steel&tube

2020 ANNUAL REPORT

STEEL & TUBE HOLDINGS LIMITED

GAME ON.

From the floor under your feet, to the roof over your head, and the nuts and bolts in between – we have been involved in building New Zealand from the ground up since 1953.

We are a proud New Zealand company, locally owned by everyday New Zealanders, and staffed with passionate people who really care for our customers and all we stand for.

Our team are the steel backbone of our company. Passionate, innovative, capable and proud of what we do. We have expertise right across the steel industry – and thrive on helping our customers to create better projects and build better outcomes.

Like the rest of the country we have been through the wringer in the last six months as we have faced the challenge of COVID-19 together. But we have worked hard to come out better positioned to create a positive future.

Under our Project Strive programme, we have created a stronger business. Having laid the foundation, we are now moving forward with a clear strategy focused on making it easier and more efficient for our customers to do business with us, and driving better performance from our assets across the country.

We have strong governance, are on a sound financial footing, have an increasingly efficient business model with stronger operational disciplines, and a committed team of people. We believe that we are stronger when we work together with our team, our customers, our brands and our businesses.

On behalf of the Board and Management, we are pleased to present to you the Annual Report for the 12 months ended 30 June 2020.

Susan Paterson
Chair

Mark Malpass
Chief Executive Officer

27 August 2020

CONTENTS

FY20 AT A GLANCE	02
OUR RESPONSE TO COVID-19	04
CEO AND CHAIR REVIEW	06
OUR BUSINESS DIVISIONS	10
LOOKING BACK	16
MOVING FORWARD	17
OUR STRATEGY	18
WHAT MATTERS	20
LEADERSHIP TEAM	28
OUR BOARD	30
FY20 FINANCIAL MEASURES EXPLAINED	32
FIVE YEAR FINANCIAL PERFORMANCE	34
FINANCIAL REVIEW	35
FINANCIAL STATEMENTS	36
INDEPENDENT AUDITOR'S REPORT	84
GOVERNANCE	92
DIRECTORY	108

FY20 AT A GLANCE

TRADING ENVIRONMENT

Softening vertical construction sector and stainless sector activity, further impacted by COVID-19.

COVID-19

Impact of COVID-19 in the second half of FY20, with sales down approximately 50% in March and April 2020 compared to prior comparative period (pcp). Post-lockdown, trading was better than initially anticipated, albeit with a greater mix of lower margin product, but was not enough to offset the impact.

ONGOING INVESTMENT INTO DIGITAL TECHNOLOGIES

Development of a range of customer engagement technologies including chatbot, webshop and ecommerce platform; and investment into digitisation of workflow processes.

REALIGNED ORGANISATION AROUND THE CUSTOMER

New segmentation tools including account management structure and a centralised customer experience centre. Delivered an improving customer satisfaction score.

ORGANISATION OPTIMISATION

Reduced network to 28 locations, with headcount reduction of 150 to 200 people to be completed in 1H21.

INCREASED COST EFFICIENCIES

Improved freight, procurement and direct labour efficiencies resulting in lower costs to serve customers.

BENEFITS FROM DISCIPLINED INVENTORY MANAGEMENT

Increasing levels of core stock availability and reduction in the number of inventory items, with inventory down to $101m as at year-end and product SKUs reduced by one-third.

PRUDENT CAPITAL MANAGEMENT

Strong operating cashflows of $39.6m (pre-NZ IFRS16 $26.6m) with net cash at year-end of $7.4m. Agreed covenant waivers and revised covenants for FY21, which the company expects to comfortably meet.

SECURED SIGNIFICANT AMOUNT OF NEW WORK

Major projects and longer term contracts from new and existing customers.

CONTINUED FOCUS ON QUALITY, HEALTH & SAFETY

Ongoing audit, testing and certification programme implemented.

OUTLOOK

Cautious outlook with future economic environment remaining uncertain and customer activity expected to be constrained in a number of sectors, leading to reduced revenues in FY21. In line with policy no final dividend has been declared for FY20. Steel & Tube is well positioned to benefit from Government investment in infrastructure and any market uplift.

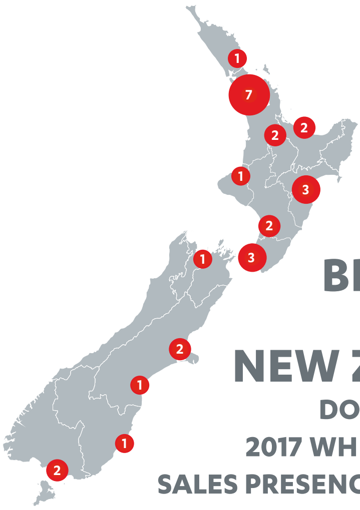
FY20 SNAPSHOT

Normalised measures exclude non-trading adjustments [1]

Revenue	$417.9M
Earnings Before Interest And Tax (EBIT)	$(57.7)m
Normalised EBIT Excluding Non-Trading Adjustments[1]	$0.4M | $(5.2)M pre-NZ IFRS16
Net Loss After Tax	$(60.0)M
Operating Cash Flow	$39.6M | $26.6M pre-NZ IFRS16
Borrowings	$10.0M
Cash On Hand	$17.4M

916

STAFF ACROSS OUR ORGANISATION



28

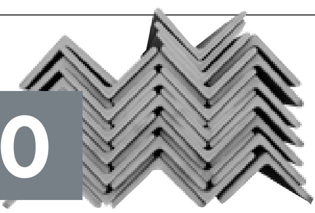
BRANCHES ACROSS NEW ZEALAND

DOWN FROM 50 IN 2017 WHILST RETAINING SALES PRESENCE AND SERVICE

2271 **TCO2E[3] GREENHOUSE GAS EMISSIONS**

4.86

SAFETY TRIFR[2]



45,000

PRODUCT SKUS

7.3 **OUT OF 10 EMPLOYEE ENGAGEMENT SCORE, IN LINE WITH INDUSTRY BENCHMARK**

[1] Normalised EBIT excludes non-trading adjustments of $58.1M, which includes non-cash goodwill impairment and other write-downs due to acceleration of branch network changes, business restructuring and digitisation and the impact of COVID-19. Further details on non-trading items are included on pages 32 and 33 of this report.

[2] Total Employee Recordable Injury Frequency Rate.

[3] Tonnes of carbon dioxide equivalent as calculated by an independent third party.

OUR RESPONSE TO COVID-19

The COVID-19 pandemic escalated in New Zealand in late March 2020, culminating in a four-week lockdown period and then a staged re-opening in late April and May 2020. Management contingency planning commenced in March, with management plans developed based on a range of scenarios from worst to best case.

The priority was to protect the health & safety of our workers, and we rapidly deployed working from home, social distancing and safe trading protocols. Our COVID-19 policies and protocols were widely recognised and, following requests, we shared these with customers, suppliers and partners.

Along with daily Crisis Management Team meetings, we communicated with our teams through daily group-wide emails from the CEO and regular virtual team meetings, with our approach ranked highly by staff in our recent Employee Engagement survey. While some staff, particularly senior management, were busy during the lockdown, other employees were kept engaged with training and other programmes. Board meetings were held weekly and Management utilised the lockdown period as an opportunity to significantly advance strategic work such as resizing of the network.

Cash management was and remains key, and action was taken to further reduce our cost base, including accelerating a resizing of the organisation, reducing capital expenditure, stopping all non-essential spend and reducing remuneration for the Board and senior leadership team. We received wage subsidy support of $6.6m from the Government, which we passed on in full to our employees, in accordance with the Scheme. In addition, Board and Management agreed that no short term incentives would be paid for the FY20 year regardless of performance achievements. To ensure liquidity and access to funding if needed through this period, we negotiated waivers and revised bank covenants for FY21 with our banking partners.

In line with Steel & Tube's focus on digitisation, we worked with technology company RFIDER to create a system allowing for contact tracing, recording health status and providing streamlined access to sites. Using a smartphone, staff and visitors to a site could easily sign in/out and provide relevant information without any physical contact, long queues or significant disruption. The solution was deployed rapidly across Steel & Tube's network and was fully operational in two days. Steel & Tube was one of the first businesses in New Zealand to introduce these robust measures and a digital solution.

We would like to acknowledge and thank our staff, suppliers, customers, shareholders and other stakeholders for their support during this period. While our trading has been significantly impacted by COVID-19, we have emerged with a strong balance sheet and a leaner and more cost effective organisation structure. We were seeing a good recovery in trading prior to the latest COVID-19 restrictions across New Zealand, with trading in June and July stronger than we initially anticipated. This was, in part, due to pent up demand, however, we have also seen some positive signs of economic activity with a number of new projects and longer term contracts.

OUR RESPONSE TO COVID-19

- Contingency planning and precautionary measures including development of contactless tracing system that was shared within the industry and with customers
- Rapid deployment of working from home, social distancing and safe trading protocols
- Priority on health & safety of staff and customers
- During L4 lockdown, all sites closed except where needed to supply essential services
- Customers supported online and through safe business trading
- Prudent approach to capital management – cancellation of FY20 dividend payments
- Received Government wage subsidy assistance of $6.6m
- Reduction in Board, senior management and employee remuneration
- All non-essential capital and operating spend deferred. Focus on cash management
- Accelerated organisation restructure to right size the business for the expected downturn in economic activity

CHAIR AND CEO'S REVIEW

The FY20 year presented significant challenges and demonstrated the resilience of our people and company in the face of both market adversity and the COVID-19 pandemic. While a slowdown was being seen in some sectors prior to the level 4 lockdown, this was accelerated further in the second half of the financial year as the pandemic took hold, and we rapidly moved to adapt our organisation for a new environment.

Importantly, the work we have done over the past two years as part of our Strive programme is now demonstrating its value. We have a stronger financial platform, a more efficient and leaner business and are leading the steel industry in digitisation and technology.

While economic forecasts for the various sectors are mixed, all indicators currently suggest there will be a decline in economic activity overall. We are continuing to adapt our business to ensure we are best positioned to not only survive but to strengthen our competitive position over this time.

To ensure our business is fit for purpose, we accelerated an organisational restructure including branch consolidations. This had the aim of maintaining local sales presence and service while creating a leaner business. In line with this, we resized our workforce, requiring some difficult decisions to let go of a number of our team. These people were valued employees and we are doing all that we can to support them through these changes. We expect these changes to result in a permanent reduction of 150 to 200 people (20% of our workforce) with about 50% having already left the organisation and the balance to leave during the first half of FY21.

A key learning for many of us has been the need to be flexible and adaptive. We demonstrated this ability as we quickly moved to working from home, social distancing and safe trading during the COVID-19 restrictions. Since then, we have retained this mindset and we continue to move quickly to try out new ideas and innovate, such as our chatbot, Stanley, and online customer portal.

Customers will continue to need a trusted supplier and partner to deliver steel solutions which meet their needs. Our geographic sales strength, improved customer service functions, accelerated investment in digital capabilities and ecommerce options for customers are a key source of competitive advantage for our company. In addition, the Government is investing in infrastructure and we have the expertise and the proven experience to deliver steel solutions on these large scale projects.

We are positioning our company to be customer focused and sales led, with a lot of our recent efforts focused around marketing, establishing a centralised customer excellence centre, sales training and utilising technology to make it easier for our customers to do business with us. We are carefully measuring the impact of these initiatives on customer satisfaction goals and the success rates of new projects and contracts being won.

With the start of the FY21 financial year, we have put in place a clear strategy to guide our actions going forward. This is detailed on pages 18 and 19 of this report. Our vision is a successful company delivering an acceptable return to its shareholders, seen as the best in the sector, the preferred choice for steel products and solutions and a trusted partner for our customers. We aspire to sector leading employee engagement and to offer a rewarding place to work. However, we are conscious that, like most other businesses in this post-COVID environment, there will still be challenges on the road ahead.

We continue to build on the good work that has been done to create a strong organisational platform. Cost efficiencies, inventory management and working capital disciplines remain a priority.

Innovation and digitisation are key enablers to help us achieve our goals. This has been an important area of investment over the last 12 to 18 months and we have accelerated our plans to create a digitally smart and efficient business as part of our business strategy.

Finally, we continue to invest in our staff, to develop their talents, recognise their efforts and contributions, celebrate and support diversity, encourage flexibility and empower them to add more customer value. We have also continued to support our communities, with scholarships and mentoring programmes that support people's ambitions.

FY20 FINANCIAL RESULTS

The COVID-19 pandemic had a significant impact on FY20 results and accelerated an already softening trading environment. The level 4 lockdown and progressive return to business occurred during a traditionally high earning period for our business, with a significant impact in April and May. Post lockdown, sales recovered through May, and in June were in line with the prior year.

This followed on from a challenging first half year, with adverse market conditions, in particular reduced vertical construction work and a contraction in the stainless steel market, impacting on sales revenue and volumes. A number of restructuring costs were incurred in both the first and second half years, as well as doubtful debt provisioning and write offs.

Consequently, our results for FY20 are disappointing with the significant structural improvements made to the business offset by reduced revenue and earnings, as well as non-cash impairments and write-downs impacting on our bottom line.

As required by accounting standards, we test goodwill and asset values on an annual basis and, where required, reduce ("impair") the carrying values of those assets. This is a non-cash adjustment. In addition to the impairment recognised in the first half of the year, the Board has concluded further impairments are required due to the acceleration of branch network changes and digital investment in response to the forecast economic recession.

We have written down the book value of some assets, including right-of-use lease assets and property, plant and equipment on sites the business has chosen to consolidate or exit, and the investment in the AX enterprise software platform. Whilst the AX platform remains a core business tool that underpins our digital strategies, as the business has accelerated investment in new digital initiatives and technologies, this is making some of the AX functionality obsolete. Our ongoing investment in digital initiatives is expected to be a key contributor to improving the financial performance of the business through reduced cost to serve and ease for customers ordering outside of business hours.

Despite the difficulties faced in the second half, Steel & Tube's balance sheet is strong, with net cash of $7.4m as at 30 June 2020. We delivered robust operating cashflows of $39.6m (pre-NZ IFRS16 $26.6m) for the year ended 30 June 2020 and reduced borrowings to $10m. Post-balance date, we completed the sale of a surplus Gisborne property with net proceeds of $1.4m to be applied to further reducing borrowings.

Pleasingly, this balance sheet strength, reflecting working capital and capital management discipline, means we are now well positioned in the marketplace. Given the uncertainty and volatility of the COVID-19 environment, preservation of cash is essential and the Board made the difficult decisions to cancel the interim dividend and not declare a final dividend.

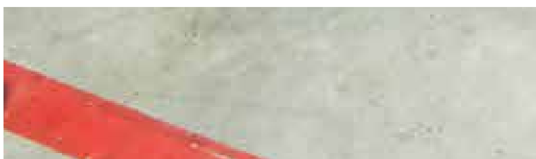
Our margins were showing improvement pre-COVID-19 and whilst post-COVID they have been lower, our priority remains to grow margins as quickly as possible. Our strategic focus on a leaner organisational structure and digital investment will help in this area.

Operating costs have been held flat versus prior year in real terms. The business absorbed an increase in IT and Digital costs of $1.1m to support improved service delivery, and also a significant $2.7m increase in provisions for bad and doubtful debts. These increases were mostly offset by a $0.7m reduction in employee costs and other efficiencies of $2.2m.

A snapshot of the financial results is provided on page 3 with further commentary on our financial measures on pages 32 and 33 and in the FY20 financial statements. Additional information on our FY20 performance has also been provided in the Results Presentation which was provided to the NZX.

While our headline result was not as we would have liked, we are satisfied at how our company and our people have come through this challenging period.

We remain proud of our people and their diligence and efforts over the past year, with many coping with the personal challenges of COVID-19 while continuing to give 100% to their roles within our company.



DIVISION REVIEW

Our organisation is structured into two divisions, with strong brands and businesses in each. We have a wide reach across the country and touch all of New Zealand, supporting everyone from local builders to the largest infrastructure providers. We provide a wide range of products and bring together a nationwide team with a depth of experience and broad capability under one roof.

In Distribution, products are sourced from preferred steel mills and distributed through our national network of branches. This is a lower margin and higher volume business and has been significantly impacted by the market segment contraction and pricing pressure over the past two years. Pleasingly, Project Strive initiatives have seen improvements being made, with firming market share, and growing revenues and margins pre-COVID, as well as a reducing cost base.

In Infrastructure we have continued to win key project work with our quality and service offering. Our metal decking team, supported by our market leading ComFlor products, has a strong market offering, albeit the softening in vertical construction has impacted on revenues in FY20. Our Roll Forming business is a key supplier of roofing products and has recently won long term supply contracts with Kainga Ora. Our reinforcing business also continues to build a solid pipeline of infrastructure and civil work.

Both divisions are recovering well and were back to near-normal levels in the month of June with a solid pipeline of work expected for Q1 FY21.

Further detail on operational performance is provided in the Division Review section on pages 10 to 15.

OUTLOOK

The economic environment remains uncertain with the continuing slowdown in some areas such as commercial and residential housing, pre-election uncertainty, and reduced business confidence post-COVID.

While trading has been solid for us in June and July, we expect there will be some deterioration in economic conditions later in the year and into 2H FY21. The latest restrictions in Auckland and around New Zealand are a continuing reminder of the volatility and unpredictability of the COVID environment.

With this uncertainty and expectations of an economic recession, we are taking a careful and prudent approach to the management of our business. Our strong balance sheet will stand us in good stead during this period and our strategy sets out a pathway that builds on our competitive advantage.

Of disappointment to both the Board and shareholders, is Steel & Tube's share price. We recognise we need to deliver improved financial performance, which we are committed to doing.

We start the new financial year with a strong balance sheet and a leaner cost structure. Our investment in digital technology continues and is supporting our move to a service model that combines ease of access and customer service. Steel & Tube is well positioned to weather a range of forecast economic scenarios and, importantly, to take advantage of the opportunities ahead of us.

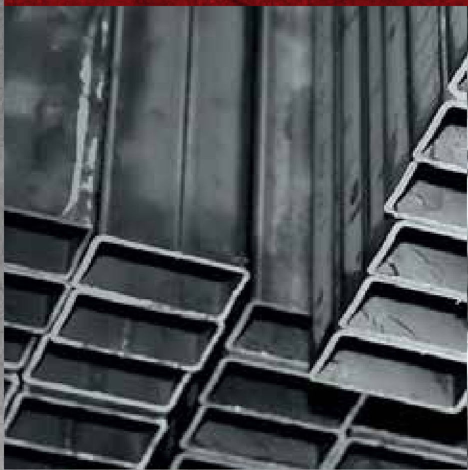
We look forward to welcoming shareholders to our Annual Meeting in October and updating you on our progress at that time.

Thank you for your continued support.

Susan Paterson | *Chair*

Mark Malpass | *Chief Executive Officer*

OUR BUSINESS DIVISIONS
DISTRIBUTION



STEEL

PIPING SYSTEMS

CHAIN & RIGGING

FASTENINGS

RURAL PRODUCTS

STAINLESS STEEL

$m	FY20	FY19
Revenue	248.0	287.7
Normalised EBIT [1]	(0.2)	2.9
Normalised EBIT Pre-NZ IFRS16 [1]	(3.4)	2.9
EBIT	(29.9)	2.9

[1] Normalised EBIT excludes non-trading adjustments of $29.8M. Further details on non-trading items are included on pages 32 and 33 of this report.

In Distribution, products are sourced from preferred, quality audited steel mills and distributed through our national network of branches. This is a lower margin and higher volume business and has been significantly impacted by the market segment contraction and competitive pricing pressure over the past two years.

Project Strive initiatives have delivered benefits with operating expenses continuing to decrease, improving margins, a reduction in other direct sales costs and improved inventory management.

Pre-COVID, gross margin was growing, despite competitive market conditions. Revenue was significantly impacted by the COVID-19 shutdown but was recovering to near-normal levels by year-end. Whilst sales recovered post-shutdown, a different product mix impacted on margins.

The work undertaken around freight efficiencies has led to improved freight recoveries and reduced costs, and more efficient management of product movement around the country. Following a tender process, a new provider of shipping and international freight services has been appointed and further efficiencies are expected to be realised throughout the FY21 year.

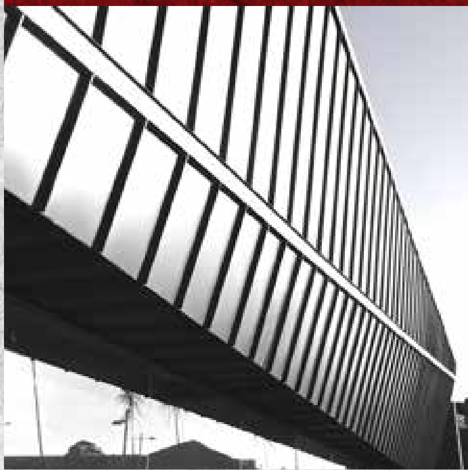
The longer term network optimisation strategy has been accelerated by COVID-19, with eight site consolidations completed during FY20.

These have enabled us to better integrate our product offerings while still providing national geographic coverage to our customers, including local representation. For example, a new Fortress fasteners store was added to the existing East Tamaki site in response to demand in the East Auckland fasteners market.

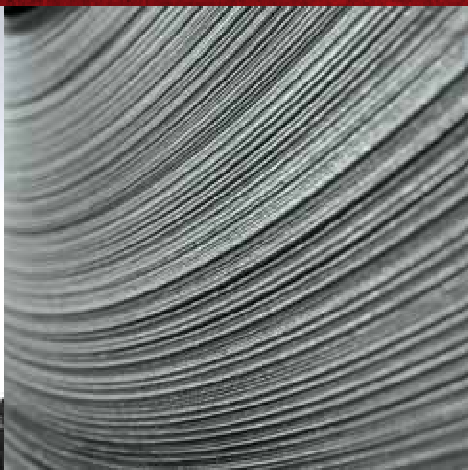
Pleasingly, the focus on customer service and delivery in full, on time and in specification (DIFOTIS) has seen an increase in customer satisfaction levels. A new customer experience team has been established to provide customers with regional and product specialisation. Alongside the introduction of new digital customer portals, this is expected to provide further improvements in customer service and improve ease of access for customers.

OUR BUSINESS DIVISIONS

INFRASTRUCTURE



ROOFING

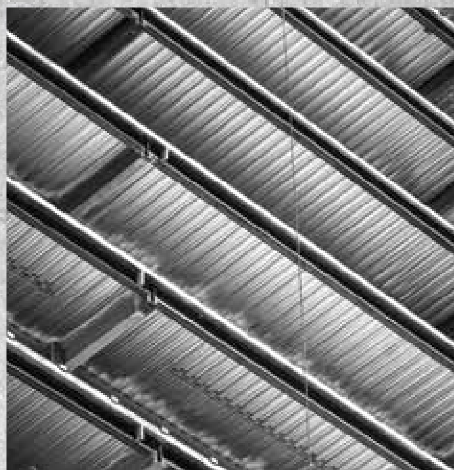


COIL PROCESSING

REINFORCING

PURLINS

COMFLOR



CFDL

ROLL FORMING

REO/CFDL

steel&tube

Studwelders

ComFlor™

$m	FY20	FY19
Revenue	170.0	209.4
Normalised EBIT [1]	0.5	11.9
Normalised EBIT Pre-NZ IFRS16 [1]	(1.8)	11.9
EBIT	(26.1)	11.9

[1] Normalised EBIT excludes non-trading adjustments of $26.5M. Further details on non-trading items are included on pages 32 and 33 of this report.

In Infrastructure division, products are typically made to order on a project basis and often include onsite installation services, either performed by us or contractors. The division comprises two business units – CFDL/REO and Roll Forming.

CFDL/REO

The Infrastructure division is mainly focused on project work. In FY20, the division was affected by the softening in the vertical construction market. Building and maintaining a pipeline of future work is important, with sales activity and successful contract negotiations sometimes taking months, if not years. A restructure during 2020 moved the sales focus from a local to a national level, providing greater access to the breadth of expertise and experience across the national team. In addition, the CFDL composite floor decking business and the Reinforcing (REO) businesses were bought together to provide customers with easy access to a multiple product solution with a single point of contact for project delivery.

With a strong focus on sales and providing clients with solutions that will deliver safety, programme and cost savings, a significant future pipeline of work has now been developed. Many of these new projects have been secured on the back of solutions that differentiate us from our competitors, such as the ability to supply multiple products and services, or innovative solutions which respond to customers' needs.

A significant operational project during the year was the consolidation of all mesh manufacturing into one location providing product nationally. This has resulted in increased production volumes and reduced costs. Whilst COVID is expected to lead to a reduction in mesh demand, we are well positioned to service the national market, with a flexible labour force that can now be moved between reinforcing and mesh manufacturing as demand dictates.

Composite metal/concrete flooring systems are well regarded and utilised in the multi-level construction market. The decline in the vertical construction market was felt by CFDL in FY19 and continued into FY20. However, through the bringing together of the CFDL and Reinforcing businesses, cost and operational efficiencies and a reduction in waste have been realised. This is a work in progress and in FY21 our focus is on the improvement of our manufacturing and installation operations to reduce costs, increase efficiencies and improve customer service and ease of access.

ROLL FORMING

As with CFDL/REO the focus for the year was on operational improvements, with much of this work completed or near to completion.

Key initiatives were focused on sales and freight optimisation, establishment of a new national organisation structure, and initial planning for a move to a dedicated customer experience centre, which will provide improved services for Roll Forming customers. These initiatives will see improvements in all areas of the business and particularly in manufacturing and sales.

In FY20 our freight project was focused on the Auckland/Waikato/Bay of Plenty triangle and Auckland-Whangarei routes. Route optimisation was undertaken and re-tendering is nearly complete. The benefit of reduced freight costs will be seen from FY21 onwards.

Consolidation of coil cut-to-length operations into Auckland has also allowed a smooth transition for the standard sheeting business to be moved into the Distribution division. This move has also enabled releasing of further space for sub-leasing at our Christchurch property.

A four-year roofing maintenance contract was secured with Kainga Ora, commencing on 1 July 2020. A key factor in the successful win was Steel & Tube's online customer portal, which allows Kainga Ora to easily place their roofing orders, along with a range of other functions to meet reporting requirements.

Sustainable building practices have also been a focus and the Roll Forming Roofing business was recently awarded the Environmental Choice accreditation for all branches. This is important for our work with Kainga Ora and will assist in achieving Homestar requirements.

MASSEY UNIVERSITY INNOVATION COMPLEX

Steel & Tube was selected by Southbase Construction as a key subcontractor on the construction of Massey University's new Innovation Complex, a $120 million state of the art development, located in the heart of the Massey campus in Auckland. The 9,800sqm teaching and research facility will be home to Massey's science, innovation and research centre and will be a collaborative working space to connect the University with industry and the local community.

Steel & Tube is providing reinforcing and flooring for the development, with more than 700 tonnes of reinforcing and 6,600sqm of Comflor metal decking. The project commenced in February 2020 with the pre-fabrication of steel beams and is expected to be completed in 2021.

National product and sales manager for Steel & Tube, Peter Reiber said: "A key ingredient in securing the contract with Southbase was our ability to provide a combined Reinforcing and ComFlor solution, with a single point of contact for the overall management and coordination."

The Southbase team commented: "The Massey project brings many challenges, particularly between structural steel and concrete. Together, through good partnering and planning, Southbase Construction and Steel & Tube are meeting these challenges with great success".

QUEENSTOWN'S BULLENDALE ALPINE VILLAGE CHOOSES NEW STEEL & TUBE ROOFING PROFILE

The attractive wide runs of Steel & Tube's commercial roofing profile, ST963, have also made it a winner with residential home owners and builders. One of the largest residential customers to date has been the Bullendale Alpine Village at Arthurs Point in Queenstown. Bullendale is a master-planned mountain village currently under development at the base of Coronet Peak in Central Otago and offers a range of architectural designed alpines homes and apartments. With consent for 88 dwellings, Bullendale has recently completed its 60th home, with all roofs utilising Steel & Tubes 963 long run profile.

Bullendale developer, Shane Fairmaid, says "What really appealed was the strong architectural lines offered by the ST963 product which provided a robust, strong and cost effective roofing solution, ideally suited to withstand Arthurs Point's unforgiving alpine weather. We've had a lot of really positive comments regarding the Bullendale aesthetic and are very happy with our decision to use Steel & Tube's ST963. It's a great product that ticks a lot of boxes."

LOOKING BACK. OUR PROGRESS UNDER PROJECT STRIVE

The Strive turnaround programme commenced in FY18, with the aim to reset our cost base and rebuild our competitive advantage.

At the time Project Strive commenced, Steel & Tube was at the end of a programme of business acquisitions and capital upgrade of facilities around the country. Debt was high at $110m and there were historical issues with inventories and deterioration of heritage businesses. The implementation of the new AX ERP software platform was encountering serious issues which were impacting trading. In addition, due to the changing political environment for irrigation, the outlook for the Plastics business was bleak.

Over the past two years, the Board and Management team have taken actions to re-set the company including a $80.9m capital raising to reduce debt and strengthen the balance sheet, the exit from the Plastics business, a reduction in the property footprint from 50 to 28 facilities, streamlining of the organisation structure, and substantially improved working capital management, quality, health and safety performance and employee engagement. Every person in the company has been focused on building a stronger company under our Strive pillars, and significant work has been achieved.

Steel & Tube is now in a much better position to weather the COVID-19 environment and take advantage of opportunities ahead of us. We are excited about the next phase of our strategy and where we can take our company from here.

KEY INITIATIVES EXECUTED UNDER PROJECT STRIVE

- Group-wide update to ISO 9001: 2015 quality certification
- Independent assessment and audits of steel mills by Lloyds Register
- Traceability enhancements including barcode scanning
- Sales account alignment, management and sales excellence programme
- Product investment growth
- Customer loyalty and value growth
- Call centre activation
- Ecommerce and digital initiatives
- Supply chain improvements
- Operational excellence and efficiency
- Freight efficiencies
- Facility footprint consolidation
- Employee engagement and development
- Providing a rewarding workplace

MOVING FORWARD. STRONGER TOGETHER.

We are moving forward with a clear strategy that will guide our actions over the next three years. Each of our five pathways focused on an area of business which is critical to our success and our goal of being a company that is delivering an acceptable return to its shareholders, is seen as the best in the sector, the preferred choice for steel products and solutions and a trusted partner for our customers, as well as a rewarding place to work.

Our customers remain at the fore of all we do and our focus is on providing new and better ways to deliver information, expertise, purchasing options and communication channels that make it easy for them to do business with us. In line with this, we will leverage our breadth of expertise and wide-range of quality products and strong brands which meet the needs of our customers from the 'ground up'.

Equally important is ensuring we have an efficient and productive business that delivers value to all our stakeholders, including our shareholders. While a significant amount of work has been completed to deliver operational and supply chain excellence, we continue to improve operational disciplines and excellence in customer service.

Innovation, digitisation and technology are key enablers for our strategy and will remain an important investment area for us. Our work in this area has accelerated with the onset of COVID-19, with a pipeline of future initiatives underway.

'Stronger Together' embodies our strategy to effectively bring our staff and business units together in pursuit of a common purpose – and aligns our services, expertise and products to provide the best possible support to our customers and partners.

OUR STRATEGY

OUR PURPOSE

To make life easier for our customers needing steel product and service solutions.

OUR VISION

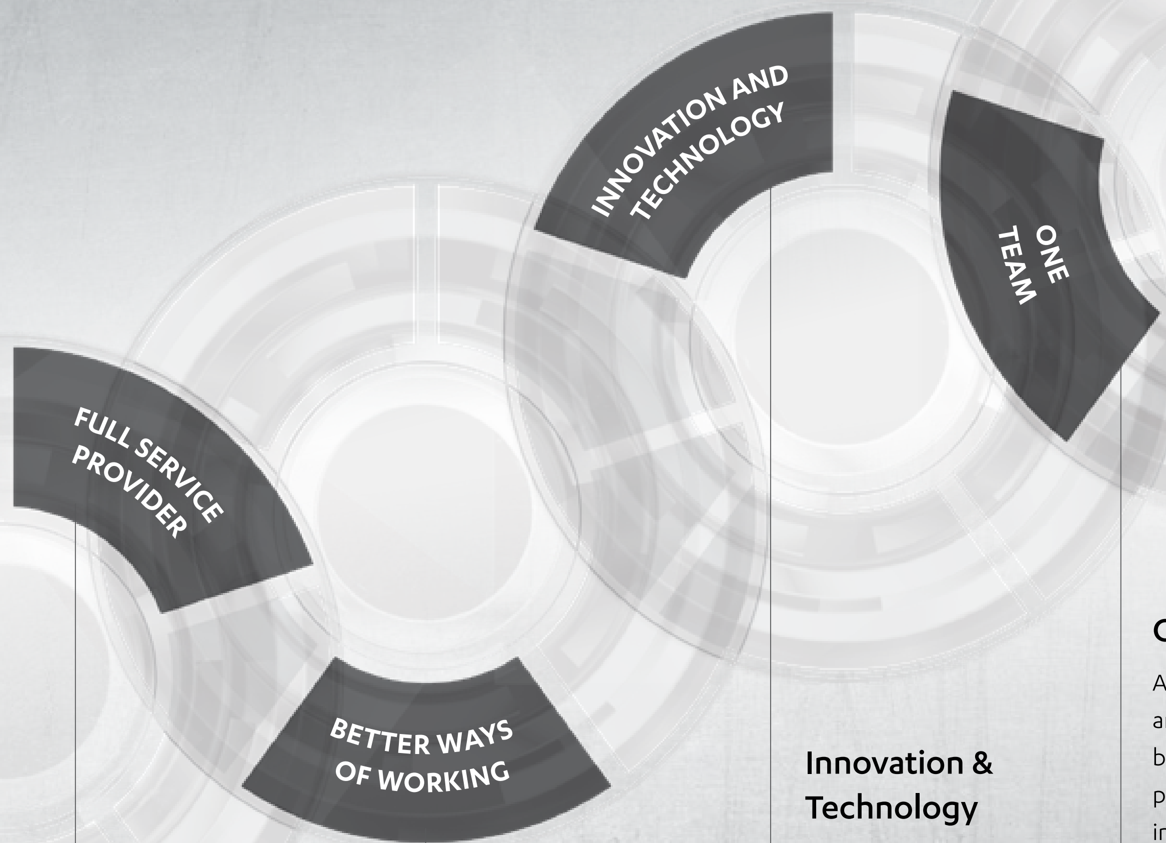
To provide unparalleled customer service and experience.

OUR GOAL

To position Steel & Tube as the best in the sector, the preferred choice for steel products and solutions and a trusted partner for our customers

Making it Easy

Delivering the information, expertise, purchasing options and communication channels that make it easy for our customers



Full Service Provider

Leveraging our breadth of expertise, quality products and strong brands to deliver a 'ground up' solution for our customers

Better Ways of Working

Continually improving to ensure an efficient and effective operational platform, with strong operational discipline and excellent customer service

Innovation & Technology

Embracing new technology and continually innovating to deliver on our customer and partner strategies – and drive greater efficiency in our business

One Team

Aligning our staff and our businesses behind a common purpose , investing in staff development, recognising and growing their talents and contributions and empowering them to add more customer value

WHAT MATTERS

At Steel & Tube, we have a commitment to ensuring that we add value for all our stakeholders, from our shareholders to our staff and the communities we operate in, as well as reducing the environmental impact of our activities. We believe it is our corporate responsibility to ensure we play our part in making the world a better place.

In line with this, over the last year we have advanced our approach to ESG – environmental, social and governance principles – which we believe will enhance our company and support our growth.

As part of our process, we undertook workshops and interviews with internal and external stakeholders to identify topics that were material for Steel & Tube. Key topics were identified and these form the basis of our Sustainability framework. We have set Key Performance Indicators (KPIs) for each of these topics and these are reported on internally, at least quarterly. These key topics have been aligned with our four strategic pillars which we believe are essential for the long term sustainability of our company and support our social licence to operate.

We believe a strong ESG proposition will benefit not only the communities within which we operate but, importantly, the business by supporting revenue growth, cost efficiencies, reduced regulatory and legal interventions, an uplift in employee productivity and optimisation of our investments and assets.

We take our responsibilities and commitment to our staff, our shareholders, our suppliers and customers seriously and every member of our Steel & Tube team has a responsibility to uphold our values and be accountable for their actions.

In this 'What Matters' section and elsewhere in this Annual Report, we comment on economic, environmental, social and governance topics that we believe are material to our business and our stakeholders.

STRATEGIC PILLAR	MATERIAL TOPIC
Commitment to Safety and Quality	Occupational Health & Safety High Quality Products and Services
Operational and Supply Chain Excellence	Financial Performance and Corporate Governance Material Efficiency and Recycling Energy and Carbon
Putting the Customer at the Heart of the Business	Customer Satisfaction Product Life Cycle Performance
Supporting a winning team	Talent Attraction and Retention People Development and Labour Practices Culture of Wellbeing

COMMITMENT TO SAFETY AND QUALITY

OCCUPATIONAL HEALTH AND SAFETY

As an employer of over 900 people across manufacturing, installation, logistics, management and support roles, we have a fundamental responsibility to provide a safe and healthy work environment for everyone. Ensuring Steel & Tube employees and contractors go home safely every day is our first priority. We have a dedicated team to support this and encourage a 'speak up' culture that helps identify areas for improvement.

The company's focus on health & safety is led from the top, with health & safety committees at every level of the organisation (see the table below).

The Board's QHSE Committee regularly visits the company's sites to review health and safety in the workplace and engage directly with staff on health and safety matters. The Committee receives regular reports on quality processes and compliance with standards. An update on QHSE is also provided by the CEO at each Board meeting.

Regular comprehensive health and safety reports from management are reviewed by the QHSE Committee. The reports cover progress on QHSE strategic initiatives, risk management, lead and lag indicator performance, reviews of any injury incident investigations and high potential near-misses.

High potential risk incidents are also recorded and investigated through a rigorous dig-deeper process involving the CEO, Line Management and the individual involved in the incident to identify root causes and to eliminate potential risks.

Employee involvement is a key component of the company's risk management framework.

A company-wide health and safety statistics report is published monthly and it is analysed to identify lead and lag indicators trending at group, divisional and area levels. This information enables quality decision making when interventions are required and it signals the high priority placed on the importance of a strong safety culture.

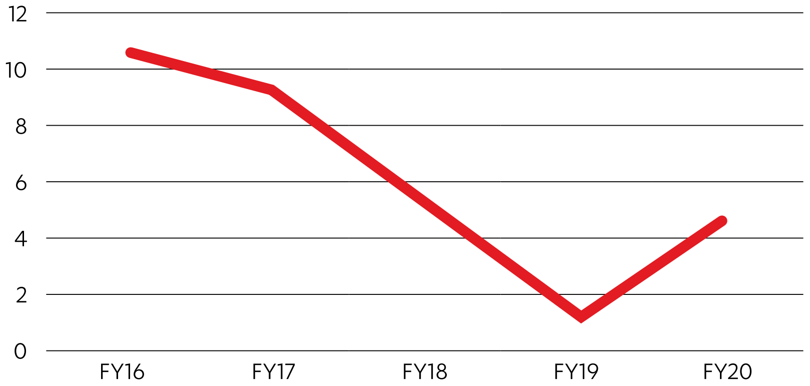
Recently, Steel & Tube completed a Peakon employee survey with almost 80% of the organisation completing the survey. There were two key health and safety questions which provide a good indicator of safety culture. Steel & Tube scored 8.8 out of 10 for first question "is this organisation is committed to providing a safe working environment", and 8.6 out of 10 for the second question "the person I report to demonstrates commitment to my safety in the workplace".

The Board of Directors, Management and all staff actively review hazards and complete Behavioural Safety Observations and Critical Risk reviews. A rigorous training schedule ensures all job specific training requirements are adhered to.

ROLE	RESPONSIBILITIES
Board QHSE Committee	Oversight of the company's adherence to Quality, Health, Safety and Environment (QHSE) processes and protocols.
Company QHSE Committee	Chaired by the CEO. Recommends policy and oversees resource allocation and progress against yearly action plans.
Operational QHSE Committee	Comprised of the company's GM QHSE and operational managers throughout the organisation, responsible for validating new health, safety, environment and quality policies, initiatives and actions from a workplace perspective. Additionally, this committee interacts with the businesses and advises the QHSE Committee on operational issues that have the potential to impact health and safety.
Workplace QHSE Committees	Representatives from all work groups within an operational facility, including elected representatives. These facility-based Committees have responsibility for ensuring site compliance with the company's QHSE Policies and are responsible for day-to-day health and safety at their facility.

Following a strong improvement in Employee Total Recordable Injury Frequency Rate (TRIFR) over the last five years, we saw a slight increase in FY20 to 4.86, although we remain below comparable benchmarks. All recordable injuries were investigated through the Dig Deeper process and highlighted opportunities for improved process application and training.

EMPLOYEE TOTAL RECORDABLE INJURY FREQUENCY RATE



HIGH QUALITY PRODUCTS AND SERVICES

Our products are used from the ground up to build strong buildings and infrastructure across New Zealand. Therefore, it is essential that our products are of the highest quality. Our aim is to be the preferred New Zealand supplier for steel products and solutions and our expert people play an important role in that, sharing their knowledge and experience with our customers.

We completed ISO 9001:2015 quality certification for the majority of our businesses in FY20, with the remainder expected to be completed in FY21. This demonstrates our commitment to meeting our customer and stakeholder's needs and expectations through quality and continual improvement.

We have also contracted Lloyds Register to perform an assessment of our key international and domestic suppliers. This commenced in 2018, with 17 mills audited since this time and plans for an additional 12 mills to be audited in FY21.

We are refreshing our Fair Trading Act (FTA) compliance activities through our FTA compliance programme. This involves regularly reviewing and verifying product catalogue information and test certificates, a supplier approval process and audit programme, independent product sample testing for high risk products and staff training.

TRACEABILITY ENHANCEMENTS

- Product risk classification
- Automated annual review process
- Automated receipt and processing of NZ Steel Test Certificates
- Business best practice processes (i.e. receipting and quarantine)
- Traceability dashboard and reporting to measure compliance
- Digitisation to allow easy searching and matching of test certificates to products in AX ERP system
- Implementing test certificate electronic availability to customers, with test certificates to be automatically sent with sales orders

STAND IN THE GAP

Training is a large part of Steel & Tube's safety programme, from orientation and onboarding of new employees through to regular on the job training. Individuals operating machinery are taken through a detailed process that culminates in a demonstration of knowledge before any machinery can be operated. Specialised training programmes are also provided by accredited third parties, such as forklift and crane training.

This year, Steel & Tube was proud to collaborate with Marsella and Wiremu Edmonds (Tuakiri Ltd) to improve safety culture across the organisation. Staff, contractors and suppliers nationally were invited to hear a powerful presentation on leadership and safe workplace practice from Marsella and Wiremu, the bereaved parents of Robert Ruri-Epapara who was killed in a forestry accident in 2013.

The Stand-in-the-Gap presentation was born out of a strong desire not to let any other family suffer in the same way. The brave couple take the audience through the events and prevailing attitudes that led to the short cuts taken on that fateful day. They challenge their audience to Stand in the Gap – to speak up when they see colleagues and leaders circumventing procedures or taking short cuts that could lead to compromising safety. The message is that health and safety is everyone's responsibility from leaders down to the newest staff member.

For many attendees, this was one of the most powerful presentations they had seen and the lessons learnt will stay with them forever.

OPERATIONAL AND SUPPLY CHAIN EXCELLENCE

Having an excellent operations and supply chain is essential to achieving our goals. This means suppliers providing us with high quality products at good prices. It also means disciplined warehouse operations to deliver products to all our customers in full and on time and within specification.

FINANCIAL PERFORMANCE AND CORPORATE GOVERNANCE

Corporate governance at Steel & Tube is predicated on high standards of ethics and performance and is achieved through robust governance polices, practices and processes to ensure compliance with statutory requirements and the NZX Listing Rules. A summary of Steel & Tube's governance actions and performance against each of the principles in the NZX Corporate Governance Code can be found on pages 92 to 98.

A primary objective for the Board is to deliver sustainable value for shareholders. We are conscious that returns have been lower than desired for the past few years and lifting value for shareholders is a priority for the Board and Management.

Disclosure of our financial performance can be found in the results overview section on page 34 and in Steel & Tube's financial statements on pages 36 to 83.

Management remuneration is linked to performance and achievement of business objectives, with details provided in our Remuneration Report on pages 99 to 102.

MATERIAL EFFICIENCY AND RECYCLING

We are conscious that our operations have an impact on the environment and are undertaking initiatives designed to help reduce this. We believe that our focus in this area will not only be better for our planet and our communities but will also increase the efficiency of our business and deliver financial benefits.

In particular, we are focussed on reducing steel wastage, which occurs due to over specification, unplanned ordering or delivery practices. We are collecting data which will allow us to introduce targeted initiatives to reduce waste.

ENERGY AND CARBON

Like many businesses, our operations consume carbon and energy. We started our journey in FY20 by measuring our consumption and this sets the benchmark against which we can measure our improvements in future years.

Greenhouse gas emissions are measured in tonnes of carbon dioxide equivalents (tCO2e). At Steel & Tube, we have measured our greenhouse gas emissions in line with international protocols and standards. The reporting processes are in accordance with Greenhouse Gas Protocol and we have included all material emissions under scope 1&2, with our reporting of scope 3 emissions limited to category 6 which covers business travel.

Following the alert level 4 shut-down we have supported increased flexibility for our staff, enabling more working from home. This, in turn, is reducing the transport emissions with less days spent traveling to and from our sites.

FUEL CONSUMED

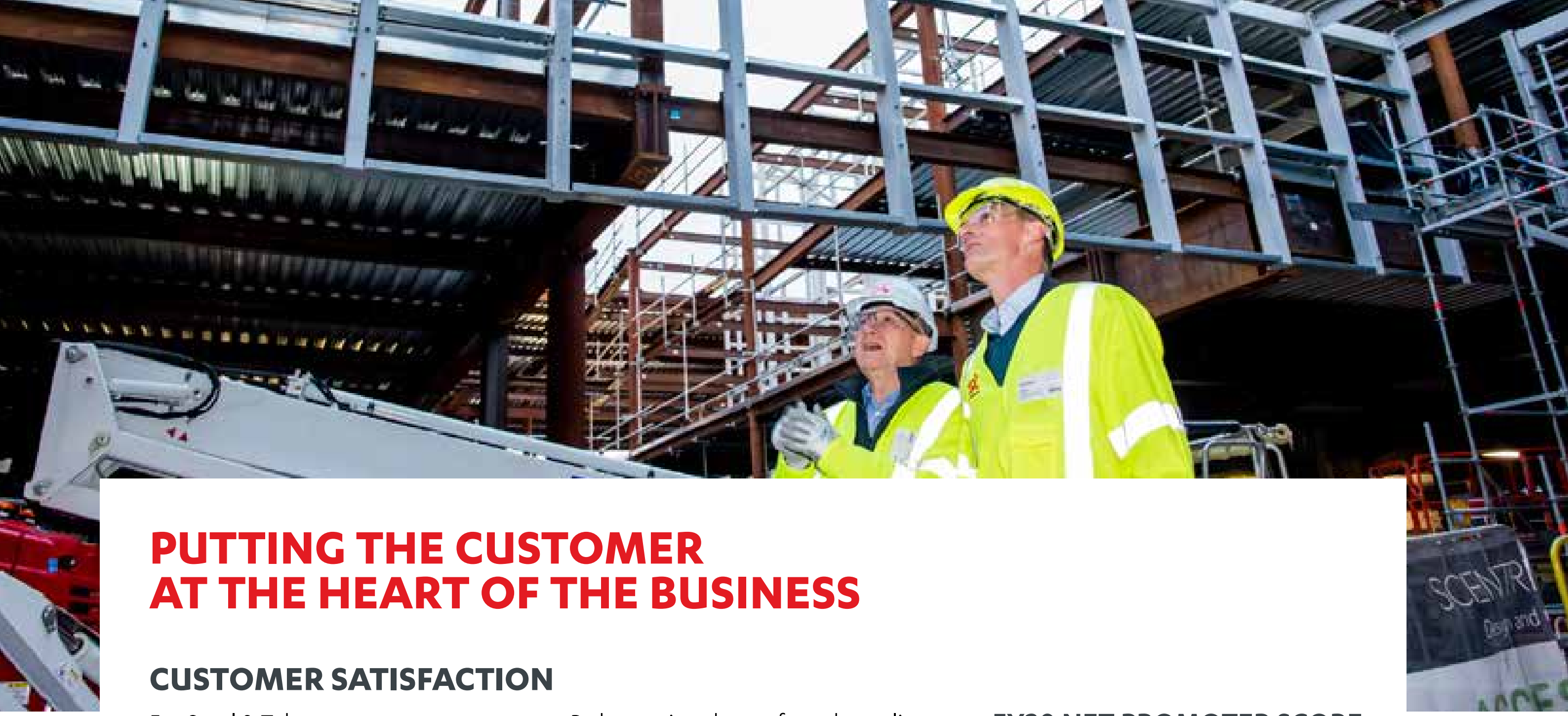
518,769 ltrs

ELECTRICITY CONSUMED

5.4m KWH

TOTAL GREENHOUSE GAS EMISSIONS

2271 tCO2e



PUTTING THE CUSTOMER AT THE HEART OF THE BUSINESS

CUSTOMER SATISFACTION

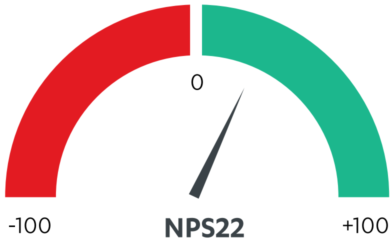
For Steel & Tube, customer satisfaction means continually looking for ways to add value to our customers. This includes providing products and services to meet our customers' needs, delivering seamless customer service, leveraging our technical expertise and delivering on time and on spec. Our sales and logistics teams play a big role in achieving these goals, as does data. Technology is a big enabler, allowing us to improve sales effectiveness and lower our cost to service our customers. Of importance is our ability to deliver in full, on time and in specification (DIFOTIS).

By becoming the preferred supplier for steel products and solutions in New Zealand, we will grow our share of the market which in turn will drive our revenue.

We measure customer satisfaction using a Net Promoter Score. This is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others.

Our NPS score has risen strongly since we first started collecting data in 2018. Our group-wide NPS over the 12 months was 22, with a high of 57 in March 2020.

FY20 NET PROMOTER SCORE



PRODUCT LIFE CYCLE PERFORMANCE

Steel & Tube is a member of the Sustainable Steel Council of New Zealand. Along with other members, we are committed to a vision where steel is valued as a critical enabler in New Zealand's journey to a low emission economy.

The New Zealand steel sector is a crucial part of construction and infrastructure projects from roofing and cladding through to reinforcing and structural beams. Steel is safe, strong and low-waste. In a 'circular economy', society reduces the burden on nature by ensuring resources remain in use for as long as possible through use, reuse, remanufacture and recycling. Steel is the ideal circular economy material - infinitely recyclable without product degradation and easily reused and repurposed. In addition, 100% of steel industry co-products can be collected and used. Adopting circular processes significantly reduces steel's carbon footprint.

At Steel & Tube, we are undertaking initiatives to reduce waste and recycle products. Our Lloyds Register steel mill audits also help us to identify suppliers who meet high environmental, health and safety and quality standards.

STEEL & TUBE PLEASED TO SUPPORT MATES IN CONSTRUCTION

MATES in Construction started in Australia in 2008 in response to the over-representation of construction workers in Australia's suicide toll. We unfortunately find ourselves in the same position in New Zealand. MATES vision is to significantly improve mental wellness and reduce suicide in the construction industry.

Steel & Tube is a founding sponsor of NZ MATES in Construction - it's a partnership with the objective of improving health and wellbeing for those in the industry.

During the lockdown, Steel & Tube shared the MATES Toolbox Talk videos and resources with all employees and, since re-opening, more than 150 manufacturing and labouring employees have undertaken MATES Induction Training programme – which creates better awareness of the risk of suicide and provides ways to support employees needing help. An advanced programme is commencing so that every site has designated employees who have received specialist training to identify and provide support and advice to those most at risk of suicide.

"The statistics overwhelmingly show that the industry needs to do more to create workplaces where it's okay to raise your hand, talk about your problems and feel supported. We've committed to this because we've seen how effective the programme is at starting conversations and creating awareness in all sections of our workforce – including those with literacy challenges."
Anna Morris, *GM People and Culture*

SUPPORTING A WINNING TEAM

We provide local jobs and employment for over 900 employees, pay taxes which benefit wider communities and support work and training programmes which assist students and our staff.

Our social policies are focused around improving access to education, employment, development and training for our staff as well as students in low decile schools, celebrating diversity in our workforce, and supporting the health, safety and wellbeing of our people.

TALENT ATTRACTION AND RECRUITMENT

Our focus over the past twelve months has been improving the diversity of background for many of our roles across the business – to balance core steel experience with increased levels of digital and process design. As a result, we have welcomed a number of new employees to our team, with local and international steel and digital expertise.

PEOPLE DEVELOPMENT AND LABOUR PRACTICES

While cost efficiencies are a priority, we recognise the valuable contribution our people make and the vast majority of our people receive remuneration beyond the living wage.

Pleasingly, we have continued to increase the number of women across the business, creating a stronger and more diverse talent pipeline. Significantly, the number of female reports to General Managers increased from 29% to 36% in FY20.

We continue to offer First Foundation Scholarships and in 2020, we also participated in the Sector Workforce Engagement Programme for school leavers.

We offer a wide range of staff skills training and development, with increased levels of technical product training occurring during FY20 and an average training spend per employee of $260.

We employ people from a range of ethnic backgrounds, and English is a second language for a large number of our staff. To support these members of our team, we offered Workplace Literacy & Numeracy programmes, as well as more advanced Business English skills training for team leaders through the Edvance programme.

During the COVID lockdown period, we utilised the time to build an organisation-wide understanding of our full product suite – with over 200 employees completing on-line Steel & Tube proprietary product training during that period.

CULTURE AND WELLBEING

We aim to provide an environment in which the potential of our employees can be achieved and each of our people feel their efforts are recognised and rewarded. A part of this is creating a culture that recognises the value of diversity and supports diversity in the workplace.

We have continued with our successful monthly MANAAKITANGA Awards which are awarded to those people who have gone above and beyond to help others.

In this year's Employee Engagement survey, our Engagement score was 7.3 out of 10, which was above the benchmark for our industry. Other highlights include being in the top 5% of all companies in our industry for Caring Management Support and in the top 10% for peer relationships at work.

LEADERSHIP TEAM

MARK MALPASS

Chief Executive Officer

MARC HAINEN

General Manager Distribution

GREG SMITH

Chief Financial Officer & Company Secretary

ANNA MORRIS

General Manager People & Culture

DAVID MCGREGOR

General Manager Reinforcing & Wire

MOHAMMED AFROZ

General Manager Roll Forming

CLAIRE RADLEY

General Manager Strategy
(on parental leave)

DAMIAN MILLER

General Manager Quality, Health, Safety and Environment

MIKE HENDRY

Chief Digital Officer

FOR MANAGEMENT PROFILES GO TO:

https://steelandtube.co.nz/corporate/senior-management

OUR BOARD

The Steel & Tube Board currently comprises five independent Directors, who have significant relevant industry and market experience, skills and expertise that are of value to the company. Anne Urlwin has advised that she will be stepping down from the Board at the Annual Meeting, and the Board would like to acknowledge and thank her for her considerable contributions. Anne has been a valuable and supportive director during a challenging time in the company's history and as Steel & Tube undertook its turnaround programme. She has held the role of chair of the Audit and Risk Committee and her contributions have been much appreciated.

The Board has a skills matrix, which identifies four key focus areas in the organisation and the skill set which the Board believes would add value to Steel & Tube. Directors' capabilities are considered against this skills matrix and the Board believes that the current directors offer valuable and complementary skill sets. Importantly, every one of Steel & Tube's Directors has either worked in, or is involved in directorships, in the sector.

SUSAN PATERSON

ONZM, CFINSTD, MBA (LDN), BPHARM

CHAIR AND INDEPENDENT DIRECTOR

Susan became a Director on 16 January 2017 and was appointed Chair on 16 February 2017. A professional Director since 1996, in 2015 Susan was appointed an Officer of the Order of New Zealand (ONZM) for her services to corporate governance. Having trained and practiced as a pharmacist, Susan completed her MBA at London Business School, then worked in strategy and IT consulting and management roles in New Zealand, Europe and USA. She worked in the steel sector at Fletcher Challenge and was General Manager of Wiremakers. Susan's directorships also include Sky Network TV, Goodman NZ, Arvida Group, Theta Systems (Chair), Les Mills NZ, Electricity Authority, the Reserve Bank and ERoad.

CHRIS ELLIS

BE, MS

INDEPENDENT DIRECTOR

Appointed a Director on 29 September 2017, Chris' background spans the manufacturing, heavy construction and engineering sectors. He qualified with a civil engineering degree from the University of Canterbury, a Master of Science in civil engineering from Stanford University and more recently a senior executive program at Wharton Business School. He is an experienced, strategy-focused director with an extensive career in the Australasian building industry. He has held CEO roles with Brightwater Group and at Fletcher Building where he was Chief Executive of the Building Products Division. Chris' directorships also include Hiway Group, Horizon Energy Group, and Steelpipe NZ.

ANNE URLWIN

BCOM, FCA, CFINSTD, FNZIM, ACIS, MAICD

INDEPENDENT DIRECTOR

A chartered accountant, business consultant and professional director, with more than 20 years' directorship experience. She was appointed a Director on 1 June 2013. She commenced her professional career with KPMG before undertaking senior management roles in the corporate sector including in the IT and meat industries. Anne has considerable governance experience as director, chair and deputy chair with a range of organisations in the private and publicly listed sectors, as well as Crown, local government and not-for-profit entities. Anne's directorships also include Precinct Properties New Zealand, Southern Response Earthquake Services, Cigna Life Insurance New Zealand, Summerset Group Holdings, City Rail Link and Tilt Renewables. Anne has advised that she will be stepping down from the Board at 2020 Annual Meeting.

STEVE REINDLER

BE MECH (Hons), AMP, FIPENZ, CHFIOD

INDEPENDENT DIRECTOR

Appointed a Director on 28 August 2017, Steve is an engineer with a background in large scale infrastructure and heavy industry manufacturing. He was GM Engineering at Auckland International Airport and previous employment included 22 years with New Zealand Steel and BHP Steel where he held a number of roles including GM Engineering and Environment. Steve was inaugural chairman of the Chartered Professional Engineers Council and is a former President of the Institution of Professional Engineers New Zealand. His directorships include Z Energy, Broome International Airport Group , Christchurch Multi Use Arena Project, Whitford Community Charitable Trust, and chairman of D&H Steel Construction, Clearwater Construction and Waste Disposal Services.

JOHN BEVERIDGE

BA, Post Grad Business Diploma, CMInstD

INDEPENDENT DIRECTOR

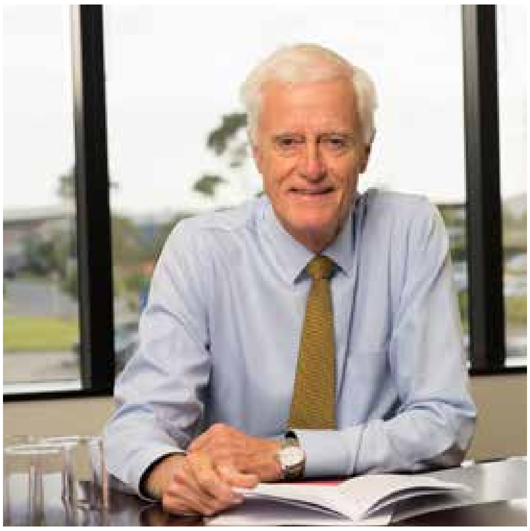
John was appointed to the Board on 14 August 2019. He has held a range of senior executive roles across a variety of sectors including building and industrial materials manufacturing, distribution, finance and consumer goods. John was most recently the Chief Executive for the building trade materials supplier, Placemakers, and previously held leadership roles at Godfrey Hirst, Lion Nathan and Barclays Bank PLC. He currently sits on the boards of Horizon Energy Group, NZ Scaffolding Group (Chair) and Door+Window Systems Auckland. He has an economics degree from Otago University, Post Graduate Marketing Diploma from Auckland University and has completed the Senior Executive program at Columbia University, New York.

SUSAN PATERSON

CHRIS ELLIS

ANNE URLWIN

JOHN BEVERIDGE



STEVE REINDLER

FY20 FINANCIAL MEASURES EXPLAINED

NON-GAAP FINANCIAL INFORMATION

Steel & Tube uses several non-GAAP measures when discussing financial performance. These include Normalised EBIT and Working Capital. Management believes that these measures provide useful information on the underlying performance of Steel & Tube's business. They are used internally to evaluate performance, analyse trends and allocate resources. Non- GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

NON-TRADING ADJUSTMENTS/UNUSUAL TRANSACTIONS

The financial results for FY20 include a number of transactions, considered to be non-trading in either their nature or size. Unusual transactions can be as a result of specific events or circumstances or major acquisitions, disposals or divestments that are not expected to occur frequently. Excluding these transactions from normalised earnings can assist users in forming a view of the underlying performance of the Group.

The following reconciliation is intended to assist readers to understand how the earnings reported in the Financial Statements for the years ended 30 June 2019 and 30 June 2020 reconcile to normalised earnings. Non-trading adjustments of $58.1 million are included in the FY20 results.

RECONCILIATION OF GAAP TO NON-GAAP MEASURES

Year Ended 30 June

	FY20 $000	**FY19 $000**
GAAP: Earnings/Loss before interest and tax (EBIT)	**(57,694)**	**16,795**
Add back unusual transactions/non-trading adjustments:		
Goodwill impairment	37,071	-
Intangible Asset impairment	9,000	-
Right of Use Lease Asset impairment	4,298	-
Business restructuring costs	3,449	-
Site rationalisation execution costs	2,011	-
Property, Plant and Equipment Impairment	1,508	-
Holiday Pay provision	750	-
S&T Plastics EBIT (no longer contributing to trading EBIT)	-	(773)
Normalised EBIT post NZ IFRS 16	**393**	-
Impact of NZ IFRS 16	(5,638)	-
Normalised EBIT pre NZ IFRS 16	**(5,245)**	**16,022**

COVID-19

The Group's financial results for FY20 have been impacted by the alert level 4 shutdown and progressive return to work due to the pandemic. The Group has identified certain impairments, restructuring and site rationalisation costs that have arisen as a result of the strategic actions in response to COVID-19 (including the forecast economic recession) and that give rise to costs that would not otherwise have been incurred, as non-trading items in the FY20 results. The impact of lost revenues and Government wage subsidy are included in the Group's trading results for FY20.

EBIT

Earnings / (Loss) before the deduction of interest and tax. This is calculated as profit for the year before net interest costs and tax. FY20 EBIT was impacted by a number of non-trading adjustments totalling $58.1 million, as shown in the table above.

Earnings before interest, tax, other gains and losses and impairment represents operating profit for the year before other gains and losses, impairment and deduction of interest and tax. Earnings before interest, tax and impairment represents operating profit for the year including other gains and losses before impairment and deduction of interest and tax. Management believes that these additional measures provide useful information on the underlying performance of the Group's business.

NORMALISED EBIT

This means EBIT excluding non-trading adjustments and unusual transactions.

NZ IFRS 16 LEASES

On 1 July 2019, the Group adopted NZ IFRS 16 Leases accounting standard. This has resulted in the reclassification of operating lease expenditure to a combination of depreciation and financing costs. FY19 financial results have not been restated for the impact of this new standard and hence Management have provided both post and pre NZ IFRS 16 results for FY20 to help with comparison of the results to FY19. Further detail on the impact of adoption of NZ IFRS 16 is included in note C5 to the financial statements.

WORKING CAPITAL

This means the net position after Current liabilities are deducted from Current assets. The major individual components of Working capital for the Group are Inventories, Trade and other receivables and Trade and other payables. How the Group manages these has an impact on operating cash flow and borrowings.

FIVE YEAR FINANCIAL PERFORMANCE

	2020 $000	2019 $000	2018 $000	2017 $000	2016 $000
Financial Performance					
Sales	**417,923**	498,110	495,806	511,400	515,947
EBITDA	**(37,236)**	24,085	(28,127)	39,310	43,160
Depreciation and amortisation [1]	**(20,458)**	(7,290)	(8,060)	(7,681)	(6,354)
EBIT	**(57,694)**	16,795	(36,187)	31,629	36,806
Net financing costs [1]	**(6,661)**	(2,828)	(4,631)	(3,577)	(3,638)
Profit before tax	**(64,355)**	13,967	(40,818)	28,052	33,168
Tax (expense) / benefit	**4,342**	(3,552)	8,768	(8,012)	(7,342)
Profit/(loss) after tax	**(60,013)**	10,415	(32,050)	20,040	25,826
Funds Employed					
Equity	**181,290**	253,901	172,612	212,130	180,245
Non-current liabilities [2]	**106,084**	26,699	113,826	140,988	100,296
	287,374	280,600	286,438	353,118	280,541
Comprises:					
Current assets	**193,761**	213,827	228,887	243,290	221,539
Current liabilities [3]	**(58,871)**	(45,563)	(59,099)	(59,609)	(49,899)
Working capital	**134,890**	168,264	169,788	183,681	171,640
Non-current assets [4]	**152,484**	112,336	116,650	169,437	108,901
	287,374	280,600	286,438	353,118	280,541
Statistics					
Dividends per share (cents)	**-**	5.0	3.8	8.7	12.3
Basic Earnings per share (cents)	**(36.4)**	6.8	(20.9)	13.1	16.8
Return on sales	**(14.4%)**	2.1%	(6.5%)	3.9%	5.0%
Return on equity	**(33.1%)**	4.1%	(18.6%)	9.4%	14.3%
Working capital (times)	**3.3**	4.7	3.9	4.1	4.4
Net tangible assets per share	**$1.03**	$1.19	$1.27	$1.60	$1.47
Equity to total assets	**52.4%**	77.8%	50.0%	51.4%	54.5%
Gearing (debt to debt plus equity)	**5.2%**	5.6%	37.7%	37.4%	34.7%
Net interest cover (times)	**(4.9)**	5.9	(7.8)	8.8	10.1
Ordinary shareholders	**8,036**	8,310	8,163	8,404	8,506
Employees	**884**	1,003	1,015	972	918
- Female	**192**	214	203	193	193
- Male	**692**	789	812	779	725
Directors & Officers					
- Female	**4**	6	4	4	3
- Male	**10**	9	8	10	10

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

EBIT - Earnings before interest and tax.

1 Depreciation and amortisation in FY20 includes depreciation of $13.1m recognised under NZ IFRS 16 Leases. Net financing costs in FY20 includes finance cost of $5.6m recognised under NZ IFRS 16 Leases.

2 Non Current Liabilities in FY20 includes finance lease liabilities of $95.0m recognised under NZ IFRS 16 Leases.

3 Current Liabilities in FY20 includes finance lease liabilities of $12.6m recognised under NZ IFRS 16 Leases.

4 Non Current Assets in FY20 includes Right-Of-Use Assets of $87.1m recognised under NZ IFRS 16 Leases.

FINANCIAL REVIEW

CONTENTS

FINANCIAL STATEMENTS 2020	36
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	39
STATEMENT OF CHANGES IN EQUITY	40
BALANCE SHEET	41
STATEMENT OF CASH FLOWS	42
NOTES TO THE FINANCIAL STATEMENTS	
SECTION A – PERFORMANCE	43
SECTION B – WORKING CAPITAL	49
SECTION C – FIXED CAPITAL	55
SECTION D – FUNDING	70
SECTION E – OTHER	73
INDEPENDENT AUDITOR'S REPORT	84
GENERAL INFORMATION	
GOVERNANCE	92
REMUNERATION	99
DISCLOSURES	103
DIRECTORY	108

FINANCIAL STATEMENTS 2020

THE FINANCIAL REPORT FOR STEEL & TUBE INCLUDES THESE SECTIONS:

Financial Statements

Performance

Working Capital

Fixed Capital

Funding

Other

SIGNIFICANT MATTERS IN THE FINANCIAL YEAR:

During the financial year ended 30 June 2020 the Group was impacted by the COVID-19 Pandemic which resulted in a period of operational shutdown and overall had an adverse impact on the Group's earnings. A detailed assessment of the COVID-19 impact on the Group's financial statements is outlined in the following COVID-19 Pandemic note and in various note disclosures to the financial statements.

KEY POLICY
Significant accounting policies which are relevant to the understanding of the financial statements are provided throughout the report in boxes outlined in red

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of these financial statements requires the exercise of judgements that affect the application of accounting policies, the reported amounts of assets and liabilities, and income and expenses.

Estimates and judgements are continually evaluated, 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. Actual results may differ from these estimates.

KEY JUDGEMENT
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 highlighted throughout the report in boxes shaded in red.

GENERAL INFORMATION

Steel & Tube Holdings Limited (the Company or Steel & Tube) is registered under the Companies Act 1993 and is a FMC Reporting Entity under the Financial Markets Conduct Act 2013. The Company is a limited liability company incorporated and domiciled in New Zealand. The Group comprises Steel & Tube Holdings Limited and its subsidiaries.

The Group's principal activities relate to the distribution and processing of steel products, fastenings and metal floor decking.

The registered office of the Company is 7 Bruce Roderick Drive, East Tamaki, Auckland 2013, New Zealand.

These financial statements have been prepared:

- In accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), for which Steel & Tube is a for-profit entity
- To comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS)
- In accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules (issued 1 January 2019)
- In New Zealand dollars (which is the Company's and subsidiaries' functional currency and the Group's presentation currency) and rounded to the nearest thousand dollars
- Under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies.
- Non-GAAP measures shown in the financial statements are defined in the Annual Report (FY20 Financial Measures Explained)

COVID-19 PANDEMIC

The World Health Organisation declared a global pandemic on 11 March 2020 due to the outbreak and spread of COVID-19. New Zealand went into a full lockdown of all non-essential services when the Government raised its Alert Level to 4 on 25 March 2020. During Alert Level 4, the Group had to shut down all of its business operations, except those needed to supply essential businesses within New Zealand. New Zealand went back to Alert Level 3 on 27 April 2020, resuming the

Group's main operations. The shutdown and progressive return to normal operations had an adverse impact on the Group's earnings for the financial year.

An assessment of the impact of COVID-19 on the Group balance sheet as at 30 June 2020 is set out below, based on information available at the time of preparing the financial statements. The Group has also undertaken an internal valuation to compare the current carrying value of the Group's assets against their recoverable amount at each cash generating unit (CGU) identified as at 30 June 2020. Further information on this assessment is outlined in Note C2. The Group has also assessed the recoverability of its deferred tax assets as outlined in Note A4.

BALANCE SHEET ITEM	COVID-19 ASSESSMENT	NOTE
Trade receivables	The Group has reassessed the credit risk for all its trade receivables outstanding as at 30 June 2020, having regard as best possible to sectors and regions that have been significantly impacted by COVID-19. This review was undertaken to ensure that the provision for expected credit losses reflects the estimated exposure for any expected customer defaults. As at 30 June 2020 the Group has recognised a provision for doubtful debts of $2.4m (30 June 2019: $1.9m). The charge to earnings in 2020 for bad and doubtful debts is $2.8m (30 June 2019: $0.1m).	**B2**
Intangible Assets	The Group's Intangible assets are stated at historical cost less accumulated amortisation and impairment. Following the impact of COVID-19 the Group has undertaken a review of the business and commenced plans to increase its investment in Digital technology. This investment includes the integration of additional Digital software applications, as well as the development of new or enhanced ERP functionality. This investment is required in response to the current commercial and economic environment, and to ensure that the Group has the appropriate Digital technology platform to support the move to a service model that combines ease of access and customer service. This investment in Digital technology will supersede some of the existing functionality within certain software assets held for use by the business, which has resulted in an indicator of impairment being identified for those assets as at 30 June 2020. However, as these software assets do not generate their own stand-alone cash flows, the assessment for impairment was completed as part of the Group's year-end CGU impairment assessments as outlined in Note C2. The output from the year-end CGU impairment assessments has resulted in an impairment of $9.0m being recognised in respect of the Group's software intangible assets within the Distribution CGU as at 30 June 2020. Further detail on the CGU impairment assessment, and the allocation to the Group's software intangible assets, is provided in the Key Judgement – Impairment testing section in Note C2.	**C2**

BALANCE SHEET ITEM	COVID-19 ASSESSMENT	NOTE
Property, plant and Equipment & Assets held for sale	The Group's land and buildings are held at fair value. Plant and equipment are stated at historical cost less depreciation and impairment. Following the impact of COVID-19, the Group has undertaken a review of the business and decided to accelerate changes to the Group's property network, in line with its longer term network strategy. This has resulted in the decision to close and/or merge a number of sites, which has resulted in an indicator of impairment being identified for certain assets held at impacted sites. The Group has performed an assessment of expected recoverable value of these assets, either through ongoing use within the business or sale, and as a result an impairment of $1.5m has been recognised over plant and equipment during the year ended 30 June 2020.	**C1 and C4**
Right-of-use assets/Lease liabilities	The Group adopted NZ IFRS 16 Leases on 1 July 2019, which led to the recognition of right of use assets and lease liabilities associated with the Group's operating leases, of which the majority relates to the national branch property network. With the accelerated changes to the Group's property network, the Group has implemented changes to either exit or merge a number of leased sites. This has resulted in an indicator of impairment on the respective right-of-use leased assets for these sites. The Group has also reassessed its expectations in respect of the exercise of future lease renewal options, which has also resulted in a reassessment of the Group's lease liabilities as at 30 June 2020. As part of its response to COVID-19, the Group has engaged in negotiations with landlords for rent concessions. These rent concessions have been recognised as either credits against the operating lease expense or separately as other income depending on the nature of the rent concessions provided and the terms of the underlying lease agreements.	**C5**
Borrowings	In April 2020, the Group's banking partners have granted the Group a non-compliance waiver for both the Leverage Ratio and the Interest Cover Ratio covenants. The waiver is for a relief period up to and including 31 December 2020. The Group also agreed a variation to its facility agreement in June 2020, which allows the Group to use alternative measures for covenant reporting for the remainder of the 2021 financial year, with test dates of 31 March 2021 and 30 June 2021. For these test dates, the Group's banking partners have agreed to assess the Group's Working Capital Ratio (Working Capital to Debt) and a Liquidity Test (available funding to be greater than the principal amount of any financial indebtedness maturing) as alternative covenants. The Group expects to comfortably meet these revised covenants.	**D1**
Inventories	The Group has undertaken a full review of its inventory holdings as at 30 June 2020 to identify any inventory of higher risk, particularly slow moving and aged inventory and the impact on these inventory categories of the expected reduction in sales with a forecast economic recession due to the impact of COVID-19. Based on the assessment performed, the Group has recognised a provision for write-downs of $1.0m as at 30 June 2020 (30 June 2019: $1.4m).	**B1**
Provisions	The Group has recognised an additional provision of $2.9m as at 30 June 2020 as a result of the accelerated site exits and a wider restructure of the Group's employees following the impact of COVID-19. Costs included within this provision relate to restructuring in a number of areas across the Group which are in progress as at 30 June 2020.	**E2**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $000	2019 $000
Sales revenue		**417,923**	498,110
Other operating income	A5	**7,449**	972
Cost of sales	A2	**(333,802)**	(387,140)
Operating expenses	A2	**(97,068)**	(95,599)
Earnings before interest, tax, other gains and losses and impairment		**(5,498)**	16,343
Other gains / (loss)		**(66)**	452
Earnings before interest, tax and impairment		**(5,564)**	16,795
Impairment of property, plant and equipment and intangibles	C1, C2	**(47,579)**	-
Impairment of Right-of-use assets	C5	**(4,551)**	-
Earnings before interest and tax		**(57,694)**	16,795
Interest income		**98**	109
Financing costs		**(6,759)**	(2,937)
(Loss)/Profit before tax		**(64,355)**	13,967
Tax credit / (expense)	A4	**4,342**	(3,552)
(Loss)/Profit for the period attributable to owners of the Company		**(60,013)**	10,415
Items that may subsequently be reclassified to profit or loss			
Other comprehensive income / (loss) - hedging reserve		**17**	(1,045)
Items that may not subsequently be reclassified to profit or loss			
Other comprehensive loss - revaluation reserve	C1	**(1,646)**	(940)
Other comprehensive income - deferred tax on revaluation reserve		**84**	263
Total comprehensive (loss) / income		**(61,558)**	8,693
Basic earnings per share (cents)	A1	**(36.4)**	6.8
Diluted earnings per share (cents)	A1	**(36.4)**	6.8

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Share capital $000	Retained earnings $000	Hedging reserve $000	Revaluation reserve $000	Treasury shares $000	Share-based payments $000	Total equity $000
Balance at 1 July 2018		77,845	90,018	943	6,509	(2,896)	193	172,612
Adoption of NZ IFRS 9 (net of tax)		-	(617)	-	-	-	-	(617)
Restated total equity at the beginning of the financial year		77,845	89,401	943	6,509	(2,896)	193	171,995
Comprehensive income								
Profit after tax		-	10,415	-	-	-	-	10,415
Other comprehensive (loss) / income								
Hedging reserve (net of tax)		-	-	(1,045)	-	-	-	(1,045)
Asset revaluation (gross)		-	-	-	(940)	-	-	(940)
Deferred tax on asset revaluation		-	-	-	263	-	-	263
Total comprehensive income		-	10,415	(1,045)	(677)	-	-	8,693
Transactions with owners								
Dividends paid		-	(5,877)	-	-	-	-	(5,877)
Employee share schemes		-	203	-	-	-	63	266
Issue of share capital (net of issue costs)	D3	78,824	-	-	-	-	-	78,824
Balance at 30 June 2019		156,669	94,142	(102)	5,832	(2,896)	256	253,901
Balance at 1 July 2019		156,669	94,142	(102)	5,832	(2,896)	256	253,901
Adoption of NZ IFRS 16 (net of tax)	C5	-	(9,762)	-	-	-	-	(9,762)
Restated total equity at the beginning of the financial year		156,669	84,380	(102)	5,832	(2,896)	256	244,139
Comprehensive income								
Loss after tax		-	(60,013)	-	-	-	-	(60,013)
Other comprehensive (loss) / income								
Hedging reserve (net of tax)		-	-	17	-	-	-	17
Release of revaluation to retained earnings (net of tax)		-	(282)	-	282	-	-	-
Asset revaluation (gross)		-	-	-	(1,646)	-	-	(1,646)
Deferred tax on above		-	-	-	84	-	-	84
Total comprehensive income		-	(60,295)	17	(1,280)	-	-	(61,558)
Transactions with owners								
Dividends paid	A1	-	(2,518)	-	-	-	-	(2,518)
Supplementary dividend tax credits received		-	908	-	-	-	-	908
Employee share schemes		-	66	-	-	-	253	319
Balance at 30 June 2020		156,669	22,541	(85)	4,552	(2,896)	509	181,290

The accompanying notes form part of these financial statements.

BALANCE SHEET

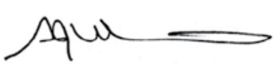
AS AT 30 JUNE 2020

	Notes	2020 $000	2019 $000
Current assets			
Cash and cash equivalents	E6	**17,418**	9,010
Trade and other receivables	B2	**73,797**	90,734
Inventories	B1	**101,061**	113,962
Income tax refund		**432**	1
Derivative assets	E6	**103**	120
Assets held for sale	C4	**950**	-
		193,761	213,827
Non-current assets			
Deferred tax	A4	**11,595**	3,380
Income tax refund		**908**	-
Property, plant and equipment	C1	**41,009**	52,034
Intangibles	C2	**11,886**	56,922
Right-of-use assets	C5	**87,086**	-
		152,484	112,336
Total assets		**346,245**	326,163
Current liabilities			
Trade and other payables	B3	**39,105**	41,079
Provisions	E2	**6,896**	4,221
Derivative liabilities	E6	**223**	263
Short term lease liabilities	C5	**12,647**	-
		58,871	45,563
Non-current liabilities			
Trade and other payables	B3	**-**	1,835
Borrowings	D1	**10,000**	24,000
Provisions	E2	**1,024**	864
Long term lease liabilities	C5	**95,060**	-
		106,084	26,699
Equity			
Share capital	D3	**156,669**	**156,669**
Retained earnings		**22,541**	**94,142**
Other reserves		**2,080**	**3,090**
		181,290	**253,901**
Total equity and liabilities		**346,245**	**326,163**

These financial statements and the accompanying notes were authorised by the Board on 27 August 2020.

For the Board

Susan Paterson
Chair



Anne Urlwin
Director

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $000	2019 $000
Cash flows from operating activities		
Customer receipts	429,339	505,591
Interest receipts	98	109
Payments to suppliers and employees	(389,101)	(486,576)
Payments for interest on leases	(5,590)	-
Income tax refunds / (payments)	(430)	5,614
Interest payments	(1,314)	(3,434)
Wage subsidy received	6,604	-
Net cash inflow from operating activities	39,606	21,304
Cash flows from / (to) investing activities		
Property, plant and equipment disposal proceeds	5,937	2,264
Property, plant and equipment and intangible asset purchases	(7,586)	(7,154)
Net cash outflow from investing activities	(1,649)	(4,890)
Cash flows (to) / from financing activities		
Net proceeds from / (repayment of) borrowings	(14,000)	(85,935)
Issue of share capital (net of issue costs)	-	78,824
Dividends paid	(2,518)	(5,877)
Payment for leases	(13,031)	-
Net cash outflow from financing activities	(29,549)	(12,988)
Increase in cash and cash equivalents	8,408	3,426
Cash and cash equivalents at the beginning of the year	9,010	5,584
Cash and cash equivalents at the end of the year	17,418	9,010
Represented by:		
Cash and cash equivalents	17,418	9,010
	17,418	9,010

Reconciliation of profit / (loss) after tax to net cash inflow from operating activities

	2020 $000	2019 $000
(Loss) / profit after tax	(60,013)	10,415
Non-cash adjustments:		
Depreciation and amortisation	20,458	7,290
Deferred tax	(4,419)	4,002
Impairment of property, plant, equipment and intangibles	47,579	-
Impairment of right-of-use assets	4,551	-
Other	(75)	253
Items classified as investing activities:		
(Gain)/Loss on property, plant and equipment disposals	66	(452)
	8,147	21,508
Movements in working capital:		
Income tax	-	5,165
Inventories	12,901	2,085
Trade and other receivables	16,937	7,590
Trade and other payables	1,621	(15,044)
Net cash inflow from operating activities	39,606	21,304

The accompanying notes form part of these financial statements.

SECTION A - PERFORMANCE

NOTES TO THE FINANCIAL STATEMENTS

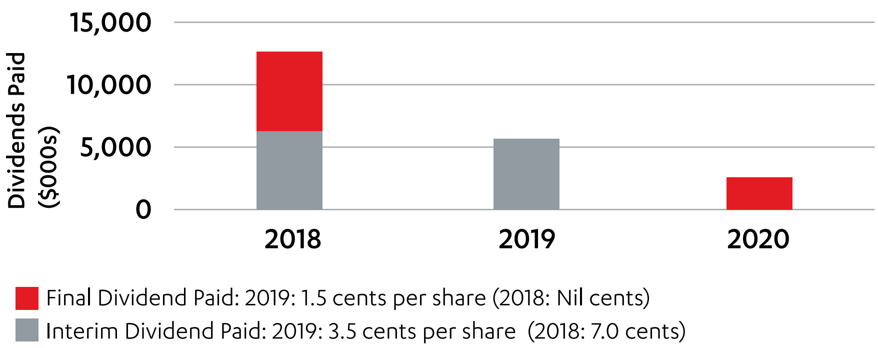
FOR THE YEAR ENDED 30 JUNE 2020

This section focuses on the Group's financial performance and returns provided to Shareholders.

A1: DIVIDENDS AND EARNINGS PER SHARE

On 20 March 2020, the Board announced the cancellation of its FY20 interim dividend payment of 1.5 cents per share in light of the uncertainty around the potential impact of COVID-19 for the financial year. On 27 August 2020, the Board declared that no final dividend would be paid due to the impact of COVID-19 on full year earnings and the uncertain economic outlook.

Dividends Paid



Dividends paid were fully imputed. The Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $0.91m (2019: $0.10m) of which $0.87m relates to tax credits for supplementary dividends unclaimed in prior years for which the Group is entitled to.

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of fully paid shares less treasury shares.

Diluted earnings per share includes partly paid shares (see Note D3) and represents the Group's earnings per share if unvested share options were exercised. The weighted average number of shares is adjusted by the number of outstanding rights to executive shares that are deemed to vest at their future vesting dates.

Earnings / (Loss) per share (EPS)

	2020 $000	2019 $000
(Loss) / profit after tax	**(60,013)**	10,415
Weighted average number of shares for basic EPS	**165,000**	153,176
Weighted average number of shares for diluted EPS	**165,000**	153,176
Basic (loss) / earnings per share (cents)	**(36.4)**	6.8
Diluted (loss) / earnings per share (cents)	**(36.4)**	6.8

A2: EXPENSES

Cost of sales and operating expenses:	Notes	2020 $000	2019* $000
Inventories expensed in cost of sales		**304,341**	354,496
Bad and doubtful debts		**2,826**	91
Depreciation and amortisation	C1/C2/C5	**20,458**	7,290
Directors' fees		**473**	504
Donations		**1**	15
Employee benefits		**71,066**	76,206
Restructuring expenses		**5,169**	619
Defined contribution plans		**1,536**	1,565
Information Technology expenses		**6,599**	5,463
Foreign exchange gains		**(540)**	(630)
Operating leases	C5	**(326)**	17,900
Other expenses		**19,267**	19,220
Total cost of sales and operating expenses		**430,870**	482,739

*The group has reclassified the prior period balances to align with the presentation at 30 June 2020.

Inventory sold during the period is expensed as cost of sales. Inventory write-downs including scrap incurred in the ordinary course of business are included within Inventories expensed in cost of sales.

Depreciation of $1.7m (2019: $1.6m) related to equipment used to manufacture products is included in cost of sales. Depreciation of $13.1 million for right-of-use assets as a result of NZ IFRS 16 Leases adoption and other depreciation is included in operating expenses.

Operating leases cost relates to short term and low value lease costs not included in NZ IFRS 16 Leases costs. A portion of the rent credits received during the COVID-19 lockdown period is recognised net of operating leases costs. Following the adoption of NZ IFRS 16 Leases on 1 July 2019, the majority of operating lease costs are now recognised in depreciation and financing costs.

A3: OPERATING SEGMENTS

The Group has identified two reporting segments as at 30 June 2020 having regard for the criteria outlined in NZ IFRS 8 Operating Segments (NZ IFRS 8). As at 30 June 2020, the Group's operating segments have changed following business operational changes and is reflective of how the operating segment engages in business activities.

The Group's Chief Operating Decision Maker (being the CEO) receives financial reports which aggregate the activities of the Group's various operating segments into two distinct divisions, being Distribution and Infrastructure.

These reportable segments have been determined by having regard to the nature of products, services and processes the various business units undertake to service customers. The Group has a diverse range of customers from various industries, with no single customer contributing more than 10% of the Group's revenue.

The Group derives its revenue from the distribution and processing of steel and associated products. Within the Distribution business, the primary focus is on the distribution of steel products and fasteners, servicing similar customer groups, sharing similar business models and trading skills, and using similar sales channels. The majority of product is traded and sales staff are tasked to know the full range of products. Within the Infrastructure business, product is predominately steel product which is bought and processed/ manufactured in warehouse facilities for project/contract customers.

The CEO uses EBIT as a measure to assess the performance of segments. The segment information provided to the CEO for the period ended 30 June 2020 is as follows:

	Distribution $000	Infrastructure $000	Other/ Elimination $000	Reconciled to Group $000
2020				
Timing of revenue recognition				
At a point in time	247,951	89,520	17	**337,488**
Over time	-	80,435	-	**80,435**
Revenue from external customers	247,951	169,955	17	**417,923**
Amortisation and depreciation	(1,964)	(2,359)	(3,005)	**(7,328)**
Impairment of property, plant and equipment and intangibles	(25,230)	(22,349)	-	**(47,579)**
Impairment of right-of-use assets	(1,991)	(2,035)	(272)	**(4,298)**
Site rationalisation costs	(951)	(925)	(135)	**(2,011)**
Restructuring costs	(1,591)	(1,218)	(640)	**(3,449)**
Segment EBIT	(29,944)	(26,067)	(1,683)	**(57,694)**
Interest (net)				**(6,661)**
Reconciled to Group Loss Before Tax				**(64,355)**
2019				
Timing of revenue recognition				
At a point in time	287,678	107,329	1,033	**396,040**
Over time	-	102,070	-	**102,070**
Revenue from external customers	287,678	209,399	1,033	**498,110**
Amortisation and depreciation	(1,766)	(2,342)	(3,182)	**(7,290)**
Segment EBIT	2,869	11,865	2,061	**16,795**
Interest (net)				**(2,828)**
Reconciled to Group Profit Before Tax				**13,967**

Depreciation and amortisation is shown on a pre-NZ IFRS 16 Leases basis, which is in line with the financial reports received by the CEO during the year ended 30 June 2020.

Interest income and expenses are not allocated to segments, as decisions are made on a pre-NZ IFRS 16 Leases basis and other interest income and expense related activities are driven by the central treasury function, which manages the cash position of the Group.

Assets and liabilities are provided to the CEO on a Group basis, and are not separately reported with respect to the individual operating segments.

Sales between segments are eliminated on consolidation. The amounts provided to the CEO with respect to segment revenue are measured in a manner consistent with that of the financial statements.

A4: INCOME AND DEFERRED TAX

Income tax comprises both current and deferred tax.

All entities in the Group are part of the same income tax group.

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

Deferred tax is recognised in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are only recognised to the extent that it is probable future taxable profits will offset temporary differences. Tax rates used are those that have been enacted or substantially enacted at balance date and which are expected to apply when the deferred tax asset or liability crystalises.

Deferred tax is not provided if it arises from the following differences:

- goodwill not deductible for tax purposes
- initial recognition of assets and liabilities in a transaction other than a business combination that affects neither accounting or taxable profit and
- investment in subsidiaries where the timing of the reversal of the temporary difference is controlled by the Group to the extent that they will probably not reverse in the foreseeable future.

KEY POLICY

Income and deferred tax

Income tax expense The income tax expense is determined as follows:	**2020** **$000**	2019 $000
Profit or loss		
Current income tax		
Current year income tax expense	**-**	-
Adjustments in respect of prior periods	**(1,295)**	(450)
Prior period adjustment not recognised in the current period	**1,295**	-
Deferred income tax		
Depreciation, provisions, accruals, tax losses and other	**(4,342)**	4,002
Adjustments in respect of prior periods	**-**	-
Income tax (credit)/expense recognised in profit or loss	**(4,342)**	3,552

Tax Losses

Steel & Tube has gross tax losses available to carry forward of $31.6m (2019: $16.1m). Due to the uncertain future economic outlook, Steel & Tube has not fully recognised its deferred tax assets as at 30 June 2020. As at 30 June 2020 the Group has an unrecognised deferred tax asset of $15.5m ($4.4m tax effect), primarily related to tax losses that remain available for the Group to use in future years.

Reconciliation of income tax expense / (credit)	**2020 $000**	2019 $000
Profit / (Loss) before tax	**(64,355)**	13,967
Non-assessable income	**(6,604)**	(2)
Non-deductible expenditure	**44,535**	328
	(26,424)	14,293
Tax at current rate of 28%	**(7,399)**	4,002
Prior period adjustment	**(1,295)**	(450)
Deferred tax not recognised	**4,352**	-
Total income tax expense / (credit)	**(4,342)**	3,552
Represented by:		
Current tax	**-**	(450)
Deferred tax	**(4,342)**	4,002
	(4,342)	3,552

Deferred tax assets and liabilities

The table below shows the movement in the deferred tax balances that are recognised the beginning and end of the period.

	Opening balance $000	Prior period adjustments $000	NZ IFRS Transition tax impact* $000	Recognised in income $000	Recognised in equity $000	Unrecognised tax losses $000	Closing balance $000
Group 2020							
Property, plant and equipment	**(4,471)**	**-**	**-**	**2,275**	**84**	**-**	**(2,112)**
Net lease liability	**-**	**-**	**3,959**	**1,301**	**-**	**-**	**5,260**
Employee benefits	**1,383**	**-**	**-**	**37**	**-**	**-**	**1,420**
Provisions	**1,927**	**-**	**(163)**	**729**	**-**	**-**	**2,493**
Cash flow hedging reserve	**41**	**-**	**-**	**-**	**(7)**	**-**	**34**
Tax losses carried forward	**4,500**	**1,295**	**-**	**3,057**	**-**	**(4,352)**	**4,500**
	3,380	**1,295**	**3,796**	**7,399**	**77**	**(4,352)**	**11,595**
Group 2019							
Property, plant and equipment	(1,745)	(545)	-	(2,444)	263	-	(4,471)
Employee benefits	1,193	298	-	(108)	-	-	1,383
Provisions	6,009	(37)	240	(4,285)	-	-	1,927
Cash flow hedging reserve	(350)	-	-	-	391	-	41
Tax losses carried forward	1,381	284	-	2,835	-	-	4,500
	6,488	-	240	(4,002)	654	-	3,380

** NZ IFRS transition tax impact for 2020 relates to the transition adjustment for NZ IFRS 16. 2019 relates to the transition adjustment for NZ IFRS 9.*

	2020 $000	2019 $000
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax liabilities	**(2,112)**	(4,471)
Deferred tax assets	**13,707**	7,851
	11,595	3,380

The assessment for the recoverability of deferred tax assets was completed as part of the Group's year end impairment assessment as outlined in Note C2.

Imputation credits available at 30 June 2020 were $0.005m (2019: $0.7m).

A5. OTHER OPERATING INCOME

Other operating income includes wage subsidy of $6.6m which the Group applied for and received from the New Zealand Government in the current financial year following the COVID-19 pandemic. The funds received have been accounted for in line with NZ IAS 20 Government Grants and Disclosure of Government Assistance. The Group has elected to recognise the funds received under the wage subsidy scheme as other income in the Statement of Profit or Loss and Other Comprehensive Income.

SECTION B - WORKING CAPITAL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

This section contains details of the short term operating assets and liabilities required to service the Group's distribution branches and processing sites.

B1: INVENTORIES

KEY POLICY

Inventories are stated at the lower of cost and net realisable value, with cost determined on a moving average cost basis or standard cost basis. Costs 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 manufactured/fabricated finished inventories includes a share of overheads based on normal operating capacity.

KEY JUDGEMENT

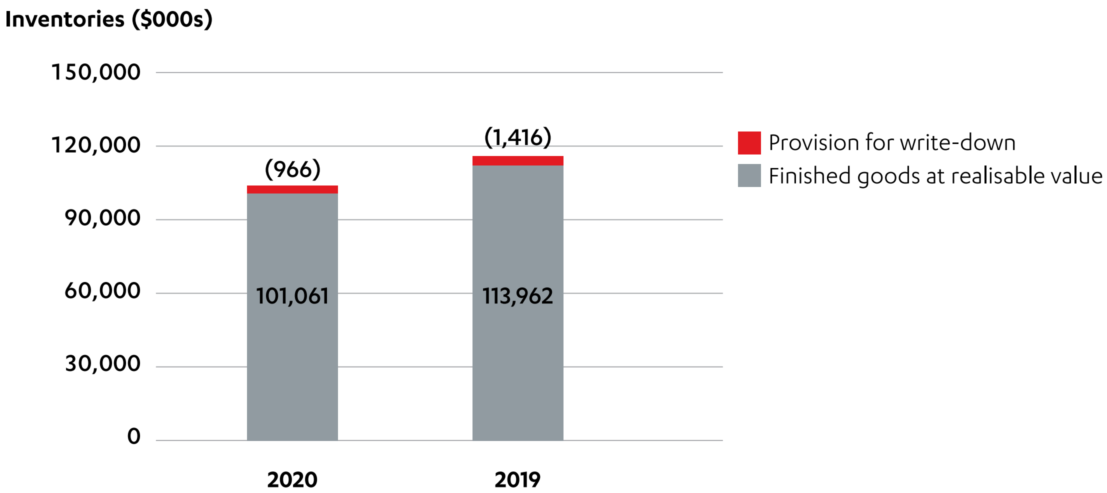
Key judgement

Inventory Valuation

The majority of the Group's inventory comprises steel products and fastenings, which have long lives and generally are not at risk of obsolescence. The Group undertook an assessment of its inventory holdings at 30 June 2020 to determine whether the net realisable value (NRV) of inventory was greater than or equal to the current carrying value of inventory. The Group has undertaken a full review of all aged stock to identify any stock at higher risk, particularly slower moving stock. Following this review, an impairment provision of $1.0m (2019: $1.4m) continues to be recognised as at 30 June 2020 to record the carrying value of inventory at its NRV where that is considered to be lower than its cost. Judgement was required in determining if the aged inventory can be sold and its expected sales price, and therefore whether inventory should be impaired. This includes consideration of forecast market conditions and prices.

To further support the valuation of inventory the Group operates a regular stock count programme which requires inventory to be counted on a cycle count basis, and through a full wall-to-wall count where required to ensure the accuracy of the Group's Inventory records.

The Group holds inventories valued at $101.1m (2019: $114.0m) net of a provision for write-down of $1.0m (2019:$1.4m).



The Group is exposed to foreign exchange risk arising mainly from overseas purchases of inventory. In accordance with its Treasury Policy, all committed overseas purchase orders are hedged using forward foreign exchange contracts where payment is made in a foreign currency. The Group qualifies for hedge accounting. The effective portion of the changes in fair value is recognised in other comprehensive income and accumulated in the Hedging reserve in equity as described in section E10.

As at balance date foreign exchange contracts recorded as assets were $0.1m (2019: $0.12m) and as liabilities were $0.22m (2019: $0.26m). The notional value of foreign exchange contracts in place as at 30 June 2020 totaled $17.09m (2019: $27.18m). The fair value of the foreign currency forward exchange contracts is as shown on the Balance Sheet. Refer to section E6 for the fair value hierarchy determination.

If the NZ dollar had weakened/strengthened by 5% against foreign currencies (primarily US dollar) at balance date, there would be no impact on profit or loss, as the Group qualifies for hedge accounting and all hedges are 100% effective at balance date. The effect would be to equity +$0.93m if NZ dollar strengthened by 5% and -$0.76m if the NZ dollar weakened by 5% (2019: + $1.27m /- $1.44m respectively).

B2: TRADE AND OTHER RECEIVABLES

Key Judgement - Provision for impairment

The Group has applied the simplified approach to providing for expected credit losses, which requires the recognition of a lifetime expected loss provision for Trade and other receivables.

The expected credit loss (ECL) allowances for financial assets are based on assumptions about the risk of default and expected credit loss rates. The Group uses its judgement in making these assumptions and selecting the inputs to the impairment calculation, which is based on the Group's historical experience, the aging profile of the financial assets, existing market conditions as well as external economic forecasts at each reporting date. Details of key considerations and judgements are set out below.

The Group considers the lifetime expected credit losses associated with its receivables upon initial recognition, and on an ongoing basis at the end of each reporting period. To assess whether there is a specific increase in credit risk, the Group compares the risk of default occurring on these receivables at the reporting date with the risk of default at the date of initial recognition. Available forward looking information is considered, including actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer or counterparty's ability to meet their obligations. This also incorporates any objective evidence that indicates that the customers will not be able to pay their debts when due, these include significant financial difficulties of customers and the probability of entering receivership or bankruptcy.

The Group has analysed its Trade receivables balances using three different characteristics and calculated the ECL allowance by considering the impact of each:

	Consideration/Judgements
Baseline/Aging	The Group's "baseline" expectation for credit loss is informed by past experience and the aging profile of the balances, applying an increasing expected credit loss estimate as the balance ages incorporating forward looking information, such as forecasted economic conditions. This expectation incorporates any available objective evidence that the customers will not be able to pay their debts when due, including significant financial difficulties of customers and the probability of entering receivership, administration or liquidation.
Sector	The Group has considered the credit risk related to the market sector that the customers operate in and has made an adjustment to the ECL allowance based on assessment of the respective financial strength of each industry sector.
Region	The Group has considered the credit risk of its trade receivables portfolio based on the respective financial strength of each geographic region, and has made an adjustment to the baseline ECL allowance to reflect this.

KEY JUDGEMENT

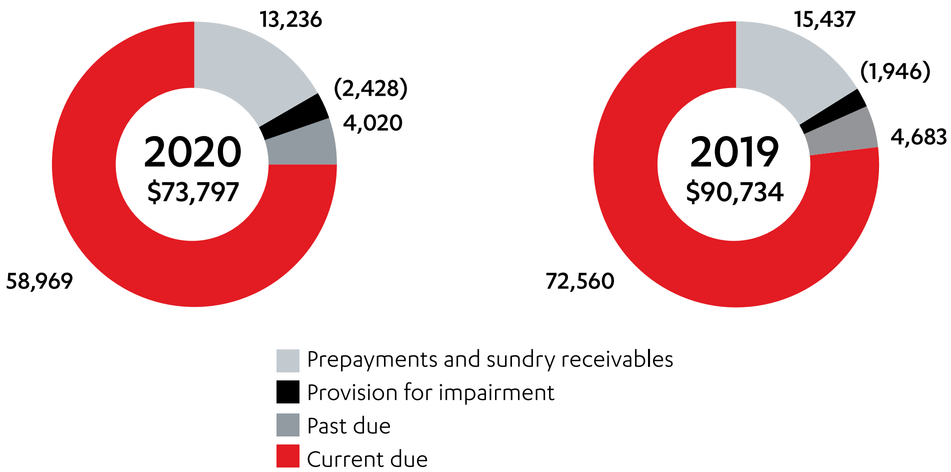
COVID-19 impact

As a result of the COVID-19 pandemic, the Group has reassessed the credit risk for all its trade receivables balance. An assessment was undertaken to identify all trade receivables which posed a higher credit risk based on the Group's understanding and experience with the customer's ability to pay its debts given the current and forecast economic conditions. For these trade receivables, the Group has recorded additional provisions to account for the estimated exposure for any defaults.

The above reassessment has resulted in the Group increasing its expected credit loss provisions to $2.4m (2019: $1.9m), to reflect the estimated exposure of any defaults.

Trade receivables at 30 June 2020 are $63.0m (2019: $77.2m) and are recognised initially at fair value and subsequently at amortised cost less any provision for impairment. The carrying value of Trade and other receivables are equivalent to their fair value.

Trade and Other Receivables ($000s)

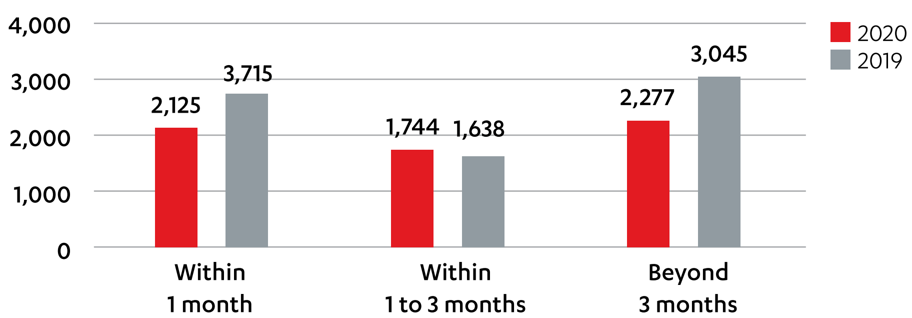


No one customer accounts for more than 3% of Trade receivables at 30 June 2020 (30 June 2019: 5%).

At 30 June 2020 trade receivables of $3.5m (2019: $3.6m) were greater than 60 days overdue. These relate to a number of independent customers for whom there is no recent history of default. The Group's credit terms are in line with industry peers. The Group does not have any customers with payment terms exceeding one year. As a result the Group does not adjust transaction prices for the time value of money.

The aging profile of these customers is shown below.

Trade receivables excluding current at 30 June 2020 ($000s)



Provision for impairment

At 30 June 2020 an impairment provision of $2.4m (2019: $1.9m) was held.

The expected credit loss allowance provision has been determined as follows:

As at 30 June 2020	Current	Within 1 Month	1 - 2 Months	2-3 Months	Beyond 3 Months	Total
	$000	$000	$000	$000	$000	$000
Gross carrying amount	**56,844**	**2,125**	**548**	**1,196**	**2,277**	**62,990**
Baseline/Aging	196	230	33	127	1,822	2,408
Region	3	-	-	1	4	8
Sector	4	-	1	1	6	12
Expected credit loss allowance	203	230	34	129	1,832	2,428

As at 30 June 2019	Current	Within 1 Month	1 - 2 Months	2-3 Months	Beyond 3 Months	Total
	$000	$000	$000	$000	$000	$000
Gross carrying amount	**68,845**	**3,715**	**1,053**	**585**	**3,045**	**77,243**
Baseline/Aging	238	63	51	18	1,565	1,935
Region	2	-	-	-	2	4
Sector	3	1	1	-	2	7
Expected credit loss allowance	243	64	52	18	1,569	1,946

Movements in the provision for impairment for the year ended 30 June 2020, are as follows:

Provision for impairment	2020	2019
	$000	$000
Provision as at 1 July	**1,946**	2,980
Adjustment on adoption of NZ IFRS 9	**-**	857
Restated as at 1 July	**1,946**	3,837
Recognised	**2,524**	872
Utilisation of provision/bad debts recovered	**(2,042)**	(2,763)
Provision as at 30 June	**2,428**	1,946

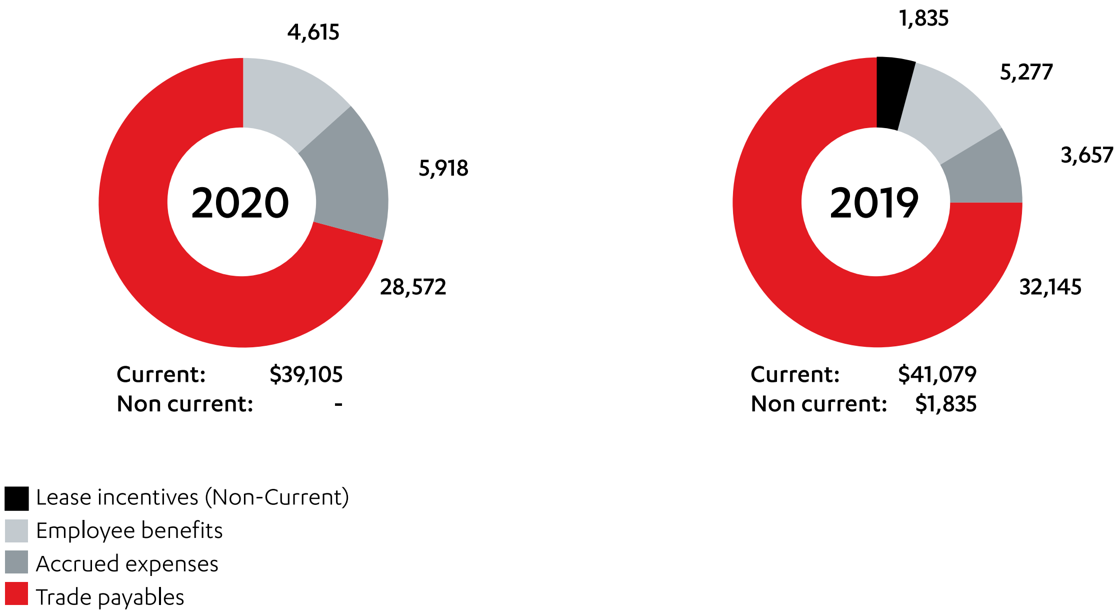
The Group is exposed to the risk of customers being unable to pay their debts as they fall due. The maximum exposure is the total value of these balances. Customers who trade on credit terms are subject to credit verification procedures and credit limits are set for each customer. The Group's credit policy is monitored regularly. In some circumstances security over assets may be obtained from Trade receivables to mitigate the risk of default. There are no significant concentrations of credit risk in the current or prior years.

The Group also has credit risk in respect of financial institutions that hold the Group's cash. These institutions have credit ratings of AA-.

B3: TRADE AND OTHER PAYABLES

Trade and other payables comprise $39.1m (2019: $41.1m) payable within a year and $nil (2019: $1.8m) payable beyond 12 months.

Trade and other payables ($000s)



The carrying amounts of the above items are equivalent to their fair values. Trade payables denominated in a foreign currency are not material either in the current or comparative year.

The Group has adopted NZ IFRS 16 Leases in the current financial year, which replaces the previous requirement to recognise lease incentive payables separately under NZ IAS 17. The lease incentive payable was restated applying the new standard as at 1 July 2019 and the cumulative impact has been adjusted through retained earnings and as such no comparative information has been restated.

SECTION C - FIXED CAPITAL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

This section includes details of the Group's long term assets including tangible and intangible assets and related capital commitments.

C1: PROPERTY, PLANT AND EQUIPMENT

Key policy:

Plant and equipment are stated at cost less accumulated depreciation with the exception of land and buildings and capital work in progress. Land and buildings are stated at fair value, and capital work in progress is stated at cost less impairment. Assets are tested annually for indicators of impairment and adjusted if required.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets, with the exception of land and capital work in progress, which are not depreciated. This allocates the cost or fair value amount of an asset, less any residual value, over its estimated remaining useful life. The residual values and useful lives are reviewed annually.

The estimated useful lives are as follows:

Buildings	50 years
Plant, machinery and motor vehicles	3 - 20 years
Furniture, fittings and equipment	2 - 10 years

Land and buildings are recognised at fair value based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are undertaken when there is evidence that the carrying value of the property is materially different to fair value. A revaluation surplus is credited to other reserves in shareholder's equity.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss. When revalued assets are sold, it is the Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

KEY POLICY

COVID-19 impact

Following the impact of COVID-19, the Group has undertaken a review of the business operating model and decided to accelerate changes to the Group's property network, in line with its longer term network strategy. This has resulted in the decision to close and merge a number of sites. Accordingly, the Group has identified potential impairment indicators over property, plant and equipment impacted by these immediate site changes.

Property, Plant & Equipment Impairment – Key Judgement

Following the Group's decision to exit or downsize certain sites and the forecast recessionary economic environment, the carrying value of all assets for each site identified has been specifically assessed for impairment at balance date. The main categories of the property, plant and equipment for the identified sites consist of plant, machinery, furniture and fittings.

Management has undertaken an assessment to determine the recoverable value of these assets, considering the current market conditions and determined its best estimate of the recoverable value of these assets on the basis of fair value less cost of disposal (FVLCD) in accordance with NZ IAS 36.

For assets identified to be retained upon site exit and as part of continuing use within the Group's operations, Management has assessed the recoverable value to be equivalent to its carrying amount given the asset's continuing use in generating future economic benefits within its current operations. For assets that are site specific and have no readily available alternative use upon site exit, the carrying value has been impaired to the estimated fair value, where the amount is lower than carrying value. The FVLCD is based on Management's judgement of expected realisable values from disposing and/or selling the assets, supported by estimated market quotes from external plant and machinery valuers with specialist knowledge of these assets. Judgements in determining the FVLCD have been made based on unobservable inputs (as described by NZ IFRS 13 Fair value) and are therefore classified as level 3 in the fair value hierarchy.

Based on the assessment performed, the Group has recognised an impairment of property, plant and equipment of $1.5m as at 30 June 2020 (30 June 2019:$nil).

KEY JUDGEMENT

	Land & buildings at fair value $000	Plant, machinery & vehicles at cost $000	Furniture, fittings & equipment at cost $000	Total $000
2020				
Opening cost	**14,273**	**88,804**	**18,454**	**121,531**
Opening accumulated depreciation	**(14)**	**(53,645)**	**(15,838)**	**(69,497)**
Opening net book value	**14,259**	**35,159**	**2,616**	**52,034**
Additions	**-**	**3,171**	**1,295**	**4,466**
Land and building revaluations:				
Decrease to revaluation reserve	**(1,646)**	**-**	**-**	**(1,646)**
Disposals	**(5,763)**	**(826)**	**(86)**	**(6,675)**
Impairments	**-**	**(1,478)**	**(30)**	**(1,508)**
Transfer to assets held for sale	**(950)**	**-**	**-**	**(950)**
Depreciation	**(39)**	**(3,501)**	**(1,172)**	**(4,712)**
Closing net book value	**5,861**	**32,525**	**2,623**	**41,009**
Comprised of:				
Cost or fair value	**5,900**	**85,752**	**18,794**	**110,446**
Accumulated depreciation	**(39)**	**(53,227)**	**(16,171)**	**(69,437)**
Property, plant and equipment	**5,861**	**32,525**	**2,623**	**41,009**
2019				
Opening cost	15,375	85,885	18,301	119,561
Opening accumulated depreciation	-	(51,838)	(14,984)	(66,822)
Opening net book value	15,375	34,047	3,317	52,739
Additions	-	4,359	663	5,022
Land and building revaluations:				
Decrease to revaluation reserve	(940)	-	-	(940)
Disposals	-	(97)	(26)	(123)
Depreciation	(176)	(3,150)	(1,338)	(4,664)
Closing net book value	14,259	35,159	2,616	52,034
Comprised of:				
Cost or fair value	14,273	88,804	18,454	121,531
Accumulated depreciation	(14)	(53,645)	(15,838)	(69,497)
Property, plant and equipment	14,259	35,159	2,616	52,034

Included within the plant, property and equipment categories is capital work in progress totalling $1.0m (2019: $2.1m). Capital work in progress was tested for indicators of impairment. No impairment indicators were identified.

At 30 June 2020 had land and buildings been carried at historical cost less accumulated depreciation their carrying amount would have been approximately $1.0m (2019: $8.5m).

Valuation of land and buildings:

The Group undertook a fair value assessment of land and buildings owned by the Group at 30 June 2020. The fair value of these land and buildings was determined based on the market comparable approach that reflects transaction prices for similar properties adjusted for identifiable differences. The valuations were prepared by independent and qualified registered valuers and are based on relevant general and economic factors such as land use, economic conditions, zoning and location, quality and condition, recent sales, leasing transactions of comparable properties, and any expected remedial costs. They are categorised as Level 3 of the fair value hierarchy as unobservable inputs (as described in NZ IFRS 13).

The significant unobservable inputs are described in section E8.

The previous independent valuation of these land and buildings was performed in June 2019.

C2: INTANGIBLES

	Goodwill $000	Software & Licences $000	Other $000	Total $000
2020				
Opening cost	**47,171**	**26,778**	**2,522**	**76,471**
Opening accumulated amortisation	**-**	**(5,503)**	**(1,919)**	**(7,422)**
Opening accumulated impairment	**(10,100)**	**(2,027)**	**-**	**(12,127)**
Opening net book value	**37,071**	**19,248**	**603**	**56,922**
Additions	**-**	**3,651**	**-**	**3,651**
Amortisation charge	**-**	**(2,510)**	**(106)**	**(2,616)**
Impairment	**(37,071)**	**(9,000)**	**-**	**(46,071)**
Closing net book value	**-**	**11,389**	**497**	**11,886**
Comprised of:				
Cost	**47,171**	**30,429**	**2,522**	**80,122**
Accumulated amortisation	**-**	**(8,013)**	**(2,025)**	**(10,038)**
Accumulated impairment	**(47,171)**	**(11,027)**	**-**	**(58,198)**
Closing net book value	**-**	**11,389**	**497**	**11,886**
2019				
Opening cost	47,171	24,832	2,522	74,525
Opening accumulated amortisation	-	(3,262)	(1,713)	(4,975)
Opening accumulated impairment	(10,100)	(2,027)	-	(12,127)
Opening net book value	37,071	19,543	809	57,423
Additions	-	2,125	-	2,125
Amortisation charge	-	(2,420)	(206)	(2,626)
Closing net book value	37,071	19,248	603	56,922
Comprised of:				
Cost	47,171	26,778	2,522	76,471
Accumulated amortisation	-	(5,503)	(1,919)	(7,422)
Accumulated impairment	(10,100)	(2,027)	-	(12,127)
	37,071	19,248	603	56,922

Included within the intangibles categories is capital work in progress totalling $1.3m (2019: $2.6m). Other intangibles comprises customer relationships and customer contracts arising from business combinations.

KEY POLICY

Goodwill is recognised on a business combination and represents the excess of the acquisition cost over the fair value of the acquired net assets. Goodwill is allocated to cash-generating units, tested annually for impairment, or more frequently if events or circumstances indicate it may be impaired, and is carried at cost less accumulated impairment losses.

Computer software and licences are capitalised on the basis of costs incurred to acquire and use the specific licences and are amortised on a straight-line basis over their estimated useful lives of 3 to 10 years. Computer software and licence amortisation charges are included in other operating expenses.

Customer relationships and customer contracts are capitalised at fair value on acquisition date and are amortised on a straight-line basis over their estimated useful lives of 10 and 2 years respectively. Amortisation charges are included in other operating expenses.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use it
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Key Judgement – Intangible Assets

Following the impact of COVID-19 the Group has undertaken a review of the business and accelerated plans to increase its investment in Digital technology. This investment will include the integration of additional software applications, as well as the development of new or enhanced ERP functionality which are anticipated to predominately benefit the Group's Distribution CGU. This investment is required in response to the current commercial and economic environment, and to ensure that it has the appropriate Digital technology platform to support the move to a service model that combines ease of access and customer service.

This investment in Digital technology will supersede some of the existing functionality within certain software assets held for use by the business, which has resulted in an indicator of impairment being identified for those assets as at 30 June 2020. However, as these software assets do not generate their own stand-alone cash flows, the assessment for impairment was completed as part of the Group's year-end CGU impairment assessments as outlined in further detail below.

The output from the year-end CGU impairment assessments has resulted in an impairment of $9.0m of the Group's software intangible assets within the Distribution CGU as at 30 June 2020. Further detail on the CGU impairment assessment, and the allocation to the Group's software intangible assets, is provided in the Key Judgement – Impairment testing of non-financial assets below.

KEY JUDGEMENT

Key Judgement – Impairment testing of non-financial assets

NZ IAS 36 Impairment of Assets ("NZ IAS 36") requires the Group to assess at the end of each reporting period for any indicators of impairment and also to test the recoverable amount of the Group's assets against its carrying value to assess whether there is any indication that an asset may be impaired. The recoverable amount is the higher of an asset's fair value less costs of disposal ("FVLCD") and value-in-use ("VIU").

For the purpose of assessing impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets ("cash generating unit" or "CGU"), which as at 30 June 2020 were identified as being Distribution, Reinforcing/CFDL and Roll Forming.

As at 30 June 2020, and following business operational changes, the previous Manufacturing Supplies Limited CGU is now considered to form part of the Distribution CGU, and the previous Composite Floor Decks Limited ("CFDL") and Hurricane Wire Products CGUs are now considered to form part of the Reinforcing/CFDL CGU. The identification of CGUs and operating segments as at 30 June 2020 has been performed in line with the respective guidance contained in NZ IAS 36 and NZ IFRS 8 Operating Segments ("NZ IFRS 8"), and is reflective of how these previous stand-alone CGUs engage in business activities as part of the integrated CGUs, including how the Group makes decisions about resource allocation and how it reviews operating results and assesses performance.

As at 30 June 2020 the Group identified indicators of impairment being the accelerated investment in digital technologies, adverse trading conditions experienced by the Group and the forecast economic recession due to the impacts of the COVID-19 pandemic, in combination with the gap between the Group's net book value of assets and its market capitalisation value at 30 June 2020. Whilst the Board does not consider these adverse trading conditions to be indicative of the medium to long term trading expectations, the reduced profitability in FY20 and forecast for FY21 results in an indicator of impairment at 30 June 2020. As a result the Group has undertaken an internal valuation to compare the current carrying value of each CGU against their recoverable amount. The Group first considered any indicators of impairment at the individual asset level, and then subsequently completed VIU and FVLCD calculations for each cash generating unit (CGU).

KEY JUDGEMENT

A VIU calculation is a valuation based on forecast cash flows. These forecast cash flows are discounted back to present value to estimate a value for the individual CGU. The FVLCD calculations used the same level 3 inputs as the VIU calculations (as summarised in the table below), with the Distribution CGU impairment assessment also incorporating a partial realisation of expected cash flow benefits from a sub-set of planned Digital projects, as outlined further below. The inputs into the FVLCD calculations have been determined using level 3 in terms of the fair value hierarchies in NZ IFRS 13.

The Group has considered the recoverable amount of each CGU, using the higher of its FVLCD and VIU, with the FVLCD discounted cash flow method showing the higher headroom between the recoverable amount and carrying value. If the recoverable amount exceeds the carrying value of the assets within the CGU no impairment is recognised. An impairment loss is recognised for any excess of the carrying value of an asset or cash-generating unit over its recoverable amount and is charged to profit or loss.

A number of judgements have been made in respect to the assumptions used in the valuations. The key assumptions are summarised below:

ASSUMPTIONS	Reinforcing/CFDL 2020	Roll Forming 2020	Distribution 2020	Group 2019
Discount Rate (post tax)	10.2%	9.9%	8.5%	7.9%-9.6%
5-Year Forecast Period Revenue Growth Rate	5.4%-12.0%	(4.5%)-11.3%	(8.8%)-10.3%	2.6%-2.9%
Terminal Growth Rate	2.00%	2.00%	2.00%	1.50%

The Group engaged an independent expert to assess the Group's post-tax weighted average cost of capital and an appropriate risk premium to be applied to smaller CGU's. These post-tax discount rates were applied to post-tax cash flows.

The Board approved budget was used for the FY21 period with the forecast period growth rates applied over the 5 year forecast period. The forecast cash flows assume the economy is in recession for the year ending 30 June 2021 before starting to return to modest growth in FY22 and beyond, and therefore the Group has forecast a reduction in market demand for most products in FY21 due to the forecast recession, with a progressive return to pre-COVID 19 market conditions by FY25 with varying growth rates over FY22-FY24 as activity rebounds. The Group has utilised sector specific external economic forecasts to support post FY21 cash flow growth rates. The Terminal Growth rate applied is consistent with mid-point of the target inflation band for the Reserve Bank of New Zealand.

The Group has also included the impact of the expected future cash flows from the accelerated restructure of the Group's branch network as outlined in Note C5, as well as other performance improvement projects included as part of the Board approved FY21 budget, and has allocated these to the individual CGUs where applicable. The Group is committed to these actions and has already commenced implementation as at 30 June 2020.

Furthermore, following the impact of COVID-19 the Group has undertaken a review of the business and accelerated plans to increase its investment in Digital technology. This investment includes the integration of additional Digital software applications, as well as the development of new or enhanced ERP functionality which are anticipated to predominately benefit the Group's Distribution CGU. The Distribution CGU impairment assessment has only incorporated a partial realisation of the expected cash flow benefits from a sub-set of the planned Digital projects, with benefits from a number of projects being excluded from the CGU forecast cash flows based on progress-to-date as at 30 June 2020. The level of future cash flow benefits obtained from this increased investment in Digital technology, along with the Group's other in progress sales margin improvement programmes incorporated into the Board approved FY21 budget, are a key driver of the operating gross margin forecasts included in the Distribution CGU forecast cash flows, which is a key sensitivity for CGU impairment assessments.

All forecast cash flows included in the FVLCD calculations as at 30 June 2020 were considered to meet the requirements of NZ IAS 36 Impairment of Assets (NZ IAS 36) and NZ IFRS 13 Fair Value Measurement (NZ IFRS 13).

KEY JUDGEMENT

The increased level of uncertainty created by COVID-19 makes accurately forecasting the future challenging, and therefore a range of different scenarios for the forecast cash flows were considered by Management in assessing the recoverable amount of the individual CGUs, showing a range of potential outcomes. Management has considered the most likely outcome within the range of scenarios prepared using information obtained from external economic forecasts, feedback from customers, analysis of the Group's current pipeline of work and other competitive dynamics. It is the considered view of the Board that the forecast market assumptions and resulting scenario range are reasonable and supportable based on the information considered by Management and their understanding of the New Zealand market.

The results of the assessment of impairment testing calculations for the CGUs are most sensitive to the discount rate and the terminal growth rate. The forecast revenue growth over the FY21-FY25 period, as well as the Group's required levels of working capital, are also important as these support the cash flow element of the terminal value calculation. Additionally for the Distribution CGU the improved operating margins including partial realisation of the expected benefits from the Group's investment in Digital technology is also a key sensitivity.

On this basis Management has concluded that a probability weighted scenario using a range of scenarios prepared is most appropriate, with the FVLCD discounted cash flow method showing the higher headroom between the recoverable amount and carrying value. The probability weighted scenario indicates that the recoverable amount is greater than the carrying value of the CGU for the Reinforcing/ CFDL and Roll Forming CGUs by approximately $9.3 million and $9.6 million respectively. In respect of the Distribution CGU, based on the assumptions described above, including consideration of the impact of accelerating the digital investment strategy and only allowing for partial realisation of the expected benefits at this time (due to early stage implementation), the recoverable amount is $9.0m lower than the current carrying value. Accordingly, an impairment of $9.0m has been recognised for software intangible assets within the Distribution CGU as at 30 June 2020.

As outlined in the Key Judgement – Intangible assets section, the recoverable value of the Group's software intangible assets are required to be assessed as part of the CGU impairment assessments and a specific indicator of impairment was identified for the Group's software Intangible assets as at 30 June 2020 as a result of the accelerated investment in Digital technology. Therefore the identified impairment in the Distribution CGU was allocated to the Group's software Intangible assets as at 30 June 2020. All other significant assets held by the Distribution CGU (including Inventory, Trade Receivables, Property, Plant & Equipment and Right-of-Use leased assets) have been assessed for impairment at the individual asset level where indicators of impairment were identified and were deemed to be held at their expected recoverable value as at 30 June 2020.

The projected cash flows over the forecast period, and the probability-weighted expectations, incorporate forward looking assumptions around the market and the timing and execution of business strategy which could be affected by other factors not currently foreseeable by the Group or beyond its control. Should this occur, a further assessment for any impairment may be required.

KEY JUDGEMENT

The following summarises the effect of a reasonably possible change in the key assumptions for the CGUs with all other assumptions remaining constant:

	Reinforcing/CFDL	Roll Forming	Distribution
50 basis points reduction in terminal growth rate	Decrease in recoverable value of $2.2m	Decrease in recoverable value of $2.3m	Decrease in recoverable value of $5.7m
Increasing the discount rate (post-tax) by 50 basis points	Decrease in recoverable value of $2.8m	Decrease in recoverable value of $3.0m	Decrease in recoverable value of $7.1m
% reduction required in the expected level of terminal free cash flows to eliminate the excess of the recoverable amount over the carrying amount	28%	28%	-
+/- 1% gross margin in the terminal cash flows	Impact on recoverable value of +/- $6.2m	Impact on recoverable value of +/- $8.7m	Impact on recoverable value of +/- $24.6m

The Group also compared the net book value of assets with its market capitalisation value at 30 June 2020. This market capitalisation value excludes any control premium and may not reflect the value of 100% of the Group's net assets.

As noted above, prior to the impairment assessments being performed at the individual CGU levels, the Group identified impairments at the individual asset level in respect of Property, Plant & Equipment and Right-of-Use Leased Assets. Further disclosure in respect of these impairments for the year ended 30 June 2020 has been provided in Notes C1 and C5 respectively.

KEY JUDGEMENT

Impairment Testing Disclosure Presented in the 31 December 2019 Interim Financial Statements

As part of its assessment for impairment at 31 December 2019, the Group concluded that the carrying value of Goodwill was fully impaired as a result of the reduced profitability and adverse trading conditions it experienced in the six month period ended 31 December 2019, including reduced vertical construction work and a contraction in the stainless steel market. This has resulted in a Goodwill impairment charge of $37.1m being recognised in the Impairment of intangibles line in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020. The disclosures presented in the Group's 31 December 2019 Interim Financial Statements in respect of this impairment of Goodwill are set out below.

NZ IAS 36 Impairment of Assets requires the Group to regularly assess for any indicators of impairment and test the recoverable amount of Goodwill against its carrying value at least annually. As at 31 December 2019 the Group identified an indicator of impairment and as part of preparing the interim financial statements, undertook an internal valuation to compare the current carrying value of the Group's assets including Goodwill against their recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal ("FVLCD") and value-in-use ("VIU"). For the purpose of assessing impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets ("cash generating unit" or "CGU").

The Group considered the VIU and FVLCD for each cash generating unit (CGU). A value-in-use (VIU) calculation is a valuation based on forecast cash flows. These cash flows are discounted back to present value to estimate a value for the CGU. The Group first considered the recoverable amount of each CGU, using the higher of its FVLCD and VIU. If the recoverable amount exceeds the carrying value of the assets within the CGU no impairment is recognised. An impairment loss is recognised for any excess of the carrying value of an asset or cash-generating unit over its recoverable amount and is charged to profit or loss. In addition to the assessments performed at the CGU level, the Group also subsequently considered the VIU for the Group as a whole as there was an identified indicator of impairment at the Group.

A number of judgements were made in respect to the assumptions used in the valuations. The key assumptions used in the valuations as at 31 December 2019 are summarised below:

	December 2019	June 2019
Assumption		
Discount Rate (post tax)	7.8%-9.6%	7.9%-9.6%
Discount Rate (pre tax)	10.1%-13.4%	11.0%-13.4%
Terminal Growth Rate	2.00%	1.50%
Forecast Period	5 years	5 years
Forecast Period Revenue Growth Rate	1.9%-2.3%	2.6%-2.9%

A range of forecast cash flow scenarios were considered by Management for the VIU calculations, first at the CGU level and then subsequently on a Group wide basis, utilising the latest Group forecast. In addition to the above forecast period cash flow growth rate, the Group included cash flows from ongoing network consolidation and other performance improvement projects, and allocated these to the individual CGUs where applicable. The Group was committed to these projects and had already commenced implementation as at 31 December 2019. However the forecast cash flows exclude certain other expected benefits from projects not deemed to be sufficiently progressed as at 31 December 2019.

Management considered the most likely outcome within the range of scenarios prepared for the VIU calculations at the CGU level when assessing whether any impairment existed at the CGU level. The Group also considered whether the fair value less costs of disposal of the non-Goodwill assets in CGUs without Goodwill would be greater than their carrying value.

The Group also considered the recoverable amount at the Group level based on the higher of its calculated VIU and FVLCD. In the six month period ended 31 December 2019 the Group experienced adverse trading conditions, including reduced vertical construction work and a contraction in the stainless steel market. Whilst the Board does not consider these adverse trading conditions to be indicative of the medium to long term trading expectations, the reduced profitability in the six months ended 31 December 2019 had an impact on the assessment of the most likely outcome within the range of VIU scenarios prepared and the Group's calculation of FVLCD.

After assessing a range of scenarios, the Board concluded that the VIU recoverable amount was lower than its carrying value and the carrying value of Goodwill was impaired as at 31 December 2019. The Goodwill impairment allocated to each CGU was as follows:

	Manufacturing Suppliers Limited	Hurricane Wire Products	Roofing Products	Composite Floor Decks Limited	Total
	$000	$000	$000	$000	$000
Carrying Value of Goodwill at 30 June 2019	15,602	5,710	4,046	11,713	**37,071**
Impairment recognised in Profit & Loss	(15,602)	(5,710)	(4,046)	(11,713)	**(37,071)**
Carrying Value of Goodwill at 31 December 2019 and 30 June 2020	-	-	-	-	**-**

This resulted in a Goodwill impairment charge of $37.1m being recognised in the Impairment of intangibles line in the Statement of Profit or Loss and Other Comprehensive Income as at 31 December 2019 and 30 June 2020.

In respect of the impairment assessment performed by the Group at 30 June 2019, the following summarises the effect of a change in the key assumptions for the Group on those impairment assessments with all other assumptions remaining constant:

- Applying a 2.0% terminal growth rate, in line with long-term New Zealand inflation forecasts, would have increased the available headroom by approximately $15.3m;
- Incorporating a 6.5% reduction in the expected level of terminal EBIT in the forecast cash flows would have resulted in the elimination of the excess of the recoverable amount over the carrying amount;
- Increasing the Discount Rate (pre-tax) by 50 basis points would have resulted in the elimination of the excess of the recoverable amount over the carrying amount.

C3: COMMITMENTS

Capital commitments

The Group has contractual commitments of $0.3m (2019: $0.5m) for the purchase of plant and equipment.

C4: ASSETS HELD FOR SALE

KEY POLICY

Non-current assets are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

As a result of COVID-19, the Group has undertaken a review of the business and decided to accelerate changes to the Group's property network, in line with its longer term network strategy. This resulted in a decision by the Board to close and merge a number of sites, including selling one of the Group's owned properties at Parkinson Street, Gisborne. The Distribution business previously operating at the Gisborne site has now been consolidated into the Group's existing property network.

On 30 June 2020, the Group entered into a conditional agreement to sell the property at Parkinson Street, Gisborne for approximately $1.4m net of expected sales costs, with settlement received on 31 July 2020. Management consider this to be a sale of individual assets, therefore the property and its related assets have been classified as assets held for sale and not a discontinued operation. The property, plant and equipment related to the Gisborne site have been measured at carrying value and presented as held for sale.

	Carrying value at 30 June 2020 $000
Property, plant and equipment held for sale	950
Total	950

C5: NZ IFRS 16 LEASES

Key Judgements – Adoption of NZ IFRS 16 Leases

The Group adopted NZ IFRS 16 Leases on 1 July 2019. On adoption of NZ IFRS 16 Leases there were a number of key judgements required. These include:

- Assessing whether a contract conveys the right to control the use of an identified asset;
- Determining the lease term, including when any rights of renewal or termination are reasonably certain to be exercised;
- The calculation of minimum contractual lease payments; and
- The calculation of the discount rate applicable to each lease.

The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

Right-of-use assets

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

– the contract involves the use of an identified asset;
– whether the Group has the right to obtain substantially all of the economic benefits from use of the asset over the contract term;
– whether the Group has the right to direct the use of the asset.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any direct costs incurred or lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically assessed for impairment losses and adjusted for certain re-measurements of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate, with adjustments for the term of the lease.

Lease payments included in the measurement of the lease liability comprise:

– Fixed payments;
– Variable lease payments that depend on an index or rate measured using the index or rate as at the commencement date;
– Lease payments in an optional renewal period if the Group is reasonably certain to exercise the renewal option.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a rent review or the change in an index or rate, or if the Group changes its assessment of whether it will exercise a purchase or extension option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

KEY JUDGEMENT

COVID-19 Impact

The Group had to cease all business operations during Alert Level 4, except where needed to supply essential businesses in New Zealand. As such, the Group engaged in negotiations with landlords for rent concessions during the lockdown period. Total COVID-19 related rent concessions recognised as at 30 June 2020 were $0.9m. Given this was a one-off rent concession, no further adjustment has been made to the right-of-use assets and lease liabilities.

On 28 May 2020, the IASB issued a guidance on the recognition of the rent credits relating to COVID-19. For rent credits received in relation to lease agreements with "no access in emergency" clause, these are to be recognised as a reduction to operating expenditure in the Statement of Profit or Loss and Other Comprehensive Income. Rent credits received without a pre-existing clause are required to be recognised separately as other income, of which the Group has recognised $0.3m for rent credits.

Following the impact of COVID-19, the Group accelerated changes to the Group's property network. Accordingly, the Group has exited or has commenced actions to exit a number of leased sites. This has resulted in an indicator of impairment on the respective right-of-use leased assets for these sites.

The Group has also undertaken reassessment of lease liabilities where it has decided not to exercise a right of renewal following COVID-19. A reassessment of liability has arisen due to a change in assumption from NZ IFRS 16 Leases transition date where the Group assumed a right of renewal. NZ IFRS 16 Leases states that upon reassessment, a lease liability is required to be re-measured using revised Incremental Borrowing Rates ("IBR") at the point of reassessment. Accordingly, the Group has used revised IBR rates to reassess these lease liabilities.

Key Judgement - Impairment of Right-of-Use Assets

The Group has assessed the impairment of right-of-use assets based on its ability to recover any value via potential sub-lease arrangements.

For sites that the Group has committed to exit which currently have shorter term leases of less than 3 years, Management has assessed that there is a low probability of securing a sub-lease due to the short term nature of the remaining lease term and the forecast economic recession from the impacts of the COVID-19 pandemic. On this basis, the Group has fully impaired the carrying amount of right-of-use assets for the portion of sites exited which have shorter term leases.

For sites with longer term leases (> 3 years) where the Group has committed to downsize existing operations, the recoverability of these right-of-use assets has considered the market for sub-leasing the vacated portion when assessing impairment.

Based on the current market outlook and advice received from independent property valuers, the Group has applied the following key assumptions for sub-lease income as at 30 June 2020:

Sub-lease assumptions – impairment assessment

Lease term start date	Due to the impact of COVID-19, Management has assessed that it may take up to 18 months to secure a sub-lease tenant.
Lease term period	For longer term leases (> 3 years), Management has assumed that it is unlikely to secure a sub-lease tenant for the full remaining lease term. Accordingly a further period of 18 months has been allowed for which no sub-lease income will be earned. This also allows for potential breaks between tenancies.
Lease income	The recovery of head lease rent expense is based on advice from property valuers. Total sublease income for each property has been calculated on a present value basis after allowing for an annual CPI adjustment of 1.5% and cash outflows for costs incurred to sublease the property.

Based on the calculations and assumptions outlined above, the Group has recognised an impairment (after adjusting for forecast sub-lease income) of $4.3m on its right of use assets as at 30 June 2020.

KEY JUDGEMENT

Impact of NZ IFRS 16 Leases adoption

On transition as at 1 July 2019, the impact on the Balance Sheet was:

- an increase in total assets of $109m;
- an increase in total liabilities of $119m; and
- a decrease in retained earnings of $10m.

The weighted average discount rate applied to the lease liabilities on 1 July 2019 was 4.93%

The impact of the adoption of NZ IFRS 16 on the Balance Sheet as at 1 July 2019 is set out below:

	Reported 30 June 2019 $000	Adoption of NZ IFRS 16 $000	Restated 1 July 2019 $000
Current assets			
Cash and cash equivalents	9,010	-	9,010
Trade and other receivables	90,734	-	90,734
Inventories	113,962	-	113,962
Income tax receivable	1	-	1
Derivative assets	120	-	120
	213,827	-	213,827
Non-current assets			
Deferred tax assets	3,380	3,796	7,176
Property, plant and equipment	52,034	-	52,034
Right-of-use assets	-	104,956	104,956
Intangibles	56,922	-	56,922
	112,336	108,752	221,088
Total assets	326,163	108,752	434,915
Current liabilities			
Trade and other payables	41,079	(179)	40,900
Provisions	4,221	(274)	3,947
Short term lease liabilities	-	13,013	13,013
Derivative liabilities	263	-	263
	45,563	12,560	58,123
Non-current liabilities			
Trade and other payables	1,835	(1,835)	-
Long term lease liabilities	-	108,096	108,096
Borrowings	24,000	-	24,000
Provisions	864	(307)	557
	26,699	105,954	132,653
Equity			
Share capital	156,669	-	156,669
Retained earnings	94,142	(9,762)	84,380
Other reserves	3,090	-	3,090
	253,901	(9,762)	244,139
Total equity and liabilities	326,163	108,752	434,915

Reconciliation of lease commitments to lease liabilities	2019 $000
Operating lease commitments disclosed as at 30 June 2019	**138,523**
Discounted at the date of initial application	**100,847**
Add: Value of future lease options expected to be exercised at the date of initial application	**20,262**
Lease liability recognised as at 1 July 2019	**121,109**

The below outlines the recognised right-of-use assets and corresponding lease liabilities by the Group as at 30 June 2020:

	Properties $000	Motor Vehicles $000	Equipment $000	Total $000
Right-of-use asset at adoption date 1 July 2019	**100,262**	**4,694**	**-**	**104,956**
Additions to right-of-use assets	1,905	331	944	3,180
Depreciation	(11,247)	(1,793)	(91)	(13,131)
Reassessments	(3,368)	-	-	(3,368)
Impairment loss recognised	(4,551)	-	-	(4,551)
Total right-of-use assets at 30 June 2020	**83,001**	**3,232**	**853**	**87,086**

Lease liability maturity analysis	2020 $000
Between 0 to 1 year	12,647
Between 1 to 5 years	40,327
More than 5 years	54,733
Lease liabilities as lessee	**107,707**

Impact of NZ IFRS 16 Leases on the statement of cash flows at 30 June 2020

The adoption of NZ IFRS 16 Leases has resulted in the reclassification of cash flows from lease arrangements. Cash outflows from leases for the year ended 30 June 2020 are detailed below. For the year ended 30 June 2019 the equivalent cash outflows were included in the cash flows from operating activities as payments to suppliers and employees.

For the year ended 30 June 2020	Total $000
Interest payments on leases (operating activities)	5,590
Payments for leases (financing activities)	13,031
Total cash outflows from leases	**18,621**

SECTION D – FUNDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

This section includes details of the Group's cash, borrowings and capital reserves which provide funds for current and future activities.

D1: BORROWINGS

	2020 $000	2019 $000
Bank loans	**10,000**	24,000

KEY POLICY

Borrowings are recognised initially at fair value and net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the net proceeds and redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. The movement in borrowings shown in the Statement of Cash Flows is the net of repayments and drawdowns of borrowings. Borrowings are classified as current liabilities if there is no unconditional right to defer settlement for greater than 12 months.

The Group is required to comply with certain financial covenants that relate to interest cover, group coverage and leverage.

COVID-19 IMPACT

In April 2020, due to the impact of COVID-19, the Group's banking partners granted a non-compliance waiver for both the leverage ratio and the interest cover ratio. The waiver is for a relief period up to and including 31 December 2020.

The Group also agreed a variation to its facility agreement in June 2020, which allows the Group to use alternative measures for covenant reporting for the remainder of the 2021 financial year, with test dates of 31 March 2021 and 30 June 2021. For these test dates, the Group's banking partners have agreed to assess the Group's Working Capital Ratio (Working Capital to Debt) and a Liquidity Test (available funding to be greater than the principal amount of any financial indebtedness maturing) as alternative covenants.

In May 2020, the Group successfully arranged an extension to the maturity date of the working capital facility to 30 November 2021. The Group currently has in place syndicated committed bank borrowing facilities of $70m, comprising a $25m Working capital facility (30 June 2020: nil drawn) and a $45m Revolving credit facility (30 June 2020: $10m drawn), both having a maturity date of 30 November 2021. The Working capital facility is expected to be renewed on an annual basis.

Borrowing facilities arranged with the Group's banking syndicate can be drawn at any time, subject to meeting the terms of the Group's Syndicated Facilities Agreement.

The Group is exposed to interest rate risk through its drawings under the Group's bank borrowing facilities at variable interest rates.

During the year ended 30 June 2020, if bank interest rates had been 100 basis points higher/lower with all other variables held constant, it would change post-tax profit/equity for the year by $0.2m lower/higher (2019: $0.4m). The Group has committed bank borrowing facilities at balance date of $70m (2019: $70m).

The Group manages its liquidity risk by maintaining availability of sufficient cash and funding via an adequate amount of committed bank borrowing facilities. Owing to the nature of the underlying business, the Group aims to maintain funding flexibility through committed credit lines. The Group monitors actual and forecast cash flows on a regular basis and rearranges credit facilities where appropriate.

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

	Average Interest rate	6 months or less $000	6 to 12 months $000	1 to 3 years $000	Total $000	Carrying Value $000
2020						
Borrowings	**4.0%**	**207**	**198**	**10,573**	**10,978**	**10,000**
Trade payables & accruals	**-**	**39,105**	**-**	**-**	**39,105**	**39,105**
Cash flow hedging of derivatives:						
Outflow	**-**	**16,783**	**312**	**-**	**17,095**	**17,095**
Inflow	**-**	**(16,664)**	**(312)**	**-**	**(16,976)**	**(16,976)**
	-	**119**	**-**	**-**	**119**	**119**
2019						
Borrowings	4.1%	502	482	25,394	26,378	24,000
Trade payables & accruals	-	40,818	-	-	40,818	40,818
Cash flow hedging of derivatives:						
Outflow	-	26,079	1,096	-	27,175	27,175
Inflow	-	(25,947)	(1,085)	-	(27,032)	(27,032)
	-	132	11	-	143	143

D2: CASH/NET DEBT RECONCILIATION

	Cash and cash equivalents $000	Borrowings repayable after one year $000	Total $000
Net debt as at 1 July 2019	**9,010**	**(24,000)**	**(14,990)**
Cash flows	**8,408**	**14,000**	**22,408**
Cash/net debt as at 30 June 2020	**17,418**	**(10,000)**	**7,418**
Net debt as at 1 July 2018	5,584	(109,935)	(104,351)
Cash flows	3,426	85,935	89,361
Net debt as at 30 June 2019	9,010	(24,000)	(14,990)

D3: SHARE CAPITAL

The Group's capital includes share capital, treasury shares, long term borrowings, reserves and retained earnings. The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns and benefits for Shareholders and other stakeholders and to maintain a strong capital base for investor, creditor and market confidence. The Group may adjust the dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to maintain or adjust its capital structure.

Capital Structure Policy Targets

The Group's formal capital structure targets are as follows:

1. Net Debt: EBITDA less than 2.0x
2. Gearing ratio less than 30% - 35%
3. Dividend pay-out of between 60% - 80% of Net Earnings (NPAT) adjusted for any significant non-trading items

There has been no material change in the management of capital during the year.

	2020 $000	2019 $000	2020 Shares	2019 Shares
Fully paid:				
Balance at the beginning of the year	**156,668**	77,844	**165,972,540**	90,608,026
Issue of share capital	**-**	78,824	**-**	75,364,514
Balance at the end of the year	**156,668**	156,668	**165,972,540**	165,972,540
Partly paid:				
Balance at the beginning of the year	**1**	1	**25,000**	25,000
Transfer to fully paid shares	**-**	-	**-**	-
Balance at the end of the year	**1**	1	**25,000**	25,000
Total balance at the end of the year	**156,669**	156,669	**165,997,540**	165,997,540

The holders of ordinary shares are entitled to receive dividends declared from time to time and to one vote per share at meetings of the Company. Ordinary shares issued and partly paid as part of the Senior Executives' Share Scheme 1993 do not have dividend or voting entitlements until the shares are paid in full but qualify for bonus and cash issues.

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

Treasury shares

	2020 $000	2019 $000	2020 Shares	2019 Shares
Balance at the beginning of the year	**2,896**	2,896	**972,849**	972,849
Purchases	**-**	-	**-**	-
Used in share schemes	**-**	-	**-**	-
Balance at the end of the year	**2,896**	2,896	**972,849**	972,849

Treasury shares are unallocated Company shares held by the Trustee of the Executive Share Plan 2003 and are recognised as a reduction in shareholders' funds of the Group. There were no Treasury shares purchased during the year.

SECTION E – OTHER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

This section contains additional notes and disclosures which do not form part of the primary sections but which are required to comply with financial reporting standards.

- Financial risk management
- Provisions
- Contingent liabilities
- Auditor remuneration
- Related party and share based plans
- Financial instruments
- Financial assets
- Land and buildings
- Subsequent events
- Other accounting policies

E1: FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risk: market risk, credit risk and liquidity risk.

The Group's Treasury Policy is approved by the Board and is reviewed every three years. The Treasury Policy establishes principles and risk tolerance levels to guide management in carrying out risk management activities to minimise potential adverse effects on the financial performance of the Group. Compliance with policy is monitored and reviewed on a monthly basis.

Detail relevant to the following risks are covered in relevant sections:

Foreign exchange risk (a market risk)	Inventories	B1
Interest rate risk (a market risk)	Borrowings	D1
Credit risk	Trade & other receivables	B2
Liquidity risk	Borrowings	D1

E2: PROVISIONS

	Restructure provision $000	Make Good Provision $000	Commerce Commission Provision $000	Holiday Pay Provision $000	Total $000
Opening balance	45	3,155	1,885	-	5,085
Adjustment on transition to NZ IFRS 16	-	(581)	-	-	(581)
Restated as at 1 July	45	2,574	1,885	-	4,504
Additions	3,049	639	124	750	4,562
Used	(728)	(418)	-	-	(1,146)
Closing balance	**2,366**	**2,795**	**2,009**	**750**	**7,920**
Current	2,366	1,771	2,009	750	6,896
Non Current	-	1,024	-	-	1,024

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. This occurs when it is probable that a cost will be incurred to settle the obligation and a reliable estimate can be made of that obligation. Where material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognised as an expense.

KEY POLICY

The Group has adopted NZ IFRS 16 Leases in the current financial year, which requires management to perform an impairment assessment over its right-of-use assets in accordance with NZ IAS 36. This replaces the previous requirement to assess onerous leases under NZ IAS 37. The onerous lease provision was restated applying the new standard as at 1 July 2019 and the cumulative impact has been adjusted through the retained earnings and as such no comparative information has been restated.

- Make-good obligations on existing tenanted properties, including Stonedon Drive remediation work agreed as part of the sale and purchase agreement, estimated at $1.5m. There is additional provision recognised during the year as a result of the accelerated site exits being part of the Group's network consolidation strategy following the impact of COVID-19. Actual payment dates and costs will be known once each lease reaches its expiry date.
- Restructure Provision. The rationalisation of sites as part of the Group's network strategy, which has accelerated following the impact of COVID-19, has resulted in a significant level of redundancies within the business. The Board has approved the plans for restructuring and the Group announced to the market on 28 April 2020 that a business restructure will be undertaken resulting in approximately 150-200 redundancies. Costs included within this provision relate to restructuring in a number of areas which have commenced during the year ended 30 June 2020.
- Provision for Commerce Commission Fine. In December 2016 the Commence Commission announced that it had completed its investigation in relation to several steel companies, and that it intended to prosecute multiple companies under the Fair Trading Act, including Steel & Tube. The Commission's prosecution of Steel & Tube relates to the inadvertent use of a testing laboratory's logo on test certificates, and application of testing methodologies.

  In October 2018 the Auckland District Court imposed a fine of $1.885m, which was subsequently increased by the High Court to $2.009m in August 2019. The Commerce Commission and Steel & Tube have appealed the decision. The Court of Appeal hearing was held on 12 August 2020.

  A provision for estimated fines, penalties and costs in relation to this prosecution and their expected recovery under the Group's insurance policies has been provided for in the Group's financial statements. It is expected that the judgment will occur within the next 12 months.
- Provision for Holiday Pay. Following a recent High Court judgement, the Group has also recognised a provision for backdated holiday pay obligations of $0.75m. This provision recognised represents the best estimate of the Group's exposure based on the review undertaken of the Group's incentive arrangements. The expected settlement of this obligation is dependant on the outcome of the appeal of the current High Court judgement.

E3: CONTINGENT LIABILITIES

Indemnities given to the Company's trading banks in respect of performance bonds were $2.7m (2019: $2.0m) at balance date and were transacted in the ordinary course of business.

E4: AUDITOR REMUNERATION

Fees paid to PwC	2020 $000	2019 $000
– annual audit & half year review	**460**	345
– audit of the transition to NZ IFRS 9 and NZ IFRS 15	**-**	49
– additional fees paid for FY18 annual audit billed in 2019	**-**	75
– direct expenses associated with performance of the audit (eg. reimbursement of travel and accommodation costs)	**1**	5
Total audit and review fees	**461**	474
– tax compliance: annual tax return	**-**	25
– other tax advisory services	**-**	9
– tax advisory services in relation to the Company's Executive Share Scheme	**1**	-
– treasury policy review	**-**	24
Total non audit fees	**1**	58
Total	**462**	532

E5: RELATED PARTY AND SHARE BASED PLANS

The Group has related party relationships with its controlled entities and with key management personnel. The subsidiaries in the Group are:

Subsidiaries	Principal Activity	Balance Date	2020 Holding	2019 Holding
Steel & Tube New Zealand Limited	Non-trading	30 June	**100%**	100%
Composite Floor Decks Holdings Limited	Non-trading	30 June	**100%**	100%
Studwelders Limited	Non-trading	30 June	**100%**	100%
S & T Plastics Limited	Non-trading	30 June	**100%**	100%
S & T Stainless Limited	Stainless Distributor	30 June	**100%**	100%
Manufacturing Suppliers Limited	Fastenings Distributor	30 June	**100%**	100%
Composite Floor Decks Limited	Floor Decking Installer	30 June	**100%**	100%

Transactions with Key Management Personnel

	2020 $000	2019 $000
Short-term benefits	**3,598**	3,308
Termination benefits	**122**	282
	3,720	3,590

The Key Management Personnel are the Non-Executive Directors and Executive Management. Included in short term benefits are Directors' fees of $472,696 (2019: $504,375).

Executive Share Plan 2003

The Executive Share Plan offered certain personnel an opportunity to subscribe for rights to Company shares, as directed by the Board. Vesting of the rights occurs upon achieving certain service and non-market performance conditions in addition to Board-approved targets, based on total shareholder returns, after a minimum of three years to a maximum of five years from grant date and vest as equity. The rights to shares are equity settled.

Whilst no further Rights will be issued relative to the Executive Share Plan 2003, it will continue to operate until such time as the prior years' Rights that have been granted are either vested and exercised, forfeited or lapse, in accordance with that plan's rules. At 30 June 2020, all available remaining rights relating to this scheme have been forfeited following the termination / resignation of the relevant employees prior to 30 June 2020.

Executive Share Plan 2017

In February 2018 a new Executive share plan was approved by the Board, known as the Performance Rights Plan 2017 (PRP). The performance period for this scheme runs for 3 years and comprises two performance conditions (50% each) as follows:

a) The Benchmark Comparator (BC) ranks the Company's Total Shareholder Return (TSR) relative to the TSR of the NZX 50 Index securities.

   - Where the Company TSR equals the 50th percentile TSR of the Index Companies over the Performance Period, 50% of (BC) Performance Rights will vest.
   - Where the Company TSR equals or exceeds the 75th percentile TSR of the Index Companies over the Performance Period, 100% of (BC) Performance Rights will vest.
   - Where the Company's TSR over the Performance Period exceeds the 50th percentile TSR of the Index Companies but does not reach the 75th percentile, then between 50% and 100% of the (BC) Performance Rights, will vest as determined on a linear pro-rata basis.

b) The Absolute Comparator (AC) ranks the Company's TSR relative to the Company's Cost of Equity (CoE) plus a premium of 2% annualised and compounding.

   - Where the Company TSR is less than or equal CoE no (AC) Performance Rights will be vested
   - Where the Company TSR is greater than CoE but less than (CoE) + 2%, 50% of (AC) Performance Rights will vest
   - Where the Company TSR is equal to or greater than CoE + 2%, 100% of (AC) Performance Rights will vest

Performance Rights are only able to be exercised after completion of the three year performance period, providing and only to the extent that the performance conditions, and other relevant service and non-market performance conditions, have been satisfied. Any Benchmark and Absolute Comparator Performance Rights that do not vest at the Measurement Date will lapse.

During the year the following movements of rights to shares occurred in accordance with the rules of the share plans:

	No. of Rights Available 2020	No. of Rights Available 2019
Opening Balance	**1,278,789**	567,221
New Shares Granted	**1,151,208**	1,123,361
Rights Forfeited or Lapsed	**(158,163)**	(411,793)
Rights Exercised	**-**	-
Total	**2,271,834**	1,278,789

Rights Performance Conditions Start Dates	Expiry date	Issue date fair value	Total Rights Issued	Rights available 30 June 2020	Rights available 30 June 2019
1 July 2014 - 2003 Tranche 12	30/06/2019	$2.85	**288,711**	**-**	2,407
1 July 2015 - 2003 Tranche 13	30/06/2020	$2.66	**343,441**	**-**	6,846
1 July 2016 - 2003 Tranche 14	30/06/2021	$2.21	**475,596**	**-**	13,248
1 September 2017 - PRP Tranche 1	1/09/2020	$2.09	**371,366**	**195,673**	224,662
12 September 2018 - PRP Tranche 2	12/09/2021	$1.20	**1,160,204**	**924,953**	1,031,626
6 September 2019 - PRP Tranche 3	6/09/2022	$0.80	**1,151,208**	**1,151,208**	-
Total			**3,790,526**	**2,271,834**	**1,278,789**

The fair value of rights is determined using a Monte Carlo share price simulation model. The significant inputs into the model for shares granted during the period were the market share price at grant date, an exercise price of zero (as shares are issued to the employees at nil consideration on vesting), volatility of 32.1%, expected option life of between 1 and 3 years and an annual risk free interest rate of 1.19%. Volatility has been calculated based on the annualised volatility for the three years prior to the rights issue.

KEY POLICY

Both the Executive Share Plan 2003 and the Performance Rights Plan 2017 are considered to be equity settled schemes under NZ IFRS 2 and the vesting conditions for both schemes include both service and performance conditions.

Executive Share Plan 2003

The Board appoints a Trustee to administer the 2003 plan. The cost associated with this plan is measured at fair value at grant date and is recognised as an expense in profit or loss over the vesting period, with a corresponding entry to the reserve in equity. The estimate of the number of rights for which the service conditions are expected to be satisfied is revised at each reporting date, with any cumulative catch-up adjustment recognised in profit or loss in the period that the change in estimate occurred. Any rights not vested after the expiry of five years are cancelled. Shares purchased in this plan are recognised as treasury shares until they are distributed.

Performance Rights Plan 2017

The cost associated with this plan is measured at fair value at grant date and is recognised as an expense in profit or loss over the vesting period, with a corresponding entry to the reserve in equity. The estimate of the number of rights for which the service conditions are expected to be satisfied is revised at each reporting date, with any cumulative catch-up adjustment recognised in profit or loss in the period that the change in estimate occurred. Any rights not vested after the expiry of three years are cancelled.

E6: FINANCIAL INSTRUMENTS

	Financial assets at amortised cost	Derivatives for hedging at fair value	Financial liabilities at amortised cost
2020	$000	$000	$000
Cash and cash equivalents	**17,418**	**-**	**-**
Trade and other receivables excluding prepayments	**71,318**	**-**	**-**
Derivative financial instruments[1]	**-**	**103**	**-**
Total financial assets	**88,736**	**103**	**-**
Borrowings	**-**	**-**	**10,000**
Trade and other payables	**-**	**-**	**39,105**
Derivative financial instruments[1]	**-**	**223**	**-**
Lease liabilities	**-**	**-**	**107,707**
Total financial liabilities	**-**	**223**	**156,812**
2019			
Cash and cash equivalents	9,010	-	-
Trade and other receivables excluding prepayments	88,211	-	-
Derivative financial instruments[1]	-	120	-
Total financial assets	**97,221**	**120**	**-**
Borrowings	-	-	24,000
Trade and other payables	-	-	42,914
Derivative financial instruments[1]	-	263	-
Total financial liabilities	**-**	**263**	**66,914**

[1] Derivative financial instruments are measured at fair value calculated using forward exchange rates that are quoted in an active market (Level 2 of the fair value hierarchy).

E7: FINANCIAL ASSETS

The Group classifies its non-derivative financial assets as being measured at amortised cost, including any expected credit loss allowance provisions. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets. The Group's non-derivative financial assets comprise trade and other receivables and cash and cash equivalents.

Derivatives are measured at fair value. The portion of any fair value movement that is an effective hedge is measured in other comprehensive income, but any ineffective portion is included in profit or loss.

Management determines the classification of the assets at the initial recognition and re-evaluates the designation at each reporting date based on the business model and whether cash flows represent solely payments of principal and interest.

Purchases and sales of financial assets are recognised on the date the Group has committed to the transaction. De-recognition of financial assets occurs when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

E8: LAND AND BUILDINGS

This note provides information on the key inputs used in determining the fair value of land & buildings. The Group has measured its land & buildings at fair value. These are Level 3 on the fair value hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between any levels during the year.

The movements in Level 3 items during the period are shown in the table in section C1.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring Level 3 fair value measurements. The relationship of all these unobservable inputs to fair value is that the higher they are, the lower the fair value.

Description	Unobservable inputs	Range of inputs (from valuation reports) 2020	Range of inputs (from valuation reports) 2019
Owned land & buildings	Discount rate	**9.25% - 10.00%**	7.50% - 9.75%
	Terminal yield	**8.00% - 9.50%**	6.80% - 9.52%
	Capitalisation rate	**8.00% - 9.50%**	6.60% - 8.50%

E9: SUBSEQUENT EVENTS

The Group has completed the sale of its property at Parkinson Street, Gisborne for $1.4m net of expected sales costs, with settlement received on 31 July 2020. The carrying value of the property and related assets as at 30 June 2020 was $0.95m.

On 11 August 2020 the New Zealand Government announced that from midday 12 August 2020 Auckland would return to COVID-19 Alert Level 3 and the rest of New Zealand to Alert Level 2 for three days. These settings were subsequently extended on 14 August 2020 and on 24 August 2020 with these settings currently to continue until 11.59pm 30 August 2020, as at the date of signing these financial statements. The impact of the change in alert levels has been considered by the Group on the impairment assessment as outlined in Note C2.
No adjustments have been made to the financial statements.

On 27 August 2020 the Board determined that a full year dividend would not be declared following the assessment of the Group's full year's earnings and the uncertain economic outlook.

E10: OTHER ACCOUNTING POLICIES

Basis of consolidation

The Group applies the acquisition method to account for business combinations. The Group financial statements comprise the financial statements of Steel & Tube Holdings Limited and its controlled entities (subsidiaries) (see Note E5). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated from the date control ceases.

Consideration transferred is the fair value of assets transferred, liabilities incurred to the former owners of the acquiree and equity interests issued by the Group. Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at acquisition date.

All inter-company transactions and balances between Group companies are eliminated.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities at balance date are recognised in profit or loss except when deferred in equity as qualifying cash flow hedges. The Group's hedging largely comprises cash flow hedges for future purchases of inventory. The Group's current practice is to recognise the accumulated gains or losses on the hedging instrument / derivative against the carrying value of the inventory when inventory is recognised.

Accounts payable policy

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derivatives - Cash flow hedge

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks and interest risk arising from operational, financing and investing activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into. Subsequent to initial recognition, derivatives are re-measured at fair value.

The Group designates certain derivatives as hedges of a highly probable forecast transaction (cash flow hedge). The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognised in equity. The gain or loss on the ineffective portion is recognised in profit or loss in other gains/(losses). When the hedged item is a non-financial asset (for example, inventory or property, plant and equipment) the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period the hedged item is recognised in the Statement of Profit or Loss and Other Comprehensive Income. If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated or is exercised, any cumulative gain or loss previously recognised in equity remains in equity until the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to profit or loss within other gains/(losses).

Derivative financial instruments are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Impairment of non-financial assets:

Assets that have indefinite useful lives that are not subject to amortisation and intangible assets not yet available for use are tested annually for impairment. Assets (including intangibles and property, plant and equipment) subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Revenue recognition

Revenue comprises the fair value of sales of goods net of Goods and Services Tax, and discounts and after elimination of sales within the Group. The Group derives its revenue from the distribution and processing of steel and associated products. Revenue is recognised at a point in time when a Group entity has transferred control, which is when it has delivered the products to the customer, the customer has accepted the products and collectability of the related receivables is highly probable.

The table below provides further information on the revenue recognition across the Group based on each contract portfolio.

Contract Portfolio	Description	Key judgements	Outcome	Timing of Recognition
Cash or Credit Supply Sales	Any sales from individual orders without a formal written contract	No major judgement required	There is one performance obligation, being the supply of the product	*Point in time* Revenue is recognised at point of sale when the product is delivered
Supply and Installation Sales	Any contracts that contain supply and installation performance obligations	Determining whether or not the supply and installation components are "distinct" within the context of the contract	There are two performance obligations, being supply of the product and installation of the product Installation of the product is considered a distinct performance obligation as supply only contracts are also available on a stand-alone basis	*Point in time* Revenue relating to the supply performance obligation follows the same recognition process as for the 'Supply Only Sales' contract portfolio. *Over time* Installation of the product enhances an asset controlled by the customer as the installation is completed. Revenue relating to the installation performance obligation is recognised on a stage of completion basis based on the input of labour costs, as this is corresponds directly with the value to the customer of the Group's performance completed to date.
Supply Only Sales	Any contracts/sales agreements that only have supply of steel product clauses	Determining whether each act of supply should be treated as a separate performance obligation within the contract.	There is one performance obligation, being the act of the supply. Irrespective of how many supply events occur, the products supplied are all highly interrelated in that they all are required for the same construction project, and therefore represent a series of distinct supply events which are substantially the same and use the same method to measure progress towards completion. They are therefore accounted for as a single performance obligation.	*Over time* The products supplied are required to be modified to a significant extent and do not create an asset with an alternative use to the Group. The Group has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date. Revenue relating to Supply Only Sales is recognised in the amount to which the Group has a right to invoice under the terms of the contract.

The Group has also utilised the practical expedients specified in NZ IFRS 15 Revenue from Contracts with Customers in respect of the requirement to disclose the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations, where the contract has an original expected duration of one year or less, or where the Group has applied the practical expedient to recognise revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date. Any volume-based rebates extended to customers by the Group are recognised as a deduction from revenue, in line with the pattern of transfer of control of the relevant good or service to the customer, where payment is deemed to be highly probable.

Adoption status of relevant new financial reporting standards and interpretations

The following new standard was adopted by the Group for the year ended 30 June 2020:

– NZ IFRS 16 Leases

There are no other new standards or amendments to standards applicable to the Group for the year ended 30 June 2020.

NZ IFRS 16: LEASES

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts (subject to the application of allowable practical exemptions), similar to how finance leases are accounted for currently under NZ IAS 17.

The Statement of Profit or Loss and Other Comprehensive Income is also impacted by the recognition of an interest expense and a depreciation expense, as well as the removal of the current operating lease expense. The impact on net profit before tax of an individual lease over its term remains the same, however the application of NZ IFRS 16 results in a higher total depreciation and interest expense in the early years of a lease, and a lower expense in later years when compared with the current straight-line operating lease expense.

The Group has applied NZ IFRS 16 from 1 July 2019. The Group has adopted the simplified transition approach and has therefore not restated comparative amounts for the period prior to first adoption. The Group's Property leases were recognised in accordance with the 'cumulative catch-up' transition method, with the cumulative effect of initially applying NZ IFRS 16 recognised at the date of initial application. For all other leases the right-of-use asset was measured at an amount equal to the lease liability on transition. The Group has undertaken a significant project to facilitate the adoption of NZ IFRS 16. This has included the implementation of a lease management and accounting system to maintain all of the Group's lease data and to calculate the value of right-of-use assets, lease liabilities, depreciation expenses and finance expenses based on this data.

The Group has significant lease obligations and therefore adoption of NZ IFRS 16 has had a material impact on the Balance Sheet and Statement of Profit or Loss and Other Comprehensive Income. Adoption has impacted the following line items in the Balance Sheet and Statement of Profit or Loss and Other Comprehensive Income:

Balance Sheet

- Recognition of a right-of-use asset;
- Recognition of a lease liability;
- Recognition of a deferred tax asset; and
- Adjustment in opening retained earnings.

Statement of Profit or Loss and Other Comprehensive Income

- Decrease in operating leases expense;
- Increase in depreciation and amortisation expense; and
- Increase in finance costs (interest expense).

The Group has a number of categories of operating leases, including:

- Property leases - The Group has a variety of property leases across its national network of branches and processing facilities. The majority of the impact from the adoption of NZ IFRS 16 will be as a result of these property leases given their high value and comparative length of the leases (which under NZ IFRS 16 includes rights of renewal that are reasonably certain to be exercised). Where the Group has entered into sub-leases in respect of its property leases, each sub-lease will be assessed under the new standard to determine if it qualifies as a finance lease or an operating lease under NZ IFRS 16;
- Motor vehicle leases - The Group leases motor vehicles for staff use in sales and day-to-day operations;
- Equipment leases - The Group leases certain equipment for use in its distribution, manufacturing and warehousing activities. This includes material handling equipment such as forklifts and pallet trucks; and
- Other leases - other leases includes the lease of assets such as IT equipment, photocopiers and other plant or office equipment.

The Group has utilised the recognition practical expedients specified in NZ IFRS 16 in respect of short-term and low value leases where appropriate, as well as the use of a single discount rate to a portfolio of leases with reasonably similar characteristics and also relying on the Group's assessment of whether leases are onerous applying NZ IAS 37 immediately before the date of initial application. The amount of the asset and liability that the Group has recognised upon adoption of NZ IFRS 16 has been determined by the lease commitments at the time of adoption, subject to the application of these practical exemptions.

Independent auditor's report

To the shareholders of Steel & Tube Holdings Limited

We have audited the financial statements which comprise:

- the balance sheet as at 30 June 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of Steel & Tube Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of tax advisory services. The provision of this other service has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers, PwC Centre, 10 Waterloo Quay, Wellington 6011
T: +64 4 462 7000, F: +64 4 462 7001, pwc.co.nz

pwc

Description of the key audit matter	How our audit addressed the key audit matter
Impairment testing of the Group's non-financial assets The risk that the Group's non-financial assets may be materially impaired is considered a Key Audit Matter, due to the material nature of these assets and the significant judgement exercised by management to: • assess the recoverable amount of individual assets, including right-of-use assets, where there is an indicator of impairment as a result of the decision to close and/or merge a number of sites; • reassess and change the cash-generating units (CGUs) from the assessment at 30 June 2019 as a result of business operational changes; • allocate shared assets and costs to CGUs; • estimate the future results of the CGUs, including the impact of COVID-19, revenue, margins, digital initiatives, and net working capital improvements; and • assess the discount rates and terminal growth rates. As disclosed in note C1 and C5, a \$1.5m impairment of property, plant and equipment and a \$4.6m impairment of right-of-use assets was recognised for assets at sites that have been closed/merged. As disclosed in note C2, \$37m of goodwill was impaired as a result of an impairment assessment at the CGU and Group level at 31 December 2019, based on discounted cash flow valuations on a value in use (VIU) basis. As disclosed in note C2, management performed an impairment test for each of the three CGUs at 30 June 2020 based on discounted cash flow valuations on a fair value less cost of disposal (FVLCD) basis. As a result, a \$9m impairment of the software assets was recognised due to the difference between the recoverable amount and carrying amount of assets in the Distribution CGU. The Group concluded that the Reinforcing and Roll Forming CGU impairment tests supported the carrying value of those CGU's assets. In their sensitivity analysis, management identified that there were assumptions for which a reasonably possible change would cause the carrying amount to exceed the recoverable amount. These assumptions, together with the changes that would be required for the recoverable amount to be equal to the carrying amount, have been disclosed in note C2.	We obtained an understanding and evaluated the Group's processes and controls relating to impairment. *Assessing the recoverable amount of right-of-use assets and property, plant and equipment for assets at sites that have been closed/merged* We: • assessed management's identification of sites with right-of-use assets that have been closed/merged based on our review of board minutes and discussions with management; • assessed management's estimate of the recoverable amount of property, plant and equipment at sites that have been closed/merged by considering management's approach and by reviewing a sample of estimated market quotes obtained by management; • assessed the approach to determine the individual recoverable amount of a sample of right-of-use assets, with the assistance of our technical accounting specialists; • assessed the market lease rates and the ability to sublease, for a sample of sites, based on market demand, with the assistance of our real estate experts; and • assessed the impact of any subsequent events. *Determination of CGUs and allocation of shared assets and costs to CGUs at 30 June 2020* We performed procedures to evaluate and challenge the Group's determination and change of CGUs from the assessment as at 30 June 2019. This included: • reviewing internal management reporting to assess the level at which each group of assets contribute to independent cash flows; • comparing CGUs to our knowledge and understanding of the Group's operations, including the nature and use of assets within each CGU; • assessing that individual sites are not CGUs as there are a large number of transactions between sites; • confirming that CGUs were no larger than operating segments; and • reconciling assets allocated to CGUs to those totals within the fixed asset register and our knowledge of the Group's operations. We also assessed the basis for allocation of shared assets and costs to CGUs by considering alternative allocations and our understanding of the use of the assets.

Description of the key audit matter	How our audit addressed the key audit matter
	Assessing the recoverable amounts of each CGUs at 30 June 2020 and $9m impairment of software assets We obtained the calculations performed by management and understood the assumptions used. We gained an understanding of the current and forecast outlook for the industry and the strategic direction of the business. We determined our own independent view on the appropriate reasonable range for the recoverable amount of each CGU to test management's calculation of this amount. Our calculations and procedures included: • assessing the reasonableness of management's cash flow assumptions by considering external market forecasts, historical performance and/or other available support. Whilst some of our assumed inputs were different to those used by management, management's recoverable amounts were within our reasonable range; • using an auditor's expert to independently determine appropriate discount and long-term growth rates, and to assist us in challenging management's assumptions and developing our independent range; • assessing the allocation of impairment in the Distribution CGU to the software assets based on our understanding of the nature of other assets included in this CGU; and • assessing that headroom between the recoverable amount and the carrying amount based on FVLCD assessments were higher than on a VIU basis. We engaged an auditor's expert to assist us in our consideration of management's paper on the comparison between the net asset and the market capitalisation of the Group. As a result of our assessment of the recoverable amounts of CGUs at 30 June 2020, we also confirmed it was appropriate for the goodwill to be fully impaired during the year. Because of the subjectivity involved in valuing CGUs, there are a range of values, considering the level of estimation uncertainty inherent in the New Zealand market, which can be considered reasonable when evaluating the recoverable amount of a CGU. We audited the disclosures in the financial statements to ensure they are compliant with the requirements of the relevant accounting standards. Based on the above procedures there were no matters to report.

Description of the key audit matter	How our audit addressed the key audit matter
Assessment of the net realisable value (NRV) of inventory The Group has inventory of approximately $101 million as at 30 June 2020, with a provision for write-down of $1 million. The Group is required to hold inventory at the lower of cost and NRV. This is a Key Audit Matter as significant judgement is required to determine the NRV of slow moving and aged inventory, given its limited sales evidence. The Group's estimate of NRV considered: • the most recent achieved sales price for each Stock Keeping Unit (SKU); and • management judgement of the current realisable value for each SKU. Disclosure of the Group's inventory valuation assessment is included in note B1.	We obtained an understanding and evaluated the Group's processes and controls relating to assessing inventory NRV. We assessed management's process for identifying inventory categories for impairment consideration. This included undertaking procedures to assess the accuracy of reports used by management, including sample testing management's calculation of slow-moving inventory as at 30 June 2020. We assessed the reasonableness of the Group's estimate of NRV by performing the following procedures: • enquired of supply chain personnel to understand and corroborate the assumptions applied in estimating inventory provisions; • attended stock counts to assess controls to identify obsolete and damaged stock; and • assessed the accuracy of previous NRV estimates by reviewing the utilisation of the Group's prior year NRV provision and considering the margins achieved on inventory sales in the year. Where the Group assessed that a provision was not required for slow moving and aged inventory, we obtained, on a sample basis, evidence to support or challenge this assessment. Evidence obtained included: • invoices detailing recent sales transaction prices, and / or • enquiry of supply chain personnel to understand the demand for the inventory. Based on the above procedures there were no matters to report.

Description of the key audit matter	How our audit addressed the key audit matter
Existence of inventory The existence of inventory was considered a Key Audit Matter because of the Group's: • high volume and value of inventory; • large number of inventory locations; and • the significant effort required to complete procedures to obtain sufficient audit evidence of the existence of inventory. Disclosure of the Group's stock count programme is included in note B1	We obtained an understanding and evaluated the Group's processes and controls relating to the existence of inventory. We performed a number of procedures to address the risk that inventory did not exist. These procedures included inspection of a sample of inventory counts and attendance at inventory counts to assess the appropriateness of the Group's count procedures, the accuracy of counting, and the accuracy of recording of adjustments. We determined which count locations to attend based on our assessment of risk, including: • the volume and value of inventory held at locations; • the extent of inventory adjustments, including accuracy rates of counting; and • the extent of past compliance with the Group's cycle count programme. We also tested the reconciliation of the inventory counted to the quantity recorded in the inventory sub-ledger. To further assess whether materially all inventory had been counted during the year, we compared reports detailing inventory counted to the inventory listing as at 30 June 2020. We performed procedures to test the existence of inventory on hand as at 30 June 2020 at its current location. Based on the above procedures there were no matters to report.

Description of the key audit matter	How our audit addressed the key audit matter
Adoption of NZ IFRS 16 Leases The adoption of NZ IFRS 16 Leases as at 1 July 2019 resulted in the recognition of right-of-use assets of $105m and lease liabilities of $121m. Adoption of NZ IFRS 16 is a key audit matter due to the significant size of the right-of-use assets and lease liabilities, and the high level of management judgement required to: • determine the lease term, including whether any rights of renewal are reasonably certain to be exercised; and • assess the discount rate applicable to each lease. The Group has adopted the simplified transition approach and has not restated comparative amounts for the period prior to first adoption. The Group's property leases were recognised in accordance with the 'cumulative catch-up' transition method, with the cumulative effect of initially applying NZ IFRS 16 recognised at the date of initial application. The Group has implemented a lease management and accounting system to maintain lease data and calculate accounting entries in accordance with NZ IFRS 16. Disclosure of the Group's adoption of NZ IFRS 16 is included in note C5 and E10.	We obtained an understanding and evaluated the Group's processes and controls relating to the adoption of NZ IFRS 16. Our audit procedures in relation to the adoption of NZ IFRS 16 included: • verifying the accuracy of the underlying lease data in the lease system by agreeing a sample of leases to original contract or other supporting documentation; • assessing the appropriateness of the discount rates applied in determining lease liabilities, and the mathematical accuracy of lease liability calculations, by developing an independent range of expected lease liabilities using a discount rate developed by our internal valuation expert; • assessing the rights of renewal that are reasonably certain to be taken to determine the lease term for each lease sampled by considering historical renewal options taken and the Group strategy as at 1 July 2019; • considering completeness of lease liabilities by testing a sample of operating lease commitments as at 30 June 2019 to leases recognised at adoption of NZ IFRS 16 and considering the nature of other service contracts; and • assessing the appropriateness of disclosures against the requirements of NZ IFRS 16. Based on the above procedures there were no matters to report.

Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $2 million, which represents approximately 0.5% of revenue.

We chose revenue as the benchmark for our materiality as we consider this is an appropriate, and more stable measure of performance of the Group than net profit.

As reported above, we have four key audit matters, being:

- Impairment testing of the Group's non-financial assets
- Assessment of the net realisable value (NRV) of inventory
- Existence of inventory
- Adoption of NZ IFRS 16 Leases

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Barber.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
27 August 2020

Wellington

GOVERNANCE

Corporate governance at Steel & Tube is predicated on high standards of ethics and performance and is achieved through robust governance policies, practices and processes to ensure a culture that is open, transparent and focused on adding value for our stakeholders.

The Board regularly reviews Steel & Tube's governance structures and processes to identify opportunities for enhancement, ensure they are consistent with best practice and reflect Steel & Tube's operations.

Key governance highlights for FY20 include:

- Adoption of the new NZX Listing Rules
- Appointment of John Beveridge to the Board and retirement of Rosemary Warnock

The Board believes that the company's corporate governance framework materially complies with the NZX Corporate Governance Code 2019 (the Code). A summary of Steel & Tube's governance actions and performance against each of the Principles in the Code (including where practices materially differ from the Code) is detailed on the following pages.

Easy access to information about the company, including financial and operational information and key corporate governance policies and charters, is available through the company's website at https://steelandtube.co.nz.

The information in this report is current as at 27 August 2020 and has been approved by the Board of Steel & Tube.

CODE OF ETHICAL BEHAVIOUR

We expect our Directors and staff to act with integrity and professionalism, and undertake their duties in the best interests of the company, taking into account the interest of shareholders and other stakeholders. The Board has adopted a Code of Ethics, which is available on the company website and staff intranet.

The company Policy Manual also includes detailed standards of integrity, conduct and behaviour required of all employees. This forms part of the new employee induction programme.

We encourage employees to speak out if they have concerns. The avenues for doing so are detailed in the company's Whistle Blowing policy which is on the company website.

Steel & Tube has an Insider Trading Policy which, along with the Financial Markets Conduct Act 2013, imposes limitations and requirements on Directors and employees in dealing in the company's shares. These limitations prohibit dealing in shares while in possession of inside information and impose requirements for seeking consent to trade.

BOARD COMPOSITION AND PERFORMANCE

The Steel & Tube Board comprises five independent Directors, who have significant relevant industry and market experience, skills and expertise that are of value to the company. Profiles of Directors are available on the company website and included in the Annual Report. Directors' interests are disclosed on page 103 of the Annual Report.

John Beveridge was appointed to the Board in August 2019 and elected by shareholders at the Annual Meeting in September 2019. Rosemary Warnock stepped down as a Director at the Annual Meeting.

The roles and responsibilities of the Board are detailed in the Board Charter, which is reviewed at least every two years and is available on the company website. The Board's primary objective is to enhance shareholder value and protect the interests of other stakeholders by improving corporate performance and accountability.

The Board has delegated authority for day to day leadership and management of the business to the CEO, who in turn has sub-delegated authority to other company management with specified financial and non-financial limits. A formal Delegations of Authority Policy documents delegated authorities and is reviewed annually by the Board.

The company has written agreements with each Director, outlining the terms of their appointment.

The Board is satisfied that each Director has the necessary time available to devote to the position, broadens the Board's expertise and has a personality that is compatible with the other Directors.

The Board supports the separation of the roles of Chair and CEO and Steel & Tube's Chair is required to be an independent Director. Director independence will be determined in accordance with NZX Listing Rules and with regard to the factors described in the NZX Corporate Governance Code.

Directors are encouraged to undertake appropriate training and education to ensure they remain current on how to best perform their duties. In addition, management provide regular updates on relevant industry and company issues, including briefings from senior executives.

All Directors have access to executives to discuss issues or obtain information on specific areas in relation to matters to be discussed at Board meetings, or other areas as they consider appropriate.

The Board Committees and Directors, subject to the approval of the Board Chair, have the right to seek independent professional advice at the company's expense, to enable them to carry out their responsibilities.

The Board monitors its own performance and from time to time commissions external reviews to assess the performance of individual Directors and the Board's effectiveness.

DIRECTOR APPOINTMENT

Membership, rotation and retirement of Directors is determined in accordance with the Company Constitution and NZX Listing rules. The Nomination Committee has delegated responsibility from the Board to make recommendations on Board composition and nominations, subject to the company Constitution. The Committee has developed a skills matrix and takes into account a number of factors including qualifications, experience and skills. Shareholders may also nominate candidates for election to the Board.

The Board believes that the current Directors offer valuable and complementary skill sets. Importantly, every one of Steel & Tube's Directors has either worked or is involved in directorships in the sector.

SKILLS MATRIX

KEY STRATEGIC AREAS

Sales/Marketing
Market segmentation, brand value proposition, strategic pricing

Digital
Risk management of implementation of customer digital platforms, extraction of value from organisational systems

Turnaround
Ongoing strategic decision making on optimal business models, cost management controls and asset optimisation

Supply Chain
Large scale distribution, modern warehousing and freight and logistics optimisation.

Core skills and competencies

- Governance
- Commercial
- Financial Acumen
- Mergers & Acquisitions
- QHSET and associated systems
- Business Turnaround
- Steel Industry
- Manufacturing
- Construction/Infrastructure
- Logistics, Supply Chain & Procurement
- Sales,Marketing and Brand
- Digital Technology and Change
- People, Culture and Employee Relations

DIVERSITY

Equality and diversity are cornerstones of our organisational culture. We believe that diversity at Steel & Tube is integral to creating a collaborative workplace culture, competitive advantage and ultimately, sustainable business success.

Diversity provides us with a broad range of perspectives and experience that enhance the quality and depth of our decision-making, and helps create a united team approach across all levels of our organisation.

Our approach to diversity is outlined in the Diversity Policy, which is available on the company website.

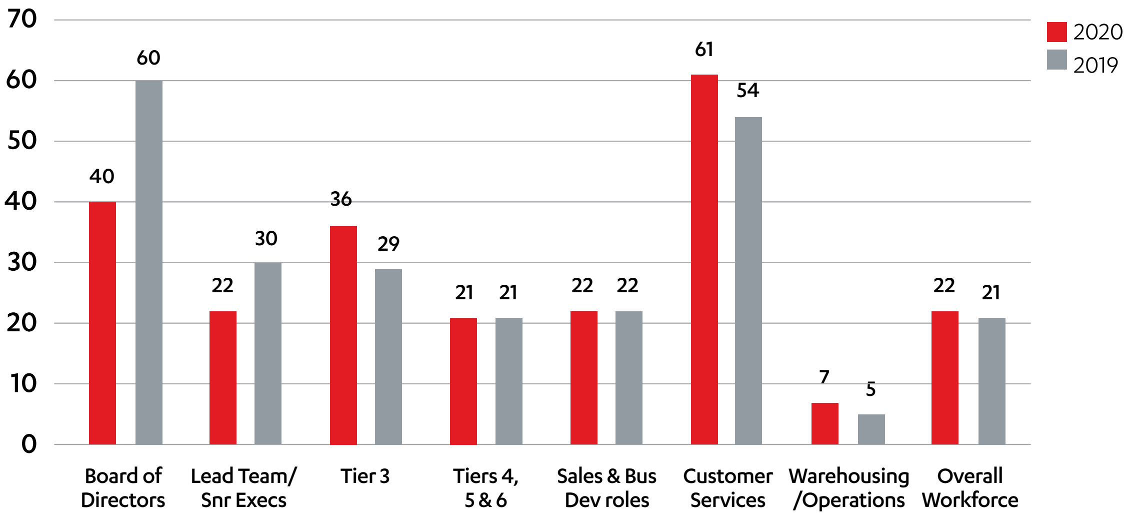
Key areas of focus are:

- Recruitment and retention of a diverse workforce
- Fair and consistent reward and recognition
- Flexible working arrangements
- Employee engagement
- Agreed standards of conduct and behaviour

Steel & Tube has a diverse workforce, representing more than 15 different ethnicities. English is a second language for a number of these staff, so Steel & Tube has initiatives in place to support them in the workplace, including the opportunity to participate in Steel & Tube's Numeracy and Literacy Programme.

A number of initiatives are in place to support diversity and the Board believes the principles in the Policy were adhered to in FY20.

GENDER DIVERSITY AT STEEL & TUBE (% OF FEMALES)



The Board of Directors comprised two females (2019: three) and there were two females (2019: three) on the leadership team as at 30 June 2020, one of whom is currently on parental leave.

BOARD COMMITTEES

The Board has established several standing committees, each of which has a Board approved written charter summarising the role, responsibilities, delegations and membership requirements. The Board regularly reviews the charters of each Board committee, the committees' performance against those charters and membership of each committee. The Board believes that committee charters, committee membership and roles of committee members comply with recommendations in the Code.

Current membership of each of the Board committees is set out on page 96. Board committees assist the Board by focussing on specific responsibilities in greater detail than is possible in Board meetings. However, the Board retains ultimate responsibility for the functions of its committees and determines their responsibilities. The Board appoints the members and chair of each committee, with the committee chair reporting committee recommendations to the Board.

Management attendance at committee meetings is by invite only.

In the case of a takeover offer, Steel & Tube would follow its takeover protocols including forming an Independent Takeover Committee to oversee disclosure and response and to engage expert legal and financial advisors to provide advice on procedure.

REPORTING AND DISCLOSURE

Steel & Tube's Directors are committed to keeping investors and the market informed of all material information about the company and its performance, in a timely manner. In addition to all information required by law, Steel & Tube also seeks to provide sufficient meaningful information to ensure stakeholders and investors are well informed.

Steel & Tube is committed to providing accurate, timely, consistent and reliable disclosure of information to ensure market participants have fair access to information that may impact on its share price. The company's Continuous Disclosure Policy sets out the principles and requirements of this commitment to timely disclosures.

For the financial year ended 30 June 2020, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013. The Chief Executive and Chief Financial Officer have confirmed in writing that Steel & Tube's external financial reports are presented fairly in all material aspects.

We have a commitment to ensuring that we add value for all our stakeholders, from our shareholders to our staff and the communities we operate in, as well as reducing the environmental impact of our activities. We believe it is our corporate responsibility to ensure we play our part in making the world a better place.

In line with this, over the last year we have formalised our approach to ESG – environmental, social and governance principles – which we believe will enhance our company and support our growth. We have reported on our progress in our What Matters section in this report, on pages 20 to 27.

REMUNERATION

Remuneration of Directors and senior executives is the key responsibility of the Governance and Remuneration Committee. The framework for the determination and payment of Directors' and senior executives' remuneration is set out in the Remuneration Policy. External advice is sought on a regular basis to ensure remuneration is benchmarked to the market for senior management positions, Directors and Board Committee positions.

Details of Director and Executive Remuneration in FY20 are provided on pages 99 to 102.

The table below sets out Director attendance at Board and Committee meetings during FY20. Board meetings are usually held monthly, with other meetings to deal with certain matters arising from time to time being held when necessary. The number of board meetings and calls escalated due to the COVID-19 lock-down and response.

In total, there were an additional 13 board meetings held in relation to Steel & Tube's response to COVID-19. These were attended by the majority of Directors.

STEEL & TUBE'S BOARD COMMITTEES AS AT 30 JUNE 2020

Committee	Role	Independent Director Members
Quality, Health, Safety and Environment	Assist the Board to meet its responsibilities in relation to the company's Quality, Health and Safety (H&S) and Environment policies and procedures, and legislative compliance	Chris Ellis (Chair) Anne Urlwin John Beveridge
Audit and Risk	Assist the Board in its oversight of the integrity of financial reporting, financial management and controls, external audit quality and independence, and the risk management framework	Anne Urlwin (Chair) John Beveridge Steve Reindler
Governance and Remuneration	Assist the Board to establish and maintain a strong governance framework overseeing the management of the company's people, remuneration and diversity policies	Steve Reindler (Chair) Susan Paterson Chris Ellis
Nominations	Assist the Board in ensuring appropriate Board performance and composition and in appointing directors	Susan Paterson (Chair) Anne Urlwin John Beveridge Steve Reindler Chris Ellis

FY20 MEETING ATTENDANCE

	Board	COVID-19	Quality, Health, Safety & Environment Committee	Audit & Risk Committee	Governance & Remuneration Committee	Nominations Committee (1)
Total number of Meetings	12	13	3	5	3	1
Susan Paterson	12	13	2	5	3	1
Anne Urlwin	12	13	3	5	2	1
Chris Ellis	12	13	3	5	2	1
Steve Reindler	11	11	1	5	3	1
John Beveridge(2)	10	13	2	4	1	-
Rosemary Warnock (3)	3	-	-	1	-	1

[1] Met as part of full Board meeting.

[2] John Beveridge was appointed to the Board on 14 August 2019.

[3] Rosemary Warnock retired from the Board on 25 September 2019.

RISK MANAGEMENT

Steel & Tube's ability to deliver appropriate returns to its shareholders requires successful execution of business strategy and plans.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit & Risk Committee assists the Board in overseeing and monitoring significant business risks and overseeing management's processes to mitigate the identified risks. Management regularly report to the Audit & Risk Committee and the Board on significant business risks and treatments for those risks.

The Group is exposed to risks from a number of sources, including operational, strategic, economic and financial risks. Steel & Tube's Corporate Risk Management System Framework incorporates policies, procedures and appropriate internal controls to identify, assess and manage areas of significant business and financial risks. The Group applies effective risk management principles across its business units to ensure risk is identified, assessed, categorised and ranked to allow the business to understand its risks.

KEY RISKS

Key risks are assessed on a risk profile identifying the likelihood of occurrence and potential severity of impact. Key risks are managed with a focus on decreasing the risk likelihood, and minimising the risk impact should it occur. Key risk areas include:

- Operational risk: e.g. health & safety, product quality, supply chain, data and systems, business continuity
- Strategic risk: e.g. Execution of strategic initiatives, competitive environment, technological change
- Economic risk: e.g. Market risk, sector risk and
- Financial risk: e.g. Business performance, capital management.

RISK MANAGEMENT PROCESSES

Steel & Tube's Corporate Risk Management System Framework mandates one framework for risk management to:

- Integrate risk management in line with the Board's risk appetite into structures, policies, processes and procedures; and
- Deliver regular key risk reviews, reporting and monitoring.

Key risks are owned by members of the executive leadership team. This promotes integration into operations and planning and a culture of proactive risk management. Key risks are reported to the Audit & Risk Committee. The Audit & Risk Committee reports to the Board.

Legislative compliance is monitored across each business unit through Quantate compliance management software.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT

The Board is committed to ensuring a safe and healthy environment for all Steel & Tube people and anyone in the company's workplaces. Ensuring Steel & Tube employees and contractors go home safely every day is the company's number one priority.

Our aim is to be the preferred New Zealand supplier for steel products and solutions and our expert people play an important role in that, sharing their knowledge and experience with our customers. Product quality remains a critical focus.

More information on our approach to Quality and Health & Safety is outlined in the What Matters section on page 20.

AUDITORS

External audit

Steel & Tube's External Auditor Independence Policy outlines our commitment to ensuring audit independence, both in fact and appearance, so that Steel & Tube's external financial reporting is viewed as being highly objective and without bias.

For the year ended 30 June 2020, PwC was the external auditor for Steel & Tube. PwC was re-appointed under the Companies Act 1993 at the 2019 Annual Meeting. Partner rotation occurred in FY19.

The Audit and Risk Committee monitors the ongoing independence, quality and performance of the external auditors and monitors audit partner rotation. The Committee pre-approves any non-audit work undertaken by PwC. The non-audit services in the year ended 30 June 2020 are set out in the Annual Report. Those services were provided in accordance with the company's External Auditor Independence Policy and were assessed by the Audit and Risk Committee as not affecting PwC's independence. The fees paid for audit and non-audit services in FY20 is identified on page 75 of the Annual Report. The external auditors attend the Annual Shareholders Meeting each year.

Internal Audit

Steel & Tube operates an out-sourced internal audit function, which reports to and is monitored by the Audit and Risk Committee. KPMG were appointed internal auditors during the FY17 year and have continued to provide this service in FY20. The Committee approves the annual internal audit plan, receives internal audit review reports on the adequacy and effectiveness of Steel & Tube's internal controls and monitors the implementation of KPMG's recommendations arising from its review findings.

SHAREHOLDER RIGHTS AND RELATIONS

We are committed to open and regular dialogue and engagement with shareholders. Easy access to information about the performance of Steel & Tube is available through the Investor Centre on company's website at https://steelandtube.co.nz/investor-centre.

Our investor relations programme includes semi-annual post-results briefings with investors, analysts and investor meetings, and earnings announcements. The programme is designed to provide shareholders and other market participants the opportunity to obtain information, express views and ask questions.

We endeavour to make it easy for shareholders to participate in annual shareholder meetings, which are held in a main centre and also streamed live online. Shareholders are able to ask questions of and express their views to the Board, Management and the external auditors at Annual Shareholders Meetings. The Board considers that shareholders should be entitled to vote on decisions that would change the essential nature of Steel & Tube's business. The Board adopts the one share, one vote principle, conducting voting at shareholder meetings by poll. Shareholders are also able to vote by proxy ahead of meetings without having to physically attend those meetings.

Shareholders are encouraged to communicate with the company and its share registry electronically.

In addition to shareholders, we have a wide range of stakeholders and maintain open channels of communication for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association, as well as our staff, suppliers and customers.

REMUNERATION

DIRECTOR REMUNERATION

Total remuneration available to non-executive Directors in the year ended 30 June 2020 was $575,000 as approved by shareholders.

The Remuneration and Governance Committee reviews the remuneration of Directors annually.

As at 30 June 2020 the standard Directors' fees per annum were $145,000 for the chair and $75,000 for each non-executive director. Board committee chairs also receive additional fees of between $5,000 - $10,000 for their committee responsibilities. The Directors also took a fee reduction during the year in response to COVID-19.

Directors' fees exclude GST, where applicable. Directors are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs.

The total amount of remuneration and other benefits received by the Directors during the year ended 30 June 2020 was $472,696 as shown in the table below:

Director	Directors Fees	Committee Chair Fees	FY20 Total	Responsibility
Susan Paterson	143,140	-	143,140	Board Chair
Anne Urlwin	74,038	9,872	83,910	Audit and Risk Committee Chair
Chris Ellis[1]	74,038	7,508	81,546	QHSE Committee Chair
Steve Reindler	74,038	4,896	78,934	Governance & Remuneration Committee Chair
John Beveridge[1]	65,071	-	65,071	
Rosemary Warnock[1]	17,731	2,364	20,095	

[1] John Beveridge was appointed as a Director on 14 August 2019 following the announcement that Rosemary Warnock would retire as a Director at the 2019 Annual Shareholders' Meeting held on 25 September 2019. Following Rosemary Warnock's retirement from the Board, Chris Ellis was appointed as QHSE Committee Chair.

EXECUTIVE REMUNERATION

Steel & Tube's Remuneration Policy and practices are designed to attract, retain and motivate high calibre people at all levels of Steel & Tube.

The CEO and executives have the potential to earn a Short Term Incentive (STI) each year. Steel & Tube's STI is based on performance targets and is designed to differentiate performance and reward delivery. STI values for the CEO and executives are set as a percentage of Fixed Annual Remuneration (FAR) based on the scale, complexity and performance expectations of each individual STI participant's role.

The CEO and executives, together with a limited number of non-executive senior managers, also have the potential to earn a Long Term Incentive (LTI). Steel & Tube's LTI is designed to incentivise and retain key personnel, align the interests of executives and shareholders and encourage long-term decision-making. LTI values for the CEO and executives are set as a percentage of FAR.

STI performance targets reflect a mixture of financial, quality & safety, customer services and strategy delivery objectives appropriate for the position held by the individual STI participant.

The STI plan also includes a company based performance hurdle, where no STI is payable to any participant if the year-end results are 80% or less of the company's financial target. Additionally, in the event of a fatality or serious injury, where the company is considered culpable by the Board, no STI payment is payable to the Chief Executive, Executives and their direct reports and no payment is payable for the Health, Safety and Environment component to all other STI participants.

The current LTI (referred to as the Performance Rights Plan (PRP)) was developed and approved by the Board in February 2018. The PRP performance period runs for three years and comprises of two performance conditions (50% each) as follows:

a) The Benchmark Comparator (BC) ranks the company's Total Shareholder Return (TSR) relative to the TSR of the NZX 50 Index securities.

   i. Where the company TSR equals the 50th percentile TSR of the Index Companies over the Performance Period, 50% of (BC) Performance Rights will vest.

   ii. Where the company TSR equals or exceeds the 75th percentile TSR of the Index Companies over the Performance Period, 100% of (BC) Performance Rights will vest.

   iii. Where the company's TSR over the Performance Period exceeds the 50th percentile TSR of the Index Companies but does not reach the 75th percentile, then between 50% and 100% of the (BC) Performance Rights, will vest as determined on a linear pro-rata basis.

b) The Absolute Comparator (AC) ranks the company's TSR relative to the company's Cost of Equity (CoE) plus a premium of 2% annualised and compounding.

   i. Where the company TSR is less than or equal to CoE no (AC) Performance Rights will be vested

   ii. Where the company TSR is greater than CoE but less than (CoE) + 2%, 50% of (AC) Performance Rights will vest

   iii. Where the company TSR is equal to or greater than CoE + 2%, 100% of (AC) Performance Rights will vest

Performance Rights are only able to be exercised after completion of the three year performance period, provided and only to the extent that the performance conditions have been satisfied. Any Benchmark and Absolute Comparator Performance Rights that do not vest at the measurement date will lapse.

All rights granted under the company's previous LTI scheme, in place since 2003, have been either vested and exercised or forfeited, in accordance with that plan's rules.

The STI and LTI are both variable elements of remuneration, with selected employees invited to participate each year as approved by the Board. They are only paid if individual, company and shareholder TSR performance conditions and targets are met.

CEO REMUNERATION

The CEO's overall remuneration as at 30 June 2020 consists of a FAR, an STI at 60% of FAR and an LTI of 40% of FAR. This is reviewed annually by the Governance and Remuneration Committee and approved by the Board each year. During FY20, the CEO's remuneration was reduced in response to Covid-19.

The Governance and Remuneration Committee has determined that there will be no increase to the CEO's remuneration for the first half of FY21. Market conditions will be monitored and reviewed by the Committee in December 2020.

The STI performance targets for the CEO for the year ending 30 June 2020 were as follows:

Target KPIs	Weighting
Financial - Return on Funds Employed (ROFE)	70%
Health & Safety – Leading and lagging indicators	10%
Personal KPIs based on strategic and business priorities	20%

The table immediately below sets out CEO FAR and the pay for performance components of the CEO's remuneration package on an annualised basis. This table sets out the pay for performance outcomes for STI and LTI assuming 100% is paid out.

		Fixed Remuneration			Pay for Performance			
	MD/CEO	FAR[1]	Non-taxable benefits[2]	Sub total	Target STI[3]	Target LTI[4]	Sub total	Total target remuneration
2020	Mark Malpass	$714,000	nil	$714,000	$428,400	$285,600	$714,000	$1,428,000
2019	Mark Malpass	$700,000	nil	$700,000	$420,000	$392,000	$812,000	$1,512,000
2018	Mark Malpass	$700,000	nil	$700,000	$420,000	$210,000	$630,000	$1,330,000
2017	Dave Taylor	$855,000	$6,214	$861,214	$106,875	$268,316	$375,191	$1,236,405

The financial performance target for the full year to 30 June 2020 fell below the 80% hurdle requirement and accordingly no STI is payable to the CEO in relation to this.

Details of what has been earned and been paid to the CEO/MD in the past five years are outlined below:

	MD/CEO	FAR[1]	Non-taxable benefits[2]	STI earned in FY[5]	Value of LTI vested during FY[6]	Total remuneration earned during FY
FY20	Mark Malpass	$702,880	-	-	-	$702,880
FY19	Mark Malpass	$700,000	-	-	-	$700,000
FY18[7]	Mark Malpass	$587,239	-	$128,214	-	$715,453
FY17	Dave Taylor	$855,000	$6,214	$106,875	$268,316	$1,236,405
FY16	Dave Taylor	$824,000	$4,635	$195,700	$563,317	$1,587,652

The CEO has personally made an investment in the Company and has acquired 273,784 shares through on-market transactions and the pro-rata rights offer capital raise.

1 FAR includes any KiwiSaver employer contributions

2 There were no costs associated with any other benefits during the year ended 30 June 2020

3 STI target for the full year which is subject to achievement of performance targets as agreed with the Board in each year

4 LTI value of actual Rights granted in each year (which may be exercised after the completion of the three year performance period, providing and only to the extent that the performance conditions have been satisfied)

5 STI payable for the FY following the achievement of performance targets as agreed with the Board

6 LTI value of Rights as at the date vested (including the gross value of the associated dividends paid) in the FY related to Rights granted in the three to five years prior

7 FAR and total remuneration are for the prorated FY from 25 September 2017 to 30 June 2018

PAY GAP

The Pay Gap represents the number of times greater the Chief Executive Officer's remuneration is to the remuneration of an employee paid at the median of all Steel & Tube employees. For the purposes of determining the median paid to all Steel & Tube employees, all permanent full-time, permanent part- time and fixed-term employees are included, with part-time employee remuneration adjusted to a full-time equivalent amount.

At 30 June 2020, the Chief Executive Officer's fixed remuneration of $702,880 was 12.1 times (2019: 12.4 times) that of the median employee at $58,001 per annum.

Employee Remuneration

The number of employees or former employees who received remuneration and other benefits valued at or exceeding $100,000 during the year to 30 June 2020 are specified in the table.

The remuneration noted includes all monetary payments actually paid during the course of the year ended 30 June 2020 and restructuring and redundancy related compensation.

The remuneration paid to, and other benefits received by, Mark Malpass in his capacity as CEO for the year ended 30 June 2020 are detailed on page 101, and are excluded from the table.

There has been an increase from 2019 largely due to restructuring and redundancy payments made during 2020. If these payments were excluded then the total number of employees who received remuneration and other benefits valued at or exceeding $100,000 during the year to 30 June 2020 would be 98 (2019: 108).

Remuneration Range $000	No. of Employees
100 - 110	29
110 - 120	24
120 - 130	7
130 - 140	15
140 - 150	4
150 - 160	12
160 - 170	7
170 - 180	2
180 - 190	1
190 - 200	2
200 - 210	1
210 - 220	2
220 - 230	-
230 - 240	1
240 - 250	-
250 - 260	1
260 - 270	-
270 - 280	1
280 - 290	-
290 - 300	3
300 - 310	-
310 - 320	-
320 - 330	-
330 - 340	1
340 - 350	-
350 - 360	-
360 - 370	1
370 - 380	-
380 - 390	-
Total	**114**

DISCLOSURES

CHANGES IN DIRECTORS' INTERESTS

Directors made the following entries in the Directors Interests Register pursuant to section 140 of the Companies Act 1993 during the year ended 30 June 2020:

Director	Interests
Susan Paterson	Appointed to the board of the Reserve Bank of New Zealand.
Anne Urlwin	Appointed as a Director of Cigna Life Insurance New Zealand Limited and Precinct Properties New Zealand Limited. Ceased to be a Director of Chorus New Zealand Limited, Chorus Limited and One Path Life (NZ) Ltd.
Chris Ellis	Ceased to be a Director of WorkSafe NZ.
Steve Reindler	Ceased to be a Director of WorkSafe NZ.
John Beveridge	Director of Horizon Energy Distribution Limited & associated companies, Design Windows Auckland Limited & associated companies, NZ Scaffolding Group Limited, Blood Corp Limited, Challenger 9 Limited and Inzievar Properties Limited.

INFORMATION USED BY DIRECTORS

There were no notices from Directors requesting to disclose or use company information received in their capacity as Directors that would not otherwise have been available to them.

DIRECTORS' SHAREHOLDINGS

Steel & Tube securities in which each Director has a relevant interest as at 30 June 2020 are:

Director	Shares held
Susan Paterson	262,436 beneficially owned
Anne Urlwin	32,894
John Beveridge	20,000 beneficially owned
Steve Reindler	26,427
Chris Ellis	10,000

DIRECTORS' SECURITY DEALINGS

During the year ended 30 June 2020 directors disclosed the following securities transactions in respect of section 148(2) of the Companies Act 1993 and sections 297(2) and 298(2) of the Financial Markets Conduct Act 2013.

These transactions took place in accordance with Steel & Tube's Securities Trading Policy.

Director	Date of Transaction	Number of shares acquired / (disposed)	Nature of transaction	Consideration
Susan Paterson	22 May 2020	29,989	On-market acquisition	$19,216
Anne Urlwin	5 September 2019	10,000	On-market acquisition	$8,600
John Beveridge	28 May 2020	20,000	On-market acquisition	$12,682

INDEMNITIES AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and Steel & Tube's Constitution, the company has arranged Directors and Officers Liability insurance covering directors and employees of Steel & Tube, including directors of subsidiary companies, for liability arising from their acts or omissions in their capacity as directors or employees. The insurance policy does not cover dishonest, fraudulent, malicious or wilful acts or omissions.

SUBSIDIARY COMPANIES DIRECTORS

The remuneration of employees appointed as directors of subsidiary companies is disclosed in the relevant banding of remuneration set out under the heading Employee Remuneration. Employees did not receive additional remuneration or benefits for being directors during the year.

Directors of the subsidiary companies as at 30 June 2020 were:

Company	Directors
Steel & Tube New Zealand Limited	Mark Malpass, Greg Smith
Composite Floor Decks Holdings Limited	Mark Malpass, Greg Smith
Studwelders Limited	Mark Malpass, Greg Smith
S & T Stainless Limited	Mark Malpass, Greg Smith
Manufacturing Suppliers Limited	Mark Malpass, Greg Smith
S & T Plastics Limited	Mark Malpass, Greg Smith
Composite Floor Decks Limited	Mark Malpass, Greg Smith

TOP 20 SHAREHOLDERS

AS AT 6 JULY 2020

Twenty largest security holders as at 6 July 2020	Ordinary Shares	% Holding
New Zealand Steel Limited	26,274,753	15.83%
HSBC Nominees (New Zealand) Limited*	6,021,570	3.63%
Accident Compensation Corporation*	5,711,696	3.44%
Citibank Nominees (New Zealand) Limited*	3,087,181	1.86%
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct*	2,556,826	1.54%
FNZ Custodians Limited	2,222,298	1.34%
HPI Avondale Limited	2,103,786	1.27%
Chester Perry Nominees Limited	2,030,516	1.27%
Neil Douglas Waites	1,772,115	1.07%
Maxima Investments Limited	1,250,000	0.75%
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	1,143,371	0.69%
Philip George Lennon	1,000,000	0.60%
John Francis Managh & David Robert Percy	999,454	0.60%
Public Trust Class 10 Nominees Limited*	815,772	0.49%
Trevor Jeffrey Corfield & Marilyn Margaret Corfield	779,713	0.47%
ASB Nominees Limited <129244 Ml A/C>	775,000	0.47%
Custodial Services Limited <A/C 3>	731,851	0.44%
Leveraged Equities Finance Limited	650,000	0.39%
Custodial Services Limited <A/C 2>	648,983	0.39%
Custodial Services Limited <A/C 4>	642,493	0.39%
	61,217,378	**36.89%**

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

STEEL & TUBE HOLDINGS LIMITED (STU) SPREAD OF SHAREHOLDERS

AS AT 6 JULY 2020

Size of holdings	Number of holders	Number of shares	% of issued shares
1 – 999	1,511	636,170	**0.38**
1,000 – 4,999	2,877	7,049,344	**4.25**
5,000 – 9,999	1,290	8,825,270	**5.32**
10,000 – 49,999	1,881	37,661,345	**22.69**
50,000 +	449	111,800,411	**67.36**
	8,008	165,972,540	**100.00**

SUBSTANTIAL SECURITY HOLDER

The company received no Substantial Security Holders notices during the year.

Issued shares in the company at 30 June 2020 comprise:	
Ordinary shares fully paid	**165,972,540**
Ordinary shares partly paid (no voting rights)^	**25,000**
	165,997,540

^ Shares issued in the Senior Executives Share Scheme 1993

DIRECTORY

REGISTERED OFFICE

7 Bruce Roderick Drive, East Tamaki, Auckland 2013, New Zealand

PO Box 58880, Botany, Auckland 2163, New Zealand

Ph: +64 4 570 5000 **Fax:** +64 4 570 2453

Email: info@steelandtube.co.nz

Website: www.steelandtube.co.nz

SHARE REGISTRY

Computershare Investor Services Limited

Private Bag 92119, Auckland 1142, New Zealand

Ph: +64 9 488 8777 **Fax:** +64 9 488 8787

Email: enquiry@computershare.co.nz

Website: www.computershare.co.nz

STRONGER IN EVERYWAY

steel&tube

steelandtube.co.nz