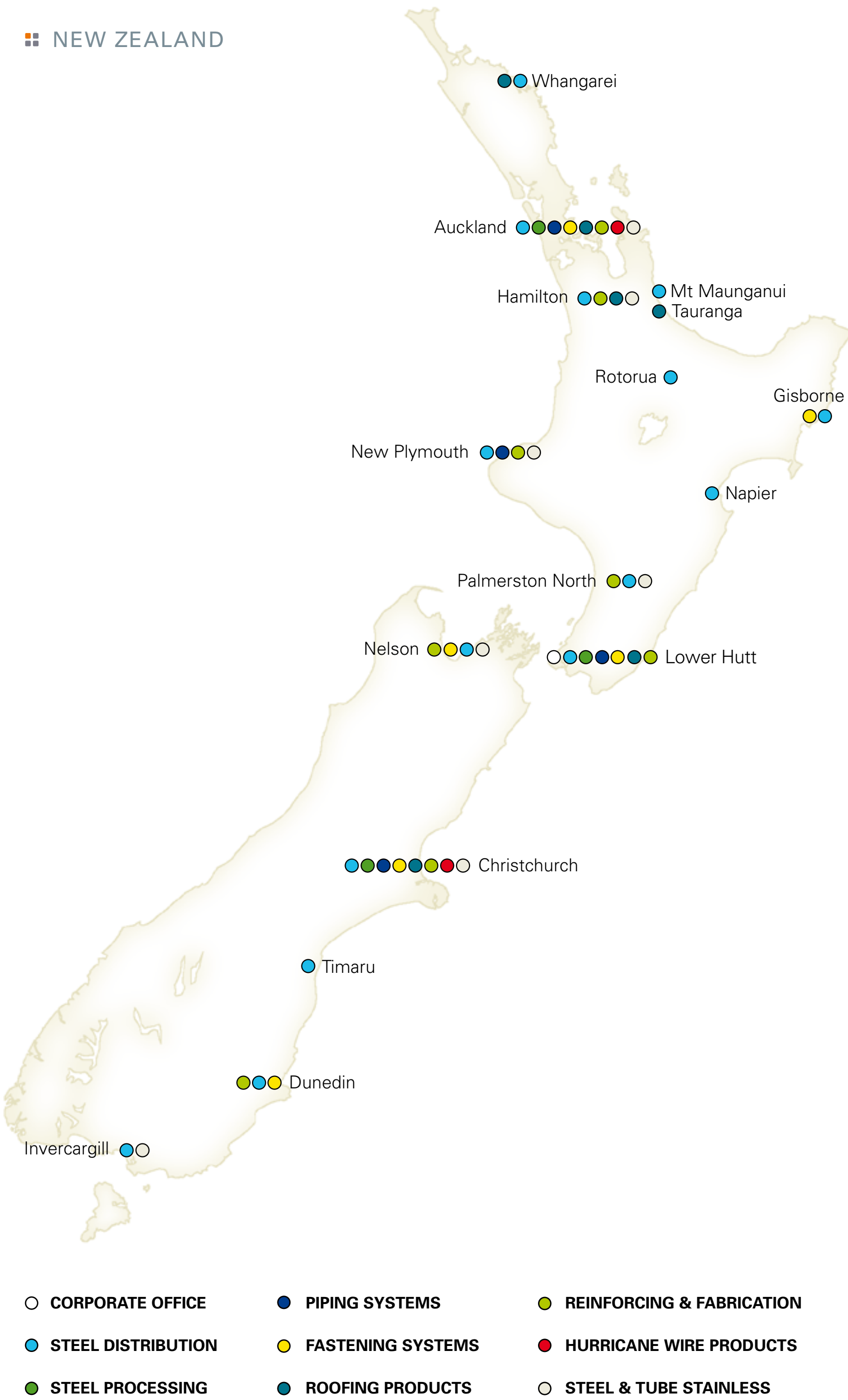
	2006	2005	2004	2003	2002
Dividends per share (cents)	32	32	37	23	29
Earnings per share (cents)	35.1	44.0	32.3	24.5	20.8
Return on sales	7.0%	8.9%	7.3%	6.6%	5.5%
Return on equity	22.2%	28.4%	22.7%	17.0%	14.8%
Working capital (times)	2.3	2.2	2.1	2.4	3.0
Net tangible assets per share	$1.35	$1.33	$1.20	$1.19	$1.28
Equity to total assets	62.2%	62.5%	65.4%	68.5%	77.5%
Gearing (debt to debt plus equity)	24.4%	24.3%	20.7%	17.7%	5.1%
Net interest cover (times)	15.6	21.3	25.4	40.9	20.9
Ordinary shareholders	8,253	8,360	8,163	7,892	7,863
Employees	907	787	762	736	591

EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation
EBIT – Earnings Before Interest and Tax

STEEL & TUBE HOLDINGS LIMITED

BUSINESS
LOCATIONS & DIRECTORY

NEW ZEALAND



STEEL & TUBE HOLDINGS LTD

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Steel & Tube Distribution & Processing

Steel & Tube Fastening Systems

Steel & Tube Piping Systems

Steel & Tube Reinforcing & Fabrication

Steel & Tube Stainless

Steel & Tube Roofing Products

Hurricane Wire Products

Share Registry
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Services Limited
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Email: enquiry@computershare.co.nz
Website: www.computershare.com

Auditors
PricewaterhouseCoopers

Bankers
ANZ National Bank Limited
Bank of New Zealand Limited

Steel & Tube Holdings Limited

15-17 Kings Crescent, Lower Hutt

Private Box 30-543, Lower Hutt

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