steel&tube
STRONGER TOGETHER

2022 HALF YEAR REPORT

STEEL & TUBE HOLDINGS LIMITED

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Contents

These interim financial statements do not include all the notes and information normally included in the annual financial statements. Accordingly, they should be read in conjunction with the annual financial statements for the year ended 30 June 2021.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2021

	Notes	Unaudited December 2021 $000	Restated Unaudited December 2020[1] $000
Sales revenue	3	**282,187**	226,315
Other operating income	2	**1,112**	183
Cost of sales		**(217,756)**	(180,486)
Operating expenses		**(42,083)**	(38,233)
Software as a Service (SaaS) upfront expenditure	5	**(1,140)**	(1,032)
Earnings before interest, tax and other gains and losses		**22,320**	6,747
Other gains	6	**317**	1,765
Earnings before interest and tax		**22,637**	8,512
Interest income		**43**	11
Interest expense		**(2,671)**	(3,026)
Profit before tax		**20,009**	5,497
Tax expense		**(5,672)**	(1,433)
Profit for the period attributable to owners of the Company		**14,337**	4,064
Items that may subsequently be reclassified to profit or loss			
Other comprehensive loss - hedging reserve		**(295)**	(821)
Total comprehensive income		**14,042**	3,243
Basic earnings per share (cents)		**8.7**	2.5
Diluted earnings per share (cents)		**8.6**	2.5

The accompanying notes form part of these financial statements.

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note 5 for further details.

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2021

	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 2021		**156,669**	**41,721**	**403**	**-**	**(2,896)**	**663**	**196,560**
Committee decision for Software as a Service in opening retained earnings in relation to 2021[1]	5		**(2,808)**					**(2,808)**
Restated balance as at 1 July 2021[1]		**156,669**	**38,913**	**403**	**-**	**(2,896)**	**663**	**193,752**
Comprehensive income								
Profit after tax		**-**	**14,337**	**-**	**-**	**-**	**-**	**14,337**
Other comprehensive (loss) / income								
Hedging reserve (gross)		**-**	**-**	**(409)**	**-**	**-**	**-**	**(409)**
Deferred tax on above item		**-**	**-**	**114**	**-**	**-**	**-**	**114**
Total comprehensive income		**-**	**14,337**	**(295)**	**-**	**-**	**-**	**14,042**
Transactions with owners								
Dividends paid		**-**	**(5,460)**	**-**	**-**	**-**	**-**	**(5,460)**
Employee share schemes		**-**	**349**	**-**	**-**	**-**	**(146)**	**203**
Unaudited balance at 31 December 2021		**156,669**	**48,139**	**108**	**-**	**(2,896)**	**517**	**202,537**
Balance at 1 July 2020		**156,669**	**22,541**	**(85)**	**4,552**	**(2,896)**	**509**	**181,290**
Committee decision for Software as a Service in opening retained earnings in relation to 2020[1]	5		**(2,055)**					**(2,055)**
Restated balance as at 1 July 2020[1]		**156,669**	**20,486**	**(85)**	**4,552**	**(2,896)**	**509**	**179,235**
Comprehensive income								
Profit after tax (restated)[1]		-	4,064	-	-	-	-	4,064
Other comprehensive (loss) / income								
Hedging reserve (gross)		-	-	(1,139)	-	-	-	(1,139)
Release of revaluation to retained earnings (gross)		-	854		(854)	-	-	-
Deferred tax on above items		-	(88)	318	88	-	-	318
Total comprehensive income		**-**	**4,830**	**(821)**	**(766)**	**-**	**-**	**3,243**
Transactions with owners								
Employee share schemes		-	174	-	-	-	32	206
Unaudited balance at 31 December 2020		**156,669**	**25,490**	**(906)**	**3,786**	**(2,896)**	**541**	**182,684**

The accompanying notes form part of these financial statements.

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note 5 for further details.

BALANCE SHEET

As at 31 December 2021

	Notes	Unaudited December 2021 $000	Restated Audited June 2021[1] $000
Current assets			
Cash and cash equivalents		**3,214**	25,033
Trade and other receivables		**87,688**	83,401
Inventories		**152,937**	113,469
Derivative assets		**528**	607
Income tax receivable		**1,361**	-
		245,728	222,510
Non-current assets			
Deferred tax		**7,309**	12,865
Income tax receivable		**-**	1,361
Property, plant and equipment		**34,717**	34,393
Intangibles	5	**8,472**	9,133
Right-of-use assets		**80,929**	85,537
		131,427	143,289
Total assets		**377,155**	365,799
Current liabilities			
Trade and other payables		**71,256**	63,892
Borrowings	4	**2,000**	-
Provisions	8	**902**	3,006
Derivative liabilities		**302**	47
Short term lease liabilities		**13,296**	13,079
		87,756	80,024
Non-current liabilities			
Provisions	8	**1,447**	1,281
Long term lease liabilities		**85,415**	90,742
		86,862	92,023
Equity			
Share capital		**156,669**	156,669
Retained earnings		**48,139**	38,913
Other reserves		**(2,271)**	(1,830)
		202,537	193,752
Total equity and liabilities		**377,155**	365,799

These financial statements and the accompanying notes were authorised by the Board on 22 February 2022.

For the Board:

Susan Paterson Chair

Karen Jordan Director

The accompanying notes form part of these financial statements.

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note 5 for further details.

STATEMENT OF CASH FLOWS

For the period ended 31 December 2021

	Notes	Unaudited December 2021 $000	Restated Unaudited December 2020[1] $000
Cash flows from operating activities			
Customer receipts		**278,295**	234,698
Interest receipts		**42**	11
Payments to suppliers and employees		**(286,376)**	(208,942)
Payments for interest on leases		**(2,361)**	(2,540)
Interest payments		**(202)**	(259)
Wage subsidy received		**988**	-
Payment for litigation settlement		**-**	(1,563)
Insurance proceeds received		**-**	1,563
Net cash (outflow)/inflow from operating activities		**(9,614)**	22,968
Cash flows from investing activities			
Property, plant and equipment disposal proceeds		**37**	1,839
Property, plant and equipment and intangible asset purchases		**(2,535)**	(1,808)
Net cash (outflow)/inflow from investing activities		**(2,498)**	31
Cash flows to financing activities			
Net proceeds from/ (repayment of) borrowings		**2,000**	(10,000)
Dividends paid		**(5,460)**	-
Payment for leases		**(6,247)**	(6,537)
Net cash outflow from financing activities		**(9,707)**	(16,537)
Net (decrease)/increase in cash and cash equivalents		**(21,819)**	6,462
Cash and cash equivalents at the beginning of the year		**25,033**	17,418
Cash and cash equivalents at the end of the year		**3,214**	23,880
Represented by:			
Cash and cash equivalents		**3,214**	23,880
		3,214	23,880

The accompanying notes form part of these financial statements.

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note 5 for further details.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2021

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 interim financial statements have been reviewed, not audited, and were approved for issue on 22 February 2022.

These interim financial statements are presented in New Zealand dollars and rounded to the nearest thousand.

Basis of preparation

The Group is a for-profit entity. The interim financial statements have been prepared in accordance with, and comply with, New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IAS 34: Interim Financial Reporting, IAS 34: Interim Financial Reporting, and the NZX Main Board Listing Rules (issued 1 January 2019).

These interim financial statements do not include all the information required for an annual financial report and consequently should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2021. Non-GAAP measures shown in the interim financial statements are defined in the 2021 Annual Report.

These interim financial statements have been prepared using the same accounting policies and methods of computation as the financial statements for the year ended 30 June 2021 with the exception of the change in intangible assets accounting policy as outlined below.

The preparation of the interim 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. Where applicable and based on information available at the time of preparing the interim financial statements, the Group has updated its judgements, estimates and assumptions adopted since the audited financial statements of the Group for the year ended 30 June 2021.

These interim financial statements have been prepared on a going concern basis as the Group will be able to discharge its liabilities including the repayment terms of the banking facilities disclosed in Note 4.

The carrying value of all financial instruments approximates fair value. All financial instruments are held at amortised cost, with the exception of derivative instruments which are accounted for at fair value through profit or loss. The derivative instruments comprise forward foreign exchange contracts, the fair value of which are calculated using forward exchange rates that are quoted in an active market. All financial instruments accounted for at fair value through profit or loss are classified as level 2 of the fair value hierarchy. The Group applies hedge accounting and where derivative instruments are designated as hedging instruments in a cash flow hedge, fair value gains/losses are recognised in other comprehensive income and released either to profit or loss or the hedged item when the forecast transaction takes place.

Adoption status of relevant new financial reporting standards and interpretations

Change in intangible assets accounting policy

In March 2021 the IFRS Interpretations Committee (the Committee), which is responsible for interpreting the application of IFRS, issued a decision on configuring and customising software provided under Software as a Service arrangements (SaaS). The decision considers whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed. Where it is determined that the costs are to be expensed and they are in respect of a service that is distinct from the access to the software, the expense is recogised in profit or loss as incurred i.e. as the service is received. If the service is not considered distinct, the costs are recognised as an expense as the entity receives access to the customised software i.e. over the contract term. The decision was subsequently ratified by the International Accounting Standards Board in April 2021.

The Group's accounting policy has historically been to capitalise costs related to the configuration and customisation of SaaS arrangements as assets in the statement of financial position. In response to the Committee's decision, the Group revised its accounting policy in relation to these configuration and customisation costs for SaaS arrangements. The new accounting policy and the impact of the adoption is outlined in Note 5.

2. COVID-19

The World Health Organisation declared a global pandemic on 11 March 2020 due to the outbreak and spread of Covid-19. An outbreak of the Delta variant was detected in New Zealand during August 2021 which subsequently led to Alert Level 4 and 3 lockdowns imposed by the New Zealand Government. Whilst this has impacted the Group's results, there has been a strong recovery in revenues following Auckland and other regions returning to Covid-19 Alert Level 3 and below.

The Group was eligible for and received $988k in relation to the New Zealand Government's wage subsidy, which has been recognised in other income in the Statement of Profit or Loss and Other Comprehensive Income (31 December 2020: nil).

An assessment of the impact of COVID-19 on the interim financial statements as at 31 December 2021 is set out below, based on information available at the time of preparing the interim financial statements.

BALANCE SHEET ITEM	COVID-19 ASSESSMENT
Trade receivables	The Group has undertaken a review to ensure that the provision for expected credit losses reflects the current estimated exposure of defaults and the most recent economic forecasts. As a result, the Group has recognised a provision for doubtful debts of $2.4m as at 31 December 2021 (30 June 2021: $2.2m).
Right-of-use assets/ Lease liabilities	During the financial period, the Group had also successfully secured a sub-lease arrangement for one of its longer term leases which had been impaired previously and the Group has re-assessed the assumptions previously applied. Based on the assessment performed, the Group has recognised a reversal of impairment of $0.4m on these leases as at 31 December 2021.
Borrowings	There has been no changes to the covenants granted by the Group's banking partner since 30 June 2021. As at 31 December 2021, the Group is compliant with its covenants.
Provisions	There has been no changes to restructuring activities since 30 June 2021. As a result, the Group has not recognised any additional provision in relation to this.

3. OPERATING SEGMENTS

The Group has identified two reporting segments as at 31 December 2021 having regard for the criteria outlined in NZ IFRS 8 Operating Segments (NZ IFRS 8). 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 31 December 2021 is as follows:

December 2021	Distribution $000	Infrastructure $000	Other $000	Reconciled to Group $000
Timing of revenue recognition				
At a point in time	181,663	59,562	5	**241,230**
Over time	-	40,957	-	**40,957**
Revenue from external customers	**181,663**	**100,519**	**5**	**282,187**
Depreciation and amortisation	(4,951)	(3,324)	(1,023)	**(9,298)**
Expenses	(157,319)	(93,951)	1,018	**(250,252)**
Segment EBIT	**19,393**	**3,244**	**-**	**22,637**
Interest on leases	(1,388)	(965)	(7)	**(2,360)**
Interest - others (net)				**(268)**
Reconciled to Group Profit Before Tax				**20,009**

December 2020	Distribution $000	Infrastructure $000	Other $000	Reconciled to Group $000[1]
Timing of revenue recognition				
At a point in time	131,852	46,259	9	**178,120**
Over time	-	48,195	-	**48,195**
Revenue from external customers	**131,852**	**94,454**	**9**	**226,315**
Depreciation and amortisation	(4,698)	(3,195)	(644)	**(8,537)**
Expenses	(121,844)	(87,713)	291	**(209,266)**
Segment EBIT	**5,310**	**3,546**	**(344)**	**8,512**
Interest on leases	(1,466)	(1,054)	(20)	**(2,540)**
Interest - others (net)				**(475)**
Reconciled to Group Profit Before Tax				**5,497**

Depreciation and amortisation recognised as at 31 December 2021 is inclusive of depreciation recognised under NZ IFRS 16 Leases, which is in line with the financial reports received by the CEO.

Interest recognised under NZ IFRS 16 Leases is shown separately in the financial reports provided to the CEO. Other interest income and expense are not allocated to segments as these are driven by the central treasury function, which manages the cash position of the Group.

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 interim financial statements. Comparative figures have been amended to include a reclassification of $1.1m of revenue recognised between point in time and over time to align with current year presentation.

[1] Comparatives have been restated for the impact of a change in accounting policy in regards to the accounting for Software as a Service arrangements. Refer to Note 5 for further details.

4. BORROWINGS

The Group has a three year $50m Revolving Cash Advance Facility with an expiry date of 15 February 2024. Borrowing facilities arranged with the Group's banking partner can be drawn at any time, subject to meeting the terms of the Group's Facility Agreement (31 December 2021: $2.0m drawn and 31 December 2020: $nil drawn).

As at 31 December 2021, the Group has not relied on financial covenant waivers and is compliant with all financial covenants.

5. INTANGIBLE ASSETS

During the period, the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements in response to the Committee's agenda decision clarifying how current accounting standards apply to these types of arrangements. The Group's accounting policy has historically been to capitalise costs related to the configuration and customisation of SaaS arrangements as intangible assets in the statement of financial position. Following the adoption of the above Committee agenda decision, current SaaS arrangements were identified and assessed to determine if the Group has control of the software. For those arrangements where control does not exist, the Group derecognised the intangible asset previously capitalised.

Accounting Policy

Software as a service (SaaS) arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. For SaaS arrangements, the Group assesses if the contract will provide a resource that it can 'control' to determine whether an intangible asset is present. If the Group cannot demonstrate control of the software, the arrangement is deemed a service contract and any implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when incurred.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. If distinct, such costs are expensed as incurred when the services is provided. If not distinct, such costs are expensed over the SaaS contract term.

In implementing SaaS arrangements, the Group has incurred customisation costs which creates additional functionality to a cloud based software. Management has determined that it has rights to the intellectual property and has owned the developed software which meets the definition and recognition criteria for an intangible asset.

Cost incurred for the development of software that enhances or modifies, or creates additional functionality to an on-premise software that meets the definition and recognition criteria of intangible assets are recognised as intangible assets. When these costs are recognised as intangible software assets they are amortised over the useful life of the software on a straight line basis.

The Group reviewed the agreements and supporting documentation for all capitalised software and associated projects. The Group has applied the required treatment retrospectively. Comparative information has been restated to reflect the retrospective application of the SaaS guidance. The following table presents the impact of the restatement on the comparative information presented in the interim financial statements:

Balance Sheet

Balances as at 1 July 2020	Previously Reported $000	Adjustment $000	Restated $000
Intangibles	11,886	(2,854)	**9,032**
Deferred tax	11,595	799	**12,394**
Other assets/(liabilities)	157,809	-	**157,809**
Net assets	**181,290**	**(2,055)**	**179,235**
Retained earnings	22,541	(2,055)	**20,486**
Other equity balances	158,749	-	**158,749**
Total equity	**181,290**	**(2,055)**	**179,235**

Balances as at 1 July 2021	Previously Reported $000	Adjustment $000	Restated $000
Intangibles	13,033	(3,900)	**9,133**
Deferred tax	11,773	1,092	**12,865**
Other assets/(liabilities)	171,754	-	**171,754**
Net assets	**196,560**	**(2,808)**	**193,752**
Retained earnings	41,721	(2,808)	**38,913**
Other equity balances	154,839	-	**154,839**
Total equity	**196,560**	**(2,808)**	**193,752**

Statement of Profit or Loss and Other Comprehensive Income

Balances for the period ended 31 December 2020	Previously Reported $000	Adjustment $000	Restated $000
Operating expenses	(38,921)	688	**(38,233)**
Software as a Service (SaaS) upfront expenditure	-	(1,032)	**(1,032)**
Profit before tax	**5,841**	**(344)**	**5,497**
Income tax expense	(1,529)	96	**(1,433)**
Profit for the period attributable to owners of the Company	**4,312**	**(248)**	**4,064**

The adoption of the Committee agenda decision has resulted in recognition of costs to configure SaaS arrangements as an upfront expense of $1.0m and a reversal of amortisation of $0.7m to the prior year's Statement of Profit or Loss and Other Comprehensive Income.

Statement of Cash Flows

Balances for the period ended 31 December 2020	Previously Reported $000	Adjustment $000	Restated $000
Payments to suppliers and employees	(207,910)	(1,032)	**(208,942)**
Net cash inflow from operating activities	**24,000**	**(1,032)**	**22,968**
Property, plant and equipment and intangible asset purchases	(2,840)	1,032	**(1,808)**
Net cash outflow from investing activities	**(1,001)**	**1,032**	**31**

6. IMPAIRMENT TESTING

NZ IAS 36 Impairment of Assets ("NZ IAS 36") requires the Group to assess for any indicators of impairment at the end of each reporting period 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").

As at 31 December 2021, the Group has not identified any indicators of impairment over the assets held by the Group. The Group's market capitalisation is above net assets as at balance sheet date with improved trading performance. The Group has therefore concluded that no impairment is required as at 31 December 2021.

The Group has re-assessed the assumptions used for the previously impaired sites with longer term leases (> 3 years) based on current market outlook and consideration over the sites' utilisation of space in line with the Group's network strategy. Based on the assessment performed, the Group has recognised a reversal of impairment of $0.4m on these leases as at 31 December 2021 which represents a partial recovery of the total impairment charge recognised previously.

7. RELATED PARTIES

The Company has related party relationships with its subsidiaries and with key management personnel.

There have been no material changes in the nature or amount of related party transactions for the Group since 30 June 2021.

8. PROVISIONS

The Group recognised a Holiday Pay Provision of $0.85m as at 30 June 2021. The provision relates to the Group's potential backdated holiday pay obligations following a High Court judgement on an unrelated company on a similar matter. Following the Court of Appeal ruling in this case, the Group has released its Holiday Pay provision of $0.85m as at 31 December 2021.

The Group held a make good provision for the remediation work carried out on one of its existing tenanted properties being Stonedon Drive which was agreed as part of the sale and purchase agreement. Remediation work has completed as at 31 December 2021 and the Group has released $0.5m of the unutilised provision.

9. SUBSEQUENT EVENTS

On 23 January 2022, the New Zealand Government announced that the whole of New Zealand will move into the Red setting of the Traffic Light system effective from 11.59pm 23 January 2022. In response to the change in settings, the Group's operations were carried out in compliance with the New Zealand Government's requirements. These operating restrictions have not required any further restructuring or adjustments to the 31 December 2021 reported balances.

On 22 February 2022, the Board declared an interim dividend of 5.5 cents per share (2021: 1.2 cents) totalling $9.1m (2021: $2.0m). The dividends will be paid to shareholders on 25 March 2022.

KPMG

Independent Review Report

To the shareholders of Steel & Tube Holdings Limited

Report on the interim consolidated financial statements of Steel & Tube Holdings Limited (the 'Company') and its subsidiaries (together the 'Group')

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 2 to 13 do not:

i. present fairly in all material respects the Group's financial position as at 31 December 2021 and its financial performance and cash flows for the 6 month period ended on that date; and

ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

- the balance sheet as at 31 December 2021;
- the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Steel & Tube Holdings Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Other matter

The consolidated financial statements for the Group for the year ended 30 June 2021 and the interim consolidated financial statements for the Group for the 6 months period ended 31 December 2020 were audited or reviewed (as appropriate) by another auditor who expressed an unmodified opinion on those statements on 23 August 2021 and 25 February 2021 respectively.

Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review 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 shareholders as a body for our review work, this report, or any of the opinions we have formed.

KPMG

Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

— the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;

— implementing necessary internal control to enable the preparation of interim consolidated financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim consolidated financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG
Auckland
22 February 2022

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AUDITORS

KPMG