STEEL & TUBE

HALF YEAR REPORT 2006

STEEL & TUBE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Results

Your directors are pleased to present the financial statements for the 2006 half-year which were authorised for issue on 16 February 2006.

Steel & Tube is an early adopter of New Zealand International Financial Reporting Standards and the December 2005 accounts and restated comparatives were prepared in accordance with the new standards.

The Company announced a first half after tax profit of $17.68 million. This is a decrease of $2.1 million when compared with the record result of the same period last year

Sales during this period increased by $6.6 million to $222.8 million. The result represents an annualised EBIT return on average funds employed of 30.8% and 24.8% after tax return on average shareholders' funds.

Dividend

The Directors have declared a fully imputed interim dividend of 15 cents per share payable on 10 March 2006 to holders of fully paid ordinary shares registered at 3 March 2006. This has been maintained at the same level as last year and the amount payable is $13.2 million. A supplementary dividend of 2.6471 cents per share will be paid to non-resident shareholders.

Performance

Overall, the market conditions were challenging.

Although the New Zealand economy expanded by 2.6% for the September year, this was well down from the 4.3% growth recorded a year earlier. The rate of growth slowed markedly to record 0.2% for the September quarter with the expectation of a similar result for the December quarter.

STEEL & TUBE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

CONTINUED . . .

Activity in the construction sector is at all time highs. Commercial construction and infrastructure activity reached record levels while the demand for new residential housing, although less than last year, remained strong. The manufacturing and rural sectors however continued to suffer from the effects of high interest rates and a strong New Zealand Dollar.

In the Steel Distribution business, demand was strong from the construction sector although this was offset by reduced volume to the manufacturing and rural sectors. This change in product mix also affected margins as high volume lower priced construction product replaced sales from the manufacturing sector.

Roofing Products continued its strong performance on the back of strong demand for roofing and cladding products from both the light commercial construction and new residential property sectors. Record levels of construction activity and infrastructure spending along with a better mix of available contracts enabled the Reinforcing operations to post results ahead of the previous period.

Although Hurricane Wire Products produced similar volumes to last year, competitive pressures and a different product mix adversely affected margins when compared with last year. Sales to the rural sector were slightly lower, however this was offset by an increase in revenue to the building and construction sectors.

Acquisition

An agreement to acquire the trading assets of the New Zealand Fasteners Group for approximately $11 million was reached today subject to the completion of due diligence. This is expected to be completed by early March and become effective 1 April 2006.

New Zealand Fasteners is predominantly a distributor of stainless steel products such as pipe, sections, sheet and fasteners, and employs 80 staff at 8 locations throughout the country.

It is expected that there will be ample opportunity to grow the Stainless Steel business through Steel & Tube's large customer base and obtain synergy benefits with our Fastening, Piping Systems and Processing operations.

Outlook

The overall trading environment for the second half of the financial year will continue to be challenging as the economy is expected to soften further.

Although the outlook for commercial construction is expected to be strong, the rural and manufacturing sectors will continue to be under pressure in the foreseeable future. A slowing in consumer spending may further affect the demand for new housing as well as the industries that are reliant on an active residential housing sector.

International steel prices have softened to a degree, however, the impact may be lessened if the New Zealand Dollar continues to weaken.

The likely acquisition of New Zealand Fasteners is not expected to add to group profits until the 2006/2007 financial year.

Taking the above factors into consideration the year-end result is expected to be within the current range of analysts' forecasts.

Dean Pritchard	Nick Calavrias
Chairman	Chief Executive Officer
16 February 2006	

CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Notes	2005 $000	2004 $000
Sales revenue		**222,802**	216,161
Cost of sales	1	**(165,680)**	(157,297)
Gross profit		**57,122**	58,864
Other operating income		**191**	198
Distribution and selling expenses	1	**(13,828)**	(13,236)
Administration expenses	1	**(7,566)**	(8,367)
Other operating expenses	1	**(7,871)**	(6,684)
Operating earnings before financing costs		**28,048**	30,775
Interest income		**34**	47
Interest expense		**(1,648)**	(1,287)
Profit before tax		**26,434**	29,535
Tax expense		**(8,754)**	(9,782)
Profit after tax		**17,680**	19,753
Basic earnings per share (cents)	2	**20.1**	22.4
Diluted earnings per share (cents)	2	**20.0**	22.3

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Notes	2005 $000	2004 $000
Equity at beginning of period		**136,454**	124,317
Net profit for the period		**17,680**	19,753
Transactions with equity holders:			
Share capital		**116**	16
Treasury shares		**(193)**	(242)
Dividends paid	3	**(14,944)**	(13,208)
Equity at end of period		**139,113**	130,636

CONSOLIDATED INTERIM BALANCE SHEET

AT 31 DECEMBER 2005

	Notes	2005 $000	2004 $000	Jun 2005 $000
Current assets				
Inventories		**71,904**	72,578	76,960
Trade and other receivables		**70,007**	65,381	77,091
Income tax refund		**–**	–	15
		141,911	137,959	154,066
Non-current assets				
Property, plant and equipment		**41,686**	40,137	39,739
Intangibles		**20,270**	20,044	20,022
Deferred tax assets		**3,343**	3,166	3,585
		65,299	63,347	63,346
Total assets		**207,210**	201,306	217,412
Current liabilities				
Borrowings		**24,449**	29,193	33,890
Trade and other payables		**31,336**	33,015	36,423
Income tax payable		**1,410**	2,979	–
		57,195	65,187	70,313
Non-current liabilities				
Borrowings		**10,000**	5,000	10,000
Employee benefits		**902**	483	645
		10,902	5,483	10,645
Equity				
Share capital	4	**70,049**	69,900	69,933
Treasury shares	5	**(684)**	(462)	(491)
Retained earnings		**69,748**	61,198	67,012
		139,113	130,636	136,454
Total equity and liabilities		**207,210**	201,306	217,412

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Notes	2005 $000	2004 $000
Operating activities			
Customers receipts		230,540	222,382
Interest receipts		34	47
Payments to suppliers and employees		(191,666)	(199,165)
Income tax payments		(7,087)	(7,073)
Interest payments		(1,648)	(1,287)
		30,173	14,904
Investing activities			
Property, plant and equipment disposals		96	192
Business assets purchases		(1,338)	–
Property, plant and equipment purchases		(4,469)	(3,112)
		(5,711)	(2,920)
Financing activities			
Share capital		116	16
Treasury shares		(193)	(242)
Dividends	3	(14,944)	(13,208)
		(15,021)	(13,434)
Net movement in cash and cash equivalents		9,441	(1,450)
Cash and cash equivalents at beginning of period		(28,890)	(22,743)
Cash and cash equivalents at end of period		(19,449)	(24,193)
Reconciliation of profit after tax to cash flows from operating activities			
Profit after tax		17,680	19,753
Classified as investing/financing activities:			
Gain on property, plant and equipment disposals		(20)	(117)
Non-cash items:			
Depreciation		2,747	2,928
Financial derivatives fair value		26	185
Deferred tax		242	(396)
		3,015	2,717
Working capital movements:			
Income tax payable		1,425	2,911
Trade and other receivables		7,084	7,037
Trade and other payables		(4,830)	(339)
Inventories		5,819	(17,058)
		9,498	(7,449)
Cash flows from operating activities		30,173	14,904

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

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 consolidated interim financial statements were authorised by the Board of Directors for issue on 16 February 2006.

Significant accounting policies

(a) Statement of compliance

The Group is a profit-oriented entity and its consolidated interim financial statements have been prepared in accordance, and comply, with both the New Zealand Equivalents to International Financial Reporting Standards (NZIFRS) and NZIAS 34 Interim Financial Reporting. These are the Group's first NZIFRS interim financial statements for the half-year ended 31 December 2005 and NZIFRS 1, First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, has been applied. They do not include all of the information required for full annual financial statements. The transition to NZIFRS and the reconciliation from NZ FRS is explained in note 7 on page 15.

(b) Basis of preparation

These financial statements are presented in NZ$, rounded to the nearest thousand, and prepared on the historical cost basis except for derivative financial instruments, long-term service benefit and the long-term incentive plans, which are stated at fair value. The Group has utilised the exemptions available under NZIFRS 1 as explained in note 7 on page 15.
The preparation of interim financial statements, in conformity with NZIAS 34 Interim Financial Reporting, requires management to exercise judgements that affect the application of policies and the reported amounts of assets and liabilities, and of income and expenses.

Preparation of these financial statements is based on New Zealand equivalents to IFRS and IAS (International Accounting Standards) approved in November 2004. The approved standards that are effective or available for early adoption of the Group's first NZIFRS annual reporting date of 30 June 2006 are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly the accounting policies for the annual reporting period that are relevant to this interim statement will be determined only when the first annual NZIFRS financial statements are prepared at 30 June 2006.

Changes to accounting policies have occurred when compared with the audited 30 June 2005 annual financial statements prepared previously under NZ FRS. The accounting policies below have been applied consistently to all periods presented in these interim financial statements. They have also been applied in preparing the opening NZIFRS balance sheet at 1 July 2004 for the purpose of transition to NZIFRS as required by NZIFRS 1. The impact of the transition from previous NZ FRS is explained in note 7 on page 15.

(c) Basis of consolidation

Subsidiaries 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 subsidiaries are included in the consolidated interim 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies 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. Subsidiaries' accounting policies have been amended where necessary 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 NZ$ which is the Company's functional and presentation currency.

(ii) Foreign currency transactions

Foreign currency transactions are translated using foreign currency exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions, and from translation of monetary assets and liabilities at balance date, are recognised in the 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, being the date of transition to NZIFRS, are stated as deemed cost which is the revalued amount at the date of that revaluation.

(ii) Subsequent costs

Subsequent costs are included in the 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 are charged to the income statement as an expense.

(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	average 50 years
Leasehold improvements	3 – 10 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 and represents the excess of the acquisition cost over the fair value of the net assets acquired. 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) Computer software

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

(g) Critical accounting estimates and judgments

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

(i) Estimated impairment of non-current assets

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

An impairment loss is recognized for the excess of the carrying amount 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 asssessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At 1 July 2005, the date of transition to NZIFRS, and at 30 June 2005, the date of adoption, 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 includes 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 impairment.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts and call borrowings form an integral part of the Group's cash management and are included as a component of cash and cash equivalents.

(k) Share capital

Ordinary shares are classified as equity. Where any Group company purchases the Company's shares, 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 provided is based on the expected manner of realization 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 be available against which the temporary differences can be utilised.

(m) Employee benefits

(i) Long-term service benefit

The Group's net obligation in respect of 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) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing.

(iv) Share-based plans

Employee share purchase scheme

An opportunity is provided for employees excluding Directors to acquire Company shares when an offer is made. 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 and the issue price is approved by the Board of Directors. The discount between the issue and market price is measured at grant date and recognized as an expense over the vesting period. The Board appoints the trustees who administer the scheme. Shares purchased by the trustees are held beneficially until vested in the employees and are recognized as treasury shares. Vesting of the shares occurs after a qualifying period of a minimum of three years from grant date.

Long-term incentive plan

A long-term incentive plan is offered to senior executives in the form of a grant of a right to shares in the Company. The plan is administered by a trustee appointed by the Board and Directors, including the Chief Executive Officer, do not participate. Shares purchased by the trustee are recognized as treasury shares. Vesting of the right to shares occurs after a qualifying period of a minimum of three years from grant date and the achievement of predetermined targets approved by the Board. The cost of the plan is measured at fair value at grant date and the expense is recognized over the vesting period with a corresponding liability in employee benefits.

The Chief Executive Officer's remuneration package includes a long-term cash incentive component that is based on the same terms and conditions offered to senior executives in the above paragraph. The value of the cash incentive is determined at grant date and the fair value of the liability will be remeasured at each reporting date and at the date of settlement with any changes in fair value recognized in the income statement for the period.

(n) Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation. They are measured at the present value of 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.

(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 on its financial performance through the use of derivative financial instruments to hedge its exposures.

(i) Market risk

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from its operational, financing and investment activities in accordance with its treasury policy. 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 to manage this exposure is monitored regularly and, 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.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and funding availability via an adequate amount of committed credit facilities. Due to the nature of the underlying business, the Group aims to maintain funding flexibility through keeping committed credit lines available.

(iv) Cash flow and fair value interest-rate risk

The Group's operating cash flows are substantially independent of changes in market interest rates with the cash flow interest-rate risk arising mainly from bank 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 from the provision of products and services is different from other economic environments.

The Group operates in one industry in New Zealand and its activities comprise the distribution, fabrication and processing of steel products. Segment reporting is therefore not appropriate.

(s) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

	2005 $000	2004 $000
1. Operating activities		
Included in other operating income:		
Profit from disposals of property, plant and equipment	20	117
Included in cost of sales and operating expenses:		
Depreciation of property, plant and equipment	2,747	2,928
2. Earnings per share		
Profit after tax	17,680	19,753
Weighted average number of shares for basic EPS	88,085,240	88,030,240
Weighted average number of shares for diluted EPS	88,529,240	88,529,240
3. Dividends		
Paid during the half-year:		
2005 final – 17 cents per share (2004: 15 cents)	14,974	13,209
Dividends received from treasury shares	(30)	(1)
	14,944	13,208

Dividends paid are fully imputed and the Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $1.4 million (2004: $1.2 million).

Declared after balance sheet date and not recognised as a liability: 2006 interim – 15 cents per share (2005: 15 cents). Refer note 8.	13,213	13,205

	2005 $000	2004 $000	Jun 2005 $000
4. Share capital			
Paid in full:			
Balance at beginning of period	**69,928**	69,879	69,879
Senior Executives' Share Scheme	**116**	16	49
Transfer from shares paid to 1 cent	**1**	–	–
Balance at end of period	**70,045**	69,895	69,928
Paid to 1 cent:			
Balance at beginning of period	**5**	5	5
Transfer to shares paid in full	**(1)**	–	–
Balance at end of period	**4**	5	5
Total paid up capital	**70,049**	69,900	69,933
Shares issued and paid in full:			
Balance at beginning of period	**88,055,240**	88,018,240	88,018,240
Senior Executives' Share Scheme	**30,000**	12,000	37,000
Balance at end of period	**88,085,240**	88,030,240	88,055,240
Shares issued and paid to one cent:			
Balance at beginning of period	**474,000**	511,000	511,000
Transfer to shares paid in full	**(30,000)**	(12,000)	(37,000)
Balance at end of period	**444,000**	499,000	474,000
Total shares issued	**88,529,240**	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.

	2005 $000	2004 $000	Jun 2005 $000
5. Treasury shares			
Unallocated	**683**	443	443
Forfeited by staff	**1**	19	48
Balance at end of period	**684**	462	491
Share numbers:			
Unallocated	**155,280**	107,280	107,280
Forfeited by staff	**250**	8,600	16,550
Balance at end of period	**155,530**	115,880	123,830

These are unallocated ordinary shares held by the trustees in the employees share schemes.

	2005 $000	2004 $000	Jun 2005 $000
6. Contingent liabilities			
Contracts guarantee and other contingent liabilities not recognised in the financial statements	**325**	1,233	1,270

7. Transition to NZIFRS

These are the Group's first consolidated interim financial statements for part of the period covered by the first NZIFRS annual consolidated financial statements prepared in accordance with NZIFRS. The accounting policies reported above have been applied in the preparation of the interim financial statements for the half-year ended 31 December 2005, the comparative half-year ended 31 December 2004, the financial statements for the year ended 30 June 2005, and the opening balance sheet at 1 July 2004 (date of transition).

In transitioning to NZIFRS, the Group has applied the exemptions available under NZIFRS 1 and adjusted the amounts reported in the financial statements for the year ended 30 June 2005. The tables below reflect these adjustments. The adoption of NZIFRS has not resulted in any significant changes to the cash flow statements with the exception of goodwill which has been added back as it is no longer amortised (refer note d opposite).

Reconciliation of equity, liabilities and assets from previous NZ FRS to NZIFRS at 1 July 2004

		Equity $000	Liabilities $000	Assets $000
Reported under previous NZ FRS		125,232	66,337	191,569
NZIFRS adjustments:				
Deferred tax	a	(680)		(680)
Financial instruments	b	8		8
Employee benefits	c	(243)	267	24
		124,317	66,604	190,921

Reconciliation of equity, liabilities and assets from previous NZ FRS to NZIFRS at 31 December 2004

		Equity $000	Liabilities $000	Assets $000
Reported under previous NZ FRS		130,377	71,392	201,769
NZIFRS adjustments:				
Deferred tax	a	(600)		(600)
Financial instruments	b	(185)	185	
Intangibles	d	1,311		1,311
Employee benefits	c	(267)	287	20
		130,636	71,864	202,500

Reconciliation of profit after tax from previous NZ FRS to NZIFRS to 31 December 2004

		Profit $000
Reported under previous NZ FRS		18,579
Goodwill	d	1,311
Employee benefits	c	(24)
Forward exchange contracts fair value	b	(193)
Tax expense	a	80
		19,753

a. **Deferred tax**

NZIFRS recognises all temporary differences between accounting and tax values for assets and liabilities in the balance sheet and differs from previous NZ FRS recognition of timing differences between accounting and tax profit. Deferred tax is now recognised for the Directors' valuation of the Group's building assets, fair value of forward exchange contracts, and employee benefits.

b. **Financial instruments**

The Group hedges its exposure to movements in foreign currency exchange rates through the purchase of forward and spot exchange contracts on its overseas purchases. The movement in fair values of these contracts are recognised in the income statement.

c. **Employee benefits**

The accrual for long service leave under previous NZ FRS was recognised when the leave vested. It is now recognised in the income statement as the entitlement is earned using an independent actuarial valuation to determine the liability.

Company shares allotted to employees in the Employees Share Purchase Scheme 1983 were issued at a discount to the on-market purchase price for the shares. This discount was recognised in full in the income statement under previous NZ FRS but is now recognised as an apportionment over the the vesting period. The Group has applied the exemption available under NZIFRS 2 for shares issued to employees before 7 November 2002 that have not been vested by 1 January 2005.

d. **Goodwill**

Goodwill is no longer amortised under NZIFRS and is tested annually for impairment with any impairment recognised in the income statement. No impairment of goodwill occurred at the transition date of 1 July 2004.

8. Subsequent event

The Board has declared a fully imputed dividend of 15 cents per share on 16 February 2006 equating to $13.2 million, and a supplementary dividend of 2.6 cents per share payable to non-resident shareholders. This will be paid to shareholders on 10 March 2006.

STEEL & TUBE HOLDINGS LTD

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Steel & Tube Reinforcing & Fabrication

Steel & Tube Roofing Products

Hurricane Wire Products

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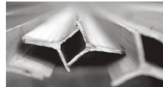
ANZ National Bank Limited
Bank of New Zealand Limited



Steel & Tube Holdings Limited